Debt Management Policy

The Board intends that this policy shall provide a guideline for the management of debt by the District.

Purpose

The Board recognizes that no policy can meet every circumstance and intends that this policy shall serve as a guideline to be used by the Board and administration to handle routine tasks and as a starting point for discussion in deciding on more complex questions.

Scope

This policy applies to all debt instruments issued by the District regardless of the purpose for which issued or the funding source for repayment.

Chain of Command

The Board shall have ultimate authority for the issuance of debt and the terms and conditions under which debt may be issued.

The Board delegates to the Superintendent or designee the responsibility for:

1. Recommending the projects to be funded;
2. Recommending the order for funding;
3. Recommending the construction budgets;
4. Recommending the date money is required; and
5. Consulting with the District's municipal advisor to develop recommendations for:
    a. Timing of sales;
    b. Impact of bond sales on the tax rate;
    c. Type of sale (competitive, negotiated, private placement);
    d. Type of security to be issued;
    e. Guarantee or insurance; and
    f. Rating of the securities.

Objectives

Debt management procedures shall include prudent debt management practices that:

1. Maintain the District's financial stability;
2. Preserve public trust;
3. Effectively manage the tax rate;
4. Match debt to the estimated useful lives of the assets;
5. Provide debt management flexibility;

6. Minimize cost to taxpayers; and
7. Demonstrate strong financial management to credit agencies.

Goals of Debt Issuance

This policy is not intended to create a mechanism that constitutes a “trigger” for action without further discussion.

The goals of the Board in all financing shall include the following:

1. Current and future tax rates shall be the best compromise between the preference to sell bonds with the shortest maturity schedule, provide the lowest tax bill possible to taxpayers of the District, and plan for the future issuance of debt by the District.
2. Capital appreciation bonds (CAB) shall be used only as required to meet the state’s par-to-par test.
3. Call features shall be as aggressive as market conditions will permit.
4. Variable rate bonds, swaps, derivatives, and other synthetic securities shall not be used unless the Board determines that basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk, and credit risk have been fully identified, investigated, and proven to be acceptable.

Refunding of Outstanding Debt

Refunding opportunities shall be evaluated using criteria established by the Board.

Rating Agency Relationships

The District’s municipal advisor shall provide to the Superintendent or designee periodic reports detailing the following:

1. Current criteria used by the rating agencies to evaluate Texas schools.
2. Areas in which the District needs to improve policies or practices.
3. Recommendations concerning the type of presentation to be given to the rating agencies.

Board Resolution Creating Guideline Criteria for the Consideration of Refunding of Outstanding Debt

Whereas the Board does desire to establish criteria for the consideration of refunding certain maturities of bonds currently outstanding; and

Whereas the Board desires to have a set of stated criteria with which to evaluate refunding proposals;

Now therefore, the Board of the District does hereby adopt the following criteria as a guideline for refunding bonds. These criteria are recognized as guidelines, and the Board reserves the right to add criteria, delete criteria, or modify any or all of the criteria in making a final evaluation of any proposal. These criteria are adopted with this understanding that they do and shall apply until modified or replaced by the Board.

Criteria for Refunding

1. Three percent or greater, present value savings.
2. No increase in the debt service of the maturities refunded.
3. No lengthening of the existing maturity schedule.
4. Preservation of future ability to manage the debt service tax rate.
5. Combine refunding and new money issues when possible.
6. District should be satisfied as to the amount of savings obtained compared to the cost of the deal.
7. When a refund is combined with a new money transaction, item 1 in this list is not required.
8. Transactions involving swaps, derivatives, or other synthetic securities are prohibited unless the Board and administration have conducted additional due diligence to determine the risks involved and shall have determined that the risks are known and acceptable.

Debt Issuance Process

The Board may choose any authorized method of sale including competitive sales, negotiated sales, and private placements. The Board may utilize alternative types of sales if deemed more advantageous to the District as a result of the market or other conditions.

Refunding issues shall usually be conducted on a negotiated basis.

Competitive sales are preferred for the sale of short-term debt, or when the market is very stable. Negotiated sales may be utilized if deemed more advantageous to the District.

Reimbursement Resolution

By resolution, the Board may declare its intent to reimburse itself from proceeds of bonds for any capital expenditures previously incurred (not more than 60 days prior to the date of the resolution) from the lawfully available general funds or other lawfully available funds of the District. The reimbursement shall take place within 30 days after the issuance of the bonds.

Selection of Public Finance Team

The Superintendent or designee shall issue a solicitation for municipal advisor, underwriters, bond counsel, and disclosure counsel not less than every five years.