



Mayor & Village Board Standard Operating Procedure – No. 014

Date Adopted: February 8, 2017

Date Revised:

Mayor and Village Board Standard Operating Procedure No. 014, having been first adopted by the Mayor and Village Board on February 8, 2017, shall:

1. Be updated on at least an annual basis;
2. Be administered by the Mayor and Village Manger;
3. Serve as the Village's guidelines for the management of debt.

Signed: _____

Date: February 9, 2017

DEBT MANAGEMENT POLICY

- A. The Village of Homer Glen will confine long term borrowing to capital improvement and capital projects.
- B. The repayment of debt issued to finance capital projects shall be kept as short as financially possible. The Village desires to maintain a debt repayment term of not greater than twenty (20) years whenever feasible. However, in no case should the debt repayment term exceed the useful life of the equipment, improvement, or project being financed.
- C. Due to the heavy debt burden placed on Homer Glen property owners by overlapping taxing districts, the Village Board has maintained a practice of managing the amount of debt service for the Village of Homer Glen that is provided through property taxes.
- D. The Village Board will strive to utilize methods of borrowing that result in the lowest debt service costs.
- E. When possible, the Village will use revenue sources other than property tax to support the debt service associated with the issuance of debt obligations. If general obligation debt is utilized in such instances where an alternate revenue or funding source has been

identified, that portion of the debt service shall be supported by that revenue or other funding source and the corresponding debt service levy requirements shall be abated and filed with the County Clerks' to avoid the levy of property taxes otherwise required to provide for payment of the debt service.

- F. If general obligation debt is utilized to support capital projects associated with the Village's proprietary/enterprise activities (e.g. Water and Sewer), that portion of the debt service shall be supported by that proprietary/enterprise fund and the corresponding debt service levy requirements shall be abated and filed with the County Clerks' to avoid the levy of property taxes otherwise required to provide for payment of the debt service.
- G. The Village has maintained an ongoing program of abating property taxes for debt service which is paid through other revenue streams. The Village Board's philosophy regarding its practice of property tax abatements is detailed below:
 - 1. Property tax abatement is more advantageous than typical tax rebate programs that have been implemented by other area communities.
 - 2. The Village Board believes it is better fiscal policy to not tax in the first place, rather than collect a tax and then issue a rebate later.
 - 3. Rebate programs are much harder to terminate once they are started due to political pressures which tend to override fiscal responsibility to the community's taxpayers.
 - 4. Tax abatement requires almost no administrative costs to implement each year, while typical tax rebate programs require additional administrative costs to receive rebate requests, perform calculations, verifications, and process the refund checks.
 - 5. Tax abatement has generally provided a greater dollar benefit to Village property owners than typical rebate programs which have been offered by other communities.
 - 6. Tax abatement provides benefits to all property owners, including rental, commercial, and industrial property owners. The typical tax rebate program only provides a benefit to owner-occupied residential homeowners.
- H. The Village will maintain a sound relationship with bond rating agencies.
- I. Funding and Debt Service for all Capital Projects should consider potential impacts on the Village bond rating.
- J. Funding of Capital Projects and related Debt Service should not impact the Village's flexibility to accommodate other needs in the future.
- K. Tax Anticipation Notes (TANs)-TANs have traditionally been used by local governments as a means of short term financing particularly when the government is heavily dependent on property taxes for its operations. Because property taxes are generally collected and distributed in two installments during the calendar year, it does not provide a steady cash flow throughout the year. TANs would be issued to provide funds for the periods between tax collection/distributions and are repaid when the property taxes are received from the County Treasurers. Considering the associated interest costs, it

ultimately reduces the amount of property tax and revenues available to support operations.

The Village of Homer Glen has not issued Tax Anticipation Notes at any point during its years of incorporation. The Village Board discourages the use of TANs, except in cases where it can find no other reasonable means of short term financing to maintain essential services and operations.

- L. As a Home Rule Unit, the Village of Homer Glen has no mandatory debt ceiling imposed by State Statute. The Village shall strive to maintain its debt limit to no greater than the statutory 8.625% limit that would be applicable if the Village were not a Home Rule Unit of government.
- M. It is acknowledged that the Offering Statements issued in conjunction with a bond issue are critical to the sale and marketing of the bonds. As such, this document should not include material misstatements or omissions and requires careful review before issuance. While other individuals may participate and assist in the preparation of the Offering Statements, at a minimum, the Village Treasurer shall be required to review the document before it is released.
- N. The Village Treasurer shall maintain adequate records related to the bond transaction.
- O. The Village Treasurer shall be the designated Compliance Officer in relation to monitoring the bond issues and related filing requirements.