

Debt Management Policy

The objective of this Debt Management Policy is to provide guidance to the Administration and Clerk of the Circuit Court of Sarasota County (“County”) with respect to the Board of County Commissioners’ (“Board”) desires in managing the County’s debt. Upon adoption, this revised Debt Management Policy will determine in most cases the action required by staff in the administration of debt and define limits upon other actions that require specific approval of the Board.

The County issues debt under several types of security. The general obligation credit is secured by the County’s ability to levy ad valorem taxes on real and personal property within the County. Assessment bonds are secured by special assessment upon the property owners benefiting from specific improvements to their community. Revenue bonds are secured by dedicated revenue streams arising from sales taxes, special taxes and charges for services, such as water, sewer and solid waste collection and disposal.

Additionally, the County utilizes a covenant to budget and appropriate legally available non-ad valorem revenues in its short-term borrowings under the Florida Local Government Commercial Paper Loan Program. This program provides valuable cash flow and cash management capabilities in managing the County’s ongoing capital improvements programs by providing interim or “gap” financing for the County’s pay-as-you-go capital programs.

For the financing of improvements for Municipal Services Benefits Units (“MSBU’s”) the County also has a Bank Term Loan program that can provide financing for longer periods of time, usually for up to fifteen (15) years, to coincide with a longer assessment period for repayment of the debt. Other types of debt subject to this Debt Management Policy include State Revolving Fund Loans (“SRF Loans”), anticipation notes, and other promissory notes that may be issued for the repayment of short, intermediate or long term debt. Several guiding principles have been identified which provide the framework for the issuance, management, continuing evaluation of and reporting on all debt obligations issued by Sarasota County. These principles are incorporated into this policy as follows:

Purposes and Uses of Debt

Asset Life: The County will consider long-term financing for the acquisition, replacement, or expansion of physical assets (including land) only if they have a useful life of at least five years. Debt will be used only to finance capital projects and equipment, except in case of emergency. County debt will generally not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

Capital Financing: The County normally will rely on specifically generated funds and/or grants and contributions from other governments to finance its capital needs on a pay as you go basis. To achieve this it may become necessary to secure short term (not exceeding 5 years amortization) construction funding. Such financing is anticipated and allows maximum flexibility in CIP implementation. Debt of longer amortization periods



("long-term debt") will be issued for capital projects when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries. Debt shall not, in general, be used for projects solely because insufficient funds are budgeted at the time of acquisition or construction.



Debt Guarantees: The County may consider, on case-by-case basis, the use of its debt capacity for legally allowable capital projects by public development authorities or other special purpose units of government.



Creditworthiness

Credit Ratings: Sarasota County seeks to maintain the highest possible credit ratings for all categories of short - and long-term debt that can be achieved without compromising delivery of basic County services and achievement of adopted County policy objectives.



Financial Disclosure: The County is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial and other relevant information. The County is committed to meeting secondary disclosure requirements on a timely and comprehensive basis. The Clerk of the Circuit Court, Department of Finance is responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies, and may carry out such responsibility through the engagement of an outside dissemination agent.



Capital Planning: To enhance creditworthiness and prudent financial management, Sarasota County is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning is demonstrated through adoption and periodic adjustment of a Comprehensive Plan pursuant to Chapter 163, Florida Statutes, the Florida Growth Management Act and Rule 9 J 5, and the adoption of the five year Capital Improvement Plan (CIP).

Debt Limits: The County will keep outstanding debt within the limits prescribed by State statute and County Charter and at levels consistent with its creditworthiness, best practices, needs and affordability objectives.

Debt Structure

Debt Structure: Debt will be structured to achieve the lowest possible net cost to the County given market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the 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 20 percent of the principal amount of its general obligation debt within five years and at least 40 percent within ten years.



Length of Debt: Debt will be structured for the shortest amortization period consistent with a fair allocation of costs to current and future beneficiaries or users.



Backloading: The County will normally seek to structure debt with level principal and interest costs over the life of the debt. "Backloading" of costs will be considered when natural disasters or extraordinary or unanticipated external factors make the short-term cost of the debt prohibitive, when the benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present, when such structuring is beneficial to the County's overall amortization schedule, or when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation.



Refundings: The County's staff and advisors will undertake periodic reviews of all outstanding debt to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management. In general, advance refundings for economic savings will be undertaken when a net present value savings of at least five percent of the refunded debt can be achieved. Current refundings that produce a net present value saving of less than five percent will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy or legal objective.



Credit Enhancements: Credit enhancement, such as letters of credit and bond insurance, may be used, but only when net debt service on the bonds is reduced by more than the costs of the enhancement.

Variable Rate Debt: The County may choose to issue securities that pay a rate of interest that varies according to pre-determined formula or results from a periodic remarketing of the securities, consistent with state law and covenants of pre-existing bonds, and depending on market conditions. The County will limit its outstanding bonds in variable rate form to reasonable levels in relation to total debt.

Subordinate Debt: The County may issue subordinate debt only if it is financially beneficial to the County or consistent with creditworthiness objectives.

Short Term Notes: Use of short-term borrowing, such as bond anticipation notes and tax-exempt commercial paper, will be undertaken only if the transaction costs plus interest on the debt are less than the cost of internal financing, or available cash is insufficient to meet working capital requirements as with the implementation of the infrastructure surtax program.

State Revolving Fund Program: This program provides funds for projects involving water supply and distribution facilities, stormwater control and treatment projects, air and water pollution control, and solid waste disposal facilities. Whenever possible, this



program will be utilized since the costs associated with issuing the notes are low and local agencies benefit from the strength of the state's credit.

Bank Term Loan Program: This program provides for the funding of Municipal Services Benefit Unit ("MSBU") projects where the cost of the MSBU project is to be collected and repaid from assessments over a prolonged period of time, up to fifteen (15) years. Over the initial construction period, the project may be financed with other short-term notes, such as tax-exempt commercial paper, and such short-term financing may be "taken out" with the Bank Term Loan once costs are finalized and the assessments are ready to be levied.



Debt Administration

Debt Management Council: As part of the debt management process a Debt Management Council ("DMC") currently operates to review and make recommendations regarding the issuance of debt obligations and the management of outstanding debt. This DMC consists of the Clerk of the Circuit Court or designee, the County Administrator or designee and the County Attorney or designee. Others participating in the DMC's efforts to provide technical expertise and advice include representatives from the County's Financial Advisor, Disclosure Counsel and Bond Counsel. The DMC considers all outstanding and proposed debt obligations, and develops recommended action on issues affecting or relating to the credit worthiness, security and repayment of such debt obligations, including but not limited to procurement of services, structure, repayment terms and covenants of the proposed debt obligation, and issues which may affect the security of the bonds and primary and secondary market disclosure to bondholders.

Annual Debt Report: The DMC will be responsible for preparing and releasing an Annual Debt Report to the Board. Such report shall pertain to the prior Fiscal Year, and may include the following elements: (1) calculations of the appropriate ratios and measurements necessary to evaluate the County's credit and that of its various Enterprise Systems, as compared with acceptable municipal standards; (2) information related to any significant events affecting outstanding Debt, including conduit debt obligations; (3) an evaluation of savings related to any refinancing activity; (4) a summary of any changes in Federal or State laws affecting the County's debt program; and (5) a summary statement by the DMC as to the overall status of the County's debt obligations and Debt Management activities.

Report to Bondholders: The County, through the Clerk of the Circuit Court Finance Department, shall prepare and release to all interested parties the Comprehensive Annual Financial Report (CAFR) which will act as the ongoing disclosure document required under the Continuing Disclosure Rules promulgated by the Securities Exchange Commission [SEC Rule 15c2-12(b)(5)]. This report shall contain general and demographic information on Sarasota County, and a discussion of General Government, the Solid Waste System, the Water and Wastewater Utility System, the Stormwater Utility system, and any additional systems that may subsequently be established by the



County. The information presented on General Government and on each Enterprise System shall comply with the disclosure obligations set forth in the Continuing Disclosure Certificates issued in connection with its debt obligations, and may include information on the following: service areas, rates and changes, financial statement excerpts, outstanding and proposed debt, a summary of certain bond resolution provisions, a management discussion of operations, and such other information as the County shall deem to be important. The report shall also include Notes to the Financial Statements and, to the extent available, information on Conduit debt obligations issued by the County on behalf of another entity.

Arbitrage Compliance: The Department of Finance maintains a system of record keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. Arbitrage rebate liabilities will be calculated annually and the liability will be reported in the County's annual financial statements.

Financing Proposals: Any capital financing proposal to a County Business Center, Agency, or Utility involving pledge or other extension of the County's credit through sale of securities, execution of loans or leases, marketing guarantees, or otherwise involving directly or indirectly the lending or pledging of the County's credit, is referred to and reviewed by members of the Debt Management Council.

Conduit Bond Financing: Periodically the County is approached with a request to provide conduit bond financing for qualified projects through the Sarasota County Health Facilities Authority or Industrial Development Bonds. Applications for such issues are processed pursuant to guidelines approved by the Board. The Financial Advisor, Bond Counsel, and County Attorney staff, in coordination with the Health Facilities and Industrial Development Bond Citizens Advisory Committee, will review all applications to provide a funding recommendation to the Board.

Financing Team Selection

Financing Team Selection Process: The DMC will provide recommendations to the Board, when requested by the Board to do so, on the selection of underwriters, bond counsel, disclosure counsel and financial advisors. The board makes all final determinations and may do so without recommendations from the DMC. That determination will be made following an independent review of responses to requests for proposals ("RFPs") or requests for qualifications ("RFQs") by the County management as described below.

Underwriters: For all competitive sales, underwriters are selected by their competitive bids on bonds. For negotiated sales, underwriters are selected through an RFP process to appoint a pool of underwriters for a term of up to five years. From that pool, senior managing underwriters for individual financings are selected through a "mini-RFP" process, based on their qualifications to manage the particular transaction under consideration. The Clerk of the Circuit Court or designee, the County Administrator or



designee, and the Financial Advisor conduct the evaluation of responses to RFPs and mini-RFPs.



Bond Counsel: The County retains external bond counsel for all debt issues. All debt issued by the County includes a written opinion by bond counsel affirming that the County is authorized to issue the debt and determining the debt's federal income tax status. Bond counsel is engaged for a term of up to five years through a competitive process approved by the Board and administered by the County Attorney. The selection criteria include a requirement for comprehensive municipal debt experience.



Disclosure Counsel: The County retains external Disclosure Counsel for all public offerings. Disclosure Counsel renders an opinion to the County (and a reliance letter to the underwriters if requested) in connection with each such offering to the effect that, with certain conditions, nothing came to their attention to indicate the offering document contains any untrue statement or omits a material fact required to be included. Disclosure counsel shall provide legal advice to the county to assist it in meeting its secondary market disclosure obligations. Disclosure counsel is engaged in the same manner as Bond Counsel.



Underwriter's Counsel: On negotiated public offerings, the senior managing underwriter may select counsel, subject to approval by the County, to be compensated as an expense item to be negotiated as part of the gross underwriting spread.



Financial Advisor: The County retains a Financial Advisor, selected for a term of up to five years, through an RFP process administered by the County's Office of Financial Planning. Financial Advisors are required to have comprehensive municipal debt experience, including diverse financial structuring and pricing of municipal securities. For each County bond sale the financial advisor will assist the County in determining the optimum structure of the debt and negotiating favorable pricing terms and managing the debt issuance process. In addition to transactional tasks, the Financial Advisor will advise the County on strategic financial planning matters and assist in management and operational evaluations and improvements where appropriate and as directed by the County.

Paying Agent: The County may utilize a Paying Agent on all County bonded indebtedness. The fees and expenses for servicing outstanding bonds are paid from the appropriate debt service fund, unless specified otherwise by the County.

Other Service Providers: The County may periodically select other service providers (e.g., escrow agents, verification agents, trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and minimize net County debt costs. These services can include debt restructuring services and security or escrow purchases. The county may select firm(s) to provide such financial services related to debt without a RFP or RFQ, consistent with County and State legal requirements.



Debt Issuance Process

Bond and Note Sales: After obtaining approval by the Board to incur debt, the requesting entity, in conjunction with the DMC, assists in the production of appropriate resolutions for consideration by the Board. Before the sale of bonds or notes, the requesting Business Center assists in the development of a “Sources, Uses, and Payment” memo to the Director of Finance identifying source and use of bond proceeds, Funds and/or Sub-Funds and/or account codes for deposit of all bond Proceeds, and Funds and/or Sub-Accounts for payment of debt service. No bonds, notes or other forms of indebtedness are incurred by the County without submission of a “Sources, Uses, and Payments” memo to the Board by the Director of Finance and Chief Financial Planning Officer.

Investment of Bond and Note Proceeds: All proceeds of debt incurred by the County, other than conduit debt obligations, are invested as part of the County’s consolidated cash pool unless otherwise specified by the bond covenants or by the lead Business Center or project manager and approved by the Finance Director. Investments are consistent with those authorized by existing County and State law and by the County’s investment policies.

Costs and Fees: All costs and fees related to issuance of bonds, other than conduit bonds, are paid out of bond proceeds or by the project lead Business Center.

Competitive Sale: In general, County debt is issued through a competitive bidding process. Bids are awarded on a True Interest Cost bases (“TIC”), provided other bidding requirements are satisfied. The DMC shall review all bids and provide its evaluation of bids to the County. If the County determines that the bids are unsatisfactory, it may at voted direction from the Board, enter into negotiations of sales of securities.

Negotiated Sale: Negotiated sale of debt is considered when the complexity of the issue requires specialized expertise, when the negotiated sale would result in substantial savings in time or money, when market conditions are unusually volatile, if the County’s credit is problematic or when a negotiated sale is otherwise in the best interest of the County and authorized by a resolution to that effect by the Board.

