

# **CITY OF MISSION, TEXAS**

## **DEBT MANAGEMENT POLICY**

### **I. PURPOSE**

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

### **II. POLICY STATEMENT**

Under the governance and guidance of Federal and State laws and the City's Charter, ordinances and resolutions, the City 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 obligation to its residents. It is the City's desire and direction to assure that such debt obligations are issued and administered in such a 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 and reputation in the investment community.

The City may also desire to issue debt obligations on behalf of external agencies or authorities for the purpose of constructing facilities or assets which further the goals and objectives of City government. In such cases, the City shall take reasonable steps to confirm the financial feasibility of the project and the financial solvency of the borrower; and, take all reasonable precautions to ensure the public purpose and financial viability of such transactions.

The City shall not issue debt obligations or utilize debt proceeds to finance current operations of the City assets that do not have a useful life beyond the term of the debt.

### **III. REVIEW PROCESS**

It is the responsibility of City staff to review and make recommendations regarding the issuance of debt obligations and the management of outstanding debt. The planning process will involve the City Manager, Finance Director, and Department Heads along with advice and counsel from the City Attorney, Financial Advisor and Bond Counsel.

Workshops and meetings will be held to discuss and take action concerning the issuance of debt and will be open to all interested parties. Official minutes will be taken when action is taken by the City Council at a regular or special meeting and copies will be made available upon request to the City Secretary.

The City Council will consider all issues related to outstanding and proposed debt obligations, and will vote on issues affecting or relating to the credit worthiness; security and repayment of such obligations, including but not limited to procurement of services, structure, repayment terms and covenants of the proposed debt obligations, and issues which may affect the security of the bonds and ongoing disclosure to bondholders and interested parties.

#### **IV. GENERAL DEBT GOVERNING POLICIES**

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

- A. The City will not issue debt obligations or use debt proceeds to finance current operations.
- B. The City will utilize debt obligations only for acquisition, construction or remodeling of capital assets that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
- C. The City will measure the impact of debt service requirements of outstanding and proposed debt obligations. This analysis will consider debt service maturities and payment patterns as well as the City's ability to pay for any of the proposed projects or acquisitions with funds already on hand.
- D. The City will not issue debt with the useful life of the asset is less than the term of the debt.

#### **V. SPECIFIC DEBT POLICIES, RATIOS AND MEASUREMENT**

This section of the debt Management Policy establishes the target debt policies, ratios and measurements for the City in the following categories:

- A. Measurements of Future Flexibility
- B. Constraints, Ratios and Measurements

##### ***A. Measures of Future Flexibility***

As the City periodically addresses its ongoing needs, the City Manager and the City Council must ensure that the future elected officials will have the flexibility to meet the capital needs of the City.

Tax Supported Debt Limit = 10% or less of Assessed Property Valuation

Goal / Target Unreserved General Fund Balance = 25% of operating expenditures

##### ***B. Constraints, Ratios and Measures***

The following constraints, ratios and measures shall govern the issuance and administration of debt obligations:

Purposes of Issuance - The City will issue debt obligations for acquiring, constructing or renovating Capital Improvements or for refinancing existing debt obligations. Projects must be designed as public purpose projects by the City Council prior to funding.

Maximum Maturity - All debt obligations shall have a maximum maturity of the earlier of:

i) the estimated useful life of the Capital Improvements being financed; or, (ii) maximum of thirty years; or, (iii) in the event they are being issued to refinance outstanding debt obligations the final maturity of the debt obligations being refinanced, unless a longer term is recommended by the City's Financial Advisor.

Net Debt Per Capita - The City shall strive to maintain the Net Debt Per Capita at or below the standard median for cities of comparable size. Any deviation from this will be weighed against the public purpose to be accomplished through the issuance of additional debt.

Net Debt to Taxable Assessed Value - The City shall strive to maintain a ratio of Net Debt to Taxable Assessed Value of properties within the City at or below the standard industry median for cities of comparable size. The ratio of Net Debt to Taxable Assessed Value shall be calculated by dividing the Net Debt by the taxable assessed value of all taxable properties within the City.

Capitalized Interest (Funded Interest) - Subject to Federal and State law, interest may be capitalized from date of issuance of debt obligations through the completion of construction for revenue producing projects. Interest may also be capitalized for projects in which the revenue designated to pay the debt service on the bonds will be collected at a future date, not to exceed six months from the estimated completion of construction and offset by earnings in the construction fund.

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