DEBT POLICY

Policy

The county issues debt based on the needs identified in a five-year Capital Improvement Plan and in accordance with a comprehensive long-term financial plan that minimizes fluctuations in annual levy committed to advance and maintain the infrastructure of the county.

Guidelines

A. Projects considered for public debt follow statutory requirements, including but not limited to public hearings, submission to state agencies, and consultations with other municipalities.

B. The county may issue long-term debt for capital improvements or projects that cannot be financed from current revenues or resources.

C. The county only uses long-term debt financing when all of the following conditions exist:

   1. The project is a capital improvement and is part of a long-term capital improvement plan;

   2. Future citizens will receive a benefit from the improvement; and

   3 The county's available financial resources and capital investment needs makes it necessary and expedient.

D. The county will not incur long-term debt to support current operations. The county only uses short-term bonding to finance operating needs in the case of an extreme financial emergency that is beyond the county's control or reasonable ability to forecast or to take advantage of a special economic condition related to the acquisition or construction of a project.

E. Equipment with a useful life of greater than three years may be financed through leases or capital notes. Purchases financed with capital notes must exceed $100,000.

F. The county limits the amount of total general obligation debt as follows:

1. Limit net debt to no more than 3% of the last certified market value by the Department of Revenue, in accordance with state statute; and

2. Limit amount of annual debt service tax levy to:

   a. Less than 12.5% of total general expenditures (for the purposes of this policy, includes the General Funds, Special Revenue Funds, and Debt Service Funds); and
   b. Up to 15% of the total county gross levy.

G. The county uses the following practices when issuing debt:

1. Issues bonds with terms no longer than the economic useful life of the project;

2. Schedules maturities not to exceed projected revenue streams for self-supporting bonds;

3. When possible, schedules debt payments to coincide with the county's levy collections to minimize the negative impacts on investments; and

4. Verifies project viability and adequacy of funding to complete the capital improvement or project.

H. The county uses both levy and reserves from the Debt Service Fund to attain the 105% pledge limit required by state statute. Annually, the county administrator recommends to the county board the appropriate amounts.

I. The cost of issuance of new bonds is considered part of the project cost and is deducted from the proceeds to determine the net bond proceeds available for the projects as part of the budget process.

J. The county will consider the impact of the new bond issuances on its bond rating.

K. In addition to any specific policy, these guidelines will also apply to any agency that requests use of the county's general obligation backing.

1. The agency will submit its proposal to the county prior to issuing the debt to allow the county sufficient time to complete a diligent review of the request and formulate a county position.

2. All proposals will be reviewed by the county's finance committee, a professional municipal advisor and/or bond counsel, as deemed appropriate for the particular bond issue.

3. The agency will provide at least quarterly project-specific reports to the accounting and finance director and annual updates to the county board that include the agency's ability to cover its annual debt service obligations.

4. Any cost incurred during the review process will be charged to the entity or jurisdiction making the request. The charge may be waived by the county board if the project has a countywide benefit.

Responsibility

A. The county administrator and Accounting and Finance Department shall review the issuance of debt and make recommendations to the finance committee for action.

B. The Accounting and Finance Department will calculate the fund balance percentage using the rating agency methodology by including both restricted and unrestricted fund balance unless there is reason to believe the restricted portions are not usable for operating purposes divided by the total revenues excluding any other financing sources.

C. The finance committee reviews each proposal for public debt and makes a recommendation for action to the county board.

D. The county board reviews and acts on all requests for the issuance of debt or for a pledge of the county's general obligation backing.

E. Based upon board approval, the Accounting and Finance Department coordinates the bond issuance process, including the preparation of the financial package to obtain bond ratings and all required public hearings prior to final approval.

F. The county administrator and Accounting and Finance Department will report to the appropriate regulatory agencies to comply with state statutes.

Source

M.S. 475.53, Sub. 1, M.S. 475.61, and M.S. 549.09
County Board actions May 24, 1994; April 24, 1996; April 3, 2001; July 26, 2005; March 2, 2010; January 19, 2016
Replaces county Policies #2021 and #2018