## DEBT PROGRAM

Purpose and Goals

The purpose of the County's debt program is to provide a functional tool for debt management and capital planning. In following this tool, the County shall pursue the following goals:

1. Attainment of the highest possible credit rating for each debt issue;

2. Improvement of the reception for County debt obligations by the national credit markets in order to reduce the County's relative transaction costs and interest expense for its borrowings;

3. Avoidance of any financial decision that will negatively impact credit ratings on existing or future debt issues or which could adversely affect the rights of holders of outstanding County debt;

4. Consideration of all possible financial alternatives to issuing debt to take full advantage of innovative, new, and appropriate financial approaches;

5. Avoidance of any action which would adversely affect the status of any tax-exempt debt; and

6. Enhancement of the financial capability of the County to facilitate improvement of the overall well-being of the citizens, and to maintain or improve essential County services;

Type of Debt Issued

It is the policy of the County to maintain cash balances at a sufficient level for general operating costs (those items normally funded in the County's annual operating budget and having a useful life of less than one year). Short-term securities may be issued only in cases where the County's normal cash flow has been impaired by either: (1) the effects of a severe natural disaster; or (2) the unexpected and significant delay of receipt of revenue from the State or other inter-governmental funds.

The County may issue long-term debt (which may include, but is not limited to, general obligation bonds and revenue bonds). The County may also enter into long-term leases for public facilities, property, and equipment; provided, however, that such long-term leases may or may not be characterized as "debt," depending on whether the leases are "true" leases or financing leases. In order to effectuate the lowest cost of financing, the County may utilize, to the extent allowable, certificates of participation (ACOPs@) and other acceptable market instruments.

Debt may be issued on a fixed-rate or variable-rate basis, to the extent permitted by law, so as to best enable the County to establish maximum debt management flexibility and relatively lower borrowing costs.

Authority for the Issuance of Debt

The primary source of authority for the issuance of debt by the County, the limitations on such authority, and the procedures required to issue such debt, is found in State law. The County has no inherent power to borrow money and issue debt obligations. The power to borrow money and issue obligations must be found in an express authorization in law. No debt shall be issued, however, until an authorizing resolution or ordinance has been adopted by the County Commission.

Types of County Debt

Debt may be issued which pledges for repayment generally one of three sources: (1) the County's faith and credit and taxing power within the County's existing tax rate limits (A limited tax obligations@); (2) the County's faith and credit and taxing power beyond its existing tax rate limits if approved by the voters (A unlimited tax obligations@); or (3) revenues derived from the facility financed by the issuance of the debt.

Limited tax obligations and revenue obligations do not require voter approval, although State statutes sometimes require prior publication of a notice of the County's intent to issue the obligations and allow taxpayers and electors to call a referendum on the issuance of the obligations. Unlimited tax obligations may not be issued without prior voter approval as required by Michigan Constitution Article IX, Section 31.

The County may provide credit support as a secondary pledge for development projects physically located within Wayne County, provided that the amount of the debt associated with the pledge is included in the County's total debt calculation.

## Assessed Value Debt Limits

The State Constitution provides that the County may not incur any indebtedness, which shall increase its total debt beyond 10 percent of its assessed valuation. For purposes of this limitation, "indebtedness" means generally any indebtedness pledging the faith and credit of the County for its repayment. Indebtedness supported solely by specific revenues pledged for such purpose (as in the case of revenue bonds) is not included for purposes of this limitation.

## Five-Year Capital Plan

A Five-Year Capital Plan shall be prepared annually by the Department of Management and Budget, based on requests submitted by County departments. The departments′ requests shall be reviewed by the Chief Executive Officer, and his recommendation shall be transmitted and discussed as part of the budget process with the County Commission. Funding for the first year of the adopted five-year plan shall be reflected in that fiscal year′s budget. The approved five-year plan shall be used as a basis for determining the need for capital debt issuance.

## Structure of Debt Issues

State law and Federal tax law generally prohibit the issuance of debt for a term exceeding the economic life of the improvement or asset being financed with the debt. The County shall design the financing schedule and repayment of debt so as to take advantage of market conditions and, as practical, to recapture debt capacity for future use. The County shall repay its long-term general obligation debt within these time frames: 25% within 5 years and 50% within 10 years. Periodically, the Chief Financial Officer may analyze each outstanding variable-rate issue to determine if the issue should be converted to a fixed rate.

## Method of Sale: Competitive vs. Negotiated Sale

The County shall establish competitive elements, as appropriate, in its bond sales. These features may, as authorized by law and as appropriate, include debt issues sold competitively into the state and local government debt market, the use of requests for proposals, solicitations for services, and related approaches. The determination of the appropriate and legally permissible approach to be employed resides with the County′s Chief Financial Officer.

The County may determine to offer obligations on a negotiated basis, to the extent permitted by law, if a negotiated sale appears to be the most advantageous to the County.

## Market for County Obligations

The County shall take, for each of its sales, such actions as are necessary to make certain that its securities are sold to Michigan and local investors. The purchase of County debt obligations by these investors is cost-effective to the County and provides more public participation in the County′s capital financing and debt management affairs.

## Credit Enhancements

The County may enter into agreements with commercial banks or other financial entities for the purpose of acquiring letters of credit, municipal bond insurance, or other credit enhancements that will provide the County with access to credit and lines under terms and conditions as specified in such agreements when their use provide lower cost of capital and other advantages to the County and is adjudged prudent and advantageous, to the extent authorized by law.

Official Statement

The County's official statement is the principal information source for investors and the financial community about Wayne County. This County document will be prepared in a manner that achieves full and complete disclosure about all matters bearing on the County's repayment and related capabilities. The document will be prepared in the most professional and effective manner so that the County's credibility in the marketplace will be assured.

Refunding Policy

The County may consider refunding outstanding debt when financially advantageous, legally permissible and prudent. Refunding obligations may not be issued without the prior approval of the Michigan Department of Treasury. As a general rule, the refunding should generate a minimum of a 3% present-value savings to the County, unless there are other structural and operational benefits to the County from a refunding, in which case the percentage of present-value savings shall not apply.

Federal Arbitrage Rebate Requirement

The County shall take all steps necessary to preserve the tax-exempt status of obligations issued on a tax-exempt basis. Such steps shall include, but not be limited to, maintaining appropriate systems to monitor disbursements and to calculate and account for investment earnings on construction funds, debt service retirement funds, funds deemed to be "sinking funds" for federal tax purposes, and any other funds which are deemed subject to the requirements of the Internal Revenue Code of 1986, as amended, and the regulations propounded thereunder (the "Code"). Such systems shall be designed to enable compliance with Code requirements, including in particular the arbitrage and rebate requirements applicable to tax-exempt obligations.

Pay-As-You-Go Financing

In order to minimize debt issuance, the County shall endeavor to allocate a minimum of $5 million in General Fund revenues each year for the financing of capital improvements.