

Debt Management Policy

1. Policy Objective

1. To set forth the City's policy regarding the issuance and management of debt.
2. To assist decision makers on the issuance, management, use, purpose, and timeline of issuing and managing debt.
3. To establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital investment needs.

2. Policy Details

1. *Issuance of Debt*

- a. City will only issue debt for one-time long-term, non-recurrent capital investments for City public improvements only.
 - i. City will not act as a conduit for other municipalities to issue debt.
- b. City will not issue debt to finance current or long-term operations.
- c. All debt issued will comply with all State of Idaho Code and can only be approved by City Council.
- d. All debt issuance considerations must be approved by Council prior to issuance.
- e. Long-term, non-recurrent capital investments will not be debt-financed for periods exceeding the projected useful life of the capital investment.
- f. Long-term debt will be used to finance non-recurrent capital expenditures or improvements only when it has been determined that future generations of citizens and/or taxpayers will derive benefit from the improvement.
- g. City will seek an investment grade rating of at least Baa/BBB on any direct debt issuance.

2. *Debt Capacity*

- a. City's General Fund long-term annual debt payments shall not exceed 5 percent of annual General Fund property tax revenues for all debt issued.
- b. City's Enterprise Fund long-term annual debt payments shall not exceed 5 percent of annual Enterprise Fund water and sewer revenues for all debt issued.

3. *Debt Payment*

- a. Revenue sources that will be used to pay long-term debt will be conservatively projected to ensure that such debt is adequately and soundly financed.
- b. Long-term debt will only be considered/issued when specific revenue resources will be sufficient to service long-term debt issuance.
- c. Chief Financial Officer/City Treasurer will be responsible for submitting all disclosure statements pursuant to [15c12-12](#).

4. *Debt Refinancing*

- a. Chief Financial Officer/City Treasurer will conduct periodic reviews of all outstanding debt to determine refinancing opportunities.
- b. Refinancing opportunities will be considered following federal tax law under the following conditions:
 - i. There is an economic benefit of at least a 5 percent net present value savings that can be achieved.
 - ii. It is needed to modernize covenants that are adversely affecting the City's financial position or operations.

5. *Allowable Debt Types*

- a. Debt Issuance Types:
 - i. General Obligation Bonds (GO's) ([State Idaho Code: 50-1019 through 50-1026A](#))
 - ii. Revenue Bonds (RB's) ([State Idaho Code: 50-1027 through 50-1042](#))
 - iii. Local Improvement Districts (LID's)
- b. Non-Debt Issuance Types:

- i. Line of Credit
- ii. Lease Financing

6. *Debt Arbitrage, Rebate Monitoring, and Reporting*

- a. City will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other documents to avoid arbitrage.
- b. If arbitrage occurs, the City will pay the amount of the arbitrage to the Federal Government as required by Internal Revenue Service Regulation [26 CFR 1.148-11](#).
- c. City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS regulation.
- d. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

3. Policy Roles and Responsibilities

- 1. City Council must approve any debt issuance considerations prior to issuance.
- 2. Only the City Council can approve any debt issuance.
- 3. Only the Mayor may submit debt issuance considerations to Council with the approval of the Chief Financial Officer/City Treasurer.
- 4. Departments are responsible for providing debt issuance considerations to the Finance department prior to submission to the Mayor.
- 5. Chief Financial Officer/City Treasurer will be responsible for submitting all official debt issuance considerations to the Mayor.
- 6. Chief Financial Officer/City Treasurer is responsible for assuring that all activities related to the issuance and payment of debt follows all State of Idaho Code.
- 7. Chief Financial Officer/City Treasurer or City Purchasing Manager must approve all Lease contracts/agreements or Lines of Credit.
- 8. Chief Financial Officer/City Treasurer is responsible for all reporting requirements associated to the issuance and payment of debt following State of Idaho Code.
- 9. Chief Financial Officer/City Treasurer is responsible for the solicitation and selection of professional services that are required to administer the City's debt.

4. General Purpose Statement

The City of Meridian (City) has an important responsibility to its citizens to carefully account for public funds, manage municipal finances wisely and transparently, manage growth, plan for adequate funding necessary for future maintenance, and development within the City.

The financial management policies of the City are designed to establish guidelines for the fiscal stability of the City. The scope of the financial management policies of the City generally spans, among other issues, accounting, auditing, financial reporting, internal controls, operating and capital budgeting, revenue management, cash and investment management, expenditure control, asset management, procurement, and debt management, in order to:

- a. demonstrate to the citizens of Meridian, the investment community, and community partners that the City is committed to a strong fiscal operation;
- b. provide precedents for future policy-makers and financial managers on common financial goals and strategies;
- c. present fairly, transparently, and with full disclosure the financial position and results of the financial operations of the City in conformity to Generally Accepted Accounting Principles (GAAP); and
- d. determine and demonstrate compliance with finance-related legal and contractual issues in accordance with provisions of the State of Idaho Government Code and other pertinent legal documents and mandates.

5. Policy Approval

Approval Date - 12/20/2019

Ordinance Number - 19-1866

Governance Body : Finance Department - Chief Financial Officer/City Treasurer