

**Debt Policy****Purpose and Scope**

The Debt Policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policy that (1) the Township obtain financing only when advisable, (2) the process for identifying the timing and amount of debt or other financing be efficient, (3) competitive interest and other costs be obtained, and (4) the debt policy of the Township shall conform applicable state and federal law.

This Statement of Financial and Debt Policy provides a summary of significant financial and budgetary policies required by State law, resolutions, generally accepted governmental accounting standards in the United States, and administrative practices. It is intended that this Policy be approved by the Board of Trustees.

This policy is designed to:

1. Assist the Township in maintaining appropriate assets for present and future needs;
2. Provide a framework for financial decision-making;
3. Enhance consistency in financial decisions;
4. Establish parameters for the administration to use in directing financial affairs of the Township;
  - a. Provide a framework for the future;
5. Promote coordination and cooperation with the residential and private sector;
6. Promote coordination and cooperation in joint ventures involving debt service; and
7. Establish parameters in analyzing Tax Increment Financing and other developer driven economic development transactions.

**Authority:**

*Ohio Revised Code Chapters 504,505,513, and 515.*

**Use of Debt Financing**

Debt financing, to include general obligation bonds, revenue bonds, certificates of participation, lease/purchase agreements, and other obligations permitted to be issued or incurred under State law, shall be used only to: purchase revenue rolling stock; purchase or construct related operating equipment; and/or purchase or construct real property, facilities, and other improvements. The useful life of the asset or project shall exceed the payout schedule of any debt the Township assumes in order to acquire the asset or project.

**Debt Standards and Structure**

Although the Township may finance its improvements over a 20 year term, the Township will generally structure the principal repayments over a much shorter period. This rapid amortization results in the majority of the indebtedness being repaid within ten years. It is the intent of the Township Trustees that at a minimum 60% of the debt is repaid within the ten year period. It is also the intent of the Board of Trustees to be flexible in the structuring of any debt in order to have an option to call the debt prior to the 10 years. Repayments will be scheduled at a minimum of annually which includes both principal and interest.

Credit enhancements are mechanisms that guarantee principal and interest payments. They include bond insurance and a line or letter of credit. A credit enhancement, while costly, usually will bring a lower interest rate on debt and a higher rating from the rating agencies, thus lowering overall costs.

During debt issuance planning, the Financial Advisor will advise the Township whether or not a credit enhancement is cost effective under the circumstances and what type of credit enhancement, if any, should be purchased. In a negotiated sale, bids will be taken during the period prior to the pricing of the sale. In a competitive sale, bond insurance may be provided by the purchaser if the issue qualifies for bond insurance.

The Township shall consider refunding debt whenever analysis indicates the potential for present value savings of approximately 3 percent of the principal being refunded or at least \$200,000. The Township will not refund less than 3 percent of its outstanding debt at one time except in unusual circumstances, such as when it intends to change bond covenants.

The Township will follow the limitations for Debt as Outlined in the Ohio Revised Code.

### **Creditworthiness Objectives**

The Township's goal is to establish and maintain a respectable bond rating. Toward that end, prudent financial management policies will be adhered to in all areas. Full disclosure of operations shall be made to the bond rating agencies. The Township staff, with the assistance of the Financial Advisor and Bond Counsel, will prepare the necessary materials for a presentation to the rating agency/agencies.

The Township shall maintain lines of communication with the rating agencies, informing them of major financial events in the Township as they occur. The Financial Audit report shall be distributed to the rating agencies after it has been accepted by the Board of Trustees.

The rating agencies also will be notified either by telephone or through written correspondence when the Township begins preparation for a debt issuance. After the initial contact, a formal ratings application will be prepared and sent, along with the draft of the Official Statement relating to the debt sale to the rating agencies. A personal meeting with representatives of the rating agency/agencies will be scheduled as needed upon the recommendations of the Financial Advisor.

The Township is committed to continuing disclosure of financial and pertinent credit information relevant to the Township's outstanding securities. It is the intent of the Board of Trustees that an annual audit of all Township accounts will take place in a timely manner. All pertinent information from the annual audit will be made available to the various agencies.

The Township Administrator along with the Director of Accounting & Budgeting will develop annually a 5 year capital plan. This plan will be submitted to the Township Trustees for approval at the same time as the annual operating budget.

## **Debt Limits**

The Township of Sylvania having adopted a limited home rule government under Chapter 504 of the Ohio Revised Code shall not incur net indebtedness that exceeds an amount equal to ten and one-half per cent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half percent of that tax valuation. It is the intent of the Board of Trustees that the Township will follow these guidelines as outlined in chapter 504 of the Ohio Revised Code. In calculating the net indebtedness of the Township, none of the following securities shall be considered:

1. Self-supporting securities issued for any purpose;
2. Securities issued for the purpose of purchasing, constructing, improving, or extending water or sanitary or surface and storm water sewage systems or facilities, or a combination of those systems or facilities, to the extent that an agreement entered into with another subdivision requires the other subdivision to pay to the township amounts equivalent to debt charges on the securities;
3. Securities that are not general obligations of the township;
4. Voted securities issued for the purposes of redevelopment to the extent that their principal amount does not exceed an amount equal to two per cent of the tax valuation of the township;
5. Securities issued for the purpose of acquiring or constructing roads, highways, bridges, or viaducts, or for the purpose of acquiring or making other highway permanent improvements, to the extent that the resolution of the board of township authorizing the issuance of the securities includes a covenant to appropriate from money distributed to the township under Chapter 4501., 4503., 4504., or 5735, of the Revised Code a sufficient amount to cover debt charges on and financing costs relating to the securities as they become due;
6. Securities issued for energy conservation measures under section 505.264 of the Revised Code.

In calculating the net indebtedness of the township, no obligation incurred under division (B) of R.C section 513.17 (Joint Hospital) or under R.C section 505.261 (Township Park), R.C section 505.264 (Energy Conservation), R.C section 505.265 (Police & Fire Pension), R.C. section 505.267 (Lease Purchase Agreements), R.C. section 505.37 (Fire Protection Service) or in connection with a project undertaken pursuant to R.C. Section 515.03, shall be considered.

In managing its debt it is the policy of the township to:

- Develop a strong financial foundation for the issue
- Assure access to the capital credit markets
- Ensure high credit quality
- Achieve the lowest cost of capital
- Preserve financial flexibility

By implementing this Policy, the Township expects to realize financial benefits such as debt service savings and efficiencies. If codes or regulations create a variance to this policy, that portion of this policy shall conform to codes or regulations.

### **Debt Administration and Process:**

When feasible and economical, obligations shall be issued by competitive rather than negotiated sale. Whenever the option exists to offer an issue either for competition or for negotiation, analysis of the options shall be performed to aid in the decision-making process. When a sale is not competitively bid, the Township publicly will present the reasons and will participate with the Financial Advisor in the selection of the underwriter or direct purchaser.

All note and bond proceeds shall be invested consistent with the Township's investment policy. Investment of proceeds and records thereof will be structured to comply with the arbitrage rebate compliance requirements of the federal tax code.

The Township will comply with all arbitrage rebate requirements as established by the Internal Revenue Service and all disclosure requirements established by the Securities and Exchange Commission. This effort includes tracking investment earnings on note and bond proceeds, calculating rebate payments in compliance with the tax law and remitting rebatable earnings to the federal government in a timely manner in order to preserve the tax exempt status of the Township's outstanding debt issues.

The Township Trustees by a majority vote and Resolution shall approve any type of obligation against the Township. The Resolution shall be passed at a regular scheduled and/or special meeting.

### **Capital Improvement Budget**

Annually the Administrator will submit to the Board of Trustees a 5 year Capital Improvement Budget. The Capital Improvement Budget will identify revenue sources and capital expenditures for the coming fiscal year and the next succeeding four fiscal years. This plan will be updated annually.

### **Finance Team concerns/issues**

The Township expects that its consultants and advisors will provide the Township with objective advice and analysis, maintain the confidentiality of the Township financial plans and be free from any conflicts of interest

The Township shall not enter into any financial contract or agreement that permits or grants "right of first refusal." A "right of first refusal" grants a previous contractor, or underwriter, an unfair opportunity on all future bond issues. This type of contract is unenforceable and shall not be entered into.

These policies shall be reviewed periodically and any recommended modification will be presented to the Board of Trustees in writing