

VILLAGE OF WESTON

FINANCIAL POLICY/PROCEDURE MANUAL

SUBJECT: DEBT POLICY

General: The Village acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the Village. These types of costs include development, acquisition, and replacement of assets that will be used by the residents of the Village over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments, special assessments, or any other combination of these.

It is the responsibility of the Village Board and Village administrative staff to monitor the financial health of the Village. A significant portion of the Village's financial health is determined by its ability to manage its debt.

It is the responsibility of the Director of Finance or designee to regularly monitor the Village's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Finance Committee and Village Board.

Procedures: A. Financing Considerations

- 1) The Village will confine long-term borrowing to capital improvements or other long-term projects which cannot and, appropriately should not, be financed from current revenues and/or funds established for equipment replacement.
- 2) The Village will not use long-term debt to finance current operations, nor will long-term debt be used to finance the cost of short-lived (less than seven years) depreciable assets.
- 3) In general, the final maturity of bonds and notes issued by the Village should not exceed the expected useful life of the underlying project for which it is being issued.
- 4) The Village will retire bond anticipation debt within six (6) months after completion of the underlying project or upon the next general debt issuance.

B. Debt Limits

- 1) The Village will keep the maturity of all outstanding general obligation bonds at or below 20 years.
- 2) Total general obligation debt, including any such proceeds allocated to the sewer and water utilities, will not exceed sixty-five percent (65%) of the State equalized valuation limitation of taxable property within the Village.
- 3) The assessed tax rate for the debt service levy shall not exceed \$2.00 per \$1,000 of assessed valuation of taxable property within the Village.

C. Financial Advisors

- 1) The Village will utilize the services of a qualified financial advisor in monitoring its debt and debt service.
- 2) The Village should strive to maintain a long-term relationship with a financial advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the financial advisor and the Village should be examined every three (3) to five (5) years or as deemed necessary by Village administrative staff and the Village Board.
- 3) All feasible alternatives (for example, State Trust Fund loans and private placements with local financial institutions) for borrowing funds should be considered by the Village and the financial advisor depending on the uniqueness of the items or projects being financed by long-term debt.
- 4) All costs of issuing long-term debt, including fees for professional services, underwriting fees, and the interest costs over the term of the debt issue, must be considered and carefully evaluated for each borrowing.
- 5) The Village will work with the financial advisor to ensure that long-term debt issues are structured to protect the interest of the Village for the present and in the future (for example, the inclusion of call provisions to protect the Village against future interest rate fluctuations or other circumstances).

D. Other Considerations

- 1) The Village will maintain good communications with bond rating agencies regarding its financial condition.
- 2) The Village will follow a policy of full disclosure in all financial reporting including bond prospectuses and continuing disclosure agreements required under SEC Rule 15c2-12(b)(5).
- 3) This policy will be reviewed by the Finance Committee every two years following adoption or sooner at the discretion of the Finance Committee or the Village Board.