

Debt Management Policy

City of Laredo

Submitted: July 29, 2025

Next Review: July 2028

Purpose

The purpose of this resolution is to establish a uniform debt management policy that:

- Aligns debt issuance with long-term capital and infrastructure needs;
- Preserves and strengthens the City's credit profile;
- Ensures affordability and transparency in public borrowing;
- Responds to the community's call for greater financial clarity and discipline.

Scope

This policy applies to all forms of long-term financing and debt obligations issued by the City of Laredo or any of its departments or funds, including but not limited to:

- General Obligation Bonds (GO Bonds);
- Certificates of Obligation (COs);
- Public Property Finance Contractual Obligations (PPFCOs);
- Revenue Bonds;
- Lease-purchase financing;
- Any other capital-related instruments supported by City revenues or annual appropriations.

This includes all debt issued from or on behalf of:

- The General Fund
- Enterprise Funds
- Internal Service Funds
- Special Revenue Funds

Policy Guidelines

This section covers the use of debt, structuring guidelines, criteria for issuing Certificates of Obligation, debt capacity and affordability thresholds, refunding conditions, and treatment of PPFCOs.

Enterprise fund debt must be self-supporting with at least a 1.25x coverage ratio for all revenue-backed obligations, incorporated into long-range rate models and capital plans,

and reported in the City's Annual Comprehensive Financial Report (ACFR) Continuing Disclosure Section.

No long-term debt may be issued without a written joint review from the Finance and Budget Directors documenting policy compliance and City Council Approval.

The City will consider issuing non-voter and voter approved debt for capital programs.

Credit Ratings and Transparency

The City shall maintain open communication with rating agencies, publish an Annual Debt Profile Report, through the City's Annual Comprehensive Financial Report (ACFR) Continuing Disclosure Section, to ensure ongoing compliance with policy provisions.

Revenue-Backed Debt Coverage

All revenue-backed debt must maintain a minimum 1.25x coverage ratio. No General Fund pledge is permitted without Council approval and a repayment plan.

Policy Administration

The Finance Director shall retain primary responsibility for debt issuance, compliance with statutory and bond covenant obligations, and management of debt service schedules. The Budget Director shall serve as the strategic lead for affordability analysis, debt capacity forecasting, and policy alignment with the City's long-range plans, including implementation of Viva Laredo, the Capital Improvement Plan, and efficiency initiatives. Together, the Finance and Budget Departments shall coordinate to ensure that debt issuance supports City priorities, reflects sustainable fiscal policy, and is fully integrated into the City's financial forecasts, budget cycles, and public transparency efforts.

The Budget Department shall present long-range affordability scenarios as part of the annual financial planning process and provide input to Council during consideration of all major debt issuances.

Policy Review

This Fund Balance Management Policy shall be reviewed at least every three years or in conjunction with major updates to the City's Financial Management Policies.