Chapter 21. Fiscal[1]

Contents:

Subchapter A. [Reserved for Expansion][2]

21.001 [Reserved for Expansion]

Subchapter B. Travis County Debt Policy[3]

21.002 Purpose

The purpose of this policy is to provide guidance governing the issuance, management, and the continuing evaluation and reporting of all Travis County debt obligations. This policy is intended to provide parameters 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. These guidelines are meant to be parameters in serving the public interest, not absolute terms.

This policy will be reviewed by the Commissioners Court at least once every five years to ensure the policy is relevant and up to date.

21.003 General Approach to Debt

Travis County will maintain a prudent approach to the issuance of debt that adheres to all applicable state laws, as well as any associated bond covenants. This approach includes the following:

---

[1] Chapter 21 amendment adopted by Travis County Commissioners Court on May 27, 2014, Item 9. The Debt Policy was replaced, and the replacement made effective, on April 22, 2014, Item 24.

[2] Subchapter A. Charts of Accounts, was repealed May 14, 2013, Item 26A.

[3] The Travis County Debt Policy was replaced April 22, 2014, Item 24.

(1) Travis County will ensure that essential services are provided in this community in a timely and sufficient manner using current revenues.

(2) Travis County will ensure that necessary equipment, facilities and infrastructure are provided in a timely manner using the most cost-effective method of payment available for such expenditures.

(3) 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 to eliminate the need for issuing debt or entering into any other financing arrangement for recurring operating equipment purchases.

(4) Sale of debt obligations will follow general market conventions assuring the best interest rate deemed possible at the time, based upon advice from the County's independent municipal financial advisor.

21.004 Long-Term Debt

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) A financial analysis demonstrates that during a stipulated term Travis County would spend significantly less.

Or,

(3) The expenditure is for the purchase of real estate (including buildings, land or right-of-way) where delays for a bond referendum would impede the County's ability to negotiate and be competitive on behalf of the taxpayers.

Or,

(4) 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,

(5) The expense is for necessary planning services or acquiring options for a future capital project that will be submitted to the voters.

21.005 Capital Expenditures

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

21.006 Process to Determine Needs

(a) 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.

(b) 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).

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

(d) 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.

(e) 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.

21.007 Debt Policies

(a) The County may issue General Obligation Bonds, Certificates of Obligation, Revenue Bonds, Refunding Bonds, State Highway Bonds, and other debt instruments authorized for issuance by a county in accordance with the Texas Government Code or other applicable law.

(b) Debt proceeds will be invested in accordance with the Travis County investment Policy and Procedures and applicable state laws. Derivatives will not be used in connection with investment of debt proceeds or in connection with issuance of debt.

(c) 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.

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

(e) 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.

(f) 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.

(g) 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 not needed 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.

(h) Optional debt redemption shall be provided for, based upon the advice of the County's independent municipal financial advisor.

(i) 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.

(j) 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:

(1) Primary Guidelines

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

(B) Net bonded debt to population should not exceed $800 per capita.

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

(2) Secondary Guidelines. 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.

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

(l) Travis County may issue debt using the sale method recommended by the County’s independent municipal financial advisor (competitive, negotiated, or private placement) deemed to be in the best financial interest of the County.

(m) Travis County may issue refunding bonds as recommended by the County's independent municipal financial advisor when deemed to be in the best financial interest of the County.

(n) Travis County will follow its written post-issuance federal tax compliance procedures for tax-exempt debt.