



## DEBT MANAGEMENT POLICY

### 1.0 PURPOSE

The purpose of this Debt Management Policy is to provide a framework for the prudent issuance and management of debt obligations for the City of New Braunfels, Texas. This policy aims to ensure that the City maintains a sound financial position while effectively meeting its capital needs and preserving the long-term financial stability of the municipality.

### 2.0 OBJECTIVES

- **Ensure Fiscal Responsibility:** Maintain a debt profile that supports the City’s creditworthiness and minimizes borrowing costs.
- **Support Capital Improvement Plans:** Provide necessary funding for essential public infrastructure and services.
- **Maintain Compliance:** Adhere to all applicable federal, state, and local laws and regulations governing public debt.
- **Transparency and Accountability:** Ensure transparency in debt issuance and management, promoting accountability to the citizens of New Braunfels.

### 3.0 DEBT TYPES AND ISSUANCE GUIDELINES

#### Debt Types:

- 3.1 General Obligation Bonds (GO Bonds):** Issued only with majority voter approval; proceeds limited to acquiring or improving real property and public facilities (e.g., libraries, parks, public safety). Increases in property tax will be proposed if necessary for debt service.
- 3.2 Certificates of Obligation (CO Bonds):** Used for capital improvements not funded by other bond types. Citizens can petition for an election on issuance, with a 45-day notice period. Increases in property tax will be proposed if necessary for debt service.
- 3.3 Enterprise Revenue Bonds:** Finance revenue-producing enterprises (e.g., New Braunfels National Airport, Landa Park Golf Course) payable from specific revenue sources.
- 3.4 Refunding Obligations:** Bonds may be issued to refund long-term obligations, targeting a minimum net debt service savings of 3% of the par value of refunded bonds, unless a lower percentage is deemed acceptable for shorter maturities.
- 3.5 Tax Anticipation Notes:** Fund projects based on future tax revenues, typically for one to seven years for temporary financing.
- 3.6 Leases:** Finance major capital purchases (excluding infrastructure) such as fleet upgrades and large equipment.
- 3.7 Internal Borrowing:** Existing long-term reserves may be loaned between City funds, with repayment within ten years at market-consistent rates.
- 3.8 Other Obligations:** Evaluate special circumstances for other forms of debt, such as limited tax notes or grant anticipation notes, on a case-by-case basis.



### **Debt Limitations:**

- Long-term debt will not fund current operations or normal maintenance.
- Debt terms will not exceed the useful life of the financed asset, typically not more than 20 years.
- Annual debt service across all funds will not exceed 25% of total operating budgets.
- Maintain a debt service fund balance of at least 10% of principal and interest payments.
- Use interest earnings on debt service funds for payments or reserve support.
- Seek optimal pricing with the shortest possible optional call provisions.
- Aim for level or declining repayment schedules, avoiding balloon payments.
- Conform to applicable bond covenants.

### **Project Eligibility:**

Debt will be issued only for projects that provide essential services or infrastructure improvements enhancing the quality of life for residents.

## **4.0 DEBT MANAGEMENT PRACTICES**

- **Monitoring and Reporting:** The Finance Department will monitor the City's debt portfolio, reporting annually to the City Council on compliance and status.

## **5.0 DEBT STRUCTURING PRINCIPLES**

- **Amortization:** Structure debt to ensure level or declining payments, avoiding large balloon payments.
- **Term Length:** Generally, debt terms will not exceed 20 years.
- **Variable vs. Fixed Rates:** Preference for fixed-rate debt to minimize interest rate risk, unless justified by a comprehensive analysis.

## **6.0 COMPLIANCE AND LEGAL REQUIREMENTS**

The City will adhere to statutory requirements regarding public debt issuance and management, including the Texas Public Finance Act and provisions of the Public Funds Investment Act. Bond proceeds and interest earnings on Bond proceeds will be restricted to projects aligned with the original issuance purpose.

## **7.0 BOND REIMBURSEMENT**

The City may utilize reimbursement resolutions to manage debt issues effectively. The City Council can authorize reimbursement resolutions for general capital projects, allowing the City to initially fund these projects before issuing bonds, with the intention of reimbursing the City from bond proceeds. This approach enables the project to move forward while the City waits for the right borrowing opportunity.

## **8.0 RATING AGENCY COMMUNICATION AND DISCLOSURE**

The City will seek to maintain and improve bond ratings to minimize borrowing costs and preserve credit access. Communication with rating agencies will be established for new issuances or refunding's, with full disclosure of City operations prepared by staff with financial advisors.



## **9.0 ARBITRAGE REBATE MONITORING AND REPORTING**

Arbitrage is the interest earned on the investment of bond proceeds above the interest paid on the debt. The City shall engage expert advisors to assist in the calculation of the arbitrage rebate payable with respect to the investment of the bond proceeds unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds.

## **10.0 CONTINUING DISCLOSURE**

The City will ensure compliance with federal securities laws, including, but not limited to, the requirements of SEC Rule 15c2-12. To meet these requirements, the City will provide annual financial information through disclosure documents that include all necessary details. Additionally, the City will issue periodic material event notices as mandated by the SEC. The City engages a broker to handle the filing of these disclosures with the appropriate entities.

## **11.0 POLICY REVIEW AND AMENDMENT**

This policy will be reviewed every three years and amended as necessary to reflect changes in laws, market conditions, or the City's financial condition.

## **12.0 CONCLUSION**

This Debt Management Policy establishes a framework for the City of New Braunfels to manage its debt responsibly, ensuring financial sustainability and accountability to residents. The City commits to these principles while striving to provide essential services to the community.