

Policy 0807.50 Debt Management Policy

GENERAL OBLIGATION DEBT

Debt Limits:

As provided in Idaho Code 33-1103, West Ada School District will limit general obligation debt to an amount not to exceed five percent (5%) of the market value for assessment purposes, less the aggregate outstanding indebtedness, plus statutory adjustments provided in Idaho Code Section 33-1103.

Paying for Existing Debt:

As provided in Idaho Code 33-802, the District authorizes a bond and interest obligation local property tax levy as is required to satisfy all maturing bond and bond interest obligations. The District computes the bond and interest property tax levy as provided in Idaho Code 33-802A. When the board of trustees determines and makes the levy and incorporates the levy as a part of the District's budget to service all maturing bond and interest payments for the ensuing year, the District takes into consideration any balances remaining in the bond interest and redemption fund after meeting its bond and interest obligations for the current year. The levy for the ensuing fiscal year shall be an amount which, together with any state bond levy equalization funds provided pursuant to section 33-906, Idaho Code, and the balance in its bond interest and redemption fund remaining after meeting its current fiscal year bond and bond interest obligations, shall satisfy all maturing bond and bond interest payments for at least the ensuing twelve (12) months, and not to exceed the ensuing twenty-one (21) months counted from July 1 of the current calendar year.

When structuring the debt service on new bonds and refinancing bonds, the District will strive to create an amortization schedule of all the District's bonds on a combined basis that will provide for an approximately constant property tax rate.

Purposes for New Debt:

General Obligation Bonds may be used for acquisition, construction, improving, furnishing and equipping of schools and school site(s) and facilities, and making improvements to existing schools and school facilities, including lighting, heating, ventilation and sanitation facilities and

appliances necessary to maintain and operate said buildings and facilities, when deemed by the board of trustees of the District to be required for the welfare of the District may be financed using general obligation bonding. Authorization for New Debt:

As provided in Idaho Code 33-1103, the Board of Trustees of the District, upon approval of a majority thereof, may submit to the qualified electors of the school district the question as to whether the board shall be empowered to issue bonds of the District in an amount and for a period of time to be named in the notice of election.

As provided in the Constitution of the State of Idaho, Article VIII, Section 3, the District must have two thirds (2/3) of the qualified electors voting at the election voting in favor of the bonds in order to have authorization for new bonded debt.

As required by Idaho Code 34-439, the following information will be disclosed by the District as a part of the public notice of the bond election as well as a part of the official ballot. The information will be presented before, not after the "In favor"/"against" voting boxes:

- The purpose for which the bonds are to be used including, but not necessarily limited to, a description of the facility and/or project that will be financed, in whole or in part, by the sale of the bonds; the date of the election; and the principal amount of the bonds to be issued;
- The anticipated interest rate on the proposed bonds based upon current market rates and a maximum interest rate if a maximum is specified in the question to be submitted to electors;
- The total amount to be repaid over the life of the bonds based on the anticipated interest. Such total shall reflect three (3) components: a total of the principal to be repaid; a total of the interest to be paid; and the sum of both;
- The length of time, reflected in months or years, in which the proposed bonds will be paid off or retired; and
- The total, existing indebtedness, including interest accrued through the date of the election, of the district.

Bond Election Plan:

A bond election plan shall be integrated into a long-range capital improvement plan to be adopted at the time the annual budget of the District is adopted.

The District desires to provide voters with complete information on projects and infrastructure, along with their estimated costs, that will be constructed or purchased from proceeds of general obligation bonds. The Board of Trustees sets forth the following requirements for presenting general obligation packages to the voters for approval. Not less than 14 days prior to the Board of

Trustees adopting a resolution calling for a bond election, the Board of Trustees will adopt a list of projects and acquisitions to be funded with the bond proceeds, along with the estimated cost and the proposed time-line for construction and acquisition. The list will include:

- The projected annual operating costs for construction projects.
- For proposed land acquisition, the estimated number of acres to be acquired and the planned use for the property.
- A projected schedule of the sale of bonds if authorized by the voters.

A substantial modification in the implementation of an adopted list of projects and acquisitions to be funded by bond proceeds will require approval by the Board of Trustees. Substantial means any of the following:

- An increase or decrease in estimated costs of 25% or more.
- A delay in a projected construction or implementation schedule of 12 months or more.
- A delay in the scheduled sale of bonds of 24 months or more.
- Any project that is not constructed.
- Any project that is added to those to be constructed.
- Any increase or decrease in the project scope by 25% or more.

Term of the Debt:

As provided in Idaho Code 33-1107, each of the District's bonds shall mature and be paid in full not more than thirty (30) years from the date of the bonds.

Financing Team:

The District employs outside financial specialists to assist in developing a bond issuance strategy, preparing bond documents, and marketing bonds to investors. The key players in the District's financing transactions include its financial advisor and bond counsel, the underwriter, the District Superintendent and the Chief Financial Officer. Other outside firms such as those providing paying agent, auditing, escrow verification and investment management services are retained as required. The financing team meets periodically to review the overall financing strategy of the District.

REFINANCING OF OUTSTANDING DEBT:

The District may undertake refinancing of outstanding debt under the following circumstances:

- Debt Service Savings – when total debt service savings can be realized while not increasing the property tax rate necessary to repay the bonds above the stated policy of the District in any current or future years. Net Present Value Savings from refinancing must be equal to or greater than a minimum three percent (3.00%), and five percent (5.00%) if required by the school bond guarantee program, of the par amount of the bonds to be refinanced, unless the District Board determines that some other public benefit can be obtained through refinancing at a lower Net Present Value savings amount, however any refinancing must produce a positive Net Present Value Savings.
- Defeasance – when public policy benefits or savings in future debt service requirements outweigh the costs associated with the defeasance of the bonds and the benefits of using bond fund reserve moneys for current bond payments.

BORROWING FOR OPERATIONS:

The District will not fund current operations from the proceeds of borrowed funds, except for short term cash flow borrowings, for periods not exceeding 120 days.

CAPITAL LEASES:

The District may enter into capital leases provided such leases comply with Idaho Code 33-601A and are in the best interest of the District.