Debt Management

This Debt Management Policy (Policy) defines authority, parameters, methods, and responsibilities for issuing and managing debt of the Indian Trails Public Library District ("District"). This Policy recognizes a commitment to full and timely repayment of all debt. Adherence to this Policy helps the District maintain a sound debt position and protect the District's credit quality. The District's financing is also to be in compliance with applicable Federal law, United States Securities and Exchange Commission (SEC) regulations, and Illinois Compiled Statues (ILCS).

Section 1: Authority

The Board of Library Trustees of the Indian Trails Public Library District ("Board") will direct and oversee the issuance and management of bonds and other authorized debt instruments in accordance with the Public Library District Act of 1991, the Local Government Debt Reform Act, and other applicable statutes and regulations.

Section 1.1: Board Authority

The Board will review for approval all proposed bonds and other debt instruments issued for the purpose of constructing, expanding, renovating, and/or equipping library facilities, including the purchase or lease of real or personal property, and for the purpose of refinancing outstanding bonds and other debt obligations.

Section 1.2: Board Treasurer

The Board Treasurer's responsibilities include the management of any debt authorized by the Board.

Section 1.3: Director Authority

Administrative responsibility for managing the District's debt is hereby delegated to the District's Executive Director.

Section 2: Debt Instruments

The District will use appropriate debt instruments to provide funding at the lowest cost with minimal risk for the purposes stated in Section 1.1 of this Policy. Appropriate debt instruments include general obligation bonds, general obligation alternate revenue source bonds, debt certificates and other debt instruments approved by the Board. The District will not issue debt instruments to finance operating deficits.

Section 2.1: Derivative Products

No derivative products will be utilized unless authorized by law and approved by the Board. No derivative products shall be used without an analysis by and recommendation from an independent registered Municipal Advisor.

Section 2.2: Pay-As-You-Go/Cash Funding

The District will use pay-as-you-go funding for capital improvements and/or capital assets having a cost of less than $250,000.00 or assets having a useful life of less than 10 years unless budgetary restraints require the use of debt instruments.

Section 3: Debt Structuring

Section 3.1: Maturity

The District shall issue debt with an average life less than or equal to the average life of the assets being financed. The final maturity of the debt shall be no longer than *20* years unless a longer term is authorized by law.

Section 3.2: Debt Service Structure

Unless otherwise justified and deemed necessary by the Board, debt service should be structured on a level basis. Refunding or restructuring of outstanding debt should be structured to produce debt service savings or achieve other financial benefits. Unless justified and deemed necessary by the Board, debt shall not include capitalized interest.

Section 3.3: Debt Service Coverage

A net revenue debt service coverage ratio consists of annual gross revenue, less annual operating expenses divided by annual debt service (excluding depreciation). The District will endeavor to maintain net revenues equal to 1.25x annual debt service requirements.

Section 3.4: Tax-exemption

Unless otherwise justified and deemed necessary by the Board, the District shall issue debt on a tax-exempt basis.

Section 4: Credit Objectives

The District Director shall seek to maintain and improve the District's current rating from credit rating agencies which rate the District's debt. The District shall manage relationships with credit rating agencies using both formal and informal methods to disseminate information.

Section 5: Methods of Sale

Section 5.1: Competitive Bid

The issuance and sale of District debt shall be achieved by competitive bid unless other methods are justified and deemed necessary by the Board due to market conditions, size, structure, term, credit rating level, security or other factors affecting the debt issue. Any competitive sale of the District's debt requires Board approval. District debt issued on a competitive bid basis will be sold to the bidder proposing the lowest responsible true interest cost to the District. Such bids may take the form of hand-delivered or electronically transmitted offers to purchase debt instruments.

Section 5.2: Negotiated Bid

If appropriate, the District's Executive Director will submit to the Board a request to sell debt instruments on a negotiated basis. If debt is sold on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions. The District, with the assistance and recommendation of the District's Municipal Advisor, shall evaluate the terms offered by the underwriting team. Evaluations of prices, interest rates, fees and commissions shall include prevailing terms and conditions in the marketplace for comparable issuers.

Section 5.3: Private Placement or Direct Loans

If appropriate, the District's Executive Director will submit to the Board a request to sell the debt through private placement or direct loans.

Section 6: Continuing Disclosure

The District shall provide financial information and operating information in compliance with applicable disclosure requirements.

Section 7: Investment of Bond Proceeds

The District will invest all bond funds in accordance with the District's Investment Policy and applicable law.