City of Apache Junction, Arizona
Debt Management Policy

Debt service requirements can impact the City's financial condition and can limit the flexibility to respond to changing service priorities, funding availability, or cost structures. Financing capital projects with debt provides for an "intergenerational equity", as the actual users of the capital asset pay for its cost over time, rather than one group of users paying in advance for the costs of the asset.

The purpose of this debt management policy is to provide for the maintenance of adequate debt service reserves, compliance with debt instrument covenants and provisions, compliance with Internal Revenue Service Regulations, and required disclosures to investors, underwriters and rating agencies. These policies are meant to supplement the legal framework of public debt laws provided by the Arizona Constitution, State statutes, City Code, City Ordinance, Federal tax laws and the City's current bond resolutions and covenants and will also be used when evaluating the purpose, necessity, and conditions under which debt will be issued.

The Arizona Constitution limits a City's bonded debt capacity (outstanding principal) to certain percentages of the City's secondary assessed valuation by the type of project to be constructed. There is a limit of 20% of secondary assessed valuation for projects involving water, sewer, streets, transportation, public safety, artificial lighting, parks, open space, and recreational facility improvements. There is a limit of 6% of secondary assessed valuation for any other general-purpose project.

1. The City will comply with Arizona Revised Statutes and all other legal requirements regarding the issuance of bonds and certificates of the City or its debt issuing authorities.

2. The City will comply with all U.S. Internal Revenue Service arbitrage rebate requirements for bonded indebtedness

3. The City will be in compliance with any debt instrument covenants and provisions.

4. The investment of bond proceeds will, at all times, be in compliance with the requirements of bond covenants.

5. Required disclosures will be provided to investors, underwriters and rating agencies.

6. Debt service reserve funds will be provided when required by rating agencies, bond insurers, or existing bond covenants.

7. The overall debt management policy of the City will ensure that financial resources are adequate in any general economic situation to not preclude the City's ability to pay its debt when due.

8. The City will attempt to combine debt issuances in order to minimize issuance costs.

9. Long-term debt will not be used to fund current operations or smaller projects that can be financed from current revenues or resources. The City will first consider utilizing "pay as you go" capital financing and/or the use of operating funds or impact fees where applicable.

10. The term of any bond will not exceed the useful life of the capital project/facility or equipment for which the borrowing is intended.

11. The final approval/recommendation for financing will be made by the City Manager or, if required, City Council.

12. The City’s Finance Department will maintain a debt profile for all bonds issued and update the profile on an annual basis. The debt profile will include specific information regarding the size and type of debt issued, projects financed by the bonds, debt service schedules, and other pertinent information related to each specific bond issue.