

City of Sault Ste. Marie - Debt Management Policy

Date of Commission Adoption: January 18, 2016

Page | 1

Purpose

The purpose for this Debt Management Policy for the City of Sault Ste. Marie is to assist in the prudent administration of any debt which may be incurred. In addition, the adoption of this policy will provide for a common understanding between elected officials and staff regarding debt financing. Another goal of this Debt Management Policy will be the preservation and maintenance of a credit rating that will provide efficient access to the capital markets for the City of Sault Ste. Marie. Finally, the Debt Management Policy will help to facilitate sound Capital Budgeting and Capital Expenditure procedures.

Debt Limits

General Obligation Debt - There are two types of general obligation debt, limited tax general obligation debt and unlimited tax general obligation debt. Limited tax general obligation debt is a first budget obligation pledging the full faith and credit taxing power of City of Sault Ste. Marie within existing tax rate limits. Unlimited tax general obligation debt pledges the full faith and credit and taxing power of the City of Sault Ste. Marie without limitation as to rate or amount, provided the voters have given their approval. General obligation debt is normally limited to ten percent of State Equalized Value, or 5% of State Equalized Value for Capital Improvement Bonds only.

[References: State Constitution, the Revised Municipal Finance Act \(Act 34 of 2001; MCLA 141.2101 to 141.2821\) and the Revenue Bond Act \(Act 94 of 1933; MCLA 141.101 to 141.140\).](#)

Revenue Bonds – Revenue bond are secured by the Net Revenues of an enterprise. Revenue Bonds normally must meet certain bond covenants stipulated by the lender, which may change over time.

[See the Revenue Bond Act \(Act 94 of 1933; MCLA 141.101 to 141.140\).](#)

Short Term Borrowings - Short term borrowings such as tax anticipation notes may be issued pursuant to State Statute.

[Reference the Revised Municipal Finance Act \(Act 34 of 2001; MCLA 141.2101 to 141.2821\).](#)

Debt Issuance Practices

Bonds will not be issued to finance operations.

Bond terms will not extend beyond the useful life of the asset financed.

Bonds will not be issued unless there is an identified source of payment.

Bonds will be sold on a competitive basis unless it is in the best interest of the City of Sault Ste. Marie to conduct a negotiated sale or private placement. Competitive sales will be the preferred method. Negotiated sales and private placements may occur when selling bonds for a defeasance of existing debt, for current or advanced refunding of debt, to save on issuance costs or for other appropriate reasons.

Debt Issued to Refund Existing Debt - In order to refund a bond issue, the City of Sault Ste. Marie shall have projections of a net present value savings or consider it a favorable option given other

circumstances. The cost and benefit shall be presented to the City Commission and determined for each case.

Debt Management Practices

The City of Sault Ste. Marie will account for and invest debt proceeds pursuant to state statute.

The City of Sault Ste. Marie shall comply with all continuing disclosure requirements. Annually, this includes but is not limited to filing the audited financial statements of the City and its component units and Qualifying Statement(s) with the Department of Treasury of the State of Michigan and providing an electronic copy of the audited financial statements and certain financial information and material events of the City and its component units to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access District (EMMA). The Finance Director shall be responsible for completing the continuing disclosure requirement prior to the deadlines which occur 6 months after the end of the fiscal year, or December 31st.

The continuing disclosure requirements are often documented in Bond Official Statements and are required by Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. The continuing disclosure requirements are of both a financial and operational nature and are provided to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access District (EMMA). The deadline for filing the continuing disclosure requirement is on or before the 6th month after the end of the fiscal year. However, certain significant material events may cause the entity to have to provide information to the MSRB within 10 days of the event.

The City of Sault Ste. Marie shall report to the Michigan Department of Treasury within 15 business days of completing the issuance of any security. The Finance Director shall be responsible for ensuring the completion of the report.

Required by Public Act 470 of 2002.

The City of Sault Ste. Marie shall monitor its non-arbitrage and tax compliance. The Finance Director shall be responsible for reviewing its non-arbitrage and tax compliance.

There are restrictions on how bond proceeds can be used and invested. These restrictions are examined by the entity's bond counsel at issuance and must be reexamined if changes occur in the timing, scope, or use of the bond proceeds. Some changes that must be considered are delays in the spending of bond proceeds, rising interest rates and sale, lease or repurposing of the assets purchased or constructed with the bond proceeds.