

MEDFORD AREA PUBLIC SCHOOL DISTRICT

DATE ADOPTED: April 24, 2023  
DATE REVIEWED:

FILE SECTOR: FISCAL MANAGEMENT  
POLICY TITLE: DEBT MANAGEMENT

The purpose of the Medford Area Public School District (MAPSD) Debt Management Operating Rule and Regulation is to establish and maintain well-defined debt management guidelines for issuing new debt as well as managing outstanding debt to sustain a strong debt management program.

MAPSD Debt Management Operating Rule and Regulation applies to all debt instruments issued by the district regardless of the purpose for which issued or the funding source for repayment.

The primary objective is to ensure prudent debt management practices which:

- Maintain financial stability
- Preserve public trust
- Minimize costs to taxpayers
- Minimize borrowing costs
- Preserve access to financial markets
- Demonstrate adequate administrative oversight of debt program to credit rating agencies

**Types of Authorized Debt**

- The constitution and laws of the state of Wisconsin limit the power of the district to issue obligations and to contract indebtedness.
- The district may not borrow money or issue notes or bonds therefore for any purpose except those specified by statute.

➤ **Bond or Note Anticipation Notes**

In anticipation of issuing general obligation bonds or note, the district is authorized to borrow money using bond or note anticipation notes. The bond or note anticipation notes shall in no event be general obligations of the district, and do not constitute an indebtedness of the district, nor a charge against its general credit or taxing power. The bond or note anticipation notes are payable only from (a) proceeds of the bond or note anticipation notes set aside for payment of interest on the bond or note anticipation notes as they become due, and, (b) proceeds to be derived from the issuance and sale of general obligation bonds or notes which proceeds are pledged for the payment of the principal of and interest on the bond or note anticipation notes. The maximum term of any bond or note anticipation notes (including any refunding) is five years.

➤ General Obligation Bonds

The principal amount of every sum borrowed by the district and secured by an issue of bonds may be payable at one time in a single payment or at several times in two or more installments; however, no installment may be made payable later than the termination of twenty years immediately following the date of the bonds. The board is required to levy a direct, annual, irrevocable tax sufficient in amount to pay the interest on such bonds as it falls due and also to pay and discharge the principal thereof at maturity. Bonds issued by the district to refinance or refund outstanding notes or bonds issued by the district may be payable no later than 20 years following the original date of such notes or bonds.

➤ Refunding Bonds

In addition to being authorized to issue bonds, the district is authorized to borrow money using refunding bonds for refunding existing debt. To evidence such indebtedness, the district must issue to the lender its refunding bonds (with interest) payable within a period not exceeding twenty years following the initial date of the debt to be refunded. Such refunding bonds constitute a general obligation of the district. Refunding bonds are not subject to referendum.

➤ Promissory Notes

In addition to being authorized to issue bonds, the district is authorized to borrow money using notes for any public purpose. To evidence such indebtedness, the district must issue to the lender its promissory notes (with interest) payable within a period not exceeding ten years following the date of said notes. Such notes constitute a general obligation of the district. Notes may be issued to refinance or refund outstanding notes. However, such notes may be payable not later than twenty years following the original date of such outstanding notes.

➤ Temporary Borrowing

The board may, on its own motion, borrow money in such sums as may be needed to meet the immediate expenses of maintaining the schools in the district during the then current school year. No such loan or loans shall be made to extend beyond November 1 of the following year or in any amount exceeding one-half of the estimated receipts for the operation and maintenance of the district for the current school year in which the loan is made.

➤ Debt Limit

The district has the power to contract indebtedness for purposes specified by statute so long as the principal amount thereof does not exceed ten percent of the equalized value of taxable property within the district.

## **Debt Financing Guidelines**

The district will consider a range of debt structures which when combined allow for flexibility in responding to future needs, do not utilize all available debt capacity, continue to emphasize credit considerations, and match well with the useful life of the assets for which debt is incurred. The district will not utilize swaps and other similar derivative products as a method of issuance.

## **Debt Issuance Process**

### External Financial Professionals

- **Financial Consultant**

The district's financial consultant will work with district staff to:

- Ensure that the district's bonds are issued at the lowest possible interest cost and are structured in accordance with the district's financing guidelines.
- Assist in determining method of sale of debt.
- Prepare the notice of sale, preliminary official statement and the official statement review draft closing documents and monitor the closing process.
- Assist with the preparation and submission of the district's Annual Disclosure Report in accordance with SEC Rule 15c2-12.
- Assist in establishing repayment schedules that complement existing requirements and maintain a repayment pace acceptable to credit rating agencies.

- **Bond Counsel**

The district's bond counsel will:

- Certify that the district has the legal authority to issue bonds.
- Prepare required documents, resolutions and tax certificates.
- Work with the attorney general to obtain approval of the bond issue.
- Provide a legal opinion as to the enforceability and the federal income tax implications of the bonds.
- Coordinate the closing transactions.

- **Paying Agent/Registrar**

The district's paying agent, if applicable, will:

- Authenticate the bonds.
- Send/receive transfers of money at closing.
- Receipt principal and interest payments from the district and remit to bondholders/  
DTC Represent bondholders in case of default.

- **Rating Agencies**

If applicable, the district will obtain a credit rating from a nationally recognized bond-rating agency. Rating agencies assign a credit rating to bonds based on their assessment of the district's financial position and ability to make full and timely payments of principal and interest, and provide a ratings report to the market prior to the sale.

### Timing of Sales

The district's financial consultant will work with district staff to ensure that the timing of bond sales coincide with having bond proceeds available for projects prior to the execution of construction or purchase contracts.

### Disclosure Requirements

The Securities and Exchange Commission (SEC) regulates both primary disclosure (the initial marketing of bonds) and continuing disclosure (the ongoing information to the market about the status of the issue and issuer). The Securities and Exchange Commission Rule 15c2-12, as amended, requires the district to provide updated annual financial information to designated state and national information repositories. Timely and accurate information can improve the marketability of the district's bonds.

**CROSS REFERENCE:**

**LEGAL REFERENCE:** Securities and Exchange Commission