

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



Purpose

The purpose of the Debt Management Policy is to set forth parameters for issuing debt and managing outstanding debt. The intent is to provide structure for decisions regarding types and amounts of permissible debt, method of sale that may be used, structural features that may be incorporated, and the timing and purposes for which debt may be issued (both economic condition and operational need) including but not limited to:

1. Providing revenue smoothing bridge funding (Tax Anticipation Notes); and
2. Providing funding for capital intensive operations and redevelopment.

When the County issues debt, there are ongoing responsibilities related to federal tax law (with respect to tax-exempt securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the County. The Post Issuance Compliance Policy for Tax Exempt Debt Obligations outlines the obligations that may be applicable to each issue and identifies the party to be responsible for monitoring compliance.

This policy is intended to provide guidance and direction on best practices but is not intended to be mandatory in all situations. Circumstances may dictate changes, alterations and revisions. Deviations require formal written notice to the Governing Authority.

It is also the intent of this policy to communicate that all debt agreements obligating the County be discussed with and/or notification be provided to an appropriate level representative within the Finance Department prior to execution. Appropriate level representative will be the Treasurer, Assistant Director of Finance or the County Finance Director. This policy will be reviewed periodically to ensure applicability and feasibility of its content taking into consideration best County interest, subjectable laws, industry best practices and fiduciary responsibility.

Policy Statement

The mix and structure of deposits and debt has a significant impact on the County's profitability, financial stability, interest rate risk, and ability to grow the balance sheet. The Finance Department - Treasury Services is responsible for managing the County's debt, collateral and operating liquidity positions. Debt Management and Liquidity Management strategies are established by the Treasurer and are reported to the Finance Director or their designee.

Debt Management incorporates many factors, including but not limited to:

- Meeting current and projected cash needs at reasonable funding cost
- Adjusting debt and collateral positions to facilitate the settlement of asset sales and purchases and to reduce execution risk
- Meeting contractual terms of financing agreements

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



- Maintaining relationships with underwriters and lenders and other counterparties
- Maintaining relationships with rating agencies
- Maintaining financial alternatives to support projected liquidity needs

To meet the objectives listed above, the Treasurer may make borrowing decisions that are not always at the lowest cost of funds.

Contents

This document contains the following:

<u>Topic</u>	<u>Page</u>
Purpose and Policy Statement	1
Definitions and Terms	2-78
Related Documents and References	78
Policy	78-165
Quality Control and Assurance	156
Metrics	157
Authority	157
Records	167
Change Requirements	167

Definitions and Terms:

- Advance Refunding** - A transaction in which new debt is issued to refinance existing debt (old debt), with the proceeds used to purchase Treasury securities (or kept in cash) that must be placed in escrow pending the call date or maturity (refunding in advance of redemption). An advance refunding is a refunding that occurs more than 90 days prior to the date when the outstanding issue is called for redemption. Tax-exempt bonds may be issued to advance refund an outstanding issue only once.
- Arbitrage** - In the context of government finance, the reinvestment of the proceeds of tax-exempt securities in materially higher-yielding taxable securities which is restricted by regulations with specifically defined exemptions.
- Arbitrage Rebate** - A payment made by an issuer to the federal government in connection with an issue of tax-exempt bonds. The payment represents the amount, if any, of arbitrage earnings on bond proceeds and certain other related funds, except for earnings that are not required to be rebated under limited exemptions provided under the Internal Revenue Code.
- Anticipation Note** - A short-term, interest bearing note issued by a government in anticipation of another revenue source. The note is retired from proceeds of the revenue source to which it is related. Bond Anticipation Notes (BANs) and Tax Anticipation Notes (TANs) are two examples of common note types.

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



- E. Bond Counsel - An attorney or law firm, typically retained by the issuer, to give a legal opinion that the issuer is authorized to issue the proposed municipal securities, the issuer has met all legal requirements necessary for issuance. Typically, bond counsel may prepare or review and advise the issuer regarding authorizing resolutions, trust indentures, official statements, validation proceedings, and litigation.
- F. The Bond Market Association (BMA) Rate - The BMA rate is a tax-exempt municipal rate. As opposed to LIBOR, the BMA rate is a benchmark variable borrowing rate in the municipal (tax-exempt) market. The BMA Municipal Swap Index is issued weekly and is compiled from a weekly interest rate resets of tax-exempt variable rate issues including in a database maintained by Municipal Market Data that meet specific criteria established by the Bond Market Association.
- G. Callable Bond - A bond that the issuer is permitted or required to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract.
- H. Capitalized Interest - A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues. Capitalized interest is sometimes referred to as "funded interest".
- I. Certificate of Participation - A security that represents a share of an issuer's lease payment. When a County government finances a public facility or asset through a lease-purchase transaction, the interest in that government's lease payment often is assigned to a third party that issues certificates of participation. The certificates represent a share of the lease payment to be received by the investor.
- J. Competitive Sale - One of three methods of sale where underwriters submit price proposals for the purchase of a new issue of municipal securities and the securities are awarded to the underwriter of underwriter syndicate presenting the best bid according to stipulated criteria set forth in the notice of sale. The underwriting of securities in this manner is also referred to as a "public sale" or "competitive bid."
- K. Compliance Officer- Individual authorized within the County with overall responsibility of complying with the Post-Issuance Compliance Policy with respect to County-issued tax-exempt obligations.
- L. Commercial Paper (CP) - Short-term, unsecured promissory notes, usually backed by a line of credit with a bank, that mature within 270 days. The issuer typically pays maturing principal of outstanding commercial paper with newly issued commercial paper, referred to as a "roll over," thereby borrowing funds on a short-term basis for an extended period of time. Commercial paper is considered to be a note.
- M. Conduit Financing - The issuance of municipal securities by a governmental unit (referred to as the "conduit issuer") to finance a project to be used primarily by a third party, usually a for-profit entity engaged in private enterprise of a 501(c)3 organization (referred to as the "conduit borrower"). The security for this type of issue is customarily the credit of the conduit issuer.

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



Such securities do not constitute general obligations of the conduit issuer because the conduit borrower is liable for generating the pledged revenues.

- N. Continuing Disclosure - Disclosure of material information relating to municipal securities provided to the marketplace from time to time by the issuer of securities or any other entity obligated with respect to the securities.
- O. Coverage Ratio - Ratio of revenues pledged for debt to related debt service payments.
- P. Credit Enhancement - The use of the credit of an entity other than the issuer or obliger to provide additional security in a bond or note financing. This term typically is used in the context of bond insurance, bank letters of credit and other facilities, state school guarantees and credit programs of federal or state governments or federal agencies, but also refers more broadly to the use of any form of guaranty, secondary source of payment or similar additional credit-improving instruments.
- Q. Confirmation - is executed for a specific Agreement and details the specific terms and conditions applicable to that Agreement (fixed rate, floating rate index, payment dates, calculation methodology, amortization, maturity date, etc.)
- R. Current Refunding - Refunding transaction in which the proceeds of the refunding debt are applied to redeem the debt to be refunded within 90 days prior of the redemption date for the prior bonds. A current refunding is a refunding that occurs within 90 days prior to the date when the outstanding issue is called for redemption.
- S. Defeasance or Defeased - Termination of the rights and interests of the bondholders and their lien on the pledged revenues or other security in accordance with the terms of the bond contract for an issue of securities. This is sometimes referred to as a "legal defeasance." Defeasance usually occurs in connection with the refunding of an outstanding Issue after provision has been made for future payment of all obligations under the outstanding bonds through funds provided by the issuance of a new series of bonds. In some cases, particularly where the bond contract does not provide a procedure for termination of these rights, interests and liens other than through payment of all outstanding debt in full, funds deposited for future payment of the debt may make the pledged revenues available for other purposes without affecting a legal defeasance. This is sometimes referred to as an "economic defeasance" or "financial defeasance." If for some reason the funds deposited in an economic or financial defeasance prove insufficient to make future payment of the outstanding debt, the issuer would continue to be legally obligated to make payment on such debt from the pledged revenues.
- T. Disclosure Counsel - An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and continuing disclosure agreement.
- U. Escrow Account - A fund established to hold monies pledged and to be used solely for a designated purpose.
- V. Financial Advisory Services - With respect to a new issue of municipal bonds, a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings. The financial advisor is sometimes referred to as a "municipal advisor", a "fiscal consultant" or "fiscal agent."

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



- W. Fixed Rate - An interest rate on a security that does not change for the remaining life of the security.
- X. Georgia Environmental Finance Authority (GEFA) - Founded in 1985, GEFA facilitates programs that conserve and protect Georgia's energy, land and water resources. GEFA provides loans for water, sewer and solid waste infrastructure; manages energy efficiency and renewable energy programs; oversees land conservation projects; and manages and monitors state-owned fuel storage tanks.
- Y. General Obligation Bonds - A bond that is secured by the full faith, credit and taxing power of the issuer. General obligation bonds issued by the local units of government are typically secured by a pledge of the issuer's ad valorem taxing power. Such bonds constitute debts of the issuer and require approval by election prior to issuance. In the event of a default, the holder of general obligation bonds has the right to compel a tax levy or legislative appropriation.
- Z. Lease/Purchase Agreements - An agreement entered into by two parties in which one provides a facility or equipment in exchange for a pledge from the other to make regular lease payments. Upon completion of the lease term, the lessee assumes ownership of the item.
- AA. Letters of Credit - A commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment. In municipal financings, bank letters of credit are sometimes used as additional sources of security for issues of municipal notes, commercial paper, or bonds, with the bank issuing the letter of credit committing to pay principal of and interest on the securities in the event that the issuer is unable to do so. A letter of credit may also be used to provide liquidity for commercial paper, variable rate demand obligations and other types of securities.
- BB. Level Debt Service - A debt service schedule in which the combined annual amount of principal and interest payments remains relatively constant over the life of the issue of bonds.
- CC. Long-Term Debt - Long-term debt consists of loans and financial obligations that mature over one year. Long-term debt for an organization would include any financing or leasing obligations that are to come due in a greater than 12-month period. Financial and leasing obligations, bonds also called long-term liabilities, or fixed liabilities, would include an organization's bond issues or long-term leases that have been capitalized on a firm's balance sheet.
- DD. The London Inter-Bank Offered Rate (LIBOR)-The interest rate that banks charge each other for loans (usually in Eurodollars). This rate is applicable to the short-term international interbank market, and applies to very large loans borrowed for anywhere from one day to five years. The UBOR is officially fixed once a day by a small group of large London banks, but the rate changes throughout the day. LIBOR is the benchmark variable borrowing rate in the corporate (taxable) market.
- EE. Negotiated Sale - One of three methods of sale where the sale of a new issue of municipal securities by an issuer directly to an underwriter or underwriter's syndicate selected by the issuer. A negotiated sale is distinguished from a sale by competitive bid, which requires public bidding by the underwriters. Among the primary points of negotiation between the issuer and underwriter are the interest rate, call features and purchase price of the issue. The sale of a

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



new issue of securities in this manner is also known as negotiated underwriting.

FF. Notes - A short-term obligation of an issuer to repay a specified principal amount on a certain date, together with interest at a stated rate, usually payable from a defined source of anticipated revenues. Notes usually mature in one year or less, although notes of longer maturities are also issued. While they are not considered short-term obligations, the State of Georgia offers financing for infrastructure through the Georgia Environmental Finance Authority (GEFA) loans which are categorized as notes.

GG. Private Activity Bonds -A municipal security of which the proceeds are used by one or more private entities. A municipal security is considered a private activity bond if it meets two sets of conditions set out in Section 141 of the Internal Revenue Code. A municipal security is a private activity bond if, with certain exceptions, more than 10 percent of the proceeds of the issue are used for any private business use ("the private business use test") and the payment of the principal of or interest on more than 10 percent of the proceeds of such issue is secured by or payable from property used for a private business use (the "private security or payment test"). A municipal security also is a private activity bond if, with certain exceptions, the amount of proceeds of the issue used to make loans to non-governmental borrowers exceeds the lesser of 5 percent of the proceeds or \$5 million (the "private loan financing test").

~~HH. Private Placement - One of three methods of sale where a negotiated offering in which a new issue of municipal securities is sold on an agency basis by a placement agent directly to institutional or private investors rather than through an offering to the general investing public. Investors purchasing privately placed securities are often required to agree to restrictions as to resale and are sometimes requested or required to provide a private placement letter to that effect.~~

HH. Private (or Direct) Placement - One of three methods of sale where a new issue of securities is sold directly to institutional or private investors rather than through a public offering of securities. Investors purchasing privately placed securities are often required to agree to restrictions as to resale and requested or required to provide a private placement letter to that effect. The County may issue a private placement with or without the use of a placement agent. Such determination will be made based upon the then current market conditions.

II. Proceeds - The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These monies are used to finance the project or other purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract or bond purchase agreement.

JJ. Rebtable Arbitrage - Requirement to remit to the federal government interest earnings in excess of interest cost when the proceeds from a tax-exempt borrowing are reinvested in materially higher yielding taxable securities.

KK. Redemption - A transaction in which the issuer repays the holder of an outstanding security the principal amount thereof (plus, in certain cases, an additional amount representing a redemption premium). Redemption can be made under several different circumstances: at maturity of the security, as a result of the issuer exercising a right under the bond contract to repay the security prior to its scheduled maturity date (often referred to as a "optional redemption" or a "call"), or as a result of the security holders' election to exercise a put or tender option privilege. Redemption provisions in the bond contract for a security may provide the

Formatted: Font: 9.5 pt, Font color: Custom Color(52,52,52)

Formatted: Justified, Indent: Left: 1.07", Hanging: 0.25", Right: 0", Space Before: 0 pt, Line spacing: single, No bullets or numbering, Tab stops: Not at 1.34"

Commented [AMM1]: Per CFO McNabb

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



issuer the right to retire the debt fully or partially before the scheduled maturity date.

- LL. Refunding - Issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose, or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at some later date.
- MM. Revenue Bonds - A bond that is payable from a specific source of revenue and to which the full faith and credit of the issuer with taxing power is not pledged. Revenue bonds are payable from identified sources of revenue and do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Pledged revenues may be derived from operation of the financed project, grants and excise or other non-ad-valorem taxes.
- NN. Rule 15c2-12 - A Securities and Exchange Commission rule under the Securities and Exchange Act of 1934 setting forth certain obligations of (i) underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities, (ff) underwriters to obtain continuing disclosure agreements from issuers and obligated persons to provide material event disclosures and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities in the secondary market.
- OO. Sinking Funds - A fund into which monies are deposited in order to be used to redeem securities in accordance with the redemption schedule in the bond contract. The term is sometimes used interchangeably with the term "mandatory sinking fund redemption."
- PP. Special District - Special districts may be created for the purpose of providing local government services within such districts; and fees, assessments, and taxes may be levied and collected within such districts to pay, wholly or partially, the cost of providing such services.
- QQ. Ten-Year Payout Ratio - This ratio reflects the amortization of the County's outstanding debt. A faster payout is considered to be a positive credit attribute.
- RR. Termination Risk- The risk that a swap agreement could be terminated as a result of any of several events, which may include a ratings downgrade for the County or the counterparty, misrepresentation, covenant violation by either party, bankruptcy of either party, payment default by either party, tax events, illegality, and default events under a bond indenture. The County could owe a termination payment to the counterparty or receive a termination payment from the counterparty, depending on how interest rates at the time of termination compare with the fixed rate on the Agreement. The County will make reasonable efforts to ensure that remedies available to a counterparty resulting from the County defaulting on its Agreement obligation should not infringe on bondholder's rights. These remedies shall always be subordinate to debt service on debt or lease purchase obligations.
- SS. Trustee - A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the trust indenture. In many cases, the trustee acts as paying agent, registrar and/or transfer agent for the bonds.
- TT. Underwriter - A broker-dealer that purchases a new issue of municipal securities from the issuer for resale in a primary offering. The underwriter may acquire the securities either by negotiation

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



with the issuer or by award on a basis of competitive bidding.

- UU. Variable Interest Rate - An interest rate sometimes referred to as a "floating rate," on a security that changes at intervals according to market conditions or a predetermined index or formula.
- VV. Yield Reduction Payment - A payment made by some issuers to the federal government in order to reduce the yield on investment of bond proceeds to meet yield restrictions requirements under the Internal Revenue Service Code.
- WW. Yield Restriction - A general requirement under the Internal Revenue Service Code that proceeds of tax-exempt bonds not be used to make investments at a higher yield than the yield on the bonds. The Internal Revenue Service Code provides certain exceptions, such as for investment of bond proceeds for reasonable temporary periods pending expenditure and investments held in "reasonably required" debt service reserve funds.

Related Documents and References:

- A. Post Issuance Compliance Policy**
- B. Continuing Disclosure Policy and Procedures**

Policy:

As a general guideline, the following parameters of use of funding sources will be observed:

PARAMETERS	FUNDING SOURCES				
	Cash	Loans	Capital Leases	Short-term Notes	Long-term Bonds
Project life is less than 10 years	>>	>>	>>	>>	
Project life is 10 years or greater		>>	>>	>>	>>
Recommended temporary funding prior to a bond sale				>>	
Recommended variable rate funding mechanism			>>	>>	
The amount borrowed is less than \$5,000,000		>>	>>	>>	
The amount borrowed is \$5,000,000 or larger		>>		>>	

Permissible Debt Instruments

- A. General Obligation Bonds - General Obligation bonds can be considered as a financing source by the County when:
 - a. The service provided is essential to DeKalb County government;
 - b. There is no clear underlying revenue stream;

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



c. The project cannot be completed from current revenue sources or it is more equitable to finance the project over its useful life.

B. General Obligation Debt, as defined by Georgia Law, is backed by the full faith and credit and unlimited taxing power of the County and requires DeKalb voter approval unless the purpose is to refund outstanding general obligation bonds to achieve debt service savings.

a. General Obligation bonds are considered Sales Tax General Obligation Bonds when a question concerning special purpose local option sales tax ("SPLOST") is placed on the ballot. This policy allows the County to issue general obligation debt backed by the SPLOST sales taxes and is used for capital projects. If the sales tax is approved by the voters, general obligation debt is also approved.

This type of general obligation debt is payable first from sales tax and then from general funds of the issuer, if sales tax is not sufficient.

C. Revenue Bonds - Revenue bonds can be considered as a financing source by the County when:

- a. The service provided is essential to DeKalb County government and has a strong underlying revenue stream;
- b. The service provided is non-essential to DeKalb County government but has a moderate underlying revenue stream;
- c. The project cannot be completed from current revenue sources or it is more equitable to finance the project over its useful life.

When revenue bonds are issued, the County will maintain debt coverage ratios which are consistent with any agreements or covenants associated with those bonds.

Both principal and interest of revenue bonds must be paid only with the revenue pledged to the payment of such bonds. However, the County may, at its sole discretion, secure revenue bonds with a full faith and credit guarantee through the execution of intergovernmental agreements.

D. Redevelopment and Debt - Self-taxing arrangements are the preferred funding method for infrastructure within a Community Improvement District or a Tax Allocation District. The Tax Increment Financing (TIF) in conjunction with such an entity and self-tax arrangements may be utilized as a funding mechanism if it is authorized and demonstrated that a sufficient rate of return to encourage private investment is not otherwise available to the developer.

Any proposal for Tax Increment Financing shall include an independent financial feasibility study, demonstrate that the development contributes to the County's goals set forth in the Comprehensive Plan, and shall be structured in such a way that the County assumes no risk if there are insufficient revenues to pay debt service. Specifically, prior to moving forward with a TIF transaction, the developer would be required to provide proof of a letter of credit, bond

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



insurance or other credit enhancement for the bonds which guarantee the full repayment of principal and interest on the bonds.

In the event that there is insufficient tax increment revenue to retire TIF bonds, which event consequently requires that the credit enhancement mechanism be called upon to service the TIF bonded indebtedness, contingent liability to reimburse a credit-enhancer would be the sole liability of the developer or its affiliates.

- E. Special District Debt - The County may incur debt on behalf of any special district created pursuant to the Georgia Constitution. Such debt may be incurred only after the County has provided for the assessment and collection of an annual tax within the special district sufficient in amount to pay the principal and interest on such debt and has received the assent of a majority of the voters of the special district voting on the issue. The proceeds of this tax shall be placed in a sinking fund to be held on behalf of such special district and to be used exclusively to pay off the principal and interest on such debt.
- F. Authority Debt and Conduit Financing - Authorities which are registered with the Georgia Department of Community Affairs can incur debt or credit obligations. Similarly, the County has established several authorities which have the authority to issue debt. From time to time, the Governing Authority may consider the approval of bond documents from authorities (such as the Metropolitan Atlanta Rapid Transit Authority or the DeKalb County Development Authority) or other County entities (such as Georgia DeKalb College or the DeKalb County Board of Education).

The consideration of such bonds does not represent a financial commitment of the County. As such, the debt capacity/limitations ratios are not included in the County's measures of debt affordability. According to Georgia law, bonds, obligations, and other indebtedness incurred by development authorities do not constitute an indebtedness or obligation of the state or County. Unless otherwise specified within a lease or intergovernmental agreement, authority debt is not considered a financial commitment of the County.

- G. Georgia Environmental Finance Authority (GEFA) - To date, GEFA has provided more than \$3 billion in low-interest loans to cities, counties and infrastructure authorities for improvements to water, sewer and solid waste systems. More than 1,400 projects have been funded by GEFA to date, including solid waste management projects and land conservation purchases and easements. DeKalb County may consider the use of financing from GEFA to fund all or a portion of its relevant projects.

Insert after G. (GEFA) – We need to add a definition for WIFIA.

The Water Infrastructure Finance and Innovation Act of 2014 (WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. WIFIA and the WIFIA implementation rule outline the eligibility and other requirements for prospective borrowers.

- H. Short-term and Other Borrowing - Interim debt may be utilized for temporary funding of operational cash flow deficits pending receipt of anticipated revenues, or construction financing needs. Such borrowing must be in compliance with state law and in the form of:

Formatted: Highlight

Commented [AMM2]: Per CFO McNabb

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



- a. Line of credit;
- b. Anticipation notes;
- c. Internal borrowings;
- d. Commercial paper; or
- e. Construction loan notes.

Repayment will occur over a period not to exceed the useful life of the underlying asset. Tax anticipation notes must mature by the end of the calendar year in which they were issued.

I. Debt Capacity/Limitations - Management will consider the following when making the decision to issue debt:

- a. Legal Debt Margin - County outstanding General Obligation bonds cannot exceed legal debt limits established by the Constitution of the State of Georgia (10% of assessed valuation of taxable property within the County).
- b. With Water and Sewerage Revenue Bonds, the County has covenanted to bondholders that it will maintain rates and charges necessary to provide debt service coverage of at least 120% of the Debt Service Requirement on all Prior Lien and Senior Bonds then Outstanding for the year of computation and 100% of the Debt Service Requirement on all Subordinate Bonds then Outstanding for the year of computation.

J. Restrictions of Use of Long Term Debt

- a. Long Term Debt should not be used for funding operations.
- b. The final maturity of a bond issue should be equal to a lesser than the remaining useful life of the assets being financed and the average life of the financing shall not exceed 120% of the average useful life of the assets being financed.
- c. The County will observe all statutory limitations including legally authorization for debt limits and tax and/or expenditure ceilings. This may also include any legal limitations related to coverage requirements or additional bond tests imposed by bond covenants.

K. Refinancing of Outstanding Debt - The County will contract with a Financial Advisor to monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debts. In adherence with federal tax law constraints, refunding will be considered if and when there is a net economic benefit of the refunding, the refunding is essential in order to modernize covenants or other commitments essential to operations and management, or to restructure payment schedules to optimize payments with anticipated revenue streams. As a general rule, refunding will be undertaken only if the present value savings of a particular refunding will exceed ~~3%~~ 5% of the refunded principal. Refunding issues that produce a net present value savings of less than targeted amounts

Commented [AMM3]: Per CFO McNabb: Present value savings - please change 3% to 5% (my recommendation)

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



may be considered on a case-by-case basis. Refunding issues with negative savings will not be considered unless a compelling public policy objective is served by the refunding.

L. Debt Structure

- a. Length - County debt will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users, or to match the useful life of the project, and in keeping with other related provisions of the policy. The County will show a preference for the use of level debt service payments, unless specific compelling reasons exist to structure the debt otherwise.
- b. Credit Enhancements - Credit enhancements (letters of credit, liquidity provider, bond insurance, etc.) may be used if the present value reduction of debt service costs achieved by their use outweighs the initial cost of the enhancement or when they provide other significant financial benefits or appropriate risk reduction to the County.
- c. Lien Levels - Senior, Junior and Subordinated Junior lien levels for each revenue source will be utilized in a manner that will maximize the most critical constraint - typically either cost or capacity- thus allowing for the most beneficial use of the revenue source securing the bonds.
- d. Debt Service Structure - County staff will carefully consider the debt service structure for each bond issue. Factors such as the flow of revenues projected for a particular project, the need to fill in the gaps created by refunding specific maturities or to structure savings from a refunding in a particular year will be considered. Accelerated repayment will be considered within the bonding capacity constraints to provide capacity for future capital programs. Bonds will be amortized over a period not to exceed 120% of the estimated average useful life of the assets being financed.
- e. Capitalized Interest - Subject to state and federal law, interest may be capitalized from the date of issuance through the completion of construction to a maximum of three years. Interest may also be capitalized for projects in which the revenue projected to pay debt service on the bonds will be collected at a future date, not to exceed six months from estimated completion of construction. Any use of capitalized interest is subject to review and approval by bond counsel and the Finance Director.
- f. Call Provisions - Call provisions for bond issues shall serve the primary interests of providing financial flexibility. Call provisions shall be set in a manner that is as short as possible while achieving the lowest interest cost to the County.
- g. Debt Pools/Intergovernmental Arrangements - To the extent permitted by law, the County may form or enter into associations/agreements for joint issuance of debt. The purpose of such arrangements must be to share issuance costs, obtain better terms or rates, or to advance other fiscal goals. Only per contractual agreement or as permitted by law shall the County assume liability through any joint program for the debt obligations or tax consequences related to another government or organization's debt program.
- h. Fixed Rate Debt - The County has historically relied upon the budget certainty

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



accruing from fixed rate debt to fund its borrowing needs and will continue to show a preference for this type of issuance. Fixed rate debt provides the benefit of fixed payments during the life of the bonds and budget certainty for long-term capital planning. However, fixed rate debt is typically longer and carries higher interest (assuming an upward sloping yield curve) than variable rate debt but is not subject to changes in interest rates. Fixed rate debt is the most common type of debt issued by the County.

- i. Variable Rate - Based on the situational or project specific reasons, the use of variable rate debt will be utilized in a limited way to the extent that it presents a significant interest savings to the County and does not subject the County to:
 - i. Excessive risk of unfavorable changes in interest rates;
 - ii. Pressure on the County's credit rating;
 - iii. Unexpected budgetary pressures; or
 - iv. Excessive debt service acceleration risk or the potential for balloon indebtedness in the event market access is restricted to the County the inability to repay variable rate obligations as they come due or escalating payments.

Those risks can be mitigated through the direct matching of variable rate debt with variable interest assets to create a natural hedge, by conservatively budgeting interest rate payments, or with an interest rate swap which has the effect of synthetically fixing the rate of debt service on the associated bonds. No derivative products will be utilized unless permitted by law or without prior authorization of the Governing Authority. No derivative products shall be utilized without an analysis by an independent financial advisor and the implementation of an independent monitoring program.

- M. Financing Team Selection Process - The County employs outside financial specialists to assist in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors. The key participants in the County's financing transactions include its Financial Advisor, Bond Counsel, Disclosure Counsel *(for a public offering)*, the Underwriter (in a negotiated sale), and County representatives. Other outside firms, such as those providing paying agent/registrars, trustee, credit enhancement, auditing, or printing services, are retained as required. The objectives of the selection process are participation from qualified providers, ensuring service excellence, and competitive cost structure. Unless exemptions apply, the County's Purchasing Policy governs the selection of professional service providers.

- a. Financial Advisory Services - The County shall maintain at all times a contract for financial advisory services, whose services shall be available to both the Administration and the Board of Commissioners Finance Audit and Budget Committee, and which shall be rendered to each in the Advisor's fiduciary capacity. The Financial Advisor shall be resident to metropolitan Atlanta or maintain offices and staff with relevant skills within the region. The authority to authorize services under the contract shall be exercised by either client, subject to available budgetary capacity. The County may solicit competitive proposals for financial advisory services based on the recommendation of the Finance Director. A panel appointed by the Finance Director or their designee

Commented [AMM4]: Per CFO McNabb

Commented [AMM5]: Central Staff recommendation

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



shall review financial advisory proposals. ~~The Board of Commissioners' Chief of Staff, or their designee, shall also be included within the panel appointed by the Finance Director to review financial advisory proposals.~~ The County may engage either an independent financial advisor or may employ a Financial Advisor who is a member of an investment banking firm. If the Financial Advisor is an employee of an underwriter, that firm may not participate in negotiated sales of County debt.

Commented [AMM6]: Central Staff recommendation

~~The County shall maintain at all times a contract for financial advisory services, whose services shall be available to both the Administration and the Board of Commissioners Finance Audit and Budget Committee, and which shall be rendered to each in the Advisor's fiduciary capacity. The Financial Advisor shall be resident to metropolitan Atlanta or maintain offices and staff with relevant skills within the region. The authority to authorize services under the contract shall be exercised by either client, subject to available budgetary capacity.~~

Commented [AMM7]: Central Staff recommendation

In addition, if the municipal advisor has any profit sharing or other type of agreement with any member of the underwriting syndicate, for the transaction in question, they will not be allowed to act as municipal advisor. In general, no agreement will be permitted that would compromise the advisor's ability to provide independent advice or that could reasonably be perceived by the County as a conflict of interest. Advisors must alert the Finance Director, in writing, of any conflict, potential conflict, or potentially perceived conflict arises. With the implementation of the 2010 Dodd-Frank Act, municipal advisors must register with the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and meet professional and testing standards. As part of the review process, the County will establish whether the financial advisor(s) being considered have secured these registrations and met the standards. While the County has typically employed a single Financial Advisor, it is permissible to contract with multiple professionals when there is a demonstrated need, as in the case of an especially complex transaction.

- b. Underwriter Selection - The County may solicit proposals for underwriting services for debt issued in private placement or negotiated sale via a Request for Qualifications (RFQ). The RFP may result in the selection of one or more underwriters for a single transaction or result in the identification of a pool of underwriters from which firms will be selected over a specific period of time for a number of different transactions. The Financial Advisor will be the primary point of contact during the proposal process. A committee appointed by the Finance Director or their designee shall review underwriting proposals and shall appoint an underwriting firm or firms, which may include senior and co-managers.

With either a private placement or a negotiated sale, the underwriter must disclose any potential conflicts of interest. The County must also recognize that the roles of the underwriter and the municipal advisor are separate, adversarial roles and cannot be provided by the same party. The Dodd-Frank Act establishes that the financial advisor must have a fiduciary responsibility to the issuer, there is not federal law establishing an underwriter's fiduciary responsibility. The County's objective in the underwriter selection process is to select the underwriters.

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



- c. Paying Agent, Trustee, Arbitrage Calculation Services, Escrow Agent - The County shall procure professional services for record keeping, banking services, or the other debt administration specialists in compliance with the Purchasing Policy.

N. Method of Sale - The County will select a method of sale that is the most appropriate in light of financial, market, transaction-specific and issuer-related conditions. Based on information provided by the Financial Advisor, the Finance Director or their designee are authorized to determine the most advantageous process for the marketing and placement of the County's debt. Methods of sale include but are not limited to:

- A. Competitive Sales – The County has a preference for issuing its debt obligations through competitive sales when it is determined that this form of sale will yield the lowest True Interest Cost to the County. The County and Financial Advisor will structure the sale parameters to meet the needs of the County while appealing to the broadest range of potential bidders. The County will reserve the right to reject any or all competitive bids they deem unsatisfactory, or to delay or rescind any scheduled competitive sale.
- B. Negotiated Sales – When certain conditions favorable for a competitive sale do not exist and when a negotiated sale will provide significant benefits not available through a competitive sale, the County may elect to sell its debt obligations through a private or negotiated sale. Factors that may favor the use of a negotiated sale include:
 - i. The rating of the bonds is lower than Single-A
 - ii. Bond insurance or other credit enhancement is not available or not cost-effective.
 - iii. The structure of the bonds has features that may be better suited to negotiation.
 - iv. The County desires to target underwriting participation to include DBE or local firms.
 - v. Other factors that the County, in consultation with its municipal advisor, believes favor the use of the negotiated sale process.

Please also refer to appendix document "Procedures Related to Negotiated Sale of Bonds".

- C. Such determination may be made on an issue-by-issue basis, for a series of issues, or for part or all of a specific financing program. The underwriting team is selected through a competitive process, as previously identified.
- D. Private (or "Direct") Placement - Under certain circumstances, the County will directly negotiate financing terms with banks and financial institutions for specific borrowings on a private offering basis. Typically, ~~private placements are carried out by the County when external circumstances preclude public offerings; as an interim financing; or to avoid the costs of a public offering for smaller issuances. Because the buyer of the bonds is typically a "sophisticated investor," that does its own due diligence, the County's disclosure obligations are greatly reduced; there is no need for an official statement nor a rating. Specific terms and conditions can be negotiated directly with the investor, such as eliminating the debt service reserve requirement. Private placements are carried out by the County when (1) a private placement is likely to result in a lower borrowing cost; (2) when circumstances preclude public offerings; (3) as an interim financing tool; or (4) to avoid the costs of a public offering. Typically, the County will prepare a term sheet describing the issue and use that term sheet to solicit competitive bids from prospective investors.~~

- E. Lease/Purchase Agreements - The use of lease/purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other

Commented [AMM8]: Per CFO McNabb

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



financing option or a "pay-as-you-go basis. While the lifetime cost of a lease typically will likely be higher than other financing options or cash purchases, lease/purchase agreements may be used by the County as funding options for capital acquisitions if operational or cash-flow considerations preclude the use of other financing techniques. Lease/purchase agreements may not extend beyond ten years except in the case where a revolving program has been established. Additionally, the repayment period of any lease purchase shall not exceed the projected economic life of the asset(s) being financed.

- O. Disclosure Practices - The County is committed to full and complete primary and secondary financial disclosure to rating agencies, national information repositories, state and national regulatory agencies, as well as those of the underwriting market, institutional buyers, and other market participants as a means to enhance the marketability of County bond issuances.

Official statements accompanying debt issues, Comprehensive Annual Financial Reports (CAFR), and continuous disclosure statements will meet (at a minimum) the standards articulated by the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB) and Generally Accepted Accounting Principles (GAAP).

a. Material Events Disclosure - Due to the nature of some material events, the Finance Director or their designee, in conjunction with the County Executive Assistant has responsibility for material event disclosure defined specifically in the County's Continuing Disclosure Agreements and under SEC Rule 15c2-12.

b. Ongoing Disclosure - The County will provide for routine, ongoing disclosure in accordance with SEC guidelines, specifically Rule 15(c)2-12. The County's Comprehensive Annual Financial Report will serve as the primary disclosure vehicle. (See "Continuing Disclosure Policy").

- P. Arbitrage Liability Management - The County shall comply with all arbitrage rebate requirements as established by the Internal Revenue Service. The Finance Director or their designee shall establish a system of record-keeping and reporting to meet the arbitrage rebate compliance requirements of the tax code. The effort shall include tracking project expenditures financed with bond proceeds, tracking investment earnings on bond proceeds, calculating rebate payments in accordance with tax law, and remitting any earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the County's outstanding tax-exempt debt.

It is the County's policy to minimize the cost of arbitrage rebate and yield restrictions while strictly complying with applicable arbitrage regulations on the investment of bond proceeds. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, the advice of Bond Counsel and other qualified experts will be sought whenever questions about arbitrage rebate regulations arise. The County shall procure an outside firm for arbitrage calculations in compliance with the Purchasing Ordinance. The arbitrage reports are based on the anniversary of the bonds while construction funds are available. After the proceeds are spent, the arbitrage reports are calculated every fifth-year (on the anniversary of the bonds).

In order to better manage the Arbitrage Rebate Liability for financial statement reporting purposes, the calculations would be done on an annual basis; however, the calculation of the repayment of any liabilities would be based on the five-year anniversary calculations.

Commented [AMM9]: Per CFO McNabb

- a. Rating Agency Relationship - The County is committed to providing periodic updates on the County's general financial condition to the rating agencies. In addition, the County

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



will coordinate discussions and/or presentations in conjunction with any debt-related transaction.

- Q. *Debt Policy Review – The Board of Commissioners will bisemi-annually (twice per year) review the County’s debt obligations, as well as the Debt Management Policy to ensure best County interest, subjectable laws, industry best practices, and fiduciary responsibility. This bisemi-annual review is to take place within the Finance, Audit, and Budget (FAB) committee.*
- a. *As part of this bisemi-annual review, the Board of Commissioners would like a report from the Finance Director shall report on the maturity and eligibility for refinancing of any debt that the County may have at that time for refinancing.*
- b. *The Finance Director shall report initially, and thereafter annually no less than 60 days before the event, the call date of all debt issued by the County. The report regarding the call date of all debt issued by the County is to occur at least 30 days in advance of each refunding opportunity. The Finance Director shall submit to the FAB Committee a report on capital market conditions relevant to the refunding of such debt, and a recommendation on the disposition of such refunding opportunities.*

Commented [AMM10]: Central Staff recommendation

Quality Control and Quality Assurance:

It is the responsibility of the Finance Director or their designee to ensure the presence of procedures to provide sufficient guidance to affected County personnel to fulfill the intent of this policy. For the Post Issuance Compliance Policy and the Continuing Disclosure Policy and Procedures, the Finance Director or their designee may delegate responsibility to employees and outside agents for developing records, maintaining records, and checklists. The County will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

These policies will be reviewed at least annually and updated on an as-needed basis.

Metrics:

The County will use an objective, analytical approach to determine the amount of debt to be considered prior to authorization and issuance. This process involves the comparison of current County values against the medians of counties of similar size and creditworthiness and further guidance from all representative rating agencies as published.

Authority:

The CEO and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the County, and as such, approval of debt issuance. The Chief Executive Officer is responsible for carrying out the policy directives of the Board of Commissioners and managing the day- to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the County Chief Executive Officer, the County Executive

DeKalb County, Georgia

Finance Department - Treasury

Debt Management Policy and Regulations

Version 7.17.18



Assistant, ~~and~~ Finance Director, ~~and Treasurer.~~

Commented [AMM11]: Per CFO McNabb

Records:

Each area within the Department of Finance will be responsible for annually retaining records which relate to the bonds. The Post Issuance Compliance and Continuing Disclosure Policies and Procedures, identifies specific responsibilities in more detail.

Change Requirements

Any changes, addition and/or deletion to this Policy shall be recommended, adopted and approved by the DeKalb County Governing Authority.