King County Flood Control Zone District
Debt Management Policy

The King County Flood Control Zone District ("District") is a countywide special purpose district providing flood risk reduction to the residents of King County. The District funds its activities including funding and implementing capital projects through a district-wide property tax levy and debt financing including, but not limited to the issuance of bonds. The Debt Policy for the District ("Debt Policy") is established to help ensure that all debt is issued both prudently and cost effectively. The Debt Policy sets forth guidelines for the issuance and management of all financings of the District. Adherence to the policy is essential to ensure that the District maintains a sound debt position and protects the credit quality of its obligations while providing flexibility and preserving financial stability.

1.0 Uses of Debt

1.1 This District may use debt as a mechanism to equalize the costs of needed capital improvements for the benefit of both present and future residents.

1.2 The District may use debt as a mechanism to reduce the immediate costs of substantial public improvements.

1.3 The District will not use long-term debt to support current operations.

1.4 Long-term borrowing will only be used for capital improvements that cannot be financed from current revenues.

1.5 Non-capital furnishings, supplies, and personnel will not be financed from bond proceeds.

1.6 Interest, operating, grant funding, and/or maintenance expenses will not be capitalized.

2.0 Debt Limits

2.1 Legal Limits:

2.1.1 The general obligation debt of the District will not exceed an aggregated total of 7.5% of the assessed valuation of the taxable property within King County.

2.2 Public Policy Limits:

2.2.1 The District will establish and implement a comprehensive multi-year capital Improvement Program (CIP).

2.2.2 Financial analysis of funding sources will be conducted for all proposed capital improvement projects.

2.2.3 Debt will be issued in accordance with the CIP as necessary.

2.2.4 Where borrowing is recommended, the source of funds to cover debt service requirements must be identified.

2.2.5 The District, as determined by the Board of Supervisors, may consider using long term debt toward public improvements, which have an identified public benefit to the District.

2.3 Financial Limits:

2.3.1 The District's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the Operating Budget.

2.3.2 The District will conduct a debt affordability analysis to evaluate the District's ability to support debt. The analysis will review available resources for the amount of debt the District can initiate each year, and project the effects of that financing through six years of the OP.

3.0 Allowable Types of Debt

3.1 General Obligation Bonds Unlimited Tax: Unlimited Tax General Obligation (UTGO) Bonds are payable from excess tax levies and its subject to voter approval by 60% of the voters, plus validation requirements.

3.2 Revenue Bonds: Revenue bonds are used to finance construction or improvements to facilities by the District in accordance with the CIP. No taxing power or general fund pledge is provided as security. Unlike general obligation bonds, revenue bonds are not subject to the District's statutory debt limitation nor is voter approval required.

3.3 Other state funded programs.

3.4 Alternative Types of Debt:

3.4.1 Loans from other governments in King County are used to finance construction or improvements by the District in accordance with the CIP and the District's Debt Policy.

3.4.2 No variable rate debt or derivative products shall be utilized.

4.0 Debt Structuring Practices

4.1 Maximum term, Payback Period and Average Maturity:

4.1.1 The issuance of bonds shall be financed for a period not to exceed a conservative estimate of the asset's useful life with the average life of the bonds less than or equal to the average life of the assets being financed.

4.1.2 General Obligation bonds will be issued with maturities of 30 years or less unless otherwise approved by the Board of Supervisors.

4.1.3 The maturity of all assessment bonds shall not exceed statutory limitations.

4.2 Debt Service Structure:

4.2.1 Unless otherwise justified and deemed necessary, debt service should be structure on a level or declining repayment basis.

4.3 Criteria for issuance of advance refunding and current refunding bonds:

4.3.1 The District will use refunding bonds, where appropriate, when restructuring its current outstanding debt. A debt refunding is a refinance of debt typically done to take advantage of lower interest rates.

4.4 Other Structuring Practices:

4.4.1 Bond amortization schedules will be structured to minimize interest expense with the constraints of revenues available for debt service. The bonds should include call features to maximize the District's ability to advance refund or retire the debt early. However, call features should be balanced with market conditions to ensure that the total cost of the financing is not adversely affected.

5.0 Debt Issuance Practices

5.1 District Approval: Board approval is required prior to the issuance of debt.

5.2 Analytical Review: An analytical review shall be conducted prior to the issuance of debt including, but not limited to, monitoring of market opportunities and structuring and pricing of the debt.

5.3 Use of credit ratings, minimum bond ratings, determination of the number of ratings and selection of rating services: The District will continually strive to maintain its bond rating by improving financial policies, budget, forecasts and the financial health of the District so its borrowing costs are minimized and its access to credit is preserved. The District will maintain good communication with bond rating agencies about its financial condition, coordinating meeting, and presentations in conjunction with a new issuance as necessary.

5.4 Compliance with Statutes and Regulations: The District executive director, legal counsel including bond counsel, shall coordinate their activities and review all debt issuance to ensure that all securities are issued in compliance with legal and regulatory requirements of the State of Washington and the Federal Government's laws, rules and regulations, and policies and procedures.

5.5 Selection and Use of Professional Service Providers:

5.5.1 Bond Counsel: All debt issued by the City will include a written opinion by bond counsel affirming that the District is authorized to issue the proposed debt. The opinion shall include confirmation that the District has met all state constitutional and statutory requirements necessary for issuance, a determination of the proprosed debt's federal income tax status and any other components necessary for the proposed debt. Disclosure Counsel, which may be Bond Counsel, may be retained by the District if determined to be necessary or advisable, for advice with respect to the District's disclosure obligations and requirements under the federal securities laws.]

5.5.2 Financial Advisor: A Financial Advisor(s) may be used to assist in the issuance of the District's debt. The Financial Advisor will provide the District with the objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring of market opportunities, structuring and pricing of debt, and preparing official statements of disclosure.

5.5.3 Underwriters: An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

5.5.4 Fiscal Agent: A Fiscal Agent will be used to provide accurate and timely securities processing and timely payment to bondholders. The District will use the Fiscal Agent that is appointed by the State.

6 Criteria for Determining Sales Method and Investment of Proceeds

6.1 The District executive director and professional service provides including those listed in Section 5.5 shall determine the method of sale best suited for each issue of debt.

6.2 The District will generally issue its debt through a competitive process. For any competitive sale of debt, the District will award the issue to the underwriter offering to buy the bonds at a price and interest rates that provides the lowest True Interest Cost (TIC).

6.3 The District will provide for the sale of debt by negotiating the terms and conditions of sale when necessary to minimize the cost and risks of borrowing under the following conditions:

i. The bond issue is, or contains, a refinancing that is dependent on market/interest rate timing.
ii. At the time of issuance, the interest rate environment or economic factors that affect the bond issue are volatile.
iii. The nature of the debt is unique and requires particular skills from the

underwriter(s) involved.

iv. The debt issued is bound by a compressed timeline due to extenuating circumstances such that time is of the essence and a competitive process cannot be accomplished.

6.3 Bond Issuance: For each issue, the District will evaluate the costs and benefits of bond issuance or other credit enhancements. Any credit enhancement purchases by the District shall be competitively procured.

7.0 Debt Management Practices

7.1 Investment of Bond Proceeds: The District shall comply with all applicable Federal, State and contractual restrictions regarding the investment of bond proceeds.

7.2 Continuing Disclosure: The District shall provide annual financial information and operating data and notice of certain listed events in compliance with its ongoing disclosure undertakings.

7.3 Arbitrage Rebate Monitoring and Filing: The District will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond ordinance, contract or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the District will follow a policy of full compliance with all arbitrage rebate requirements of the federal tax code and Internal Revenue Service regulations, and will perform (internally or by contract consultants) arbitrage rebate calculations for each issue subject to rebate. All necessary rebates will be filed and paid when due in order to preserve the tax-exempt status of the outstanding debt.

7.4 Federal and State Law Compliance Practices: Discussed in Debt Issuance Practices Section 5 and Debt Management Practices Section 7.

7.5 Market and Investor relations Efforts: The District shall endeavor to maintain a positive relationship with the investment community. The District shall communicate through its published Annual Budget, Capital Improvement Plan and Annual Financial Statements as well as its future financial plans.

7.6 Periodic Review: The Debt Policy shall be adopted by the Bord. The Debt Policy shall be reviewed every four years by the District Executive Committee and modifications shall be submitted to and approved by the Board.