THE BOARD OF COUNTY COMMISSIONERS OF SANTA FE COUNTY

Resolution No. 2019 - 6

A RESOLUTION ADOPTING THE SANTA FE COUNTY DEBT MANAGEMENT POLICY

WHEREAS, the Government Finance Officers Association's best practices recommend that governments adopt comprehensive written debt management policies that provide guidance, allowances, and restrictions on debt issuance; and

WHEREAS, credit rating agencies routinely inquire whether Santa Fe County has adopted a formal debt management policy; and

WHEREAS, Santa Fe County has a history of conservative use of bonds, loans, and other forms of indebtedness that has ensured strong credit ratings, affordable levels of debt service, and cash financing of capital assets when feasible.

NOW, THEREFORE, BE IT RESOLVED, that the Board of County Commissioners of Santa Fe County hereby adopts the Santa Fe County Debt Management Policy as attached hereto as Exhibit 1.

PASSED, APPROVED, AND ADOPTED this 8th day of January, 2019.

BOARD OF COUNTY COMMISSIONERS OF THE COUNTY OF SANTA FE

Anna Hansen, Chairperson

ATTEST:

Geraldine Salazar, County Clerk

APPROVED AS TO FORM:

R. Bruce Frederick, County Attorney

COUNTY OF SANTA FE)
STATE OF NEW MEXICO) ss

BCC RESOLUTIONS
PAGES: 18

I Hereby Certify That This Instrument Was Filed for Record On The 9TH Day Of January, 2019 at 11:01:24 AM And Was Duly Recorded as Instrument # 1876436 Of The Records Of Santa Fe County

Witness My Hand And Seal Of Office
Geraldine Salazar
Deputy ________ County Clerk, Santa Fe, NM

Santa Fe County Debt Management Policy
Adopted January 8, 2019

Table of Contents

I. Policy

Santa Fe County ("County") recognizes that the foundation of a well-managed debt program is a comprehensive debt management policy. The purpose of this policy is to provide for the effective management of the County's debt programs in a manner consistent with applicable laws, industry standards and that maintains or improves the County's credit ratings. The County will implement this policy on an ongoing basis, refer to this policy for guidance, and ensure that the public is able to transparently review the County's debt programs.

II. Financing Alternatives

The County shall assess all financing alternatives for funding capital improvements prior to issuing debt. Cash financing (i.e. intergovernmental grants, current year revenues, fund balances, private sector contributions, leases) should be considered prior to issuing debt, as well as the potential to phase a project to allow for cash financing. If cash financing is not feasible, the County may consider issuing debt through the sale of bonds in the open market or entering a loan agreement with a third-party (such as the New Mexico Finance Authority).

III. Debt Affordability

Prior to issuing debt, the County shall work with its municipal advisor and bond counsel to determine legal bonding capacity. Once legal bonding capacity is determined, the County will work with its municipal advisor to size and structure the debt in a manner that ensures adequate debt service coverage ratios.

From time to time, the Finance Division will perform a Countywide debt affordability study that reviews measures of the County's outstanding debt by type, compares the County's debt ratios to other similar jurisdictions, and reviews the County's future debt issuance plans and the estimated impact future debt issuance will have on the County's debt ratios.

IV. Issuance of Debt

Once legal capacity and debt affordability have been considered, the County may issue long-term general obligation bonds or revenue bonds in the open market. The Finance Division, in coordination with the County's municipal advisor and bond counsel, will:

1. Assist with identification of projects and review of project feasibility/readiness; and
2. Prepare required documents including official statements, bond resolutions, bond indentures, notice of sale resolutions, and closing documents;
3. Coordinate with bond counsel to receive an opinion from bond counsel that all securities are issued in compliance with all applicable County, State, and federal laws and regulations.

The County may enter into loan agreements with third-parties, such as the New Mexico Finance Authority or agencies of the State of New Mexico.

V. Method of Issuance

The County normally issues bonds through competitive sale basis using an online bidding platform that awards the sale of the bonds on a lowest true interest cost basis. From time to time, if it is determined to be in the best interest of the County, the County may select an underwriting team to issue bonds through a negotiated sale basis. In the event of a negotiated sale, underwriters shall be selected in accordance with the Procurement Code. Selected underwriters shall comply with Municipal Securities Rulemaking Board ("MSRB") and Securities and Exchange Commission ("SEC") rules and regulations.

VI. Use of Bond Advisors/Experts

The County procures experts to provide municipal advisor, bond counsel, and arbitrage consulting and compliance services, and will continue to retain qualified experts to provide these services to help remain fully informed of the County's fiduciary duties, legal issues related to the issuance of bonds, disclosure obligations, arbitrage rebate liabilities, and matters of post-issuance compliance. All bond advisors and experts shall be selected in accordance with the Procurement Code. Any bond counsel shall have extensive experience in the areas of public finance, securities regulation, and tax issues.

VII. Debt Structure and Instruments

1. Debt Structure:

   a. Amortization Schedules:

      The County shall structure its long-term debt to minimize the net cost to the County. Principal and interest schedules shall be structured to achieve a low borrowing cost and to accommodate debt service payments of existing debt. To the extent possible, bonds will be amortized level over the length of the debt in aggregate when aggregated with the County's existing debt.

      The average life of bonds shall be no greater than the projected life of the assets being financed.

      The County will issue debt in a manner that provides for a fair allocation of costs to current and future beneficiaries of public infrastructure.

   b. Variable Rate Debt:

      The amount of debt attributable to any specific pledged revenue source that shall be issued in the form of variable rate securities shall not exceed 20 percent of the total outstanding debt for that specific pledged revenue.

   c. Call Provisions:

The Finance Division shall review call provisions of each bond issuance with the municipal advisor for each bond issuance to determine the most beneficial call option available to the County. In general, bonds should be callable no later than 10 years from the date of issuance.

d. Prepayments:

The County should consider prepaying and defeasing outstanding debt whenever resources are identified and available to reduce outstanding debt.

e. Refundings:

The County may consider refunding outstanding debt to generate net present value interest rate savings of at least 3 percent, to restructure principal payments, or to eliminate burdensome bond covenants. The County will consult routinely with its municipal advisor to evaluate refunding opportunities. Surplus monies in debt service funds or debt service reserve funds associated with a refunded bond issue may be used as a source of funds for the refunding. The County, with bond counsel, shall carefully review current federal regulations related to refunding to ensure continued compliance with all federal laws and regulations.

f. Capitalized Interest:

County revenue bonds may require capitalized interest be funded by bond proceeds. The term of any capitalized interest shall not exceed 24 months. No capitalized interest shall be funded with general obligation bond proceeds.

g. Reserves:

County revenue bonds/loans may a require debt service reserve fund to enhance a credit rating or obtain insurance coverage. Any debt service reserve fund amount will be dictated by such requirements. The County may purchase a surety reserve fund from a qualified bond insurance company.

h. Derivatives:

The County may consider use of derivatives, such as interest rate swaps, when use of such derivatives is in the best interest of the County and the economic benefit of the derivative outweighs the associated risks. The following requirements must be met for the use of any derivatives:

i. Use of derivatives must be associated with underlying County debt and may not be used for speculative purposes;
ii. The County will use its independent municipal advisor and bond counsel to ensure the County receives fair market value for any derivative contract and to ensure the terms of the contract are reasonable, legal, reflect the terms and conditions as set forth in the International Swaps and Derivatives Master Agreement, and comply with this policy;

iii. At no time may the notional amount of any derivative exceed 20 percent of the par amount of total outstanding debt;
iv. Counterparties must be rated at last AA- or Aa3 by a nationally-recognized rating agency;
v. No less than semi-annually, outstanding derivative contracts will be reviewed by the municipal advisor to evaluate issues including but not limited to basis risk, changes in counterparty ratings, and counterparty collateral requirements.

2. General Obligation Bonds:

   a. The County issues general obligation bonds to fund capital improvements that benefit the community as a whole. The following restrictions and considerations apply to the issuance of general obligation bonds:
   b. General obligation bonds are direct obligations and pledge the full faith and credit of the County and require approval of a majority of the County electorate.
   c. Article IX, Section 13 of the Constitution of the State of New Mexico limits the amount of general obligation bond indebtedness to 4 percent of the assessed value of taxable property within the County.
   d. It is the County's policy to schedule general obligation bond ballots on a four-year schedule, and to issue bonds associated with any approved ballots
   e. Generally, the County's general obligation bonds mature within 20 years of issuance, although Article IX, Section 10 of the Constitution of the State of New Mexico allows county general obligation bonds to mature up to 50 years from issuance.

3. Revenue Bonds/Loans:

   a. Revenue bonds/loans are repaid from restricted revenues or user fees and are not backed by the taxing power of the County.
   b. The County may issue gross receipts tax revenue bonds/loans for capital improvements. Gross receipts tax bonds do not require voter approval prior to issuance. Gross receipts tax revenue bonds may be backed by one or more available gross receipts tax increments. The County shall maintain a coverage ratio whereby revenues are equal to, or exceed 250 percent of the maximum aggregate annual debt service on all parity obligations secured by a specified pledged revenue.
   c. The County may issue bonds or enter loan agreements for capital improvements by pledging distinct revenue sources including, but not limited to, Jail system revenues, Fire Protection Fund distributions, Law Enforcement Protection Fund distributions, and county Gas Tax.

4. Enterprise Fund Bonds/Loans:

a. The County may issue enterprise fund bonds to fund assets and support enterprise activity. Enterprise fund bonds may be issued on a senior, subordinate, and junior lien basis, pledging the net revenues of an enterprise fund. Prior to the issuance of any enterprise fund bonds, the County shall consider the impact the bonds will have on the enterprise's long-term solvency.

5. Conduit Bonds:

a. The County may issue various bonds as a conduit issuer, such as industrial revenue bonds and qualified private activity bonds. These bonds are not backed by County funding and are subject to requirements and limitations set out in applicable County, State and Federal laws and regulations.

VIII. Disclosure and Reporting

The County's policy is to provide full and complete financial disclosure to all interested persons, including bond investors, credit rating agencies, state and federal regulators, and the general public. The County provides full and complete disclosure to bondholders and the investment community on a periodic basis as required by SEC Disclosure Rule 7c2-12, and SEC Antifraud Provisions Rule 10b-5. SEC Disclosure Rule 7c2-12 requires municipal issuers to undertake in a written agreement or contract for the benefit of bondholders to provide certain annual financial information to various information repositories. SEC Antifraud Provisions Rule 10b-5 requires tht municipal issuers disclose accurate and complete information.

To ensure uniform market access to information that may be relevant to the evaluation of the County's securities, the release of information, whether in response to an ad hoc question or self-initiated, shall be reviewed by the Finance Director, municipal advisor, and bond counsel to determine whether the information is already in the public domain, whether the information is a disclosure event defined by the SEC requiring prompt notification of the MSRB or filing on Electronic Municipal Market Access System ("EMMA"), and whether the information is full, accurate, complete and not misleading.

1. Official Statements:

   The County shall file its official statements with the MSRB and EMMA for each bond issuance. County officials shall work with the municipal advisor and bond counsel to compile, review and confirm all data and information included in the official statement and will meet or exceed the minimum standards applicable to each debt issuance required by regulatory bodies and professional organizations including the SEC, MSRB, the Governmental Accounting Standards Board ("GASB"), and generally accepted accounting principles ("GAAP").

2. Comprehensive Annual Financial Report ("CAFR"):

The County shall make available to the public a copy of its CAFR following release by the Office of the State Auditor, and file its CAFR with MSRB and EMMA.

3. Continuing Disclosure:

   The County shall file annual disclosure reports by March 31 of each year as required by SEC disclosure rules, and post these reports on the MSRB and EMMA.

IX. Rating Agency Communications

It is the objective of the County to achieve and maintain the highest possible credit rating for the County's bonds. The County will provide full and timely disclosure of information to the rating agencies and to the investor community, and will comply with all regulations and industry standards with respect to primary and secondary market. Factors that influence the County's general obligation bond rating include, but are not limited to: reserve levels, debt capacity, debt ratios, bond payoff schedules, and economic stability and diversification.

The County shall, through its Finance Director and municipal advisor:
1. Maintain communications with bond rating agencies, informing them of major financial events as they occur;
2. Report financial information to rating agencies, including the CAFR;
3. Prepare necessary presentations to rating agencies; and
4. Notify rating agencies when the County begins to prepare for a debt issuance.

X. Investment of Bond Proceeds

Bond proceeds are invested with the County Treasurer as set forth in the County Treasurer's Investment Policy. The investment objectives of the policy are to preserve capital, provide liquidity and generate the highest return possible. All investments are in accordance with the County Treasurer's Investment Policy, which is approved by the Board of County Commissioners.

Upon issuance of a bond series, the County Treasurer receives an anticipated schedule of bond proceed expenditures. Bond proceeds are invested in a manner that ensures sufficient liquidity given the anticipated expenditure schedule. Monthly position reports and quarterly performance reports are provided to the County Investment Committee, and quarterly to the County Board of Finance.

XI. Post-Issuance Compliance

Santa Fe County adopted a Post-Issuance Compliance policy on June 1, 2013 that establishes the County's policy for ensuring that all applicable post-issuance requirements of federal tax law are met to preserve the tax-exempt status of all County bonds. This policy is incorporated herein as Appendix 1.

APPENDIX 1: Post-Issuance Compliance Policy & Procedures

SANTA FE COUNTY

POST-ISSUANCE TAX COMPLIANCE POLICY & PROCEDURES

POLICY

It is the policy of Santa Fe County (the "County") to actively follow the Post-Issuance Tax Compliance Procedures (the "Procedures") described in this document to ensure that all applicable post-issuance requirements of federal income tax law are met to preserve the tax-exempt status of the County's bonds.

GENERAL

A. A tax compliance certificate or non-arbitrage and tax matters certificate (the "Tax Certificate") will be issued for each bond issue describing the requirements and provisions of the Code that must be followed in order to maintain the tax exempt status of the interest on such bonds.

B. The Tax Certificate will contain the reasonable expectations of the County at the time of issuance of the related bonds with respect to the use of the gross proceeds of such bonds and the assets to be financed or refinanced with the proceeds thereof.

C. These Procedures supplement and support the covenants and representations made by the County in the Tax Certificate related to specific issues of tax exempt bonds. In order to comply with the covenants and representations set forth in the bond documents and in the Tax Certificate, the County will monitor all County bond issues using the post issuance compliance requirements described below.

DESIGNATION OF RESPONSIBLE PERSON

The County Finance Director shall maintain an inventory of bonds and bond-financed facilities, which inventory shall include the pertinent data to satisfy the County's monitoring responsibilities. Any transfer, sale or other disposition of bond-financed assets must be reviewed and approved by the County Manager.

POST ISSUANCE COMPLIANCE REQUIREMENTS

A. **External Advisors/Documentation**

The County shall consult with bond counsel and other legal counsel and advisors as needed throughout the issuance process to identify requirements and to establish procedures necessary or appropriate so that the bonds will continue to qualify for tax-exempt status. Those requirements and procedures shall be documented in the Tax Certificate and/or other documents finalized at or before issuance of the bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the bonds.

The County shall consult with bond counsel and other legal counsel and advisors as needed following issuance of the bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with private parties for the use of bond-financed or refinanced assets.

The County shall train and employ or otherwise engage an expert advisor (a "Rebate Consultant ") to assist in the calculation of the arbitrage rebate payable with respect to the investment of the bond proceeds, unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds.

Unless otherwise provided by the resolution or other authorizing documents relating to the bonds, unexpended bond proceeds shall be held in a segregated bond fund. The investment of bond proceeds shall be managed by the County. The County shall prepare regular, periodic statements regarding the investments and transactions involving bond proceeds.

B. <u>Arbitrage Rebate and Yield</u>

Unless the Tax Certificate documents that arbitrage rebate will not be applicable to an issue of bonds, the County shall be responsible for:

1. Engaging the services of a Rebate Consultant and, prior to each rebate calculation date, delivering periodic statements concerning the investment of bond proceeds to the Rebate Consultant.
2. Providing to the Rebate Consultant, as may be requested, additional documents and information pertaining to the expenditure of proceeds from each bond issue being annually reviewed.
3. Monitoring efforts of the Rebate Consultant.
4. Assuring payment of the required rebate amounts, if any, no later than 60 days after each five (5) year anniversary of the issue date of the bonds, and no later than 60 days after the last bond of each issue is redeemed.
5. During the construction period of each capital project financed in whole or in part by bonds, monitoring the investment and expenditure of bond proceeds and consulting with the Rebate Consultant to determine compliance with the applicable exceptions with any arbitrage rebate requirements.
6. Retaining copies of all arbitrage reports and account statements as described below under "Record Keeping Requirements".

C. **Use of Bond Proceeds and Bond-Financed or Refinanced Assets**

As provided in the Tax Certificate and/or other documents finalized at or before the issuance of corresponding bonds, the County shall be responsible for the following tasks:

1. Monitoring the use of bond proceeds and the use of bond-financed or refinanced assets (e.g. facilities, furnishing or equipment) throughout the term of the bonds to ensure compliance with covenants and restrictions set forth in the Tax Certificate.
2. Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of the bonds, including a final allocation of bond proceeds as described below under "Record Keeping Requirements".
3. Consulting with bond counsel and other legal counsel and advisors in the review of any contracts or arrangements involving private use of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the Tax Certificate.
4. Maintaining records for any contracts or arrangements involving the use of bond-financed or refinanced assets as described below under "Record Keeping Requirements".
5. Conferring at least annually with personnel responsible for maintaining and operating bond-financed or refinanced assets to identify and discuss any existing or planned use of such bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate.
6. To the extent that the County discovers that any applicable tax restrictions regarding use of the bond proceeds and bond-financed or refinanced assets will or may be violated, consulting promptly with bond counsel and other legal advisors to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

D. **Record Keeping Requirement**

The County shall be responsible for maintaining the following documents for the term of the issuance of bonds (including refunding bonds, if any) plus at least three years.

1. A copy of the bond closing transcript(s) and other relevant documentation delivered to the County in connection with closing of the issuance of bonds, including any elections made by the County in connection therewith.
2. A copy of all material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each draw down of bond proceeds, as well as documents relating to costs paid or reimbursed

with bond proceeds and records identifying the asset or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds.

3. A copy of all contracts and written arrangements involving the use of bond-financed or refinanced assets.
4. A copy of all records of investments, investment agreements, arbitrage reports and underlying documents in connection with any investment agreements, and copies of all bidding documents, if any, including Paying Agent account statements, bank statements for reserve funds, etc.

IMPLEMENTED THIS 1st day of June, 2013

SANTA FE COUNTY, NEW MEXICO

Teresa C Martinez

Teresa Martinez, Finance Director

Attachment A Rebate Report Review Form
Attachment B Responsibility Matrix Form

ATTACHMENT A

REBATE REPORT REVIEW FORM

SANTA FE COUNTY

TAX-EXEMPT BONDS

COMPLIANCE WITH IRS SECTION 148

Arbitrage, Yield Restriction and Rebate Requirements

Santa Fe County retains the services of an arbitrage and rebate consultant, ____________________ (the "Rebate Consultant"), to provide all necessary calculations and services relating to the arbitrage and /or rebate penalty election requirements contained in the IRS Code, Section 148, and any related regulations promulgated by the County Finance Department.

On an annual basis:

1. The County provides all relevant bond and related project information to the Rebate Consultant for its use as defined in the professional services agreement.

2. The Rebate Consultant reviews all bond issues with outstanding project funds for arbitrage, yield restrictions and rebate requirements, and provides the required reports and directions to the County to comply with IRS Section 148.

3. The County reviews the Rebate Consultant's reports and verifies the results, and acts on any directions from the Rebate Consultant regarding amounts to be rebated back to the U.S. Treasury.

4. The County completes the attached form for each report submitted on each bond issue to verify its review and compliance.

SANTA FE COUNTY

TAX-EXEMPT BONDS

COMPLIANCE WITH IRS SECTION 148

Arbitrage, Yield Restriction and Rebate Requirements

The County has reviewed and agrees with the attached arbitrage rebate report and has taken all necessary action to comply with IRS Section 148.

☐ Annual Report dated __________ for Bond Issue: ____________________
Further reports will be required on this bond issue.

☐ Final Report dated __________ for Bond Issue: ____________________
No further reports are required on this bond issue.

☐ Rebate to IRS Required and Submitted:

- ○ IRS Form
- ○ Check

☐ No Rebate to IRS Required

SFC CLERK RECORDED 01/09/2019

____
Signature

____
Date

ATTACHMENT B

RESPONSIBILITY MATRIX FORM

Frequency	Task/Responsible	Bond Counsel	Financial Advisor	Arbitrage Consult.	County Clerk	Finance Director	Asst. Fin. Director	Purchasing Officer	PW Director	Accnting	Treasurer
By bond	Closing documents	x	x								
By bond	Tax Certificate	x									
By bond	Form 8038G	x									
By bond	Final Transcript preparation	x									
By bond	Final Transcript copies received				x	x		x			
	ARBITRAGE REBATE CALCULATIONS:										
4yrs	Retain arbitrage consulting firm					x		x			
By report	Payment of Arbitrage Consultant					x		x			
Annually	Provision of bond/project info to consultant					x					
Annually	Annual Arbitrage reports per bond issue			x							
Anl/by bond	Review/Acceptance of annual arbitrage reports by bond issue					x		x			
As needed	Preparation of form 8038T as needed			x							
By report	Completion of County arbitrage form			x		x					
As needed	Filing of form 8038T/Check			x		x					
	BOND PROCEEDS:										
Clsg; mnthly	Investment of proceeds (commingled)					x	x				
Monthly	Regular reports of investment of proceeds					x				x	x
Annual	Annual Expenditure of bond proceeds - Excel file to Arb Consult.					x				x	x
Annual	Monitor records of assets financed/refinanced w/ bond proceeds						x			x	
Anl/by bond	Review of expenditures w/ Arb. Consult.					x	x				
Anl/by bond	Annual review of planned asset use for Tax Cert. compliance	x				x	x		x	x	
By bond	Report of final allocation of bond proceeds	x				x	x		x	x	
Annual	Annual review for tax restriction violations	x				x					
Monthly	Review of bond reserve accounts/statements					x	x				
	RECORDS RETENTION: (Bond Term + 3 yrs)										
Term+3	Transcript/bond records				x	x					
Term+3	Arbitrage reports/underlying documents					x					
Term+3	All bidding documents for consultants							x	x	x	
Term+3	Investment and reports					x				x	x
Term+3	Bond Project records - construction contracts, purchase orders, payment records, asset identification records, etc.									x	
Term+3	Report of final allocation of bond proceeds					x				x	
	OTHER:										
Annual	Annual meeting of parties to review each bond - collection of responsibility by bond reports from staff for bond file	x				x	x		x	x	