

Debt Management Policy

February 8, 2021

OVERVIEW

The City of West University Place is authorized by federal law, Texas law, and the City Charter to issue long-term debt to finance the cost of permanent public improvements. The process of issuing debt, making debt service payments, and reporting results is regulated by federal and state law. The management of debt proceeds, including investment, appropriation, and spending is also heavily regulated and must be addressed to ensure transparency to the public, responsiveness to oversight and reporting agencies, as well as compliance with internal controls, records requirements, and security for cash proceeds.

PURPOSE

The purpose of the Debt Management Policy is to establish and maintain guidelines for issuing new debt, as well as managing outstanding debt.

POLICY

Use of Debt Financing – Debt financing, to include general obligation bonds, revenue bonds, certificates of obligation, and other debt obligations permitted to be issued or incurred under Texas law, shall only be used to acquire capital assets or refinance existing debt obligations. In accordance with Texas law and the City Charter, debt will not be issued to fund routine operating expenditures.

Prior to issuing debt, the City shall first consider other alternative funding methods including current revenues, unrestricted reserve funds, and grants. The City shall also consider the Fund Balance Policy and liquidity needs. When appropriate, the City may issue short-term obligations maturing within the current fiscal year for cash flow management purposes.

Types of Debt

General Obligation – General Obligation (GO) bonds require voter approval except when issued for refunding. GO bonds are intended to provide long-term financing for capital infrastructure improvements payable by the City's ad valorem taxes.

Certificates of Obligation – Certificates of Obligation (CO's) do not require voter approval and may be issued after a 45-day notice period. CO's may be used to finance any public works project or capital improvement, as permitted by State law.

Revenue Bonds – Revenue Bonds are supported by revenues other than ad valorem tax revenue, such as water, sewer, and solid waste service revenues.

As an alternative to issuing Revenue Bonds, the City may issue Certificates of Obligation or General Obligations and transfer the annual debt service requirements from the Enterprise Fund (Water & Sewer or Solid Waste) to the Debt Service Fund. Historically, this approach has resulted in interest rate savings due to the City's bond rating.

Debt Structures – When issuing long-term debt, the City will not finance a capital improvement over a period greater than the useful life of the improvement.

Debt Refunding – The refinancing and/or restructuring of existing debt is used to take advantage of lower interest rates and/or provide debt relief. The City’s financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt.

Reporting Requirements – The City will comply Federal requirements to inform the Municipal Securities Rulemaking Board through the Electric Municipal Market Assess (EMMA) website of any and all continuing disclosure documents and annual financial statements. The City will maintain procedures to comply with arbitrage rebates and other Federal requirements related to the debt issuance.

Bond Reimbursement Resolutions – The City may utilize bond reimbursements as a tool to manage its debt issuances, due to arbitrage requirements and project timing. In doing so, the City uses existing funds to delay bond issuances until a later time when it’s favorable and most beneficial to the City.

RESPONSIBILITIES

The City Manager and/or the Manager’s designee will be responsible to present for approval and implement debt issuances in accordance with budgets and long-term financial plans approved by the City Council as well as the City Charter, State law, Federal law, and this Policy.