Title: Administrative Policy Debt	**Policy No.** Part 4, Financial Administration Chapter 2, Budget and Financial Analysis Section 2
	Effective Date February 23, 2021
Policy Custodian Finance Division	**Adoption/Revision Date** February 23, 2021

Adopting Resolution(s): CC21-057

References (Statutes/Resos/Policies): 30-25-202(2), 30-26-301.3 C.R.S., CC07-330,

Procedure: Bond Application Procedure

Purpose: To improve the quality of decisions, provide justification for the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning.

Policy: Debt

A. Long Term Debt

1. The County may, from time to time, use long-term debt in order to increase the inter-period equity between the beneficiaries of the County's services and the sources of payment for those services.

2. Long-term debt will only be used for the purpose set forth in 30-25-202(2) C.R.S to include, but not be limited to, the acquisition, development, construction, and renovation of capital facilities, capital projects, capital equipment, and infrastructure.

3. Long-term debt shall never be used to fund operating expenditures.

B. Definitions and Limits of the Type(s) of Debt that May Be Utilized

1. Certificates of Participation or Direct Lease Financing: Financing whereby the investor purchases all or a portion of the annually-appropriated lease revenues secured by an asset or any revenues of the County. Certificates of participation and direct leases are not debt as contemplated by the Colorado Constitution and thus, do not require a vote of the people.

2. Revenue Bond: The revenue of a specific project or source and not the general revenues of the County backed Revenue Bonds. The holders of these bonds can only look to that revenue source for repayment. Article X, Section 20 (TABOR) of the Colorado Constitution requires that this debt can only be issued upon a vote of the people.

3. General Obligation Bond: These are bonds backed by the credit and taxing power of the County and not from revenue of any specific project. Colorado law limits general obligation debt to 3 percent of the County's assessed valuation (30–26–301(3) C.R.S.). This debt can only be issued upon a vote of the people.

4. Conduit Debt: A financing arrangement involving the County using its name in an issuance of fixed income securities for another organization's large capital project. The County is not obligated for the debt.

5. Advances: The County may advance money from one fund to another in the form of a loan either to purchase or construct capital assets or to cover a temporary cash deficit. Where the loan would be considered long-term an interest charge will be levied that approximates the Treasurer's return on investments.

C. Debt Structure

1. The following are only guidelines, which may be modified by the County to meet the particulars of the financial markets at the time of the issuance of a debt obligation:

   a. Term of the Debt: The financing will not exceed the lesser of 20 years or 75 percent of the estimated useful life of the asset or average life of a group of assets. Exceptions may include Certificate of Participation financing that may have an extended repayment option.

   b. Structure of Debt: Level debt service will be used unless otherwise dictated by the useful life of the asset(s) and/or upon the advice of the County's financial advisor. Any debt may be structured as a public sale, a negotiated sale, or a private offering upon the advice of the County's financial advisor.

   c. Credit Enhancements: The County will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.

   d. Variable Rate Debt: The County will normally not issue variable rate debt, meaning debt at rates that may adjust depending upon changed market conditions. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt in which case, but the County will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.

   e. Call Provisions: The County will seek the shortest optional call provision consistent with optimal pricing and advice of the County's financial advisor.

   f. Premium or Discount: The issue will be priced as close to the market as possible to minimize the premium or discount. The premium or discount will be amortized over the life of the debt according to generally accepted accounting principles.

   g. Cost of Issuance: The cost of issuing the debt will be expensed in the fund where the debt is incurred.

   h. Capitalized Interest: Interest during construction will be capitalized in the enterprise fund only. Interest during construction for all other assets will be expensed.

   i. Budget: The budget for debt service will be the gross debt service to include interest, principal, and other fiscal costs.

j. Refunding of Outstanding Debt: Refunding will only be done if there is a resultant economic gain regardless of whether there is an accounting gain or loss, or a subsequent reduction or increase in cash flows.

D. Debt Management

1. Financial Advisor: A financial advisor will be used to assist the County in structuring the best possible debt provisions. The County will not allow its financial advisor to participate in the syndication or underwriting of any debt issue on which the advisor provided the County with guidance.

2. Bond and Disclosure Counsel: Bond counsel and disclosure counsel will be used on the recommendation of the County Attorney.

3. Trustee: The trustee will normally be selected through an RFP process, but may be sole-sourced when it is beneficial to the County and an already established working relationship exists.

4. Investment of Funds: The funds received from each debt issuance will be invested with the County Treasurer or the trustee pending their deployment. If invested with the trustee the investments made by the trustee will be limited to those same investments that are allowable for county treasurers and in accordance with Permitted Investments as defined in the Bond Documents.

5. Arbitrage Compliance: The County will use outside consulting services to ensure its compliance with Internal Revenue Service regulations regarding arbitrage.

6. Sale Management: The County will determine the criteria of each debt sale (competitive, negotiated, placement) based on the best interest of the County at the time of issuance. The selection of the Underwriter shall be based on the type of sale process selected.

7. Continuing Disclosures: The County shall covenant to provide continuing disclosures in its Comprehensive Annual Financial Report (CAFR), subject to SEC regulation 15c2-12.

8. Internal Controls: 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. Accounting for all debt issuance will follow generally accepted accounting principles and be performed by the Finance Division.

9. Applications for Bond Issues

   a. All applications for mortgage revenue bonds, private activity bonds, or other conduit financings using the County as an issuer shall meet the criteria as determined by the Director of the Strategy, Innovation and Finance Department and specified in the procedures.

   b. Any costs associated with the required review incurred by the County for outside professional services (legal or financial) will be borne by the applicant and payable to the County. Additional fees, including but not limited to application fees and County issuance fees, may be determined by the Director of the Strategy, Innovation and Finance Department and specified in the procedures.