BASTROP COUNTY DEBT POLICY

Bastrop County Commissioners Court
February 10, 2025

County Of Bastrop

Debt Policy Certificate

October 1, 2024 through September 30, 2025

STATE OF TEXAS
COUNTY OF BASTROP

We, Gregory Klaus, County Judge
Butch Carmack, Commissioner Precinct 1
Clara Beckett, Commissioner Precinct 2
Mark Meuth, Commissioner Precinct 3
David Glass, Commissioner Precinct 4

of Bastrop County, Texas do hereby certify that the attached Debt Policy is a true and correct copy of the Debt Policy for fiscal year 2024/2025 for Bastrop County, Texas, as passed and approved by Commissioner's Court of Bastrop County on the 10th day of February, A.D., 2025, as the same appears on file in the office of the Bastrop County Auditor.

DocuSigned by:
Gregory Klaus
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Gregory Klaus, County Judge

Signed by:
Butch Carmack
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Butch Carmack, Commissioner Pct. 1

DocuSigned by:
Clara Beckett
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Clara Beckett, Commissioner Pct. 2

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Mark Meuth
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Mark Meuth, Commissioner Pct. 3

Signed by:
David Glass
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David Glass, Commissioner Pct. 4

PURPOSE

The purpose of the County's Debt Management Policy (the "Policy") is to establish responsibilities and guidelines for the issuance of debt obligations and to provide guidelines for the ongoing management of the County's debt portfolio. This Policy affirms the intent of the County to adhere to sound debt management practices within the highest industry, legal and governmental standards, while achieving the lowest cost of capital given established parameters.

SCOPE

This Policy applies to any debt obligation with a term of one year or longer that is payable from the Interest & Sinking Fund. It does not apply to short-term debt such as accounts payable or obligations incurred and normally paid within a short time period of, for example, thirty (30) to ninety (90) days.

DEBT MANAGEMENT OBJECTIVES

The debt management objectives of the County are to:

(A.) Maintain financial stability.

(B.) Preserve public trust.

(1.) Complete debt programs within guidelines communicated to taxpayers; and

(2.) Obtain citizen input to formulate components of capital improvement programs

(C.) Provide sufficient debt capacity for current and future capital needs of the County.

The County shall:

(1.) Formulate a multi-year capital improvement plan in conjunction with its financial advisor and bond committee, as applicable. The Administration shall review the capital improvement plan on a biennial basis and recommend appropriate changes to the Commissioners Court. The capital improvement plan shall include:

a) A timeline of the anticipated capital improvements needed and the projected cost thereof.

b) A prioritization of such projects; and

c) A preliminary financing plan that demonstrates the parameters for which such capital needs may be completed.

(2.) Repay its debt obligations as expeditiously deemed prudent given the applicable tax rate parameters and the

County's overall financing objectives (see "Guidelines for Repayment of Debt Obligations").

(D.) Provide flexibility to manage annual debt service requirements and corresponding Interest & Sinking Fund tax rate. The County shall structure its debt obligations with a call provision, if possible, to allow such obligations to be redeemed prior to final scheduled maturity. Generally speaking, the County, in consultation with the County's financial advisor, shall select the earliest economical call provision given prevailing market conditions.

(E.) Minimize the County's interest and financing costs.

While not all-inclusive, the County shall:

(1.) Implement debt strategies to achieve the lowest cost of capital given the County's established risk parameters, overall financing objectives and prevailing market conditions (see "Composition of Debt Portfolio").

(2.) Refinance the County's existing debt obligations at a lower interest rate as such opportunities are available (see "Guidelines for Refunding Debt Obligations").

(3.) When economically feasible, combine multiple debt sales into one sale in order to minimize issuance costs.

(F.) Comply with all State and Federal laws related to the issuance of debt obligations.

ALLOWABLE PURPOSES FOR THE ISSUANCE OF DEBT

The County regards the issuance of debt as a valuable management tool which must be judiciously utilized within the County's financial and legal operating environment. In general, the County may issue debt obligations to fund capital improvements within the County or to refinance the County's debt obligations. The following summarizes the permitted purposes for which the County may consider the issuance of debt:

(A.) The County may finance certain capital improvements, which include, but are not limited to:

(1.) The purchase of land;

(2.) The construction, acquisition and equipment of County buildings or roads;

(3.) The renovation of County facilities;

(4.) The purchase of equipment;

(5.) Refund the County's outstanding debt obligations (see

"Guidelines for Refunding Debt Obligations");

(6.) Any other purpose legally available to the County pursuant to State law.

(B.) Long-term debt obligations may not be used:

(1.) To fund operating expenditures of the County that may not be capitalized;

(2.) For the purpose of investing; and/or

(3.) For the sole purpose of earning arbitrage.

GUIDELINES FOR REPAYMENT OF DEBT OBLIGATIONS

The purpose and useful life of capital improvement projects to be financed with debt obligations shall be carefully considered when selecting an amortization period for debt obligations. The County shall repay its debt in compliance with all Federal, State and local requirements and seek to repay its debt in an expeditious manner within the County's overall financial objectives, the useful life of the project financed and the source of repayment. In no circumstances shall the County amortize its debt obligations for a time period longer than the expected useful life of such project being financed. However, such amortization schedule must not restrict the County's ability to annually manage its Interest & Sinking Fund tax rate or severely limit the County's ability to issue future debt obligations.

(A.) Short-Term Capital Improvement Projects

(1.) Short-term capital improvement projects shall be those projects that generally have a useful life of 10 years or less. The following are guidelines to be used for the amortization of debt obligations issued for short-term capital improvements:

Description	Average Life of Debt Obligations
Technology	5 Years
Equipment	10 Years
Vehicles	7 Years

(B.) Long-Term Capital Improvement Projects

(1.) Long-term capital improvement projects shall be those projects that generally have a useful life of more than 10 years.

(2.) Pursuant to State law, the County shall amortize all debt obligations within the parameters established by State law.

COMPOSITION OF DEBT PORTFOLIO

The County's debt portfolio may be comprised of two types of debt: 1.) traditional fixed rate debt and 2.) variable rate debt. The County shall select the most prudent debt structure at the time debt obligations are sold, given the County's targeted debt portfolio, prevailing and expected market conditions and established risk parameters.

(A.) Traditional Fixed Rate Debt

Traditional fixed rate debts are obligations whose interest rates remain constant until the final maturity. The maximum percentage of traditional fixed rate debt within the County's debt portfolio shall be 100%.

(B.) Variable Rate Debt

Variable rate debts are obligations whose interest rates "reset" on a periodic basis (i.e. daily, weekly, monthly, annually, etc.). The maximum percentage of variable rate debt within the County's debt portfolio shall be 30%.

GUIDELINES FOR REFUNDING DEBT OBLIGATIONS

All refunding proposals should be reviewed by the County and its financial advisor to determine the applicability, accuracy and potential benefits to the County. Each potential refunding transaction should be considered on its own merits and shall be analyzed and structured to support current and future debt transactions.

When reviewing the appropriateness of a refunding transaction, the evaluation process should be dynamic enough to consider all potential benefits to the County, such as lowering the County's interest cost, increasing the County's debt capacity, increasing flexibility to manage the County's debt portfolio, etc. The following provides the general criteria the County shall utilize when considering the implementation of a refunding transaction:

(A.) Criteria to be Utilized for a Refunding for Interest Cost Savings

(1.) A refunding transaction shall produce sufficient interest cost savings to be deemed prudent and material given the inherent risks of the refunding transaction.

a) A refunding utilizing traditional fixed rate debt generally may be considered if the "Present Value Savings as a Percentage of the Principal Amount of the Refunded Bonds" ratio is at least 3.0%.

(2.) The final maturity of the Refunding Bonds shall not exceed the final maturity of the Refunded Bonds.

(3.) A refunding for savings shall not materially diminish the

County's ability to manage its debt portfolio or restrict the County's ability to cost-effectively issue additional debt obligations.

(4.) A refunding for savings shall be issued concurrently with a "new money" issuance to achieve economies of scale regarding costs of issuance, when feasible and prudent.

(B.) Criteria to be Utilized for a Refunding for Restructuring Purposes

(1.) Both callable and non-callable debt may be refunded for restructuring purposes.

(2.) A restructuring may be implemented to:

a) Permit additional debt obligations to be sold more cost-effectively;

b) Keep within the tax rate parameters communicated to voters of the County or to manage the County's Interest & Sinking Fund tax rate; and

c) Add flexibility to the County's debt portfolio, given prevailing circumstances.

(3.) The costs associated with a restructuring (costs of issuance and additional interest cost; if any) shall be evaluated in contrast to the expected benefit of the restructuring.

(4.) A restructuring should not materially diminish the County's ability to manage its debt portfolio or restrict the County's ability to cost-effectively issue additional debt.

METHOD OF SALE TO BE UTILIZED

The County recognizes that each issuance of debt obligations has unique characteristics that will provide the basis for determining the appropriate method of sale. Such methods of sale include competitive, negotiated and private placements. The conditions which indicate the appropriate method of sale are generally described below:

(A.) Competitive Sale

The County may consider a competitive sale of its debt obligations if:

(1.) The debt market is stable and demand for the debt obligations is strong;

(2.) The County can reasonably expect at least three bids will be received;

(3.) Structural features and credit quality are conventional;

(4.) Transaction size is manageable; and/or

(5.) Volume of competing transactions is low.

(B.) Negotiated Sale

The County may consider a negotiated sale of its debt obligations if:

(1.) An advance refunding is being contemplated;

(2.) Debt market is volatile, demand for debt obligations is perceived to be weak or the volume of competing sales is high;

(3.) Coordination of multiple components of the financing is required;

(4.) Substantial education of investors is required;

(5.) Structural features or credit quality is unconventional;

(6.) Large transaction size; and/or

(7.) Retail participation is expected or desired to be high.

(C.) Private Placement

The County shall consider a private placement of its debt obligations if it provides more advantageous financing terms than may be obtained in the capital markets.

PARAMETER DEBT SALES

The Commissioners Court may delegate the ability to approve the issuance of refunding debt obligations to the County's Administration, so long as the issuance of the refunding debt obligations meets certain parameters approved by the Commissioners Court and it is permissible pursuant to State law.

CREDIT RATINGS AND CREDIT ENHANCEMENT

The County shall strive to secure and maintain the highest possible credit ratings based upon its stand-alone credit strength. It is the goal of the County to maintain a positive reputation in the debt markets through the maintenance and improvement of the relevant credit characteristics within its control.

(A.) Credit Ratings

(1.) For any new issuance of traditional fixed rate debt sold either through a competitive or negotiated sale, the County shall obtain a credit rating from at least two nationally recognized rating agencies. The County shall obtain a credit rating based upon the County's stand-alone credit strength, as well as, a credit rating based upon any type of credit enhancement obtained for a particular debt issuance.

(2.) For any new issuance of variable rate debt sold either through a competitive or negotiated sale, the County shall utilize a credit rating from at least one nationally recognized rating agency.

(3.) Based upon a recommendation from the County's financial advisor, the County shall conduct the rating process either in person through a formal rating presentation or via a conference call.

(4.) The County will provide the rating agencies all requested information in a timely manner.

(B.) Credit Enhancement

(1.) Bond Insurance - The County shall consider the use of bond insurance when it provides an economic advantage for a sale of debt obligations. The County's financial advisor shall compare the present value of the prospective interest savings produced by using bond insurance to the cost of such insurance. Bond insurance may be purchased when it results in a present value benefit. The County may solicit bids for bond insurance.

(2.) Liquidity/Credit Facilities - The issuance of variable rate debt may require the use of a liquidity facility and/or a credit facility. Letters of Credit ("LOC") and Standby Bond Purchase Agreements ("SBPA") shall be considered as credit enhancement based upon their respective cost effectiveness. The County may solicit bids from qualified financial institutions established in this line of business and select the "best value" based on price, financial stability, terms and conditions, market acceptance and service.

SELECTION OF CONSULTANTS

The Administration may contract with outside professionals for assistance in fulfilling any of the obligations or objectives of the County or the Administration under this Policy. The services to be provided by such professionals may be set forth pursuant to a contract.

Generally, the County shall consider engaging the following professionals to the degree necessary:

(A.) Financial Advisor - To assist with the planning and issuance of all debt and debt administration processes relating to the County's debt portfolio and future debt programs.

(B.) Bond Counsel - To consult with the County and its financial advisor on legal matters pertaining to the issuance of debt obligations. In addition, Bond Counsel shall provide a written opinion, upon the issuance of a debt obligation, affirming that the County is authorized to issue the debt and that the County has met all constitutional and statutory requirements necessary for issuance. Such written legal opinion should also include a determination regarding the debt obligation's federal income tax status, if applicable.

SELECTION OF UNDERWRITERS FOR NEGOTIATED TRANSACTIONS – FIXED RATE DEBT OBLIGATIONS

Selection Process

(A.) The criteria to be utilized in the selection of underwriters for the County's fixed rate negotiated sales shall consider a firm's:

(1.) Capital position;

(2.) Institutional and retail sales network for municipal debt obligations;

(3.) Experience underwriting county government debt obligations;

(4.) Experience underwriting municipal debt obligations;

(5.) Financing ideas presented or other value provided to the County;

(6.) Demonstrated commitment to Texas local government;

(7.) Prior performance on County's negotiated sales;

(8.) Performance on County's competitive sales;

(9.) Local presence; and

(10.) Potential conflicts of interest.

(B.) Underwriting Syndicate Selection

The size and composition of each underwriting syndicate formed for a particular negotiated sale of fixed rate debt will be based on:

(1.) The dollar amount of debt obligations to be sold;

(2.) The criteria listed within (A.) above; and

(C.) Post-Sale Evaluation of Underwriting Performance

After the completion of each transaction, the senior manager shall be required to present a post-sale analysis to the County's financial advisor which shall include at a minimum:

(1.) A summary of orders submitted and allocations (including designations) received by each firm;

(2.) A comparison of the County's interest rates to the interest rates on comparable sales; and

The County's financial advisor will evaluate the success of the underwriting versus the market at the time of sale and analyze each syndicate member's performance and present such information to the County's Administration.

(D.) Unsolicited Proposals

The County encourages the submission of unsolicited financing proposals from any firm. A copy of each proposal shall be provided to the County's financial advisor. All proposals should include a full analysis of risks and benefits associated with each financing alternative proposed and a description of previous experience with such financing technique, if any. The County reserves the right to issue a Request for Proposals for any product or transaction.

SELECTION OF UNDERWRITERS/REMARKETING AGENT FOR VARIABLE RATE DEBT OBLIGATIONS

The County will select qualified firm(s) to serve as underwriter/remarketing agent for each series of the County's variable rate debt obligations. The County reserves the right to replace the remarketing agent or utilize other remarketing agents at any time based on factors including, but not limited to: performance, change in staff or firm organization, etc.

(A.) Selection Process

The criteria to be utilized in the selection of underwriters/remarketing agents for the County's variable rate debt obligations shall consider a firm's:

(1.) Capital position;

(2.) Sales and distribution network for short-term debt obligations;

(3.) Experience in providing underwriting/remarketing agent services for Texas local government;

(4.) Experience in providing underwriting/remarketing agent services for municipal debt issuers;

(5.) Financing ideas presented or other value provided to the County;

(6.) Demonstrated commitment to Texas local government;

(7.) Prior performance as remarketing agent on County's variable rate issues; and

(8.) Potential conflicts of interest.

(B.) Evaluation of Remarketing Agent Performance

At least annually, the County's financial advisor shall evaluate the performance of the remarketing agents versus the market performance of other comparable Texas local government financings and present such information to the County's Administration.

ONGOING DEBT MANAGEMENT PRACTICES

(A.) Investment of Debt Proceeds

Any investment of debt proceeds shall be executed in accordance with the County's Investment Policy, legal covenants, and State and Federal tax law limitations. The proceeds of debt or other obligations of the County are subject to the Public Funds Investment Act.

(B.) Compliance with Federal Arbitrage Rebate Regulations

The use and investment of debt proceeds shall be monitored to ensure compliance with arbitrage restrictions. The County's Administration shall ensure that debt proceeds and investments are tracked in a manner which facilitates the completion of accurate rebate calculations and rebate payments, if any, on an annual basis.

(C.) Continuing Disclosure Requirements

The County shall comply with the Securities and Exchange Commission (SEC) Rule 15c2-12 by filing with EMMA annual financial statements and other financial and operating data required for the benefit of its debt holders no later than six months after the end of each fiscal year. The inability to make timely filings must be disclosed promptly. The County will also provide timely notices of certain events (as defined pursuant to SEC Rule 15c2-12) to the MSRB within ten (10) business days after such event has occurred.

DUTIES AND RESPONSIBILITIES

The County's Administration is responsible for reviewing and monitoring the activities of the County to determine compliance with the general guidelines and restrictions established by this Policy. The Administration shall review the County's Policy on an annual basis and discuss appropriate changes with the Commissioners Court.