

CITY OF MARSHALLTOWN

DEBT POLICY

Approved by the City Council

June 09, 1997

Revised by the City Council

August 9, 2021

The City of Marshalltown 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 and a means of control of the City's tax rate. Therefore, this debt policy is adopted with the understanding that it needs to be periodically reviewed as a component of the capital improvement process and tax rate management.

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 debt service property tax levy shall be maintained at a fairly consistent level, avoiding wide movement either up or down.
3. The City shall 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 equipment when practical, but only if no other financing method is feasible.
4. Debt management will provide for compliance with debt instrument provisions and appropriate disclosures to investors, underwriters and rating agencies.
5. The City's debt shall be rated by Moody's Investor Services, or from time to time by Standard and Poor's as may be appropriate. It shall be policy of the City to protect its current "Aa2" rating with a goal to upgrade that rating to "Aa1".
6. The City Finance Director or a bank shall serve as the registrar for all debt incurred by the City.
7. Under Iowa Law, the City is limited to total outstanding debt for general purposes of five percent (5%) of its total assessed valuation. It shall be the policy of the City that no more than 70 percent of the statutory limit shall be issued in either general tax obligations or tax increment financing or any combination of the two. Furthermore, the Council has elected to control the tax rate relating to debt service retirement to an amount not to exceed \$5.00 per 1,000 dollars of valuation.

This policy shall remain in full force until the Council deems an amendment necessary. The Council may suspend this policy if natural disaster or emergency are declared within the City. This suspension shall require a super majority vote of the City Council.