

TOWN OF MCCORDSVILLE, INDIANA

Debt Management Policy

1. Policy Statement

It is the policy of the Town of McCordsville, Indiana (the “Town”) to issue public debt appropriately and advantageously in response to the ongoing capital and economic development needs of the Town and its agencies and departments. All debt will be issued in accordance with all applicable Federal, State, Town Policies, and the Town Municipal Code (Code of Ordinances) requirements and laws governing the issuance of public debt.

The Town’s Debt Management Policy (the “Policy”) is the guideline for Town staff to use in issuing debt. The Policy shall be reviewed on an annual basis by the Town Clerk Treasurer or his or her designee. Any substantive modifications made to the Policy must be approved by the Town Council and will be submitted accordingly and updated by the Town Clerk Treasurer’s Office.

2. Authority

Under the authority granted by IC 5-26 Administration, Title 36, Local Government; the McCordsville Municipal Code (Code of Ordinances); and the McCordsville Town Council; the Town is authorized to incur debt for funding capital acquisitions, capital improvement projects, capital equipment, and for economic development projects or purposes. It is the Town Council’s intent to responsibly use this authority in order to fulfill the objectives of the Town and its agencies and departments.

Management responsibility for the Policy is hereby delegated to the Town Clerk Treasurer. Pursuant to the conditions, regulations, and procedures in this Policy and laws and policies, it shall be the sole responsibility of the Town Clerk Treasurer to monitor and manage debt on behalf of the Town. Only the fiscal bodies of the Town, which include the Town Council, or its agencies as specifically mentioned in this document, are authorized to issue debt.

3. Ethics and Conflict of Interest

Officers and employees involved in the debt issuance process shall refrain from personal business activity that could conflict with proper execution of the Policy, or which could impair their ability to make impartial debt issuance decisions.

Employees and debt issuance officials shall disclose to the Town Clerk Treasurer any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial positions that could be related to the Town's debt portfolio.

All matters of conflict of interest and ethics shall be governed and handled in accordance with the Town of McCordsville, Indiana, Employee Personal Policy Manual and Indiana Code 35-44-1-3.

4. Prudence

Debt shall be issued with extreme judgment and care; and under all circumstances all persons involved shall use prudence, discretion, and intelligence as they would exercise in the management of their own affairs. The standard of prudence to be used by debt issuance officials shall be the "prudent person" standard and shall be applied in the context of managing an overall debt portfolio.

Employees and debt issuance officials acting in accordance with this Policy and written procedures and exercising due diligence shall be relieved of personal liability for an individual's security credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments. The "prudent person" is expected to be a reasonably well-informed person and should always consult with the Town Clerk Treasurer before any such related matter is entered into or others agreed upon.

5. Scope

This Policy applies to debt issued directly by the Town and debt issued on behalf of the Town by its agencies. Among the Town's agencies authorized to issue debt are the following: McCordsville Town Council, McCordsville Redevelopment Commission (RDC), Park Board of the Town of McCordsville, McCordsville Economic Development Commission, and the enterprise funds including sewer and storm water utilities (Town Council).

This Policy shall be all-inclusive of debt, including lease financing and annual appropriation, issued by the Town to include, but not be limited to: general obligation debt, tax increment financing (TIF) debt, special benefits tax debt, governmental purpose revenue debt for public enterprises – sewer, water and storm water, other revenue debt and economic development revenue debt.

This Policy contains certain elements on procedures and practices to achieve the objectives of the Policy and to ensure that professional standards are defined and met in the Policy's implementation.

To ensure sound issuing of debt, the Town will use a debt issuance checklist (or bond counsel timeline) before issuing any debt to ensure compliance. The Town will also use a post issuance compliance checklist (or bond transcript) once such debt has been issued. Documents that are used will comply with the GFOA (Government Finance Officers Association) best practices in this area.

6. Objectives

- a. To preserve the public trust and ensure current decisions positively impact future citizens. The Town shall achieve this objective by:
 - i. Providing ongoing information to elected officials, Town management and the public on the status of the Town's debt program;
 - ii. Evaluating each debt issue in accordance with this Policy, as to its individual and cumulative impact; and
 - iii. Adhering to Federal and State code, Town policies, and the Town Municipal Code (Code of Ordinances).
- b. To minimize borrowing costs. The Town shall minimize borrowing costs by:
 - i. Working with authorities to ensure that the tax-exempt status of bonds issued on that basis are maintained;
 - ii. Striving to obtain the highest credit ratings possible within the overall objectives of the Town; and
 - iii. Ensuring that the type of debt and debt structure selected employ criteria that ensure the advantageous marketing of each issue.
- c. To preserve access to capital markets. The Town shall preserve access to the capital markets by:
 - i. Providing information to the general municipal market and its agents including regular continuing disclosure to its investors.
- d. Maintaining future debt capacity. To ensure future financial flexibility. The Town shall ensure financial flexibility by:
 - i. Review and report on debt levels.
 - ii. Using cost/benefit analysis to set optional prepayment provisions, which ensure proactive management of outstanding obligations; and
 - iii. Managing callable dates and repayment terms for potential renegotiations and increased flexibility.

7. Guidelines for Use

Debt is a financing tool which should be judiciously used when the Town has legal, financial and market debt capacities and will be considered when some or all the following conditions exist:

- a. Estimated future revenue is sufficient to ensure the repayment of the debt obligation;
- b. Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project;
- c. A capital project is mandated by federal or state authorities with no other viable funding option available;
- d. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project and the Town's ability to pay debt service;
- e. Long Term Debt will not be used to fund ongoing operating expenses of the Town
- f. Any Town debt issued in support of a development project shall first be reviewed and approved by the McCordsville Town Council and the Town Manager.

8. Types of Debt Issuance/Debt Limits

The Town has numerous choices regarding types of debt available to meet its financing objectives. All such uses of debt are subject to legal requirements. Regarding direct debt, the Town Clerk Treasurer or his/her designees shall calculate the ratios for all new debt and use this to help guide the Town in making sound decisions of future debt issuance. These ratios may include the following: debt per capita, debt to personal income, and debt to taxable property value. The following is a listing of the types of generally issued debt and general guidelines as to their use.

- a. General Obligation (G.O.) Bond – Full Faith and Credit. General obligation bonds provide the investor with the most secure Town credit, because of the Town's pledge of its unlimited authority to levy property taxes for debt service. Principal and interest to be paid from Town's debt levy assessed on all real and personal property. The unlimited authority subject to circuit breaker tax credits as outlined in the State's constitution.
- b. Enterprise Fund Revenue Bonds. Revenue bonds may be issued to fund capital improvements related to municipal enterprise functions (sewer or storm water). They are designed to be self-supporting through user fees. Principal and interest is paid from net revenues from enterprise operations.
- c. Special Revenue Bonds. Special revenue bonds may be issued to fund capital improvements or other special projects of the Town. The debt is payable from specifically identified revenue sources such as local income tax or gas tax. Generally, the general taxing power of the Town is not used with Special Revenue Bond financing.

- d. Economic Development Revenue Bonds. Economic Development Revenue Bonds are paid by private companies or developers. The bonds are issued by the Town as a conduit issuer after approval by a local economic development commission and Town Council. The Town is not responsible for default or any other repayment of such debt.
- e. Bond Anticipation Notes (BAN's). Bond Anticipation Notes are issued in anticipation of a future long term bond issue. The Town is required to approve in all respects the long-term financing associated with the issuance of a BAN, however, because of timing or stabilization of future revenue streams, the BAN is used to begin a project working much like a construction loan. BAN's can be issued for a period not exceeding five (5) years.
- f. Lease Financing. The Town may enter short-term lease-purchase agreements to finance capital improvements, including equipment with an expected useful life, as defined by the Governmental Accounting Standards Board (GASB), of less than ten (10) years. Principal and interest to be paid from the operating budget or other dedicated resources of the department purchasing equipment or constructing capital improvement.
- g. Inter-fund Loans. The Town may utilize short-term borrowing to fund cash flow needs in anticipation of tax or other revenue sources. The Town's fiscal bodies are authorized to make low or non-interest loans from one Town fund to another for the shortest periods of time as possible, as determined by the approving fiscal body and Town Clerk Treasurer. The Town Clerk Treasurer or designee is required to assure that the loaning fund will have adequate cash balances to continue to meet current expenses after the loan is made and until repayment from the receiving fund. Short-term borrowing to cover cash flow needs shall be repaid by December 31 in the year the borrowing occurs.
- h. Tax Increment Financing (TIF). TIF provides for the temporary allocation to redevelopment commissions of increased tax proceeds (in an allocation area generated by increases in assessed value). Accordingly, TIF proceeds permit the Town to use increased tax revenues stimulated by redevelopment or economic development to pay for the capital improvements needed to induce the redevelopment or economic development. Incremental taxes on depreciable business personal property may be collected under limited circumstances.
- i. Swap Transactions. The Town will **not** enter into any swap transactions unless a debt derivative policy has first been established. Accordingly, the Town will not enter into interest rate swaps, forward swaps, swap options, basis swaps, caps, floors, collars, cancellation options or any similar hedge, derivative or synthetic instrument on behalf of the Town ("swap transactions").

9. Debt Administration

- a. Post Issuance Compliance – The Town Clerk Treasurer's Office shall maintain procedures to ensure compliance with State and Federal regulations, and McCordsville Municipal Code. Such procedures will consider: Continuing Disclosure, Arbitrage

Rebate, Private Use Limitations, Other Tax Compliance Requirements and Permitted Investments of bond proceeds.

- b. Refunding – The Town Clerk Treasurer will conduct periodic review of outstanding debt to identify refunding opportunities and report in compliance with the reporting section of this Policy.

10. Limitation on Level of Debt to be Issued and Outstanding

- a. Constitutional and Statutory Limitations:
As established per the Indiana Code, for direct debt the Town may not exceed 2% (percent) of 1/3 (one-third) of the net assessed value (AV) of the Town within the municipal boundaries. This limit is applicable for the Town's direct debt and to each special taxing district, including Park District and the Redevelopment District direct debt respectively. General Obligation Debt must follow Indiana Code 6-1.1-20 for specific guidelines regarding petition remonstrance process and voter referendum requirements.
- b. Internal Debt Targets:
For enterprise fund revenue debt and special revenue debt, the market and rating agencies, as well as investors will require a certain level of debt service coverage. At a minimum, the Town will look to maintain a one hundred twenty-five percent (125%) of debt service requirements.

11. Retention of Consultants and Other Related Parties

The Town recognizes the nature of the municipal bond industry is such that specialized consultants may need to be retained. The Town will strive to retain those consultants who will best advise them on individual issues and the overall Town debt program in a manner, which will most advantageously position the Town on both a short and long-term basis. All Town debt will be reviewed by Bond Counsel to ensure that the Town is meeting all statutory requirements.

12. Reporting

The Clerk Treasurer's Office is charged with the responsibility of monitoring all Town debt and preparing annual debt reports during budget process when projects are being discussed. This debt report will also be updated when new debt is issued and when debt matures. Within the annual debt report, a summary of the Town's debt portfolio shall be included listing of all Town's outstanding debt by type including the outstanding principal amount for each. Additionally, the annual debt report shall also include a calculation of debt capacity for the Town's direct debt obligations (see 10(a) above).

On an annual basis, the Clerk Treasurer's Office will prepare and provide a report to the Town Council and the Indiana Department of Local Government Finance (DLGF).

Approved this 12th day of November 2024 by the McCordsville Town Council