

POLICY NO. 011
DEBT SERVICE POLICY

PURPOSE:

Pursuant to the provisions of Jefferson Parish Council Ordinance No. 25712 adopted December 5, 2018, acting under the authority of the provisions of Article 6, Section 19 of the Louisiana Constitution of 1974, Section 2.01 (7) of the Jefferson Parish Home Rule Charter and House Bill No. 785 of the Regular Session of the Louisiana Legislature for the year 2016, enacted as R.S. 33:9099.3 (the "Act"), the District is a special taxing district and political subdivision of the State of Louisiana and has the authority to incur debt, including the authority (1) to issue bonds and to levy and collect taxes, special assessments and fees, upon a majority vote of the electorate of the District; (2) to issue certificates of indebtedness.

The Debt Service Policy of the District is established to help ensure sound financial management and that all debt is issued prudently, cost effectively, and in accordance with applicable law, including but not limited to debt issuance approval, debt reserve requirements, debt service requirements, and continuing disclosure requirements

POLICY:

The Debt Service Policy sets forth guidelines for the issuance and management of all debt of the District. The Debt Service Policy is separate yet integrated through reference with the District Budget Policy. Adherence to the Debt Service Policy is essential to ensure that the District:

- maintains a sound debt position;
- protects the credit quality of its obligations and achieves the highest practical credit rating;
- minimizes borrowing cost and maintains access to cost effective borrowing;
- maintains complete financial disclosure reporting;
- ensures compliance with applicable local, state, and federal law; and
- employs the use of debt to compliment, but not fully replace, significant commitments for capital purposes.

Debt Issuance Approval:

When endeavoring to incur and issue debt, the District shall seek approval of the State Bond Commission (“SBC”) by submitting an application on the SBC form appropriate to the type and nature of the debt / financing / borrowing requesting the authority to incur debt or levy related taxes

If approved by the SBC, the District’s Board of Commissioners shall formally approve by resolution any external financings (e.g., bonds, notes, leases) or refinancing arrangements, including the selection and use of legal, accounting, and any other professional service providers that are needed.

Debt Service Requirements:

1. The entity must meet all debt service requirements, including principal, interest, premiums, or other payments. If the entity does not meet its debt service requirements, the chief executive must notify the SBC, in writing. The chief executive must also notify the Legislative Auditor, in writing, either on or before 120 days before the due date of such payment, or as soon as the officers of the governing authority know, or have good reason to know, that such failure is reasonably likely to occur, whichever occurs last. A failure to meet debt service requirements would likely require a disclosure under Continuing Disclosure Requirements below, based on the terms of the debt instrument.

2. If debt service is funded by a tax millage, the entity should not collect more in taxes than is reasonable for debt service. As a best practice, the LLA suggests no more than one year of excess collections before the entity should reduce its millage to a more reasonable level. If the related debt has been paid off, the entity must stop collecting the millage and the over-collected amount may need to be refunded to taxpayers.

Debt Reserve Requirements:

1. The District shall meet all debt reserve requirements, including establishing sinking fund accounts, reserve accounts, and/or contingency accounts, if required by the debt instrument. If the District does not meet its debt reserve requirements based on the terms of the debt instrument, the

Chairperson of the Board of Commissioners shall notify the SBC, in writing..

Continuing Disclosure Requirements:

1. For non-municipal securities, such as private placement bond issues (i.e., those sold in a private sale to one or a few investors, such as a bank) and other types of debt instruments, the District shall comply with all continuing disclosure requirements included in the specific debt instrument.

2. For municipal securities, defined as any securities issued by the District that are subject to continuing disclosure requirements under the Securities and Exchange Commission (SEC) Rule 15c2-12 (together with all corresponding rules, updates, notices, and interpretations of the SEC and the Municipal Securities Rulemaking Board (MSRB)), provided that the District is an “obligated person” as defined in the SEC Rule, the District shall comply with both federal and state law. Pursuant to La.R.S. 39:1438(C) the District shall continuously maintain (1) a list of all Louisiana municipal securities for which the District is the issuer or an obligated person; (2) a copy of all continuing disclosure agreements to which the District is a party; and (3) if pursuant to a continuing disclosure agreement to which the District is a party, the District shall file notices of changes in bond ratings and a list of current ratings for such securities, if any. All records required by R.S. 39:1438(C) shall be available for inspection by the District’s auditor.

3. If the District does not meet its debt reserve requirements based on the terms of the debt instrument, the Chairperson of the Board of Commissioners shall notify the SBC in writing.