Adopted 7/7/14

County of Cumberland, Pennsylvania
Debt Management Policy

I. Purpose:

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation and reporting of all debt obligations issued by the County of Cumberland, and to provide for the preparation and implementation necessary to assure compliance and conformity with this policy.

II. Definitions:

Negotiated sale-the issuing entity and a selected underwriter negotiate the terms of the issue.

Competitive bid-the underwriter submits a sealed bid to the issuer. The issuer awards the contract to the underwriter with the best price and contract terms.

Arbitrage-the ability of a local government to issue tax-exempt bonds and reinvest the proceeds in higher-yielding investments. The spread between the interest earned on investments and interest paid on debt is investment earnings. The IRS has strict guidelines that must be followed related to these investment earnings.

Swap – the exchange of one security for another.

Derivatives – instruments used as a financial management tool to enhance investment returns and to manage risks relative to interest rates. Several organizations have experienced significant losses with the use of derivatives.

Tax anticipation notes – short-term debt securities issued in anticipation of future tax collections.

III. Policy:

The County will seek to maintain its current Standard & Poors AAA bond rating so borrowing costs are minimized and access to credit is maximized.

The County will comply with Pennsylvania's Act 177 of 1996, the Local Government Unit Debt Act. In addition, the total direct indebtedness of the County will not exceed $355 per capita (approximately $85 million).

The County is committed to the principles of full and continuing disclosure and will comply with all applicable U. S. Security and Exchange (SEC) rules and Government Finance Officers Association guidelines.

The County will meet all I.R.S. post-issuance compliance requirements including a detailed post-issuance compliance policy and meeting all arbitrage filing requirements. The County will hire a consultant to calculate the County's arbitrage liability to the IRS.

Long-term debt will be used only for capital projects that cannot be financed from current revenue sources. Where acquisitions are financed by issuing general obligation bonds or notes, the bonds/notes will be paid off in a period not to exceed the expected life of the acquisitions.

The County will avoid the use of capital leases and certificates of participation for large projects. The County will enter into capital leases when a competitive interest rate is offered and/or required for grant reimbursement for the purchase of capital equipment.

Long-term debt will not be used to finance current operations or to capitalize expenses. The County will avoid the use of long-term debt to finance items traditionally funded in the annual operating budget such as retirement contributions, facility maintenance, repairs, recurring equipment purchases, etc.

Long-term debt may be used to finance open space and agricultural preservation programs.

The County will structure our financings to retire fifty percent of total principal outstanding for general obligation debt within ten years.

The County will avoid the use of tax anticipation notes.

The Internal Revenue code permits a governmental entity to issue a conduit debt security (commonly referred to as municipal bond). It is an offering by a governmental entity that is not for its own use but for the use of a private party. The types of entities are limited by federal tax code to certain not-for-profit entities. The County does not have any subsequent liability or continuing liability. Cumberland County will approve conduit debt at the Commissioners' discretion. The Commissioners will evaluate the borrower's creditworthiness and the purpose of the borrowing before approving conduit debt.

The County will avoid the use of swaps and derivatives.

The County will evaluate and refund general obligation debt if substantial present value savings can be generated.

The proceeds from long-term debt will be invested according to the County's investment policy and in a manner so as to avoid non-compliance with arbitrage regulations.

The County will use only level or declining debt repayment schedules; it will not use back-loaded or ballooning repayment schedules or variable-rate debt unless market conditions create a markable savings. When a bond issue for capital projects includes the purchase of technology, equipment, or other items that have a shorter life expectancy than the capital project, then debt repayments for the capital project will not be deferred but rather made on a level or declining repayment schedule.

The County will issue general obligation bonds and notes either through competitive bid or negotiated sales. An analysis will be done to determine which route is the best alternative.

Selection of consultants for the providing of professional services for any bond issue will be based upon qualification. Procurement of services related to the issuance of bonds, including selection of the paying agent, bond registrar, escrow agent, and trustee may be through competitive bidding or negotiated rates.

Consultants providing advice or counsel for any issuance of County debt and broker/dealers acquiring County debt shall be independent. The financial advisor, bond counsel, and broker/dealer for any issuance of debt shall each be separate entities.

The financial advisor and bond counsel shall provide full and continuing disclosure to the County of any relationship or agreement, formal or informal that may be in conflict with the best interest of the County.