



MINUTES

NOVEMBER 12, 2025

BRAZOS COUNTY COMMISSIONERS COURT

WORKSHOP SESSION

1. Call to Order

A workshop Session of the Commissioners' Court of Brazos County, Texas was held in the Brazos County Commissioners Courtroom in the Administration Building, 200 South Texas Avenue, in Bryan, Brazos County, Texas, beginning at 2:02 p.m. on Wednesday, November 12, 2025 with the following members of the Court present:

Kyle Kacal, Acting County Judge, Presiding;
Bentley Nettles, Commissioner of Precinct 1;
Chuck Konderla, Commissioner of Precinct 2;
Fred Brown, Commissioner of Precinct 3;
Wanda J. Watson, Commissioner of Precinct 4;
Karen McQueen, County Clerk, Absent;

The attached sheets contain the names of the citizens and officials that were in attendance.

2. Presentation and Discussion on Debt Financing for upcoming Capital Projects by Marci Turner, County Auditor, Dennis Waley, Current Bond Advisor, Managing Director, PFM Financial Advisors LLC; and Dan Martinez, Current Bond Counsel, Winstead PC.

Judge Kacal welcomed everyone to the Workshop and stated that he would allow for public comments following the presentation. Judge Kacal then turned the floor over to County Auditor Marci Turner.

Ms. Turner presented the details of developing a financing plan, the Debt Management Policy, debt financing, and tax rate options.

Ms. Turner then introduced Dennis Waley and Blake Roberts, Managing Directors of PFM Financial Advisors LLC, and Bond Counsel Dan Martinez with Winstead PC.

Mr. Waley began the presentation with a market overview then moved into interest rates.

Mr. Roberts provided a debt overview of Brazos County's debt structure and shared that Brazos County maintains a strong bond rating of AA+ for S&P. The Court engaged in conversation concerning the bond rating. Mr. Roberts explained S&P's debt metrics and engaged with the Court in further conversation. Mr. Waley presented debt issuance methods, followed by Mr. Roberts' discussion on bond capacity. Mr. Martinez answered follow up questions and entered into further discussion with the Court. A copy of the presentation is attached hereto.

3. Discussion on Integrating Funding Options into the Capital Improvement Planning Timeline by Nina Payne, Budget Officer.

Budget Officer Nina Payne explained the planning process in preparation to go out for debt.

Judge Kacal called for Citizen Input.

Cathie Viens, resident of Precinct 4, questioned the need for the County to go out for debt.

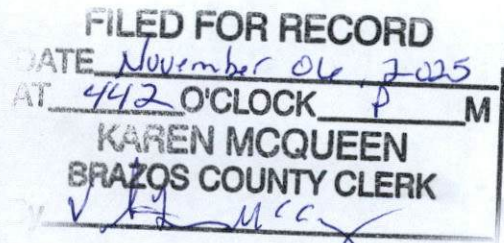
Judge Kacal provided clarification.

4. Adjourn

The Workshop was adjourned at 3:21 p.m.



**BRAZOS COUNTY
BRYAN, TEXAS**



NOTICE OF MEETING AND AGENDA

WORKSHOP SESSION

BRAZOS COUNTY COMMISSIONERS COURT

BRAZOS COUNTY COMMISSIONERS WILL MEET IN A WORKSHOP SESSION AS FOLLOWS:

MEETING DATE: November 12, 2025
MEETING TIME: 2:00 PM
MEETING PLACE: Commissioners Courtroom of the Brazos County Administration Building, 200 S. Texas Avenue, Suite 106, Bryan, TX 77803

-
1. Call to Order
 2. Presentation and Discussion on Debt Financing for upcoming Capital Projects by Marci Turner, County Auditor, Dennis Waley, Current Bond Advisor, Managing Director, PFM Financial Advisors LLC; and Dan Martinez, Current Bond Counsel, Winstead PC.
 3. Discussion on Integrating Funding Options into the Capital Improvement Planning Timeline by Nina Payne, Budget Officer.
 4. Adjourn

The Commissioners Courtroom of the Brazos County Administration Building, 200 S. Texas Avenue, Suite 106, Bryan, TX 77803 is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive services must be made two working days before the meeting. To make arrangements, please call (979) 361-4102.

BRAZOS COUNTY COMMISSIONER'S COURT

12 DAY OF November, 2025
2 AM/PM, Workshop

Name

(PLEASE PRINT)

Shary Lane
 Aubrey Leggett
 Dennis Waley
 Nina Payne
 WM. CHARLES KENDT
 KATHYAL BATTLES
 KYLE GREENWOOD
 MIKE STREET
 TREVOR LANSBORN
 JEFF MURSKI
 Spencer Mays
 Cynde Wiley
 Cashie Viens
 Dan Martinez
 marci tume

Organization

(PLEASE PRINT)

Comm Court
 Comm Court
 PFM
 Budget
 Purced
 ↓
 CITIZEN
 PROJECT MANAGEMENT
 MURSKI FOR BRAZOS
 Budget.
 Self
 taxpayer
 Winstead
 aubrey

BRAZOS COUNTY COMMISSIONER'S COURT

12 DAY OF November, 2025
2:00 AM (PM) Workshop

Name

(PLEASE PRINT)

Ed Bull

Chris McDermott

Jennifer Salazar

Raiana McConathy

Paul Adhull

Cristian Villorreal

Martha Anderson

Stephanie West

Organization

(PLEASE PRINT)

Co Judges Office

Const. Per. J

HR

HR

BCIT

Treas

Co Judge

Const #2



**BRAZOS COUNTY
BRYAN, TEXAS**

DEPARTMENT:

NUMBER:

DATE OF COURT MEETING: 11/12/2025

ITEM: Presentation and Discussion on Debt Financing for upcoming Capital Projects by Marci Turner, County Auditor, Dennis Waley, Current Bond Advisor, Managing Director, PFM Financial Advisors LLC; and Dan Martinez, Current Bond Counsel, Winstead PC.

TO: Commissioners Court

DATE: 10/14/2025

FISCAL IMPACT: False

BUDGETED: False

DOLLAR AMOUNT: \$0.00

ATTACHMENTS:

File Name

Description

Type

[Debt Workshop.pdf](#)

Debt Workshop

Cover Memo

[PFM Debt Workshop.pdf](#)

PFM Debt Workshop

Cover Memo

[2017-09-19_Debt_Management_Policy.pdf](#)

Debt Management Policy 2017

Cover Memo



Brazos County Debt Workshop

November 12, 2025

Developing a Financing Plan

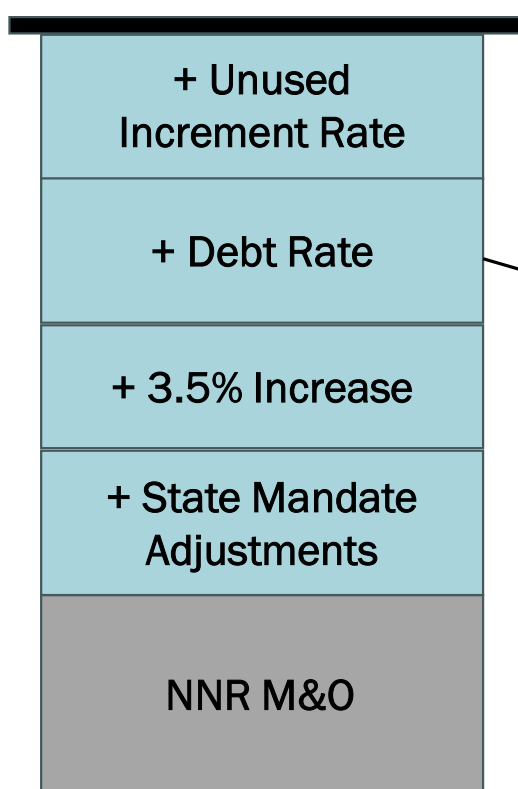
- Identify potential Capital Improvement Projects
- Prioritize the Capital Improvement Projects identified
- Determine amounts needed to fund Capital Improvement Projects identified
- Assess affordability of the Capital Improvement Projects and identify funding sources and timing

Tax Revenue, Debt, or other sources

- Incorporate funding for the projects into the Annual Budget Process

Overview of Brazos County Debt Management Policy

- Governs debt obligations issued by the County for construction or acquisition of infrastructure and other assets or to refinance existing debt
- Defines roles of Commissioners' Court, County Auditor, Budget Officer, and External Bond Counsel, and External Financial Advisor
- Debt for operating and maintenance expenditures not generally considered appropriate
- Term of debt should never exceed the useful life of the asset, and the maturity shall not exceed 40 years (TGC 1201.022)
- Lists the types of debt the County can issue



Voter Approval Rate

Budget Year Principal
+ Interest Due
Total Taxable Value

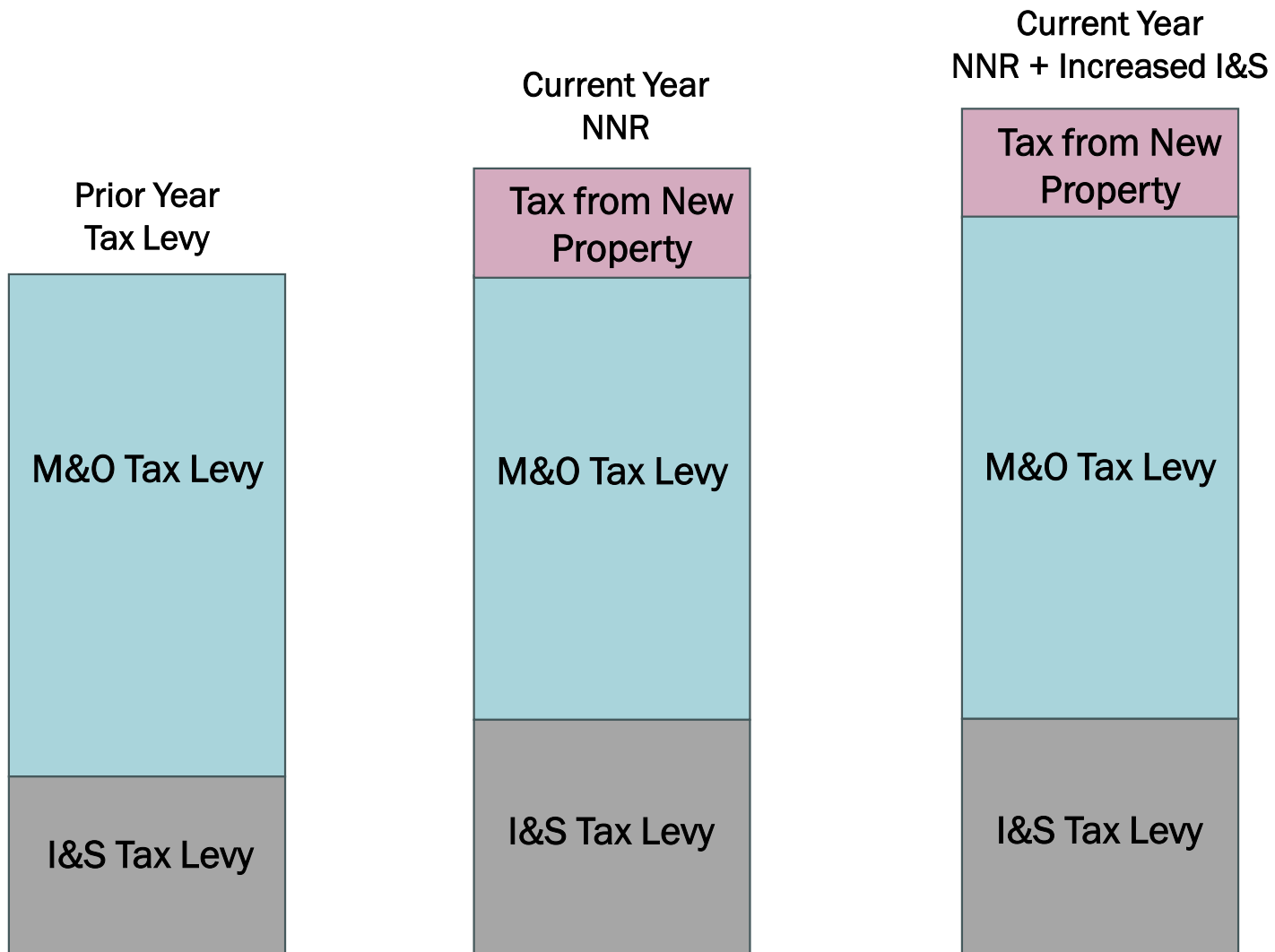
Debt Financing and the Tax Rate



No New Revenue Rate

- NNR is the tax rate that raised roughly the same revenue as the previous year on properties taxed in both years.
- If the County issues additional debt, the incremental increase in the I&S tax rate is NOT included in the NNR.
- Adopting a NNR in a year with an incremental increase in the I&S rate results in a decrease to the M&O tax rate from the prior year.







Brazos County

Debt & Bond Planning Overview

PFM Financial Advisors LLC – Municipal Advisor
Winstead PC – Bond Counsel

November 2025

Dennis Waley
Managing Director, PFM
waleyd@pfm.com
512.614.5325

Blake Roberts
Managing Director, PFM
robertsb@pfm.com
512.614.5324

Dan Martinez
Managing Shareholder, Winstead PC
dmartinez@winstead.com
210.277.6803



Agenda

I. MARKET UPDATE

II. DEBT OVERVIEW

III. TAX RATE AND CAPACITY ANALYSIS

IV. COUNTY REPORTING REQUIREMENTS



Market Overview



Market overview – capital market themes

- **Fed Policy:** Federal Reserve cut rates by 25 bps in October, citing moderate growth and elevated inflation. While a December cut is possible, it remains uncertain despite the 10-year Treasury yield dropping to 4.08% from 4.16% on weaker labor data.
- **Labor & Inflation:** October layoffs were the highest in 20 years, signaling stress in the job market. Core CPI rose just 0.2% versus 0.3% expected, suggesting inflation pressures are easing slightly.
- **Government Shutdown:** Now over one month long, delaying key economic reports. ADP is releasing weekly employment updates to fill gaps left by the BLS blackout.
- **Trade Developments:** The U.S. and China agreed to a trade truce, reducing tariffs and restricting fentanyl-related imports, easing some global trade tensions.
- **Municipal Market:** Municipals outperformed Treasuries last week, supported by strong inflows of over \$1.2B for the fourth consecutive week and attractive valuations in the 10–20-year range.

Interest Rates

UST	11/06/2025	11/05/2025	Daily Δ	QTD Δ	YTD Δ
3-month	3.93%	3.96%	-3 bps	-9 bps	-43 bps
2-year	3.57%	3.63%	-6 bps	-3 bps	-68 bps
5-year	3.69%	3.76%	-7 bps	-5 bps	-69 bps
10-year	4.11%	4.17%	-6 bps	-5 bps	-46 bps
30-year	4.69%	4.74%	-5 bps	-4 bps	-10 bps

All changes in yields are as of 11/6/2025.

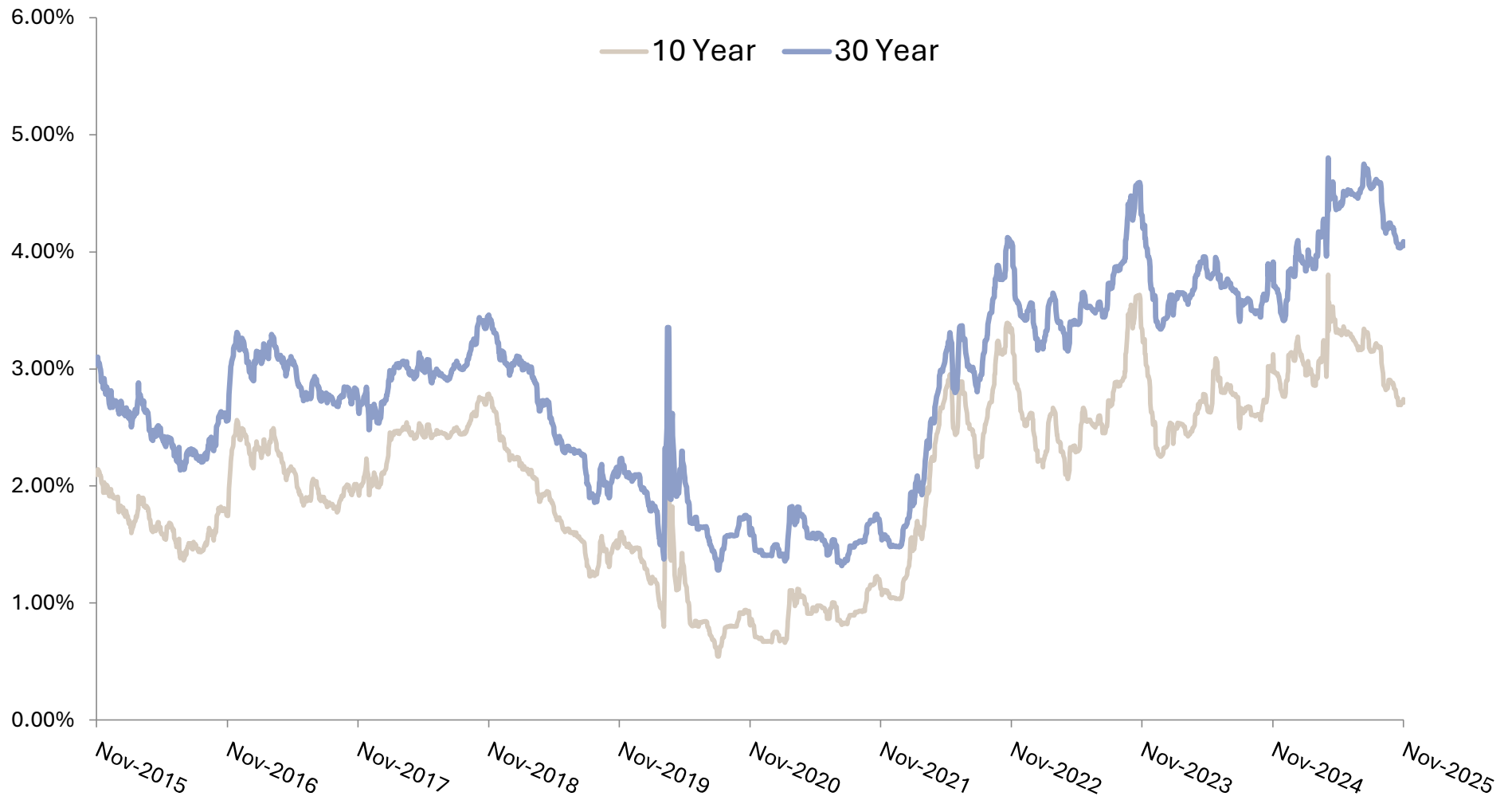
Equity Markets

	11/06/2025	Daily Δ	QTD Δ	YTD Δ
S&P 500	6,720	-1.12%	0.48%	14.50%
Dow	46,912	-0.84%	1.11%	10.66%
Nasdaq	23,054	-1.90%	1.74%	19.57%

All total return changes are as of 11/6/2025.

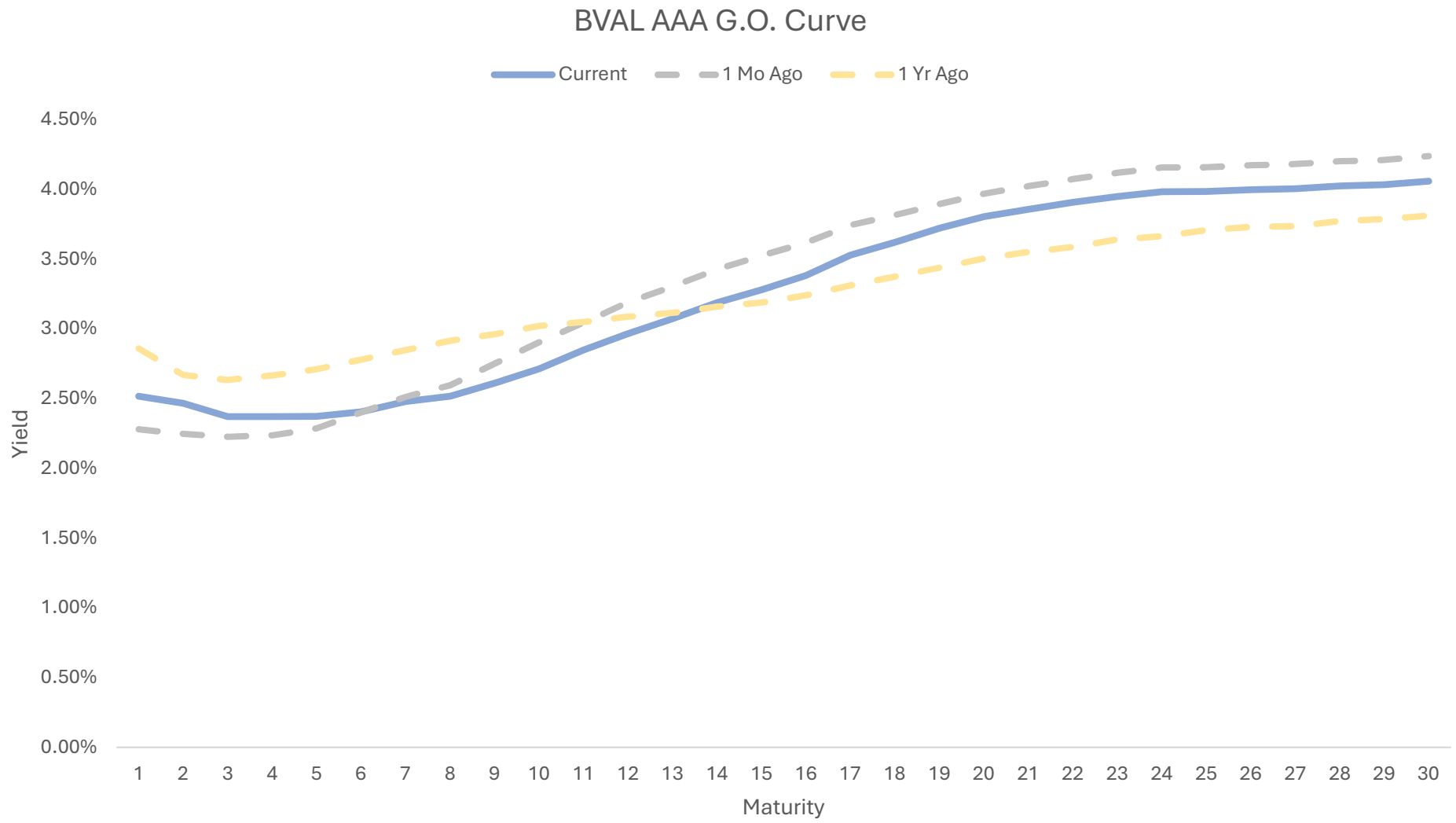


Municipal interest rates (BVAL Index) from 2015-2025





Municipal index (BVAL) yield curve has steepened in the last 12-months





Debt Overview



Overview of Brazos County's debt structure

Descending, fixed-rate debt structure is conservative and supports additional bonding capacity

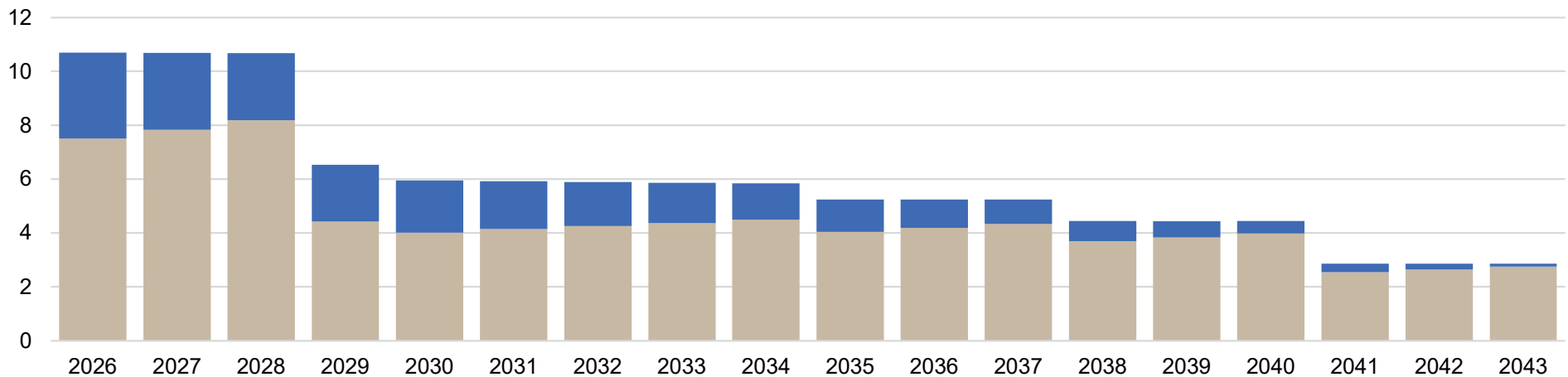
Brazos County has \$70 million of authorized but unissued GO bond authority from 2022 bond election

Issue Description	Original Par Issued	Par Outstanding*	Coupon Type	Maturity Range	First Par Call Date
General Obligation Bonds, Series 2023	\$ 27,110,000	\$ 25,710,000	Fixed	2024 to 2043	9/1/2033
Certificates of Obligation, Series 2023	9,290,000	8,805,000	Fixed	2024 to 2043	9/1/2033
Certificates of Obligation, Series 2020	24,020,000	20,095,000	Fixed	2022 to 2040	9/1/2030
Certificates of Obligation, Series 2017	11,650,000	7,925,000	Fixed	2018 to 2037	9/1/2027
Limited Tax Refunding Bonds, Series 2017	39,895,000	16,290,000	Fixed	2019 to 2034	9/1/2027
Certificates of Obligation, Series 2012	9,700,000	2,410,000	Fixed	2013 to 2029	9/1/2022
Total	\$ 121,665,000	\$ 81,235,000			

Brazos County's Annual Debt Service

(\$000s)

Principal Interest





Brazos County maintains strong bond rating of AA+ from S&P

- Brazos County has maintained a “AA+” since 2023 when it was upgraded from “AA”
- The AA+ rating is the second highest possible rating and is on par with the rating of similarly positioned counties and US Treasury debt
- PFM’s credit strategy for Brazos County:
 - Proactively communicate debt and capital plans, including scenario modeling
 - Focus on telling the story of continued economic development in Brazos County and public and private investment; for next bond rating, host an in-person site visit
 - Formalization of 25% Fund Balance Policy in 2024 will be viewed positively by S&P

AA+ / Stable Outlook Affirmed by S&P in May 2023 Rating Commentary
<ul style="list-style-type: none">• Strong Economy: Large and growing economy with 15% market value growth in FY2023 and continued expansion expected due to strong institutional presence and ongoing development.• Management Quality: Strong financial management practices under S&P's management assessment methodology, including formal capital planning, debt and investment policies, and a strong institutional framework score.• Operating Performance: Consistently positive results for nearly a decade, increasing reserves annually with projections for continued growth in FY2023.• Debt & Pension Profile: Manageable debt and pension costs, though additional debt issuance is anticipated.• Stable Outlook: Reflects expectations that economic growth and strong management will sustain very strong budgetary flexibility and adequate performance.• Rating Downside: Rating could be lowered if budgetary performance weakens significantly or debt burden rises• Rating Upside: Rating could be raised if economic diversification improves wealth metrics.



S&P's debt metrics

- One of S&P's key debt metrics is debt per capita which is a key debt metric we monitor to assess any potential impact on bond ratings

Table 13

Debt and liabilities: Initial assessment

Government type	Metric	Assessment					
		1	2	3	4	5	6
States	Current cost for debt service and liabilities % of revenues	<3	3-6	6-9	9-12	12-15	>15
States	Net direct debt per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500
States	Net pension liabilities per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500
Local governments	Current cost for debt service and liabilities % of revenues	<8	8-14	14-20	20-25	25-30	>30
Local governments	Net direct debt per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500
Local governments	Net pension liabilities per capita	<500	500-1,500	1,500-2,500	2,500-3,500	3,500-4,500	>4,500



Common borrowing instruments for Texas Counties

General Obligation Bonds	Certificates of Obligation	Tax Notes	Refunding Bonds
Fund voter approved projects; broadest authority for projects Voter Authorized Repaid from I&S taxes	Fund projects permitted by CO Act No Voter Authorization but subject to 45-day petition period and public Notice of Intent Repaid from I&S taxes	Limited purpose for projects No Voter Authorization No petition period Maximum repayment period of 7- years Repaid from I&S taxes	Refinance GOs, COs, Tax Notes Typically issued to achieve debt service savings Repaid from I&S taxes

Brazos County has historically issued 20-year fixed rate GO and CO debt



Certificates of Obligation can be used for a “public work”

- “Public work” for an issuer that is a municipality or county:
 - (A) means any of the following public improvements as authorized by law:
 - (i) a street, road, highway, bridge, sidewalk, or parking structure;
 - (ii) a landfill;
 - (iii) an airport;
 - (iv) a utility system, water supply project, water treatment plant, wastewater treatment plant, or water or wastewater conveyance facility;
 - (v) a wharf or dock;
 - (vi) a flood control and drainage project;
 - (vii) a public safety facility, including a police station, fire station, emergency shelter, jail, or juvenile detention facility;
 - (viii) a judicial facility;
 - (ix) an administrative office building housing the governmental functions of the municipality or county;
 - (x) an animal shelter;
 - (xi) a library; or
 - (xii) a park or recreation facility that is generally accessible to the public and is part of the municipal or county park system;
 - (B) means the rehabilitation, expansion, reconstruction, or maintenance of an existing stadium, arena, civic center, convention center, or coliseum that is owned and operated by the municipality or county or by an entity created to act on behalf of the municipality or county; and
- (C) does not include:
 - (i) a facility for which more than 50 percent of the average annual usage is or is intended to be for professional or semi-professional sports;
 - (ii) a new stadium, arena, civic center, convention center, or coliseum that is or is intended to be leased by a single for-profit tenant for more than 180 days in a single calendar year; or
 - (iii) a hotel.



Tax Notes can be used for the following purposes:

- ◆ (1) a contractual obligation incurred or to be incurred for:
 - (A) the construction of a public work;
 - (B) the purchase of materials, supplies, equipment, machinery, buildings, lands, and rights-of-way for the issuer's authorized needs and purposes; or
 - (C) a professional service, including a service by a tax appraisal engineer, engineer, architect, attorney, mapmaker, auditor, financial advisor, or fiscal agent;
- (2) operating or current expenses; or
- (3) the issuer's cumulative cash flow deficit.
- (b) The governing body of an eligible school district may use the proceeds of an anticipation note to pay an obligation incurred or to be incurred for:
 - (1) a purpose described by Subsection(a)(1)(C), (2), or (3); or
 - (2) the purchase of materials, supplies, equipment, or machinery for an issuer's authorized needs and purposes.



Debt issuance methods: Competitive Sale, Negotiated Sale, Private Placement

Competitive

- Pre-set sale date advertised to bidders.
- FA and Bond Counsel prepare Notice of Sale, Bid Form and Preliminary Official Statement
- **Day of Sale.** Receive underwriter bids, bonds awarded based on lowest True Interest Cost (TIC)
- **Best For:**
 - Straightforward financings
 - Stable market conditions

Negotiated

- Sale date flexibility.
- County pre-selects bond underwriter
- FA, Bond Counsel and Underwriting team prepare a Preliminary Official Statement
- **Day of sale.** Underwriter takes orders from investors based on interest rate scale, final pricing is negotiated on sale day
- **Best For:**
 - Volatile markets or prescribed bond structures

Private Placement

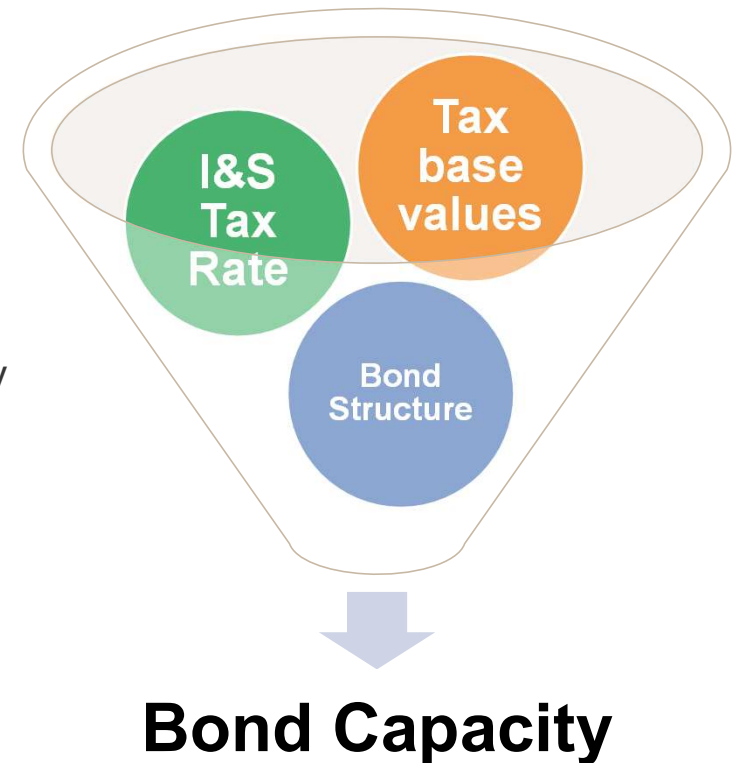
- Bonds directly placed with a commercial bank (like a loan)
- FA and Bond Counsel prepare RFQ/bid form
- **Day of sale.** County uses a placement agent to take bids from commercial banks
- **Best For:**
 - 10 – 12-year maximum maturity
 - Straightforward financings
- **Considerations**
 - Does not require offering documents, ratings, underwriter, underwriter counsel
 - Weigh reduced expenses against borrowing rate

Brazos County has primarily issued bonds via competitive bond sale.



What is bond capacity?

- The amount of debt that can be issued within certain legal constraints, revenue constraints and/or affordability goals
- The County's bonding capacity is determined by a variety of factors, including:
 - Taxable assessed value and tax base growth
 - I&S tax rates
 - Interest rates
 - Bond repayment period
- "Legal Debt Capacity" – of the total \$0.80 maximum allowed tax rate under the State Constitution, the Texas Attorney General limits the I&S tax rate to \$0.40, proven at the time of issuance.
 - Brazos County's current I&S tax rate is \$0.030246-cents



Bond capacity for Brazos County is driven by tax rate and affordability goals rather than legal capacity



Brazos County has capacity for additional borrowing for capital needs

◆ Summary of modeling assumptions:

- Assumes AA-category bond ratings
- FY 2026 taxable value of approximately \$30.2 billion based on 2025 BCAD values; assumes 3.0% values for tax rate projection purposes
- Bond repayment term – 20 years (Road Bonds and COs), 7 years (Tax Notes)
- Estimated borrowing rate – 4.50%
- Level debt service (PFM can alternatively tailor structure to defer principal and manage tax rate)

◆ Summary of borrowing scenarios:

- | | |
|---------------------------------|---|
| • \$15 million (GO Bonds) | • \$45 million (GO Bonds & Tax Notes) |
| • \$30 million (GO Bonds & COs) | • \$60 million (GO Bonds, COs, & Tax Notes) |
| • \$35 million (GO Bonds & COs) | • \$65 million (GO Bonds, COs, & Tax Notes) |
| • \$45 million (GO Bonds & COs) | • \$75 million (GO Bonds, COs, & Tax Notes) |

**All dates and figures are preliminary and subject to change.*



Tax Rate & Capacity Analysis



Future issuances will impact debt levels and the I&S tax rate

Bond Funding Amount (\$000s)	Current	\$15 million (Road Bonds)	\$30 million (Road Bonds & COs)	\$35 million (Road Bonds & COs)	\$45 million (Road Bonds & COs)
Issuance Date		2026	2026	2026	2026
Tax Rate Year		2027	2027	2027	2027
Repayment Period		20-Years	20-Years	20-Years	20-Years
Proforma GO Debt Balance (\$ millions)	\$95,950	\$119,264	\$142,577	\$150,343	\$165,393
Population	244,703	244,703	244,703	244,703	244,703
Debt per capita	\$392	\$487	\$583	\$614	\$676
S&P Debt Per Capita Score	1.0	1.0	2.0	2.0	2.0
Projected I&S Tax Rate	\$ \$0.0304	\$0.0341	\$0.0379	\$0.0391	\$0.0396

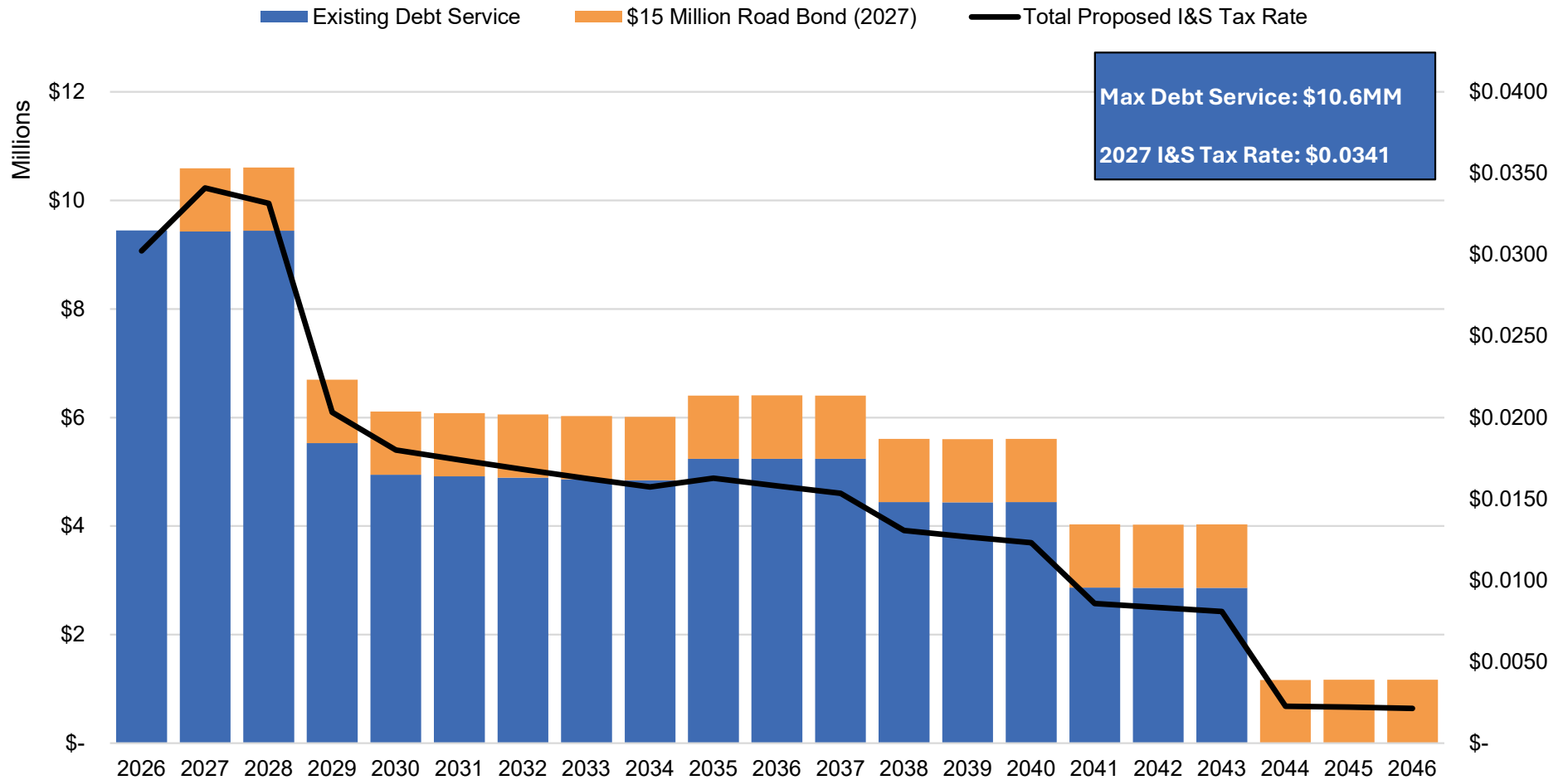


Future issuances will impact debt levels and the I&S tax rate

Bond Funding Amount (\$000s)	Current	\$45 million (Road Bonds & Tax Notes)	\$60 million (Road Bonds, COs, & Tax Notes)	\$65 million (Road Bonds, COs, & Tax Notes)	\$75 million (Road Bonds, COs, & Tax Notes)
Issuance Dates		2026, 2027, 2028	2026, 2027, 2028	2026, 2027, 2028	2026, 2027, 2028
Tax Rate Year		2027	2027	2027	2027
Repayment Period		Road Bonds: 20-Years Tax Notes: 7-Years	Road Bonds & COs: 20-Years Tax Notes: 7-Years	Road Bonds & COs: 20-Years Tax Notes: 7-Years	Road Bonds & COs: 20-Years Tax Notes: 7-Years
Proforma GO Debt Balance (\$ millions)	\$95,950	\$154,617	\$177,930	\$185,696	\$200,746
Population	244,703	244,703	244,703	244,703	244,703
Debt per capita	\$392	\$632	\$727	\$759	\$820
S&P Debt Per Capita Score	1.0	2.0	2.0	3.0	3.0
Projected I&S Tax Rate	\$0.0304	\$0.0395	\$0.0433	\$0.0445	\$0.0450

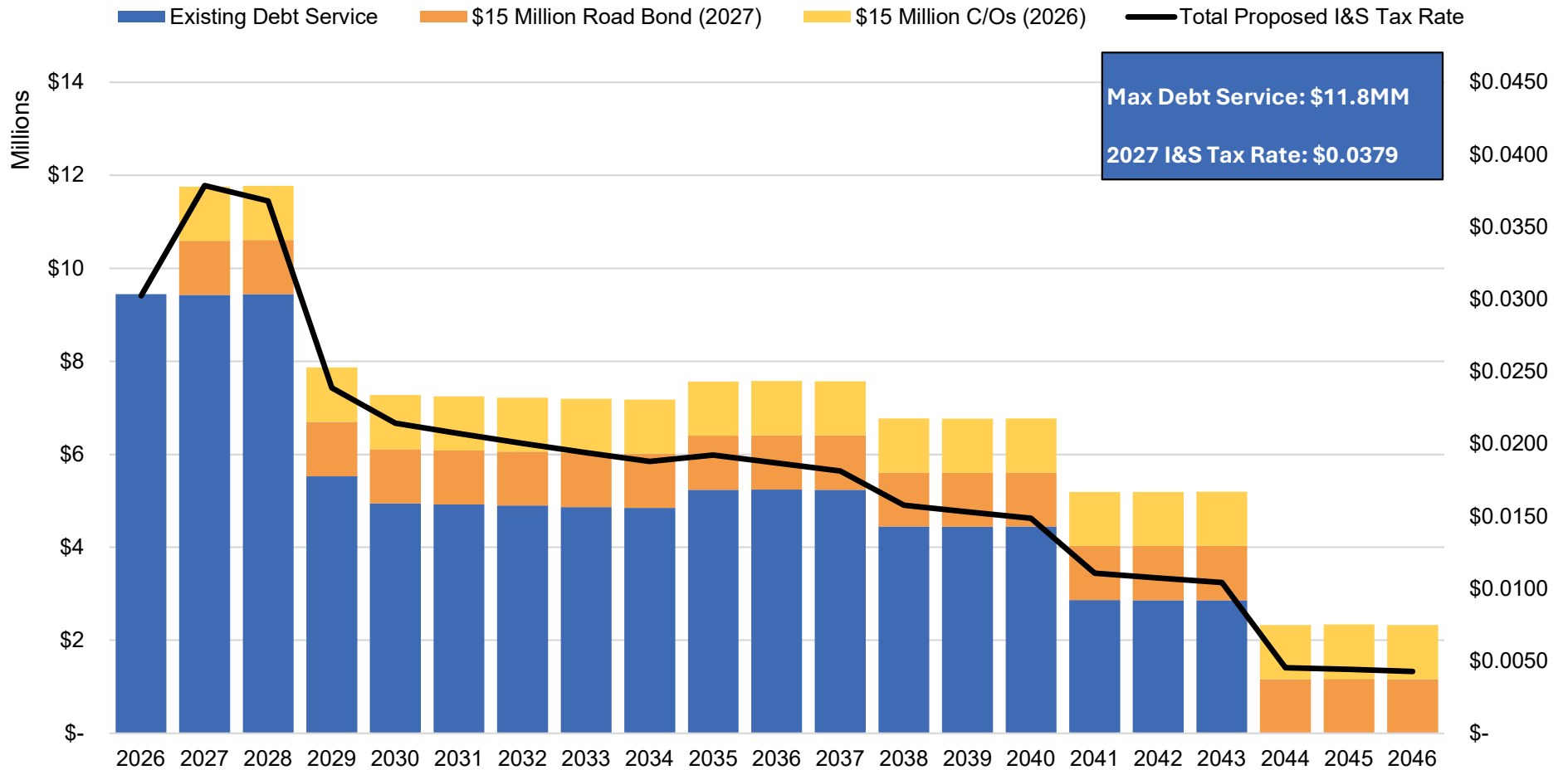


\$15MM Road Bonds – Estimated Debt Service



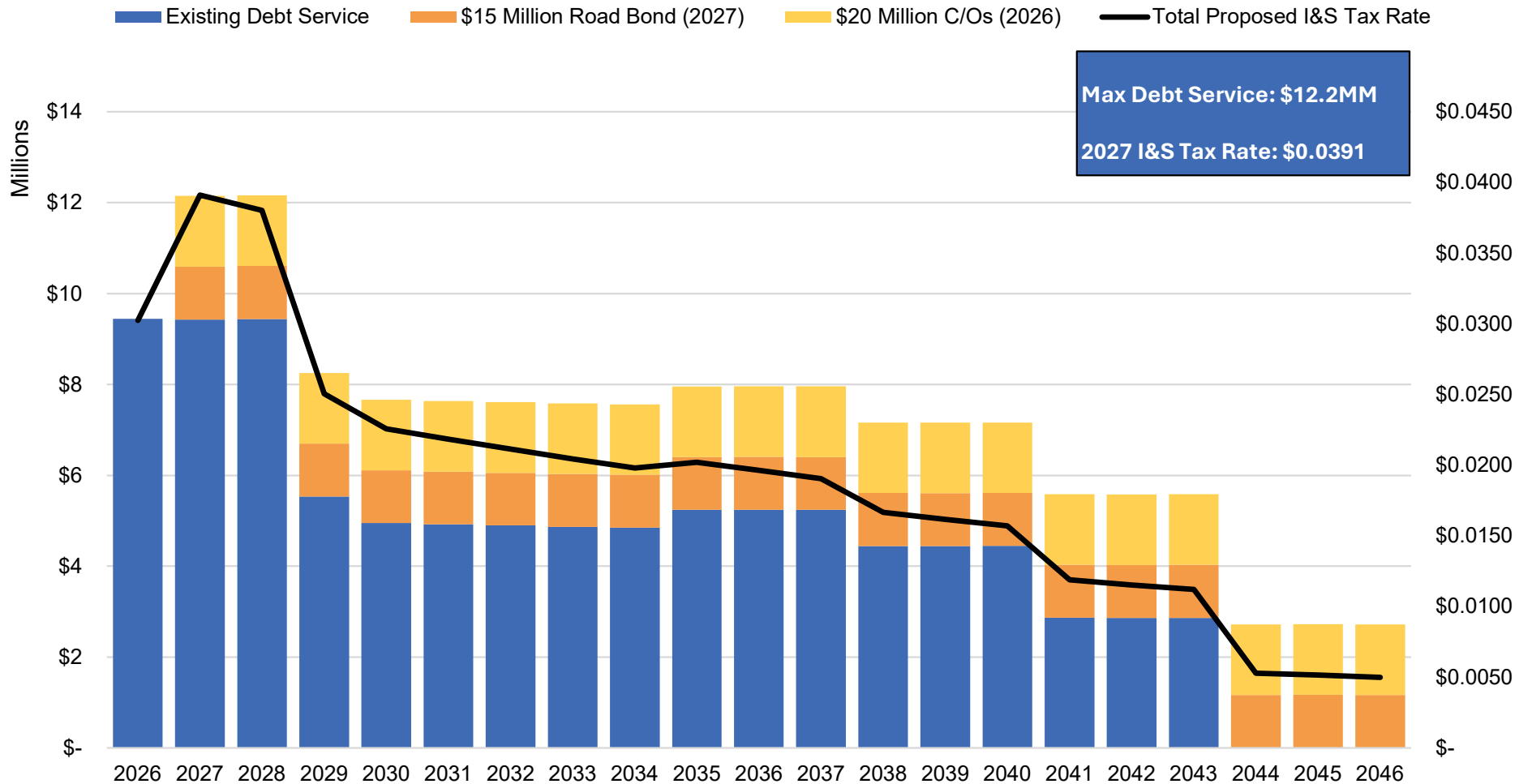


\$15MM Road Bonds & \$15MM COs – Estimated Debt Service



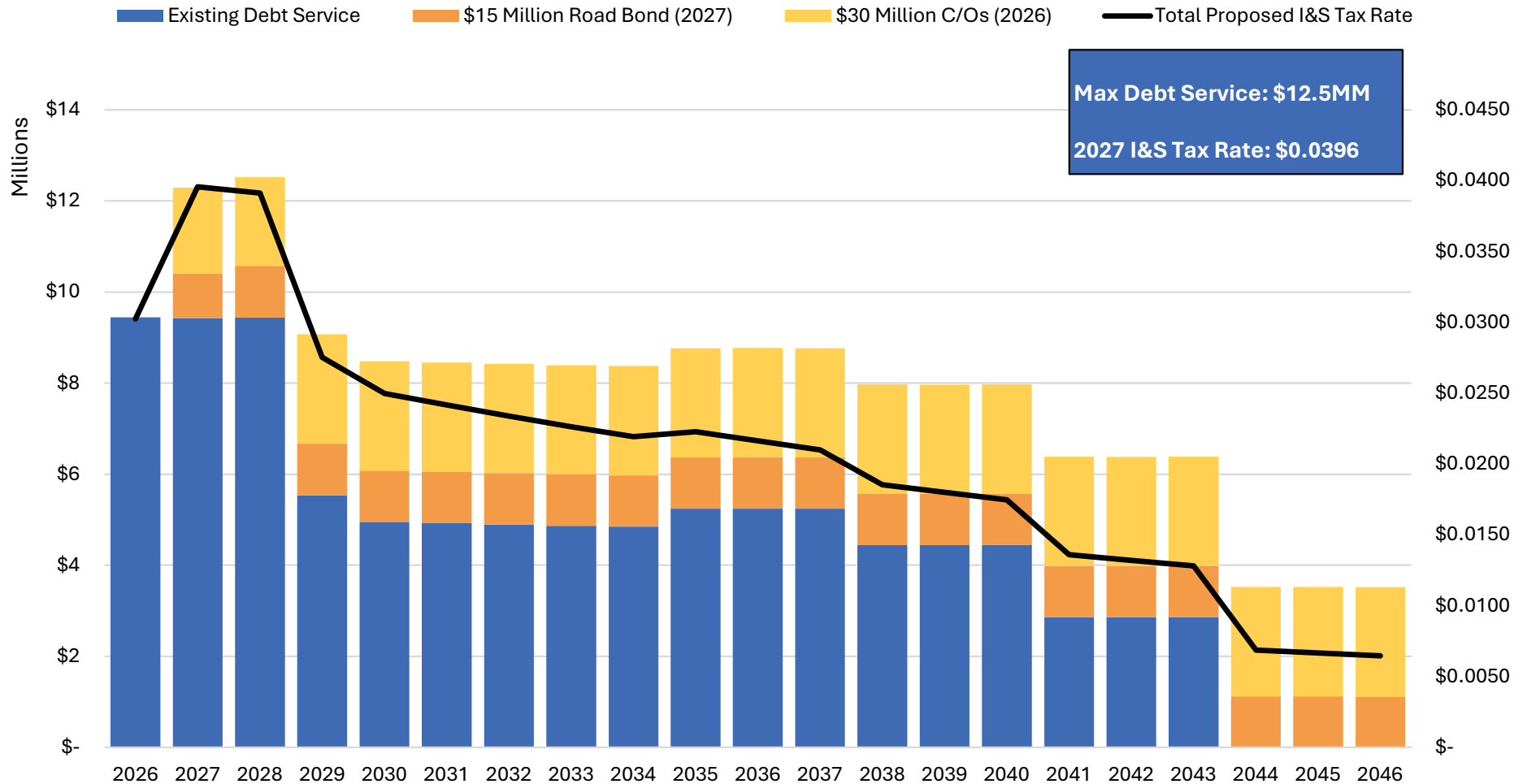


\$15MM Road Bonds & \$20MM COs – Estimated Debt Service



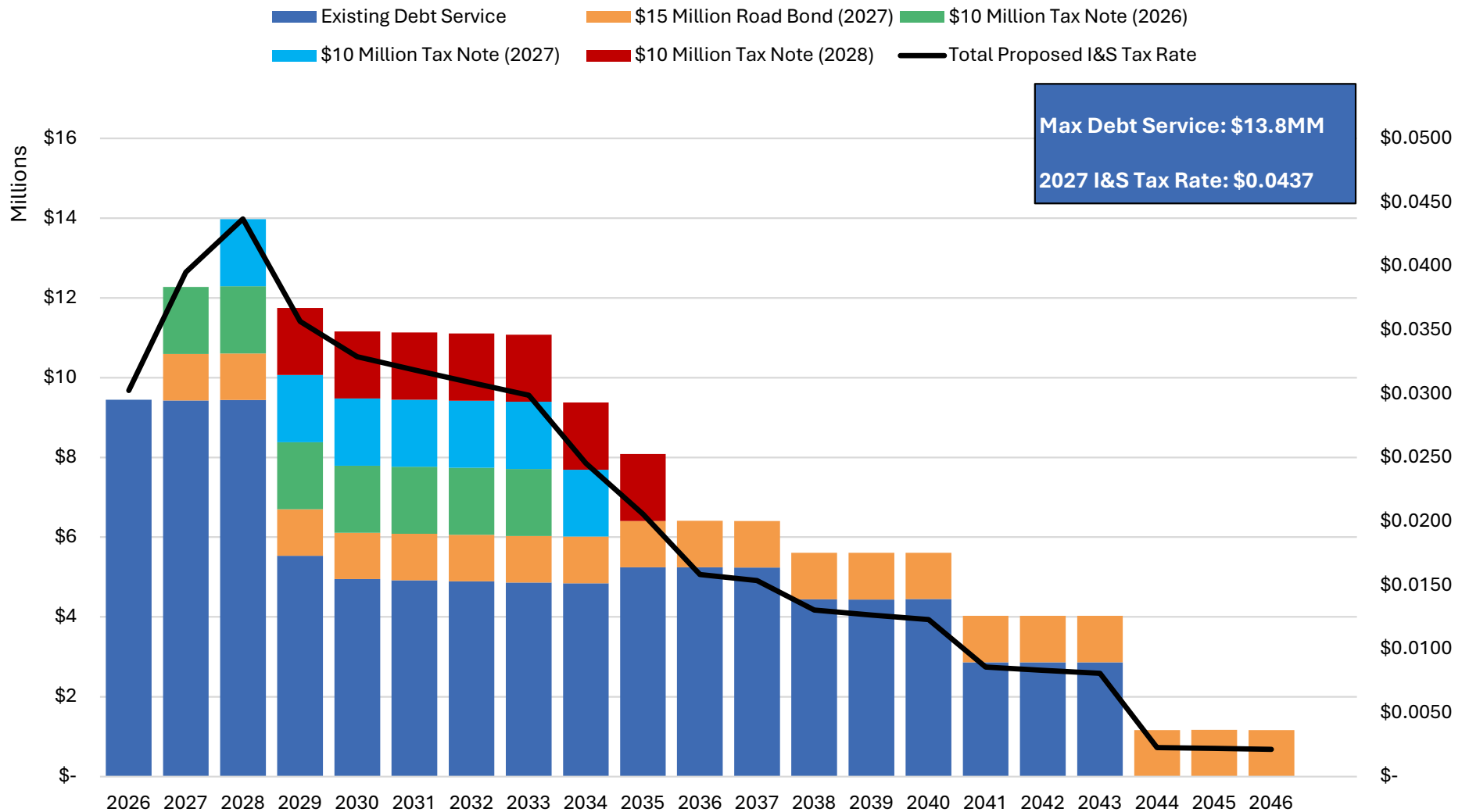


\$15MM Road Bonds & \$30MM COs – Estimated Debt Service



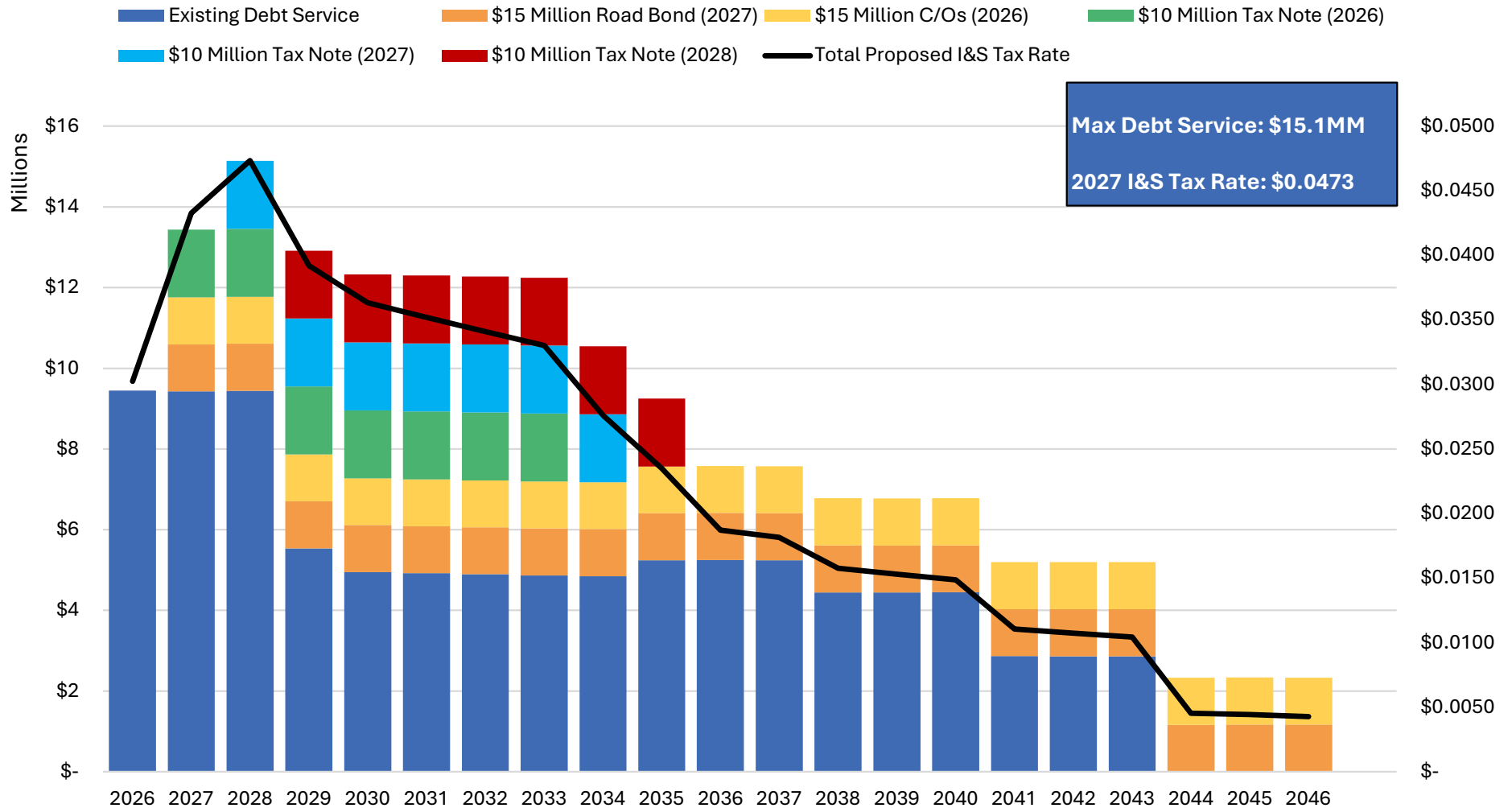


\$15MM Road Bonds & \$30MM TNs – Estimated Debt Service



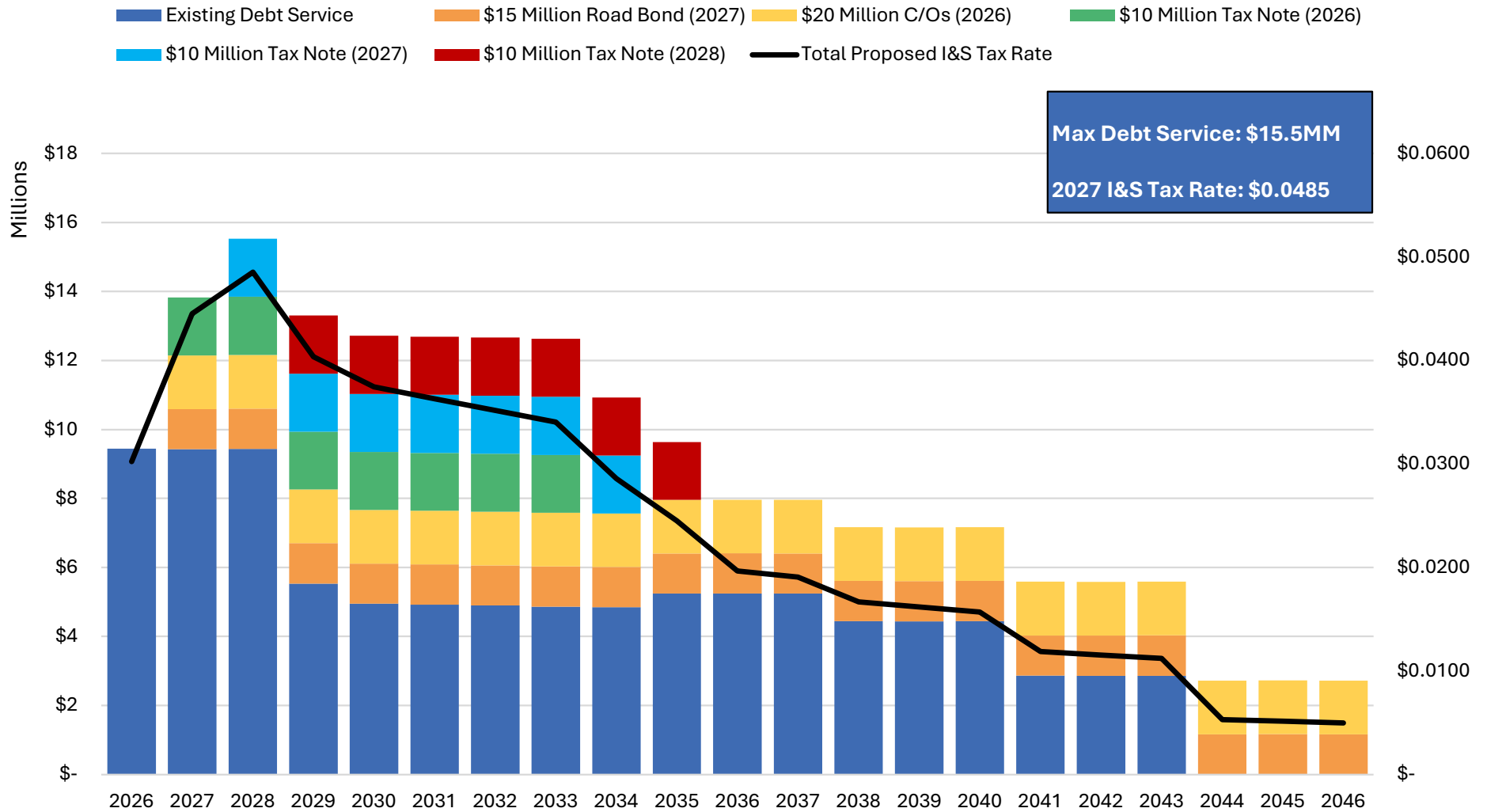


\$15MM Road Bonds, \$15MM COs, & \$30MM TNs – Estimated Debt Service



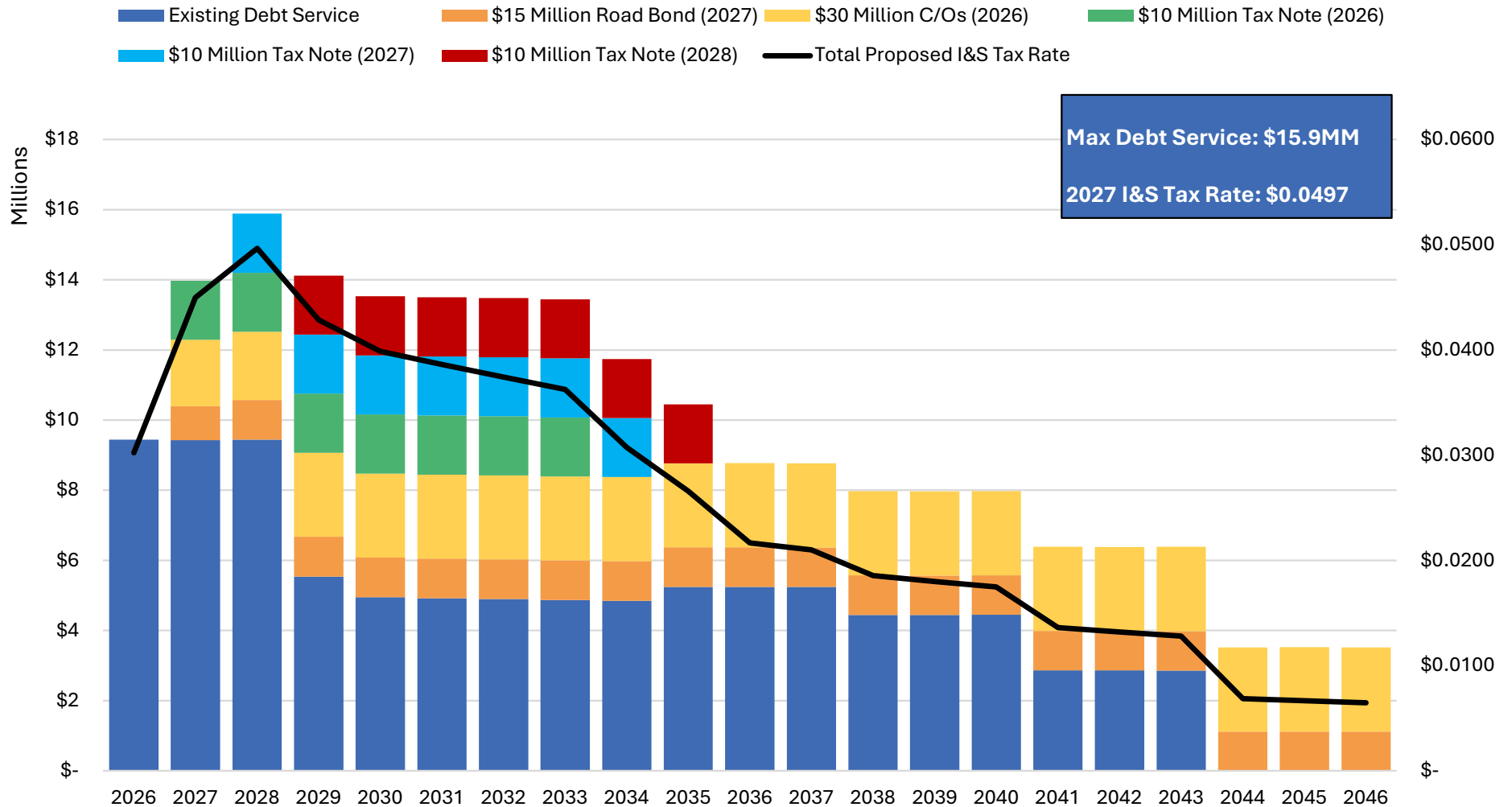


\$15MM Road Bonds, \$20MM COs, & \$30MM TNs – Estimated Debt Service





\$15MM Road Bonds, \$30MM COs, & \$30MM TNs – Estimated Debt Service





County Reporting Requirements



Reporting Obligations of Brazos County

Brazos completes its annual required debt filings with assistance from Municipal Advisor and Bond Counsel


Continuing Disclosure SEC Rule 15c2-12	HB 1378 Local Debt Report	HB 103
<ul style="list-style-type: none">Provides for annual and ongoing reporting of annual audits and financial information of the County along with certain material events to Municipal Rulemaking Securities Board (MSRB) via EMMA Platform.Submitted annually in MarchRequirement for all Issuers who sell Bonds on the open market.Failure to provide information has real consequences.New events have been added regarding “financial obligations”, which must be reported.	<ul style="list-style-type: none">84th Texas Legislature approved this debt transparency requirement.Texas debt issuers must compile certain debt-related information and either post it to their website or submit it to the Texas Comptroller by email.Due within 180 days of fiscal year end (typically the same cycle as 15c2-12 continuing disclosure)	<ul style="list-style-type: none">89th Texas Legislature approved this debt transparency requirement.Multiple pieces of legislation passed that required additional reporting related to bond elections and outstanding debt.TEA, Comptroller and BRB do not have guidance on this reporting yet.Comptroller portal was due to open December 1, 2025 with information due by December 31, 2025.



BRAZOS COUNTY, TEXAS



APPROVED



9/19/17

Duane Peters
County Judge

Date

DEBT MANAGEMENT POLICY

Adopted by Commissioners' Court

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TITLE: DEBT MANAGEMENT POLICY

EFFECTIVE DATE:

Section 1

PURPOSE AND OBJECTIVES

1.1 Purpose

The purpose of this policy is to provide guidance regarding the issuance, management, continuing evaluation and reporting on all debt obligations issued by Brazos County, Texas (the "County"). The Brazos County Commissioners', Court recognizes there are no absolute rules or easy formulas that can substitute for a thorough review of all information affecting the County's debt position. Debt decisions should be the result of deliberative consideration of all factors involved. This policy is intended to augment the deliberation process by addressing the methods, procedures and practices to be utilized to ensure effective and judicious fiscal management of County funds. Adherence to a debt management policy helps to ensure that government maintains a sound debt position and that credit quality is protected.

The terms of this Debt Management Policy (the "Policy") are intended to comply with all Texas and Federal Law governing debt, including, but not limited to, Texas law, Internal Revenue Service rules and regulations, United States Securities and Exchange Commission ("SEC") regulations, Municipal Securities Rulemaking Board ("MSRB") regulations, court rulings, and existing County debt covenants.

1.2 Objectives

It is the intent of the County to establish this debt management policy to:

- Ensure high quality debt management decisions;
- Impose order and discipline in the debt issuance process;
- Promote consistency and continuity in the decision making process;
- Demonstrate a commitment to long-term financial planning objectives, and
- Ensure that the debt management decisions are viewed positively by rating, agencies, investment community and taxpayers.

Section 2

SCOPE

- 2.1 This Policy shall govern debt obligations issued by the County that finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. The County may also desire to issue debt obligations on behalf of external agencies, nonprofit corporations, or other authorities for the purpose of construction or acquisition of infrastructure or other assets that further the goals and objectives of County government. In that case, the County shall take reasonable steps to confirm the financial feasibility of the project and the financing solvency of any necessary borrower; and shall take all reasonable precautions to ensure the public purpose and financial viability of such transactions.

Section 3

ROLES AND RESPONSIBILITIES

- 3.1 As provided by the Texas Local Government Code, each member of Commissioners' Court has a fiduciary responsibility in the management of the County's indebtedness. All debt programs are to be made in accordance with applicable Texas and federal regulations. The Commissioners' Court will approve all County indebtedness.
- 3.2 The county auditor and the budget officer of the County have the primary responsibility for making debt-financing recommendations to the Commissioners' Court.
- 3.3 The County shall engage external bond counsel for each debt issue to perform all services customarily provided by any counsel, including providing legal opinion on all debt issuances, preparation or review of all debt-authorizing resolutions and related documents and agreements, registering all debt issuances with the Attorney General's Office, etc. All debt issued by the County includes a written opinion by bond counsel affirming that the County is authorized to issue the debt and determining the debt's federal income tax status.

- 3.4** The County shall engage an external financial advisor (the “Financial Advisor”) for each debt issue to provide recommendations (including the type of financing, call, security and credit enhancement features, term, time and manner of sale, reasonableness of costs, and other terms and conditions), evaluate at the time of issuance the reasonableness of interest rates, underwriter fees, financing costs, and other related issues, preparing the official statement for each bond issuance, and handle all tasks leading to the completion of the debt issuance. The financial advisor will also coordinate communication with the rating agencies and potential and existing credit enhancers, recommend the best qualified underwriters for the negotiated sale of the County’s debt. For specific issuances and debt transactions, the County may engage an expert financial advisor with specialized knowledge in the specific area being considered. To ensure independence, the financial advisor neither will bid on nor underwrite any County debt issues.
- 3.5** The County may utilize paying agents on County indebtedness. The fees and expenses for servicing outstanding debt are paid from the fiscal agent fee account in the debt Service Fund.
- 3.6** The County may periodically select other service providers (e.g. escrow agents, verification agents, trustees, arbitrage consultants, etc.) as necessary to meet legal requirements and minimize net County debt costs. These services can include debt restructuring services and security or escrow purchases. The County may select first(s) to provide such financial services related to debt without a RFP or RFQ, consistent with County and State legal requirements.
- 3.7** The County Auditor and the Budget Officer will coordinate all activities necessary to issue debt, including, but not limited to:
- Review of resolutions provided by bond counsel;
 - Review of offering memoranda provided by financial advisors; and
 - Review of all related financial analyses.
- 3.8** The oversight responsibility for post-issuance compliance is assigned to the County Auditor. The Office of the County Auditor is responsible for preparing and submitting the annual continuing disclosure and the material event notice pursuant to SEC Rule 15C2-12. The Office of the County Auditor is also responsible for ensuring compliance with the filing requirements of the Internal Revenue Service related to arbitrage rebate.
- 3.9** The Office of the County Auditor is responsible for keeping all documentation relating to the debt issuance. Material records should generally be kept for as long as the bonds are outstanding, plus 3 years after the final redemption date of the bonds.

These records include, but are not limited to, the following:

- Basic records relating to the bond transaction (including the trust indenture, loan agreements, and bond counsel opinion);
- Documentation evidencing expenditure of bond proceeds;

- Documentation evidencing use of bond-financed property by public and private sources (i.e., copies of management contracts and research agreements);
 - Documentation evidencing all sources of payment or security for the bonds; and
 - Documentation pertaining to any investment of bond proceeds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received the investment of proceeds, guaranteed investment contracts, and rebate calculations).
- 3.10** The County Auditor and the Budget Officer are responsible for properly recording the financial transactions relating to the debt issuance to the County's financial system. The debt proceeds (based on the face amount of the debt), discount, and premium must be presented as other financing sources and uses. The debt issuance costs should be presented as expenditure. All transactions for each debt issuance should be recorded in the fund where the debt issuance was budgeted.
- 3.11** The Office of the County Auditor is responsible for reporting monthly in its financial report a schedule that includes outstanding debt requirements as well as commercial paper activity. These reports will include principal and interest requirements, dates for each and related interest rates.
- 3.12** The Office of the County Treasurer and the Office of the County Auditor are responsible for assuring that all debt service payments are made in a timely manner to the appropriate paying agents. Debt service payments will be made for all issues on or before the due date as stated on the debt schedule. They will also be made via electronic funds transfer in order to enhance the security and timeliness of payments and to maximize the investment return on County funds.
- 3.13** The County's bond counsel, with assistance from the County and other professionals associated with the financing, shall prepare an Internal Revenue Service Form 8038-G, Information Return for Tax-Exempt Governmental Obligations, in connection with each tax-exempt debt issuance issued by the County. Each IRS form 8038-G prepared for a tax-exempt debt issuance will be filed with the IRS no later than the 15th day of the 2nd calendar month after the close of the calendar quarter in which the tax-exempt obligation to which such Form 8038-G related is issued. Every Form 8038-G shall be filed by the County's bond counsel with the IRS.
- 3.14** Offices and Departments administering projects financed with debt funding are responsible to comply with Section 16 of this Policy.

Section 4

REPORTING

- 4.1 The office of the County Auditor is responsible for reporting monthly in its financial report a schedule that includes outstanding debt requirements as well as commercial paper activity. These reports will include principal and interest requirements, dates for each and related interest rates.
- 4.2 The Office of the County Auditor is responsible for preparing and submitting the annual continuing disclosure and the material event notice pursuant to SEC Rule 15C2-12.
- 4.3 In the event the County owes arbitrage rebate to the IRS, the Office of the County Auditor is responsible for ensuring compliance with the filing requirements of the Internal Revenue Service (Form 8038-T) besides paying the arbitrage rebate.

Section 5

ORGANIZATIONS AFFECTED

- 5.1 All County offices and departments must comply with the guidelines and procedures set forth in this Policy.

Section 6

USE OF DEBT INSTRUMENTS

- 6.1 Debt financing will not generally be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The County will use debt financing for the acquisition of capital assets and capital improvement projects which may include certain operating expenditures required to implement the projects under the following circumstances:
 - a. The acquisition of all debt funded assets and debt funded projects must be approved by the Commissioners' Court;
 - b. The term of any debt should never exceed the useful life of the asset, or the weighted average useful life of a group of assets when multiple assets are funded in a single issue. Further, the maturity of any debt instrument shall not exceed 40 years (Texas Government Code, Section 1201.022).
 - c. Revenues must be sufficient to service the debt, whether from future property taxes, user fees, or other specified and reserved;
 - d. The total project budget must be reviewed and approved by the Commissioners' Court; and

- e. Compliance with the appropriate provisions of Texas Law and the Internal Revenue Code of 1986 as amended.

6.2 Per General Accounting Standards Board (GASB) guidelines, activities associated with developing and installing computer software projects will be divided into three stages of project development:

- a. Preliminary project stage, which includes the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives;
- b. Application development stage, which includes the design of the chosen path, including software configuration and software interfaces, coding, installation of hardware and testing, including the parallel phases and data conversion phases; and
- c. Post-implementation/operation stage, which includes training and application maintenance.

Only activities associated with the application development stage will be debt financed.

6.3 Direct costs of materials and services consumed in developing or obtaining internal-use computer software, including payroll-related costs devoted directly to the project, may be financed with debt.

Section 7

STRUCTURE AND TYPE OF DEBT

7.1 Debt service will be structured to match projected cash flows and minimize the impact on future property tax levies.

7.2 Debt will be structured for the shortest amortization period consistent with a fair allocation of costs to current and future beneficiaries or users. The term of the debt issuance should equal the lesser of the useful life of the asset being financed or the maximum of 40 years in accordance with Chapter 1201.022 of Texas Government Code.

7.3 The types of debt instruments that may be issued by the County include:

- a. Limited Tax General Obligation Bonds;
- b. Certificates of Obligation;
- c. Refunding Bonds;
- d. Revenue Bonds;
- e. Variable Rate Debt;
- f. Commercial Paper;
- g. Tax Anticipation Notes; and

- h. Any other debt instrument authorized for issuance by a County in accordance with the Texas Government Code or other applicable law.

7.4 Principal and interest retirement schedules shall be structured to:

- (1) achieve a low borrowing cost for the County;
- (2) accommodate the debt service payments of existing debt; and
- (3) respond to perceptions of market demand.

Shorter maturities shall always be encouraged to demonstrate to rating agencies that debt is being retired at a sufficiently rapid pace.

7.5 Optional debt redemption shall be provided for the debt issuance termed at 10 years or longer. In the event of an optional debt redemption (in full or in any portion of the principal sum thereof) being called for, the notice of redemption must be given no less than 30 days to the redemption date to the registered owners of the debt to be redeemed.

7.6 Chapter 1204.006 of Texas Government Code provides that a public security issued by a governmental entity may not bear interest at a rate greater than a net effective interest rate of 15 percent.

7.7 Debt incurred shall generally be limited to obligations with serial and term maturities.

7.8 Generally, tax-exempt debt will be issued. However, when appropriate and when the cost of a project is greater than \$5 million, no more than 10 percent of the amount to be financed may be issued in the form of taxable debt.

Section 8

DEBT LIMITS

8.1 Section 1301.003 of the Texas Government Code, as amended, limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	2.0% of Assessed Valuation
Jail Bonds	1.5% of Assessed Valuation

Courthouse and Jail Bonds 3.5% of Assessed Valuation

Road & Bridge Bonds 1.5% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Section 1473.101 of the Texas Government Code, as amended, which removes the above limitation.

- 8.2** Article 8, Section 9, Texas Constitution, imposes a limit of \$0.80 per \$100 assessed valuation for all constitutional purposes, including the general fund, permanent improvement fund, road and bridge fund and jury fund, and debt service of any outstanding bonds or other obligations issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of \$0.40 of the \$0.80 constitutional tax rate for debt service.
- 8.3** The County shall use economic ratios as a tool to assist in providing an objective analytical approach to determine debt capacity for new projects. These ratios may include:
- a. Debt per capita;
 - b. Debt as a percent of statutory debt limit;
 - c. Debt as a percent of appraised valuation;
 - d. Debt service payments as a percent of governmental expenditures; or
 - e. Level of overlapping net debt of all local taxing jurisdictions.
- 8.4** The County will maintain a debt service fund balance of at least 2 percent of the original debt issuance amount each year to ensure availability of funds to meet the debt service payments in the event of tax revenue shortfalls; provided; however, that this requirement shall comply with the provisions of the Internal Revenue Code of 1986, as amended.
- 8.5** Brazos County will strive to maintain the following industry-standard ratios:
- 1. Net bonded debt to taxable value should not exceed that range of 1.0% - 1.5%. This ratio measures debt levels against the property tax base which generates the tax revenues that are the main source of debt repayment.
 - 2. Net bonded debt to population should not exceed \$800 per capita. This ratio measures the burden of debt placed on the size of the population supporting the debt and is widely used by rating analysts as a measure of an issuer's ability to repay debt.
 - 3. Debt service to total expenditures (operating expenditures and debt service combined) shall be less than 20%. This ratio reflects the County's budgetary flexibility to adapt spending levels and respond to economic condition changes.
 - 4. A total debt target of 8% or less of taxable value for all overlapping debt in Brazos County (county, city, school district and other) will be established, in concert with cooperative efforts toward sharing this goal with the other debt-issuing entities.

Section 9

METHOD OF SALE

9.1 The County may use competitive sales, negotiated sales, or private placements. When considering the method of sale, the County will take into consideration:

- a. Financial conditions;
- b. Market conditions;
- c. Transaction-specific conditions;
- d. County-related conditions; and
- e. Risks associated with each method.

9.2 Competitive sales are the preferred method under the following circumstances:

- a. A general obligation pledge or annual appropriation of general revenue;
- b. Simple structure and financial analysis;
- c. Stable financial market; and
- d. Moderate par amount.

9.3 Negotiated sales are the preferred method under the following circumstances:

- a. Complex transactions that require extensive financial modeling, credit analysis, pre-marketing efforts, or that are interest rate sensitive; and
- b. Volatile financial markets

9.4 Private Placement is the preferred method under the following circumstances:

- a. Small issue size;
- b. Questionable security for the issue; and
- c. Overall cost savings to the County.

Section 10

REIMBURSEMENT RESOLUTION

10.1 As provided in the Texas Government Code, Section 1201.042, as amended, Department of the Treasury Regulation, Section 1.150-2 of the Internal Revenue Code of 1986 as amended, Commissioners' Court may decide that it is in the County's best interest to pass a reimbursement resolution prior to the formal issuance of debt. The purpose of the

resolution would be to announce the intent to reimburse itself for expenditures related to capital programs for which debt will be issued and the General Fund could then be reimbursed once the debt is sold. The County will intend to reimburse itself within 18 months from the later of date of the original expenditure or the date the property financed is placed into service (but in no event more than 3 years after the original expenditure is paid).

Section 11

REFUNDING OF DEBT

11.1 The County's staff and advisors will undertake periodic reviews of all outstanding debt to determine if refunding opportunities exist for current debt obligations. The County may elect to refund existing debt for reasons including, but not limited to, the following:

- a. To achieve Net Present Value (NPV) savings generally of at least 3 percent;
- b. To update covenants of outstanding debt which impair efficient operations or prohibit necessary or disable activities;
- c. To restructure the debt service schedules associated with outstanding bond issues; or
- d. To alter bond characteristics such as call provisions or payment dates

11.2 If a refunding is undertaken, the County will evaluate:

- a. Issuance costs that will be incurred;
- b. Interest rate at which the refunding bonds can be issued;
- c. Maturity dates of the refunded bonds;
- d. Call date (if any) on the refunded bonds; and

Section 12

INVESTMENT OF DEBT PROCEEDS

12.1 Debt proceeds will be invested in accordance with the County's Investment Policy #3.0 or as otherwise permitted in the order or resolution authorizing the issuance of the debt.

- 12.2** Interest earned on proceeds from bonds, certificates of obligation, commercial or other short-term or long-term debt proceeds (excluding capital lease proceeds) should be retained in the project until that project is completed unless that Commissioners' Court has instructed otherwise.
- 12.3** Interest earned on proceeds from the refunding bonds should be allocated to the Debt Service Fund and used solely to pay current and future debt service payments, as well as all related issuance cost.

Section 13

CONTINUING DISCLOSURE

- 13.1** The County will periodically review the requirements of the Municipal Securities Rulemaking Board (MSRB) and the recommendations of the Government Finance Officers Association (GFOA), including the GFOA recommendation that financial statements be prepared and presented according to generally accepted accounting principles.
- 13.2** The County will remain in compliance with SEC Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefit of its bondholders within six months after the end of each fiscal year.

Section 14

MATERIAL EVENTS

- 14.1** Material Events are defined as those events, which are considered likely to reflect on the credit supporting the securities.
- 14.2** The County will issue a material event notice in accordance with the provisions of SEC Rule 15c2-12 within 10 days of the occurrence of any of the events listed in 14.3 except event (i), which should be issued by the paying agents.
- 14.3** The events Brazos County will consider material are:
- a. Principal and interest payment delinquencies;
 - b. Non-payment related defaults;
 - c. Unscheduled draw on debt service reserves reflecting financial difficulties;
 - d. Unscheduled draw on credit enhancements;
 - e. Substitution of credit or liquidity providers, or their failure to perform;
 - f. Adverse tax opinions or events affecting the tax-exempt status of the security;
 - g. Modification to rights of the security holders;
 - h. Bond calls;

- i. Defeasances;
- j. Release substitution or sale of property securing repayment of the securities;
- k. Rating changes; and
- l. Any change in the County's fiscal year

Section 15

ARBITRAGE

15.1 The County will follow a policy of full compliance with all arbitrage rebate requirements of the Internal Revenue Code of 1986, as amended and its adopted rules and regulations, and will obtain the arbitrage calculations from the County's financial adviser for each debt issue subject to rebate on an annual basis. All necessary rebates liability will be recorded and paid when due.

Section 16

DEFINITIONS

16.1 Definitions:

- a. Arbitrage - Arbitrage is the profit that results from investing tax-exempt proceeds in higher-yielding taxable securities. In general, Internal Revenue Service (IRS) Regulations require that positive arbitrage earnings be rebated back to the government.
- b. Bond Indenture - The contract that sets forth the promises of a bond issuer and the rights of investors in the bond.
- c. Bond Covenant- A clause in a bond indenture that either requires or forbids some act by, and the issuer is obligated to comply with the covenant by virtue of issuing its bonds.
- d. Call Dates - The date, prior to maturity, on which a callable bond may be redeemed.
- e. Call Premium - The price, as established in the bond covenant, at which bonds will be redeemed.
- f. Certificate of Obligation - The Certificate of Act of 1971 (as amended) permits a County to issue certificates of obligations for the purpose of paying

contractual obligations incurred in the construction of public works and the purchase of materials, supplies, equipment, buildings, professional services and real property. Certificates of obligation are normally secured by ad valorem tax revenue and there is no requirement for voter approval.

- g. Call Provisions - A clause in a bond contract granting the issuer the right to buy back all or part of an issue prior to the maturity date.
- h. Commercial Paper - Short-term, unsecured promissory notes usually backed by a line of credit with a bank. Maturities do not exceed 270 days.
- i. Competitive Sales - A sale whereby the issuer determines the bond structure and solicits bids. The bonds are then awarded to the underwriting firm that submits the lowest interest costs for the debt.
- j. Continuing Disclosure - The principal that accurate and complete information material to the transaction, which potential investors would be likely to consider material in making investment decisions with respect to the securities, be made available on an ongoing basis.
- k. General Obligation - Bonds backed by the annual levy of an ad valorem tax as necessary, within the limits prescribed by law (if any), to pay off the bonds. Bonds are issued upon approval by the public in an election.
- l. Issuance Costs - The expenses associated with the sale of new securities, including such items as underwriter's spread, printing, legal fees and rating costs.
- m. Negotiated Sales - A sale whereby the issuer selects an underwriter in advance so that the underwriter can assist with determining the appropriate structure of the bonds.
- n. Private Placement - A sale whereby the issuer sells the bonds directly to an institutional investor.
- o. Refunding Bonds - Bonds issued to retire a bond already outstanding that may be sold for cash and outstanding bonds redeemed with cash or exchanged with holders of outstanding bonds.
- p. Revenue Bonds - Bonds issued where the money raised to pay off the bonds comes from a non-tax revenue source or a special/specific enterprise fund.

- q. Tax Anticipation Notes - Short-term notes issued in anticipation of collections of taxes. Short-term notes issued by the county to finance current operations, with repayment from anticipated tax receipts. Also called tax anticipation warrant. These notes are issued at a discount, and must have a maturity of thirteen months or less, and mature either at a specific future date or when property and other taxes are collected. Tax anticipation notes hold first claim on tax receipts when collected.
- r. Variable Rate Debt - Bonds with interest rates that fluctuate based upon an index or pricing procedure. These bonds often offer lower interest rates and have short maturities.