Part XVIII Fiscal Policy for Capital Expenditures and Debt Financing for Broward County

22.124 Policy

The Broward County, Florida, Fiscal Policy for Capital Expenditures and Debt Financing, attached hereto and incorporated herein as **EXHIBIT 22.D**, shall serve as guidelines in order to manage Broward County's capital expenditures and debt financing programs, and shall be known as the "Fiscal Policy for Capital Expenditures and Debt Financing for Broward County, Florida."

22.125 Through 22.127 Reserved

EXHIBIT 22.D

Fiscal Policy for Capital Expenditures and Debt Financing

I. General

The objectives and policy guidelines within this statement of the County's fiscal policy are based on the following assumptions:

1. The citizens wish to maintain, preserve, and enhance the County's fiscal strength and its sound financial practices.
2. Long-range financial planning is necessary to implement the County's long-term goals as expressed in the Comprehensive Plan.
3. Capital expenditures should be programmed to provide a targeted level of service to the community.
4. The County's financial procedures should assure that public funds are protected and should maximize the County's ability to provide quality services.
5. The County's infrastructure must be maintained in a cost effective manner.

II. Capital Expenditures

A. Objectives:

1. Develop and update annually a capital improvement program that will meet the anticipated infrastructure needs of the County.
2. Maintain capital improvements to the level required to adequately protect the County's capital investment and to minimize future maintenance and replacement costs.

B. Policy Guidelines

1. Capital projects included in the County's five year Capital Improvement Program will be in accordance with the State mandated Comprehensive Plan.
2. Estimated requirements for capital projects shall include all costs reasonably associated with the completion of the project.
3. The impact of capital projects on County operations shall be identified.
4. Pay-as-you-go capital projects shall be funded from General Capital Fund revenues, user fees, taxes, or fund balances, state and federal grants, special assessments, or other sources of revenue that may be available to the County.
5. General capital improvements and other improvements (excluding enterprise funds) may be financed using General Capital Fund revenues, user fees, taxes, or fund balances, revenue bonds (such as First Florida

Governmental Financing Commission or special obligation bonds), certificates of participation, general obligation bonds, and special assessment bonds.

6. Enterprise funds should support needed capital improvements on a pay-as-you-go basis to the greatest extent possible. When Enterprise capital projects are to be financed through the issuance of bonds, enterprise operation charges and fees will be adjusted to generate sufficient revenues to support operations and the required coverage (per specific bond resolutions or indentures) for debt service.

III. <u>Debt Financing</u>

A. Objectives

1. Maintain and improve the County's bond rating and market acceptance in order to minimize borrowing costs and preserve the County's access to credit markets. Maintain a policy of full disclosure and compliance with recommended disclosure guidelines for all financial reports and official statements for debt – including conduit and related party financings. Examples of the recommended disclosure guidelines are contained in <u>Disclosure Guidelines for State & Local Governments</u> (published by the Government Finance Officers Association of the U.S. & Canada). These recommended guidelines will be followed unless superseded.
2. To structure bond issues and other debt instruments to match the useful life of capital improvements to the most appropriate method of borrowing funds.

B. Policy Guidelines:

1. <u>Long Term Debt:</u> Long-term borrowing will not be used to finance current operations or normal maintenance. The County may issue long-term debt in the form of general obligation bonds, revenue bonds, special obligation bonds, or certificates of participation. The County will attempt to schedule the amortization of long-term debt so that fifty percent (50%) of the total debt service requirements (including interest) will be retired in the first half of the total term of the debt.
2. <u>Medium Term Debt:</u> Lease-Purchase methods, bonds or other debt instruments may be used as a medium-term (4 to 10 years) method of borrowing for the financing of vehicles, other specialized types of equipment, or other capital improvements. The equipment or improvement must have a minimum expected life of more than four (4) years or a longer period if required by law. The County will determine and utilize the least costly financing methods available. Such debt arrangements will be paid within the expected life of the equipment or improvement acquired.

3. <u>Short Term Debt:</u> short-term borrowing may be utilized for temporary funding of anticipated capital grant payments, anticipated bond proceeds, or other expected capital program revenues. Short-term debt, such as tax-exempt commercial paper, bond anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest advantage, or the advantage to delay long-term debt until market conditions are more favorable. The County will determine and utilize the least costly method for short-term borrowing for capital purposes. Short-term debt may be refunded in accordance with applicable Federal law.
4. <u>Revenue Bonds:</u> The sale of revenue bonds shall be limited to revenue streams that maintain sufficient coverage for a rating of "A" or better on an uninsured basis. The County may, however, purchase insurance or other forms of credit enhancement when it is cost effective. The County will comply with bond resolutions or indentures to ensure that the credit ratings of revenue bonds are maintained.
5. <u>Certificated of Participation:</u> The County may issue certificates of participation (C.O.P.'s) to finance long-term or medium-term debt. C.O.P.'s issued by the County will not exceed the Capital Costs of the assets that are leased. Capital costs are defines as including the original acquisition price plus improvements and issuance expenses.
6. <u>General Obligation Debt Limit:</u> Debt pledged as a general obligation of the full faith and credit of the County shall not exceed three percent of the non-exempt assessed property value within the County as certified by the Property Appraiser. The County will strive to limit total net general obligation and overlapping debt to $900 per capita – the median amount for counties over one million population as reported by Moody's Investor Services.
7. <u>Non-Ad Valorem Revenue Bond Debt Limit:</u> Sale of non-self-supporting revenue bonds shall be limited to that amount which can be supported from general purpose revenues not required to support operations. The County will not issue non-self-supporting revenue debt unless the total outstanding non-self-supporting debt of the County remains less than fifty percent (50%) of the gross non-ad valorem revenues received by the County during the preceding fiscal year. The net available non-ad valorem revenues of the County for the preceding fiscal year shall be at least 1.1 times the maximum annual debt service for non-self-supporting non-ad valorem debt.
8. <u>Industrial Development Revenue Bonds:</u> Industrial development or other developmental revenue bonds will be limited in use to those private trades and businesses that are of paramount importance to the County. All private trades and businesses seeking use of I.D.R.B.'s must comply with and complement the County's Comprehensive Plan. The County will issue I.D.R.B.'s only at the request of the Broward Economic Development Board. Use of I.D.R.B.'s must not create any obligation, either direct or indirect, on the County, The use if the County's annual allocation of

private activity bonds will be on a first come, first serve basis – including other private activity bond requests such as the Housing finance Authority of Broward County, Florida.

9. Refunding Bonds: The County will comply with applicable State and Federal statutes in structuring the refunding of existing bond issues. The County will not issue refunding bonds unless market conditions provide a net present value savings to the County. As a basic guideline, the net present value savings should be at least three percent (3%) of the remaining principle and interest costs until twenty-four (24) months prior to the par call date.
10. Total annual debt service expenses (less reserves) shall not exceed twenty percent of he annual budget (net of transfers and internal service funds).
11. The County will continue to select Financial Advisors and Managing Underwriters on an issue specific basis and will follow competitive selection procedures as set forth in the County's Procurement Code.
12. The County will use credit enhancements (bond insurance, letters of credit, etc.) when such use will result in an economic benefit. A competitive selection procedure will be used to select the financial intermediary to provide the credit enhancement to be used.