CITY OF NORTHFIELD, MINNESOTA
CITY COUNCIL RESOLUTION 2017-104
APPROVING "DEBT POLICY" AS A "FINANCIAL POLICY"
FOR THE CITY OF NORTHFIELD, MINNESOTA

WHEREAS, the City of Northfield values strong financial management practices; and

WHEREAS, written, adopted financial policies and internal controls have many benefits in ensuring sound financial management practices; and

WHEREAS, the City is pursuing best practices to include a formal written debt "policy" as a formal "Financial Policy" of the City.

NOW, THERFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL THAT:

1. The City of Northfield approves the "Debt Policy" as a "Financial Policy" of the City, attached hereto, is hereby adopted.

PASSED by the City Council of the City of Northfield on this 14th day of November 2017.

ATTEST

______________________________ ______________________________

City Clerk Mayor

VOTE: ___ POWNELL ___ COLBY ___ DELONG___ NAKASIAN

___ NESS ___ PETERSON WHITE ___ ZWEIFEL

| City of Northfield, Minnesota | Policy Number: |
|---|---|
| | **Adopted:** |
| **FINANCIAL POLICY** | **Revised:** Not Applicable |
| **Debt Policy** | |

I. PURPOSE:

A. The purpose of this policy is to establish parameters that guide the issuance and management of direct long-term debt to ensure the ongoing financial health and stability of the City.

B. Debt is a mechanism that allows capital improvements to proceed when needed, in advance of when it would otherwise be possible. Debt can reduce long-term costs due to inflation and stabilize fluctuations in levy and reserve levels. Debt also equalizes the costs of improvements to present and future constituencies in that the beneficiaries of a project are the same generation that carries its cost.

C. This policy is intended to be a guideline for City staff and the City Council when considering debt but it does not limit the Council's ability to approve debt outside the parameters of this policy by vote of the Council in accordance with applicable law.

D. This policy does not apply to conduit revenue bonds of the City or its related entities or tax increment revenue pay-as-you-go or interfund loan financing.

II. DEBT LIMITS:

A. The City will comply with all applicable federal, state, and local legal requirements for issuing debt.
B. Before issuing debt, the City will consider the life of the bond financed property and available cash resources.
C. The City will not use long-term debt for current operations.
D. The City will maintain appropriate communications with bond rating agencies about its financial condition and will comply with its continuing undertaking disclosure. The City will comply with Securities Exchange Commission (SEC) reporting requirements.
E. If the repayment period of an Interfund loan is expected to be greater than one year, the City Council will determine a reasonable payment schedule and legal and appropriate interest charges to compensate the applicable fund for the use of its financial resources.

III. DEBT STRUCTURING PRACTICES:

A. Redemption features (calls) are to be included when reasonable and prudent to afford the City the option of early retirement or to refinance in favorable market conditions.
B. Whenever reasonable, prudent and authorized by law, bonds issued by the City will be designated as general obligation bonds (i.e., backed by the full faith and

credit of the City). In addition, when possible and as appropriate for the specific bond issue, special assessments or other revenue streams may be pledged in support of the bonds.

IV. DEBT ISSUANCE PRACTICES:

A. The City will engage a municipal advisor to assist with determining the appropriate method of sale for each bond issue. Unless special circumstances or market conditions warrant otherwise, bonds will be marketed on a competitive bid basis.
B. Whenever reasonable and prudent, the City will engage a major credit rating agency to provide rating services in advance of the sale of bonds.
C. The City will engage bond counsel to advise on the legal issues related to the issue and sale of bonds.
D. The City will engage a municipal advisor to review from time to time opportunities for the City to refund (refinance) existing debt by way of current or advance refundings.
E. Under Federal law, cities who issue less than $10 million of tax-exempt debt annually may designate tax–exempt debt that qualifies for specific bank tax deductions. The effect of issuing "bank qualified" debt is generally lower rates and better marketability of the bonds. The City will strive to use bank qualified debt for each financing and will prioritize use of its annual limit of bank-qualified debt for its own primary purposes; tax-exempt financing for other eligible organizations will be of lower priority.

V. DEBT LEVEL MANAGEMENT BEST PRACTICE:

A. When making decisions regarding debt, including without limitation considering whether or not to utilize debt to finance an expenditure, whether or not to refinance or restructure existing debt, how to structure new debt, timing of incurring new debt and other similar matters, the City will endeavor to manage its portfolio of general obligations bonds so that approximately 65% of the outstanding principal of such bonds is scheduled to mature within a 10-year period following each such decision.