

Liberty Union High School District

Board Policy

Classification: Business and Non-instructional Operations

Policy No. **BP 3470**

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Effective 02/08/17

Subject: Debt Issuance and Management

This Debt Management Policy (the "Debt Policy") of the Liberty Union High School District (the "District") was approved by the District's governing board on January 11, 2017. The Debt Policy may be amended by the governing board as it deems appropriate from time to time in the prudent management of the debt of the District.

FINDINGS

This Debt Policy is intended to ensure the District's compliance with Government Code Section 8855(i), effective as of January 1, 2017, and shall govern all debt undertaken by the District.

The District hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the District's sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the District's credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, and the District's general fund, from poorly structured or overly costly capital financings.
- Ensure that the District's debt is consistent with the District's planning goals and objectives, facilities planning documentation and/or budget, as applicable.

DEBT POLICIES

A. Purposes for Which Debt May Be Issued

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the District.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide required services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the District and its taxpayers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

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(c) The District may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the District's governing board.
- For obligations issued on a tax-exempt basis, the debt shall meet the following requirement of federal tax law: The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- The District estimates that the identified source of repayment, whether property taxes, general fund revenues or other identified source, will be available to service the debt through its maturity.
- The District determines that the issuance of the debt will comply with applicable state and federal laws.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the District's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment. Short-term debt may also be undertaken for interim or bridge financings, such as bond anticipation notes, provided that the District Board is provided with the related long term financing and repayment plan in connection with approval of such financings.

(iii) Financings on Behalf of Other Entities. The District may also find it beneficial to issue debt on behalf of or in concert with other governmental agencies, nonprofit corporations or other authorities in order to further the public purposes of District. In such cases, the District shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

B. Types of Debt That May be Issued

The following types of debt are allowable under this Debt Policy:

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds and certificates of participation
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended

The District may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

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Debt shall be issued as fixed rate debt unless the District Board at the time of approval makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. The District intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the District's capital budget and master facilities plan.

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues. The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that would normally be considered routine maintenance.

The District shall integrate its debt issuances with the goals of its capital improvement, master facilities plan or other capital planning documentation by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

The District shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

The District is committed to long-term financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget administration. The District intends to issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's annual operations budget.

It is a policy goal of the District to protect taxpayers and constituents by utilizing appropriate financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs consistent with the project timing, type and potential availability of matching grants or special state or federal financing programs.

The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, fees and charges, as applicable, and in the case of refinancing of existing debt, achieving savings as may be required by law or achieving other objectives of substantial benefit to the District, the rationale for which is presented to the governing board at the public meeting at which the proposed refinancing is considered.

E. Internal Control Procedures

Compliance with Debt Policy. The District's business official is responsible for implementing and monitoring compliance with this Debt Policy.

Compliance with SEC Rule 15c2-12. The District may have undertaken, and may undertake in the future, obligations for continuing disclosure pursuant to SEC Rule 15c2-12. The District's business official will periodically review the requirements of Rule 15c2-12 and each of the District's undertakings, and ensure that annual and other periodic filings which may be

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required are done in a complete and timely manner. The District's business official may monitor, prepare and make the District's required filings, or may engage a third party dissemination agent to assist the District to make complete and timely filings. It shall be the policy of the District as implemented by the District's business official to have in place a process for full and complete compliance for the benefit of bondholders or other investors in District debt.

Compliance with Federal Tax Laws. The District shall have a policy of full compliance with all applicable federal tax law requirements. In connection with prior and new debt issues, the District's business official shall review applicable federal tax requirements with its bond counsel, including requirements relating to arbitrage and rebate compliance.

Investments. Proceeds of debt issued by the District shall be invested only in accordance with law and as permitted in the resolution or other document governing the issuance of the debt.

Expenditure of Proceeds of Debt. It is the policy of the District to ensure that proceeds of District debt is spent only on lawful and intended uses. Expenditures of proceeds of debt may only be made by submission of requests for draws to the holder of the proceeds of debt, whether the county, or other trustee, fiscal agent, custodian or financial institution, that identify the amount, purpose and payee of a proposed draw. Each draw request shall be approved and signed by the Superintendent, the business official or such officer's written designee. The District shall maintain records of the purpose and amount of each draw.

CDIAC Reporting. The District has a policy of full compliance with public reporting requirements. This includes specifically for debt sold on or after January 21, 2017, providing annual reports to the California Debt and Investment Advisory meeting the requirements of Government Code Section 8855(k).