

DEBT MANAGEMENT

The purpose of the MSD Wayne Township's ("District") Debt Management Policy ("Debt Policy") is to establish and maintain well-defined guidelines around issuing new debt and considerations for outstanding debt to protect the fiscal stability of the District. The Finance Team shall review this Debt Management Policy annually to determine whether any adjustments should be made. Any changes to this Debt Management Policy will be presented to and subject to approval by the School Board ("Board").

Definitions

As used in this Policy:

"Finance Team" may mean the District's Chief Financial Officer, municipal advisor, underwriter and bond counsel.

"Post Issuance Compliance Policy" shall mean the post issuance compliance policy adopted by the Board.

"District Debt" shall include short term debt, long term debt or any related school building district debt.

Objectives

In order to achieve its purpose, the Debt Management Policy has the following objectives:

- To guide the District's Finance Team;
- To set forth operating principles minimizing the cost of government and financial risk;
- To maintain appropriate financial capacity for present and future needs; and
- To protect the District's credit rating and provide for adequate resources to meet the obligations of the District Debt.

Guidelines for Debt

Financial Professionals

The District employs various professionals for assistance with its debt issuance. These professionals include underwriters, trustees, consultants, municipal advisors and attorneys. For these professional services, the District, through its Chief Financial Officer, will evaluate its professionals as needed. When evaluating the professionals, the District will consider general municipal financing expertise and qualifications, as well as the specific understanding of the District's debt structure, finances, legal covenants, and familiarity with the District.

Debt Limits

The District will observe state constitutional and statutory restrictions applicable to any debt issued by the District. The District shall not be subject to any additional local debt limitation. The District will maintain its debt at a level not to exceed:

1. **Seven percent (7%)** of the gross assessed valuation of the District; and
2. Net direct debt per capita will not exceed **five thousand dollars (\$5,000)**

The District, with the assistance of and oversight by the Finance Team, will work to maintain the above-referenced thresholds, and any changes to this goal must be approved by the Board.

Refunding Bonds

The District may refund outstanding debt to achieve interest cost savings, remove or change burdensome bond covenants, adjust interest rates, release reserve funds, restructure the stream of debt service payments and for any other reason that it is deemed in the best interests of the District, as determined by the Finance Team and the Board.

If the District determines it will refund outstanding debt to achieve cost savings, then such cost savings shall be targeted to be approximately a minimum savings or benefit to the District of three percent (3%); however, two percent (2%) savings may be evaluated for financings where there are significant present value savings and the interest rate environment is increasing.

Tax-Exempt or Taxable Debt

Most debt will be issued as tax-exempt when permitted under federal law. To qualify as tax-exempt, the terms of the issuance and the use of issuance proceeds must comply with IRS regulations. Bond counsel will review the transaction and intended use of bond proceeds with the Finance Team and make a determination on the tax status of the bonds under consideration. The District will take the necessary steps to maintain the tax-exempt status of the bonds after issuance (in accordance with its Post Issuance Compliance Policy).

The District may issue taxable debt for projects or uses that do not meet federal and/or state regulations for tax-exempt funding. In some instances, the use of tax-exempt debt might not be cost effective, leading to the use of a taxable issuance as the lowest possible cost of funds. The Finance Team shall determine the most cost-effective way to finance the project for each financing. The following items should be considered when the District plans to issue taxable debt:

- Conventional call provisions in the taxable market can differ materially from those included in the tax-exempt market, and, if deemed appropriate, the District will consider the economic benefits and costs of a make-whole call or issuing non-callable bonds, both of which are common in the taxable bond market.
- Consideration should be given to whether the District would benefit from using a blend of tax-exempt bonds and taxable bonds on a particular deal. Analysis should be completed prior to the bond sale as to what structure would produce the lowest cost for a given maturity when considering applicable legal options.

Debt Considerations

Debt Structure

All capital improvements financed through the issuance of debt will be financed for a period, in general, not to exceed the useful economic life of the improvements and in consideration of the ability of the District.

Long-term debt payable from ad valorem taxes is limited to the maximum allowable time period under law. Call features should be evaluated based on market conditions and other considerations at the time debt is issued. The District will evaluate call features with the Finance Team, with the advice of its municipal advisor, and will determine what is in the District's best interest based upon an assessment of the municipal bond market at the time of the financing.

The District only plans to issue fixed rate debt and will not issue variable rate debt. Should future market conditions change to make variable rate debt a more attractive option for the District, then the Board will re-evaluate this portion of the Debt Management Policy at that time.

Bond Ratings

In connection with a bond financing, the Finance Team shall evaluate whether there is a benefit to have one or more ratings assigned to the bond issue. When making this assessment, the Finance Team shall determine whether the estimated cost of securing the rating or ratings is likely to result in an estimated reduction in the total interest cost. The estimated reduction in interest cost should exceed the estimated costs to secure the rating, including the cost of professional services needed to assist with the rating process.

Additionally, the Finance Team shall respond to any inquiries from the rating agencies after the debt has been issued to provide the rating agencies with accurate and timely information that is relevant to the financial position of the District. The Chief Financial Officer or Designee, with the assistance of its municipal advisor, shall maintain a relationship with one or more rating agencies on a consistent basis to keep the rating agencies informed of capital plans, upcoming debt issuance or other information that is pertinent to the District's finances.

Management of Bond Proceeds

When bonds are issued, the bond proceeds will be deposited into the accounts as set forth in the authorizing document for the bond financing, and which may include the construction fund and an escrow fund for refundings. Monies allocated to these funds are invested until needed. The investment strategy for each fund will depend, in part, on federal and state statutes and regulations governing the types of instruments permitted to be used, and will take into account any tax covenants associated with tax exempt debt. The funds will be invested in accordance with *Policy F450: Investment Policy*, and the Office of Business Affairs, with assistance from its municipal advisor and bond counsel, shall determine the appropriate investments of bond proceeds for the applicable bond issue which will meet these state and federal requirements.

Post Issuance Compliance

The District will adhere to its Post Issuance Compliance Policy as supplemented and revised from time to time.

Administrative Guidelines

The Superintendent may prepare administrative guidelines to implement this Policy.

MSD of Wayne Township, Marion County, Indiana

Adopted: January 6, 2020