DEBT MANAGEMENT 7.102

I. The purpose of this Policy is to establish guidance for incurring and managing the debt of the School District. Such debt includes short-term and long-term obligations incurred by the School Board and any associated financing entities, such as traditional financing vehicles like tax-anticipation, revenue-anticipation or bond-anticipation notes; capital and operating leases; general obligation bonds; sales tax bonds; and certificates of participation. The Policy also contemplates new/unique financing concepts such as qualified zone academy bonds (QZABs) and other financial management tools that may evolve in the future. This Policy and attached procedures are designed to:

A. set forth a liability management structure to facilitate the sound and efficient management of District debt, addressing both practical aspects of liability management and philosophical aspects;

B. provide guidelines to control the overall debt management process so that all liabilities are managed in accordance with stated objectives;

C. encourage and require communication between staff, the Board, and the District's legal and financial advisors; and,

D. develop formalized criteria for evaluating and establishing the basis for comparing actual performance results achieved by debt management.

II. Implementation – The Chief Financial Officer on behalf of the Superintendent shall be responsible for the implementation of the procedures referenced in the Debt Management Policy.

III. Permissible Debt - The Board recognizes that debt is an integral part of the District's ongoing financial management program; and both short-term and long-term debt help the District accomplish its core goals. The Board also recognizes that annual operating and capital revenues are cyclical, which often necessitate the use of short-term financings, while the useful life of new and renovated facilities is often thirty to forty years. As a result, prudent financial management will employ short-term and long-term financing tools to facilitate matching assets and liabilities.

A. Short-Term Debt

1. In accordance with applicable laws such as Sections 1011.12(2), 1011.13 and 1011.14, Florida Statutes, the District may issue obligations with a maturity of not more

than one year (Notes) to fund anticipated short-term cash flow needs due to the timing of the receipts of the annual current year ad valorem tax collections from the county tax collector and other revenues. The principal of the Notes and the interest thereon will be payable from, and secured by, a pledge of such ad valorem taxes and other revenues, as may be appropriate.

2. Except for any issuance of taxable obligations, the District will comply with the requirements of the Internal Revenue Service Code (Code), prior to and subsequent to the issuance of the Notes, for spending the proceeds in a manner consistent with the exceptions for interest on the Notes not being included in gross income for federal income tax purposes.

B. Long-Term Debt

1. In accordance with applicable laws such as Florida Statutes Chapters 1010, 1011, and 1013 Part IV, the District will not issue long-term debt obligations or use long-term debt proceeds to finance current operations (except when using excess proceeds to make debt service/lease payments as provided for in the financing documents). For purposes of this Policy, long-term debt includes bonds, leases, certificates of participation, and other similar obligations.

2. The District may utilize long-term debt for the acquisition, construction or renovation of facilities or, consistent with Florida law, for the acquisition of equipment that cannot be funded from current revenue sources or in such cases where it is more equitable to finance the facility or equipment over its useful life. The District may also issue long-term debt to refund all or a portion of its outstanding debt subject to limitations detailed in this Policy.

3. When debt is used to finance capital improvements, the financing term will be for a period not to exceed the useful life of the facilities or equipment, but never greater than 25 years.

IV. Measures of Debt Levels and Debt Issuance Limits

A. Short Term Debt - The District will not exceed the maximum allowable issuance size, if any, as determined by regulations governing the federal taxability of the interest earned by holders of such debt.

B. Long Term Debt

1. General Obligation Bonds - Pursuant to State Board of Education rule 6A-1.037(2), the measure shall be the outstanding debt-to-taxable property ratio, such that a bond issue, together with other school bonds outstanding against the District shall not exceed ten percent (10%) of the nonexempt assessed valuation of the District.

2. Certificates of Participation

a. The measure shall be lease payments as a percentage of capital outlay millage dollars and shall not exceed 50% (or 1.0 mills) of the authorized capital outlay millage, unless approved by a supermajority of the School Board.

b. Additionally, the District will comply with all applicable Florida statutory requirements and State Board of Education rules and take into account other factors suggested or required by the credit rating agencies and bond insurers when preparing its capital budget and each specific plan of finance.

V. Selecting Debt Sale Methods

A. Short-term Debt - Short-term debt shall be issued through a competitive bid process, except in instances where a private placement or a negotiated sale is more cost effective because of unique market conditions or other extraordinary factors.

B. Long-term Debt - The Board, with the advice of the District's Financial Advisor, will determine whether the sale of long-term debt shall be sold via competitive sale or negotiated sale after considering such factors as the size, complexity of the offering, market conditions, and timing of the transaction. Except where sold by negotiated sale through underwriters pursuant to Section 218.385, Florida Statutes, bonds must be sold to the highest and best bidder at a public sale except as otherwise allowed by Section 1010.47(2), Florida Statutes.

VI. Financing Structure - The financing structure, consisting of matters such as principal amortization, call provisions, coupons/yields, and credit enhancements will be developed for each financing after considering relevant market conditions and then-current practices. Each structure will be developed to provide the lowest long-term effective financing cost while providing the greatest flexibility to extract additional value as market conditions change over time (such as refunding debt).

VII. Amortization Structure - Principal should be structured to provide level debt-service payments for the life of the transaction. "Wrapped debt service" and "bullet maturities" may be appropriate for certain financings but should only be employed for short term payment relief or when determined by the Financial Advisor to provide a long term benefit to the District's capital program.

VIII. Issuing Variable Rate Debt - The District may issue variable rate obligations in amounts, and in proportion to its fixed-rate debt, that the District, with the advice and counsel of the District's Financial Advisor, determines to be appropriate to achieve the District's goals.

IX. Credit Ratings - Because the credit review process incorporates both quantitative analysis (fund balance, debt levels, and wealth levels) and qualitative factors (management experience, political climate, and policies/procedures), the District recognizes that credit ratings provide an indication of both the short-term and long-term financial health of the District and that higher credit ratings also result in reduced borrowing costs and decreased cost of bond insurance. Accordingly, the District will exercise prudence and diligence in preparing its budget and managing its finances to maintain its current ratings and obtain ratings upgrades that reflect the District's commitment to excellence.

X. Credit Enhancements - Credit enhancements (such as insurance and letters of credit) will be used only in those instances where the anticipated present value savings in terms of reduced interest expense exceeds the cost of the credit enhancement or when such credit enhancement is an integral part of the overall financing structure.

XI. Investing Debt Proceeds - Because safety of capital is regarded as the highest priority in handling of investment of debt proceeds, and all other investment objectives are secondary to the safety of capital, District staff will follow investment strategies that are consistent with the written Investment Policy 7.35 and Section 218.415, Florida Statutes and provide the maximum return while complying with the requirements of the Code.

A. The District, with the guidance of the District's Investment or Financial Advisor will attempt to structure investments that allow the District to meet exceptions to the rebate requirements in section 148(f) of the Code.

B. Debt proceeds are only to be invested in permitted investments, as defined in financing agreements, escrow agreements, resolutions, law, and the School Board's Investment Policy 7.35. Neither the

District nor any person under its control or direction will make any investment of bond proceeds in any manner that would cause the bonds to be deemed private activity bonds or arbitrage bonds by the IRS under Sections 141 or 148 of the Code. The District will comply with all federal tax arbitrage regulations.

XII. Debt Refundings - The District will monitor outstanding debt in relation to existing conditions in the debt market and may refund any outstanding debt when sufficient cost savings can be realized. Outstanding debt may be refunded as long as the net present value savings is equal to or greater than 3% of the refunded obligation's paramount unless otherwise recommended by the District's Financial Advisor.

XIII. Compliance and Reporting

A. Disclosure Policy - The District will provide full and fair disclosure in connection with the initial sale and distribution of its publicly-marketed debt instruments and provide ongoing secondary market information, in compliance with the requirements of applicable federal and state securities laws and regulations, including Securities and Exchange Commission Rule 15c 2-12.

B. Budgeted Debt Service Payments - Annually the Superintendent will include in the proposed budget presented to the Board for its consideration and approval the appropriations necessary to make the required debt service and lease payments during the fiscal year.

C. Compliance with Financing Covenants and the Law - The District shall comply with all covenants and requirements of financing resolutions, and applicable state and federal laws authorizing and governing the issuance and administration of debt obligations.

D. Bond Yield Arbitrage Monitoring - The District shall contract for arbitrage calculation services to monitor the earnings on its debt proceeds for each debt series and determine whether a rebate is necessary.

E. Database - In addition to the annual report, the Chief Financial Officer will maintain a database of existing debt obligations. The database will include at least the following information related the District's debt:

- Debt service schedule including principal, interest, and coupon
- Issue date
- Interest rate mode (variable/fixed)
- Call provisions

- Credit enhancement
- Purpose (new money/refunding)
- Senior managing underwriter

STATUTORY AUTHORITY: **1001.42(10); 1001.43(2), F.S.**

LAWS IMPLEMENTED: **218.385; 218.415; 1001.41(1); 1001.42(10)(e), (f); 1010.47(2); 1011.12-1011.16, F.S.**

STATE BOARD OF EDUCATION RULES: **6A-1.037(2)**

HISTORY: **ADOPTED: 6/17/08**
REVISION DATE(S): 11/6/18
FORMERLY: NEW

NOTES: