



Staff Report

April 17, 2023 Council Meeting

Draft Debt Policy Discussion

Presenter: Cathy Huber Nickerson, Finance Director

Time Estimate: 10 minutes

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BACKGROUND: This presentation is to provide City Council an opportunity to review an update Debt Policy for the City.

SUMMARY: The City's current policy states:

General obligation and revenue debt will only be issued for capital needs and structured to limit financing costs and future commitments. Long-term debt will only be issued for real property, or capital projects and capital acquisitions with a life greater than three years. Long-term debt will not be issued to finance current operations. The maturity of long-term debt will be equal to or less than the expected life of the project or acquisition, and no longer than 20 years. In some utility infrastructure financing, a 30-year financing term may be considered. Interfund borrowing for short-term cash flow needs should be considered over external borrowing for terms less than two years. A resolution adopted by the council will approve and detail the terms of the borrowing. Loans from state agencies with favored interest rates and repayment terms should be considered whenever possible. The funding source for repayment of the loan shall be indicated. The bond coverage is detailed in each revenue bond issue. The current requirement is gross revenues less operation and maintenance costs before depreciation equate to at least 1.25 times the maximum annual debt service.

The attached policy recommends a more comprehensive approach to guild the use of debt by the City which is more in compliance with the Government Finance Officers Association of best practices.

BENEFITS TO THE COMMUNITY: This policy is in line with Council's goal to update the City's financial policies as identified in the City's Strategic Plan.

POTENTIAL CHALLENGES: This policy provides for guidelines which may be changed given economic changes in the City.

BUDGET IMPACT: Debt is a funding tool for the City and provides the ability to prudently use resources to finance capital needs as well as to address short-term liquidity needs as necessary.

RECOMMENDATION: Staff recommends City Council consider the new Debt Policy and will place the policy on the Council Regular Meeting.