

**WARNER UNIFIED SCHOOL DISTRICT**

**AGENDA**

**NOTICE OF Board Policy Committee Meeting**

March 30, 2022

To: All Interested Citizens

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meetings of the District's governing board, please contact the office of the District Superintendent at (760) 782-3517. Notification 24 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability. Written notice is hereby given in accordance with Government Code Section 54956 that the following special meeting of the Governing Board of the Warner Unified School District will be held:

Written notice is hereby given in accordance with Government Code Section 54956 that the following special meeting of the Governing Board of the Warner Unified School District will be held:

**Date:** Friday, April 1, 2022

**Hour:** 1:00 pm

**Place:** District Office - Superintendent's Office

**The business to be transacted at the meeting shall be limited to the following. No discussion can be held and no Governing Board action can be taken on items that are not on agenda.**

- A. CALL TO ORDER**
- B. FLAG SALUTE**
- C. ROLL CALL**
- D. SPECIAL PRESENTATION**
- E. ACCEPTANCE OF AGENDA**
- F. PUBLIC COMMENT ON AGENDA ITEMS ONLY**
- G. ACTION ITEMS:**
  - 1. First Reading of a new Board Policy to address Debt Management:**  
See attached sample policies.
- H. ADJOURNMENT**

**WARNER UNIFIED SCHOOL DISTRICT**  
**EXECUTIVE SUMMARY TO THE BOARD OF TRUSTEES**

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AGENDA ITEM: Consider Adoption of Debt Management Policy in Compliance with Senate Bill 1029.

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**Discussion:**

The California Debt and Investment Advisory Commission (CDIAC) collects, maintains, and provides comprehensive information on all state and all local debt authorization and issuance. Senate Bill 1029, effective January 1, 2017, requires all California public agencies, including school districts, to adopt a debt management policy prior to the issuance of debt. A debt management policy in compliance with SB 1029 concerns the use of debt and is intended to ensure that a contemplated debt issuance is consistent with those local debt policies.

A debt management policy in compliance with SB 1029 must include the following:

- (1) The purposes for which the debt proceeds may be used.
- (2) The types of debt that may be issued.
- (3) The relationship of the debt to, and integration with, the issuer's capital improvement program or budget, if applicable.
- (4) Policy goals related to the issuer's planning goals and objectives.
- (5) The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use."

(Gov. Code, §§ 8855, et seq.)

Related, a local agency must also certify that it has a debt management policy in place when it reports a proposed debt issuance to the California Debt and Investment Advisory Commission (CDIAC) (no later than 30 days prior to proposed sale). In order to continue with the District's planned issuance of its schoolbus lease financing, and any future debt obligations, the Board is required to adopt a debt management policy. The Board is now requested to consider the adoption of the Debt Management Policy.

**Recommended Action:**

That the Board of Trustees adopt the Debt Management Policy.

**Warner Unified School District****Debt Issuance and Management Sample Policy****Article I. Purpose and Goals**

The purpose of this Debt Issuance and Management Policy ("Policy") is to provide a functional tool for debt management and capital planning, as well as to enhance the District's ability to manage its debt in a conservative and prudent manner.

The District shall pursue the following goals in furtherance of the purposes hereof:

- A. To fund capital improvements from general obligation bonds or such other debt not secured by its General Fund in order to preserve the availability of its General Fund for operating and other purposes not permitted to be funded by such bonds.
- B. To attain the best possible credit rating for each debt issue in order to reduce interest costs, while preserving financial flexibility and meeting capital funding requirements.
- C. To avoid wherever practicable any financial decision that will negatively impact current credit ratings on existing or future debt issues.
- D. To monitor the statutory debt limit in relation to projected assessed valuation within the District and the tax burden needed to meet ongoing debt service requirements.
- E. To consider market conditions and District cash flows when timing the issuance of debt.
- F. To consult with financial advisors regarding maturity schedules on proposed debt in order to afford the District with the best overall debt structure.
- G. To consider the relationship between the term of debt issued to finance capital improvements with the useful lives of those improvements, while considering repair and replacement costs of those assets to be incurred in the future.
- H. To assess and consider available financial alternatives, including categorical grants, revolving loans or other State/federal aid, to the extent they exist, so as to minimize the use of the District's General Fund.
- I. To consider the District's ability to expend the funds obtained in a timely, efficient, and economical manner, as well as consistent with Federal tax law.

**Article II. Authorization****Section 2.01 Authority and Purposes of the Debt**

The laws of the State of California authorize the issuance of debt by the District, and confer upon it the power and authority to make lease payments, contract debt, borrow money, and issue bonds for public improvement projects and to provide for the District's operational cash flows in order to maintain a steady and even cash flow balance. Under these provisions, the District may issue debt to (i) pay for the cost of capital improvements, including acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, equipping, and/or maintaining such capital improvements; (ii) refund existing debt; or (iii) provide for cash flow needs. Such debt issuance may also include appropriate and authorized issuance costs.

**Section 2.02 Types of Debt Authorized**

- A. Short-Term Debt: The District may issue short-term debt, which may include tax and revenue anticipation notes ("TRANS"), when such instruments allow the District to meet its cash flow requirements. However, the District's general objective is to manage its cash position in a manner so that internally generated cash flow is sufficient to meet expenditures. The District may also issue short-term debt in the context of

funding shorter-term acquisitions, such as equipment, or interim funding for capital costs that will ultimately be replaced with long-term debt (i.e., maturities longer than one year). The District may also participate in an annual pooled financing of delinquent property taxes to the extent the chief business officer (CBO), or his or her designee, determines such financing produces significant benefit to the District.

- B. Long-Term Debt: Debt may be used to finance capital facilities, projects, and equipment where it is appropriate to spread the cost of the projects over more than one budget year. In so doing, the District recognizes that future taxpayers who will benefit from the investment will pay a share of its cost. The District may issue long-term debt which includes, but is not limited to, general obligation bonds ("GO Bonds"). GO Bonds may be issued under the State Constitution (Article XIII A), either (i) under Section 1(b)(2) ("Proposition 46"), which requires at least a two-thirds (66.7%) majority, or (ii) under Section 1(b)(3) ("Proposition 39"), which requires approval by at least 55% majority of voters.

The District, or the Governing Board, may also, in addition to issuance of GO Bonds, (i) issue bond anticipation notes ("BANs") or grant anticipation notes ("GANs"); (ii) enter into long-term lease or lease-purchase financings ("Financing Leases"); (iii) cause the delivery of Certificates of Participation ("COPs"); (iv) issue or participate in lease revenue bonds ("LRBs"); (v) issue land secured bonds, such as special tax revenue bonds under the Mello-Roos Community Facilities Act of 1982 ("Mello-Roos Bonds"); (vi) limited obligation bonds under applicable assessment statutes ("Assessment Bonds"); or (vii) issue tax-increment financings, conduit financings, other revenue bonds, or other long-term debt, to the extent permitted by law.

- C. Lease Financings: Financing Leases for facilities and equipment are appropriate for facilities or equipment for which there is insufficient time to obtain voter approval or in instances where obtaining voter approval is not feasible. If and when voter approved debt proceeds become subsequently available, the District will consider using such proceeds to refund, redeem, or pay the Financing Leases, where feasible, in order to alleviate the burden to the General Fund.
- D. Identified Repayment Source: The District will, when feasible, issue debt with a defined revenue source in order to preserve the use of General Fund supported debt. Examples of revenue sources include voter approved taxes that repay general obligation or special tax bonds.
- E. Use of Other Financing Structures: The District may use other financing structures permitted by federal or state law (such as tax credit obligations or other obligations that provide a subsidized interest payment) upon consideration of financing costs versus tax-exempt GO Bonds, LRBs and/or COPs or that are a method to finance a program in a manner not otherwise available (e.g., QZABs, BABs, QSCBs, or other qualified tax credit bonds).
- F. Compounding Debt: The District may issue Capital Appreciation Bonds or other debt structures with compounding of interest ("CABs") after compliance with notice, disclosure, and public hearing requirements of state law.

Notwithstanding the above, the District shall not issue any COPs, TRANs, LRBs, revenue bonds, or other non-voter approved debt in any fiscal year, or for the following fiscal year, if the District has a qualified or negative certification from the County, unless the County Superintendent certifies, in accordance with applicable law, regulations, and other criteria established by the Superintendent of Public Instruction, that the District's repayment of such proposed debt is probable.

### **Article III. Alignment with District Facilities Program and Budget**

Decisions regarding the issuance of debt for the purpose of financing capital improvements shall be aligned with current needs for acquisition, development, and/or improvement of District property and facilities as identified by the District in sources and information including the District's facilities master plan or other needs assessment, as applicable, the projected costs of those needs, schedules for the projects, and expected resources.

When considering a debt issuance, the Board and the Superintendent or designee shall consider both the short-term and long-term implications of the debt issuance and additional operating costs associated with new projects. Such evaluation may include, but is not limited to, the projected ratio of annual debt service and tax burden on the District's taxpayers, and the ratio of annual debt service secured by the general fund to general fund expenditures.

### **Section 3.01 Structure of Debt Issues**

- A. Maturity of Debt: Decision on the duration of a debt issue shall be made with considerations of the economic or useful life of the improvement or asset that the issue is financing. 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 final maturity of GO Bonds issued pursuant to the Education Code will be limited to 25 years when such bonds are issued under the Education Code, unless such longer maturity is then permitted by the Education Code. The final maturity of GO Bonds issued under the Government Code will be limited to 40 years, unless such longer maturity is then permitted by the Government Code; provided, that the maturity of GO Bonds may not exceed 25 years if such GO Bonds are CABs. GO Bond issues will generally be sized upon consideration of capital improvement expenditure requirements. Decisions regarding the final maturity of Financing Leases shall take into consideration the useful life of the assets to be financed.
- B. Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use.
- C. Capitalized Interest: Certain types of financings may require that interest on the debt be paid from capitalized interest until the District has use and possession of a pledged asset. Alternatively, the District may pledge assets using an asset transfer structure as collateral for the issue.
- D. Call Provisions: The CBO, based upon analysis from the financial advisor of the economics of callable versus non-callable features, shall consider call provisions for each debt issue.

### **Section 3.02 Sale of Securities**

- A. Public Sale: There are two methods of a public sale of debt, competitive and negotiated. 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 particular economic and other conditions.
- B. Private Placement: While not used as frequently as negotiated or competitive public sale methods, a private placement sale may be appropriate when, for example, the financing can or must be structured for a single or limited number of purchasers.

### **Section 3.03 Credit Enhancements**

The District may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing.



#### **Section 3.04 Impact on Operating Budget and District Debt Burden**

When considering any debt issuance, the potential impact of debt service and additional operating costs associated with new projects on the operating budget of the District, both short and long-term, will be considered. The projected ratio of annual debt service secured by the General Fund to General Fund expenditures is one method, as is the additional debt burden of overlapping agencies on taxpayers.

#### **Section 3.05 Debt Limitation**

The District's total outstanding bonded debt (i.e., the principal portion only) is statutorily limited to 1.25% for non-unified and 2.50% for unified school districts of the assessed valuation of the taxable property of the District. Other obligations such as TRANs and lease obligations in support of COPs or LRBs generally do not count against this limit. (Ed. Code, §§ 15102, 15106)

#### **Section 3.06 Debt Issued to Finance Operating Costs**

The District shall not finance general operating costs from debt (TRANs) having maturities greater than fifteen months from the date of issuance. Pursuant to law, the District may deem it necessary or desirable to finance cash flow requirements under certain conditions. Such cash flow borrowing must be payable from taxes, income, revenue, cash receipts and other moneys attributable to the fiscal year in which the debt is issued. General operating costs include, but are not limited to, those items normally funded in the District's annual operating budget.

#### **Article IV. Internal Controls**

The Superintendent or designee shall establish internal control procedures to ensure that the proceeds of any debt issuance are directed to the intended use. Such procedures shall assist the District in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the District and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interest.

Prior to the sale of any debt issue, the Superintendent or designee shall cause a report of the proposed issuance to the California Debt and Investment Advisory Commission (CDIAC) to be submitted. Such report shall include a certification that the District has adopted a policy concerning the use of debt and that the contemplated debt issuance is consistent with that policy. (Gov. Code, § 8855)

On or before January 31, of each year, the Superintendent or designee shall submit a report to the CDIAC regarding the debt authorized, the debt outstanding, and the use of proceeds of the issued debt for the prior reporting period, from July 1 to June 30. (Gov. Code, § 8855)

In addition, the Superintendent or designee shall ensure that the District completes, as applicable, all performance and financial audits that may be required for any debt issued by the District, including disclosure requirements applicable to a particular transaction.

The Superintendent or designee shall annually report to the Board regarding debts issued by the District, including information on actual and projected tax rates, an analysis of bonding capacity, ratings on the District's bonds, market update and refunding opportunities, new development for California bond financings, and the District's compliance with post-issuance requirements.

#### **Section 4.01 Annual Review and Reporting**

The Policy shall be reviewed as needed. The CBO is the designated administrator of the Policy and has overall responsibility, with the Board's approval, for decisions related to the structuring of all District debt issues. The CBO may delegate the day-to-day responsibility for managing the District's debt financings. The Board is the obligated issuer of all District debt and awards all purchase contracts for GO Bonds, BANs, GANs, LRBs, COPs, Financing Leases, TRANs and any other debt issuances. The CBO, or a designee or agent, shall cause any required annual report to be filed with the California Debt Investment and Advisory Commission relating to the District's debt, and shall ensure that any required annual performance and financial audits pertaining to GO Bond fund expenditures are prepared and delivered to the Board and any applicable bond oversight committee. (Gov. Code, § 8855(k))

#### **Section 4.02 Financing Team Members**

- A. Financial Advisor: Irrespective of the nature of the sale of securities (competitive or negotiated), the District may select and retain a financial advisor, who shall be an experienced independent registered financial advisor, to provide advice on the District's debt management program, debt issuance structure, rating agency relations, credit enhancement decisions and other transaction details. As determined by the CBO, the Financial Advisor may be the point person to organize and coordinate activities within the collective financing team.
- B. Bond Counsel, Tax Counsel, and Disclosure Counsel: The District may select an external legal team to be used on an as-needed basis to assist with debt issuances or special projects. Such firms may be selected to provide general legal advice on, among other things, debt financing, tax considerations, disclosure documents, and continuing disclosure.
- C. Other Team Members: The District, upon the counsel of staff and Financial Advisor, may select and retain other qualified and necessary financing team members as may be required to fulfill the District's obligations related to its debt management program. Other financing team members may include (but are not limited to), paying agent and bond registrar, trustee, escrow agent, investment advisor, credit enhancement provider, feasibility consultants, and economic or data analysts.

#### **Section 4.03 Rating Agencies**

The District shall (i) endeavor to attain the best possible credit rating for each debt issuance (with or without credit enhancement); (ii) endeavor to maintain effective relations with rating agencies; and (iii) together with its financial advisor, meet with, make presentations to, or otherwise communicate with the rating agencies on a regular basis in order to keep the rating agencies informed concerning the District's capital project plans, debt issuance program, debt management activities, and other appropriate financial information.

#### **Section 4.04 Investment Community Relations**

The District shall (i) 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; and (ii) together with its Financial Advisor, as necessary, prepare reports and other forms of communication regarding the District's indebtedness, as well as its future financing plans.

#### **Section 4.05 Refunding and Restructuring Outstanding Debt**

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 structuring. The financial advantages of refunding outstanding debt shall be based upon

a review of a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.

#### **Section 4.06 Investment of Borrowed Proceeds and Reserve Funds**

The District acknowledges its on-going fiduciary responsibilities to actively manage the proceeds of debt issued for public purposes and related reserve funds in a manner that is consistent with California law governing the investment of public funds, prudent investment practices, its own investment policies, and with the permitted securities covenants of related debt documents executed by the District. The District's goals for any investment strategy of borrowed proceeds and related reserve funds shall be preservation of principal, followed by availability of funds, followed by return on investment.

#### **Section 4.07 Transaction Records**

The Superintendent or designee shall maintain complete records of decisions made in connection with each financing, 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 transaction file shall include the official transcript for the financing, the final number computations and a post-pricing summary of the debt issuance. At the conclusion of any debt issuance, the Superintendent, the CBO, or a designee of either of them, shall timely provide a summary of the financing to the Governing Board.

#### **Section 4.08 Exceptions or 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. As such, the Governing Board may make exceptions or modifications to this policy to achieve the debt management goals outlined herein. Flexibility is appropriate and necessary in such situations, provided specific authorization is granted to District staff and the District's advisors by the Governing Board.

#### **Section 4.09 Effect of Noncompliance**

The failure of any debt financing to comply with one or more of the provisions of this Policy shall not, in and of itself, affect the validity of any debt issued by the District.

Adopted: \_\_\_\_\_, 2022



**Policy 3470: Debt Issuance And Management**

**Status:** ADOPTED

**Original Adopted Date:** 12/01/2016 | **Last Reviewed Date:** 12/01/2016

The Governing Board is committed to long-term capital and financial planning and recognizes that the issuance of debt is a key source for funding the improvement and maintenance of school facilities and managing cash flow. Any debt issued by the district shall be consistent with law and this policy.

The district shall not enter into indebtedness or liability that in any year exceeds the income and revenue provided for such year, unless two-thirds of the voters approve the obligation or one of the exceptions specified in law applies. (California Constitution, Article 16, Section 18)

When the Board determines that it is in the best interest of the district, the Board may issue debt or order an election to issue debt. The Superintendent or designee shall make recommendations to the Board regarding appropriate financing methods for capital projects or other projects that are authorized purposes for debt issuance. When approved by the Board and/or the voters as applicable, the Superintendent or designee shall administer and coordinate the district's debt issuance program and activities, including the timing of issuance, sizing of issuance, method of sale, structuring of the issue, and marketing strategies.

The Superintendent or designee shall retain a financial advisor, municipal advisor, investment advisor, and other financial services professionals as needed to assist with the structuring of the debt issuance and to provide general advice on the district's debt management program, financing options, investments, and compliance with legal requirements. Contracts for services provided by such advisors may be for a single transaction or for multiple transactions, consistent with the contracting requirements in Education Code 17596. In the event that the district issues debt through a negotiated sale, underwriters may be selected for multiple transactions if multiple issuances are planned for the same project. In addition, the district shall select a legal team on an as-needed basis to assist with debt issuances or special projects.

**Goals**

The district's debt issuance activities and procedures shall be aligned with the district's vision and goals for providing adequate facilities and programs that support student learning and well-being. When issuing debt, the district shall ensure that it:

1. Maintains accountability for the fiscal health of the district, including prudent management and transparency of the district's financing programs
2. Attains the best possible credit rating for each debt issue in order to reduce interest costs, within the context of preserving financial flexibility and meeting capital funding requirements
3. Takes all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues
4. Maintains effective communication with rating agencies and, as appropriate, credit enhancers such as bond insurers or other providers of credit or liquidity instruments in order to enhance the creditworthiness, liquidity, or marketability of the debt
5. Monitors the district's statutory debt limit in relation to assessed valuation within the district and the tax burden needed to meet long-term debt service requirements
6. When determining the timing of debt issuance, considers market conditions, cash flows associated with repayment, and the district's ability to expend the obtained funds in a timely, efficient, and economical manner consistent with federal tax laws
7. Determines the amortization (maturity) schedule which will fit best within the overall debt structure of the district at the time the new debt is issued

8. Considers the useful lives of assets funded by the debt issue, as well as repair and replacement costs of those assets to be incurred in the future
9. Preserves the availability of the district's general fund for operating purposes and other purposes that cannot be funded by the issuance of voter-approved debt
10. Meets the ongoing obligations and accountability requirements associated with the issuance and management of debt under state and federal tax and securities laws

#### **Authorized Purposes for the Issuance of Debt**

The district may issue debt for any of the following purposes:

1. To pay for the cost of capital improvements, including acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, and/or equipping district facilities
2. To refund existing debt
3. To provide for cash flow needs

Pursuant to Government Code 53854, general operating costs, including, but not limited to, items normally funded in the district's annual operating budget, shall not be financed from debt payable later than 15 months from the date of issuance. The district may deem it desirable to finance cash flow requirements under certain conditions so that available resources better match expenditures within a given fiscal year. To satisfy both state constitutional and statutory constraints, such cash flow borrowing shall be payable from taxes, income, revenue, cash receipts, and other moneys attributable to the fiscal year in which the debt is issued.

#### **Authorized Types of Debt**

The Superintendent or designee shall recommend to the Board potential financing method(s) that result in the highest benefit to the district, with the cost of staff and consultants considered. Potential financing sources may include:

1. Short-Term Debt
  - a. Short-term debt, such as tax and revenue anticipation notes (TRANs), when necessary to allow the district to meet its cash flow requirements (Government Code 53850-53858)
  - b. Bond anticipation notes (BANs) to provide interim financing for capital bond projects that will ultimately be paid from general obligation bonds (Education Code 15150)
  - c. Grant anticipation notes (GANs) to provide interim financing pending the receipt of grants and/or loans from the state or federal government that have been appropriated and committed to the district (Government Code 53859-53859.08)
2. Long-Term Debt
  - a. General obligation bonds for projects approved by voters (California Constitution, Article 13A, Section 1; Education Code 15100-15262, 15264-15276; Government Code 53506-53509.5)
  - b. Special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Government Code 53311-53368.3)
3. Lease financing, including certificates of participation (COPs)
  - a. Lease financing to fund the highest priority capital equipment purchases when pay-as-you-go financing is not feasible (Education Code 17450-17453.1)
  - b. Lease financing to fund facilities projects when there is insufficient time to obtain voter approval or in instances where obtaining voter approval is either not feasible or unavailable (Education Code 17400-

17429)

4. Special financing programs or structures offered by the federal or state government, such as Qualified Zone Academy Bonds or other tax credit obligations or obligations that provide subsidized interest payments, when the use of such programs or structures is determined to result in sufficiently lower financing costs compared to traditional tax-exempt bonds and/or COPs
5. Temporary borrowing from other sources such as the County Treasurer

COPs, TRANS, revenue bonds, or any other non-voter approved debt instrument shall not be issued by the district in any fiscal year in which the district has a qualified or negative certification, unless the County Superintendent of Schools determines, pursuant to criteria established by the Superintendent of Public Instruction, that the district's repayment of that indebtedness is probable. (Education Code 42133)

#### **Relationship of Debt to District Facilities Program and Budget**

Decisions regarding the issuance of debt for the purpose of financing capital improvement shall be aligned with current needs for acquisition, development, and/or improvement of district property and facilities as identified in the district's facilities master plan or other applicable needs assessment, the projected costs of those needs, schedules for the projects, and the expected resources.

The cost of debt issued for major capital repairs or replacements shall be evaluated against the potential cost of delaying such repairs and/or replacing such facilities.

When considering a debt issuance, the Board and the Superintendent or designee shall 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, but is not limited to, the projected ratio of annual debt service to the tax burden on the district's taxpayers and the ratio of annual debt service secured by the general fund to general fund expenditures.

The district may enter into credit enhancement agreements such as municipal bond insurance, surety bonds, letters of credit, and lines of credit with commercial banks, municipal bond insurance companies, or other financial entities when their use is judged to lower borrowing costs, eliminate restrictive covenants, or have a net economic benefit to the financing.

#### **Structure of Debt Issues**

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 design the financing schedule and repayment of debt so as to take best advantage of market conditions, ensure cost effectiveness, provide flexibility, and, as practical, recapture or maximize its debt capacity for future use. Principal amortization will be structured to meet debt repayment, tax rate, and flexibility goals.

For new money debt issuances for capital improvements, the district shall size the debt issuance with the aim of funding capital projects as deemed appropriate by the Board, as long as the issuance is consistent with the overall financing plan, does not exceed the amount authorized by voters, and, unless a waiver is sought and received from the state, will not cause the district to exceed the limitation on debt issuances specified in the California Constitution or Education Code 15106.

To the extent practicable, the district shall also consider credit issues, market factors, and tax law when sizing the district's bond issuance. The sizing of refunding bonds shall be determined by the amount of money that will be required to cover the principal of, any accrued interest on, and any redemption premium for the debt to be paid on the call date and to cover appropriate financing costs.

Any general obligation bond issued by the district shall mature within 40 years of the issuance date or as otherwise required by law. (California Constitution, Article 16, Section 18; Government Code 53508.6)

The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed but, with respect to a lease purchase of equipment, no longer than a period of 10 years. (Education Code 17452)

#### **Method of Sale**

For the sale of any district-issued debt, the Superintendent or designee shall recommend the method of sale with the potential to achieve the lowest financing cost and/or to generate other benefits to the district. Potential methods of sale include:

1. A competitive bidding process through which the award is based on, among other factors, the lowest offered true interest cost
2. Negotiated sale, subject to approval by the district to ensure that interest costs are in accordance with comparable market interest rates
3. Private placement sale, when the financing can or must be structured for a single or limited number of purchasers or where the terms of the private placement are more beneficial to the district than either a negotiated or competitive sale

#### **Investment of Proceeds**

The district shall actively manage the proceeds of debt issued for public purposes in a manner that is consistent with state law governing the investment of public funds and with the permitted securities covenants of related financing documents executed by the district. Where applicable, the district's official investment policy and legal documents for a particular debt issuance shall govern specific methods of investment of bond-related proceeds. Preservation of principal shall be the primary goal of any investment strategy, followed by the availability of funds and then by return on investment.

With regard to general obligation bonds, the district shall invest new money bond proceeds in the county treasury pool as required by law. (Education Code 15146)

The management of public funds shall enable the district to respond to changes in markets or changes in payment or construction schedules so as to ensure liquidity and minimize risk.

#### **Refunding/Restructuring**

The district may consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility. When doing so, the district 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.

#### **Internal Controls**

The Superintendent or designee shall establish internal control procedures to ensure that the proceeds of any debt issuance are directed to the intended use. Such procedures shall assist the district in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the district and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interest.

The district shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred as defined in the text of the voter-approved bond measure. (Government Code 53410)

When feasible, the district shall issue debt with a defined revenue source in order to preserve the use of the general fund for general operating purposes.

The district shall annually conduct a due diligence review to ensure its compliance with all ongoing obligations applicable to issuers of debt. Such a review may be conducted by general legal counsel or bond counsel. Any district personnel involved in conducting such reviews shall receive periodic training regarding their responsibilities.



In addition, the Superintendent or designee shall ensure that the district completes, as applicable, all performance and financial audits that may be required for any debt issued by the district, including disclosure requirements applicable to a particular transaction.

## Records/Reports

At least 30 days prior to the sale of any debt issue, the Superintendent or designee shall submit a report of the proposed issuance to the California Debt and Investment Advisory Commission (CDIAC). Such report shall include a self-certification that the district has adopted a policy concerning the use of debt that complies with law and that the contemplated debt issuance is consistent with that policy. (Government Code 8855)

On or before January 31 of each year, the Superintendent or designee shall submit a report to the CDIAC regarding the debt authorized, the debt outstanding, and the use of proceeds of the issued debt for the period from July 1 to June 30. (Government Code 8855)

The Superintendent or designee shall provide initial and any annual or ongoing disclosures required by 17 CFR 240.10b-5 and 240.15c2-12 to the Municipal Securities Rulemaking Board, investors, and other persons or entities entitled to disclosure, and shall ensure that the district's disclosure filings are updated as needed.

The Superintendent or designee shall maintain transaction records of decisions made in connection with each debt issuance, 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. Each transaction file shall include the official transcript for the financing, interest rates and cost of issuance on the day when the debt was sold ("final number runs"), and a post-pricing summary of the debt issue. In addition, documentation evidencing the expenditure of proceeds, the use of debt-financed property by public and private entities, all sources of payment or security for the debt, and investment of proceeds shall be kept for as long as the debt is outstanding, plus the period ending three years after the financial payment date of the debt or the final payment date of any obligations or series of bonds issued to refund directly or indirectly all of any portion of the debt, whichever is later.

The Superintendent or designee shall annually report to the Board regarding debts issued by the district, including information on actual and projected tax rates, an analysis of bonding capacity, ratings on the district's bonds, market update and refunding opportunities, new development for California bond financings, and the district's compliance with post-issuance requirements.

**Policy Reference Disclaimer:** These references are not intended to be part of the policy itself, nor do they indicate the basis or authority for the board to enact this policy. Instead, they are provided as additional resources for those interested in the subject matter of the policy.

State References	Description
CA Constitution Article 13A, Section 1	Tax limitation - <a href="https://simbli.eboardsolutions.com/SU/1aZpDzUG9Hj5bfDmRG0xaw==">https://simbli.eboardsolutions.com/SU/1aZpDzUG9Hj5bfDmRG0xaw==</a>
CA Constitution Article 16, Section 18	Debt limit - <a href="https://simbli.eboardsolutions.com/SU/chhCpSkYslsh9HvqsG3x2jtRA==">https://simbli.eboardsolutions.com/SU/chhCpSkYslsh9HvqsG3x2jtRA==</a>
Ed. Code 15100-15262	Bonds for school districts and community college districts - <a href="https://simbli.eboardsolutions.com/SU/yfpPdIAVC43sZRslshsplusl9YCw==">https://simbli.eboardsolutions.com/SU/yfpPdIAVC43sZRslshsplusl9YCw==</a>
Ed. Code 15264-15276	Strict accountability in local school construction bonds - <a href="https://simbli.eboardsolutions.com/SU/nslshHf8Gc26ak9CSkTqz3uUg==">https://simbli.eboardsolutions.com/SU/nslshHf8Gc26ak9CSkTqz3uUg==</a>
Ed. Code 15278-15288	Citizen's oversight committees - <a href="https://simbli.eboardsolutions.com/SU/W25tEERcA9QqmxndKoP7OQ==">https://simbli.eboardsolutions.com/SU/W25tEERcA9QqmxndKoP7OQ==</a>
Ed. Code 15300-15425	School facilities improvement districts - <a href="https://simbli.eboardsolutions.com/SU/6em8EQlrZggaWBZsVHP1iQ==">https://simbli.eboardsolutions.com/SU/6em8EQlrZggaWBZsVHP1iQ==</a>
Ed. Code 17150	Public disclosure of non-voter-approved debt - <a href="https://simbli.eboardsolutions.com/SU/GjJgHIJQjv5xlgsgnGplusFgg==">https://simbli.eboardsolutions.com/SU/GjJgHIJQjv5xlgsgnGplusFgg==</a>



Ed. Code 17400-17429	Leasing of school buildings
Ed. Code 17450-17453.1	Leasing of equipment
Ed. Code 17456	Sale or lease of district property
Ed. Code 17596	Limit on continuing contracts
Ed. Code 42130-42134	Financial reports and certifications
Ed. Code 5300-5441	Conduct of elections
Elec. Code 1000	Established election dates
Gov. Code 53311-53368.3	Mello-Roos Community Facilities Act of 1982
Gov. Code 53410-53411	Bond reporting
Gov. Code 53506-53509.5	General obligation bonds
Gov. Code 53550-53569	Refunding bonds of local agencies
Gov. Code 53580-53595.55	Bonds
Gov. Code 53850-53858	Tax and revenue anticipation notes
Gov. Code 53859-53859.08	Grant anticipation notes
Gov. Code 8855	California Debt and Investment Advisory Commission

#### **Federal References**

15 USC 78o-4  
17 CFR 240.10b-5  
17 CFR 240.15c2-12  
26 CFR 1.6001-1  
26 USC 54E

#### **Management Resources References**

CDIAC Publication  
Gov. Finance Officers Association Publication  
Gov. Finance Officers Association Publication  
Gov. Finance Officers Association Publication  
Gov. Finance Officers Association Publication  
Gov. Finance Officers Association Publication  
Gov. Finance Officers Association Publication  
Internal Revenue Service Publication  
Internal Revenue Service Publication  
U.S. Government Accountability Publication

Website

Website

Website

Website

#### **Description**

Registration of municipal securities dealers  
Prohibition against fraud or deceit  
Municipal securities disclosure  
Records  
Qualified Zone Academy Bonds

#### **Description**

California Debt Issuance Primer  
Analyzing and Issuing Refunding Bonds, Best Practice, February 2011  
Debt Management Policy, Best Practice, October 2012  
Investment of Bond Proceeds, Best Practice, September 2014  
Selecting and Managing Municipal Advisors, Best Practice, February 2014  
An Elected Official's Guide to Debt Issuance, 2nd Ed., 2016  
Understanding Your Continuing Disclosure Responsibilities, Best Practice, September 2015  
Tax Exempt Bond FAQs Regarding Record Retention Requirements  
Tax-Exempt Governmental Bonds, Publication 4079, rev. 2016  
Internal Control System Checklist  
U.S. Securities and Exchange Commission -  
<https://simbli.eboardsolutions.com/SU/q488RIGslsh3EFkfZuF8liXg==>  
U.S. Government Accountability Office -  
<https://simbli.eboardsolutions.com/SU/HvuRwrDop7OnnXIYFVN3Mw==>  
Municipal Security Rulemaking Board, Electronic Municipal Market Access (EMMA) -  
<https://simbli.eboardsolutions.com/SU/GzZtBAaDBm4fGplusyHlxqfVw==>  
California Debt and Investment Advisory Commission -  
<https://simbli.eboardsolutions.com/SU/fcZCPxWNlclpluspmohqEYyP0w==>

Website	Government Finance Officers Association - <a href="https://simbli.eboardsolutions.com/SU/jyncslshplusDjlswwrUac1N9ryg==">https://simbli.eboardsolutions.com/SU/jyncslshplusDjlswwrUac1N9ryg==</a>
Website	Internal Revenue Service - <a href="https://simbli.eboardsolutions.com/SU/Q4VQpg5n4iGWL4GteBcOQw==">https://simbli.eboardsolutions.com/SU/Q4VQpg5n4iGWL4GteBcOQw==</a>

## Cross References

	Description
0000	Vision - <a href="https://simbli.eboardsolutions.com/SU/bdBrL9wqUw5QZNcJG6ozjA==">https://simbli.eboardsolutions.com/SU/bdBrL9wqUw5QZNcJG6ozjA==</a>
0000	Vision - <a href="https://simbli.eboardsolutions.com/SU/6CMzUWEh1cDLslshDVOKftJqA==">https://simbli.eboardsolutions.com/SU/6CMzUWEh1cDLslshDVOKftJqA==</a>
0200	Goals For The School District - <a href="https://simbli.eboardsolutions.com/SU/xz3dS5NIWxlqoTEjChry8Q==">https://simbli.eboardsolutions.com/SU/xz3dS5NIWxlqoTEjChry8Q==</a>
3000	Concepts And Roles - <a href="https://simbli.eboardsolutions.com/SU/w5XeMYBgZ6zQcyO8Xkbslshlg==">https://simbli.eboardsolutions.com/SU/w5XeMYBgZ6zQcyO8Xkbslshlg==</a>
3100	Budget - <a href="https://simbli.eboardsolutions.com/SU/7EPBEIOoQU3VTwJDdFaeZA==">https://simbli.eboardsolutions.com/SU/7EPBEIOoQU3VTwJDdFaeZA==</a>
3100	Budget - <a href="https://simbli.eboardsolutions.com/SU/6vnI9PJWpyWyGHvpGi2Ycg==">https://simbli.eboardsolutions.com/SU/6vnI9PJWpyWyGHvpGi2Ycg==</a>
3110	Transfer Of Funds - <a href="https://simbli.eboardsolutions.com/SU/xRf31WdtjFFxZVBBDFHY0w==">https://simbli.eboardsolutions.com/SU/xRf31WdtjFFxZVBBDFHY0w==</a>
3312	Contracts - <a href="https://simbli.eboardsolutions.com/SU/sdO2KPFcgV71nEhy3qqxQ==">https://simbli.eboardsolutions.com/SU/sdO2KPFcgV71nEhy3qqxQ==</a>
3400	Management Of District Assets/Accounts - <a href="https://simbli.eboardsolutions.com/SU/oplusvdleRWAQjKAGHTdplu6lW==">https://simbli.eboardsolutions.com/SU/oplusvdleRWAQjKAGHTdplu6lW==</a>
3400	Management Of District Assets/Accounts - <a href="https://simbli.eboardsolutions.com/SU/FTV1wZbML3qgrO3n0vpluzRA==">https://simbli.eboardsolutions.com/SU/FTV1wZbML3qgrO3n0vpluzRA==</a>
3430	Investing - <a href="https://simbli.eboardsolutions.com/SU/lw0onP3HplusQ5JeeTMmL7QhA==">https://simbli.eboardsolutions.com/SU/lw0onP3HplusQ5JeeTMmL7QhA==</a>
3430	Investing - <a href="https://simbli.eboardsolutions.com/SU/CrkJrPNGKrMtpGVINdnkCg==">https://simbli.eboardsolutions.com/SU/CrkJrPNGKrMtpGVINdnkCg==</a>
3460	Financial Reports And Accountability - <a href="https://simbli.eboardsolutions.com/SU/TwhJplusslshulypo9dHJsPwQLVA==">https://simbli.eboardsolutions.com/SU/TwhJplusslshulypo9dHJsPwQLVA==</a>
3460	Financial Reports And Accountability - <a href="https://simbli.eboardsolutions.com/SU/TIzplustdZMDplusyEjV4Zwj693w==">https://simbli.eboardsolutions.com/SU/TIzplustdZMDplusyEjV4Zwj693w==</a>
3600	Consultants - <a href="https://simbli.eboardsolutions.com/SU/hO6CoPWYIEKOXg4RFslshCgAQ==">https://simbli.eboardsolutions.com/SU/hO6CoPWYIEKOXg4RFslshCgAQ==</a>
7000	Concepts And Roles - <a href="https://simbli.eboardsolutions.com/SU/nplusXleGktaMah9ufBhebJyQ==">https://simbli.eboardsolutions.com/SU/nplusXleGktaMah9ufBhebJyQ==</a>
7110	Facilities Master Plan - <a href="https://simbli.eboardsolutions.com/SU/7Q9lQrVo6MwxVPHlyLIOLA==">https://simbli.eboardsolutions.com/SU/7Q9lQrVo6MwxVPHlyLIOLA==</a>
7210	Facilities Financing - <a href="https://simbli.eboardsolutions.com/SU/bc4ccrlmuRG9qqQ0Vfy4sg==">https://simbli.eboardsolutions.com/SU/bc4ccrlmuRG9qqQ0Vfy4sg==</a>
7212	Mello-Roos Districts - <a href="https://simbli.eboardsolutions.com/SU/9u7XqbsfySFYf119Fla1nQ==">https://simbli.eboardsolutions.com/SU/9u7XqbsfySFYf119Fla1nQ==</a>
7214	General Obligation Bonds - <a href="https://simbli.eboardsolutions.com/SU/3yuSUKP9zKuEgVf1jpTxqw==">https://simbli.eboardsolutions.com/SU/3yuSUKP9zKuEgVf1jpTxqw==</a>
7214	General Obligation Bonds - <a href="https://simbli.eboardsolutions.com/SU/NXcWfo1DnvQGLdPgRrplusOYg==">https://simbli.eboardsolutions.com/SU/NXcWfo1DnvQGLdPgRrplusOYg==</a>
9270	Conflict Of Interest - <a href="https://simbli.eboardsolutions.com/SU/Q1LTwURfjMyYqpdhe0hTwA==">https://simbli.eboardsolutions.com/SU/Q1LTwURfjMyYqpdhe0hTwA==</a>

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Conflict Of Interest -

<https://simbli.eboardsolutions.com/SU/lvplusslsh5gm8vtkFYYwv5qCidQ==>