



ADMINISTRATIVE POLICY

SECTION: 400 – FINANCE MANAGEMENT	POLICY#: 431
TITLE: DEBT MANAGEMENT	R & O #: 26-9
	IMPLEMENTED BY PROCEDURE #:
SPONSORING DEPT/DIV: FINANCE	
ADOPTED: 01/20/2026	REVIEWED:

PURPOSE:

The purpose of this policy is to establish comprehensive guidelines for issuing, managing, structuring, and evaluating Washington County’s debt obligations. The policy is intended to ensure the County maintains strong financial health, minimizes borrowing costs, maintains access to credit markets, and upholds transparency and accountability to taxpayers.

The County recognizes that debt-financed projects and capital investments have community impacts. Therefore, the County will ensure debt management practices that comply with civil rights and accessibility laws (Title VI, ADA, Section 504).

AUTHORITY:

Authority to issue debt is granted by the Oregon Revised Statutes (ORS) specifically Chapters 287A and 288, and the Washington County Charter. The Board of County Commissioners (BCC) must approve all debt issuance, except where delegated by law or policy. The Chief Financial Officer (CFO) and the County Finance Department are responsible for managing all debt-related activities. This policy adheres to Oregon Statutes, County Charter, and best practices per Government Finance Officers Association (GFOA) guidance.

DEFINITIONS:

Annual Debt Service: Combined principal and interest payments due in a fiscal year.

Authorized Debt: Debt approved by statute, resolution, ordinance, or ballot measure.

Capitalized interest: Interest added to the cost of a project during construction.

Capital Improvement Plan: A plan that identifies capital projects and equipment purchases across a 5-year planning horizon financed through a capital budget.

Credit enhancement: Financial instruments (e.g. bond insurance) used to improve credit worthiness.

Debt: Any obligation for the payment of money borrowed, including bonds, loans, notes, certificates of participation, leases, lines of credit or other financing arrangements.

Net Debt: Gross Debt less self-supporting obligations or capital-improvement dedicated revenue.

General Obligation (GO) Bonds: Voter-authorized bonds secured by the full faith and credit and taxing of the County. These bonds are secured by unlimited and valorem property tax levy, subject to Oregon constitutional and statutory limits, and are typically used for major capital projects. Repayment is a general obligation of the County, and the County may be required to levy property taxes to ensure timely debt service.

Full Faith and Credit Obligations: Debt instruments backed solely by the County's pledge of its full faith and credit, including the commitment to repay from any legally available funds but without a dedicated property tax levy. These obligations do not require voter approval and are often used for essential capital projects. While repayment is not linked to new taxes, the County is still legally obligated to make timely payments.

Special Assessment Bond: A special assessment bond is a type of municipal bond used to finance public improvements, where repayment is secured by taxes levied on properties that benefit from the project.

Local Improvement District (LID) ¹: LID is a specific geographical district formed by a group of property owners to finance capital improvements that primarily benefit property owners within that area. LIDs are established by a local government with the approval of the property owners and are not self-governing special purpose districts. The costs of these improvements are financed through special assessments on the benefiting properties, which are paid over time.

Special Improvement District (SID): SID is a local governmental entity created to finance specific improvements within designated geographical areas. These districts are designed to enhance public infrastructure and services, such as roads, water systems, and public parks.

Municipal Bond: Municipal bonds are debt instruments that local, county, and state governments issue to secure financing for civic improvements, including the construction of highways, bridges, or schools.

Revenue Bond: A revenue bond is a category of municipal bond supported by the revenue from a specific project, such as a toll bridge, highway, or local stadium. Revenue bonds that finance income-producing projects are thus secured by a specified revenue source.

Tax Increment Financing (TIF) Debt: Debt issued to fund redevelopment or infrastructure projects within a designated urban renewal or tax increment district. The repayment of TIF debt is

¹ Washington County Code of Ordinances, Chapter 3.20 – Local Improvement Districts

secured by the incremental increase in property tax revenues generated by rising property values within the district, rather than the County's general revenues.

GENERAL POLICY:

The County will prioritize and maintain a strong credit rating and avoid practices that compromise long-term financial stability. The County will issue and manage debt prudently to fund capital projects aligned with strategic and capital improvement plans. It will not issue debt to fund ongoing operational costs. The County will preserve fiscal flexibility, comply with bond covenants, and maintain investor compliance by following Government Finance Officer Association (GFOA) recommended best practices.

POLICY GUIDELINES:

1. Permissible Types of Debt:

The County may issue the following types of debt:

- General Obligation Bonds (subject to voter approval).
- Revenue Bonds.
- Full faith and Credit Obligations.
- Lease-Purchase Agreements.
- Special Assessment or Local Improvement District (LID) Bonds.
- Tax Increment Financing (TIF) Debt, where authorized.

2. Uses of Debt

Debt will be used to finance capital assets, infrastructure improvements, and strategic investments. Projects funded by debt must:

- Be included or planned for inclusion in the Capital Improvement Plan (CIP).
- Have a defined revenue source or repayment strategy.

3. Debt Limits

Washington County will adhere to the following debt thresholds:

- Statutory limit for general obligation bonds under Oregon law: Net direct debt must remain below 2.0% of assessed real market value, pursuant to ORS 287A.100(2).
Example: If the County's assessed real market value is \$40 billion, the maximum net direct debt should not exceed \$800 million (2.0%).
- Internal capacity thresholds, including monitoring debt per capita and ensuring debt service remains an acceptable proportion of expenditures. *Example: If the County has a population of 600,000, and total debt of \$600 million then the debt per capita would be \$1,000. If the annual debt service is \$60 million, and the County's total annual expenditures are \$1.2 billion, the debt service would equal 5% of expenditures.*

4. Debt Structuring Practices

The County will structure debt to minimize costs, ensure affordability, and maintain financial flexibility:

- **Terms of debt:** Shall not exceed the useful life of the asset being financed. Typical debt maturities will range from 10 – 30 years depending on asset class and project scale.
- **Debt Service Structure:** Preference for level or declining annual debt service to promote predictability and affordability. Structuring with “wrap-around” or escalating payments will only be used to coordinate with anticipated revenue growth or other obligations and must be clearly justified.
- **Capitalized Interest:** Permitted for construction-phase projects only. It will not be used to mask budget impacts or reduce apparent operating deficits.
- **Call Provisions:** The County shall include optional redemption provisions (typically 10-year par call) in bond issues to preserve future flexibility, unless market conditions strongly favor non-callable structures.
- **Credit Enhancements:** Such as bond insurance or letters of credit, will be evaluated for cost-effectiveness on a case-by-case basis. They will only be used when the projected reduction in borrowing cost outweighs the cost of the enhancement.
- **Fixed vs. Variable Rate:** Preference for fixed-rate debt; to ensure budgetary certainty and limit exposure to interest rate volatility. Variable-rate may be considered for specific circumstances (e.g. interim financing) but only with adequate risk mitigation strategies and explicit BCC approval.
- **Derivatives:** Such as interest rate swaps are **prohibited** unless approved under a separate derivatives policy, and consistent with Oregon Revised Statutes and GFOA advisories on debt-related derivatives products. The County does not currently anticipate using such instruments.
- **Debt Repayment Sources:** Debt repayment will be aligned with reliable revenue sources (e.g. taxes, fees, grants). General obligation bonds must be voter-approved and supported by property taxes; revenue bonds shall be supported by clearly identified user fees, taxes or restricted revenues.

5. Refinancing Practices

The County may pursue refinancing transactions when they provide measurable financial or strategic benefits. Specifically, refinancing may be considered when:

- **Net Present Value (NPV) Savings:** The transaction generates a minimum of 3% NPV savings of the refunded par amount, unless a lower threshold is justified by risk or other strategic objectives.
- **Risk Reduction or Covenant Modification:** The refinancing mitigates risks such as interest rate volatility, negative arbitrage, or restrictive covenants (e.g. call provisions, reserve requirements, parity debt restrictions or rate covenants).

- **Strategic Alignment:** The refinancing improves financial flexibility, preserves market access, or better aligns debt terms with the useful life of the underlying assets.
- **Regulatory and Legal Compliance:** The refinancing complies with the federal tax regulations, Oregon Revised Statutes, and all applicable bond covenants.
- **Market Conditions:** The refinancing is supported by favorable market conditions and can be executed without jeopardizing the County’s creditworthiness.

6. Transparency and Disclosure

The County will maintain full transparency:

- Comply with SEC Rule 15c2-12 for continuing disclosure.
- File annual disclosure reports and material event notices through the Electronic Municipal Market Access (EMMA) web portal².
- Maintain full compliance with the Internal Revenue Service (IRS) and federal tax law requirements.
- Communicate clearly with stakeholders about debt plans and obligations through publication of budget and financial documents.

DEBT ISSUANCE PROCESS

1. Planning and Analysis

- The Finance Department will evaluate project readiness, affordability, and CIP alignment.
- A municipal public finance advisor, bond counsel, and disclosure counsel shall be engaged for each issuance unless in-house expertise suffices.

2. Approval

- All debt must be approved by the Board of County Commissioners via resolution or ordinance.
- Legal opinions and staff reports will accompany approval materials.

3. Issuance Process

- Use competitive bidding unless negotiated sale provides greater benefit.
- Use standardized bond documents and adhere to regulatory compliance.

4. Post Issuance Monitoring

- Ensure timely debt service payments.
- Invoice, transfer, and pay through electronic payment ≥ 30 days before maturity.
- Track compliance with IRS regulations (arbitrage, private use, etc.)
- Maintain documentation for the life of the bonds plus three years.

²EMMA is a service of the Municipal Securities Rulemaking Board (MSRB).

RESPONSIBILITIES:

- **Board of County Commissioners:** Approves all new debt and resolutions/ordinances.
- **County Administrator:** Ensures policy compliance, oversees the Finance Department.
- **Chief Financial Officer or designee:** Implements and enforces this policy; coordinates all debt issuance and compliance.
- **Finance Department:** Manages financial planning, evaluates issuance, serves as the steward debt service funds.
- **Legal & Bond Counsel:** Provides legal review, covenant compliance.
- **Municipal Public Finance Advisor:** Provides independent financing advice.
- **County Departments:** Collaborates with the Finance Department for project planning and execution and ensure compliance with financial and regulatory obligations throughout the life of a debt-financed project.

EXCEPTIONS:

Exceptions may only be granted by the Washington County Board of Commissioners unless such authority has been delegated to the County Administrator. Any exceptions will be based upon recommendation by the Finance Department, with legal and advisory input.

IMPLEMENTATION:

This policy is effective upon Board adoption. The Finance Department shall incorporate it into the CIP planning process. Staff training will be provided on debt issuance protocols.

PERIODIC REVIEW:

This policy shall be reviewed at least every three years, or earlier if new laws, covenant changes, or financing best practice updates arise, as recommended by the GFOA.