

DEBT MANAGEMENT

The purpose of the debt policy shall be to ensure that debt is used wisely and that future financial flexibility remains relatively unconstrained. The policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of this policy that

- The Ascension Parish School Board obtain financing only when necessary;
- The process for identifying the timing and amount of debt or other financing be as efficient as possible;
- The most favorable interest rate and other related costs be obtained; and
- When appropriate, future financial flexibility be maintained.

The Director of Business Services shall be responsible for carrying out this policy and developing recommendations for debt financing.

CONDITIONS FOR DEBT ISSUANCE

The Ascension Parish School Board will consider the following factors to ascertain if debt should be issued:

- Project characteristics and useful life,
- Existing debt and approved debt limits,
- Identification of a funding source to repay the debt,
- Type of debt instrument,
- Interest rates, construction costs, and other market conditions, and
- Length of the issuance.

1. Project Characteristics and Useful Life

The Ascension Parish School Board will issue debt for major capital projects with a useful life of at least 10 years, primarily (1) acquiring or improving lands for building sites, and (2) purchasing, erecting, or improving school buildings and other school-related facilities and acquiring the necessary equipment and furnishings therefor. Debt will not be issued to fund recurring expenditures, such as operations or maintenance. However, in the event a high-priority improvement is needed and current resources are inadequate, debt may be issued. The term of any bond issue will not exceed the useful life of the capital project or facility for which the borrowing is intended.

Debt may also be issued to retire existing, higher-interest debt at a lower borrowing rate or to restructure existing debt.

2. Consideration of Existing Debt and Approved Debt Limits

Once the proposed project is deemed to have met the project criteria to issue debt (and adequate consideration has been given to using alternative funding sources, such as current resources, fund balance, and anticipated short-term revenues), the Director of Business Services shall perform calculations to ensure that proposed outstanding debt limits do not exceed the statutory limitations:

- Title 39, Section 562 of the Louisiana Revised Statutes establishes a legal debt limit of 35% of the assessed valuation of the taxable property within the parish as ascertained by the last assessment for the parish.
- For bonds funded by sales tax revenues, Title 47, Section 338.68 of the Louisiana Revised Statutes establishes a debt limit of 75% of the avails of the tax.

3. Identification of a Funding Source to Repay the Debt

Before the Ascension Parish School Board issues debt it will identify a funding source to repay the debt. Funding sources can include an authorized sales or ad valorem tax or general fund revenues. Earnings on invested sinking funds will be used solely to service the debt.

4. Type of Debt Instruments

The Ascension Parish School Board may issue general obligation debt for capital or other properly approved projects. In emergency situations sales tax, general fund, or limited tax debt may be issued.

No debt may be incurred without approval of the Director of Business Services.

The issuance of derivative debt instruments is prohibited. The use of swaps and variable rate debt instruments is also prohibited.

Before incurring any form of debt whatsoever, consent and approval of the State Bond Commission must be obtained in compliance with Title 39, Section 1410.60 of the Louisiana Revised Statutes.

5. Market Conditions

Whenever possible, market conditions, such as interest rates and construction costs, will be considered in the decision whether or not to issue debt, the timing of the issuance, the method of sale, redemption features, and the use of credit enhancements, with the goal of keeping costs (borrowing, issuance, construction, etc.) to a minimum while providing the resources necessary and in a timely manner for the Ascension Parish School Board to operate effectively and efficiently.

Refunding Debt

- When a refunding is undertaken to generate interest rate cost savings, the minimum aggregate present value savings will be 3% of the refunded bond principal amount. The present value savings will be net of all costs related to the financing
- Refundings for restructuring purposes will be limited to restructuring to alleviate debt service during difficult budgetary years, achieve cost savings, mitigate irregular debt service payments, release reserve funds, or remove unduly restrictive bond covenants.

The preferred method of sale is via competitive sale to underwriters. If deemed advantageous, bonds may be sold via a negotiated sale, private placement, or other method. Coordination will be made with bond counsel and the financial advisor in arriving at a recommendation to issue bonds through a method other than competitive sale.

6. Length of Issuance

Debt will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users, and in keeping with other related provisions of this policy.

Generally, the period for which debt shall be issued is the shorter of the life of the asset it is financing or twenty (20) years. Debt periods shorter than the asset's life are also acceptable and encouraged.

To the extent possible "back-loaded" or "ballooning" repayment schedules should be avoided.

PROFESSIONAL SERVICES

The Department of Business Services shall be responsible for the solicitation and selection of professional services that are required to administer the debt program.

1. Bond Counsel – All debt issued by the Ascension Parish School Board will include a written opinion by bond counsel affirming that the Ascension Parish School Board is authorized to issue the proposed debt. The opinion shall include confirmation that all city and state constitutional and statutory requirements necessary for issuance have been met, a determination of the proposed debt's federal income tax status, and any other components necessary for the proposed debt.
2. Financial Advisor – A financial advisor may be used at the discretion of the Department of Business Services on a case-by-case basis to assist in the issuance of debt. The financial advisor will provide objective advice and analysis on debt issuance. This includes, but shall not be limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements and disclosures.
3. Underwriters – An underwriter will be used for all debt issued in a negotiated or private placement sale method. The underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.
4. Fiscal Agent – A fiscal agent will be used to provide accurate and timely securities processing and timely payment to bondholders.

POST ISSUANCE COMPLIANCE AND DISCLOSURES

The debt ratios outlined above will be computed annually. The Ascension Parish School Board will maintain communication with bond rating agencies to keep them abreast of its financial condition by providing them with the annual Audit Report or Comprehensive Annual Financial Report and annual budget, which are also posted on the Ascension Parish School Board's web site, www.apsb.org. The Ascension Parish School Board will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts, and its financial health.

The Ascension Parish School Board will comply with all covenants stated in the bond resolutions, contracts, etc. and in accordance with Securities and Exchange Commission Rule 15c2-21. In addition, the Ascension Parish School Board will comply with all state and federal laws and regulations regarding debt issuance and management.

Official statements accompanying debt issues, Audit Reports, Comprehensive Annual Financial Reports, and continuous disclosure statements will meet (at a minimum) the standards articulated by the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC) and generally accepted accounting principles (GAAP). The Director of Business Services is responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies.

The Ascension Parish School Board will, unless otherwise justified, use bond proceeds within the established time frame pursuant to the bond resolution, contract, or other documents to avoid arbitrage. Arbitrage is the interest earned on the investment of the bond proceeds above the interest paid on the debt. If arbitrage occurs, the Ascension Parish School Board will pay the amount of the arbitrage to the federal government as required by Internal Revenue Service Regulation 1.148-11. The Ascension Parish School Board will maintain a system of recordkeeping and reporting to meet the arbitrage rebate compliance requirement of the Internal Revenue Service regulation. For each bond issue not used within the established time frame, the recordkeeping shall include tracking investment earnings on bond proceeds, calculating rebate payments, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the outstanding debt.

RECORDKEEPING

The School Board shall continuously maintain:

1. A list of all Louisiana municipal securities for which the School Board is the issuer or is obligated to repay;
2. A copy of all continuing disclosure agreements relating to the securities to which the School Board is a party;
3. If, pursuant to a continuing disclosure agreement in which the School Board is a party, the School Board shall be responsible for filing notices of charges in bond ratings, a list of current ratings for such securities, if any.

All records required to be kept by the School Board under state law shall be subject to inspection by the legislative auditor and/or the School Board's auditor.

Municipal securities shall mean bonds, notes, certificates, or other written obligations for the repayment of borrowed money, including obligations to refund any security, which are issued by the School Board.