Debt Management Policy

Our Mission

To provide a comprehensive and viable debt management policy which recognizes the capital improvement needs of Williamson County as well as the taxpayer's ability to pay while taking into account existing legal, economic, financial and debt market considerations.

General Policy Overview

The basic purpose of this policy is to provide a conceptual framework for the issuance and management of debt.

Factors Relevant to the Issuance of Debt

- Legal constraints on debt capacity and various financing alternatives.
- The urgency (essentiality) of the proposed capital requirements and the economic costs of delays.
- Willingness and financial ability of the taxpayers to pay for the capital improvements.
- Determination as to whether to employ a "pay as you acquire" versus a "pay as you use" approach. Issuing debt for example to build roads allows future growth to pay off the debt resulting in a "pay as you use" approach.
- Proper balance between internal and external financing. Reimbursement Resolution utilization and limits.
- Current interest rates, borrowing and investment, and other market considerations.
- The financial condition of the County.
- The types, availability and stability of revenues to be pledged for repayment of the debt.
- Type of debt to be issued.
- The nature and asset life of the projects to be financed.

Debt Management Policies

1. Capital improvements shall be financed by debt to be repaid from available revenue sources pledgeable for same.
2. Cash surpluses, to the extent available and appropriable, should be used to finance scheduled capital improvements.
3. The County will issue debt only for the purposes of constructing or acquiring capital improvements and for making major renovations to existing capital improvements. The only exception to the above would involve entering into long-term leases for the acquisition of major equipment when it is cost justifiable to do so.

4. All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event to exceed 30 years.
5. All items purchased from capital dollars should match the life of the asset/debt. Operating expenses should not be incurred from dollars being paid by a debt issuance.
6. The County shall not construct or acquire a public facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility.
7. The County will, at all times, manage its debt and sustain its financial position in order to seek and maintain the highest credit rating possible.
8. The County will ensure that an adequate system of internal control exists so as to provide reasonable assurance as to compliance with appropriate laws, rules, regulations, and covenants associated with outstanding debt.
9. Revenue sources will only be pledged for debt when legally available and, in those situations where they have previously been used for operation and maintenance expenses/general operating expenditures, they will only be pledged for debt when other sufficient revenue sources are available to replace same to meet operation and maintenance expenses/general operating expenditures.
10. The County will market its debt through the use of competitive bid whenever deemed feasible, cost effective and advantageous to do so. However, it is recognized that, in some situations, certain complexities and intricacies of a particular debt issue or market conditions are such that it may be advantageous to market the debt via negotiated sale.
11. The County will continually monitor its outstanding debt in relation to existing conditions in the debt market and will defease (payoff) or refund any outstanding debt when sufficient cost savings can be realized.
12. Credit enhancements will be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement.
13. In order to maintain a stable debt service burden, the County will attempt to issue debt that carries a fixed interest rate. However, it is recognized that certain circumstances may warrant the issuances of variable rate debt. In those instances, the County should attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
14. The debt rate will not exceed 50% of the total tax rate.
15. The County Auditor’s office shall establish a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code where applicable. This process may be outsourced to a consultant as needed. Additionally, general financial reporting and certification requirements embodied in bond covenants shall be monitored to ensure compliance with all debt covenants.
16. The Investment Committee will oversee the investments related to debt management.

Policy Review

This policy should be jointly reviewed by the Commissioners Court and the County Auditor's Office a minimum of once every three years, notwithstanding the fact that more frequent reviews may be performed as deemed necessary.