



DEBT MANAGEMENT POLICY CITY OF DOGWOOD

The City of Dogwood maintains conservative financial policies to assure strong financial health both in the short and long-term. The City, although an infrequent issuer of debt, does recognize the importance of debt management as a tool to finance large capital investments such as property acquisitions and the construction of new and replacement infrastructure.

Maintaining the City's capacity to access long-term financing is an important objective of the City's financial policies. The City is committed to having strong financial policies, accounting controls, and detailed budgets. Together, these tools provide for prudent management of the City's finances and provide for its financial health.

This policy sets forth the criteria for issuance and repayment of debt. The primary objective of the debt policy is to establish criteria that will protect the City's financial integrity while providing a funding mechanism to meet the City's capital needs. The underlying approach of the City is to borrow only for capital improvements that cannot be funded on a pay-as-you-go basis. The City will not issue long-term debt to finance current operations.

Debt will only be incurred for financing capital assets that, because of their long-term nature or because of budgetary restraints, cannot be acquired from current or budgeted resources. Long-term debt may be issued to finance capital acquisitions, finance land development, and refinance existing long-term debt.

The Debt Management Section, of the North Carolina State and Local Government Finance Division, counsels and assists local governments in determining the feasibility of a project, the size of the financing, and the most expedient form of financing. Upon approval by the Local Government Commission, the Division handles the sale and delivery of the debt and monitors its repayment.

All debt issued will be in compliance with this policy as well as all applicable State laws.

1. Long-term debt may not be issued to finance operating costs.
2. The City will seek to structure debt and to determine the best type of financing for each financing need based on the flexibility needed to meet project needs, the timing of the project, and the structure that will provide the lowest interest cost in the circumstances.
3. Debt financing will be considered in conjunction with the approval by the Council of the City's Capital Improvement Plan.



4. The maximum term of any debt, except debt for land development, shall be the useful life of the asset to a maximum of 25 years. The maximum term for debt for land development shall be 10 years.
5. The City will strive to maintain a high level of pay-as-you-go financing for its capital improvements.
6. Debt affordability
 - a. The net debt of the City, as defined in G.S. 159-55, is statutorily limited to 8% of the assessed valuation of the taxable property within the City. The City will strive to maintain a net debt level of no greater than .5%.
 - b. Debt service as a percentage of the operating budget will not exceed 9%.
7. The City will seek to employ the best and most appropriate strategy to respond to a declining interest rate environment. That strategy may include, but does not have to be limited to delaying the planned issuance of fixed rate debt, examining the potential for refunding of outstanding fixed rate debt, and the issuance of variable rate debt.