

1.0 Purpose of the Policy

- 1.1 This District Policy governs the use and management of debt used to finance primarily capital projects as well as certain other uses across the Los Rios Community College District. This District Policy outlines the District's strategic approach to debt management; establishes guidelines for approving, structuring and managing debt; identifies roles and responsibilities for approving and then monitoring debt post-issuance; and sets reporting standards. This District Policy is designed to ensure that debt issuance is consistent with and tied to the District's Educational Master Plan and corresponding Facilities Master Plan.
- 1.2 All issuances of debt must be approved by the Los Rios Community College District Board of Trustees.
- 1.3 The Chancellor and Vice Chancellor of Finance and Administration are charged with oversight over all of the District's debt issuance and management activities.
- 1.4 The District recognizes there may be circumstances from time to time when strict adherence to a provision of this District Policy is not possible or not in the best interest of the District. If District staff has determined that a waiver of one or more provisions of this District Policy should be considered by the Board of Trustees, it will prepare an analysis for the Board of Trustees describing the reason for the waiver and the impact of the waiver on the District and the taxpayers, to the extent applicable. The Board of Trustees may approve a waiver of one or more provisions of this District Policy by a majority vote of the Board of Trustees.

2.0 Types of Debt Authorized

- 2.1 The Board of Trustees authorizes the District to issue debt using one of three primary credit instruments:
 - 2.1.1 General Obligation Bonds (GOB);
 - 2.1.2 Certificates of Participation (COPs); and
 - 2.1.3 Tax and Revenue Anticipation Notes (TRANS).
- 2.2 The District may accept debt proceeds issued and paid by other public entities to the District and may rely upon a certification by that other public entity that it has adopted the policies required by law, including, but not limited to, Government Code, section 8855.

3.0 Use of Debt Funding

- 3.1 General Obligation Bonds shall be used for the purpose of financing the creation of capital infrastructure, including the planning, design and land acquisition and expenses necessary and proper in carrying out the capital infrastructure project. In

addition, and only in rare circumstances, the Board of Trustees may consider the use of Certificates of Participation. Certificates of Participation shall be used only for the purposes identified in this section.

- 3.2 Tax and Revenue Anticipation Notes may be used to cover short term gaps in District funding created by temporary shortfalls in revenue or deferrals of revenue from the State.

4.0 Debt Limits

- 4.1 In determining how much General Obligation debt the District shall incur in the form of General Obligation Bonds, the District shall take into consideration the ratio of the debt to the values of taxable properties in the District, the District's credit ratings, the debt service, and the tax rates forecasted in the ballot measure.
- 4.2 The District shall not issue debt in excess of its bonding capacity; nor shall it issue debt where the annual payments based upon the assessed value of the taxable property within the District exceed the amount allowed by law.

5.0 Procedure for Issuing Debt

5.1 Debt Structure

- 5.1.1 The issuance of debt entails a number of structural considerations that need to be evaluated on both an issue-specific as well as on an overall portfolio basis. The structure of the District's overall debt profile has direct bearing on the District's credit profile. As such, structural decisions are a central function and the Board of Trustees shall make the decisions based upon the recommendations from the Chancellor and the Vice Chancellor of Finance and Administration.
- 5.1.2 For General Obligation Bonds, the District shall use a traditional 25-year approach. Capital appreciation bonds are not an authorized method of debt structure.
- 5.1.3 For Tax and Revenue Anticipation Notes and Certificates of Participation, the District shall use the standard forms of issuance of that debt.

5.2 Internal Controls

- 5.2.1 The District shall ensure that internal controls exist that ensure that the proceeds of any proposed debt issuance shall be directed to the use intended for that debt.
- 5.2.2 The District's General Obligation Bond program is overseen by a Citizens' Bond Oversight Committee (Committee). (Ed. Code, § 15278.) The Committee composition shall meet the requirements of law and the Committees' bylaws. The Committee shall review the expenditure reports

of the District and ensure that the bond proceeds are expended in accordance with the requirements of the ballot measure that authorized the bond and in accordance with law. The Committee shall issue an annual report regarding the results of its oversight, including whether the District is in compliance with the law and a summary of the Committee's proceedings and activities for the preceding year.

5.3 Credit Ratings

5.3.1 The District's credit profile, as viewed by the rating agencies and capital markets, is a function of a number of qualitative and quantitative factors, both financial and nonfinancial. These include market position, management and governance, state relations and support, as well as the financial strength of the District. Financial strength is a function of both income statement (i.e., operating performance) and balance sheet (i.e., financial resources) strength and is generally evaluated with certain key financial indicators serving as proxies for an institution's relative health. The resulting credit ratings, in turn, drive debt capacity and impact the District's cost of capital.

5.4 Method of Sale

5.4.1 Debt shall be issued through competitive bidding processes unless it is in the best interest of the District to conduct a negotiated sale. Reasons for a negotiated sale may include, but are not limited to, issues of market volatility or unusual or complex financing instruments.

5.5 Selection of Professionals

5.5.1 The District shall hire outside professionals, including, but not limited to, legal counsel, as necessary to assist in the issuance of debt, ensuring compliance with all disclosure and other legal obligations, and to ensure the proceeds from debt are properly invested.

5.5.2 The Vice Chancellor of Finance and Administration shall oversee the selection of these professionals.

6.0 Refinancing of Debt

6.1 The District shall monitor its debt portfolio to identify potential savings opportunities that may exist through a refinancing of existing debt. The District works with its financial advisors to evaluate refunding opportunities within the context of market conditions, refunding efficiency, and overall level of rates. Refunding opportunities shall be evaluated on a net present value basis, taking into account all costs of issuance. Because tax law limits the number of refinancing's for tax-exempt issuances, the District's evaluation shall take into account the amount of time to the call date and the time to maturity. In addition, the District may choose to refinance debt for non-economic reasons, including to

restructure the debt portfolio or to address legal covenants contained in the bond documents.

- 6.2 Generally, the District shall refund debt only where District taxpayers can obtain a significant advantage by refunding.

7.0 Investment of Bond Proceeds

- 7.1 Bond Fund Proceeds shall be invested as required by law in the County Treasury. (Cal. Ed. Code, § 81961.)

8.0 Disclosure Requirements and Compliance

- 8.1 The District shall maintain records on the types of debt issued and the investment of those funds prior to their expenditure.
- 8.2 The District shall provide all reports required by the California Debt and Investment Advisory Commission in the format and in the form required by the Commission.
- 8.3 The District's annual financial statements are filed annually with the Municipal Securities Rulemaking Board's EMMA website, in compliance with the District's obligations under its various continuing disclosure agreements. The District is also responsible for providing notices of certain enumerated events under these agreements such as rating changes and bond defeasances.
- 8.4 The District's General Obligation Bond Program shall be reviewed annually as part of the District's annual audit with two separate audit reports.
- 8.5 The District shall ensure that it complies with all other federal and state laws regarding the issuance of debt and the investment of debt obligations.

LRCCD

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