

WEBB COUNTY, TEXAS

DEBT MANAGEMENT POLICY

Adopted on March 26, 2012. Amended on November 26, 2018

PURPOSE - Webb County recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing debt, and it provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The Webb County Commissioners Court recognizes there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the County's debt position. Debt decisions should be the result of deliberative consideration of all factors involved. This policy is intended to augment the deliberation process by addressing the methods, procedures and practices to be utilized to ensure effective and judicious fiscal management of County funds.

The terms of this Debt Management Policy (the "Policy") are intended to comply with all Texas and Federal Law governing debt, including, but not limited to, Texas law, Internal Revenue Service rules and regulations, United States Securities and Exchange Commission "(SEC)" regulations, Municipal Securities Rulemaking Board "(MSRB)" regulations, court rulings, and existing County debt covenants.

SCOPE - This Policy shall govern debt obligations issued by the County that finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. The County may also desire to issue debt obligations on behalf of external agencies, nonprofit corporations, or other authorities for the purpose of construction or acquisition of infrastructure or other assets that further the goals and objectives of County government. In that case, the County shall take reasonable steps to confirm the financial feasibility of the project and the financing solvency of any necessary borrower; and shall take all reasonable precautions to ensure the public purpose and financial viability of such transactions. This policy does not apply to the capital leases.

POLICY SUMMARY - Webb County will adhere to the following specific policy statements regarding:

- Roles and Responsibilities
- Reporting
- Conditions for debt issuance
- Restrictions on debt issuance
- Debt service limitations
- Limitations on outstanding debt
- Characteristics of Debt structure
- Debt issuance process
- Reimbursement Resolution
- Debt maintenance
- Continuing Disclosure

ROLES AND RESPONSIBILITIES – As provided by the Texas Local Government Code, each member of Commissioners Court has a fiduciary responsibility in the management of the County's indebtedness. All debt programs are to be made in accordance with applicable Texas and federal regulations. The Commissioners Court will approve all County indebtedness.

REPORTING – The Office of the County Auditor is responsible for reporting monthly in its financial report a schedule that includes outstanding debt requirements. These reports will include principal and interest requirements, dates for each and related interest rates. The Office of the County Auditor is responsible for preparing the annual continuing disclosure and the County's financial advisor and/or bond counsel is

responsible for reviewing, approving, and submitting the continuing disclosure pursuant to SEC Rule 15c-12.

CONDITIONS FOR DEBT ISSUANCE - Webb County will consider the use of debt financing only for one-time capital improvement projects. Long-term borrowing will not be used to finance current operations or normal maintenance. Debt financing may include general obligation bonds, revenue bonds, certificates of obligation, certificates of participation, tax notes, lease/purchase agreements, and other obligations permitted to be issued or incurred under Texas law. Webb County shall consider refunding outstanding bonds if one or more of the following conditions exist: (1) present value savings are at least three percent (3%), with certain exceptions, of the par amount of the refunding bonds; (2) the bonds to be refunded have restrictive or outdated covenants; or (3) restructuring debt is deemed to be desirable.

RESTRICTIONS ON DEBT ISSUANCE - Proceeds from long-term debt will not be used for current on-going operations.

DEBT SERVICE LIMITATIONS - In evaluating debt capacity, general-purpose annual debt service payments should generally not exceed twenty percent (20%) of the County's total budgeted expenditures for funds.

LIMITATIONS ON OUTSTANDING DEBT - As provided in the Constitution of the State of Texas, the Net Bonded Debt of Webb County shall not exceed twenty five percent (25%) of the net value of the taxable real property of the County.

CHARACTERISTICS OF DEBT STRUCTURE - Webb County will design the repayment of its overall debt so as to recapture rapidly its credit capacity for future use. The County shall strive to repay at least twenty percent (20%) of the combined principal amount of its general obligation debt within five years and at least forty percent (40%) within ten years. The scheduled maturity of individual debt issues shall not exceed the expected useful life of the capital project or asset(s) financed. Also, Webb County shall consider purchasing bond insurance for debt issues when the present value of the estimated debt service savings from insurance (to be derived) is equal to or greater than the insurance premium.

DEBT ISSUANCE PROCESS - Webb County shall use a competitive bidding process in the sale of debt unless market conditions of the nature of the issue, such as refunding bonds, warrant a negotiated sale. The County will employ outside financial specialists, including financial advisors and bond counsel, to assist in developing a bond issuance strategy, preparing bond documents and marketing bonds to investors.

REIMBURSEMENT RESOLUTION - As provided in the Texas Government Code, Section 1201.042, as amended, Department of the Treasury Regulation, Section 1.150-2 of the Internal Revenue Code of 1986 as amended, Commissioners Court may decide that it is in the County's best interest to pass a reimbursement resolution prior to the formal issuance of debt. The purpose of the resolution would be to announce the intent to reimburse itself for expenditures related to capital programs for which debt will be issued and the General Fund could then be reimbursed once the debt is sold. The County will intend to reimburse itself within 18 months from the later of date of the original expenditure or the date the property financed is placed into service (but in no event more than 3 years after the original expenditure is paid).

DEBT MAINTENANCE - Webb County will seek to maintain and, if possible, improve the County's current bond ratings in order to minimize borrowing costs and preserve access to credit. Webb County will adhere to a policy of full public disclosure with regard to the issuance of debt, and the County will meet all requirements for continuing disclosure on debt of the County.

CONTINUING DISCLOSURE - The County will periodically review the requirements of the Municipal

Securities Rulemaking Board (MSRB) and the recommendations of the Government Finance Officers Association (GFOA), including the GFOA recommendation that financial statements be prepared and presented according to generally accepted accounting principles. The County will remain in compliance with SEC Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within six months after the end of each fiscal year.

PASSED AND APPROVED on this the 26th day of November 2018

Hon. Tano E. Tijerina
County Judge

Hon. Jesse Gonzalez
County Commissioner, Pct. #1

Hon. Rosaura Tijerina
County Commissioner, Pct. #2

Hon. John C. Galo
County Commissioner, Pct. #3

Hon. Cynthia Y. Liendo
County Commissioner, Pct. #4

ATTEST _____
Hon. Margarita "Margie" Ramirez Ibarra
Webb County Clerk