

# City of Stockbridge Debt Management Policy

## 1. General Debt Policy

- 1.1 Should the City of Stockbridge elect to issue any future bond debt, it shall seek to obtain the highest bond rating so borrowing costs are minimized and access to credit is preserved. It is imperative that the City of Stockbridge demonstrate to rating agencies, investment bankers, creditors, and taxpayers that City of Stockbridge officials are following a prescribed financial plan. The City of Stockbridge will follow a policy of full disclosure by communicating with bond rating agencies to inform them of the City's financial condition.
- 1.2 Any future bond issue proposal will be accompanied by an analysis provided by the proposing department, demonstrating conformity to the debt policies adopted by the City of Stockbridge Council. The Treasurer and City Administrator/Manager will review and comment on each bond issue proposal regarding conformance with existing debt and financial policies, and specific aspects of the proposed financing package and its impact on the City's creditworthiness.
- 1.3 The City of Stockbridge recognizes that it is of the utmost importance that elected and appointed City of Stockbridge officials, and all others associated with the issuance of City of Stockbridge debt, not only avoid the reality of a conflict of interest, but the appearance thereof as well. City of Stockbridge officials must conduct themselves in a fashion consistent with the best interests of the City of Stockbridge and taxpayers. Elected and appointed City of Stockbridge officials should avoid even the appearance of linkages between politics and public finance that can erode the confidence of taxpayers, ratepayers, and voters. This includes avoiding gratuities, and political contributions of more than nominal value from service providers and the disclosure of all possible conflicts of interest shall be provided in writing and filed with the Mayor and City of Stockbridge Clerk.
- 1.4 Bonds will be sold on a competitive basis unless it is in the best interest of the City of Stockbridge to conduct a negotiated sale. Competitive sales will be the preferred method. Negotiated sales may occur when selling bonds for a defeasance of existing debt, for current or advanced refunding of debt, or for other appropriate reasons.

## 2. Taxpayer Equity

- 2.1 The City of Stockbridge property owners and citizens who benefit from projects financed by bonds should be the source of the related debt service funding. This principle of taxpayer equity should be a primary consideration in determining the type of projects selected for financing through bonds. Furthermore, the principle of taxpayer equity shall be applied for setting rates in determining net revenues for bond coverage ratios.

## 3. Uses

- 3.1 Bond proceeds should be limited to financing the costs of planning, design, land acquisition, buildings, permanent structures, attached fixtures or equipment, and movable pieces of equipment, or other costs as permitted by Georgia Law. Utility revenue bond proceeds may be used to establish a debt service reserve

as allowed by Georgia Law. Acceptable uses of bond proceeds can be viewed as items which can be capitalized. Non-capital furnishings and supplies will not be financed from bond proceeds. Refunding bond issues designed to restructure currently outstanding debt are an acceptable use of bonds proceeds.

- 3.2 The City of Stockbridge will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency that is beyond its control or reasonable ability to forecast. Recognizing that bond issuance costs add to the total interest costs of financing, bond financing should not be used if the aggregate cost of projects to be financed by the bond issue does not exceed \$1,000,000.

#### 4. Decision Analysis

4.1 Whenever the City of Stockbridge is contemplating a possible bond issue, information will be developed concerning the following four categories commonly used by rating agencies assessing the City's creditworthiness. The subcategories are representative of the types of items to be considered. This information will be presented by the Treasurer and City Administrator/Manager to Finance Committee for its review and recommendation to the City Council.

- a. Debt Analysis
  - Debt capacity analysis
  - Purpose for which debt is issued
  - Debt structure
  - Debt burden
  - Debt history and trends
  - Adequacy of debt and capital planning
  - Obsolescence of capital plant
  
- b. Financial Analysis
  - Stability, diversity, and growth rates of tax or other revenue sources
  - Trend in assessed valuation and collections
  - Current budget trends
  - Appraisal of past revenue and expenditure trends
  - History and long-term trends of revenues and expenditures
  - Evidences of financial planning
  - Adherence to Generally Accepted Accounting Principles (GAAP)
  - Audit results
  - Fund balance status and trends in operating and debt funds
  - Financial monitoring systems and capabilities
  - Cash flow projections
  
- c. Governmental and Administrative Analysis
  - Government organization structure
  - Location of financial responsibilities and degree of control
  - Adequacy of basic service provision
  - Intergovernmental cooperation/ conflict and extent of duplication
  - Overall City planning efforts

- d. Economic Analysis
  - Geographic and location advantages
  - Population and demographic characteristics
  - Wealth indicators
  - Housing characteristics
  - Level of new construction
  - Types of employment, industry, and occupation
  - Evidences of industrial decline
  - Trend of the economy

4.2 The City of Stockbridge may use the services of qualified internal staff and outside advisors to assist in the analysis, evaluation, and decision process, including bond counsel and financial advisors. Recognizing the importance and value to the City's creditworthiness and marketability of the City's bonds, this policy is intended to insure that potential debt complies with all laws and regulations, as well as sound financial principles.

## 5. Debt Planning

5.1 Unlimited-tax general obligation bond borrowing should be planned and the details of the plan must be incorporated in the City of Stockbridge Capital Improvement Plan.

5.2 Unlimited-tax general obligation bond issues should be included in at least two Capital Improvement Plans preceding the year of the bond sale. The first inclusion should contain a general description of the project, its timing, and financial limits; subsequent inclusions should become increasingly specific.

## 6. Communication and Disclosure

6.1 Significant financial reports affecting or commenting on the City of Stockbridge will be forwarded to the rating agencies. Each bond prospectus will follow the disclosure guidelines of the Government Finance Officers Association (GFOA).

6.2 The City of Stockbridge should attempt to develop coordinated communication processes with all other Henry County jurisdictions that it shares a common tax base concerning collective plans for future debt issues. Reciprocally, shared information on debt plans including amounts, purposes, timing, and types of debt would aid each jurisdiction in its debt planning decisions.

## 7. General Obligation Bonds

7.1 Every project proposed for financing through general obligation debt should be accompanied by a full analysis of the future operating and maintenance costs associated with the project.

7.2 Generally, bonds cannot be issued for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed. The City of Stockbridge will attempt to keep the average maturity of general obligation bonds at or below 20 years. The City of Stockbridge will limit the total of its general obligation debt to eight percent (8%) of the City's assessed value.

7.3 Whenever possible, the City of Stockbridge will finance capital projects by using self-supporting revenue bonds. Revenue bonds assure the greatest degree of equity because those who benefit from a project and those who pay for a project are most closely matched.

## 8. Limited Tax General Obligation Debt

8.1 Limited tax general obligation bonds should be considered only when constraints preclude the preferred practice of voter approved general obligation bonds. As a precondition to the issuance of limited tax general obligation bonds, all alternative methods of financing should have been investigated. Consideration should always be given to provide a pledge of facility revenue to accompany the basic pledge of limited tax revenues.

8.2 Limited tax general obligation bonds should only be issued under certain conditions:

- a. A project to be financed will generate positive net revenues (i.e., additional revenues generated by the project will be greater than the debt service requirements). The net revenues should be positive over the life of the bonds, and be positive each year if possible. The City of Stockbridge recognizes that net revenues may not be positive in the early years of certain projects, but should be positive within a reasonable time period of five to seven years. These calculations will be made on a conservative basis so that the potential for a long-term net decrease in general fund revenues is minimized.
- b. Matching fund monies are available which may be lost if not applied for in a timely manner.
- c. Catastrophic conditions.

## 9. Revenue Bonded Debt

9.1 It will be a long-term goal that each utility or enterprise will ensure future capital financing needs are met by using a combination of current operating revenues and revenue bond financing. Therefore a goal is established that fifteen percent (15%) of total project costs should come from operating funds of the utility or enterprise.

9.2 It is City of Stockbridge policy that each utility or enterprise should provide adequate debt service coverage. A specific factor is established by City of Stockbridge Council that projected operating revenues in excess of operating expenses less capital expenditures, depreciation and amortization in the operating fund should be at least one and a quarter times (1.25) the annual debt service costs.

## 10. Short Term Financing/Capital Lease Debt

10.1 Short-term financing or capital lease debt will be considered to finance certain equipment and rolling stock purchases when the aggregate cost of equipment to be purchased exceeds \$25,000. Adequate funds for the repayment of principal and interest must be included in the requesting department's approved budget.

- 10.2 The term of short-term financing will be limited to the usual useful life period of the vehicle or equipment, but in no case will exceed ten (10) years.
- 10.3 Departments requesting capital financing must have an approved budget appropriation. Departments shall submit documentation for approved purchases to the City Treasurer each year within sixty (60) days after the annual budget is adopted. The Treasurer will consolidate all requests and may solicit competitive or negotiated proposals for capital financing to insure the lowest possible interest costs.