

## **ANY COUNTY, TEXAS**

### **DEBT MANAGEMENT POLICY**

**March 15, 2006**

The County recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt, and it provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated.

#### **I. POLICY SUMMARY**

Any County will adhere to the following specific policy statements with regards to (1) conditions for debt issuance; (2) restrictions on debt issuance; (3) debt service limitations; (4) limitations on outstanding debt; (5) debt structure; (6) the debt issuance process; and (7) debt maintenance procedures.

**Conditions for debt issuance** – The County will consider the use of debt financing only for one-time capital improvement projects. Long-term borrowing will not be used to finance current operations or normal maintenance. Debt financing may include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, tax notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law. The County shall consider refunding outstanding bonds if one or more of the following conditions exist: (1) present value savings are at least 3%, with certain exceptions, of the par amount of the refunding bonds; (2) the bonds to be refunded have restrictive or outdated covenants; or (3) restructuring debt is deemed to be desirable.

**Restrictions on debt issuance** - Proceeds from long-term debt will not be used for current on-going operations

**Debt Service Limitations** - In evaluating debt capacity, general-purpose annual debt service payments should generally not exceed 20% of the County's total budgeted expenditures for all funds.

**Limitations on Outstanding Debt** - As provided in the Constitution of the State of Texas, the Net Bonded Debt of Any County shall not exceed twenty-five percent (25%) of the net value of the taxable real property of the County.

**Characteristics of Debt Structure** - The County will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. The County shall strive to repay at least 20 percent of the combined principal amount of its general obligation debt within five years and at least 40 percent within ten years. The scheduled maturity of individual debt issues shall not exceed the expected useful life of the capital project

or asset(s) financed. Also, the County shall consider purchasing bond insurance for debt issues when the present value of the estimated debt service savings from insurance(to be derived) is equal to or greater than the insurance premium.

**Debt Issuance Process** - The County shall use a competitive bidding process in the sale of debt unless market conditions or the nature of the issue, such as refunding bonds, warrant a negotiated sale. The County will employ outside financial specialists, including financial advisors and bond counsel, to assist it in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors.

**Debt Maintenance Responsibilities** – The County will seek to maintain and, if possible, improve our current bond ratings in order to minimize borrowing costs and preserve access to credit. Any County will adhere to a policy of full public disclosure with regard to the issuance of debt, and the County will meet all requirements for continuing disclosure on debt of the County.