

DCB DEBT MANAGEMENT

PURPOSE: To formalize standards and guidance for design of the debt structure, authorization of a borrowing request and issuance of bonds so that resources are available for needed capital projects and the long-term liability remains at a prudent level and within statutory limits.

Capital items that can be funded through borrowing include infrastructure, facilities, vehicles, equipment, and land, which have (1) an estimated cost of \$100,000 or greater and (2) a useful life of at least 5 years.

All borrowing supported by the General Fund shall be issued as General Obligation (GO) bonds, having the District's pledge of full faith and credit for repayment. Assessment-supported borrowing can be used for the sustainability, improvement, or expansion of the District's significant capital assets with debt service paid for by the General Fund. Borrowing purposes and maximum loan durations will be determined in compliance with M.G.L. Ch. 44 § 7 & 8. The District shall develop a 5-year debt capacity analysis, with estimated project costs updated annually, and make it available to member towns.

The annual amount of debt services is approximately 5% of the annual General Fund expenditures. The purpose of this goal is to allocate sufficient funds for the District's capital needs and prevent operating needs from "crowding out" the proper investment in capital. The retirement structure of a specific bond shall not be greater than the useful life of the underlying capital asset.

Pursuant to the Minuteman Regional Agreement Section IV(l), all borrowing authorizations require a two-thirds majority vote of all members of the Regional School Committee without regard for the weight of the votes, and unanimous approval of all Member Town Meetings per M.G.L. Ch. 71 § 16(d). If one or more Member Towns vote disapproval of the debt, the Committee, by a majority of the weighted vote, may then seek authorization for the debt via M.G.L. Ch. 71 § 16(n).

Debt Issuance

The District will retain a financial advisor and bond counsel for financial and legal guidance for debt issuance. Prior to the issuance of a bond, the District shall prepare and issue an Official Statement

ORIGINAL ADOPTION: NEW POLICY 7/11/17

REVISION:

FIRST READING: 6/13/17

SECOND READING: 7/11/17

ADOPTION:

REVIEW: NEW DRAFT REV. BY KM, AUDITORS 5/25/17; REV. AS V.2 BY FIN. SUBC. AND POLICY TASK FORCE 5/30/17

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containing legally required disclosure information pertaining to the financial and economic position of the District (17 CFR § 240.15c2-12). Under the guidance of Bond Counsel, the District shall award the winning bond bid to the bidder with the lowest True Interest Cost (TIC).

To avoid IRS arbitrage penalties, the District shall spend the bond proceeds in a timely manner. If the District borrows for capital projects other than construction projects, the District shall spend 15% of the bond proceeds within 6 months, 60% within 12 months, and 100% within 18 months. If the District borrows for capital construction projects, the District shall spend 10% of the bond proceeds within 6 months, 45% within 12 months, 75% within 18 months, and 100% with 24 months (with an allowance for 5% contingency holdback). The Business Office shall monitor the use of bond proceeds to ensure compliance with arbitrage regulations.

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