Glenbrook High School District #225

BOARD POLICY: **DEBT MANAGEMENT** **4090**

Section A - Introduction

The purpose of the debt policy is to provide guidelines relative to the issuance, sale, statutory compliance and investment, of bond proceeds. “Debt” is defined as any short-term or long-term obligation to repay principal and interest on a loan whether for operating purposes or capital expenditures and including but not limited to general obligation bonds, notes, warrants, leases, alternate bonds, limited tax bonds, debt certificates and installment contract certificates.

Section B

The purpose for which Debt can be issued shall be in accordance with applicable State of Illinois and Federal Statutes. It shall be the policy of the board to avoid issuing Debt for payment of operating expenses unless needed to meet short-term cash flow needs.

Section C

In order to access the credit markets at the lowest borrowing cost possible, the district shall maintain operating reserves at a level equal to approximately 33% of the next year’s operating budget. (The operating budget is composed of the education, food service, operations and maintenance, transportation, IMRF and working cash funds). The district shall not issue Debt in excess of the statutory limit. Changes in fiscal conditions that could adversely affect the district’s credit rating shall be promptly reported to the Board of Education.

Section D

Outside professionals shall be hired to the extent necessary to implement financing. All financing professionals will be reviewed by and recommended to, the Board of Education by a committee composed of board members, the Assistant Superintendent for Business Affairs and other administrative staff. It shall be the practice of the board to:

A. Evaluate each sale of bonds as to the appropriateness of a competitive or negotiated sale.
B. Employ a “pricing consultant” for those negotiated sales where an underwriter(s) is used.
C. Require a post-sale analysis.

Section E

Outside professionals shall be used to the extent necessary to insure compliance with continuing disclosure requirements, SEC Rule 15c212, as amended from time to time.

Section F

The district will issue a Request for Proposal for investment services for bond sale proceeds. Such proposals will stipulate that the successful submitter shall monitor and analyze the investment and use of bond proceeds and calculate rebate liabilities. Arbitrage rebate liabilities shall be calculated and funded annually.

Section G

The length of maturity of any Debt instrument will not exceed the average life of the asset being financed.

Section H

All operating fund Debt, including, but not limited to, leases, installment contract certificates, alternate revenue bonds and Debt certificates, shall be subject to the District's Debt policy. The cash flow impact of the Debt service payments on the operating funds will be evaluated in light of the district's fund balance policy.

Section I

The District shall not employ derivative products as approved by the State such as swaps and swaptions unless the financial results achievable through the use of these products are substantially better than the results that could be attained through the issue of traditional fixed rate Debt. If derivative products are used, an outside pricing consultant will be employed to comment on the fairness of the pricing. All risks will be evaluated prior to entering into a derivative transaction, including but not limited to, basis risk, tax risk, counter-party risk, termination risk, liquidity renewal risk, remarketing risk and credit risk.

Approved: January 8, 2007