

# **BANNING UNIFIED SCHOOL DISTRICT**

## **DEBT MANAGEMENT POLICIES AND PROCEDURES FOR DISTRICT-ISSUED SECURITIES**

### **Section 1. Purpose and Application.**

Section 1.1 Purpose. The purpose of these Debt Management Policies and Procedures (collectively, the “Debt Management Policy”) for Securities issued by the Banning Unified School District (“District”) is: (i) to ensure that the District will be in compliance with requirements of the Code (as defined herein) and State law that must be satisfied with respect to Securities when issued and after such Securities are issued; (ii) to provide functional tools, policies and directives for District debt management, financing management and capital planning; and (iii) provide a framework for the District’s ability to manage its debt and long-term finance obligations in a prudent manner.

All capitalized terms used herein, and not otherwise defined, have the meanings ascribed to them in Section 2 hereof.

Section 1.2 Introduction. The Board recognizes the importance of having a Debt Management Policy (“Debt Management Policy”) that provide functional tools and directives for the District, the District’s Community Facilities Districts debt management, financing management and capital planning, and provide a framework for the District’s ability to manage its debt and long-term finance obligations in a prudent manner.

While the issuance of debt by the District is an appropriate and necessary method of financing capital projects, careful and consistent monitoring of such debt issuance is required to preserve the District’s credit strength, budget and financial flexibility. This Debt Management Policy will serve the District in determining the appropriate uses for debt financing, debt structures and establishing prudent debt management goals.

Section 1.3 Debt Management Goals and Considerations. The following are District’s goals in the adoption of this Debt Management Policy:

- (a) The issuance of debt by the District is an appropriate and necessary method of financing capital projects, providing working capital and financing certain capital equipment purchases over time.
- (b) The Board intends that the District establish and maintain a framework for public finance borrowings through District-issued Securities.
- (c) Careful and consistent monitoring of such debt issuance and outstanding securities is required to preserve the District’s credit strength, budget and financial flexibility.

- (d) In following this Debt Management Policy, the District shall pursue the following debt management goals.
  - (i) The District shall endeavor to attain the best possible credit rating, as applicable, for each Securities issue (with or without credit enhancement) in order to reduce interest costs, within the framework of preserving financial flexibility and meeting capital funding requirements.
  - (ii) The District shall remain mindful of applicable debt limits in relation to assessed value changes within the District and the tax burden needed to meet long-term capital requirements.
  - (iii) The District shall consider market conditions, District cash flows and facilities financing requirements when considering the scheduling for the issuance of Securities.
  - (iv) The District shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the District at the time new Securities are issued.
  - (v) The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, revolving loans or other state/federal aid, so as to minimize the encroachment on the District's General Fund.

Section 1.4 Application of Debt Management Policy. This Debt Management Policy shall apply to Securities issued by, or on behalf of, the District.

Section 1.5 Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate. Headings of sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

All references herein to "Sections" and other subdivisions are to the corresponding Sections or subdivisions of this Debt Management Policy; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Debt Management Policy as a whole and not to any particular Section or subdivision hereof.

Section 1.6 Integration with Other District Policies. This Debt Management Policy is intended to integrate with other policies and administrative rules applicable to the District as adopted by the Board. In the event of a conflict between the provisions of this Debt Management Policy and other policies or administrative rules of the District, the District's existing policy interpretation rules shall govern.

Section 1.7 Limitation of Effect. This Debt Management Policy is applicable to the referenced District Securities for the purposes set out in Section 1.1. The Debt Management Policy is adopted as a policy by the Board and is not intended to, and shall not, have the effect of law. All portions of this Debt Management Policy shall be subject to the provisions of Section 18.4 hereof. Nothing in this Debt Management Policy, express or implied, is intended to give to any person or party other than the District any right, remedy or claim under, or by reason of, this Debt Management Policy and the provisions hereof.

Section 1.8 Conflict with Law. Nothing in this Debt Management Policy intended to conflict with existing State law. In the event of a conflict with existing or future State laws, such State laws shall govern over the provisions of this Debt Management Policy.

## **Section 2. Definitions.**

Section 2.1 Definitions. Unless otherwise defined herein, for purposes of this Debt Management Policy the terms set forth below shall have the following meaning(s) ascribed to them:

***“Board”*** means the Board of Education the District.

***“Bond Counsel”*** means a firm of nationally recognized municipal bond attorneys experienced in the issuance of municipal bonds. Bond Counsel in connection with certain of the District’s Securities which are subject to this Debt Management Policy may be identified on Appendix “A” hereto.

***“Capital Appreciation Securities”*** means Securities which accrete interest over time to a final maturity value paid at maturity. Capital Appreciation Securities generally do not pay interest to the owner or holder prior to the designated maturity date.

***“CDIAC”*** means the California Debt and Investment Advisory Commission.

***“CFD”*** means a community facilities district formed pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, being California Government Code Section 53311 *et seq.*, including any improvement areas thereof.

***“Code”*** means the Internal Revenue Code of 1986, as amended from time to time.

***“Compliance Officer”*** means an officer or employee of the District or a designee identified in a written certificate of a Designated Officer of the District or identified in a written certificate executed by the District's Superintendent.

***“Continuing Disclosure Agent”*** means the person or party designated within a Continuing Disclosure Document to assist the District’s Compliance Officer in complying with the specific requirements of a continuing disclosure document related to the issuance of a series of Securities. A Continuing Disclosure Agent may be referred to as “Dissemination Agent” or a “Disclosure Agent.”

**“Continuing Disclosure Document”** means a continuing disclosure certificate, a continuing disclosure agreement or similar or equivalent document providing for compliance with Securities and Exchange Commission Rule 15c2-12 requiring ongoing disclosure for an issued series of Securities.

**“COPs”** means certifications of participation securities or obligations or similar lease/leaseback obligations entered into by the District for financing purposes. This definition shall not include lease/leaseback arrangements entered into strictly for purposes of facilities construction.

**“County”** means the County of Riverside, a political subdivision of the State.

**“Debt Management Policy”** means this Debt Management Policy adopted by the Board on behalf of the District and as such may be amended from time to time.

**“Designated Officer(s)”** means those officers of the District designated in writing by the District as being principally responsible for documents or agreements relating to a series of Securities. A Designated Officer shall always include the District’s Superintendent.

**“District”** means the Banning Unified School District, a public school district organized and operating pursuant to the provisions of State law. Where applicable, the term District also includes District-formed CFDs and other entities controlled by the District which facilitate the issuance of Securities for the benefit of the District.

**“Fiscal Year”** means the District’s fiscal year as directed by the Board. Currently, the District’s fiscal year begins on July 1 and concludes on the next following June 30.

**“General Obligation Bonds” or “GO Bonds”** means general obligations bonds, or general obligation bond anticipation notes, issued pursuant to State law following the authorization of voters within the boundaries of the District or an SFID to incur general obligation bonded indebtedness as provided for under the California Constitution and related State law.

**“IRS”** means the Internal Revenue Service.

**“Issuance Documents”** means resolutions, indentures, fiscal agent agreements, trust agreements and similar documents and agreements which provide the principal provisions for the issuance, repayment, redemption and conveyance relating to the issuance of a series of Securities.

**“Net Construction Proceeds”** means the net proceeds of any Securities issuance allocated to planning, design, acquisition, construction, completion and similar expenditures for capital Projects. This term excludes securities proceeds allocated for refunding purposes.

***“Post-Issuance Policy”*** means the Post Issuance Policy and procedural requirements for District issued securities as approved of by the Board. The current form of the Post Issuance Policy is appended to this Debt Management Policy as **Appendix A**.

***“Project”*** means the facilities that were constructed and/or acquired with the proceeds of Securities or refunded with proceeds of Securities.

***“Regulations”*** means the temporary, proposed or final Income Tax Regulations promulgated by the United States Department of the Treasury and applicable to the District’s Securities.

***“Securities”*** For purposes of this Debt Management Policy, the term “Securities” shall also include all types of debt obligations, whether taxable or tax-exempt as to interest, which the District may incur pursuant to the laws of the State. Such obligations include, but are not limited to, General Obligation Bonds (whether issued directly by the District or by the County of Riverside in the name and on behalf of the District), certificates of participation (“COPs”) or lease revenue bonds (“LRBs”) representing lease or base rental payments due from the District, other lease-purchase agreements which are capital in nature (“Leases”), bond anticipation notes (“BANs”) and tax and revenue anticipation notes (“TRANS”), and in the case of CFDs, bonds issued pursuant to the Mello-Roos Act secured by special taxes levied on the property within such CFD (“Special Tax Bonds”). Or as in the case of a Public Financing Authority, Revenue Bonds issued in accordance with the Mark-Roos Local Bond Pooling Act of 1985, as amended, (“Revenue Bonds”) to be repaid from the proceeds of public obligations.

***“SFID”*** means a school facilities improvement district formed by the District pursuant to the provisions of California Education Code Section 15300, *et seq.* or any successor law thereto for purposes of conducting a general obligation bond election within designated territory within the District’s boundaries.

***“State”*** means the State of California.

***“Superintendent”*** means the designated, appointed and acting Superintendent of the District. This terms includes an Acting Superintendent and Interim Superintendent to the extent applicable.

***“TRANS”*** means Tax and Revenue Anticipation Notes, Revenue Anticipation Notes or similar Securities issued by the District for District cash flow purposes.

### **Section 3.     Authorization.**

Section 3.1    General.  The laws of the State authorize the issuance of debt of the District, and confer upon it the power and authority to make lease payments, contract debt, borrow money, and issue Securities for public improvement projects subject to various requirements and limitations. 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 the cash flow needs of the District.

#### Section 3.2    Short-Term Debt (maturity of 13 months or less).

- (a)    The District shall generally manage its cash position in a manner so that internally generated cash flow is sufficient to meet general operating needs.
- (b)    However, the District may issue fixed-rate and/or variable rate short-term debt which may include TRANs when such instruments are needed to facilitate meeting the District's cash flow requirements for operations (working capital).

#### Section 3.3    Long-Term Debt (maturity of greater than 13 months).

- (a)    Debt issues may be used to finance essential capital facilities, projects and certain capital equipment where it is appropriate to spread the cost of such Projects over more than one fiscal year.
- (b)    Projects which are not appropriate for spreading costs over future years shall not be debt financed.
- (c)    Long-term debt shall not be used to fund District operations.
- (d)    The District may issue long-term debt which may include, but is not limited to, GO Bonds, COPs, CFD Special Tax Bonds, lease revenue bonds, assessment district Securities and/or other capital lease-purchase structures for capital facilities, projects and certain capital equipment.
- (e)    In the event the District has outstanding long-term debt in the form of COPs and/or other capital lease-purchase structures if and when referendum-approved debt proceeds become available, the District shall use a portion of such proceeds to redeem or defease such outstanding debt. In doing so, the District recognizes that voter-approved long-term debt is generally the lowest cost borrowing available to the District. However, the District shall consider the remaining useful lives of related assets related to the outstanding debt as provided for herein.

Section 3.4 Board Authorization. Prior authorization by the Board shall be a requirement for any issuance of District Securities. The Board shall approve all purchase contracts, or equivalent documents or agreements (which will include sale parameters where final sale approval/terms are delegated to a Designated Officer(s)), for District-issued securities.

#### **Section 4. Limitation on Issuance of Certain Securities.**

Section 4.1 Bonding Capacity Limitations – GO Bonds. California Education Code Section 15106 limits the District's total outstanding debt (i.e., principal portion only) to 2.50% of the assessed valuation of the taxable property of the District. In the case of an SFID formed by the District, this applies to the assessed valuation of the taxable property within the applicable SFID. TRANs and lease payment obligations in support of COPs generally do not count against this limit except as provided in California Education Code Section 17422.

Section 4.2 Waiver of Bonding Capacity Limitations. Pursuant to the provisions of the California Education Code, the District reserves the right and ability to seek a waiver of the limitations of the California Education Code with respect to general obligation bonded indebtedness from the State Board of Education when the Board shall determine such to be appropriate.

Section 4.3 Sizing of TRANs. Limitations on the size of a District TRANs issue shall be based on a conservative calculated cash deficit as best known at the time of issue.

#### **Section 5. Considerations for Structure of Debt Issues.**

Section 5.1 Maturity of Securities. The duration (final maturity) of a Securities issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is being used to finance. The final maturity of the debt shall generally be equal to or less than the useful life of the assets being financed, and the average life of the financing shall not exceed one-hundred and twenty (120%) percent of the average life of the assets being financed.

Section 5.2 Operating Costs. The District is prohibited from financing general operating costs from debt having maturities greater than thirteen (13) months. When the District deems it necessary to finance working capital such cash flow borrowings must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the Fiscal Year in which the debt is issued.

Section 5.3 General Obligation Bonds. The final maturity of GO Bonds will be limited to the shorter of the average useful life of the asset financed or no longer than forty (40) years if issued pursuant to the California Government Code and Education Code; however, the selected term to maturity would have to be appropriate relative to the average useful lives of the assets financed. GO Bonds issued as Capital Appreciation Securities shall have a maturity not greater than twenty-five (25) years.

Section 5.4 Certificates of Participation and Other Lease Financing Obligations. The final maturity of improvement or asset obligations will generally be limited to the

average useful life of the improvement or asset to be financed. The final maturity of real property obligations will be determined to best meet the District's goals.

Section 5.5 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, and, as practical, to recapture or maximize its credit for future use. Annual debt service payments shall generally be amortized on a level basis or, in the case of GO Bonds, consistent with conservative growth expectations for assessed valuation. The District will work with its municipal advisor and underwriter in structuring debt service. In some cases, for example, with respect to CFD special tax bonds, COPs and other debt instruments, the debt repayment may be structured based on projected growth in the respective CFD, repayment plans tailored to the District's estimated sources of revenues, etc.

Section 5.6 Capitalized Interest. Unless required for structuring purposes or is for a non-General Fund debt such as a Community Facilities District financing, the District shall avoid the use of capitalized interest in order to avoid unnecessarily increasing the bond size and interest expense. Certain types of financings, such as COPs, may require that interest on the debt be paid from capitalized interest until the District has use and possession of the underlying project. Capitalized interest may be required in connection with the issuance of GO Bonds in order to pay interest on such Securities with such time as tax revenues can be collected by the County pursuant to the limitations of State law.

Section 5.7 Redemption/Call Provisions. The Superintendent or designee, based upon analysis from the underwriters and municipal advisor(s) of the economics of callable versus non-callable features, shall set forth redemption/call provisions for each Securities issue.

Section 5.8 Credit Enhancement. The District may enter into credit enhancement agreements such as municipal bond insurance, debt service reserve fund securities and/or letters of credit with commercial banks, municipal bond insurance companies, or other financial entities when such enhancement results in lower borrowing costs, eliminates restrictive covenants and/or will have a net economic benefit to the debt issuance. The District may use a competitive process to select providers of such credit enhancements to the extent applicable.

## **Section 6. Consideration of District Facilities Planning and Project Financing Requirements as Part of Issuance of Securities.**

Section 6.1 Consideration of District Facilities Plan Documents. Consideration of District Facilities Plans and Master Plans as part of the planning for the issuance of any series of Securities by the District, District Staff and Advisor shall review and consider the District's then current facilities master plan documents and other facilities' financing documentation. Consideration shall be given to when capital facilities funds will actually be needed in order to initiate work on District Projects. The term for maturity of issued Securities, as set forth in Section 5.1 of this Debt Management Policy, shall be taken under consideration.

Section 6.2 Expenditure of Generated Construction Proceeds. Existing federal law requires that the District have a reasonable expectation that the net construction proceeds from Securities which are issued as federally tax-exempt securities shall be substantially expended within 36 months after date of issuance of the corresponding securities. The District shall provide Bond Counsel with a schedule of such anticipated expenditure(s) at the time each series of Securities is issued. Each such schedule shall be reviewed by the Financial Advisor and shall be based upon a review of then existing District facilities master plans and similar facilities funding documents as approved by, or submitted for consideration by, the Board. It is the policy of the District that District staff, shall, at all times, make all diligent efforts to proceed with and complete expenditure of all net construction funds of issued Securities in a timely fashion.

## **Section 7. Sale of Securities.**

Section 7.1 Public Sale. There are two methods of a public sale of debt, competitive and negotiated. Preference shall be given to competitive sales. However, both methods of sale shall be considered for all issuance of debt to the extent allowed by law, as each method has the potential to achieve the lowest financing cost given the right conditions.

- (a) Competitive Sale – When a competitive bidding process is deemed the most advantageous method of sale for the District, award shall be based upon, among other factors, the lowest offered True Interest Cost (“TIC”).
- (b) Negotiated Sale – When a negotiated sale process is deemed the most advantageous method of sale for the District, award shall be based upon, among other factors, comparable market interest rates.

Section 7.2 Private Placement. While not used as frequently as negotiated or competitive public sale methods, a private placement sale may be appropriate when the financing can or must be structured for a single or limited number of purchasers or for other reasons.

## **Section 8. Financing Team Members and Roles.**

Section 8.1 Municipal Advisor. Irrespective of the nature of the sale of securities (competitive or negotiated), the District shall select and retain a general financial advisory (municipal advisor) team lead by an experienced independent municipal advisor to provide advice on the District’s debt management program, debt issuance structure, rating agency relations, credit enhancement decisions and other transaction details. The Independent Municipal Advisor shall be the point person to organize and coordinate activities within the collective financing team. A Municipal Advisor shall be a person or party who shall be independent from the District. Each Municipal Advisor shall be qualified to act as a “Municipal Advisor” under federal law.

Section 8.2 Bond Counsel. The District shall select and retain a bond counsel who shall, in addition to preparing Board resolutions, bond documents and providing tax advice

on specific debt transactions, shall actively participate in the District's debt management program and the structuring of debt issuance.

Section 8.3 Disclosure Counsel. Irrespective of the nature of the sale of securities (competitive or negotiated), the District shall select and retain a disclosure counsel that is separate and independent of bond counsel and, if applicable, underwriter's counsel. In doing so, the District recognizes the importance of accurate and adequate disclosure and the relationship between district staff and disclosure counsel retained directly by district.

Section 8.4 County Treasurer. The District recognizes the expertise of the County Treasurer's staff in structuring debt and investments related to public financing and shall include the County Treasurer or designee in correspondence and activities of the financing team.

Section 8.5 Other Team Members. The District, upon the counsel of staff and the applicable Municipal Advisor, shall select and retain other qualified and needed financing team members as may be required to fulfill the District's obligations related to the District's debt management program. Other financing team members may include, but shall not be limited to, special tax consultant, continuing disclosure consultant, continuing disclosure review consultant, continuing disclosure dissemination agent, trustee/fiscal agent, paying agent and bond registrar, credit enhancement provider, reserve surety policy provider, economic analyst and/or data analyst, and arbitrage rebate service provider.

## **Section 9. Use of Proceeds of Issued Securities; Monitoring.**

Section 9.1 Utilization of Securities Proceeds. The utilization of the proceeds of issued Securities may be subject to applicable State law. In general, utilization proceeds of Securities shall be used for one or more of the following uses:

- (a) Costs of Issuance. Payment of costs of issuance for the series of Securities, including, but not limited to, payment of Purchaser/Underwriter discount, payment of Municipal Advisor costs, fees and expenses, including, but not limited to, costs of legal counsel including Bond counsel, credit enhancement costs such as municipal bond insurance premiums, debt service reserve fund, surety/insurance policy costs and letter of credit costs, publication and/or notices costs, costs of preparing, printing and/or furnishing offering documents such as preliminary official statements, official statements and limited offering memorandums, payment of trustee, fiscal agent, paying agent and/or escrow agent banking costs and expenses, recovery or reimbursement of formations costs of an SFID or a CFD, payment of reimbursement of contractual costs involved in the preparation, issuance, sale and delivery of a series of securities, filing costs associated with the issuance of securities, and other similar and related costs of issuance.
- (b) Capitalized Interest. Capitalized interest is used to pay interest on a series of issued Securities for a period of time. In general, capitalized

interest is not funded with respect the issuance of securities for refunding purposes only.

- (c) Construction/Acquisition Purposes. A portion of the proceeds of Issued Securities may be used for design, construction, acquisition, and completion of capital facilities Projects or particular financed assets. Utilization of such funds may be limited by a voter-approved measure associated with the issuance of the particular type of Securities. See also Section 6 relating to review of anticipated capital expenditures from proceeds of issued Securities. Expenditure of funds for construction and acquisition may be limited and expenditure for District salaries or administration costs may be prohibited by State law.
- (d) Cash Flow Requirements. Net proceeds of Issued TRANs shall be used for the cash flow purposes for which such TRANs securities were issued.
- (e) Refunding Proceeds. With respect to Securities issued for refinancing purposes, a portion of the net proceeds of such Securities will be utilized to pay principal, interest and premium, as applicable, on the designated refunded securities. Such funds may be deposited into a specific escrow fund or escrow account as identified in the Issuance Documents.
- (f) Funded Administration Costs. Securities proceeds may be used to provide funded administration costs for administration of an entity (such as an SFID or CFD) for a period of not-to-exceed one (1) year following the issuance of the designed series of Securities. Until such time as taxes or revenues can be collected in order to pay such administrative costs.
- (g) Not for Investment Purposes. Under no circumstance shall the District issue Securities for the purposes of investment.

Section 9.2. Monitoring of Use of Securities Proceeds.

- (a) Pursuant to the provisions of Proposition 39 (Constitutional Amendment approved by California voters in 2000 and related State legislation) a school district is obligated to undertake periodic reviews of expenditures and use of proceeds as part of independent financial audits and independent performance audits as set out in California Constitution Article XIII A, Section 1(b)(3). Such audits are submitted to the District's Citizens Oversight Committee (as applicable to general obligation securities authorized pursuant to Proposition 39) as set out in California Education Code Sections 15278 *et seq.* All such periodic reports are presented to the Board and to the applicable Citizens Oversight Committee. Discrepancies in terms of expenditure

or potentially unauthorized expenditures are noted by the independent audit firm.

- (b) With respect to Securities other than Proposition 39 authorized GO Bonds, the Compliance Officer shall periodically present to the Superintendent and to the Board reports concerning expenditure of Securities proceeds including, but not limited to, expenditures for designated Projects in order to ensure that allocated funds are expended as directed within the Issuance Documents and that Net Construction Proceeds are expended for the Projects designated within the Issuance Documents and, where applicable, the authorization provided by voters for the applicable Securities or revenues which support such Securities.

## **Section 10. Disclosure Requirements.**

Section 10.1 District Disclosure Documents. The District shall prepare or cause to be prepared all appropriate disclosures as required by the Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”), the Internal Revenue Service, other federal government agencies, state agencies, rating agencies, credit enhancement providers, underwriters, bond and disclosure counsel, investors, taxpayers, and other persons or entities entitled to disclosure to ensure transparency and compliance with applicable laws and regulations and covenants to provide ongoing disclosure.

Section 10.2 Priority. The quality and completeness of all disclosure materials shall be of high importance and priority.

Section 10.3 District Review Team. The Superintendent or designee shall assemble a District “Disclosure Review Team” with designated District departments which is responsible for information to be contained in Preliminary and Final Official Statements and similar offering documents. The Disclosure Review Team shall provide written comments to the finance team.

### Section 10.4 Initial Disclosure:

- (a) The Preliminary Official Statement (POS) shall be reviewed prior to approval by the Board by the Disclosure Review Team.
- (b) The POS and financing documents shall be approved as discussion/action items on the Board agenda and shall not be placed on the consent calendar.

### Section 10.5 Continuing Disclosure:

- (a) The District shall designate a Continuing Disclosure Agent to regularly monitor compliance according to the Securities and Exchange Commission Rule 15c2-12 (Continuing Disclosure Agent).

The Continuing Disclosure Agent may be a third-party firm(s) providing such services and reporting to the District.

- (b) The Continuing Disclosure Agent(s) shall:
- (i) Assemble all continuing disclosure agreements and certificates and prepare a calendar of due dates for annual disclosure and preparation dates ahead of annual disclosure dates.
  - (ii) Monitor, on a regular basis, all district transactions which are rated by a nationally recognized rating agency, and shall report any rating changes within ten (10) business days.
  - (iii) Monitor, on a regular basis, all district transactions which are insured the credit enhancer's assigned rating by a nationally recognized rating agency, and shall report any rating changes within ten (10) business days.
  - (iv) Monitor compliance of transactions with covenant compliance on a semi-annual basis and report any "event disclosure" pursuant to any continuing disclosure obligation, within ten (10) days of such event.
  - (v) Annually meet with Disclosure Review Team to discuss compliance with disclosure requirements.
  - (vi) Identify any incidents of non-compliance and prepare a report to the Disclosure Review Team. Such report shall include recommendations to cure any non-compliance issue.
  - (vii) Review and certify any disclosure in the Preliminary and Final Official Statements regarding district compliance / non-compliance with Rule 15c2-12 in the last five years.

Section 10.6 District Website – Limitation on Disclosure. All information for investors regarding the District or specific securities is contained in the applicable Official Statement(s) or applicable continuing disclosure(s). While the District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to outstanding debt obligations of the District.

## **Section 11. Post-Issuance Compliance Policy.**

Section 11.1 In connection with the adoption of this Debt Management Policy, the District may have already adopted, or may also adopt, its Post-Issuance Compliance Policy. The form of the Post Issuance Compliance Policy for the District is attached hereto in **Appendix A** and incorporated herein by this reference. The applicability of the Post Issuance Compliance Policy to an individual series of Securities will be as designated in the

Issuance Documents for such series of Securities and will be subject to the provisions of the Post Issuance Compliance Policy.

## **Section 12. Credit Rating Agencies.**

Section 12.1 The District shall endeavor to attain the best possible credit rating, as applicable, for each Securities issue (with or without credit enhancement) in order to reduce interest costs, within the framework of preserving financial flexibility and meeting capital funding requirements.

Section 12.2 The District shall endeavor to maintain effective relations with credit rating agencies.

Section 12.3 The District and its Municipal Advisor shall meet with, make presentations to, or otherwise communicate with the credit rating agencies on a regular basis in order to keep the credit rating agencies informed concerning the District's capital project plans, debt issuance program, debt management activities, and other appropriate financial information.

## **Section 13. Investment Community Relations.**

Section 13.1 The District shall endeavor to maintain positive and effective relations with the investment community to include investors, bondholders, credit enhancers, media, document clearinghouses and other public sources of information.

Section 13.2 The District and its Municipal Advisor shall, as necessary, or as directed by the Board, prepare reports and other forms of communication regarding the District's indebtedness, as well as its future financing plans.

## **Section 14. Refunding and Restructuring Outstanding Securities.**

Section 14.1 Whenever deemed to be in the best interest of the District, the District may consider refunding or restructuring outstanding debt. The primary considerations for refunding or restructuring outstanding debt shall be financially advantageous or beneficial to the District.

Section 14.2 The financial advantages of refunding outstanding debt shall consider the maximization of the District's expected net savings over the life of the debt issuance and, when using a general obligation bond to refund an existing bond, shall ensure that the final maturity of the refunding bond is no longer than the final maturity of the existing bond.

## **Section 15. Investment of Proceeds of Issued Securities.**

Section 15.1 Investment Practices. The District acknowledges its on-going fiduciary responsibilities to actively manage the proceeds of Securities issued for public purposes and related reserve funds in a manner that is consistent with State law governing the investment of public funds, prudent investment practices, the District's Investment Policy

[Statement] and with the permitted securities covenants set out in the applicable Issuance Documents.

Section 15.2 Investment Goals. The District's goals for any investment strategy of borrowed proceeds, and related reserve funds, shall be, in order of priority: (i) preservation of principal; (ii) availability of funds; and (iii) return on investment.

## **Section 16. Periodic Reporting Connected with Issuance of Securities.**

Section 16.1 Board Policy. It is the policy of the Board that the District shall timely comply with all periodic reporting requirements for issued Securities as imposed by applicable State or federal laws and/or as agreed to by the District as part of the issuance of any series of Securities. Such periodic reporting includes, but is not limited to:

- (a) Provision of annual reports to CDIAC pursuant to Government Code Section 8855(k).
- (b) Arbitrage/rebate reports for federal tax-exemption purposes as may be incorporated within a series of Securities.
- (c) Periodic reports and event notices as required under the applicable Continuing Disclosure Document for a series of Securities.

Section 16.2 Retention of Consultants. The District may retain consultants to assist in the District in meeting applicable periodic reporting requirements for issued Securities. Notwithstanding the foregoing, ultimate responsibility for meeting periodic reporting requirements for issued Securities shall rest with the Designated Officers.

## **Section 17. Records Retention.**

Section 17.1 Retained Records – Custodian. Records for issued Securities shall be held and maintained by the Compliance Officer as set out in the Post-Issuance Policy.

Section 17.2 Maintaining of Records. The Superintendent or designee shall maintain complete records of decisions made in connection with each Securities transaction, including the selection of members of the financing team, the structuring of the financing, selection of credit enhancement products and providers, and selection of investment products and providers. Each Securities transaction file shall include the official transcript for the financing, the final number computations and a post-pricing summary of the Securities issuance.

Section 17.3 Board Report. At the conclusion of any Securities issuance, the Superintendent or designee shall timely provide a summary of the financing to the Board.

## **Section 18. General Matters.**

Section 18.1 Periodic Review. The District may, from time to time, undertake to review its Debt Management Policy in terms of periodic changes as referenced in Section 1.7 hereof.

Section 18.2 Amendment. The District reserves the right to amend this Debt Management Policy in the future in response to such matters as applicable legislation, revisions to State law rulings and directives issued by the IRS or other federal agencies, court decisions, municipal securities practices and/or recommendations of Bond Counsel. Such amendments shall be in writing and shall state a scope of application and an effective date.

Section 18.3 Education Policy. It is the policy of the District that the Compliance Officer and his or her designees, if any, should be provided with education and training on State law and federal tax-exemption requirements applicable to outstanding Securities. The District recognizes that such education and training is vital as a means of helping to ensure that the District remains in compliance with those federal tax requirements in respect of its Securities. The District therefore will enable and encourage the Compliance Officer and any of his or her designees to attend and participate in educational and training programs with respect to federal tax requirements related to tax-exempt or tax credit securities.

Section 18.4 Exceptions/Modifications/Waiver. 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. As such, the Board may make exceptions or modifications to this policy to achieve the debt management goals outlined above. Management flexibility is appropriate and necessary in such situations, provided specific authorization is granted by the Board.

Section 18.5 Internal Directives. The Superintendent may develop additional specific elements of a debt management framework through directives which, along with this policy, shall be reviewed periodically in consideration of changing laws, District needs and market conditions.

Adopted: February 16, 2017



**Appendix A**

**Copy of Post-Issuance Compliance Policy**

**BANNING UNIFIED SCHOOL DISTRICT**

**POST-ISSUANCE COMPLIANCE POLICIES  
AND PROCEDURES FOR DISTRICT-ISSUED SECURITIES**

**Section 1. Purpose and Application.**

1.1 Purpose. The purpose of these Post-Issuance Compliance Policies and Procedures (“Compliance Policy”) for securities issued by the Banning Unified School District (“District”) is to ensure that the District will be in compliance with requirements of the Code (as defined herein) that must be satisfied with respect to securities when issued and designated as subject to the provisions of this Compliance Policy and after such securities are issued so that the securities, and the interest thereon (as applicable) will be and will remain qualified for an exclusion from gross income for federal income tax purposes or for federal tax credit or subsidy payment purposes. All capitalized terms used herein have the meanings ascribed to them in Sections 1 and 2 hereof.

1.2 Application of Compliance Policy. This compliance Policy shall apply to Securities issued by, or on behalf of, the District if all of the following shall apply:

- (a) The securities are issued as tax-exempt securities for purposes of federal tax laws and the Code such that the District has undertaken to support and maintain such tax-exempt status;
- (b) The District shall have made an election, set forth in writing, that this Compliance Policy shall apply to a particular series of issued securities. Such election may be made in the Tax Certificate executed and delivered by the District in connection with a particular series of securities.

Unless otherwise provided by the District, bonds or other securities of the District not meeting the foregoing conditions shall not be subject to the terms and requirements of the Compliance Policy.

1.3 Interpretation. Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate. Headings of sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

All references herein to “Sections” and other subdivisions are to the corresponding Sections or subdivisions of this Compliance Policy; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Compliance Policy as a whole and not to any particular Section or subdivision hereof.

1.4 Limitation of Effect. This Compliance Policy is applicable to the referenced District Securities for the purposes set out in Section 1.1. Nothing in this Compliance Policy, expressed or implied, is intended to give to any person or party other than the District any right, remedy or claim under or by reason of this Compliance Policy and the provisions hereof.

## **Section 2. Post-Issuance Compliance for Tax-Exempt Securities.**

2.1 Application of Section. This Section of the Compliance Policies shall extend to matters concerning the maintenance and support for District-issued tax-exempt securities and applicable tax credit taxable securities.

2.2 Designation of District Compliance Officer; Responsibility for Monitoring Post-Issuance Tax Compliance. Pursuant to the Code, the District has the overall and final responsibility for monitoring compliance with post-issuance federal tax requirements for its securities. The District hereby appoints the persons stated in Appendix A as its initial Compliance Officer, and delegates to such officer(s) the primary operating responsibility of monitoring the District's compliance with post-issuance federal tax requirements for securities. The District reserves the rights to:

- (a) Designate a new officer, or officers, to assume the duties of Compliance Officer for the District Securities (or certain of them) by an instrument in writing providing for such designation by a Designated Officer of the District; and
- (b) Retain a person, party or firm of professional is to assist the Compliance Officer in undertaking the duties set forth herein.

2.3 Definitions. Unless otherwise defined herein, for purposes of this Compliance Policy the terms set forth below shall have the following meaning(s) ascribed to them:

***“Bond Counsel”*** means a firm of nationally recognized municipal bond attorneys experienced in the issuance of municipal bonds. Bond Counsel in connection with certain of the District's Securities which are subject to this Compliance Policy may be identified on Appendix “A” hereto.

***“Code”*** means the Internal Revenue Code of 1986, as amended from time to time.

***“Compliance Officer”*** means an officer or employee of the District or a designee identified in a written certificate of a Designated Officer of the District or identified in a written certificate executed by the District's Superintendent.

***“Compliance Policy”*** means this Post-Issuance Compliance Policies and Procedures for Issued Securities of which this Section is a part.

***“Designated Officer(s)”*** means those officers of the District designated in writing by the District as being principally responsible for documents or agreements relating to a series of securities. A Designated Officer shall always include the District's Superintendent.

**“District”** means the Banning Unified School District, a public school district organized and operating pursuant to the provisions of State law.

**“Filing Agent”** means a person or firm experienced in making the necessary filings with respect to the District’s Securities. Whether a tax credit or subsidy is to be made in respect of a series of the District’s Securities is indicated on Attachment “A” hereto. A Rebate Analyst or the Trustee may also act as Filing Agent.

**“IRS”** means the Internal Revenue Service.

**“Project”** means the facilities that were constructed and/or acquired with the proceeds of Securities or refunded with proceeds of Securities.

**“Rebate Analyst”** means a person or firm experienced in the calculation of arbitrage rebate liability.

**“Regulations”** means the temporary, proposed or final Income Tax Regulations promulgated by the United States Department of the Treasury and applicable to the District’s Securities.

**“Schedule”** means the matrix, table or index of the District’s outstanding Securities prepared, maintained and updated by the Compliance Officer from time to time.

**“Securities”** means and include(s) bonds, notes, certificates of participation, lease/purchase agreements and other forms tax-exempt obligations of the District issued from time to time, that are subject to any provisions of the Code and which have been designated as being subject to this Compliance Policy by the District.

**“Tax Certificate”** means the certificate made by the District for the purpose of establishing the reasonable expectations of the District as to the amount and use of the proceeds of Securities and such related matters as may appear therein. A copy of this Compliance Policy may be attached to the Tax Certificate for a series of Securities to which this Compliance Policy has been made applicable.

**“Taxable Securities”** means any Securities the interest on which is included in gross income under Section 103(a) of the Code.

**“Tax-Exempt Securities”** means any Securities the interest on which is excludable from gross income under Section 103(a) of the Code. Tax-Exempt Securities include an interest in a regulated investment company to the extent that at least 95% of the income to the holder of the interest is interest that is excludable from gross income under Section 103(a) of the Code.

**“Trustee”** means a national banking association, duly organized and existing under and by virtue of the laws of the United States of America, as identified in the documents relating to each issuance of the Securities. The term “Trustee” also includes any other entity which holds proceeds of Securities on behalf of the District. This may include, but is not limited to, a Paying

Agent, a Fiscal Agent or any other banking or trust institution which serves in a similar role, as applicable to the Securities in question.

“*VCAP*” means the IRS Tax-Exempt Bonds Voluntary Closing Agreement Program, or the then-applicable equivalent procedure or program used to remedy or resolve issues relating to tax-exempt securities with the IRS and/or other federal agencies.

2.4 Arbitrage Yield Restriction and Rebate Requirements. The Compliance Officer shall maintain or cause to be maintained records of the following:

- (a) Purchases and sales of investments made with Securities proceeds (including amounts treated as “gross proceeds” of Securities under section 148 of the Code) and receipts of earnings on those investments;
- (b) Expenditures made with Securities proceeds (including investment earnings on Securities proceeds) for the governmental purposes of the Securities, such as for the costs of purchasing, constructing and/or renovating property and/or facilities;
- (c) If appropriate in connection with the issuance of Securities, information and/or documentation showing, if applicable for a particular calendar year, that the District was eligible to be treated as a “small issuer” for arbitrage rebate purposes in respect of Securities issued in that calendar year because the District did not reasonably expect to issue more than the applicable aggregate principal amount of Securities prescribed by the Code and Regulations in that calendar year;
- (d) Calculations that will be sufficient to demonstrate to the IRS upon an audit of a Securities issue that, where applicable, the District has complied with an available spending exception to the arbitrage rebate requirement in respect of that Securities issue (e.g., expenditure of all proceeds within 6-month, 18-month or 2-year spending exception from rebate or within three years of issuance);
- (e) Calculations that will be sufficient to demonstrate to the IRS upon an audit of a Securities issue for which no exception to the arbitrage rebate requirements was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that Securities issue was calculated and timely paid with the appropriate IRS form timely filed with the IRS;
- (f) Information and records showing that investments held in yield-restricted advance refunding or defeasance escrows connected with a particular series of Securities, and investments made with unspent Securities proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments except with the written approval by Bond Counsel; and

- (g) Any records the District may reasonably obtain, if any, relating to the prices at which Securities may trade after their initial offering but prior to their delivery or issue date.

2.5 Records Retention. The Compliance Officer shall maintain or cause to be maintained all records relating to the requirements of the Code and the representations, certifications and covenants set forth in the District's Tax Certificate relating to the corresponding series of Securities until the date three years after the last outstanding Securities have been retired, refunded or defeased, unless otherwise permitted or required by future IRS regulations or other guidance. If any Securities are refunded (the "Refunding Securities"), the District covenants to maintain, or cause to be maintained, all records required to be retained by this Section until the later of the date three years after the last outstanding Securities have been retired or the date three years after the last Refunding Securities have been retired. The records that must be retained include, but are not limited to:

- (a) The official transcript of proceedings for the original issuance of the Securities, containing basic records and documents relating to the Securities and, if applicable, the Refunding Securities relating to any series of Securities;
- (b) Documentation evidencing the expenditure of Securities proceeds (including purchase contracts, construction contracts, progress payments, invoices, cancelled checks, payment of Securities issuance costs and records of "allocations" of Securities proceeds to reimburse the District for project expenditures made before the Securities were issued together with any record evidencing the official intent of the District to reimburse itself from Securities proceeds);
- (c) Documentation evidencing the use of the Project financed with the proceeds of Securities by public and private sources (if applicable) (i.e., copies of management contracts, research agreements, leases, etc.);
- (d) Documentation evidencing all sources of payment or security for the Securities;
- (e) Documentation pertaining to any investment of Securities proceeds (including the purchase and sale of securities, State and Local Government Securities (SLGS) subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations) (the monthly investment portfolio report submitted to the District by the Trustee will suffice for this requirement);
- (f) Information, records and calculations showing that, with respect to each Securities issue, that the District was eligible for the "small issuer" exception, or one of the spending exceptions, to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of such Securities issue was calculated and timely paid with the appropriate IRS form timely filed with the IRS, as described in Section 2.4(d), above;

- (g) Any records relating to the assignment or allocation of volume cap to any tax credit or subsidy Securities and any elections made with respect thereto; and
- (h) Records, if any, kept or retained by the District relating to monitoring secondary market trading activity for any of the Securities.

The basic purpose of the foregoing record retention policy is to enable the District to readily demonstrate to the IRS, in connection with any audit or inquiry concerning the Securities, full compliance with all federal tax requirements that must be satisfied so that interest on those Securities continues to be qualified for an exclusion from gross income for federal income tax purposes or for tax credit or subsidy payment purposes under the Code.

The District hereby acknowledges its responsibility to maintain such records.

2.6 Restrictions on Private Business Use and Private Loans; Change in Use of Assets Financed; Remedial Actions. The District understands that there are restrictions on private business use of assets financed with proceeds of Securities and restrictions on the use of proceeds of Securities to make or finance any loan to any person other than a state or local government unit. The Compliance Officer will consult Bond Counsel in the event private business use or private loans are contemplated or in the event of a change in use of the assets financed. Examples of potential private use events include, but are not limited to, sales of Securities-financed facilities, leases with respect to Securities-financed facilities and management contracts with respect to Securities-financed facilities. The Compliance Officer shall also consult with Bond Counsel to determine whether any remedial actions pursuant to Regulations Section 1.141-12 must be taken in order to prevent such private business use or private loans from jeopardizing the tax-exempt status of the Securities.

2.7 Redemption from Unexpended Proceeds. The District understands that with respect to certain obligations (e.g., Qualified School Construction Bonds) there is a requirement that if all of the proceeds are not expended for the qualified purpose by the end of an expenditure period (typically, three years), then a portion of the outstanding obligations (the “Nonqualified Securities”) must be retired shortly after the end of such expenditure period. With respect to such obligations, the Compliance Officer will monitor the expenditure of the proceeds during the expenditure period and will ensure that any unexpended proceeds are used to retire a portion of such obligations, either directly by the District, or in the case of proceeds held by a Trustee on behalf of the District, by that Trustee. The Compliance Officer shall consult Bond Counsel to assist the District in determining the appropriate amount of Nonqualified Securities

2.8 Retention of Rebate Analysts, Filing Agents or Other Professionals. The District may retain for particular transactions (as applicable) one or more Rebate Analysts, Filing Agents or other professionals for the purpose of filing any necessary forms to obtain refundable tax credits. A Rebate Analyst may also be retained or engaged at the outset of a transaction to advise the District with respect to the transaction structure that will allow the District to take advantage of any available exceptions to the arbitrage rebate rule.

The District acknowledges that arbitrage rebate payments, if due, are to be made to the United States of America at the end of each and every fifth bond year during which a series of

Securities is outstanding and upon the final maturity of each series of Securities. The District hereby authorizes the Compliance Officer to review, from time to time, the tax compliance certificates and agreements executed and delivered for outstanding Securities, including, but not limited to, the applicable Tax Certificate, to determine the specific deadlines for calculating and submitting arbitrage rebate payments.

2.9 Post-Issuance Credit Enhancement Transactions. Before engaging in post-issuance credit enhancements transaction (e.g., bond insurance, letter of credit) or hedging transactions (e.g., interest rate swap or interest rate cap), consult with Bond Counsel regarding compliance with applicable Regulations.

2.10 Post-Issuance Compliance Actions. In the event that an issue (potentially including non-compliance matters) arises following the issuance of District Securities affecting the tax-exempt status thereof:

- (a) The Compliance Officer, upon becoming aware of such matter(s), in cooperation with District staff will promptly undertake to review such matter(s) with Bond Counsel and, to the extent applicable or required, consider and/or undertake appropriate action(s) to respond to such issue(s).
- (b) The District may implement such action(s) as may be determined to be appropriate, which may include, but shall not be limited to, agreeing to ad/or implementing a VCAP applicable to such District Securities or the effected portion or maturities thereof. Any such VCAP shall be subject to governing board review and approval.
- (c) The Compliance Officer, in consultation with Bond Counsel, shall respond to IRS inquiries concerning particular District Securities, including, but not limited to, IRS inquiry letters, requests for information and audit requests.

### **Section 3. General Matters.**

3.1 Periodic Review. The District may, from time to time, undertake to review its Compliance Policy in terms of periodic changes as referenced in Section 3.2 hereof.

3.2 Amendment. The District reserves the right to amend this Compliance Policy in the future in response to such matters as applicable legislation, rulings and directives issued by the IRS or other federal agencies, court decisions, municipal securities practices and/or recommendations of Bond Counsel. Such amendments shall be in writing and shall state a scope of application and an effective date.

3.3 Education Policy With Respect to Federal Tax Requirements for Securities. It is the policy of the District that the Compliance Officer and his or her designees, if any, should be provided with education and training on federal tax requirements applicable to outstanding Securities. The District recognizes that such education and training is vital as a means of helping to ensure that the District remains in compliance with those federal tax requirements in respect of its Securities. The District therefore will enable and encourage the Compliance Officer and any

of his or her designees to attend and participate in educational and training programs with respect to federal tax requirements related to tax-exempt or tax credit Securities.

**APPENDIX A**

Compliance Policy Application:

- (1) List Securities to which this Compliance Policy has been designated for application by the District:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- (2) Date Compliance Policy was applied to such Securities:

\_\_\_\_\_, 20\_\_

- (3) Designated Compliance Officer(s):

\_\_\_\_\_  
\_\_\_\_\_

- (4) Initial Bond Counsel:

Bowie, Arneson, Wiles & Giannone  
4920 Campus Drive  
Newport Beach, CA 92660  
Phone: 949-851-1300  
E-mail: ranslow@bawg.com

- (5) Tax Credit Status of Securities (if applicable):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**BANNING UNIFIED SCHOOL DISTRICT**

**DEBT MANAGEMENT POLICIES AND PROCEDURES  
FOR DISTRICT ISSUED SECURITIES**

TABLE OF CONTENTS

Page

Section 1.	Purpose and Application. ....	1
Section 2.	Definitions.....	3
Section 3.	Authorization. ....	6
Section 4.	Limitation on Issuance of Certain Securities. ....	7
Section 5.	Considerations for Structure of Debt Issues.....	7
Section 6.	Consideration of District Facilities Planning and Project Financing Requirements as Part of Issuance of Securities. ....	8
Section 7.	Sale of Securities.....	9
Section 8.	Financing Team Members and Roles.....	9
Section 9.	Use of Proceeds of Issued Securities; Monitoring. ....	10
Section 10.	Disclosure Requirements. ....	12
Section 11.	Post-Issuance Compliance Policy. ....	13
Section 12.	Credit Rating Agencies. ....	14
Section 13.	Investment Community Relations.....	14
Section 14.	Refunding and Restructuring Outstanding Securities. ....	14
Section 15.	Investment of Proceeds of Issued Securities.....	14
Section 16.	Periodic Reporting Connected with Issuance of Securities. ....	15
Section 17.	Records Retention.....	15
Section 18.	General Matters.....	15