

DEBT MANAGEMENT POLICY May 2024

1. Purpose

The purpose of this debt policy ("Debt Policy") is to provide written guidelines for the Finance Dept. and Administration, as the Town evaluates the issuance of and management of, current and future debt. The Debt Policy will help demonstrate to rating agencies and capital markets that the Town plans to evaluate the most cost-effective means to finance its capital needs while limiting exposure to risks for the Town.

The Town has considered criteria for debt policies by reviewing guidance from the Government Financial Officers Association ("GFOA"), from the best practices of other municipal issuers and rating agency criteria when preparing this Debt Policy. The Town recognizes that while the issuance of debt is often an appropriate method to finance capital projects and major equipment acquisitions, that such issuance must be monitored to preserve the Town's fiscal stability, credit strength, and provide flexibility and liquidity for the Town's future capital needs.

2. Definitions

Commission shall mean the Town's Redevelopment Commission.

Council shall mean the Town Council.

Investment Policy shall mean the Town's Ordinance No. ____, "_____", as adopted by the Council on ____, ____, as may be modified from time to time approved by the Council.

Maximum Debt Level Targets shall mean the Town will maintain Town Debt at a level not to exceed (1) \$3,500 of net tax-supported direct debt per capita and (2) 20% to 25% of debt service as a percentage of Total Governmental Funds Revenues.

Related Issuer shall mean the Town's Parks District, Redevelopment Commission, Redevelopment District, the Redevelopment Authority, Fire Territory, and related building corporations of the Town.

Revenue Debt shall mean debt of the Town which is secured by a dedicated revenue stream of the Town, such as Utility Debt or Tax Increment Debt, but does not include Town Debt, unless tax revenue of the Town is also pledged to repay the Revenue Obligations.

Tax Increment shall consist of all real property and depreciable personal property, where applicable, tax proceeds attributable to the assessed valuation in a tax allocation area as of the assessment date in excess of the base assessed valuation described in IC 36-7-14-39(b)(1) multiplied by the current property tax rate, exclusive of any post-2009 rate established by a referendum.

Tax Increment Debt shall mean debt which is payable from Tax Increment when formally pledged to the bonds or lease rental payments.

Total Governmental Funds Revenues shall include all operating revenues of the Town but excludes one-time revenues.

Town is the Town of Zionsville, Indiana.

Town Debt shall mean any debt, including bonds, loans, leases, Build Operate Transfer agreements, and other similar financial obligations, of the Town payable from ad valorem property taxes, local income taxes, casino/riverboat distribution revenues, park revenues, food and beverage tax revenues, including special

benefits tax debt issued by the Parks District, the Redevelopment Commission and Redevelopment Authority, provided the debt is not payable exclusively from a dedicated non-tax revenue stream without any pledged tax revenue, such as a single-payor Tax Increment transaction.

Utility shall mean the Wastewater Utility.

Utility Debt shall mean any debt of the net revenues of the Wastewater Utility.

3. Debt Issuance Authority

The Town, in consultation with legal counsel, bond counsel and its municipal advisor, will adhere to the provisions of the Indiana Code ("Code") which apply to applicable debt which the Town plans to incur. Such provisions of the Code include but are not limited to Title 5: State and Local Administration; Title 6: Taxation and Title 36: Local Government. Issuance of debt must also comply with the Town's Municipal Code. Debt may only be issued after the proper authorization and approval from the Town Council, as the Town's fiscal body, has been obtained.

4. Ethics and Conflicts of Interest

The Town's employees and elected officials, particularly its Town Council, Finance Dept., and Administration involved in approvals in connection with the issuance of debt, the selection of professionals and entities related to the debt issuance process or the completion of projects to be funded with proceeds of the financial obligations, shall disclose any potential conflicts related to the selection of a professional or entity with which the potential conflict of interest exists. A potential conflict of interest is present when the person or a relative of the person's immediate family has a business or employment connection which may impair the person's ability to be impartial. Unless the Town Council, upon majority vote determines that the disclosed conflict of interest is not material, the employee or elected official with the conflict of interest shall completely abstain from any selection process involving the conflict of interest.

5. Appropriate Uses of Debt

This Debt Policy sets parameters and guidelines regarding the appropriateness of long-term capital funding, short-term capital funding, leasing financing, and refunding bonds.

a) Use of Long-Term Capital Funding

The Town will utilize long-term debt, primarily in the form of tax-exempt bonds, to finance capital projects or the acquisition of capital assets that are considered, or will be considered upon completion or acquisition, long-term assets. Long-term debt will not be used to fund operations. The Town will issue the long-term debt for approved capital needs with an identifiable, authorized source of security available for debt repayment.

b) Use of Short-Term Debt

The Town may utilize short-term borrowing for temporary working capital needs, to provide interim funding for capital projects in anticipation of a long-term issuance or to provide temporary operating funding until tax revenues are received. Such short-term borrowing may be utilized to reduce the need for capitalized interest or to ensure that total borrowing matches final construction and capital costs. Short-term borrowing for operations will be repaid within the calendar year and upon receipt of tax revenues. Short-term borrowing for capital needs generally will be repaid within five years of incurrence.

c) Lease Financings

The Town may utilize lease financings as an appropriate means of financing capital equipment or the acquisition of real property and improvements to the property when the Town determines it is financially advantageous when compared to a bond issuance. The Town and the Redevelopment Commission may also enter into a lease transaction as a part of bond financing which is secured by lease rental payments of the Town. In all cases, whether capital equipment or property improvements are leased, the useful life of the leased asset, the lease terms and conditions, the impact on debt capacity and budget flexibility must be evaluated prior to the implementation of a lease program.

d) Refunding Bonds

The Town may refund outstanding debt to achieve interest cost savings, remove or change burdensome bond covenants, change interest rate modes, eliminate the need for liquidity facilities, release reserve funds, and/or restructure the stream of debt service payments. Periodically, a review of the Town's outstanding debt will be undertaken by the Town's Finance Dept., and Administration, with assistance from its municipal advisors, to determine potential refunding opportunities. When evaluating whether to refund outstanding debt, the Town will determine when it is in the Town's financial or economic interest to do so and will make recommendations to the Council for approval. Generally, refundings, which are being considered for savings, will have a targeted cost savings of a minimum two percent (2%) savings unless there are significant present value savings for the Town and the interest rate environment is forecasted to increase. The Town Council may also consider savings which are identified by the Finance Dept., with advice from its municipal advisor and bond counsel, as deemed in the best interest of the Town.

6. Types of Debt

The Town's obligations, including obligations of Related Issuers, are each secured by the various revenue streams, including ad valorem property taxes, local income taxes, utility revenues, tax increment revenues, and in some cases a combination of various security sources. The Town may also make a moral obligation pledge as a security to replenish a debt service reserve fund if that fund is ever utilized to make a debt service payment.

a) Ad Valorem Property Tax Bonds

This is the full faith and credit pledge of the Town, as a general obligation bond pledge, or a special benefits tax pledge by one of the Town's special taxing districts, which commits the applicable issuer to pay debt service or make lease rental payments by the levying of an ad valorem property tax. If needed, the applicable issuer is required to increase the annual ad valorem property tax levy attributable to debt service or lease rental obligation to an amount sufficient to meet the obligation subject to state statutory and constitutional property tax limits.

b) Revenue Bonds

The Town, its Utility and Related Issuers, and related building corporations, may secure obligations by pledging one or more revenue sources, including user charges, fees, lease rental payments, certain taxes, and enterprise revenues and general revenues. Some pledged revenues are limited by statute, governing policies, and/or regulatory bodies; however, the applicable issuer will certify that the funds are legally available to be pledged to debt service prior to the pledge.

c) Tax Increment Revenue Bonds

Tax increment is generated within one or more specified allocation areas within the Town's Redevelopment District from increased assessed value of real property and the personal property of any designated taxpayer and deposited in the allocation fund(s) by the Commission. The Commission may pledge or utilize the Tax Increment to the repay certain debt for projects in serving or benefiting one or more the allocation areas.

d) Combination or Dual Security (Double Barrel) Pledge

The Town may pledge a combination of revenues to reflect a stronger security to repay debt service and enhance the marketability of the bonds to be offered. For example, an income tax might be the primary source, but the Town or a special taxing district within the Town has pledged an ad valorem property tax as a backup source or the Town agrees to a moral obligation pledge in the event pledged revenues are insufficient to meet debt service requirements.

e) Short-Term Debt – Bond or Tax Anticipation Notes and Warrants

The Town may utilize short-term debt, such as bond anticipation notes, tax anticipation notes or warrants if the Town requires short-term funding for capital projects or operations, and the Finance Dept., and Municipal Advisor determines it is in the best interest of the Town to borrow funding from an external lender instead of an interfund borrowing from a Town fund. If the Town issues a bond anticipation note, then the bond anticipation note may not be extended more than five (5) years. *Also see Section 5 b) – Use of Short-Term Debt.*

f) Other Types of Financial Obligations

The Town may consider incurring other types of financial obligations as authorized and permitted by Indiana law and its local municipal code. Such financial obligations may include, but is not limited to, installment contracts, build operate and transfer agreements, certificates of participation, guaranteed energy savings contracts and other permitted borrowing. Prior to incurring a financial obligation, the Town Management, should consult its municipal advisor and legal counsel and/or bond counsel to discuss the considerations around the specific type of financial obligation being considered.

7. Limitations on Certain Types of Debt and Considerations

The Finance Dept. and Municipal Advisor will provide future recommendations to the Town Council for debt financings that consider the guidelines set forth below. The Town Council reserves the right to adjust the measurements, at any time, which are set forth herein based upon the current needs and financial position of the Town

a) **Town Maximum Debt Level Targets**

This Town's Maximum Debt Level Targets (as shown in the Definitions section herein) are inclusive of only debt which is Town Debt and does not include Revenue Debt. The Finance Dept. has and will continue to work with its municipal advisors to identify ways to issue debt in a manner that will minimize the impact on local taxpayers. The Town shall observe state constitutional and statutory restrictions applicable to any Town Debt.

The Finance Dept. will work to maintain the debt levels below the Maximum Debt Level Targets, and any changes to these goals for Town Debt levels will be presented to and approved by the Council.

b) Tax Increment Debt

The Commission may either pledge Tax Increment to pay lease rentals or debt service payments or may utilize Tax Increment to make lease rental or debt service payments. Prior to utilizing or pledging Tax Increment, the Town's Finance Dept., in consultation with its municipal advisor, will evaluate whether the coverage for the Town's outstanding obligations is sufficient to meet the additional bonds tests for its then outstanding obligations, with the addition of the debt. The Finance Dept. will also consider whether there may be rating impact with the additional use or pledge of Tax Increment. The Town will obtain a feasibility study, if needed, to make this assessment.

c) Taxable v. Tax Exempt Financings

Most debt will be issued as tax-exempt debt when permitted under federal law. To qualify as tax-exempt debt, the terms of the issuance and the use of issuance proceeds must comply with IRS regulations. Bond counsel will review the transaction and intended use of bond proceeds with the Finance Dept. and the Municipal Advisor to determine the appropriate tax status of the bonds under consideration. The Town will comply with its tax covenants for any outstanding tax-exempt debt to maintain the tax-exempt status of the bonds after issuance (in accordance with the planned post issuance compliance policy of the Town).

The Town may also issue taxable debt. Taxable debt would be considered for projects or uses that do not meet federal and/or state regulations for tax-exempt funding. In some instances, the use of tax-exempt debt might not be cost effective, leading to the use of a taxable issuance as the lowest possible cost of funds. The Finance Dept. should consult with its bond counsel and municipal advisor to determine the most advantageous option for a financing while considering the effect on the bond pricing. The following considerations should be factored into a taxable debt financing:

- An underwriter's experience and track record for marketing and pricing taxable bonds.
- Conventional call provisions in the taxable market can differ materially from those included in the tax-exempt market, and, if deemed appropriate, the Town will consider the economic benefits and costs of a make whole call provision or issuing non-callable bonds, both of which are more common in the taxable bond market.
- Consideration should be given to whether the Town would benefit from using a blend of tax-exempt bonds and taxable bonds on a particular deal.
- Analysis should be completed immediately prior to the bond sale as to what structure would produce the lowest cost for a given maturity when considering applicable legal options.

The Town will allocate its capital funding sources to achieve the lowest possible cost of funds.

e) Fixed-rate vs. Variable-rate Debt

In general, the Town will issue fixed-rate debt. Fixed-rate debt provides the benefit of fixed payments during the life of outstanding bonds, which provides predictability of borrowing costs for the Town and is easier to incorporate into the budgeting process. However, fixed rate debt is typically longer term and carries higher interest payments (assuming a normal interest rate environment/upward sloping yield curve) than variable-rate debt but is not subject to interest rate

changes. The Town may issue variable-rate debt when debt has been deemed the appropriate financing tool or a refunding has been determined to be financially feasible. Variable-rate debt can diversify the Town's debt portfolio, reduce interest costs, provide repayment flexibility and help match assets to liabilities. The Finance Dept., with the advice of its municipal advisor, shall determine if the variable-rate risk is offset by the following in considering the issuance of variable debt:

- the need to diversify the Town's portfolio;
- the amount of existing reserves of the Town to offset increased interest rate risk;
- whether short-term debt to finance a project while under construction, could be repaid with fixed-rate debt once complete;
- overall projected interest costs savings while considering costs associated with credit facilities and remarketing costs;
- short and long-term interest rate forecasts; and
- optional and mandatory call features or put options.

Prior to the Town's participation in financings involving swaps or derivatives, the Town will develop and adopt a Swaps and Derivative Policy.

8. Procedures and Considerations for Debt Issuance

All debt must be formally authorized by the Council in accordance with applicable Town Municipal Code, the Code and federal laws. Debt for which Tax Increment revenues have been pledged, must be approved by the Commission.

Prior to the issuance of the bonds, the Finance Dept. will evaluate, with assistance from its municipal advisors and legal counsel, the various available financing options. When evaluating financing options, the Finance Dept. shall consider current interest rates available, the necessary timing to obtain the funding in relationship to when the projects to be financed need to be completed and estimated costs of issuance.

9. Selection of Method of Sale

a) Competitive

In a competitive sale, bidders submit bids to purchase the offered securities and the bidder offering the lowest cost of borrowing, as measured either by the net interest cost ("NIC") or by the true interest cost ("TIC") as set forth in the bidding terms. If the Town has the statutory authority to apply either NIC or TIC to the terms of the sale, then the Town will typically default to applying TIC. While competitive sales promote bidders to submit aggressive bids to secure the financing, there are some limitations to competitive sales for the Town. Such limitations include 1) a lack of flexibility concerning the timing and structuring of a bond, 2) a more restricted ability to structure a bond to meet investors' preferences; and 3) complex or large financings where the market may require additional time for potential purchasers to conduct due diligence. The Town will consider competitive sales for transactions when required by statute or when its Finance Dept., with the advice of its municipal advisor, determine that this type of sale is in best interest for the particularly transaction and likely to result in the lowest cost of borrowing.

b) Negotiated

To the extent permitted by law, the Town through its Finance Dept., with the advice of its municipal advisor, may decide to sell the bonds to an underwriter or other entity in a

negotiated sale. In a negotiated sale, the Town or Related Issuer agree to sell the bonds to an underwriter at an established fee (or discount). The underwriter reoffers the Bonds to retail and institutional investors. Negotiated sales may be more beneficial for large bond transactions, when the credit or entity supporting the bonds is complicated or difficult to understand, when the market for similar bonds is volatile, when specialized investors are needed, or other various considerations which factor into the transaction. Negotiated sales may offer the Town with greater flexibility around the timing and sizing of its transactions. The Town's municipal advisor should analyze the pricing and provide recommendations to the Finance Dept.. The Town, with the assistance of its municipal advisor, should monitor the post-sale activity to evaluate that the pricing with the negotiated transaction was comparable or better than similar financings which were marketed around the same time. The Finance Dept. should consider the prior pricing experiences with underwriters, if applicable, when selecting underwriters for new transactions.

c) Private Placement

To the extent permitted by law, the Town may consider using a bank loan, or direct placement, as a method of sale. Direct private placements may offer the Town greater ease of issuance, potentially a more favorable cost of capital depending on the financial institution's relationship with the Town and may be necessary for bonds with complex financing structures or a pledged security with a limited revenue stream. The benefits of a private placement include less post issuance costs, the ability to work with local financial institutions and the ability to secure funding more quickly. When considering a private placement, the Town will work with local counsel and bond counsel to ensure that the terms of borrowing within the loan or financing agreements are consistent with the legal requirements for the Town to borrow from a private lender and are in the best interest of the Town. The Town will weigh the cost of capital against the additional legal and reporting covenants, such as 'make whole' provisions, allocation of future regulatory and tax risk, and increased financial reporting. If utilizing its municipal advisor to assist with the selection of financing institution, the Town's Finance Dept. will direct the municipal advisor and to provide a list of financial institutions to which the Town would like to receive proposals.

d) Indiana Bond Bank and Other Governmental Lenders

To the extent permitted by law, the Town may borrow from the Indiana Bond Bank or other governmental lenders. The Town shall work with its municipal advisor and request an analysis on the pricing and provide recommendations to the Finance Dept.. The municipal advisor will also provide guidance on the Town's eligibility with the particular program for the financing and consider the financing objectives for the Town when determining whether to pursue funding from the Indiana Bond Bank or other governmental lender.

e) Developer Purchased Debt

The Town may issue debt which is purchased by a developer to encourage targeted development opportunities within the Town. The Town Management will work with its bond counsel, legal counsel and municipal advisor to facilitate an agreement with the developer that is deemed by the Finance Dept. to be in the best interest of Town, and subject to any necessary legal approvals including by the Council.

10. Selection of Professionals

The Town employs various professionals for assistance in analyzing its debt structure and processing its debt issuance. These professionals include underwriters, trustees, consultants, municipal advisors and attorneys. For the services of underwriters and trustees, the Finance Dept. will evaluate their services in

conjunction with any new financing. Selection shall be determined by written evaluation of the Finance Dept. based upon agreed upon qualifications prior to the initiation of the process. The Town will periodically conduct a review of its professionals.

The Finance Dept., with the assistance of its municipal advisors, will select an underwriter or underwriting syndicate for a negotiated sale. If possible, the Finance Dept. should request qualifications from potential underwriters prior to selecting a particular underwriter or underwriting syndicate in connection with a financing. For competitive sales, the underwriter providing the most competitive, conforming bid on the date of sale will be selected.

11. Ratings

In connection with a bond financing, the Finance Dept., with the advice of the Town's municipal advisors, shall evaluate whether there is a benefit to have one or more ratings assigned to the bond issue. When making this assessment, the Finance Dept., with the assistance of its municipal advisors, shall determine whether the estimated cost of securing the rating or ratings is likely to result in an estimated reduction in the total interest cost. Should the Town proceed with the rating, the estimated reduction in interest cost should exceed the estimated costs to secure the rating.

Additionally, the Finance Dept., with the assistance of its municipal advisors, shall respond to any inquiries from the rating agencies after the debt has been issued to provide the rating agencies with accurate and timely information that is relevant to the financial position of the Town.

12. Credit Enhancement

The Town will consider the use of credit enhancements on a case-by-case basis, evaluating the anticipated economic benefit to the ability to market the bonds with a credit enhancement versus policy cost for each case. Only when clearly demonstrable savings can be shown, will an enhancement, such as insurance, be considered. Surety policies, which meet the requirements of an authorizing instrument for the debt service reserve requirement, may be acquired to meet any debt service reserve requirement.

The Finance Dept., with the advice of its municipal advisor, will generally solicit quotes from multiple insurance providers when soliciting pricing for bond insurance, evaluating various proposals based on the overall monetary savings offered under the submitted proposal in both insurance premiums and total borrowing costs of the Town in connection with the financing. Consideration may also be given to the fiscal strength and credit ratings of the insurance provider as well as the need to diversify the Town's credit enhancement providers.

13. Debt Structure

The Town will establish all terms and conditions relating to the issuance of debt and will invest all debt proceeds pursuant to the terms of its investment policy and in compliance with all applicable Town, state and federal laws.

All capital improvements financed through the issuance of debt will be financed for a period, in general, not to exceed the useful economic life of the improvements and in consideration of the ability of the Town to absorb such additional debt service expense. Other considerations when determining the term of debt shall include, but not be limited to, conditions in the capital markets, the availability of adequate revenue streams to finance the debt in accordance with all applicable law, and the retirement or refunding of current debt.

In general, long-term debt with maturities greater than 20 years should include a call feature no later than ten (10) years from the date of delivery of the bonds, and the Town may often include a shorter call feature, based upon market conditions and the advice of its municipal advisor if it determines that it is in the Town's best interest.

14. Debt Service Reserve Fund

Debt service reserve funds ("DSRF") are reserves established and maintained under the provisions of a bond ordinance, resolution and indenture. A DSRF is maintained to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The Town establishes such DSRFs, if authorized by the Town Council and with the advice of the Town's municipal advisor. These funds may be entirely funded with bond proceeds at the time of issuance or over time with the accumulation of pledged revenues. As an alternative, a DSRF can be funded upon the occurrence of a certain event, such as a specified decline in pledged revenues. If drawn upon, a DSRF is typically replenished from the first available revenues and set forth in the authorizing documents for the bond issue.

A DSRF balance is maintained throughout the life of the bonds. A cash-funded DSRF is invested pursuant to provisions and restrictions set forth in the authorizing documents and interest earnings are used to offset debt service payments. In the final year of the bond issue, the cash available in any DSRF is available to make the final debt service payments.

The Town may consider a DSRF surety policy provided by an appropriately rated bond insurer, as outlined in herein in Section 12 as an alternative to a cash-funded DSRF. Given the credit status of many of the enhancement providers, the fact that a surety policy requires an up-front fee payment to the enhancement provider and a surety results in a loss of future income to the DSRF, the use of a surety policy should be limited to (1) instances where the future risk of credit rating downgrades of the insurer is believed to be minimal, (2) there are no covenants requiring replacement insurance in the event of a downgrade to the insurer, and (3) the all-in present-value interest savings results in a significant cost savings. The Town's Finance Dept., with advice from its municipal advisor, will evaluate and document the DSRF funding decision. Other factors to be considered in this evaluation include: arbitrage yield restrictions, current interest rates, availability and cost of a surety policy, and use of debt capacity to cash-fund the DSRF.

15. Investment of Bond Proceeds

The Town shall comply with all applicable federal, state, and restrictions under its authorizing instrument, regarding the use and investment of bond proceeds. This compliance includes following any restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds as well as restrictions on the time period over which some bond proceeds may be invested. The Town's Director of Finance and Records will direct the investment of bond proceeds in accordance with the permitted investments for each particular bond issue.

16. Continuing Disclosure

The Town through its Director of Finance and Records and will assistance from its dissemination agent will comply when applicable with Rule 15c2-12 of the Securities and Exchange Commission ("Rule") by filing an annual report and annual financial information with the Municipal Securities Rulemaking Board's EMMA website. The Town will also provide timely notice within ten (10) business days of the occurrence of any material events as required by the Rule and any continuing undertaking requirements for outstanding debt. The Town, through its Director of Finance and Records, may enter into agreements with continuing disclosure service providers to assist the Town with implementing procedures and complying with the requirements of the Rule.

17. Arbitrage Compliance

The Town shall comply with all arbitrage rebate requirements as established by the Internal Revenue Service, and the Director of Finance and Records, with the assistance of its financial advisor, shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking project expenditures financed with bond proceeds, tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the Town's outstanding tax-exempt debt issues. The Town may enter into agreements with arbitrage service providers to assist the Town with complying with arbitrage regulations.