

**RESOLUTION NO. 20-06
TOWN OF RIB
MOUNTAIN**

RE: Adoption of Debt Management Policy

Whereas, it is the desire of the Town Board to have a formal debt management policy; and

Whereas, the policy provides guidance for staff and elected officials, where necessary; and

Whereas, the policy offers a general framework for the use, management, and reporting of the Town's debt financing; and

Whereas, the policy has been reviewed and recommended by the Finance & Personnel Committee; and

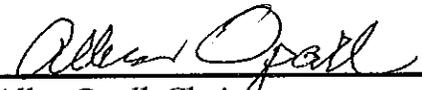
Whereas, this policy is subject to change at the discretion of the Town Board; and

Whereas, the Town Board has the ability to suspend policies and procedures when they deem necessary to protect the best interest of the public; and

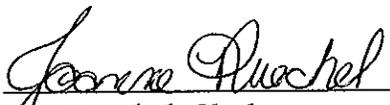
NOW, THEREFORE, BE IT RESOLVED, the Town of Rib Mountain Board of Supervisors, Marathon County, Wisconsin, hereby formally approves the attached debt management policy.

Adopted this 7th day of July 2020

APPROVED:


Allen Opall, Chairman

ATTEST:


Joanne Ruechel, Clerk

Debt Management Policy

Policy Statement

The purpose for the Debt Management Policy is to provide a general framework for the use, management, and reporting of the Town'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 Town'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 Town's financing will also follow applicable Federal law, U.S. Securities and Exchange Commission (SEC), Wisconsin State Statutes, Town code, and other regulatory requirements.

Reason for Policy

The Town's Debt Management Policy is a **guideline** for Town staff to use in recommending debt in order to assure the community that the Town is well-managed, financially sound, and to obtain financing at the lowest cost. It will be the responsibility of the Town Administrator and/or Finance Director, or designee, to recommend debt on behalf of the Town. Upon Town Board approval, the Town Administrator and/or Finance Director, or designee, will coordinate to ensure that all financings are issued in full compliance with related laws and regulations. Any substantive modifications made to this policy must be approved by the Town Board.

Definitions

Arbitrage: According to 26 U.S. Code 148, arbitrage is related to the use of tax-exempt proceeds for reinvestment in higher yield taxable securities and the excessive accrual of interest revenue from bond proceeds.

Capital Improvement Plan (CIP): A multi-year financial planning tool that identifies capital projects for the Town. The CIP is the primary tool used to plan for debt.

Capital Projects: The acquisition, creation, or improvement of Town land, buildings, equipment, and infrastructure with a useful life of greater than one year and a minimum threshold of \$5,000.

Continuing Disclosure: According to SEC Rule 15c2-12, continuing disclosure consists of important information about a municipal bond that arises after the initial issuance of the bonds. This information generally reflects the financial health or operating condition of the Town as it changes over time, or the occurrence of specific events that can have an impact on key features of the bonds.

General Obligation (G.O.) Debt: Debt issued by the Town to finance any project undertaken for a public purpose. General obligation debt is backed by the full faith and credit of the Town.

Refunding Bond: A bond that retires another bond before the first bond matures. Primarily used due to a decline in interest rates.

Guidelines for Use

Debt is a financing tool which should be used when the Town has legal, financial and market debt capacities and will be considered when some or all the following conditions exist:

- The Town will consider all available financing tools for funding projects including interfund borrowing, use of fund reserves, State of Wisconsin Trust Fund loan program, external financing, and lease-purchasing;
- Financing of certain equipment or projects with long-term debt (10 to 20 years) is undertaken every two-five years;
- Pay as you go financing will be used to fund general capital projects whenever feasible;
- When bonds or promissory notes are the desired financing vehicle, the issue will be bid competitively;
- The term of the financing will not exceed the useful life of the capital project, facility, or equipment financed.

Types of Permitted Debt

The Town may utilize several types of municipal debt obligations to meet its financing objectives. All long-term debt financing shall be approved by the Town Board. A list of the types of permitted debt for the Town and the general guidelines for their use is as follows:

General Obligation Debt

General obligation debt is authorized to be issued by the Town in the following variations: promissory note, State Trust Fund loan, and refunding bonds. The term of general obligation debt is limited to 10 years from the original date of issuance. If a term greater than 10 years is sought after, a referendum is needed.

Legal Debt Capacity

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Town shall not exceed 5 percent of the equalized value of taxable property within the Town's jurisdiction. The Town's goal is to maintain a ratio of not more than 50 percent of the legal debt limit.

Debt Service Repayment

The goal is to repay the Town's general obligation debt within ten years.

Other Obligations

There may be special circumstances when other forms of debt are appropriate, and their use is necessary or advantageous to the Town. Their use may be evaluated by the Town Administrator and/or Finance Director, or designee, on a case-by-case basis. If other types of debts are utilized, applicable state and federal guidelines shall be followed.

Bond Record Retention

The Finance Department shall keep all records in compliance with the rules and regulations applicable to bonds pursuant to code and law.

Arbitrage

Arbitrage rebates are paid to the government to prevent several problems from occurring including; the issuance of more bonds than are necessary; to prevent the issuance of bonds earlier than is necessary; to prevent bonds from remaining outstanding longer than is necessary.

The Town shall use bond proceeds only for the purpose and authority for which the bonds were issued. In most circumstances, the Town will want to avoid arbitrage rebates and will follow the exceptions outlined under 26 U.S. Code 148.

Continuing Disclosure

The Town's debt obligations are subject to SEC Rule 15c2-12 (Rule), which regulates the timing and production of disclosure documents by brokers, dealers, and underwriters of the Town's securities. The Rule requires dealers, when underwriting certain types of municipal securities, to ensure that the Town, which is issuing the bonds, enters into an agreement to provide certain information to the Municipal Securities Rulemaking Board about the securities on an ongoing basis. Continuing disclosure agreements must require annual financial information and notice of certain events with respect to the Town's debt obligations, unless there are exemptions.

The Finance Department, or contracted financial consultant, must provide continuing disclosure documents electronically to the Municipal Securities Rulemaking Board through EMMA (Electronic Municipal Market Access) annually by the date specified in the continuing disclosure agreement, generally within 365 days of the year end. In the event for which an event notice is to be filed, the Finance Director, or designee, shall provide disclosure information related to the event to EMMA, as required.

Selecting and Retention of Service Providers

The Town recognizes the nature of the municipal bond industry such that specialized consultants may need to be retained. The Town Administrator and/or Finance Director, or designee, are responsible for establishing a solicitation and selection process for securing professional services that are required to help implement the Town's debt management policy.

Professional financial consultants in connection with the Town's debt management policy may be chosen through a request for qualifications process. If this process is used, the request for qualifications process will be designed to select providers that offer the Town the best combination of expertise and price.

The Town is not required to select the firm offering the lowest price. However, in cases where the lowest bidder is not recommended, the Town Administrator and/or Finance Director, or designee, must provide a justification for the recommendation. All contracts will be approved by the Town Board.

Credit Ratings

With any changes in the Town's credit ratings, the Town Board and the Town Administrator will be notified by the Finance Director. The Finance Director is responsible for maintaining relationships with the rating agencies that currently assign ratings to the Town's various debt obligations. This effort shall include providing periodic updates on the Town's financial condition along with coordinating meetings in conjuncture with new debt issuance. The Town Administrator and Finance Director will be responsible for determining whether a rating will be requested on a financing and which of the major rating agencies will be asked to provide such a rating.