

Buncombe County Agenda Item Information Sheet

AGENDA ITEM: Revisions to County Debt Policy	
MEETING DATE: November 15, 2016	
REQUESTED BY: Tim Flora, Finance Director	
Background information: <p>The County has a debt policy that establishes the parameters for issuing and managing debt to meet capital needs for essential county services. In collaboration with its Financial Advisors, Davenport & Company, the Finance Department revised the policy to enhance transparency and better reflect metrics consistent with rating agency and NC "Aaa" government measures. Significant changes include:</p> <ul style="list-style-type: none">• Reducing ambiguity and increasing transparency by better defining Net Direct Debt. Net Direct Debt would be all tax-supported debt issued and serviced by governmental revenues.• Reducing and consolidating Debt measures to be consistent with recent changes to rating agency scoring methodologies.<ul style="list-style-type: none">○ Removes Debt per Capita ratio. This is an old measure no longer used by rating agencies. This ratio and other relevant financial ratios will continue to be measured and reported.○ Combines ratios for Percentage of Debt to Expenditures for Governmental Funds (10%) and General Fund (8%) into one measurement (18%). Because of specific funding legislation, Buncombe County accounts for school debt differently than other NC governments. This change allows for better comparability.• Changing 10-year Payout Ratio to a target range. The revised policy states the County will strive for a 10-year payout ratio of 65% or greater but will maintain a minimum ratio of 55% or better. County is currently at 60%. <p>The revised policy also provides for competition into the issuance process and gives the Board flexibility in debt structuring to help address unique needs on a case-by-case basis. All changes are in accordance with North Carolina General Statutes and consistent with current Local Government Commission debt issuance guidelines.</p>	
Pro's NA	Con's NA
Funds required in current budget: NA	
Funds required in future budgets: NA	
Alternatives NA	
Action recommended: Approval of policy revisions	