DEBT MANAGEMENT

A. Purpose

To establish written guidelines and restrictions for issuing debt and managing the outstanding debt portfolio, and to provide guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated.

It is the School Board’s intent to establish a debt management policy to:
- ensure high quality debt management decisions;
- impose order and discipline in the debt issuance process;
- promote consistency and continuity in the decision making process;
- demonstrate a commitment to long-term financial planning objectives;
- ensure that the debt management decisions are viewed positively by the rating agencies, investment community, and taxpayers.

B. Capital Improvement Plan

The District shall maintain a five (5) year Capital Improvement Plan (CIP), including all proposed projects that may require debt financing. The District’s long term debt strategies shall be structured to reflect its capital needs and ability to finance.

The District shall strive to maintain the highest bond rating through sound financial management, improved receivables management, accounting and financial reporting.

C. Debt Guidelines

General Fund Debt Service:
The District recognizes that maintaining debt levels within supportable standards favorably impacts credit ratings and ensures the community will have an affordable repayment obligation on residents. At the same time, the regular and well-structured use of long-term debt signifies commitment to maintaining and improving its infrastructure. Public sector credit analysts often use 10% as a maximum benchmark for financial soundness. In order to stabilize the desired debt ceiling, the District will schedule future debt service to coincide with maturing debt service.

1. It shall be the District’s policy to establish a debt principal ceiling of 10%. The annual debt principal payable on bonded general fund debt including debt exclusions net of all subsidies, reimbursements and offsets shall not exceed 10% of the annual operating budget.
2. It shall also be the District’s policy to establish a debt principal floor of 2% as an expression of support for continued investment in the District’s facilities.
3. Debt financing for projects supported by General Fund revenue shall be reserved for capital projects and expenditures which either cost in excess of $100,000 or have an anticipated life span of five years or more.

Debt Maturity Schedule:
Except for major construction projects, it shall be the District’s policy that bond maturities shall be limited to no more than ten years or a maturity that is consistent with the life of the asset financed. The goal is aggressive amortization of new debt service and shortening terms for existing debt when there is an opportunity to refinance a bond at a lower cost. Bond maturities shall not exceed the anticipated useful life of the capital project being financed.

Adopted 11/12/14