Debt Management Policy

Revision Control

- *Original Approved by LPLD Board March 17, 2016*
- *Updated and Approved by LPLD Board July 26, 2021*

This Debt Management Policy (Policy) defines authority, parameters, methods, and responsibilities for issuing and managing debt of the Lincolnwood Public Library District ("the Library"). This Policy recognizes a commitment to full and timely repayment of all debt. Adherence to this Policy helps the Library maintain a sound debt position and protect the Library's credit quality.

I. Authority

The Board of Trustees of the Lincolnwood Public Library District ("the 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, other applicable statutes and regulations.

A. 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.

B. Board Treasurer

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

C. Director Authority

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

II. Debt Instruments

The Library 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.

A. 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.

B. Pay-As-You-Go/Cash Funding

The Library will use pay-as-you-go funding for capital improvements and/or capital assets having a cost of less than $250,000 or assets having a useful life of less than 10 years unless budgetary restraints require the use of debt instruments.

III. Debt Structuring

A. Maturity

The Library 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.

B. 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.

C. 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 Library will endeavor to maintain net revenues equal to 1.25x annual debt service requirements.

D. Tax Exemption

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

IV. Credit Objectives

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

V. Methods of Sale

A. Competitive Bid

The issuance and sale of library 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 Library’s debt requires Board approval. Library debt issued on a competitive bid basis will be sold to the bidder proposing the lowest responsible true interest cost to the Library. Such bid may take the form of hand-delivered or electronically transmitted offers to purchase debt instruments.

B. Negotiated Bid

If appropriate, the Library 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 Library, with the assistance and recommendation of the Library'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.

C. Private Placement or Direct Loans

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

VI. Continuing Disclosure

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

VII. Investment of Bond Proceeds

The Library will invest all bond funds in accordance with the Library's Fiscal Accountability Policy and applicable law.