TOWN OF VIENNA, VIRGINIA
DEBT MANAGEMENT POLICY

Effective Date: April 1, 2022

I. PURPOSE

The Town of Vienna Town Council recognizes the importance of outlining a policy to manage the general obligation debt of the Town. The Town of Vienna has the power to issue its own debt under Part 1, Sec. 6.2 of the Town Code of Vienna. This policy supports the Town of Vienna's strategic plan goal: *Vienna is a fiscally responsible community.*

II. SCOPE

This policy establishes parameters for issuing debt and management of that debt for the Town of Vienna.

III. PURPOSE FOR ISSUING DEBT

A. The Town will issue debt to pay for capital projects as defined in its capital project policy. Capital projects are defined as projects costing over $5,000 with a useful life of more than one year.
B. Debt will consist of general obligation bonds for most capital projects, with the Town's full faith and credit irrevocably pledged to said debt.

IV. GENERAL TERMS OF DEBT ISSUED

A. The Town will not use general obligation debt to fund current obligations.
B. The Town Finance Director will ensure all debt payments are made on time.
C. Long-term general obligation debt for capital projects will be issued in terms not less than 15 years.
D. Debt terms will be matched to useful life of the underlying assets purchased with the debt, within the guidelines in C above.
E. Separate general obligation debt will be issued to finance pre-planned vehicle purchases for a 4 to 5-year term, mirroring the useful life of the vehicles.
F. Debt will typically be structured with level payments. However, the Town has flexibility in utilizing other debt structures in order to maximize the use of meals tax revenues to pay for debt service.
G. The Town levies a meals tax as defined in the Town Code, Chapter 6 – Finance and Taxation, Article 4, Meals Tax. It is the Town's intention to pledge meals taxes to debt payment.

H. It is the Town's intention to use water and sewer fees to pay for all improvements to water and sewer infrastructure and water and sewer vehicles.
I. It is the Town's intention to use general funds to pay for all general fund vehicles and stormwater fees to pay for all stormwater fund vehicles.

V. DEBT PLANNING

A. Town staff will prepare a 15-year capital plan based on capital needs determined by staff and Council annually.
B. The plan will be presented to Council annually in September, and formally adopted by Council in a subsequent meeting.
C. On even-numbered years, the Town will issue general obligation debt to pay for the current year of the plan.

VI. LIMITS OF DEBT; PAYOUT RATIO

A. In accordance with the Code of Virginia, section 15.2-2634, the Town's debt cannot exceed 10% of the Town's assessed real estate value. The Town will cap the total outstanding debt at 2% or less of the Town's assessed real estate value.
B. The amount of outstanding debt is limited by the lower of what a reasonable projection of meals tax receipts for a 15-year period can support or 2% of the assessed real estate tax value.
C. Council has the option of changing the meals tax rate at any time through a supermajority vote to increase or decrease available debt capacity.
D. The Town has the option to use general funds to supplement funds available to support debt or to pay for capital projects on a pay-as-you-go basis at their discretion.
E. The Town's tax-supported debt service as a percent of expenditures (includes General Fund, Debt Service Fund, and Meals Tax revenues) shall not exceed 15%.
F. The Town will strive to maintain a10-year principal payout ratio of not less than 60% at the end of each adopted fifteen-year Capital Improvement Plan.

VII. POLICY COMPLIANCE

The Director of Finance / Treasurer will demonstrate compliance with the debt policies annually with the presentation of the capital improvement plan (CIP) to Council in September.

The Town will also review these debt policies at least every three years to determine if any updates are required.

The Town will make full and timely disclosure in every annual financial report and financing operating statement.

The Town will make all event and other disclosures required by the Securities and Exchange Commission rule 15c2-12 on a timely basis.

APPROVED BY:

DATE: