

CITY OF TWO RIVERS

ORDINANCE

An Ordinance to create Chapters 2-7-16 of the Municipal Code of the City of Two Rivers, Wisconsin, establishing a policy for responsible capital borrowing.

The Council of the City of Two Rivers, Wisconsin, ordains as follows:

SECTION 1. Subsection 2-7-16 of the Municipal Code of the City of Two Rivers, Wisconsin, is hereby created as follows:

SEC. 2-7-16. - RESPONSIBLE CAPITAL BORROWING POLICY.

(A) Purpose and Intent. The City Council finds that the responsible and strategic use of capital borrowing is essential to maintaining and improving the City's public infrastructure, facilities, and services. The purpose of this policy is to:

- 1. Formally tie the City's annual plan for capital borrowing to the real growth in its borrowing capacity, as measured by the change in equalized assessed property value.**
- 2. Ensure that the City reinvests in its future by funding critical capital projects in a planned and sustainable manner.**
- 3. Maintain a strong financial position and credit rating by adhering to prudent debt management practices and staying well within all legal and fiscal limits.**

(B) Annual Capital Borrowing Target. During the preparation of the annual budget, the Director of Finance shall calculate a target for new general obligation debt issuance for the forthcoming fiscal year. This target shall be directly indexed to the annual percentage change (increase or decrease) in the City's total equalized assessed value according to the most recent determination and certification by the Wisconsin Department of Revenue. This target shall serve as a primary guide for the City Manager's budget recommendation and City Council's consideration.

(C) Prudent Debt Limitations. All capital borrowing authorized by the City Council shall be subject to the following limitations:

- 1. Statutory Limit:** The City's total outstanding general obligation debt shall not exceed seventy-five percent (75%) of the constitutional and statutory debt limit (currently 5% of equalized assessed value as established by Wis. Stat. § 67.03).

2. **Debt Service Ratio:** The City shall strive to maintain a ratio of annual debt service expenditures (principal and interest) to total general fund operating expenditures of not more than twenty-five percent (25%).
3. **Debt Payout:** The City shall seek to structure its debt portfolio so that at least fifty percent (50%) of its outstanding principal is scheduled to be retired within ten (10) years.

(D) Exception for Emergencies. The limitations and targets established in this section may be exceeded by a supermajority vote (at least two-thirds) of the City Council if necessary to respond to a declared public emergency or to seize a unique and time-sensitive opportunity for significant community benefit, provided that a clear financial plan for managing the increased debt is approved simultaneously.

(E) Annual Reporting. As part of the annual budget document, the Director of Finance shall provide a comprehensive debt analysis that:

1. States the proposed capital borrowing target and its relation to the change in equalized assessed value.
2. Demonstrates compliance with all debt limitations set forth in this policy.
3. Presents key debt ratios and compares them to policy targets and municipal benchmarks.
4. Forecasts the long-term impact of the proposed borrowing on the City's debt portfolio and future tax levy.

SECTION 2: Severability. If any provision of this ordinance is invalid or unconstitutional, or if the application of this ordinance to any person or circumstances is invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions or applications of this ordinance which can be given effect without the invalid or unconstitutional provision or application.

SECTION 3: Effective Date. This ordinance shall take effect upon passage and publication as provided by law.

Adopted by the Council of the City of Two Rivers, Manitowoc County, Wisconsin this ____ day of _____, 2025.

Scott Stechmesser
President, City Council

Kyle Kordell
City Manager

Attest:

Amanda Baryenbruch, City Clerk

Approved as to form and legality:

Sean P. Griffin
City Attorney