

POLICY TITLE: Debt Management		
ADOPTION/EFFECTIVE DATE: 11/24/2008	MOST RECENTLY AMENDED:	MOST RECENTLY REAFFIRMED:
POLICY/PROCEDURE MANUAL SUMMARY CATEGORY: Fiscal		

I. Statement of Purpose

The purposes of this policy are:

- A. to establish criteria regarding the Board incurring and managing debt including the investment of debt financing proceeds, compliance practices, financial market and investor relations efforts.
- B. to establish limits for types of debts and establish criteria for the process of debt issuance and administration of debt practices.

II. Definitions

Alternative financing arrangement means payment of acquired assets over time but which do not require the full faith and credit of the public entity, including but not limited to leases and lease purchase transactions in which the asset being financed provides security for the financing.

Bonds means general obligations or similar obligations wherein a public entity pledges its full faith and credit (taxing or revenue raising authority) to guarantee repayment of the debt.

Derivative Debt Instrument means a financial instrument whose value is derived from the value of some other financial instrument.

Debt Service means the amount set aside annually in a fund to pay the interest and the part of the principal due on a debt.

III. Statement of Policy

- A. Debt Limits

1. By law, the Board does not have authority to issue bonds or to enter into debts or debt pools.
2. The Board may enter into an alternative financing arrangement provided such arrangement is also approved by the County Executive and County Council.

3. Use of Derivatives

The Board shall not enter into derivative debt instruments.

4. Debt Structuring

- a. The maximum term for an alternative financing mechanism entered into by the Board shall not exceed the useful life of the asset being purchased or constructed.
- b. The maximum term is 30 years for any type of financing arrangement.
- c. Analysis of payment terms for equal payments annually or variable payments shall be completed to include planning for the ability to make future payments within operating budget constraints.
- d. An analysis of the financial benefit or avoidance of future costs shall be undertaken and presented prior to the approval of debt.
- e. Capitalized interest or delay or principal and interest payments should be considered in the debt instrument during the construction period if applicable.
- f. Non-appropriation clauses shall be required in all alternative financing documents.

5. Debt Issuance

Determination of the method of sale of the debt instrument should be by competitive bid when possible. The rationale for the method of sale chosen shall be disclosed in the approval process. The selection and use of professional services (other than legal counsel or financial advisors) may be based on the services used by the County Government or through a competitive or negotiated

method. The investment of the financing proceeds during construction should be determined by competitive bids or negotiated prior to the issuance and or approval of the debt financing.

6. Debt Management

- a. Monthly statements of activity in the investment account(s) shall be received, reviewed, and reconciled monthly. Statements and work papers shall be made available to the auditors when requested.
- b. Any compliance practice of the debt instrument will be followed by the school system and all disclosures to the debt holder(s) will ensure financial market and investor relations are maintained during the life of the debt instrument.

Board Approval Acknowledged By:

Patricia L. Skebeck, Secretary and Treasurer
Board of Education of Harford County

Policy Action Dates		
ACTION	DATE	
Adopted	11/24/2008	

Responsibility for Policy Maintenance & References		
LAST EDITOR/DRAFTER NAME: John Markowski		JOB POSITION OF LAST EDITOR/DRAFTER: CFO
PERSON RESPONSIBLE: John Markowski		JOB POSITION OF PERSON RESPONSIBLE: CFO
DESIGNEE NAME: John Markowski		JOB POSITION OF DESIGNEE: CFO
REFERENCE 1 TYPE: GFOA	REFERENCE 1 NO.	REFERENCE 1 DESCRIPTION: The Government Finance Officers Association (GFOA) recommends that all school systems adopt comprehensive written debt management policies, and that school systems review them and revise them as necessary.
REFERENCE 2 TYPE: Legal	REFERENCE 2 NO.	REFERENCE 2 DESCRIPTION: Debt Service is required to be reported in the budget certification statement to the Maryland State Department of Education under the Public School Laws of Maryland 1978, Chapter 22 of the <u>Annotated Code of Maryland</u> .
REFERENCE 3 TYPE:	REFERENCE 3 NO.	REFERENCE 3 DESCRIPTION:
REFERENCE 4 TYPE:	REFERENCE 4 NO.	REFERENCE 4 DESCRIPTION:
REFERENCE 5 TYPE:	REFERENCE 5 NO.	REFERENCE 5 DESCRIPTION:
POLICY NUMBER PRIOR TO NOVEMBER 1, 2005:		