Debt Management Policy

Goal

To provide a debt management policy which recognizes the capital improvement needs of a growing County balanced by the taxpayer's ability to pay. The County will, at all times, manage its debt and sustain its financial position in order to seek and maintain the highest credit ratings possible.

Purpose

The basic purpose of this policy is to provide a conceptual framework for the issuance and management of debt.

Factors Important to the Issuance of Debt

- Legal constraints on debt capacity and various financing alternatives.
- The urgency of the proposed capital improvement.
- Cost of delayed construction.
- Willingness and financial ability of the taxpayers to pay for the capital improvements.
- Proper balance between internal (pay as you go basis) and external (debt) financing based on prevailing interest rates, cash on hand and other market considerations.
- Reimbursement Resolutions should be utilized in order to minimize the number of issues sold and frequency of sales in a 12 – 18 month period in order to minimize costs. . However, use of Reimbursement Resolutions should be based on General Fund balance goals and policy objectives.
- The financial condition of the County.
- The types, availability and stability of revenues to be pledged for repayment of the debt.
- Type of debt to be issued.
- The nature and asset life of the projects to be financed.

Debt Management Policies

1. Capital improvements may be financed by debt to be repaid from available revenue sources pledgeable for same.
2. Cash surpluses, to the extent available and eligible for the purpose, should be used to finance scheduled capital improvements as outlined in the fund balance policy.
3. The County may issue debt for the purposes of constructing or acquiring capital improvements and for making major renovations to existing capital improvements; or to retire or defease existing debt to achieve interest cost savings.

4. All capital improvements financed through the issuance of debt will be financed for the lesser of useful life of the improvements or 30 years.
5. Operating expenses will not be incurred from dollars being paid by a debt issuance.
6. The County will not construct or acquire a public facility without including the operation and maintenance costs of the facility in the annual budget.
7. The County will ensure that an adequate system of internal control exists so as to provide reasonable assurance of compliance with appropriate laws, rules, regulations, and covenants associated with outstanding debt.
8. Revenue sources will only be pledged for debt when legally available. In those situations where those revenues have previously been used for operation and maintenance expenses (general operating expenditures), they will only be pledged for debt when other sufficient revenue sources are available to replace those sources to meet operation and maintenance expenses (general operating expenditures).
9. The County will market its debt through the use of competitive bid whenever feasible, cost effective and advantageous to do so. However, it is recognized that, in some situations, certain debt issues or market conditions dictate marketing the debt via negotiated sale.
10. The County will not utilize the issuance of Capital Appreciation Bonds in its debt portfolio.
11. The County will continually monitor its outstanding debt in relation to existing conditions in the debt market and will payoff or refund any outstanding debt when sufficient cost savings can be realized.
12. Credit enhancements will be used only where the anticipated present value savings of reduced interest expense exceeds the cost of the credit enhancement.
13. The County will attempt to issue debt that carries a fixed interest rate. However, certain circumstances may warrant the issuances of variable rate debt. In those instances, the County should attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
14. The debt rate will not exceed 50% of the total tax rate.
15. The County Auditor’s office shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This process may be outsourced as needed. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure compliance with all debt covenants.
16. The Investment Committee will oversee the investments related to debt management.

Policy Review

This policy should be jointly reviewed by the Commissioners Court and the County Auditor’s Office every three years, notwithstanding the fact that more frequent reviews may be performed as deemed necessary.