Incurring Debt

Section A - Introduction

The superintendent or designee shall provide prior notice to the Board of Education of the school district's need to (1) incur debt or (2) establish a line of credit with a bank or other financial institution.

"Debt" is defined as any short-term or long-term obligation to repay principal and interest on a loan, whether for operating purposes or capital expenditures, and including but not limited to general obligation bonds, notes, warrants, leases, alternate bonds, limited tax bonds, debt certificates and installment contract certificates.

Section B - Purpose of Debt

The purpose for which Debt can be issued shall be in accordance with applicable State and federal statutes. It shall be the policy of the Board to avoid issuing Debt for payment of operating expenses unless needed to meet short-term cash flow needs.

Section C - Securing Debt

In order to access the credit markets at the lowest borrowing cost possible, the district shall maintain unassigned operating reserves at the level specified in Board Policy 4010.

The district shall not issue Debt in excess of the statutory limit. Changes in fiscal conditions that could adversely affect the district's credit rating shall be promptly reported to the Board of Education.

The district will issue a Request for Proposal for investment services for bond sale proceeds. Such proposals will stipulate that the successful submitter shall monitor and analyze the investment and use of bond proceeds and calculate rebate liabilities. Arbitrage rebate liabilities shall be calculated and funded annually.

Section D - Debt Structure

All operating fund Debt, including, but not limited to, leases, installment contract certificates, alternate revenue bonds and Debt certificates, shall be subject to this policy.

The length of maturity of any Debt instrument will not exceed the anticipated life of the asset being financed.

The District shall not employ derivative products as approved by the State such as swaps and swaptions unless the financial results achievable through the use of these products are substantially better than the results that could be attained through the issue of traditional fixed rate Debt. If derivative products are to be used, an outside pricing consultant will be employed in advance of such use to comment on the fairness of the pricing. All risks will be evaluated prior to entering into a derivative transaction, including but not limited to, basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk and credit risk.

Section D - Use of Outside Professionals

Outside professionals shall be hired to the extent necessary to implement financing. All financing professionals will be reviewed by and recommended to the Board of Education by the finance committee.

Outside professionals shall be used to the extent necessary to ensure compliance with continuing disclosure requirements for outstanding Debt.

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