

DEBT MANAGEMENT

The Livingston Parish School Board is cognizant of the complexities in managing debt incurred by the school system. In order to protect and ensure debt is issued and managed prudently, the School Board shall set forth comprehensive parameters for the financing of capital expenditures as follows:

- The Livingston Parish School Board shall 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 Business Manager shall have primary responsibility for carrying out this policy and developing recommendations for debt financing, under the supervision of the Superintendent.

CONDITIONS FOR DEBT ISSUANCE

The Livingston Parish School Board shall 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 Livingston Parish School Board may issue debt for major capital projects with a useful life of at least ten (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. 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 shall not exceed the useful life of the capital project or facility for which the borrowing is intended or, if applicable, violate other limitations within the internal revenue code.

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 Business Manager shall perform calculations to ensure that proposed outstanding debt limits do not exceed applicable statutory limitations then in effect.

The Livingston Parish School Board may issue bonds to benefit schools and facilities within any school district created by the School Board in accordance with the following limitations:

- Bonds may be issued as general obligation bonds of a school district and shall be payable from the proceeds of a tax levied within that school district in accordance with Article VI, Section 32 of the Louisiana State Constitution.
- Bonds may be secured by ad valorem tax or sales taxes levied solely within a school district, provided that the anticipated revenues of the tax pledged to secure such bonds in the fiscal year in which such bonds are to be issued, as reflected in the budget adopted by the Livingston Parish School Board, shall be at least *1.35 times* the maximum principal and interest requirements for any future fiscal year on all bonds secured by that tax.
- Bonds may be secured by taxes or revenues or a combination thereof that are collected throughout the parish and allocated to a school district, provided that:
 - All future principal and interest requirements with respect to bonds issued to benefit a school district shall be included as an expense in the budget for that school district in future years and allocated to the tax and/or revenue pledged to secure such bonds, and
 - Such bonds shall be limited in amount so that the portion of the taxes or revenues pledged to secure the bonds and allocated to that school district in the fiscal year in which the bonds are to be issued, as reflected in the budget adopted by the Livingston Parish School Board, is at least *1.35 times* the maximum principal and interest requirements to be allocated in any future budget for that school district.
- All School District Bonds shall have been approved in accordance with state law.

3. Identification of a Funding Source to Repay the Debt

Before the Livingston Parish School Board issues debt, it shall identify a funding source to repay the debt. Funding sources can include an authorized sales or ad valorem tax or general fund revenues, subject to the limitations set forth in the preceding section.

4. Type of Debt Instruments

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

Before incurring any form of debt whatsoever, consent and approval of the State Bond Commission shall 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, shall 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 Livingston Parish School Board to operate effectively and efficiently.

Refunding Debt

- When refunding of debt is undertaken to generate interest rate cost savings, the minimum aggregate present value savings target shall be three percent (3%) of the refunded bond principal amount; provided, however, that such target shall be subject to adjustment by the Livingston Parish School Board in its sole discretion. The present value savings shall be net of all costs related to the financing.
- Refunding for restructuring purposes shall 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 shall be via competitive sale to underwriters. If deemed advantageous, bonds may be sold via a negotiated sale, private placement, or other method. Coordination shall be made with bond counsel and any financial advisor in arriving at a recommendation to issue bonds through a method other than competitive sale.

6. Length of Issuance

Debt shall 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-five (25) years. Debt periods shorter than the asset's life are also acceptable and encouraged.

PROFESSIONAL SERVICES

Professional services which may be required to administer the debt program are:

1. Bond Counsel – All debt issued by the Livingston Parish School Board shall include a written opinion by bond counsel affirming that the Livingston Parish School Board is authorized to issue the proposed debt. The opinion shall include confirmation that all 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 shall provide objective advice and analysis on debt issuance. This shall include, but shall not be limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements and disclosures.
3. Underwriters – An underwriter shall be used for all debt issued in a negotiated or private placement sale method. The underwriter shall be responsible for purchasing negotiated or private placement debt and reselling the debt to investors.
4. Fiscal Agent – A fiscal agent shall be used to provide accurate and timely securities processing and timely payment to bondholders.

POST ISSUANCE COMPLIANCE AND DISCLOSURES

The Livingston Parish School Board's post-issuance compliance policies and procedures shall be as set forth in its Post-Issuance Compliance Policy for Municipal Securities as applicable from time-to-time.

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 changes in bond ratings, a list of current 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.

New policy: December, 2020

Ref: La. Rev. Stat. Ann. §§17:89, 17:1371, 39:471, 39:554, 39:562, 39:1410.60, 39:1410.61, 39:1410.62, 39:1410.63, 39:1410.64, 39:1410.65, 47:338.68