TAXING AND BORROWING AUTHORITY/LIMITATIONS

Within the limits of tax levy law and with the approval of the Franklin County Budget Commission, the Board shall levy taxes to maintain schools.

In addition, the Board may:

1. Issue bonds or notes for the purpose of acquiring or constructing any permanent improvement.

2. Borrow money and issue notes in anticipation of the collection of current tax revenues, but not to exceed one-half of the amount estimated to be received from the next tax settlement and not before the first day of the fiscal year in which the taxes will be received and must mature no later than the last day of the year.

3. Submit to the voters a proposal to levy a tax, for current expense, in excess of the 10 mill limitation.

Debt Management

The purpose of this Policy is to provide a functional tool for debt management and to enhance the District's ability to manage its debt in a conservative and prudent manner. This Policy establishes standards regarding the timing and purposes for which the District may issue debt, the types and amounts of permissible debt and structural features that may be incorporated. These standards constitute realistic goals that the District can expect to meet, and will guide, but not bind, debt management decisions. In following this Policy, the District shall adhere to the following goals:

- The purpose for which debt can be issued shall be in accordance with the laws of the State of Ohio and, if applicable, federal tax and security laws. The District shall not issue debt in excess of the limits prescribed by the laws of the State of Ohio.

- The District will only issue debt for payment of operating expenses if necessary for short-term cash flow needs.

- The District shall endeavor to attain the highest possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements.

- The District shall consider all practical precautions and proactive measures to avoid any financial decision which will negatively impact the District's current credit ratings.

- The District shall remain mindful of debt limits in relation to projected growth within the District and the tax burden needed to meet long-term capital requirements.

Section II. Authorization:

Ohio laws authorize the issuance of debt by the District and confer upon it the power and authority to make lease payments, contract debt, borrow money, and issue bonds for public improvement projects. Under these provisions, the District may contract debt to pay for the cost of acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, and equipping such projects, or to refund existing debt or to provide for cash flow needs.

A. *Periodic Review*. The Policy shall be reviewed and updated periodically and presented to the Board for approval as necessary. At a minimum, the District will review this policy prior to the submission of a bond referendum to the electorate. The Chief Financial Officer is the designated administrator of the Policy and has overall responsibility, with the Board's approval, for decisions related to the structuring of all District debt issues.

Section III. Structure of Debt Issues and Guidelines:

A. *Maturity of Debt*
The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. The length of maturity of any debt instrument shall be equal to or less than the useful life of the asset(s) being financed.

B. *Debt Service Structure*
The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, allow for the lowest possible burden on the tax base, and as practical, to recapture or maximize its credit for future use. Annual debt service payments will generally be amortized on an aggregate level debt service basis; however, more rapid principal amortization may occur where permissible to meet debt repayment goals.

C. *Capitalized Interest*
Unless required for structuring purposes (e.g. first interest payment due before levy dollars are received), the District will avoid the use of capitalized interest in order to avoid unnecessarily increasing the bond size and interest expense.

D. *Derivatives*
The District shall not employ derivative products.

E. *Impact on Operating Budget*
When considering any debt issuance, the potential impact of debt service and additional operating costs induced by new projects on the operating budget of the District, both short and long-term, will be evaluated. The District shall avoid issuing bonds payable through the operating funds greater than a five year maturity unless a corresponding reduction in operating costs can be documented.

F. *Debt Limitation*
Ohio Revised Code provides two debt limitations on general obligation debt.

1. The net principal amount of both voted and unvoted debt of the District excluding exempt debt as described in Ohio Revised Code Section 133.06(D), may not exceed 9% of the total assessed valuation of all property located in the District, except (a) if the District is a "special needs district" as described in Ohio Revised Code Section 133.06(E), (b) for certain emergency purposes as described in Ohio Revised Code Section 133.06(F) or (c) to raise the District's portion of the basic project cost pursuant to Ohio Revised Code Chapter 3318..

2. The net principal amount of unvoted debt of the District, excluding exempt debt, may not exceed 1% of the total assessed valuation of all property located in the District.

G. *Reporting of Debt*
The District's comprehensive annual financial report will serve as the repository for statements of indebtedness.

H. *Monitoring Outstanding Debt*

1. The District will monitor all forms of debt annually and include an analysis in the District's budget document. Concerns and recommended remedies will be reported to the Board of Education as necessary.

2. The District will monitor bond covenants and federal regulations concerning debt, and adhere to those covenants and regulations at all times.

I. *Arbitrage*
Debt will be issued and expended in such a fashion as to minimize the necessity ofarbitrage reporting and payment. Those issuances and funds subject to arbitrage constraints shall be monitored by the Chief Financial Officer who shall have arbitrage liability calculations performed on an annual basis from the date of issuance.

J. *Investment of Bond Proceeds*
Investment of bond proceeds shall at all times be in compliance with the District's adopted investment policy, comply with federal tax laws and meet all requirements of bond proceed covenants.

Section IV. Financing Team Members:

The District may use the services of professional service providers, such as bond counsel and other legal counsel, underwriters, financial advisors, or other debt management advisors in order to assist the District with the effective management of its debt.

All such service providers will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other service providers and other third parties. The extent of the disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which would compromise a service provider's ability to provide independent advice which is solely in the best interests of the District, or which could reasonably be perceived as a conflict of interest.

Section V. Related Issues:

A. *Financial Disclosure*
The District will follow a policy of full disclosure on every financial report and official statement, voluntarily following disclosure guidelines provided by the Government Finance Officers Association for financial reporting and budget presentation, and Ohio and federal securities laws. To the extent necessary, professional service providers will be used to insure compliance with continuing disclosure requirements of SEC Rule 15c2-12, as amended from time to time.

B. *Review of Financing Proposals*
All capital financing proposals involving a pledge of the District's credit through the sale of securities, execution of loans or lease agreements or otherwise directly or indirectly the lending or pledging of the District's credit initially shall be referred to the Chief Financial Officer who shall determine the financial feasibility of such proposal and make recommendations accordingly to the Board

C. *Establishing Financing Priorities*
The Chief Financial Officer shall administer and coordinate this Policy and the District's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue and marketing strategies. The Chief Financial Officer shall, as appropriate, report to the Board regarding the status of the current and future year programs and make specific recommendations.

D. *Rating Agency, Credit Enhancer, and Investment Community Relations*
The District shall endeavor to maintain a positive relationship with the investment community. The Chief Financial Officer along with the District's financial advisors shall meet with, make presentations to, or otherwise communicate with the rating agencies, bond insurers and credit enhancers on a consistent and regular basis in order to keep the agencies informed concerning the District's capital plans, debt issuance program, and other appropriate financial information. The District will make every reasonable effort to maintain its high quality credit ratings. The District will seek to maintain or improve its bond ratings by Standard & Poor's and Moody's Investors Service, respectively, and will specifically discuss with the Board of Education any proposal which might cause those ratings to be lowered. The Chief Financial Officer shall, as necessary, prepare reports and other forms of communication regarding the District's indebtedness, as well as its future financing plans.

E. *Call Provisions*
The District will seek to optimize the cost/benefit trade-off from optional redemption call provisions, consistent with its desire to obtain the flexibilities of call provision on debt when compared to obtaining the lowest possible interest rates on its bonds. The District and its financial advisor will evaluate optional redemption provisions for each issue to assure that the District does not pay unacceptably higher interest rates to obtain advantageous calls.

F. *Credit Enhancement*
For negotiated sales the District will seek credit enhancement when necessary for marketing purposes or to make the financing more cost effective. For competitive sales the District will provide that the purchaser shall obtain any credit enhancement, such as municipal bond insurance, at the purchaser's option and cost.

G. *Refunding and Restructuring Policy*
Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt when financially advantageous or beneficial for structuring. The Chief Financial Officer 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. A 5% present value savings should be shown for any refunding or the Chief Financial Officer should provide an explanation as to why the refunding should occur without this level of savings.

H. *Tax Anticipation Notes*
The District's Fund Balance Policy is designed to provide adequate cash flow to avoid the need for Tax Anticipation Notes through the establishment of fund balances sufficient to maintain required cash flows and provide reserves for unanticipated expenditures, revenue shortfalls and other specific uses. The District may issue Tax Anticipation Notes

in a situation beyond the District's control or ability to forecast when the revenue source will be received subsequent to the timing of funds needed.

I. *Variable Rate Debt*

To maintain a predictable debt service burden, the District gives preference to debt that carries a fixed interest rate. The District, however, may consider variable rate debt to diversify its debt portfolio, reduce interest costs, increase repayment flexibility and match the durations of assets and liabilities. Prior to issuing variable rate instruments, District staff and the financial advisor will analyze the savings available in comparison to fixed rate instruments and evaluate and quantify the risks associated with the variable rate debt. The most recent ten-year average of the BMA Index may be used as a benchmark for determining the variable rate debt cost. Ancillary costs for remarketing, liquidity, or broker-deal and tender agent fees should also be reflected in the analysis.

1. As long as variable rate debt is outstanding, the District will actively monitor and evaluate market conditions and will determine if it is appropriate and cost efficient to convert the variable rate debt to fixed interest rates.
2. The percentage of variable rate debt outstanding at the time of any debt issuance shall be the lesser of, the upper limit for such debt specified by the rating agencies, or ten percent of the District's total outstanding debt.

J. *Transaction Records*

The Chief Financial Officer or designee shall maintain complete records of decisions made in connection with each financing, including the structuring of the financing, results of the sale, and information related to market conditions the week of the sale. The Chief Financial Officer shall timely provide a summary of each financing to the Board.

K. *Special Situations*

Changes in capital markets, District programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy. These situations may require modifications or exceptions to achieve policy goals. Management flexibility is appropriate and necessary in such situations, provided specific authorization is received from the Board of Education.

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