

DFD: DEBT MANAGEMENT

First Reading

October 10, 2023



Board Area of Focus

2022 Board approved Area of Focus for Fiscal Oversight Committee (FOC)

1. Develop recommendations for long-term bond financing
 - Developed and Approved by FOC
 - Reviewed by Legal Counsel Butler Snow
 - Reviewed by Financial Advisor Hilltop

Purpose

Board Policy DFD: Debt Management defines the following:

- Governing Authority
- Debt Limits
- Structure
- Issuance
- Management Practices

Designed to improve the quality and consistency of decisions regarding new and outstanding debt

Types of Debt

Long-Term

General Obligation (G.O.) Debt - Upon approval of voters

Refunding G.O. Debt

Certificates of Participation (COP)

Lease Purchase

Short-Term

State Interest Free Loan Program

Tax Anticipation Notes

Legal Debt Limits

C.R.S 22-42-104 Limits G.O. indebtedness to not be greater than 20% of assessed property valuation. (Page 172 of 2022 Annual Audit)

Legal Debt Margin
For The Last Ten Fiscal Years

	2022	2021	2020	2019
Debt Limit ⁽¹⁾	\$ 1,627,980,522	\$ 1,494,015,398	\$ 1,457,815,010	\$ 1,293,824,122
Total Debt Applicable to Limit	426,660,513	498,866,191	543,637,736	584,991,349
Legal Debt Margin ⁽²⁾	1,201,320,009	995,149,207	914,177,274	708,832,773
Total Debt Applicable to the Limit as a Percentage of Debt Limit	26.21%	33.39%	37.29%	45.21%

District Debt Limits

Current Board policy [DFC](#) - Certificates of Participation has been combined into this one consolidated Debt Management Policy, recommend the Board remove this policy once DFD is approved.

Limits COP aggregate yearly lease payments of principal and interest to not exceed 1% of yearly general fund revenues or \$5 million whichever is greater

Currently at about \$1.1 million per year

Long-Term Debt

- Acquire or purchase buildings or grounds
- Enlarging, improving, remodeling, repairing, or making additions to any school building
- Constructing or erecting school buildings
- Equipping or furnishing any school building but only in conjunction with a construction project for a new building or for an addition to an existing building or in conjunction with a project for substantial remodeling, improvement, or repair of an existing building
- Improving school grounds
- Acquiring, constructing, or improving any capital asset that the district is authorized by law to own
- Supporting charter school capital construction needs
- To refinance existing debt when it is in the best interest of the district and its taxpayers

Long-Term Debt

- Normally have fixed rate of interest
- Structure reviewed by Board in consultation with FOC
- Final maturity of 20-30 years
- Average life of debt issues no greater than average life of assets purchased

COP - General Fund

A COP may also be issued on behalf of a charter school when the proposal represents a win/win partnership with the District and the following apply:

- The charter school has been in existence for a minimum of three years and is expanding to a new site, or a new charter school with a solid financial plan projected through five years;
- The charter school agrees to locate in a geographical region of the District that has high student growth and results in the lessening of overcrowding;
- The charter school agrees to work with the District in determining the charter school instructional program to ensure the District is incentivizing the offering of numerous educational choices throughout the District;
- The charter school has realistic enrollment projections - a minimum of 400 students - that easily provide enough per pupil revenue (PPR) so that the COP lease payments are no more than 20% of charter revenues;
- The charter school agrees to provide space for 50% of their capacity to a larger attendance boundary meeting the District's need to provide classroom space for Douglas County student growth. Please reference the associated Long Range Planning Committee policy, "Charter School Enrollment Preferences". The intent is that the charter boundary encompasses two to three elementary and middle school boundaries to provide choice for all students attending any of the District neighborhood schools or the new charter

Refunding and Restructuring

The district shall consider refunding or restructuring outstanding debt when financially advantageous or beneficial for debt repayment and structuring flexibility.

- CFO shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.
- The target net present value savings as a percentage of the refunded aggregate principal amount shall be no less than 3% unless at the discretion of the CFO a lower percentage is more applicable for situations including but not limited to,
 - Maturities with only a few years until maturity or
 - COPs being defeased or redeemed from proceeds of general obligation bonds or other structuring considerations

Bond Redemption Fund

In general, the district will hold no more than one year's worth of debt service at the end of the calendar year. The Board may approve additional reserves on an annual basis, with justification.



Questions?

