Book	BYLAWS AND POLICIES
Section	FINANCES
Title	DEBT MANAGEMENT
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1) **GENERAL POLICY STATEMENT**

The Board of Directors ("Board") recognizes that sensible debt management is essential to preserving the financial integrity of Edison School of the Arts ("Edison") and is fiscally responsible to both the Indianapolis Public Schools district and to the taxpayer. This policy establishes goals and provides guidance for the Board's debt usage and management activities and the use of debt-financed proceeds.

This policy is intended to ensure that indebtedness incurred by the Board satisfies prudent standards and allows Edison to efficiently utilize its financial resources and maintain fiscal stability while fulfilling long-term capital needs through responsible debt management.

The Board may obtain debt financing to pay for acquiring land and equipment, constructing, renovating, improving and enlarging building structures, adding to capital inventories, refunding existing debt or meeting cash flow needs.

The Treasurer will administer and coordinate the Board's debt program and activities, including timing of issuance, type and structure of debt instrument, use of any derivative instruments, and selection of external financial and legal professionals. The Treasurer will meet with the Board members, as appropriate, regarding the status of the debt program and to make specific recommendations.

2) **DEBT LIMIT**

The Board may obtain long or short-term debt as authorized by the State of Indiana and Edison's agreement with the Indianapolis Public Schools district. Under Indiana code, the Board is authorized to borrow money for short-term requirements, enter into leases, pursuant to I.C. 6-1.1-20-1.1.

3) DEBT STRUCTURE

The Board may issue short-term debt when such instruments are needed to allow the Board to meet its cash-flow requirements or provide increased flexibility in its financing program. Short-term debt may include, but may not be limited to, lines of credit, and general obligation notes or other financing instruments authorized by the State of Indiana. The Board should not finance general operating costs by issuing debt with maturities greater than one (1) year.

The Board may obtain long-term debt when the final maturity of the debt obligation is consistent with the economic or useful life of the improvement or asset being financed. Long-term debt may include, but is not limited to notes payable, general obligation bonds, or other financing instruments authorized by the State of Indiana. The Board may also enter into long-term leases for facilities, property, and equipment.

The Board may enter into debt when it is determined to be prudent based upon the Board's existing mix of variable and fixed rate debt as evaluated against benchmarks which may be published by or obtained from nationally recognized credit rating agencies, or other sources, market rates at the time of issuance, and the Board's overall interest cost and risk profile.

The Board shall enter into debt instruments or leases for a term of not more than twenty (20) years.

4) DEBT INSTRUMENTS

The Board may employ financial advisor(s) when necessary to assist in managing the Board's debt portfolio, evaluating and executing transactions, monitoring and verifying pricing, and generally representing and acting in the Board's best interests. The Board Chair and/or Treasurer shall develop the criteria to select financial advisor(s).

Financial advisor(s) employed by the Board shall meet the following requirements to be a qualified independent financial advisor:

- Represent the best interests of the Board
- Possess sufficient knowledge to evaluate debt market transaction and risks
- Not be subject to statutory or regulatory disqualification

All capital financing proposals involving a pledge of the Board's credit through the sale of securities, execution of loans or lease agreements, entering into contracts or otherwise directly or indirectly lending or pledging the Board's credit shall be referred to the Treasurer who shall determine the financial feasibility of such proposals and make recommendations accordingly to the Board.

The Board may consider negotiated, competitive or private placement methods of sale for debt issuance. The Treasurer may work with the Board's financial advisor(s) to determine the method of sale to recommend to the Board.

The Board has an on-going fiduciary responsibility to actively manage the proceeds of debt in a manner that is consistent with State of Indiana statutes governing the investment of debt, and with the covenants of related debt documents executed by the Board. The Board's investment policy shall govern specific methods for investing debt related proceeds. The management of debt shall enable the Treasurer to respond to changes in markets or changes in payment or construction schedules so as to protect principal, decrease interest, ensure liquidity and lower risk.

The Board shall consider refunding or restructuring outstanding debt when financially advantageous and/or beneficial for structuring purposes. Refunding for financial benefit should be based upon net present value savings targets and likelihood of future additional savings. Refunding for restructuring purposes may or may not consider these or other factors, however the costs and benefits of the transaction shall be evaluated. Debt refunding, for any purpose, shall only be considered when savings equal at least three percent (3%) of refunded debt.

5) DEBT MANAGEMENT PRACTICES

The following factors will be considered when determining the type and maturity structure of debt issuances, as well as any associated agreements:

a) Debt issued to finance capital improvements will be integrated with the Board's long-term capital plans. Consideration will be given to matching the length of the issue with the asset's useful life whenever practicable;

b) The Board will consider the continuing impact of debt upon the annual budget. Amortization schedules and debt service requirements will be integrated with revenues identified as available for debt service;

c) The credit risk that the Board may not be able to meet its debt obligations in the future;

d) The Board will consider the impact of the issuance of additional debt on the following measures as evaluated against debt burden benchmarks which may be published by or obtained from nationally recognized credit rating agencies, the Government Finance Officers' Association, or internal metrics;

e) The Board shall consider conditions in local, regional, domestic and international capital markets in meeting the Board's financing needs and timing its debt issuances;

f) The Board shall consider the impact of additional debt and/or its financing plans on credit ratings;

g) The Board shall consider call features and the impact on the Board's future ability to manage interest rate costs when issuing debt;

h) The current yield curve shall be considered when issuing debt;

i) The maturity schedule and repayment amounts shall be structured to best take advantage of current market conditions and maximize future credit availability;

j) The long-term implications associated with any debt issuance should be analyzed with regard to the Board's costs of borrowing, historical interest rate trends, debt capacity, opportunities to refund related debt obligations, impact of the transaction on the Board's financial statement, tax rate, and other relevant considerations.

6) COMPLIANCE

The Board must account for and report all debt according to local, state and federal requirements.

The Board shall prepare appropriate disclosures as required by the Securities and Exchange Commission ("SEC"), including any reporting required pursuant to SEC Rule 15c2-12 ("Continuing Disclosure Undertaking"), as well as any other federal and state laws, rules and regulations. If applicable to the debt obligation, any Continuing Disclosure Undertaking report shall include required disclosure information and shall comply with the requirements of SEC Rule 15c2-12 then in effect and the Continuing Disclosure Undertaking agreement. The Board may retain dissemination agent(s) to comply with Continuing Disclosure Undertaking requirements. The Board will also provide appropriate financial information to the rating agencies, underwriters, bond counsel, taxpayers, and other appropriate entities and persons in order to ensure compliance with applicable laws, rules and regulations and to maintain credit ratings and to assist with the marketing of the School's debt obligations.

The Board shall comply with federal arbitrage requirements, including making rebate and yield reduction payments when due and maintaining yield restrictions as applicable. The Board shall employ arbitrage calculation agent(s) to monitor potential liabilities and shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Internal Revenue Code, as amended or supplemented, and related applicable United States Treasury regulations.

The Board shall periodically review and update this policy as may be necessary to assure that it meets all regulatory and disclosure requirements as well as attaining the fundamental goal of reducing both borrowing costs and associated financing risks.

The Executive Director and Treasurer shall be responsible for the compliance and enforcement of this policy.