DEBT MANAGEMENT POLICY			
EFFECTIVE	**10/17/14 RES 14-15/086**	**REVIEW**	**Finance & Budget Committee**
REVISED	**03/21/23 RES 22-23/102**	**APPROVAL**	**County Board**

<u>Eau Claire County Debt Management Policy</u>

The County acknowledges that certain costs incurred on an annual basis reflect an investment in the future of the County. These types of costs include development, acquisition and replacement of assets that shall be used by county employees and residents of the County over a long period of time. Financing of these long-term assets is often appropriately accomplished through the issuance of long-term debt instruments.

It is the responsibility of the Committee on Finance & Budget and County administrative staff to monitor the financial health of the county. A significant portion of the County's financial health is determined by its ability to manage its debt. It is the responsibility of the County Administrator and Finance Director to regularly monitor the County's outstanding debt and to recommend issuance, replacement and retirement of outstanding debt to the Committee on Finance & Budget and County Board.

The vast majority of what is referenced in this policy can be found in Chapter 67 of Wisconsin Statutes, Municipal Borrowing and Municipal Bonds, with specific reference noted below.

A. Financing Considerations

1. The County shall confine long-term borrowing to capital improvements, equipment or other long-term projects which have a useful life of five (5) years or greater and cannot or should not be financed from current revenues.

2. The County shall not use long-term debt to finance current operations, nor shall long-term debt be used to finance the cost of short-lived (less than 5 years) depreciable assets.

3. In general, the final maturity of bonds and notes issued by the County shall not exceed the expected useful life of the underlying project for which it is being issued.

B. Debt Issuance Practices

1. County staff, with the assistance of the County's financial advisor, shall prepare an analysis for each proposed financing; such analysis shall assess the impact of debt issuance on current5 and future operating and capital budgets and address the reliability of revenues to support debt service payments.

2. All feasible alternatives (i.e. competitive bidding, State Trust Fund loans, and private placements with local financial institutions) for borrowing funds shall be considered by the County and the financial advisor depending on the uniqueness of the items or projects being financed by long-term debt.

3. The County shall issue general obligations debt through a competitive bidding process with the exception of Council authorized negotiated sales or State Trust Fund loans. Bids shall be awarded on a true interest cost (TIC) providing other bidding requirements are satisfied. In the instances in which staff believes competitive bidding produced unsatisfactory bids, the County has the option to reject the bid and County Board may authorize staff to negotiate the sale of the securities.

4. Negotiated sales of general obligations debt shall be considered in circumstances when the complexity of the issue requires specialized expertise (such as advanced refunding to restructure debt servicer), when time to complete a sale is critical or when a negotiated sale would result in substantial cost savings. Negotiated sales of deb t shall also be considered for, bond anticipation notes, lease and land contracts when the complexity of the project, revenue source for debt service or security for the debt makes it likely that a negotiated sale would result in a financial advantage to the County.

5. Periodic reviews of outstanding debt shall be undertaken to determine refunding opportunities. Refunding shall be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding.

6. In general, advanced refunding's (refinancing's) for economic savings shall be undertaken when net present value savings of at least 2% of the refunded debt can be achieved. Current refunding's that produce net present value savings of less than 2% savings may be considered when there is a compelling public policy or long-range financing policy objective.

7. Inter-Fund loans. The County may use inter-fund loans (in lieu of borrowing from private parties) to minimize the expense and administrative effort associated with external borrowing. Inter-fund loans are typically made for relatively short periods of time (under five years) and relatively low amounts (under one million dollars). Inter-fund loans shall be considered to finance high priority needs on a case-by-case basis, only when other planned expenditures in the fund making the loan would not be affected. Inter-fund loans shall be repaid with interest rates similar to the average rate of interest the County earns on its accounts or market rate.

8. The County’s proposed capital borrowing will be outlined and approved as part of the county’s annual budget t process each year. Each project will be identified within the responsible department showing total cost and any other funding sources. In general, total recommended annual debt issuance should not exceed $10 million to ensure that the debt is bank qualified.

C. Debt Limits and Structure

1. Section 67.03 of Wisconsin Statutes requires that general obligation debt outstanding not exceed 5% of the equalized valuation of the taxable property within the County. Revenue bonds and notes are not considered debt for purposes of determining compliance with constitutional deb t limitations. The County intends to keep outstanding general obligation debt within 50% of the limit prescribed by law and at levels consistent with its credit objectives and long-term financial plan.

2. The County shall keep the maturity of all outstanding general obligation bonds at or below 20 years.

3. The total annual debt serve for general obligation debt (exclusive of that funded by proprietary operations) shall not exceed thirty percent (30%) of the County’s total tax levy with an effort to maintain the levy at a proportionate even level for tax rate stabilization.

4. The debt limits and structure outlined above shall be reviewed annually by the Committee on Finance and Budget and any recommended changes shall be referred to the County Board.

D. Financial Advisors

1. The County shall utilize the services of a qualified financial advisor in monitoring its outstanding debt and debt service payments.

2. The County shall strive to maintain a long-term relationship with a financial advisor to allow for continuity and consistency in services provided by the advisor. However, the arrangement between the financial advisor and the County shall be examined every three (3) to five (5) years or as deemed necessary by County administrative staff and Committee on Finance and Budget.

3. All costs of issuing long-term debt, including fees for professional services, underwriting fees and interest costs over the term of the debt issue shall be considered and carefully evaluated for each borrowing.

4. The County shall work with the financial advisor to ensure that long-term debt issues are structured to protect the interest of the County for the present and in the future (for example, the inclusion of call provisions to protect the County against future interest rate fluctuations or other circumstances).;

E. Other Considerations

1. The County shall maintain good communications with bond rating agencies regarding its financial condition.

2. The County shall follow a policy of full disclosure n all financial reporting including bond prospectuses and continuing disclosure agreements required by law.

3. The County shall keep apprised of tax levy revenue to ensure debt payments can be made in a timely fashion.