

FP2
Category: FINANCE

DEBT LIMITATIONS POLICY

1. Capital projects funded through the issuance of bonds or other forms of debt instruments shall be financed for a period not to exceed the expected useful life of the project and in no event shall it exceed 30 years.
2. All professional service providers (underwriters, financial advisors, bond insurers, etc.) shall be competitively bid and will require a request for proposal process unless waived by the Board of Directors.
3. Long-term debt or bond financing shall not be used to support operating expenses.
4. Total annual debt service expense shall not exceed 10% of operating revenue. The percentage should be reviewed annually.
5. The Board of Directors may consider the cost/benefit to the Authority of using lease purchase agreements to finance capital projects that would otherwise be financed through an annual appropriation of Authority funds.
6. Reserve accounts shall be maintained as required by bond requirements and where deemed advisable by the MBCP Board. The Authority shall structure such debt service reserves so that they do not violate IRS arbitrage regulations.
7. Ongoing routine, preventive maintenance should be funded on a pay-as-you-go basis.