GENESEE COUNTY
MICHIGAN

XX.XXX: Debt Management Policy

Effective: 5-14-25 – RES-2025-1507

Purpose:

The purpose of this Debt Management Policy for the County is to assist in the prudent administration of any debt which might be required.

Adoption of this policy sets forth parameters for the following:

- Issuing debt
- Managing the outstanding debt portfolio
- Providing guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated

Authority and Responsibility:

The Board of County Commissioners authorizes the Chief Financial Officer to implement and oversee this policy.

Application:

These regulations shall govern all debt activity of the County.
Adherence to the following guidelines will ensure:

- High quality debt management decisions
- Imposition of order and discipline in debt issuance processes
- Consistency and continuity in decision making processes
- A commitment to long-term financial stability
- Rating agencies, the investment community, and taxpayers have positive views of our debt management decisions

Definitions:

Competitive Sale – In a competitive sale, the municipality (the issuer) issues a Notice of Sale, outlining the terms of the bond offering, and underwriters submit bids to purchase the bonds. The issuer then selects the bid that best meets the requirements in the Notice of Sale, typically awarding the bonds to the underwriter that offers the lowest borrowing cost.

Negotiated Sale – In a negotiated sale, the municipality hires an underwriter to find investors for the bonds. The issuer and underwriter negotiate the terms of the sale, including the interest rate, fees, and other conditions.

Private Placement – Municipalities can also sell bonds directly to banks or financial institutions, bypassing the traditional underwriter and public offering process. This method can be faster and less expensive than competitive or negotiated sales, as it eliminates the need for a Notice of Sale, underwriters, and other associated costs.

General Obligation Debt - There are two types of general obligation debt, limited tax general obligation debt and unlimited tax general obligation debt. Limited tax general obligation debt pledges the full faith and credit of the taxing power of the County within the existing tax rate limits. Unlimited tax general obligation debt pledges the full faith and credit of the taxing power of the County beyond the existing tax rate limits provided the voters have given their approval. General obligation debt is normally limited to ten percent of State Equalized Value.

Revenue Bonds - Revenue Bonds can be considered when there is a definable revenue source which could be used to pay the debt. Revenue Bonds normally must meet certain bond covenants stipulated by the lender. Certain debt ratios such as pledged revenues to debt service may also be required to be reported.

Short-term Borrowings - Short term borrowings such as tax anticipation notes must normally be authorized by State Statute.

Continuing Disclosure Requirements - The continuing disclosure requirements are often documented in Bond Official Statements and are required by Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended. The continuing disclosure requirements are of both a financial and operational nature and are provided to the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access District (EMMA). The deadline for filing the continuing disclosure requirement is on or before the 6th month after the end of the fiscal year. However, certain significant negative events may cause the entity to have to provide information to the MSRB within 10 days of the event.

Non-arbitrage and Tax Compliance – There are restrictions on how bond proceeds can be used and invested. These restrictions are examined by the entity's bond counsel at issuance and must be reexamined if changes occur in the timing, scope, or use of the bond proceeds. Some changes that must be considered are delays in the spending of bond proceeds, rising interest rates, and repurposing of the assets purchased or constructed with the bond proceeds.

Policy:

1. Unless otherwise justified, the issuance and sale of all County bonds, notes, loans, and other evidences of indebtedness shall be subject to the following conditions:

    a. Bonds will be sold on a competitive basis unless it is in the best interest of the County to conduct a negotiated sale or private placement. Negotiated sales and private placements may occur when selling bonds for a defeasance of existing debt, for current or advanced refunding of debt, to save on issuance costs of a smaller debt issue, or for other appropriate reasons.

    b. Debt shall be incurred only for those purposes as provided by State Statute.

    c. Principal and interest on all outstanding debt shall be paid in a full and timely manner.

    d. The payment of debt shall be secured by the full faith, credit, and taxing power of the County, in the case of General Obligation (GO) Bonds, and by the pledge of specified, limited revenues in the case of revenue bonds.

    e. Principal and interest retirement schedules shall be structured to: (1) achieve a low borrowing cost for the County, (2) accommodate debt service payments of existing debt and (3) respond to perceptions of market demand. Shorter maturities shall always be encouraged to demonstrate to rating agencies that debt is being retired at a sufficiently rapid pace.

    f. Debt incurred shall be limited to obligations with serial and term maturities.

    g. The average life of the debt incurred must be no greater than the projected average life of the assets being financed.

2. **Legal & Regulatory Requirements**

    a. The County's Chief Financial Officer (CFO) and Bond Counsel shall coordinate their activities to ensure that all securities are issued in the most efficient and cost-effective manner possible.

    b. The CFO and Bond Counsel shall coordinate their activities to ensure that in the opinion of the Bond Counsel all securities are issued in compliance with applicable County, State, and Federal statutes and regulations.

c. The County's bond counsel shall review all documents related to the issuance of securities by the County.

d. A recognized bond counsel shall prepare other documents and opinions relating to the issuance of debt with extensive experience in public finance, securities regulation, and tax issues.

e. The County will invest debt proceeds separately from other County funds.

f. The County shall comply with all continuing disclosure requirements. The CFO shall be responsible for coordinating completion of the continuing disclosure requirement.

g. The County shall report to the Michigan Department of Treasury within 15 business days of completing the issuance of any security. The CFO shall be responsible for coordinating completion of the report.

h. The County shall monitor its non-arbitrage and tax compliance. The CFO shall be responsible for reviewing its non-arbitrage and tax compliance.