

## DEBT MANAGEMENT

**FILE: DFBB**

**TITLE:** Debt Management Policy

**POLICY:**

(1) Purpose.

The purpose of this policy is to establish the overall direction for the issuance and management of the debt of the School Board of Orange County, Florida ("Board"). Debt includes short-term and long-term obligations issued by the Board and any associated financing entities. In addition to this policy, there are "Debt Management Guidelines" maintained by the Office of Management and Budget ("OMB") that provide greater detail on managing debt in the district.

(2) Scope and Authority.

The Chief Financial Officer, Director of Treasury Services, and the Senior Director of OMB on behalf of the Superintendent shall be responsible for the implementation of this policy. This policy should be reviewed and revised as needed due to evolution of the financial markets, but not less than every three (3) years.

(3) Permissible Debt.

(a) Short-Term Debt includes, but is not limited to, Tax Anticipation Notes, Revenue Anticipation Notes, and any other financing as approved by the Board in accordance with Florida Statutes.

(b) Long-Term Debt includes, but is not limited to, Certificates of Participation, General Obligation Bonds, Sales Tax Revenue Bonds, and any other financing as approved by the Board in accordance with the relevant Florida Statutes.

(4) Measures of Debt Levels and Debt Issuance Limits.

(a) Short-Term Debt. With respect to short-term debt, the Board will not exceed the maximum allowable issuance size, if any, as determined by state and federal regulations including those governing the federal taxability of the interest earned by holders of such debt.

(b) Long Term Debt.

i. General Obligation Bonds. The measure of general obligation bonds shall be the outstanding debt-to-taxable property ratio and shall not exceed the maximum permitted by law.

- ii. Certificates of Participation. The measure of certificates of participation shall be maximum aggregate annual lease payments as a percentage of Capital Outlay Millage proceeds and shall not exceed 75%. Capital Outlay Millage proceeds shall be based on the Board's most recent estimate of Taxable Assessed Valuation and assume a 96% collection rate.

While the Board shall not exceed maximum annual lease payments for the Certificate of Participation program of 75% of the Capital Outlay Millage proceeds, the goal is to limit those payments to a maximum of approximately 1 mill.

- iii. Sales Tax Revenue Bonds. The issuance of any sales tax revenue bonds for debt shall be subject to a provision of the Sale Tax Bond Resolution adopted by the Board.
- iv. Other. In accordance with Florida Statutes, and upon approval from the Board, the district may issue other long-term financings for various initiatives that may arise.

(5) Selecting Debt Sale Methods.

- (a) Short-Term Debt. Short-term debt shall be issued through a competitive bid process, except in instances where a private placement or a negotiated sale, in the opinion of Board staff in consultation with the Board's financial advisor, is more cost effective or otherwise more beneficial because of market conditions or other factors.
- (b) Long-Term Debt. The Board shall select an underwriting team through a competitive request for proposal process to assist the Board with the issuance of long-term debt and implementation of its capital plan. The Board and its financial advisor will determine the appropriate method of sale and the appropriate number of firms to include from the underwriting team for each issue after considering such factors as the size, complexity of the offering, market conditions, and timing of the transaction.

(6) Financing Structure.

The financing structure consisting of principal amortization, call provisions, coupons/yields, credit enhancement, use of hedging products, etc. will be developed for each financing after considering relevant market conditions and then current practices. Each structure will be developed to provide the lowest long-term effective financing cost while providing the greatest flexibility to extract additional value as market conditions change over time (i.e. refund debt, terminate swaps, etc.).

(7) Debt Refundings.

The Board will monitor outstanding debt in relation to existing conditions in the debt market and may refund any outstanding debt when sufficient cost savings can be realized. The goal of any refunding of outstanding debt shall be to ensure the net present value savings is approximately three percent (3%) of the refunded obligation's par amount. The goal for the net present value savings threshold for non-traditional advance refunding structures (such as synthetic fixed rate refundings), should be approximately four percent (4%) or as deemed appropriate by the Board and its financial advisor. This general criterion will be adjusted as outlined in the Debt Management Guidelines.

(8) Interest Rate Hedge Contracts.

Interest rate swaps, caps, collars, and other hedging products (collectively referred to herein as "hedges") can be an effective tool to reduce financing costs, diversify certain risks, and take advantage of unique market conditions. In evaluating a particular transaction involving the use of hedges, the Board shall review long-term implications including costs of borrowing, historical interest rate trends, variable rate exposure, credit enhancement exposure, opportunities to refund related debt obligations, and other similar considerations.

(9) Compliance and Reporting.

- (a) Continuing Disclosure. The Board will provide full and fair disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments and to provide ongoing secondary market information, in compliance with the requirements of applicable federal and state securities laws, rules, and regulations, including Securities and Exchange Commission Rule 15c 2-12.
- (b) Budget Debt Service Payments. Annually the Superintendent will include in the proposed budget presented to the Board for its consideration and approval the appropriations necessary to make the required debt service and lease payments during the fiscal year.
- (c) Annual Report on Outstanding Debt. No later than December 31<sup>st</sup> of each year, an annual report shall be submitted to the school Board covering the previous fiscal year that will include a summary of outstanding obligations and any associated hedges. In addition to the annual report, the Board will maintain a database of other information related the Board's debt.
- (d) Compliance with Financing Covenants, Federal, and State Law. The Board shall comply with all covenants and requirements of financing resolutions and State and Federal laws authorizing and governing the issuance and administration of debt obligations.

- (e) Bond Yield Arbitrage Monitoring. The Board shall contract for arbitrage calculation services to monitor the earnings on its debt proceeds for each debt series and determine whether a rebate is necessary.

**SPECIFIC AUTHORITY:**

Sections 218.385; 218.415; 1001.41;  
1001.42(12)(e)(f); 1001.43(2); 1010.40-1010.57;  
1010.59-1010.62; 1011.12-1011.16; 1011.21-  
1011.23, Florida Statutes

ADOPTED: 11/17/08

REVISED: 3/14/17