DEBT MANAGEMENT

The Governing Board is committed to long-term capital and financial planning and recognizes that the foundation of a well-managed debt program is a comprehensive debt management policy. This policy sets forth guidelines for the issuance and management of all financings of the District, and establishes a control framework to meet the following goals:

- Identifying the purposes for which debt proceeds may be used.
- Identifying the types of debt that may be used.
- Describing the relationship of the debt to the District's capital improvement program.
- Establishing policy goals related to the District's planning goals and objectives.
- Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.

1. Purposes for the Issuance of Debt

The primary use of debt by the District has been to fund capital projects; other debt may be issued as necessary and appropriate. The District may issue debt for any of the following purposes:

- to finance the cost of capital improvements
- to refinance existing debt
- to provide for cash flow needs (Government Code 53854)

2. Types of Debt that May be Issued

- Short-Term Debt
  a. Tax and Revenue Anticipation Notes (TRANs) when necessary to allow the District to meet its cash flow requirements
  b. Internally borrowing from other funds with temporarily surplus cash to meet the District's short-term needs

- Long-Term Debt
  a. General Obligation Bonds (GO Bonds) to finance capital improvements approved by voters
  b. Lease financing to fund capital projects <u>without</u> voter authorization, through Certificates of Participation (COPs) or Qualified Zone Academy Bonds (QZABs)
  c. Clean Renewable Energy Bonds (CREBs) <u>without</u> voter authorization, to finance renewable energy projects (i.e. solar system)

3. Relationship of Debt to District Capital Improvement Program or Budget

The District is committed to long-term capital planning for providing adequate facilities and programs that support student learning and well-being. Debt may be used to finance capital projects that are identified in the District's capital plan. When considering a debt issuance, the District may evaluate both the short-term and long-term implications of the debt issuance and additional operating costs associated with the new projects involved. Such evaluation may include the tax burden on taxpayers and operating expenditures.

4. <u>Policy Goals Relating to Planning and Objectives</u>

The District may retain a financial advisor to assist with the planning and structuring of the debt issuance and to provide general advice on the District's debt management program and financing options. The District shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue. The District shall ensure that it:

- funds capital projects from voter-approved GO Bonds issues in order to preserve the availability of its general fund for operating purposes.
- avoids any financial decision that will negatively impact current credit ratings on existing or future debt issues.
- monitors the statutory debt limit in relation to projected assessed valuation within the District and the tax burden needed to meet ongoing debt service requirements.
- considers market conditions and District cash flows when timing the issuance of debt.
- considers the District's ability to expend the funds obtained in a timely, efficient and economical manner.

<u>Method of Sale</u>

The District will select the method it deems most effective to market, price and place its bonds based on information provided by the financial advisor. The conditions under which type of bond sale is best used are as follows:

Competitive Sale:

- Bond prices are stable and /or demand is strong
- Market timing and interest rate sensitivity are not critical to the pricing

Negotiated Sale:

- Bond prices are volatile
- Demand is weak or supply of competing bonds is high
- Market timing is important, such as for refunding

The District's outstanding debt shall be monitored to determine refunding opportunities. As a guideline, refunding debt that produces a saving of 5% or greater net present value will be considered. Refunding bonds are issued to retire all or a portion of an outstanding bond issue and to refinance at a lower interest rate to reduce overall debt payment. The savings are then passed on to the taxpayers in a form of lower property taxes.

5. **Internal Control/Post Issuance Administration**
By following this policy, the District shall ensure that the proceeds of any debt issuance are directed to the intended use. The policy assists the District in maintaining the effectiveness and efficiency of operation, complying with law and regulations, preventing fraud and avoiding conflict of interest.

Use of Proceeds
Bond proceeds shall be deposited and recorded in a separate bond account to ensure funds are not comingled with other District funds. The District shall monitor the expenditure of bond proceeds to ensure they are used only for the purpose and authority of which the bonds were issued. The District will exercise best efforts to spend bond proceeds in such a manner that the District will meet one of the spend-down exemptions from arbitrage rebate.

Arbitrage Compliance
The use of bond proceeds and their investment earnings shall be monitored to ensure compliance with all Internal Revenue Code (IRS) arbitrage rebate requirements. The District shall ensure that all bond proceeds and investment earnings are tracked in a manner that facilitates accurate calculation; and if a rebate payment is due, such payment is made in a timely manner.

Continuing Disclosure
The District shall comply with Securities and Exchange Commission (SEC) regulations on disclosure that require municipal debt issuers to provide specified financial and operating information at the time of new bond issuance and during the life of the bonds. The District is required to file its annual financial information and material event notices to the public with Municipal Securities Rulemaking Board (MSRB) by January 31 of each year.

Other Debt-Related Reporting Requirements
Under Government Code 8855, the District is required to submit a report of the proposed issuance (along with a self-certification that the District has adopted a debt management policy) to the California Debt and Investment Advisory Commission (CDIAC) 30 days prior to the sale of any debt issue.

The District is also required to submit an Annual Debt Transparency Report (ADTR) to the CDIAC regarding the debt authorized, the debt outstanding and the use of proceeds of the issued debt. The statutory deadline for submittal of the ADTR on the prior July 1 – June 30 reporting period is January 31 of each year.

Exceptions and Modifications
The District acknowledges that the capital marketplace fluctuates; municipal finance products change from time to time and that issuer and investor supply and demand vary. These fluctuations may produce situations that are not anticipated or covered by this policy.

DEBT MANAGEMENT (continued)

As such, the Governing Board may make exceptions or modifications to this policy to achieve the debt management goals outlined in this policy. Management flexibility is appropriate and necessary in such situations, provided specific authorization is granted by the Governing Board.

Legal Reference:

EDUCATION CODE
15140-15150 Issuance & Sale of Bonds
42133 Non-voter Debts

GOVERNMENT CODE
8855 California Debt and Investment Advisory Commission
53410-53411 Bond reporting
53506-53509.5 General obligation bonds
53550-53569 Refunding bonds of local agencies
53850-53858 Tax and revenue anticipation notes

CODE OF FEDERAL REGULATIONS, TITLE 17
240.15c2-12 Municipal securities disclosure

CODE OF FEDERAL REGULATIONS, TITLE 26
1.148 Arbitrage and rebate

Policy
adopted: