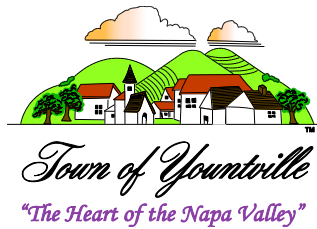


## **Town of Yountville Use of Long-Term Debt Policy**

The Town recognizes that it may need to enter into long-term financial obligations to meet the demands of providing a high quality level of government services to our community. The following long-term debt policy sets the considerations for issuing debt and provides guidance in the timing and structuring of long-term debt commitments by the Town.

### **General Practices:**

1. The Town will strive to maintain good relations with credit rating agencies, investors of the Town's long-term financial obligations and those in the financial community that participate in the Town's financings. The Town also will strive to maintain and improve its bond rating in order to minimize borrowing costs and preserve access to credit.
2. Bond issue proposals are to be accompanied by an analysis defining how the new issue, combined with current debt, impacts the Town's debt capacity and conformance with Town debt policies. Such analysis shall include identification of the funding source, an assessment of the ability to repay the obligation, the impact on the current budget, commitments to future budgets, maintenance and operational impact of the facility or asset and the impact on the Town's credit rating, if any.
3. Town Council must review such analysis, including existing debt level, ability to pay debt service, impact on Town services, and make a finding that use of debt is appropriate.
4. Debt service costs (COP, Lease Purchase Agreements and other contractual debt which are backed by General Fund Operating Revenues) are not to exceed 25% of the Town's General Fund operating revenues.
5. Projects financed by a non-general fund revenue source such as utility rate revenue and specific voter approved authorizations such as Measure A Sales Tax for flood control are not subject to the 25% of general fund revenue maximum debt service limit.



**The Town will consider the issuance of long-term obligations under the following conditions:**

1. The Town will use debt financing only for one-time capital improvement projects and specific nonrecurring equipment purchases, and only under the following circumstances:
  - When the project is included in the Town's adopted five-year capital improvement program (CIP) and is in conformance with the Town's adopted General Plan.
  - When the project is not included in the Town's adopted five-year capital improvement program (CIP), but the project is an emerging critical need whose timing was not anticipated in the five-year capital improvement program, or it is a project mandated by State or Federal requirements.
  - When the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing.
  - When there are designated General Fund revenues sufficient to service the debt, whether from project revenues, other specified and/or reserved resources, or infrastructure cost-sharing revenues.
  - Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The Town will follow all State and Federal regulations and requirements related to bonds and debt financing instruments regarding bond provisions, issuance, taxation and disclosure.
3. Costs incurred by the Town, such as bond counsel and financial advisor fees, printing, underwriter's discount, and project design and construction costs, will be charged to the bond issue to the extent allowable by law.
4. The Town will monitor compliance with bond covenants and adhere to federal arbitrage and disclosure regulations.
5. The Town shall continually review outstanding obligations for opportunities to achieve debt service savings through refunding and shall pursue refinancing when economically feasible and advantageous.