YAKIMA COUNTY
DEBT POLICY

Approved by:
Yakima County Finance Committee
April 22, 2025

Certified by WPTA
September 22, 2025

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I. Introduction

The Debt Policy for Yakima County, Washington (hereinafter referred to as "County"), is established to help ensure that all debt is issued both prudently and cost effectively in accordance with the County's long-term financial plans. This document sets forth comprehensive guidelines for the issuance and management of all financings of the County. Accordingly, it establishes roles and responsibilities, eligible debt instruments and limitations, structuring preferences, and post-issuance compliance requirements.

Adherence to the policy is essential to ensure that the County maintains a sound debt position and protects the credit quality of its obligations. Per RCW 36.48.070, the County Finance Committee shall review and approve this policy. The policy will be reviewed and approved at least every four years.

II. Governing Principles

This policy is intended to achieve the following objectives:

- Minimize debt service costs;
- Preserve flexibility to provide services and set future rates, charges and taxes;
- Limit exposure to interest rate and other risks to levels commensurate with the ability to absorb those risks;
- Preserve adequate capacity to finance future capital needs with low-cost debt; and
- Contribute to the maintenance or enhancement of the County's credit rating(s).

In addition to these policy objectives, County debt will be managed using a long-term strategic approach to borrowing at the lowest possible cost, consistent with an acceptable level of risk.

2.1 Governing Law

State Laws

The County may contract indebtedness as provided for by RCW chs. 36.67 and 39.46. Indebtedness represented by obligations for borrowed money payable from taxes is subject to the limitations on indebtedness provided for in RCW 36.67.101 and ch. 39.36 and Article VIII of the Washington State Constitution. Indebtedness represented by obligations for borrowed money payable from enterprise revenues (revenue bonds) or special assessments (special assessment bonds) is not subject to these constitutional or statutory limitations. Bonds shall be issued in accordance with RCW 39.46. Refunding bonds shall be issued in accordance with RCW 39.53.

Federal Laws, Rules and Regulations

The County shall issue and manage debt in accordance with applicable federal tax and securities laws and regulations, including the Internal Revenue Code of 1986, as amended (the "Code"); the Treasury Department regulations thereunder; and the Securities Act of 1933 and Securities Exchange Act of 1934 and applicable Securities and Exchange Commission regulations thereunder.

Local Laws

The County shall issue and manage debt in accordance with any limitations and constraints imposed by local ordinances or resolutions, rules, and regulations.

In addition to the above, the County shall limit its indebtedness to a prudent level, considering the impact of debt service costs on County services, and the effects of debt levels on the availability of funding for operations, maintenance, and replacement of capital assets financed by debt.

2.2 Permitted Types of Debt

All permitted types of debt require the Board of Yakima County Commissioners (herein after referred to as the "BOCC") approval prior to issuance. Subject to changes in state law, the County may legally issue the types of debt described herein.

Unlimited Tax General Obligation Debt (UTGO)

UTGO debt is secured by the full faith and credit and property taxing authority of the County. This includes voter-approved excess property tax levies not subject to statutory and constitutional limits. The County is authorized to issue UTGO debt, subject to the approval of both the BOCC and voters within the jurisdiction of the County.

Limited Tax General Obligation Debt (LTGO)

LTGO debt is secured by the full faith and credit and regular property taxing authority of the County. LTGO debt does not require voter approval.

Revenue

Revenue bonds are secured by a pledge of revenues generated by a project or enterprise systems operated by the County, in accordance with a system and plan of improvements. The enterprise systems must be an established system legally authorized for operation by the County such as water, wastewater, solid waste, or electric facilities. Revenue bonds do not require voter approval.

Assessment

Local Improvement District (LID) Bonds, Road Improvement District (RID) Bonds, and Utility Local Improvement District (ULID) Bonds are considered assessment bonds. LID, RID, and ULID bonds are secured by and payable from special assessments levied against the properties benefitting from the bond-financed public improvements. ULID assessments may also be pledged as part of a revenue bond financing. Assessment bonds do not require voter approval.

County debt shall generally be issued as publicly offered bonds or debt placed directly with a commercial lender (direct bank placement). The County may also issue the following types of debt (which shall be secured by one or more of the four pledges described above):

State and Federal Loans

Several Washington State agencies operate loan programs to finance infrastructure projects including the Department of Ecology (wastewater), Department of Health (drinking water), Department of Commerce (general public works), and the Department of Transportation (roads, bridges, ferries and general aviation airports). State loan programs generally provide below-market interest rates or other advantageous financing terms and are often better suited to smaller borrowings. These loans are not included in statutory debt limitations. See RCW 39.36.060.

In addition, the U.S. government operates several loan programs, which are typically better suited for larger, more complex financing plans. The County may utilize either state or federal loan programs when such programs provide a demonstrable benefit relative to a public offering or direct bank placement of bonds.

Capital Leases

A capital lease is a lease that meets one or more of the following criteria:

- Ownership of the asset is transferred to the lessee at the end of the lease term;
- The lease contains a bargain purchase option;
- The lease term is equal to 75% or more of the estimated economic life of the leased asset; or
- The present value of the lease equals or exceeds 90% of the excess of the fair value of the leased asset.

Capital leases are generally considered LTGO debt. The Washington State Treasurer's Local Option Capital Asset Leasing (LOCAL) program is a capital leasing program.

The County Treasurer will review each proposed resolution for a lease purchase or other financing contract prior to its consideration at a public meeting. The County Treasurer, in consultation with the County's municipal advisor, will compare any proposal for lease-purchase or vendor financing with the terms available through the LOCAL Program (described below), and if determined to be in the best interest of the County, may recommend use of the Program. The Treasurer shall be provided with detail regarding the purpose, cost, timing and financing term for any proposed contract, and if determined to be in the County's best interest, will provide the State Treasurer with a Notice of Intent and Credit Form (if required) to initiate use of the LOCAL Program.

Local Option Capital Asset Lending (LOCAL) Program

The LOCAL program is operated by the Washington State Treasurer and can be used for financing real or personal property when it is expected to provide a lower cost of borrowing. This lease/purchase program allows pooling of funding needs for state agencies and local governments into larger offerings of securities.

Lines of Credit

The County may enter into agreements with commercial banks or other financial institutions to acquire lines of credit. Lines of credit provide the County with access to credit under a set of specified terms and conditions. Lines of credit shall be in support of general operating expenditures and/or approved capital projects.

Bond and Grant Anticipation Notes

The County may choose to issue Bond Anticipation Notes or Grant Anticipation Notes as a source of interim financing.

Tax and Revenue Anticipation Notes

The County may issue Tax and Revenue Anticipation Notes to fund cash flow needs.

Internal Lines of Credit and Interfund Loans

The County has the authority to loan money between allowable funds and establish lines of credit using internal funding sources. These financing options must adhere to certain criteria and comply with requirements set forth in the Washington State BARS manual, specifically chapter 3.9. These internal borrowing mechanisms are not subject to continuing disclosure requirement and other forms of required federal reporting and compliance. Internal borrowing is not treated as resulting in "debt" for state law purposes and does not require one of the specific security pledges described above.

All interfund loan resolutions will be reviewed by the County Treasurer to ensure that the appropriate reimbursement language is included, the correct funding sources are used, and to develop the appropriate debt repayment schedule.

2.3 Limitations on Debt Issuance

Under Washington State law, RCW 39.36.020(2)(a)(ii), the County may contract indebtedness for general county purposes and issue limited tax general obligation bonds for general County purposes in an amount not to exceed 1.5 percent of the assessed value of all taxable property within the County. The BOCC may authorize the issuance of such limited tax general obligation bonds by resolution and without voter approval.

Under RCW 36.67.010 and 39.36.020(b), the County may contract indebtedness and issue unlimited tax general obligation (voter-approved) bonds with the affirmative vote of at least 60 percent of the voters casting a vote, and the total number of ballots cast must be at least equal to 40 percent of the total number of voters voting in the last state general election (this is a 60 percent approval *and* 40 percent validation requirement). Total GO debt (including limited and unlimited tax) is subject to a statutory limitation of 2.5 percent of the County's assessed value.

In calculating the County's legal debt limit, the County will consult with its bond counsel to determine whether certain obligations are to be treated as debt within the statutory and constitutional limits.

Revenue bonds are not subject to constitutional or statutory limitations; however they are subject to financial covenants that limit the amount of total indebtedness for a particular system or project.

Prior to undertaking any issuance of debt, the County shall identify the source of repayment of such indebtedness and review the proposed plan of finance, which may include some or all of the following:

- History of the identified repayment source;
- Level of historical and projected debt service coverage;
- Availability of related fund balance and reserves for the repayment of debt;
- Revenue volatility and related risk.

2.4 Ethical Standards Governing Conduct

The County elected officials and department heads will adhere to standards of conduct as stipulated by the following:

- Ethics and Conflict of Interest Policy – Policy No. HR-018 and Employee Handbook;
- Code of Ethics for Municipal Officers – Contract Interests RCW 42.23;
- Applicable federal laws, rules, and regulations.

III. Roles and Responsibilities

3.1 The Board of Yakima County Commissioners (BOCC)

The BOCC, in accordance with the County's Capital Improvement Plan (CIP), shall be responsible to approve all forms of County borrowing. They will comply with the limitations imposed on the issuance of county debt in accordance with Article VIII of the Washington State Constitution and RCW 36.67 and RCW 39.46. The BOCC will also appropriate annually the amount required to pay principal of, and interest on, outstanding debt in accordance with RCW 39.46.

3.2 County Treasurer

The Yakima County Treasurer (hereinafter referred to as "Treasurer") is responsible for assisting County departments and offices in identifying potential borrowing strategies; coordinating the work necessary for the issuance of debt, including the timing, processing and sale of debt; managing the bond counsel and municipal advisor contracts on behalf of the County; and appointing Fiscal Agent. The Treasurer shall inform the County's Finance Committee of all debt issuance plans and the status of financings in process.

Additionally, the Treasurer shall be responsible for the payment of the County's debt service pursuant to RCW 36.29.010, as well as compliance with requirements of any continuing disclosure undertaking and with arbitrage requirements of the IRS (see Section VIII herein).

3.3 County Finance Committee

In accordance with RCW 36.48.070, the County Finance Committee shall adopt a Debt Policy, which shall be reviewed and updated at least every four years. The Finance Committee shall make a recommendation to the BOCC on all requests for action on financing, as recommended by the County Treasurer.

3.4 Yakima County Departments and Offices

County Departments and Offices that request debt play a significant and important role in the debt issuance process. To start, they must provide the BOCC, Treasurer, and Budget Director with advance notification of the need for borrowing. This notification should include relevant details of what is being financed and identified repayment sources.

County departments and offices are responsible for the accuracy of the information they provide.

IV. Professionals and Other Service Providers

The Treasurer shall, on behalf of the County, contract for professional services required to execute financing transactions and advise on debt management. Primary professional service providers include, but are not limited to, bond counsel and a municipal advisor.

Other professional services providers may include underwriters, lenders, credit rating agencies, bond insurers, verification and escrow agents, registrar/paying agent, and arbitrage and post compliance report monitoring.

4.1 Bond Counsel

Bond counsel serves as the County's legal advisor in connection with the issuance of bonds and other types of debt. All debt issued by the County shall include a written opinion by legal counsel affirming that the County is authorized to issue the proposed debt, that all constitutional and statutory requirements have been met, and a determination of the proposed debt's federal income tax status. The legal opinion and other documents relating to the issuance of debt will be prepared by nationally recognized private legal counsel with extensive experience in public finance and tax issues. Bond counsel will be appointed by the prosecuting attorney to serve as special prosecutor.

4.2 Municipal Advisor

A municipal financial advisor provides financial advice to the county in connection with the issuance of debt and other related matters. Municipal advisors are regulated by the Security and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MRSB) and have fiduciary duty to their clients.

The County may select and utilize a municipal advisor in connection with all publicly offered debt and bank placed borrowings. In addition, the County may use the advisor for complex state and federal loans. The municipal advisor must be registered with both the SEC and MSRB and have experience acting as municipal advisor to Washington counties and other municipalities.

In no case shall the municipal advisor serve as underwriter for the County's bonds, and the municipal advisor shall not purchase or sell any of the County's bonds until the underwriting accounts are closed or debt is freed from underwriter pricing restrictions, whichever occurs first. The County Treasurer shall provide the municipal advisor with a copy of the County's Debt Policy and the municipal advisor shall be responsible for following the policy as it relates to its duties.

4.3 Underwriter

For competitive sales of bonds, the County Treasurer, with assistance of a municipal advisor, will provide notice of the sale customary to the national municipal bond market, and will widely disseminate the official statement, notice of sale and bid form to encourage the broadest market participation in the sale. The Underwriter at competitive sale will be determined based solely on the lowest cost proposal submitted based on a bid basis, at a specified date and time, as customary in the municipal market.

For negotiated sales of bonds, the County Treasurer will select an underwriter, consistent with the County's general authority to contract, taking into account the type of issue, experience offered and other relevant criteria. The selection of underwriter may be for an individual bond issue, series of financings or a specified time period, as determined by the Treasurer. The underwriter shall have sufficient capitalization and experience to serve as underwriter for the County's bonds. The County Treasurer shall provide the underwriter with a copy of the County's Debt Policy and the underwriter shall be responsible for following the policy as it relates to its role and duties.

4.4 Fiscal Agent

The County Treasurer will appoint the Fiscal Agent (RCW 39.44.130) and at her sole discretion, the Treasurer may serve as registrar for very small issues or those privately placed with investors. Neither the County or special purpose districts can obligate the

County Treasurer to serve as registrar without prior written approval of the Treasurer as provided in RCW 39.46.030.

4.5 Other Service Providers

Professional services such as verification agent, escrow agent or arbitrage rebate analyst shall be appointed by the Treasurer, and are considered incidental to the Treasurer's role in undertaking the issuance of debt.

V. Transaction Specific Policies

5.1 Method of Sale

There are three primary methods of selling debt: competitive public offering, negotiated public offering, and direct bank placement. The County Treasurer (in consultation with the municipal advisor) shall determine the method of sale best suited for each issue of debt, with notification to the finance committee.

Competitive Bid Method

All fixed rate debt of the County shall be sold by sealed competitive bid unless otherwise justified to minimize the costs and risks of borrowing. For any competitive sale of debt, the County 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), based on bids submitted at a specified date and time.

Negotiated Sale Method

When market conditions, financing complexity, or other features of a debt issuance warrant, the County may pursue a negotiated sale, in which the underwriter is selected in advance of the sale.

If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, yields, priority of orders, and underwriting or remarketing fees.

The Treasurer, with the assistance of its municipal advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, yields, and fees shall include prevailing terms and conditions in the marketplace for comparable issuers.

Direct Placement or Private Placement

Market conditions, financing complexity, or other structural aspects of a debt issuance may also lend themselves to a direct bank placement, in which the County sells bonds directly to a commercial bank or other financial institution. Absent extenuating circumstances, the County will use a competitive process to select its preferred lender for a direct bank placement of bonds.

The above methods are not applicable to state or federal loans in which another governmental entity serves as lender. Such loan programs are often designed with below market interest rates or other favorable terms and conditions. The County may pursue state or federal loan programs to the extent such programs provide a financial or other benefit relative to a public offering or direct bank placement.

5.2 Debt Structural Elements

Maturity

The term of County debt should not exceed the useful life of the facilities or equipment being financed. The repayment of principal on tax supported debt should generally not extend beyond 20 fiscal years unless there are compelling factors which make it necessary to extend the term.

In setting the term of debt, the County will attempt to balance the overall cost of financing with the annual payment burden. It is the goal of the County to establish a term of finance that ensures that the residents benefiting from the project are the ones who are paying over the life of the debt. The term will be structured consistent with a fair allocation of costs to current and future beneficiaries.

Debt Service Structure

Unless otherwise justified, debt issued by the County should be structured to provide substantially level annual debt service. Deferring the repayment of principal should be avoided except in select instances where it will take time before a bond-financed project will generate revenues sufficient to pay debt service.

Coupon Type

The County will generally issue debt with one or more fixed rates of interest. The County may choose to issue debt paying a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities.

Optional Redemption

County debt typically includes provisions for redemption prior to maturity. The County may issue debt without optional redemption features when the term of the debt is less than ten years. Determination of debt redemption features shall be made by the County Treasurer in consultation with bond counsel and municipal advisor.

Taxable Debt

The County, like other municipal issuers, most commonly issues debt that is tax-exempt or otherwise tax-advantaged. The County may issue taxable debt for project that do not meet IRS requirements for tax-exemption, or in circumstances where the flexibility afforded by taxable debt outweighs the additional cost of taxable interest rates.

Capitalized Interest

The County may use capitalized interest (interest payable from proceeds of the borrowing) when debt is issued in support of a project that will not generate revenue until after completion of construction of the financed project, or to otherwise correlate with the identified source of payment of debt service on the bonds.

5.3 Credit Ratings

As of May 28, 2021 the County's outstanding limited tax general obligation bonds are rated "Aa3" by Moody's Investors Service. The County shall generally target bond credit ratings in the "Aa" category. The County will consult with its municipal advisor in determining whether to apply for credit rating prior to issuance of debt.

5.4 Credit Enhancement

The decision to purchase bond insurance or other credit enhancements will be made based on the cost effectiveness of the enhancement. Cost effectiveness is calculated as the difference in the present value of the total payments for the enhanced and non-enhanced debt as compared to the cost of the enhancement. The decision will be based on recommendations from the County's municipal advisor and underwriter (as applicable).

For competitive sales of bonds, the County will make insurance available at the option and expense of bidding underwriters. Bidders may choose to purchase additional insured bond ratings at their own expense.

For negotiated sales of bonds, the County will pay the bond insurance premium from bond proceeds when a benefit is demonstrated following analysis, as discussed above.

VI. Refunding Obligations

The County Treasurer, in consultation with the municipal advisor, will monitor the County's outstanding debt obligations to determine whether present value savings can be achieved through refunding such debt as authorized under RCW 39.53.

Prior to undertaking a refunding bond issue, the County will review an estimate of the net present value (NPV) savings achievable from the refunding. The County will also evaluate the possibility of redeeming outstanding debt with existing resources, in lieu of or as a supplement to a refunding bond transaction.

Unless required to achieve specific debt management goals of the County, the County will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. Refinancing for the purpose of deferring debt service may have an impact on its credit rating.

Current refunding transactions are those undertaken within 90 days of the call date on outstanding debt. The County will generally consider a current refunding transaction if such transaction will result in estimated net present value savings as follows:

Years Between Refunding and Final Maturity	Present Value Savings Target
1 – 2 years	1%
3 – 4 years	2%
5 – 6 years	3%
7 – 9 years	4%

(1) Net Present Value Savings as a percentage of the par amount of refunding debt.

In addition to considering the present value savings target, the County will consider the dollar amount of savings, in total and annually, to determine if it is beneficial to refinance the debt. A current refunding also may be justified if the refunded bonds contain outdated or restrictive covenants, or if the transaction will aid in other County policy goals.

Unless otherwise justified, advance refunding transactions will require a minimum present value savings of 2.5 to 5% of the principal amount of the refunded debt. Advance refunding is a method of refinancing outstanding debt in which the refunded bonds' call date is more than 90 days after the issue date of the refunding bonds. As of the date of this policy, the issuance of tax-exempt advance refunding bonds is not permitted under the Code. The County many, in consultation with its municipal advisor, consider structural alternatives to a taxable advance refunding.

VII. Other Duties and Obligations

7.1 Investment of Bond Proceeds

Each Bond Resolution will provide for establishment of funds and accounts, which will be designated in advance by the County Treasurer. The County, by separate resolution, will identify the investing officer for the bond related funds held by the County Treasurer. Bond proceeds will be invested in accordance with the County's Investment Policy & Procedures and in compliance with IRS requirements for tax-exempt bonds.

7.2 Post-Issuance Compliance

The County shall adhere to post-issuance disclosure and tax compliance requirements as further described in the County's then effective Post Issuance Compliance Policy.

7.3 Arbitrage and Tax Law Requirements

Prior to any debt issuance, the County Treasurer shall be provided with a schedule that shows the expected timing and amount of expenditures to be made from the project fund. This schedule will be provided by the County Treasurer to Bond Counsel for use in developing an Arbitrage Certificate and in meeting IRS spend-down requirements for tax-exempt bond proceeds.

The County Treasurer will keep records of investment of bond proceeds and bond funds sufficient to develop calculations required for compliance with arbitrage and other tax law requirements. At her of his sole discretion, the County Treasurer may retain the services of a qualified professional firm to provide computations relating to potential rebate liability of the County. In this case, the County Treasurer may seek proposals from qualified firms, with a selection to be based on qualifications, cost and services to be provided.

The County Treasurer is not responsible for arbitrage and other tax law requirements for junior taxing or benefit assessment districts for which the County Treasurer serves as *ex-officio* treasurer. No such district is authorized to obligate the County Treasurer in any way, relating to these requirements.

7.4 Disclosure Documents

Primary market disclosure - The County Treasurer will serve as the focal point for information requests relating to official statements to be used in the initial offering of the County's bonds or notes. The County Treasurer will request from relevant departments and offices, information required for disclosure to investors and rating agencies. Each department or office bears responsibility for the information provided for use in the County's official statements.

The County Commissioners will be provided with a copy of the official statement for each issue of debt, and the Chair of the Board will sign a statement attesting to the accuracy and completeness of the information therein.

Post Issuance disclosure - The County Treasurer shall review any proposed undertaking to provide secondary market disclosure and shall be responsible for compliance with the County's then effective Post Issuance Compliance Policy.

7.5 Derivatives

The County will not enter into interest rate swaps or similar derivative products.

VIII. Approval and Adoption

Approved and adopted this 22nd day of April, 2025, by the Yakima County Finance Committee.

Ilene Thomson, County Treasurer
Chair, County Finance Committee

Charles Ross, County Auditor
Secretary, County Finance Committee

Kyle Curtis, Chair
Board of County Commissioners
Member, County Finance Committee