Exhibit A

BEFORE THE BOARD OF COUNTY COMMISSIONERS
MASON COUNTY, WASHINGTON

In the matter of:)
Adoption of County) Resolution No. 28-04
Debt Policy)

WHEREAS, in accordance with RCW 36.48.070, the County Finance Committee shall adopt a Debt Policy; and

WHEREAS, the Debt Policy shall be reviewed and updated at least every four years; and

WHEREAS, the County Finance Committee shall make a recommendation to the Board of Commissioners on all requests for action on financing as recommended by the County Treasurer, and

WHEREAS, the County Finance Committee and the County Treasurer recommend the adoption of the aforementioned Debt Policy by the Board of County Commissioners; and

WHEREAS, the Board of County Commissioners has reviewed the Debt Policy and finds it to be in the best interest of the public,

NOW, THEREFOR, BE IT RESOLVED that the aforesaid Debt Policy is hereby approved, and the Chair of the Board of County Commissioners is authorized to sign the same on behalf of the full Board.

DONE IN OPEN SESSION this 20 day of April, 2004

BOARD OF COUNTY COMMISSIONERS
MASON C OUNTY, WASHINGTON

Attest:

Rebecca S Rogers
Becky Rogers
Clerk of the Board

Wesley E. Johnson
Chair

Member

Lynn L. Bowman
Member

Approved as to form:

Michael E Clift
Chief Prosecuting Attorney

Mason County, Washington
Debt Policy

March 2004

INTRODUCTION

The foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt, managing a debt portfolio and providing guidance to decision-makers. The debt policy should recognize a long-term commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that its credit quality is protected. A debt policy is beneficial because it enhances the quality of decisions, rationalizes the decision-making process, identifies objectives for staff, demonstrates a commitment to long-term financial planning objectives and is viewed positively by the rating agencies.

1. Roles and Responsibilities

The *Board of Commissioners* shall, in accordance with applicable statutes, ordinances and policies initiate all debt issuance.

As the *Board of Commissioners* addresses issues and elements of the County's Debt Policy the following objectives will be considered:

EQUITABILITY To be reasonable and equitable to current and future taxpayers when distributing the cost of government by issuing debt and when allocating the debt service to the appropriate revenue sources.

RESPONSIBILITY To act responsibly and appropriately when issuing debt, to maintain or enhance the County's credit worthiness and reputation, and to ensure the trust of those who have or will purchase the County's debt.

FLEXIBILITY To maintain the County's ability to choose financing options that optimize the changing municipal financial markets and to achieve established objectives at the best possible cost consistent with the long-term interests of the county.

DUE CARE To adhere to and comply with all of the agreements, laws, contracts, covenants, policies and obligations that relate to the current Policy.

The County Treasurer shall provide the services required for the issuance of debt, in consultation with required professionals and other service providers. The Treasurer shall inform the County's Finance Committee of all debt issuance plans and the status of financing in process. Additionally, the County Treasurer shall be responsible for the payment of the County's debt service pursuant to RCW 36.29.010.

The Board of County Commissioners shall be responsible for coordinating the annual update of the Capital Facilities Plan, forwarding a copy of the updated Capital Facilities

Plan to the Finance Committee for use as a resource to make recommendations on debt financing.

II. Debt and Capital Planning

The County shall develop a Capital Facilities Plan that is included in the Capital Facilities Element of the Comprehensive Plan.

Priorities shall be established based upon (1) the need for the project, as determined in the adopted Capital Facilities Plan and the Mason County Comprehensive Plan, in order to provide required County services, (2) availability of funding or debt repayment source, and (3) availability of staff to carry out the project in the time frames specified.

The plan shall be updated and priorities reviewed annually. Based upon the projects and priorities listed in the Capital Facilities Plan, the County Treasurer will develop a plan of finance and calendar of debt issuance to address the financing needs, identified in each year for presentation to the Finance Committee, and further recommendation to the Board of Commissioners.

III. Credit Objectives

Credit Ratings

The most recent credit rating for Mason County was a Municipal Bond Insurance rating of AAA, with an underlying rating of A-, as of May 1998.

The County will seek to maintain the highest possible credit ratings for all categories of debt, without compromising delivery of basic County services and achievement of the County's policy objectives. It shall be the County's goal to maintain a long-term bond rating in the "A" category.

Consistent with maintenance of an "A" rating, the County shall maintain an undesignated balance in its general fund (or any related reserve fund that may be created for this purpose). To this extent the Board of County Commissioners has passed Resolution #42-98 designating a $1,000,000.00 unencumbered cash balance be held for such purposes.

Additional policies intended to support the maintenance of the County's current ratings are contained throughout this Debt Policy and include:

1) Length of debt and payback goals,
2) Purpose, type and use of debt, and
3) Capital planning

Credit Enhancement

For all bond issues, the County will consider municipal bond insurance to reduce net interest costs. Credit enhancement will only be used when the projected present value benefit is greater than the cost of insurance. The projected present value benefit will be determined by comparing the expected interest cost for the financing both with and without insurance, when discounted by the expected interest rate on the bonds.

Generally, the County will not purchase more than one bond rating for insured debt.

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

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

IV. Purpose, Type and Use of Debt

General Obligation Debt

General Obligation Debt is backed by the full faith and credit of the County and is payable from General Fund revenues and taxes collected by the County.

Limited Tax General Obligation Debt (LTGO) is payable from regular tax levies and revenues, and includes all types of obligations whether lease-purchase, financing contracts, loans, bond or other payment obligations. Rental leases are not considered debt, but financing leases are. LTGO debt is subject to a statutory limitation of 1.5% of the County's assessed value.

Limited tax debt will be used for general county purposes, when a specified repayment source has been identified through new revenue sources, expenditure reductions or increased revenue base, or in the event of an emergency. The amount of limited tax debt outstanding will not exceed 35% of the statutory debt limitation, unless required to meet an emergency requirement caused by natural disaster, legal judgment or similar unplanned events.

Unlimited Tax General Obligation Debt (UTGO) is payable from excess tax levies and is subject to voter approval. Any proposition for UTGO debt must be approved by 60% of the voters casting a vote, and the total number of ballots cast must be at least equal to 40% of the total number of voters voting in the last general election. Total GO debt (including limited and unlimited tax) is subject to a statutory limitation of 2.5% of the County's assessed value.

Unlimited tax debt will be used for county capital purposes, when the project has broad approval by the County's residents, or the use of an excess tax levy is necessary for debt service payments.

Revenue Obligations

Revenue Obligations are used to finance construction or improvements to facilities of 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.

There are no legal limits to the amount of revenue bonds the County can issue, but there are practical limits to the County's ability to repay obligations.

Revenue bonds are generally subject to certain tests and requirements, including (1) establishment and maintenance of a debt service reserve fund (generally equal to average annual debt service), (2) rates and charges must provide net revenue after payment of operating expenses equal to a multiple between 1.1 and 1.5 times the debt service requirement, depending on the type and purpose of the enterprise and debt. Additional covenants and pledges must be made for the benefit of bondholders.

The County will not incur Revenue Obligations without first ensuring the ability of an enterprise system to consistently meet any pledges and covenants customarily required by investors in such obligations, during the term of the obligation.

Assessment-backed Obligations

Assessment-backed obligations are used to finance projects that will provide special benefit to certain property owners. The benefiting property owners are charged an assessment, based upon a formula developed to fairly reflect the benefit received by each property owner in the assessment district. There are detailed statutes for the formation of assessment districts and assessing property, which contain specific timeframes for notice and conducting public hearings.

The County will form road improvement districts (RIDS) or local improvement districts (LIDS) upon petition of benefiting property owner, unless the County Commissioners determine to establish the districts by resolution. The County Commissioners will provide the County Treasurer with each proposed resolution forming an assessment district prior to its consideration at a public meeting.

The Treasurer shall be provided with enough detail to determine the size, timing and characteristics of the project and any contribution the County is providing to the cost of the improvements.

The County Treasurer, in consultation with the appropriate county department, will develop specific policies and procedures relating to financing for assessment districts, for recommendation to the Finance Committee.

Lease Purchase or other Financing Contracts

Lease purchase or financing contracts are payment obligations that represent principal and interest components, for which the County receives the property after all payments are made. These represent general obligations of the County.

Local Option Capital Asset Lending (LOCAL) Program

The LOCAL Program is available by the State Treasurer's Office. It is an expanded version of the state agency lease/purchase program that allows pooling funding needs into larger offerings of securities. This program allows local government agencies the ability to finance equipment needs through the State Treasurer's office, subject to existing debt limitations and financial consideration. Equipment is defined as personal property with the general rule that the property is not permanently affixed to land or a building. Effective July 2000, the State Treasurer has expanded the program to include certain real estate projects.

Upon adoption of a resolution by the County Commissioners authorizing the acquisition of equipment and a financing contract prior to its consideration at a public meeting the Treasurer will provide the State Treasurer with a Notice of Intent and application form along with a credit form for approval. The Treasurer shall be provided with details regarding the equipment, cost and financing term for any proposed contract.

Short Term Obligations

Short-term obligation will be used for the purpose of cash flow financing or to provide interim financing in conjunction with the development of a long term financing plan. In no case, will notes or other obligations be entered into for the purpose of funding deficits without prior development and review of a longer-term deficit-financing plan by the Finance Committee upon recommendation by the County Treasurer.

The use of short term financing shall be evaluated by the County Treasurer and compared with the cost of internal financing or inter-fund loans. All inter-fund loan resolutions will be reviewed by the County Treasurer to ensure that the appropriate reimbursable language is included, the correct fund numbers are used, and to develop the appropriate debt repayment schedule.

V. Structure of Debt

Term of Financing

In no case will the term of any financing exceed the life of the asset being financed. 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.

Payback Period

To the extent possible, the County will strive to repay at least 20% of its long-term debt within five years and 40% within ten years. This is consistent with the County's desire to structure debt with level payments of principal and interest over the life of the debt. Back-loading of principal will be considered only when the benefits from the debt issuance can clearly be demonstrated to be greater in the future than in the present, when such structuring is beneficial to the County's overall amortization schedule, or when the structure will more closely match debt service to the anticipated repayment source.

VI. Refunding Obligations

The County Treasurer will continually review the County's outstanding debt and recommend issues for refunding as market opportunities arise. Debt shall be refinanced only for the purpose of achieving debt service savings, 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. The County is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

Advance refunding transactions will generally be completed when net present value savings equal at least 3.5% of the amount of debt being refunded. Advance refunding transactions are those undertaken in advance of the first date on the refunded debt can be called for optional redemption, and will require the establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

Current refunding transactions shall be considered whenever possible. Current refunding transactions are those undertaken at or after the call date on outstanding debt, and provide for immediate redemption and replacement of refunded debt. The savings level required for a current refunding should take into account the number of years remaining on the bonds, within the following general guidelines.

Years Between Refunding and Final Redemption	Present Value Savings Target
1 - 2 years	1%
3 - 4 years	2%
5 - 6 years	2.5 - 3%
7 - 9 years	3.5%

The County may purchase its bonds in the open market for the purpose of retiring the obligations, when cost effective.

VII. Debt Issuance

Method of Sale

The County Treasurer shall determine the method of sale best suited for each issue of debt. When necessary to minimize the costs and risks of borrowing, the County will provide for the sale of debt by negotiating the terms and conditions of sale, including prices, interest rates, underwriting fees and other compensation. 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). (TIC is the total interest paid plus underwriters cost in present value.)

Use of Professionals and Other Service Providers

Bond Counsel - All debt issued by the County shall include a written opinion by legal counsel affirming that the County is authorized to issue the debt, and that all statutory requirements have been met. 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 upon request of County Treasurer.

Financial Advisor - If the County Treasurer with consensus of the Finance Committee determines that it is in the best interest of the County to retain a financial advisor, then the Treasurer shall select a financial advisor consistent with the County's general authority to contract. The financial advisor shall have comprehensive municipal debt experience, including debt structuring and pricing of municipal securities. In no case shall the financial advisor serve as underwriter for the County's bonds without first submitting written resignation as financial advisor, which clearly sets forth the firm's role relating to the bonds to be issued.

Underwriter - For negotiated sales, 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.

Fiscal Agent - The County Treasurer shall use the State Fiscal Agent appointed by the State Treasurer. At the sole discretion of the Treasurer, 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.

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

VIII Other Duties and Obligations

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. Each Resolution will identify the investing officer for the funds held by the County Treasurer, and any investments will be made only in accordance with the County's Investment Policy and procedures established by the County Treasurer. Any investment officer shall be responsible for requesting a copy of such policies and procedures from the County Treasurer, if required.

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.

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 the sole discretion of the County Treasurer, the County Treasurer may retain the services of a qualified professional firm to provide computations relating to potential rebate liability of the County.

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.

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 upon concurrence the Chair of the Board will sign a statement attesting to the accuracy and completeness of the information therein.

Secondary market disclosure The County Treasurer shall review any proposed undertaking to provide secondary market disclosure, and advise the County Commissioners of any suggested changes in information or deadlines contained therein. The County Treasurer will provide secondary market disclosure annually, if the County has contracted to provide any.

In accordance with RCW 36.48.070, the County Finance Committee *(whose members are the county treasurer, county auditor and the chair of the county legislative authority)* shall adopt a Debt Policy, which shall be reviewed and updated at least every four years.

Approved and adopted this 26 day of March, 2004, by the Mason County Finance Committee.

Elizabeth Frazier

Elisabeth (Lisa) Frazier, Mason County Treasurer
Chairperson, County Finance Committee

Allan Brotche

Al Brotche, Mason County Auditor
Secretary, County Finance Committee

Wesley E. Johnson

Wesley Johnson, Chairperson, Board of County Commissioners
Member, County Finance Committee