CITY OF BELOIT WISCONSIN	CITY OF BELOIT ADMINISTRATIVE POLICIES AND PROCEDURES **Debt Management Policy**		
Newest Revision Date April 8, 2025	**Original Issue Date** March 1998	**Prior Revision Date(s)** -	**Pages** 2
Special Instructions/Attachments			

I. PURPOSE

The purpose for the Debt Management Policy is to provide a general framework for the use, management and reporting of the City's debt financing. The primary objective of the policy is to establish conditions for the use of debt and to create policies that minimize the City's debt service and issuance costs, retain a high credit rating in the financial community, and to maintain full and complete financial disclosure and reporting. In addition to adhering to this Debt Management Policy, the City's financing will also be in compliance with applicable Federal law, U.S. Securities and Exchange Commission (SEC), Wisconsin State Statutes, Municipal Code, and other regulatory requirements.

II. STATEMENT OF POLICY

The Debt Service Fund accounts for the payment of principal and interest on General Obligation (GO) bonds and/or notes (debt) that are backed by the full faith and credit of the City. It has been the practice of the City to fund tax increment financing projects with current or past increment collected or through the issuance of GO debt and to service the debt with incremental tax revenues. Additionally, the City has issued GO debt that has financed improvements that are repaid from non-levy sources such as special revenue and enterprise funds. Therefore, debt service fund revenues reflect property tax receipts and incoming transfers from directly benefitted funds.

The City adopts a Five-Year Capital Improvement Plan (CIP) every year as part of their normal budget process. Within the CIP there is a list of projects which will require the issuance of debt in order to complete the project. The projection of this debt is built into any analysis performed when issuing current debt.

III. BOND RATING

The City should, at a minimum, not only maintain but strive to improve its credit rating. The City is currently rated as AA- with a "Stable Outlook" by Standard & Poor's which is considered "High Grade" debt. The next highest rating would be AA which is attainable if certain metrics used in Standard & Poor's methodology are achieved.

IV. USE OF DEBT

A. Use of the City's borrowing authority should be balanced between infrastructure maintenance and replacement as well as expenditures that would provide for tax base expansion, economic development, and/or housing development.

B. Debt should not be used for items of a recurring nature. Equipment should primarily be funded from operations and cash reserves allocated for that purpose. However, debt may be used if reserves are insufficient.

C. Debt should be structured to reflect the useful life of items being financed. Balloon payments are to be generally avoided.

D. Whenever possible, utility projects should be funded by operations or revenue debt vs. GO debt. This helps ensure that the item or project being financed will be paid for by user fees and that the City's GO debt capacity will be preserved. However, if GO debt is used for utility or enterprise fund projects, the proportionate amount of debt will be serviced through the respective fund.

V. DEBT LOAD LIMITATIONS

A. The State of Wisconsin limits the amount of outstanding GO debt to 5.0% of the City's Equalized Assessed Value (EAV). However, total use of GO debt shall generally be limited to not more than 3.0% of EAV.

B. Total outstanding principal of GO debt per capita shall generally not exceed the range of $1,675 to $2,525 in any year.

C. The equalized tax rate for GO debt shall generally not exceed the range of $2.50 to $3.75/$1,000 of EAV in any year.

D. Prior to any borrowing, the projected impact of the borrowing on the current and future years' equalized tax rate must be identified and approved. The calculation shall be done for both the proposed issue on a "standalone basis" and the proposed issue when combined with the levy for outstanding debt payments annually.

E. The ratio of total annual debt service payments to the total annual operating budget for all funds shall generally not exceed 15% to 20% in any year. The net debt service levy shall generally not exceed 10% to 15% of the total annual operating budget for all funds.

VI. FUND BALANCE

A. The City shall seek to achieve and maintain a general fund undesignated and unreserved fund balance of between 10% to 15% of general fund operating revenues at all times.

B. Any balance in the debt service fund shall be carried into the general fund balance only after all of the payments of municipal obligations for which the funds were appropriated into the debt service fund have been fully paid and canceled, consistent with the provisions of §67.11(5) Wis. Stats.

VII. NON-LEVY REVENUES AVAILABLE FOR DEBT

The City will seek to match non-levy revenues to debt service payments where available to minimize or avoid any need for general tax levy subsidy of enterprise or special revenue fund activities. Where such revenues are not available, prior to borrowing funds for such purposes, the City will identify the impact to the general tax levy and approve such subsidy as a matter of policy.

VIII. APPROVAL

This policy is hereby approved and intended to supersede any and all prior policies addressing issuance of debt and servicing of the debt issued by the City.