

Exhibit A

Section I. Introduction

Purpose and Overview

The objective of this policy is to provide general guidance for the issuance and management of all City of Olympia (the City) debt. Further, this policy establishes criteria to protect the City's financial integrity while providing a mechanism to fund the City's capital needs. The City will only utilize debt financing to fund capital improvement projects that cannot be reasonably funded on a pay-as-you-go basis.

The City's Finance Department is charged with ensuring compliance with all debt management policy requirements.

Section II. Governing Principles

Governing Law

The City issues debt in accordance with the Revised Code of Washington (RCW), in particular chapters 39.36, 39.46, and 39.53, along with all other City, State, and federal laws, rules, and regulations. State law (RCW 39.36.020) allows for the issuance of general obligation (GO) debt, through a public vote, of up to 7.5% of the City's assessed property valuation. The limit of 7.5% of assessed valuation for GO debt is divided between three different use types: 1) 2.5% for municipally owned water, sewer, or electric facilities; 2) 2.5% for open space and parks; and 3) 2.5% for general government purposes. Within the 2.5% limit for general government purposes, State law allows the Council to issue debt without a vote of the people. This non-voted debt (also called councilmanic debt) cannot be greater than 1.5% of the assessed property valuation of the jurisdiction.

The City will, unless otherwise justified, use tax-exempt bond proceeds within the established time frame pursuant to the bond ordinance, contract, or other document to avoid arbitrage. The City will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the IRS (Internal Revenue Service, IRC 148) regulation. For each bond issue not expended within the established time frame, the recordkeeping will include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebate earnings to the federal government in a timely manner to preserve the tax-exempt status of the outstanding debt obligation.

Debt Issuance

All City projects proposed to be financed through debt must have a full analysis of a) alternative methods of financing the project, b) future operating and maintenance costs, including debt service expense, associated with the project, c) projected cash inflows which can reasonably be applied to reduce the amount being financed, and d) projected cash outflows for construction/equipment to ensure arbitrage compliance.

The City will repay principal plus interest in accordance with the payment terms of the bond or contract. Furthermore, the City will comply with all bond or contract covenants. This includes, but is not limited to, any undertakings to provide ongoing disclosure and notice of certain listed events under SEC (Securities and Exchange Commission) Rule 15C2-12. Annual disclosure will take the form of the City's Annual Financial Report as well as other information required by the bond or contract that is not

reasonably contained in the annual report. The City will comply with all post-issuance compliance policies and procedures related to Federal tax law and policies and procedures relating to initial and ongoing disclosure.

Prior to any general obligation bond proposition being placed before the voters, the capital project under consideration must, unless otherwise justified and have found to be in the best interest of the City, have been included in the City's Capital Facilities Plan. The source of funds for the project should reflect the intended use of bond financing.

Debt cannot be issued for a longer maturity than a conservatively estimated useful life of the asset to be financed.

The City will maintain good communications with bond rating agencies and investors about its fiscal condition. The City will provide full disclosure on financial reports and in disclosure documents.

Short-term debt:

The City may use short-term debt, defined as a period not to exceed three years, to fund cash flow needs, which may be caused by a delay in receipting tax revenues or issuing long-term debt. The City will not issue short-term debt for current operations.

The City may issue interfund loans rather than issuing outside debt to meet short-term cash flow needs. The issuance of an interfund loan will be permissible only after an analysis of the loaning fund(s) indicate(s) that excess funds are available and the use of these funds will not impact the loaning fund(s) current operations or constitute a permanent diversion of funds. All interfund borrowing will bear interest based upon at least the prevailing LGIP (Local Government Investment Pool) rate.

Council authorizes the City's Finance Director to approve short-term interfund loans for a period not to exceed three calendar months and the City Manager to approve short-term interfund loans for a period not to exceed 12 calendar months. See long-term loans section below for policy on loans exceeding 12 calendar months. The Finance Director shall notify the Finance Committee and/or City Council of any use of directorial or managerial approved interfund loans at the first reasonable opportunity.

Long-term debt:

The City will issue long-term debt, defined as a period greater than three years for capital projects, which cannot reasonably be financed on a pay-as-you-go funding strategy from anticipated cash flows. Acceptable uses of bond proceeds are one-time capital projects that can be capitalized and depreciated in accordance with the City's accounting principles. Refunding debt is also an acceptable use. See refunding debt section below.

The City Council may issue long-term interfund loans rather than issuing outside debt instruments as a means of financing capital improvements. The issuance of an interfund loan will be permissible only after an analysis of the loaning fund(s) indicate that excess funds are available and the use of these funds will not impact the loaning fund(s) current operations or constitute a permanent diversion of funds. All interfund borrowing will bear interest based upon at least the prevailing LGIP (Local Government Investment Pool) rate.

The decision to use an interfund loan rather than outside debt to fund capital projects will be based on which is deemed to be the most cost-effective approach to meet City capital needs. The City's Finance Department is responsible for making such an assessment. The City will not issue long-term debt for current operational needs.

Types of long-term debt the City may issue:

Limited Tax General Obligation Bonds (LTGO): LTGO debt is backed by the full faith and credit of the City. These bonds can be issued without a vote of registered voters but are limited in that debt service payments must be paid from existing city revenue sources. Furthermore, LTGO bonds are also limited in the amount and percentage of assessed valuation as defined by the City's debt capacity in accordance with state law.

Unlimited Tax General Obligation (UTGO) Bonds: UTGO debt is backed by the full faith and credit of the City. These bonds can only be issued when authorized by a 60% majority vote of registered voters (meeting the minimum voter turnout requirement). The purpose of the vote is to approve an excess tax levy, as a completely new source of revenue, to pay the debt service.

Lease Obligation: Per to the Lease Policy, the City does not allow lease obligation debt.

Revenue Bonds: Revenue bonds are used to finance construction or improvements to facilities of enterprise systems operated by the City in accordance with the Capital Facilities Plan and are payable from the enterprise. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the City's statutory debt limitation nor is voter approval required.

Special Assessment Bond: Also referred to as Local Improvement District (LID) bonds, this type of debt is used to finance capital improvements that benefit property owners within the LID. LID debt is repaid from annual assessments paid to the City. LIDs are formed by the Council following the process outlined in State statutes. The cost is borne only by those who will benefit most from the improvement. LID debt is not part of the debt capacity calculation.

Other Debt Instruments: Instruments such as Public Works Trust Fund loans or other financing contracts issued through the State of Washington, federal grant loans, bond anticipation notes (BAN), tax anticipation notes (TAN), bank qualified loans, and/or other legal debt issues may be incurred as allowed by law.

Refunding Debt: Debt refunding is typically done to take advantage of lower interest rates. Refunding bonds are an acceptable use of bond proceeds provided that, and unless otherwise justified and found to be in the best interest of the City, a) the net present value (NPV) of the savings is at least 3% and b) the final maturity date is not extended.

Additionally, the City may issue interfund loans rather than outside debt instruments to fund capital projects or meet short-term cash flow needs.

Section III. Roles and Responsibilities

Responsibilities of City Council

- Approve the Debt Policy and any updates/changes to the policy to help ensure compliance with all applicable rules and regulations for debt issuance.
- Approve projects to be financed as part of the Capital Facilities Plan.
- Adopt an ordinance or resolution authorizing the issuance and sale of debt.
- Approve budgets sufficient to provide for the timely payment of principal and interest on all debt.

Responsibilities of the Finance Department

- Apply and promote prudent fiscal practices.
- Provide oversight for any debt issuance including sale of bonds and appropriate review and approval of disclosure documents.
- Provide for the timely payment of principal and interest payment on all debt.
- Complying with all terms, conditions, post-issuance disclosures, and tax requirements imposed by the legal documents governing the debt issued.
- Ensure any MSRB annual disclosure reports and notices regarding the occurrence of certain events are added to EMMA (Electronic Municipal Market Access) timely.
- All aspects of debt management

Professional Services

The City's Finance Director will be responsible for the solicitation and selection of professional services as necessary to administer debt financing. Professional service providers necessary to issue debt may include, but are not limited to: bond counsel, financial advisor, underwriters, rating agencies, and fiscal agent. Selection of the service providers will take into account availability, professional knowledge, accountability, cost, as well as successful partnerships in previous debt issuances. The City will issue debt taking into account cost and associated risk.

Section V. Transaction-Specific Policies

The Finance Director, in consultation with the city's contracted financial advisor, will determine the method of sale best suited for each issue of debt (competitive sale, negotiated sale, or private placement). The recommended type of debt to be issued and manner of the sale of debt will be submitted to the City Council in Ordinance. The Ordinance will authorize the debt and establish parameters for the issuance and sale of the obligation.

For each issue, the City will evaluate the costs and benefits of bond insurance or other credit enhancements. Any credit enhancement purchases by the City must be competitively procured.

Section VI. Compliance Policies

The Finance Director and bond counsel will coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with state and federal legal and regulatory requirements by the State and the Federal Government's laws, rules and regulations.

The Finance Director may institute procedures to implement this policy and other bond covenants and provisions related to State and federal law applicable to the City's debt.

Council approval is required prior to the issuance of debt, except where Council authority has been delegated to the City Finance Director and/or City Manager.

Section VII. Other Policies

Periodic Review

This debt policy must be adopted by Council. The policy will be reviewed periodically by the Finance Department and modifications must be submitted to and approved by the Council.