
DEBT MANAGEMENT

Section 1. PURPOSE

The purpose of this policy is to establish the parameters governing the issuance, management, continuing evaluation of, and reporting on all debt obligations issued by the Bedford Regional Water Authority (“Authority”). Debt levels and their related annual costs are important long-term obligations that must be managed within available resources. An effective Debt Management Policy provides guidelines for a government to manage its debt program with those available resources.

Section 2. POLICY

- A. In accordance with the other terms of this policy, the Authority may issue debt for the purpose of financing the costs of planning, design, land acquisition, or the construction of water facilities, sewer facilities, buildings, structures and attached fixtures, and infrastructure.
- B. Whenever feasible, debt issuances will be pooled together to minimize issuance costs.
- C. The Executive Director and Director of Finance are responsible for post issuance compliance. See Post Issuance Compliance Policy for details.

Section 3. TYPES OF DEBT

- A. Revenue Bonds:
 - 1. The Authority may issue Revenue Bonds to finance its enterprise activities or for capital projects which generate a revenue stream.
 - 2. The bonds will include written covenants which will require that the revenue sources are sufficient to fund the debt service requirements, including ratios as specified in Section 4.E.
 - 3. Costs of issuance, debt service reserve funds, and capitalized interest may be included in the capital project costs and thus fully eligible for reimbursement from bond proceeds as permitted by applicable law.
- B. Capital Acquisition Notes and Leases:
 - 1. The Authority may issue short-term notes or capital leases to purchase buildings, machinery, and fixtures.

Section 4. DEBT LIMITS

- A. Debt financing will be used for major, non-recurring items with an economic life of greater than 5 years.
- B. The maximum maturity of any debt will not exceed the expected weighted average useful life of the project for which the debt is issued.
- C. The Authority will not fund current operations from proceeds of borrowed funds.

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- D. The Authority will reserve the use of long-term borrowing and leases to capital improvements, projects, or equipment that cannot be financed from current financial resources.
- E. For Revenue Bonds, the Authority will fix and collect rates, fees, and other charges for the use of and for services furnished or to be furnished by its System, and will from time to time revise such rates, fees, and other charges so that in each fiscal year Net Revenues Available for Debt Service will equal at least 115% of the amount required in the fiscal year to pay the principal and interest on the bond and all other indebtedness of the Authority payable from Revenues, including without limitation, indebtedness under leases which are treated as capital leases under generally accepted accounting principles.

Section 5. DEBT STRUCTURING

- A. Bond maturities shall not exceed the useful life of assets purchased with the proceeds.
- B. Debt service reserve funds and other funds as required by bond covenants shall be established and monitored annually to ensure continued compliance with bond covenants, Authority polices, and Federal and State Regulations.
- C. Investment of bond proceeds shall be in compliance with the Authority's Investment Policy of the Operating Procedures and Policy Manual and meet the requirements of the bond proceeds covenants.
- D. All debt issuances subject to arbitrage shall be monitored by the Financial Manager and arbitrage liability calculations shall be performed in a timely manner.

Section 6. DEBT ISSUANCE PROCESS

- A. The Authority will generally use the competitive sale method unless there are compelling reasons where a negotiated sale or private placement would have a more favorable result due to prevailing conditions in the market, a financing structure which requires special pre-marketing efforts, or factors are present that are expected to result in an insufficient number of bids.
- B. The Authority may issue advance or current refunding or refinancing of bonds in accordance with federal tax law.
 - 1. Refunding is a process whereby an issuer refinances an outstanding bond issue by issuing new bonds. The advantages to refunding are to reduce an issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced.
 - 2. Generally, the issuance of refunding bonds shall occur if the present value of debt service savings exceeds two (2) percent of the debt service amount of the refunded bonds and/or the net present value of future savings warrants such refunding.

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Section 7. DISCLOSURE REQUIREMENTS

- A. The Authority will maintain good communications with agencies to inform them of the Authority's financial position by providing them with the Authority's Comprehensive Annual Financial Report (CAFR) and the annual adopted budget.
- B. The Authority will disclose the preceding ten (10) fiscal year's Schedule of Debt Coverage in the CAFR.

Section 8. REVISIONS

- A. This policy was approved and adopted by the Authority's Board of Directors on March 26, 2013, effective July 1, 2013.
- B. This policy was modified with the following amendments:
 - 1. Approved June 16, 2020, effective June 17, 2020
 - a. Section 2.C was updated to reflect title changes.