MARINETTE COUNTY DEBT POLICY

Purpose

The County recognizes that the foundation of a well-managed debt program is a comprehensive debt policy. The debt policy sets forth a set of guidelines for the financing of capital expenditures or economic development expenditures beneficial to Marinette County.

Debt Limits

This policy sets acceptable limits for County debt. These limits are set for legal, public policy, and financial reasons.

1. Legal Restrictions
    a. By State Statute the County's general obligation debt cannot exceed 5% of the equalized value of all property in the County, including Tax Incremental Financing Districts
    b. Counties are prohibited from using debt for operating purposes.
    c. Only fixed rate debt can be issued.
2. Public Policy
    a. The County will confine long-term debt to capital improvements, capital projects or for economic development purposes.
    b. Eligible capital improvements and capital projects must be listed in the approved County's Capital Improvement Plan.
    c. General obligation, property tax supported, debt will be used to finance only those capital improvements or long-term assets which have been determined to benefit a significant portion of the County's taxpayers. This may include funding for proprietary type operations.
    d. Projects proposed for financing through general obligation debt should be accompanied by an analysis of the future operating and maintenance costs associated with the project.
    e. Revenue supported bonds will be used to limit potential dependence on property taxes for those projects with available revenue sources and when direct and indirect benefits do not accrue to a significant portion of the County's property tax payers.

f. Capital leasing will be considered for the acquisition of equipment or other assets with a cost of less than $500,000. Leasing will not be considered when funds are available for the acquisition unless the interest expense associated with the lease is less than the interest that can be earned by investing the funds or when economic factors such as budget constraints override the economic consideration.

3. Financial Restrictions
    a. Direct Debt – General Obligation Debt
        i. Net debt as a percentage of County Equalized Property Valuation should not exceed 2.5 percent.
        ii. The ratio of debt service expenditures as a percent of general fund expenditures should not exceed 25 percent.
        iii. Direct debt per capita should not exceed the amount consistent with the National Rating Agencies AA credit standards ($3,000).
        iv. Direct debt per capita as a percentage of personal income should not exceed 10.0 percent.
        v. And/or direct debt per capita as a percentage of median household income should not exceed 5.0 percent.
    b. Revenue Debt
        i. Adequate financial feasibility studies will be performed for each project to provide assurances as to the self-funding nature of the project which includes meeting all required debt service coverage ratios.
        ii. Self-supporting proprietary type operations will be responsible for the payment of their debt.
    c. Conduit Debt
        i. The County reserves the right to approve the borrower's creditworthiness and the purpose of the borrowing issue.
    d. Internal Financing
        i. The County will consider internal inter-fund loans when the internal rate will be advantageous to both funds and beneficial to the County.
    e. The County will consider total indebtedness including other government direct and indirect overlapping debt when considering new debt with a goal of not exceeding $5,000 per capita.

Debt Structuring

1. The County will not issue debt for a longer maturity schedule than a conservative estimate of the useful life of the asset to be financed.
2. The County will keep the average maturity of the general obligation debt at or below ten years. Proprietary general obligation debt may have a longer average maturity if it matches the useful lives of its assets financed by the debt.
3. Refunding
   a. Outstanding debt will be refunded when advantageous, legally permissible and prudent.
   b. The financial advisor/underwriter will compute the net present savings and present to the Administrative Committee for review.
   c. Outstanding debt shall be refunded for the benefit of County goals when debt covenants and structures exist which are not consistent with prudent financial management.
4. The County will strive to maintain debt service payments deemed manageable and supported by the tax levy or other available revenues.
5. Balances in prior capital project funds will be considered as a funding source for future capital improvement plans.

Debt Issuance

1. Bond Counsel – Bond Counsel will issue an opinion as to legality and tax exempt status of any obligations. The County may also seek the advice of Bond Counsel on questions involving state law, federal law or arbitrage. Bond counsel is also responsible for the preparation of the bond documents including the authorizing resolutions that the County Board will adopt and the closing documents. Bond counsel will ensure that all legal requirements for the debt issue are met. Bond counsel will perform other services as defined by any contract approved by the County Board.
2. Financial Advisor/Underwriter – The County may seek the advice of the financial advisor and/or underwriter. The financial advisor/underwriter will advise on the structuring of any debt obligation that will be issued, inform the County of the options available for each issue, advise the County as to how choices may impact the marketability of the County's obligations, and provide other services as defined by the contract approved by the County. In the event the County considers refunding a prior year debt the financial advisor/underwriter will prepare a computation of the economic gain or loss.

3. The County may use a rating agency based on the recommendation of financial advisor and/or underwriter considering market conditions.
4. The County will seek to maintain or improve the current bond rating to minimize borrowing cost and preserve access to credit.
5. The County may issue debt either by competitive, negotiated or private sale whichever is more advantageous for the County.
6. The County will use current market comparable sales to evaluate negotiated or private sales.
7. The County will fulfill all requirements of the County's Post Issuance Compliance Policy related to the County's debt obligations. This includes making full disclosure to the bond rating agencies when necessary.

Debt Management

1. Bond proceeds will be kept separate and invested to maximize return.
2. Expenditures from debt proceeds will be tracked separately.
3. Arbitrage and rebate calculations will be performed annually for a period not to exceed five years and upon closing of the capital projects fund.

Recommended Finance Committee: December 8, 2014

Approve County Board: December 16, 2014

Finance to Administrative Committee change: April 24, 2018