

BOARD AGENDA ITEM
January 26, 2016

SUBJECT:

Recommended Policy on Debt Management -- Policy DCC -- *Debt Management -- First Reading*

BACKGROUND:

The District heretofore has had no specific policy on debt management. The District has followed protocols and practices regarding this important consideration in implementing its fiscal practices, but discussions with bond counsel and financial advisors has led to the conclusion that the District would benefit by having a stated policy related to this important subject.

ADMINISTRATIVE CONSIDERATION:

The Comptroller's office has received model policy language which addresses the various considerations for appropriate debt management practices, as a matter of policy. The proposed policy includes such matters as constitutional limitations, proper debt structuring, debt refunding and/or refinancing (where applicable), debt issuance practices, and transparency through proper disclosure and the maintenance of good communications with bond rating agencies.

RECOMMENDATION:

Approve on first reading the proposed Policy DCC - *Debt Management*

ATTACHMENT:

Proposed Policy DCC

PREPARED BY:

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DEBT MANAGEMENT

Code **DCC** Issued **1/16**

The school district will develop a fiscally responsible debt management program. The program will be intended to ensure that financings undertaken by the school district will satisfy prudent standards and allow the school district to efficiently utilize its financial resources and maintain fiscal stability while meeting its long term capital needs.

Debt

Legal limits

The constitutional limitation on bonded indebtedness for the school district is eight percent of the assessed valuation of district, less the amount outstanding on any bond issues after December 1, 1982. Bonds approved by referendum will not be included in the calculation. Bonds issued to refund prior bond issues are subject to review by bond counsel to determine the impact thereof on the school district's debt limit. Likewise, the impact of fee in lieu of tax arrangements for property located within the school district is subject to advice and counsel from the school district's bond counsel.

Debt structuring

To fund capital improvements approved through the school district's long-term capital facilities plan and the facilities maintenance plan, the district may issue general obligation bonds with a maximum term, not to exceed the useful life of the asset, while maintaining level debt service millage to the extent deemed desirable by the school district at the time of issuance. The school district will use optional redemption features to retire debt, as needed, to reflect market conditions and the changing facility planning and financial needs of the school district.

Debt refunding

The school district will take steps to identify opportunities to refinance debt to achieve debt service savings through lower interest rates, where and if applicable.

Debt issuance practices

State law generally requires that general obligation bonds be sold publicly after appropriate notice. Competitive sales will be the preferred method. For small general obligation bonds, negotiated sales may be used if in the best interest of the district, as allowed by state law.

Disclosure and communication

The school district will continue to follow disclosure requirements and to maintain good communications with bond rating agencies regarding its financial condition.

Adopted 1/26/2016

Legal references:

- A. S.C. Constitution:
1. Article X, Section 15 - Bonded indebtedness limitation.

C-3
Attachment
(see next page)

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B. S. C. Code, 1976, as amended:

1. Section 11-27-10 through 100 - Effect of new Article X of Constitution on bonded and other types of indebtedness.
2. Section 59-71-10, *et seq.* - School Bond Act.