TRAVIS COUNTY DEBT POLICY

The purpose of this policy is to provide guidelines for the Commissioners' Court in deciding whether to issue additional debt and to attempt to keep the debt issuance of the County within established limits.

General Approach to Debt

I. Travis County will maintain a prudent approach to the issuance of debt that includes the following:

- Travis County will ensure that necessary services are provided in this community in a timely and sufficient manner using current revenues.

- Travis County will ensure that necessary equipment and facilities are provided to County departments in a timely manner using the most frugal method of payment available for such expenditures.

- Routine purchase and replacement of capital equipment, such as computer equipment, furniture, and "down payments" on larger capital projects will be financed through the Capital Acquisition Resources Account from current operating revenues. This account will be gradually adjusted as existing funds become available and as economic circumstances allow, to reduce or eliminate the need for issuing debt or entering into any other financing arrangement for recurring operating equipment purchases.

- Sale of bonds or certificates of obligation will follow general market conventions assuring the best interest rate deemed possible at the time, as determined by the Commissioners' Court, based upon advice from the County's financial advisors.

II. The Travis County Commissioners' Court will not issue long-term debt (with a repayment period in excess of five years) without the approval of such bond issue by the voters at an election, except under the following circumstances:

1. The expenditure is legally required of the County, where penalties or fines could be imposed on the County if the expenditure is not made. Or,

2. When a financial analysis demonstrates that during a stipulated term Travis County would spend significantly less. Or,

3. The voters have previously approved the issuance of general obligation bonds but, for valid reasons, certificates of obligation must be substituted for such bonds in order to carry out the voters' authorization. Or

4. When the expense is for necessary planning services or acquiring options for a future capital project that will be submitted to the voters.

III. Capital expenditures, particularly those involving the issuance of debt, will be approved only in the context of multi-year planning by the County.

Process to Determine Needs

- Expenditures for capital improvements and equipment will be requested, justified and approved, specifying the recommended method of finance for such expenditures as part of the annual County budget process, prior to budget adoption.

- Each year as part of the budget process, the Planning and Budget Office will prepare a debt report analyzing all recommended expenditures which are proposed to be financed with debt. The report will explain the impact the proposed new debt will have on the County's debt service tax rate and an analysis of such impact on the average county taxpayer, and the impact of the issuance of the proposed County debt in light of the general obligation debt of other taxing entities in Travis County (schools, cities, special districts).

- Building renovation or construction projects will be reviewed and assessed by the Facilities Management Department prior to consideration by the Commissioners' Court.

- The Transportation and Natural Resources Department will review and assess any project which includes roads, drainage or parks prior to consideration by the Commissioners' Court.

- The Commissioners' Court will decide which projects will be undertaken, the timing of those projects and the source of funding to be provided for accomplishment of those projects.

Debt Policies

- A debt service reserve of at least 10% of total debt service requirements for the current fiscal year will be maintained to ensure availability of funds to meet the debt service payments in the event of tax revenue shortfalls.

- The term of any debt should not exceed 20 years, and should never exceed the useful life of the asset, or the weighted average useful life of a group of assets when multiple assets are funded in a single issue.

- Except in the case of revenue producing facilities, debt will not be issued for the purpose of making debt service interest payments. If interest capitalization becomes necessary, it will only be used for three years or the period of the construction phase, whichever is the shorter period.

- Delays in repayment of principal will be part of the debt structure only if in a particular circumstance such delay is seen to be in the County's best financial interest.

- Interest earnings on bonds which have been sold will be retained in the project until that project is completed unless the Commissioners Court has instructed otherwise in a bond covenant or official statement. Funds unneeded for the project after its completion will be either transferred to the Interest and Sinking Fund in order to mitigate the need to increase the debt service tax rate or may be used for projects of a similar nature as allowed by law. Excess funds will not be allowed to increase the scope of the original project without additional justification and analysis.

- Optional debt redemption shall be provided for, based upon the advice of the County's financial advisor.

- Travis County will maintain a ratio of annual short-term debt service payments to total debt service of 25% or less, and short-term debt service payments to total General Fund expenditures of 5% or less.

- Guidelines in the form of industry-standard ratios will be reviewed in conjunction with each debt issuance in order to provide a framework within which to view overall Travis County debt. Those guideline ratios include:

  Primary Guidelines

  1. Net bonded debt to taxable value should not exceed the range of 1.0%-1.5%.

  2. Net bonded debt to population should not exceed $800 per capita.

  3. Debt service to total expenditures (operating expenditures and debt service combined) shall be approximately 20% or less.

  Secondary Guideline

  A total debt target of 5% of taxable value for all overlapping debt in Travis County (county, city, school district and other) will be established, in concert with cooperative efforts toward sharing this goal with the other debt-issuing entities.

- The debt analysis will also show the anticipated net bonded debt per taxable value and the net bonded debt per capita that will been shown as a part of an upcoming official statement.

Approved by the Commissioners Court on March 18, 2008