

## Debt Management Policy 2020-02

---

### **Purpose**

The Village acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Village. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the Village over a long period of time. Financing of these long-term assets is often accomplished through the issuance of long-term debt instruments. This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the Debt Management Policy is to establish criteria that will protect the Village's integrity while providing a funding mechanism to meet the Village's capital needs.

### **General Debt Management Policies**

#### 1. Financing Considerations

- a. The Village will limit long-term borrowing to capital improvements, equipment, property acquisition, and other long-term projects which cannot be financed from current revenues.
- b. The Village will not use long-term debt to finance current operations.
- c. In general, the final maturity of bonds and notes issued by the Village should not exceed the expected useful life of the underlying project for which it is being used.
- d. The Village will issue general obligation debt through a competitive bidding process with the exception of Village Board authorized negotiated sales. Bids will be awarded on a true interest cost, providing other bidding requirements are satisfied. A negotiated process may be used under the following conditions.
  - i. The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
  - ii. At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
  - iii. The nature of the debt is unique and requires particular skills from the underwriter(s) involved.
  - iv. The debt issued is bound by a compressed time line due to the extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.
- e. Periodic reviews of outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered if and when there is a net economic benefit of the refunding.

2. Types of Long-Term Debt – The following is a description of the types of long-term debt the Village may issue.

- a. General Obligation Debt – This debt is backed by the full faith and credit of the Village. In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of the equalized value of taxable property within the municipality’s jurisdiction.
  - b. Revenue Bonds – Revenue bonds are generally payable from a designated source of revenue generated by the project that was financed. Revenue bonds are not subject to the Village’s statutory debt limitation.
  - c. Short-Term Debt and Interim Financing – The Village may utilize short-term borrowing in anticipation of long-term bond issuance or to fund cash flow needs in anticipation of tax or other revenue sources. Under no circumstances is the Village to utilize short-term derivative contracts to provide “hedging” of interest costs for longer term debt. With Village Board approval, the Village may make loans from one fund to another fund to provide for cash flow coverage. Longer term uses will be allowed on a case-by-case basis.
3. Debt Limits and Structure
- a. Section 67.03 of the Wisconsin Statutes requires that general obligation debt outstanding not exceed 5% of the equalized value of the taxable property within the Village. The Village intends to keep outstanding general obligation debt within 65% of the limit prescribed by law and at levels consistent with its credit objectives and long-term financial plan.
  - b. The Village will keep the maturity of all outstanding general obligation bonds at or below 20 years.
  - c. The total annual debt service for general obligation debt (exclusive of that funded by proprietary operations) will not exceed forty percent (40%) of the Village’s total tax levy with an effort to maintain the levy at a proportionate even level for tax rate stabilization.
4. Financial Advisors
- a. The Village shall utilize the services of a qualified financial advisor in monitoring its debt and debt service.
  - b. The Village should strive to maintain a long-term relationship with a financial advisor to allow for continuity and consistency in services provided by the advisor. The arrangement between the financial advisor and the Village should be examined every three (3) to five (5) years or as deemed necessary by Village administrative staff and the Village Board.
  - c. All feasible alternatives (for example, State Trust Fund Loans, Clean Water Fund loans, and private placements with local financial institutions) for borrowing funds should be considered by the Village and the financial advisor depending on the uniqueness of the items or projects being financed by the long-term debt.
  - d. All costs of issuing long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.

- e. The Village will work with the financial advisor to ensure that long-term debt issues are structured to protect the interest of the Village for the present and in the future.

5. Other Consideration

- a. The Village is committed to meeting all debt covenants as stated within bond documents, contracts and ordinances.
- b. The Village will invest and spend debt proceeds within the established criteria presented within the bond ordinance, contract or other documents.
- c. Authority to issue debt is solely authorized through a legislative action of the Village Board.
- d. The Village Board provides for administrative management and payment of all debt obligations through the Finance Department and has authorized the Finance Director to administer these duties.

Debt Management Policy #2020-02 will take effect immediately upon adoption by the Village Board for the Village of Cross Plains.

Dated this 26<sup>th</sup> day of May, 2020.

Village of Cross Plains:

Attest:

By: \_\_\_\_\_  
 Jay Lengfeld  
 Village President

By: \_\_\_\_\_  
 Bill Chang  
 Village Administrator/Clerk