HUTCHINSON CITY COUNCIL POLICY - 28

SUBJECT: DEBT MANAGEMENT POLICY

DATE: Adopted: January 2, 2013

PURPOSE: This policy sets forth the parameters and guidance for issuing long-term debt, managing the City's long-term debt portfolio, and protecting the City's credit rating.

POLICY:

The City of Hutchinson recognizes the issuance of debt is an integral financing component of the capital improvement process and that a debt policy ensures maintenance of a sound debt position and protection of the City's credit. Therefore, this debt policy is adopted with the understanding that it needs to be periodically reviewed as a component of the capital improvement process.

1. Debt will be used to finance long-lived capital and operating assets. Debt maturities shall be for the shortest time possible under the circumstances, and in no situation will debt maturities exceed the useful life of the asset being acquired or constructed.

2. Debt shall be managed in such a way that the City's bond and interest mill levy shall be maintained at a fairly consistent level, avoiding wide movement either up or down.

3. The City may utilize a financial consultant specializing in the issuance of municipal debt. Unless extenuating circumstances dictate, debt shall only be sold on a competitive bid basis with the bid being awarded to the bidder submitting the lowest net interest cost (NIC).

   General obligation debt to be repaid with Ad Valorem taxes shall only be utilized when the asset being acquired will serve the overall public good. Other forms of debt to be utilized include revenue debt, when sufficient revenues are available to make such debt feasible; capital loan notes, where some source of revenues, other than General Fund revenues are available to service the debt, and tax increment bonds, when feasible. Lease purchase financing arrangements may be used for the acquisition of vehicles or equipment when practical, but only if no other financing method is feasible. Temporary notes will be used for special assessment projects and for projects where the amount of long-term financing required may vary greatly from the initial project estimates.

4. The City will place temporary notes in the following preferential order: 1) self-purchased if internal resources are available, 2) competitive local bidding if local bank interest is sufficient, 3) competitive market-wide bidding.

5. Debt management will provide for compliance with debt instrument provisions and appropriate disclosures to investors, underwriters, and rating agencies.

6. The City's debt shall be rated by Moody's Investors Service. The Finance Director will recommend whether or not an additional rating shall be requested on a particular financing and which of the major rating agencies shall be asked to provide such a rating.

7. The State Treasurer of Kansas shall serve as the registrar for all bonded debt incurred by the City.

8. Under Kansas Law, the City is limited to total outstanding bonded debt for general purposes of thirty percent (30%) of its equalized assessed valuation. As a matter of general practice, the City's outstanding applicable bonded debt shall not exceed 20% of its equalized assessed valuation. The remaining debt limit of 10% of equalized assessed valuation is to be reserved for emergency purposes.

9. No less than fifty percent (50%) of all debt outstanding shall be retired within ten years.

10. Nothing in this policy shall be construed as being in conflict with the provisions of the State Code of Kansas, nor shall this policy prevent the City Council from exercising its legal rights as established by State or Federal Statutes, if the majority of the City Council feels that it is in the best interest of the City.