

		Policy 501.04.06 Debt			
Owner:	Finance Director	Approving Position:	Common Council	Pages:	2
Issue Date:	10/16/2001	Revision Date:		Review Date:	
Special Instructions:					

I. PURPOSE

The debt policy ensures that the City's debt:

- A. does not weaken the City's financial structure; and
- B. provide limits on debt to avoid problems in servicing debt.

This policy is critical for maintaining the best possible credit rating.

II. GUIDELINES

- A. The City will use regularly occurring revenues to fund current operation costs; long term debt will not be used for operating costs.
- B. The City will confine long-term borrowing to capital improvements and development that have a life of more than 5 years and cannot be financed from current revenues.
- C. The City will pay back debt within a period not to exceed the expected life of the improvements.
- D. The City will not exceed 5 percent of the market value of taxable property for general obligation debt per state statutes. The City recognizes that bond anticipation notes are not general obligation debts per State Statutes, however, it is a policy to include the bond anticipation notes when calculating the 5% debt service-borrowing limit.
- E. The City will maintain good communications with bond rating agencies about its financial condition and will follow a policy of full disclosure in every financial report and bond prospectus. The City will comply with Securities Exchange Commission (SEC) reporting requirements.
- F. The City will follow a policy of full disclosure on financial reports and bond prospectus.
- G. The City will refinance or call any debt issue when beneficial for future savings.
- H. It is recognized that General Obligation (G.O.) Debt issued to support the Capital Improvement Program (C.I.P.) carries the full faith and credit of the City, however, the utility portion of State

Debt

Shared Revenues, which is recognized in the General Fund, shall be used to offset the associated debt service and cash flow requirements of the Capital Improvements Program

III. PROCEDURE

IV. REPORTING

V. JOB AIDS