

# Roane County Debt Management Policy

Adopted March 11, 2011

Resolution #03-11-23

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- ▶ Attached the Policy
- ▶ Referenced in the Appropriations Resolution
- ▶ Expresses intent to follow the policy
- ▶ Allows for exceptions if so noted in the approving resolution with documented justifications

# Policy Objectives

1. Educational briefing: Types of financing available
2. Enhances transparency in decision making
3. Identifies cost of transactions
4. Addresses hiring professionals
5. Provides a checklist for decision making

# 1.Educational Briefing– Potential Financing Methods

- ▶ Tax Anticipation Notes–TAN or Revenue– RAN
- ▶ Lease Agreements– not anticipated
- ▶ Capital Outlay Notes– CON
- ▶ Long Term Loans and Bonds

# 1.Educational Briefing– Potential Financing Methods (con't)

- ▶ Issuance of New Debt
  - Complete State Form CT-0253 for estimate
  - Compare at least two proposals

## 2. Transparency of Decisions

- ▶ May assign an ad hoc Debt Management Committee or Budget Committee will be assigned the duties
- ▶ Annual Debt Report is required

## 2. Transparency of Decisions (con't)

- ▶ Annual Debt Report includes:
  - Multi-year Debt Budget
  - Net Debt Calculation (Outstanding less fund balance)
  - Net Debt per capita
  - Net Debt percentage of assessed value of property
  - Ratio of Debt Expenditures as percentage of governmental fund expenditures
  - Net Debt per capita as percentage of income per capita

## 2. Transparency of Decisions (con't)

- ▶ Annual Debt Report (con't)
  - Calculations compared to benchmarks
  - Documentation of most recent debt rating
  - Report of Fund Balance compared to Fund Balance policy
  - Percentage of Fixed versus Variable Rate Debt
  - Specific issue transaction report will be prepared before consideration of new debt

# 3. Cost of Debt

- ▶ **Multi-year debt budget shall graph anticipated revenue and expenditures over time**
  - Reflecting capacity available or
  - Anticipated future shortfalls
- ▶ **Specific Issue Report**
  - Straight-line (S/L) amortization prepared
  - Compare any proposal to S/L
  - Reflect new debt cost as if the debt is the county's only debt
  - Combine new debt cost with existing multi-year budget
  - Prepare new ratios calculation using new debt

## 4. Hiring Professional and Conflicts of Interest

- ▶ Require all professional to disclose the estimated cost of their services
- ▶ Require engagement letters related to their proposed services, cost, and potential conflict of interest

# 5. Requirements and Decision Making Checklist

- ▶ Annual Debt Report on existing debt
- ▶ New Issuance Report
- ▶ Borrowing only for assets identified in a capital plan or emergencies
- ▶ Borrowing for major assets (see capital plan)
- ▶ Repayment schedule < useful life
- ▶ Repayment schedule –not back loaded
- ▶ Repayment schedule compare with S/L
- ▶ Compare at least two proposals
- ▶ Evaluation of variable or fixed debt

## 5. Requirements and Decision Making Checklist (con't)

- ▶ Evaluation of refinancing
- ▶ No interest swap or complex financing arrangements
- ▶ Complete State CT-0253 prior to new issue
- ▶ Key is multi-year budget with existing and combining new debt

# Attachments

- ▶ State Form CT-0253
- ▶ Bench Marks
  - Per Capita– goal is no more than \$800
  - Net Debt to Assessed Property Value– goal is no more than 10%
  - Debt Expenditures to Total Governmental expenditures– goal should not exceed 5%
  - Debt as percentage of Personal Income– goal should not exceed 15%
- ▶ Fund Balance Policy