

**A RESOLUTION ADOPTING A DEBT MANAGEMENT POLICY
FOR THE CITY OF ROLLING MEADOWS**

WHEREAS, the City of Rolling Meadows recognizes the need to formalize a debt management policy to provide parameters and factors for issuing and managing the City's debt; and

WHEREAS, the City staff recommends the adoption of the Debt Management Policy; and

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Rolling Meadows, Illinois, that the Debt Management Policy is adopted for the City of Rolling Meadows, subject to future revisions, a copy of the policy is attached to this Resolution.

ADOPTED this 26th day of March, 2024, pursuant to a roll call vote as follows.

AYES: O'Brien, Vinezeano, Boucher, Reyez, Koehler, McHale, Budmats

NAYS: 0

ABSENT: 0

APPROVED this 26th day of March, 2024.



Lara Sanoica, Mayor

ATTEST:



Judith Brose, Deputy City Clerk

The City of Rolling Meadows
Debt Management Policy
Approved by Resolution (24-R-37)

I. Purpose

The Debt Management Policy ("Policy") sets forth comprehensive guidelines, encouraging sound decision-making, regarding the issuance and management of debt by the City of Rolling Meadows ("City") in order to provide funding for capital improvements and other purposes for the community while maintaining the City's fiscal strength, stability and future flexibility.

II. Objective

It is the objective of this Policy for the City to obtain debt financing only when necessary; to set forth the process to identify the timing and amount of debt needed to be as efficient as possible.

III. Goals and Parameters

In following this Policy, the City shall adhere to the following guidelines when considering the issuance of debt:

1. Debt will not be issued to finance general operating expenses or fund an operating deficit.
2. Alternatives to debt financing will be considered; such as other available revenue sources, interfund loans, application of grant proceeds, State/Federal aid or other funding options to meet the long-term capital needs of the City.
3. Current credit rating metrics used by the City's rating agencies will be evaluated to determine if the rating may be impacted but the issuance of debt, accepting long-term loans, or other financial decisions or actions by the City.
4. Capital projects with an estimated cost of \$500,000 or less will ideally be funded with funds on hand or pay-as-you-go financing, not funded with new debt or loans. Utility rates and other revenue sources will be adjusted if adequate funding is not readily available for projects under \$500,000. Consideration will be given to combine multiple capital projects that are under \$500,000 into one debt issuance.
5. Debt issuances shall be structured to amortize within a thirty (30) year period, or shorter, to match the expected useful life of the asset being financed. Principal will be amortized to best fit within the overall debt structure of the City's general obligation debt, the repayment sources and/or related tax levy at the time the new debt is issued.
6. Debt repayment shall be structured so that level or declining debt service shall be used unless operational or financial reasons dictate otherwise, or if to achieve overall level debt service with existing bonds.
7. The potential financial benefits of issuing bank qualified bonds will be considered and, if possible, strive to limit the annual issuance of debt to \$10 million or less when such estimated benefits are greater than the benefits of exceeding the bank qualification limit. Should subsequent changes in the law change the limit, the City's policy will be adjusted accordingly.

8. Call provisions of approximately ten (10) years or less will be considered to provide the City flexibility to refinance debt in the future. Consideration of the call feature will be determined at the times of sale based on overall market conditions and investor acceptance.
9. Fixed rate debt, as opposed to variable rate debt, will be issued to minimize risk exposure. If unusual circumstances warrant the issuance of variable rate debt, justification must be provided and approved by the City Council. Should the City issue variable rate debt, it will be limited to 10% of the total par outstanding. Derivative products are not permissible in the City's debt structure.
10. The ratio of total annual governmental funds debt (excluding outstanding debt issued for TIF projects and specific revenue bonds) will be capped at 7.0% of the value of the taxable property unless approved for greater by the City Council.
11. Debt service coverage of at least 1.0 shall be maintained for each individual enterprise fund through adjustments to the utility rate structure. The 1.0 coverage ratio is applicable to revenue bonds, general obligation bonds, IEPA loans repayable by the applicable utility rate structure, and any other debt that may be issued and repayable by the applicable utility rate structure.
12. Finance assistance requested for projects within a tax-increment financing (TIF) district will be considered through the pay-as-you-go increment method. General obligation bonds with a pledge for repayment by TIF revenue will be considered with additional justification for the need and benefit.

IV. Legal Constraints and Other Debt Limitations

The City Council may apply the guidelines established by this Policy, or may choose, in its discretion, to consider other relevant factors in incurring debt. The validity of any debt incurred in accordance with applicable law shall not be invalidated, impaired or otherwise affected by non-compliance with any part of the procedures set forth pursuant to this Policy.

Authority and Purpose of the Issuance of Debt

The law of the State of Illinois authorizes the issuance of debt by the City. The Illinois Municipal Code confers upon municipalities the power and authority to contract debt, borrow money, and issue bonds. The City may, by ordinance, incur indebtedness or borrow money, and authorize the issue of negotiable obligations, including refunding bonds, for any capital improvement of property, land acquisition, or other lawful purpose.

General Obligation Debt Limit

Under Illinois Compiled Statutes, municipalities with a population less than 500,000, unless they are a home rule unit, are limited to the amount of general obligation bonded debt they can incur at any one time to no more than 8.625% of the total equalized assessed value of real estate property. As the City is a home rule community, the City is not subject to this limitation. As a financially conservative measure, the City's ratio for the total annual governmental funds debt is established at 7.0% of total assessed value for the City.

V. Debt Issuance Considerations

Use of Professional Service Providers

The City will consider seeking the assistance and expertise of a qualified financial advisor prior to undertaking a debt issuance process, separate from the underwriter of bond(s). The City will also ensure that a qualified Bond Counsel is retained by the City.

Types of Debt Issued

The City may issue short-term debt, three years or less, to finance the purchase of equipment or other items having a life expectancy exceeding one year or to provide increased flexibility in financing programs. The City will not issue debt for deficit financing.

The City may issue long-term debt, more than three years, which may include, but is not limited to, general obligation bonds, certificates of participation, installments notes, revenue bonds, and special assessment bonds.

General Obligation Bonds vs Revenue Bonds

The City may consider the issuance of revenue bonds in lieu of general obligation bonds under the following circumstances:

1. There are sufficient annual revenues for the repayment of the proposed bonds- debt service coverage (annual revenue minus cash operating expenses divided by annual debt service payments). The debt service coverage ratio will be used to determine the limit of future revenue bonds payable from the identified revenue source;
2. The project being financed benefits the users of an enterprise system and debt service bonds would be paid from enterprise fund revenue;
3. There is not a significant cost differential between the two financing types; and/or
4. The amortization longer than thirty years is more advantageous for the repayment from enterprise fund revenue.

Abatement of Property Tax Debt Service for General Obligation Bonds

If the City plans to repay debt service using a specific revenue source when issuing General Obligation Bonds, the City will use conservative revenue projection assumptions to ensure the identified funding sources is sufficient to pay off the bonds. When issuing General Obligation Bonds in lieu of revenue bonds with the intent to abate the debt service property tax levies, the City Council will adopt ordinances abating the debt services levies and pay debt service costs with the identified revenues.

Methods of Sale

When issuing debt, the City will consider multiple methods of sale, including competitive, negotiated or private placement. If the City retains the services of a Financial Advisor, the Advisor will not bid on or underwrite any City debt issuances on which it is advising.

Credit Enhancements

The City may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the City with access to credit under terms and conditions as specified in such agreements when their use is judged cost effective or otherwise advantageous.

Conduit Debt

Conduit Debt is debt issued in the name of the City but payable by third parties only, and for which the City does not provide credit or security. The City shall consider issuing conduit debt when such actions meet the financial objectives or plan and/or policies adopted by City Council.

VI. Debt Administration

Financial Disclosures

The City shall prepare all appropriate annual and other financial disclosures as required by the City's continuing disclosure undertakings as well as any specific event notices required by the Securities and Exchange Commission (SEC) to the Municipal Securities Rule Making Board (MSRB), and any other filings required by the federal government, the State of Illinois, rating agencies, underwriters, investors, tax payers, and other appropriate entities and persons to the ensures compliance with applicable laws and regulations.

Review of Financial Proposals

All financial proposals that may involve a pledge of the City's credit through the sale of securities, execution of loans or lease agreements and/or otherwise directly involve the lending or pledging of the City's credit shall be referred to the Finance Director who shall determine the financial feasibility, financial impact, and the impact on existing debt of such proposal, and shall make recommendations accordingly to the City Manager and City Council for approval.

Rating Agency Relations

The City shall endeavor to maintain cooperative relations with credit rating agencies. The Finance Director and other appropriate parties should meet with, make presentations to, or otherwise communicate with credit rating agencies on a regular basis in order to keep the agencies informed concerning the City's capital plans, debt issuance program, and other appropriate financial information on the economic and fiscal status of the City.

Refunding Policy on Existing Issuances

The City shall consider refunding outstanding debt when legally permissible and financially advantageous. A net present value debt service saving of at least three percent (3%) of the refunded par amount or greater must be achieved, unless otherwise justified and approved by City Council.

Investment of Borrowed Proceeds

The City recognizes its ongoing fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes in a manner that is consistent with Illinois statutes that govern the investment of public funds, and consistent with the permitted securities covenants of related bond documents executed by the City. The management of public funds should enable the City to respond to changes in markets or charges in payment or construction schedules so as to minimize risk, encourage liquidity and optimize returns.