

City of Burleson
Debt Management Policy
July 10, 2023

Purpose

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuous evaluation of and reporting on all debt obligations issued by the City, and to provide for the preparation and implementation necessary to ensure compliance and conformity with this policy.

A debt management policy:

- Enhances the quality of decisions by providing transparency of the process
- Promotes consistency and continuity in decision making
- Contributes to fiscal sustainability
- Identifies objectives for staff to implement
- Demonstrates a commitment to longer term financial planning objectives
- Improves rating agencies review process

Policy Statement

Under the governance and guidance of Federal and State laws and the City's Charter, ordinances and resolutions may periodically enter into debt obligations to finance the construction or acquisition of infrastructure and other assets; or to refinance existing debt for the purpose of meeting its governmental obligations to its residents. It is the City's objective to ensure that such debt obligations are issued and administered in such fashion as to obtain the best long term financial advantage to the City and its residents, while making every effort to maintain and improve the City's bond ratings.

General Debt Governing Policies

The City establishes the following policies on the issuance and management of debt:

- The City will not issue debt obligations or use debt proceeds to finance current operations or normal maintenance.
- Debt financing includes general obligation bonds, certificates of obligation, revenue bonds, lease/purchase agreements and other obligations permitted to be issued under Texas law.
- The City shall review its outstanding debt annually for the purpose of determining if the financial marketplace will afford the City the opportunity to refund an issue and lessen its debt service cost. As a general rule, the present values savings of a particular refunding should exceed three and one-half percent (3.5%) of the refunded maturities, unless a restructuring or bond covenant revision is necessary in order to facilitate the ability to provide services or issue additional debt in accordance with the established debt policies.
- The City will utilize debt obligations only for acquisition, construction, reconstruction or renovation of capital improvement public infrastructure projects, and capital equipment that cannot be funded from current revenue sources or in such cases where it is more equitable for the project to be financed over its useful life or a period of not to exceed its useful life.
- The City will measure the impact of debt service requirements of outstanding and proposed debt obligations on a single year, five, and twenty year periods. This analysis will consider debt service maturities and payment patterns as well as the City's commitment to cash fund capital projects.
- The City will seek advice and services of a Financial Advisor in performing the bond issuance process. The City will also seek the advice of Bond Counsel as to the legality and tax exempt status of any obligations.
- The bond proceeds will be invested in accordance with the City's investment policy. Interest earning received on the investment of bond

proceeds shall be use to assist in paying the cost associated with the capital project or be used toward the repayment of debt. The City is committed to continuing disclosure of financial and pertinent credit information relevant to the City's outstanding securities and will abide by the provisions of the Securities and Exchange Commission (SEC) or other law, as applicable.

- The City will utilize a reimbursement resolution approved by City Council to begin working on capital projects prior to issuing debt. In general, reimbursements are made no later than 18 months after the later of the date of the original expenditure is made or the date the project is placed in service, but in no event more than 3 years after the original expenditure is paid.

Debt Limit

- The maximum combined tax rate of the City is \$2.50 per \$100 valuation under State law. Administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all tax supported debt service, as calculated at the time of issuance.
- The State of Texas does not prescribe a legal debt limit on the amount of outstanding revenue bonds.
- The City of Burleson's charter does not provide a debt limit lower than the \$2.50 maximum tax rate under State law.

Specific Debt Ratios and Measurements

This section establishes target debt ratios and measurements for the City. As the City periodically addresses its ongoing needs, the City Manager and the City Council must ensure that future elected officials will have the flexibility to meet the capital needs of the City. This policy establishes targets which should provide future flexibility.

Purpose of Issuance – The City will issue debt obligations for acquiring, constructing, reconstructing or renovating Capital Improvements or for refinancing existing debt obligations. Projects must be designated as public purpose projects by the City Council prior funding

Maximum Maturity – All debt obligations shall have a maximum maturity of the earlier of,

- The estimate useful life of the Capital Improvements being financed;
- Or twenty years except for special purpose debt as determined by the City Council which may be finance for periods consistent with the purpose of the debt;
- Or debt issued to refinance outstanding debt obligations, the final maturity of the debt obligations being refinanced, unless the Financial Advisor recommends a longer term.

Outstanding Debt – Finance Director will monitor and report the outstanding debt to the City Council at least annually. The Finance Director is responsible for monitoring the maturities and terms and conditions of all obligations to ensure compliance.

Future debt – Debt will be structured by reviewing the 5-year CIP plan, growth of the City, and level or declining debt service payments over the life of existing bonds.

Self-Supporting Debt – Bonds backed with the general obligation pledge often have lower interest rates than revenue bonds. The City may use its general obligation pledge with self-supporting debt when the population served by the self-supporting bond projects overlap or significantly are the same as the property tax base of the city. The City Council and management are committed to maintaining rates and fees structures and revenue stream of revenue supported debt at levels that will not require a subsidy from the City's General Fund.

Net Debt Per Capita – is the amount of debt outstanding for each citizen of a jurisdiction. Net direct debt is the sum of all general obligation bonds and notes outstanding less the fiscal year-end balance of the debt service fund less any self-supporting obligations excluding overlapping debt, and revenue debt. The City **shall strive** to maintain the current Net Debt per Capita at or below \$3,000.

Net Debt to Assessed Value – Assessed valuation shows the fiscal capacity of the tax base. The City **shall strive** to maintain a ratio of Net Debt to Assessed Value of properties in the City at or below three percent (3%).

Bond Covenants and Laws – The City shall comply with all covenants and requirements of its bond ordinances, the State and Federal laws authorizing and governing the issuance and administration of debt obligations.

Debt Committee

The Finance Committee shall function as the City's designated Debt Committee to oversee the implementation of debt strategies. The Committee shall meet twice a year or as requested by the City Manager and/or Finance Director.