Policy 704.02: Debt Management Policy

Status: ADOPTED

Original Adopted Date: 01/01/2011 **| Last Revised Date:** 05/01/2021 **| Last Reviewed Date:** 05/01/2021

The purpose of the Debt Management policy is to standardize the issuance and management of debt by the Dallas Center-Grimes Community School District, and establish procedures that minimize debt issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure, reporting, and federal tax compliance. These policies will apply to all general obligation debt issued by Dallas Center - Grimes Community School District , including leases, debt guaranteed by the District, and any other forms of taxable and tax-exempt forms of indebtedness, including Qualified School Construction Bonds or Build America Bonds.

CREDITWORTHINESS OBJECTIVES
Dallas Center - Grimes Community School District seeks to maintain the highest possible credit ratings for all categories of short- and long-term general obligation and revenue bond debt that can be achieved. Sound fiscal management practices of all management and timely reporting to the board of directors are required in order to achieve the highest possible credit rating.

FINANCIAL DISCLOSURE
Dallas Center - Grimes Community School District is committed to full and complete financial disclosure, and to fully cooperate with ratings agencies, institutional and individual investors, other levels of government, and the general public to share comprehensive and accurate financial information. The District is also committed to meet secondary or continuing disclosure requirements on a timely and comprehensive basis, as promulgated by the Securities Exchange Commission.

The official statements accompanying debt issues, certified annual financial reports, annual fiscal audits, and continuous disclosure statements will meet the standards articulated by the Government Accounting Standards Board (GASB), Generally Accepted Accounting Principles (GAAP), the Securities Exchange Commission (SEC), and Internal Revenue Service (IRS). The District may hire a consultant firm to assist with continuing disclosure statements as required by the state and federal regulatory bodies. Any significant financial reports affecting or commenting upon the District will be forwarded to rating agencies and any material events will be reported as well.

CAPITAL PLANNING
Dallas Center - Grimes Community School District is committed to systematic capital planning in order to meet the needs of the enrollment of the District. The District maintains and annually updates a ten-year facility plan and holds regular meetings of the facility committee to keep this plan updated.

DEBT LIMITS
The District complies with the State of Iowa limit for general obligation indebtedness, as set by the constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, as taken from the County Tax list.

LENGTH AND STRUCTURE OF DEBT
Debt will be structured for the shortest period consistent with fair allocation of costs and future facility planning needs of the District. General obligation bonds will adhere to state code as to length of debt.
Debt will be structured to achieve the lowest possible net cost to the District given market conditions, the urgency of the capital project, the type of debt being issued, and the nature and type of repayment source.

REFUNDINGS
Periodic reviews by the District's Financial advisor will be undertaken to determine refunding opportunities.
Refunding will be considered (within Federal Law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to release restrictive bond covenants, which may affect future planning or capital projects of the District. Advance refunding will be reviewed by the Board to determine the best course for the District.

CREDIT ENHANCEMENTS
Credit enhancements such as bond insurance may be used when the net debt service on the bonds is reduced by more than the cost of the enhancement.

INVESTMENT OF BOND PROCEEDS
All bond proceeds shall be invested separate from the District's other cash pool unless otherwise specified by the bond legislation. Investments will be consistent with those authorized by state and federal law and the District's

investment policy in order to maintain safety and liquidity of the funds.

COSTS AND FEES
All costs and fees related to issuance of bond will be paid out of bond proceeds and allocated across all projects receiving bond proceeds out of the issue.

COMPETITIVE SALE
In general, District debt will be issued through a competitive bidding process. Bids will be awarded on the true interest cost (TIC), providing other bidding requirements are satisfied.

BOND COUNSEL
The District will retain external bond counsel for all debt issues and counsel will affirm that the District is authorized to issue debt.

FINANCIAL ADVISOR
The District will retain an external independent financial advisor. The major criteria in the selection process for a financial advisor will be comprehensive school debt experience, experience with diverse financial structuring, as well as overall cost of services.

OTHER SERVICE PROVIDERS
The District may also have other service providers (e.g. trustee/escrow agents, rebate analyst, verification agents, trustees, arbitrage consultants) as necessary to meet legal requirements and minimize net debt costs.

ARBITRAGE COMPLIANCE
The District will maintain a system of record-keeping, reporting, and compliance procedures, with respect to all federal tax requirements which are currently, or may become, applicable throughout the lifetime of all tax-exempt, Build America, or other tax credit bonds such as QSCB in accordance with all arbitrage rules and rebate requirements.
Such issues of compliance to review should include, but are not limited to

- Consult with financial advisors and rebate analyst to identify bond proceeds or applicable debt service allocations that must be invested with a yield-restriction and shall monitor the investments of any yield-restricted funds to ensure that the yield on such investments does not exceed the yield to which such investments are restricted. These investments shall meet the requirements of the District's investment policy.
- Review with financial advisors that investment of bond proceeds is performed in compliance with arbitrage rules and rebates.
- For purposes of calculating the arbitrage yield for an issue of QSCBs the business manager shall consult with the financial advisor to ensure that the arbitrage yield is calculated by reducing the amount of the interest paid on the QSCBs by the amount of the refundable credit payments allowed to the issuer under Section 6431(f) of the Code, without regard to amounts offset for delinquent debts owed to the federal government.
- Consult with financial advisors to determine whether the District is subject to rebate requirements of Section 148(f) of the Code and related Treasury Regulations with respect to each issue of bonds.
- Consult with rebate analyst to determine rebate liability.
- Consult with financial advisors and rebate analyst to determine whether the District is eligible for any temporary periods for unrestricted investments and is eligible for any of the spending exceptions to the rebate requirements.
- Consult with the rebate analyst, and if appropriate bond counsel, prior to the fifth anniversary date of issuance of each issue of bonds of the District and each fifth anniversary thereafter to arrange for calculations and reports of rebate requirements with respect to such bonds.
    - If a rebate payment is required to be paid by the District, the business manager shall request the Form 8038-T be prepared by bond counsel in order to be submitted to the Internal Revenue Service (IRS).
    - If the District is authorized to recover a rebate payment previously paid, the business manager shall consult with the trustee or bond counsel to prepare the appropriate form (Form 8038-R) with the Internal Revenue Service (IRS).
    - For fixed rate QSCBs, the compliance officer shall ensure the Form 8038-CP is filed by the trustee not less than forty-five (45) days prior to the applicable semiannual interest payment date at each available maturity date.