

INYO-KERN SCHOOLS FINANCING AUTHORITY

Regular Meeting of the Board of Directors

AUGUST 17, 2017

Ridgecrest City Council Chambers

100 W. California Ave.

Ridgecrest, CA 93555

A G E N D A

CALL TO ORDER AND PLEDGE TO THE FLAG

7:00 P.M.

Amy Castillo-Covert, Vice Chairman
Bill Farris
Tim Johnson, Chairman
Kurt Rockwell
Michael Scott
Donna Carson, Lone Pine Representative

Ernest M. Bell, Jr., Secretary of the Board

1. ADOPTION OF AGENDA
2. APPROVAL OF MINUTES of the special meeting of August 2, 2017 and the regular meeting of July 20, 2017.
3. BUSINESS ADMINISTRATION
 - 3.1 Approval of Agreement with Government Financial Strategies Inc. to Provide Financial Advisory Services Related to Refinancing of 2007 Lease Revenue Bonds
4. POLICY DEVELOPMENT AND REVIEW
 - 4.1 Adoption of Board Policy 3470.1, Debt Issuance and Management
5. ADJOURNMENT

INYO-KERN SCHOOLS FINANCING AUTHORITY

Minutes of the Special Meeting of the Board of Directors

DATE OF MEETING: August 2, 2017
TIME OF MEETING: 6:00 p.m.
PLACE OF MEETING: District Office
MEMBERS PRESENT: Castillo-Covert, Farris, Johnson, Scott, Rockwell
STAFF PRESENT: Ernest M. Bell, Jr., Superintendent

MOMENT OF SILENCE was observed.

1. ADOPTION OF AGENDA

The agenda was adopted by consensus as presented.

2. POLICY DEVELOPMENT

2.1 Presentation of Board Policy 3470.1, Debt Issuance and Management

This was a first read of Board Policy 3470.1 and will be brought to the board for adoption on August 17, 2017. No action was taken.

3. ADJOURNMENT was at 6:05 p.m.

Board of Directors

Ernest M. Bell, Jr., Superintendent/Secretary of the Board of Directors

Recorder: Diane Naslund

INYO-KERN SCHOOLS FINANCING AUTHORITY

Minutes of the Meeting of the Board of Directors

DATE OF MEETING: July 20, 2017
TIME OF MEETING: 7:00 p.m.
PLACE OF MEETING: Ridgecrest City Council Chambers
MEMBERS PRESENT: Castillo-Covert, Farris, Johnson, Rockwell, Scott
MEMBERS ABSENT: Carson
STAFF PRESENT: Ernest M. Bell, Jr., Superintendent

1. ADOPTION OF AGENDA

The agenda was adopted by consensus as posted.

2. APPROVAL OF MINUTES of the regular meeting of June 15, 2017

Minutes were approved as presented.

3. BUSINESS ADMINISTRATION

3.1 Authorization to Utilize Inyo-Kern Schools Financing Authority Funding for District School Facilities Projects

Motion passed to authorize utilization of funds as presented.
ROCKWELL/CASTILLO-COVERT

AYES: Castillo-Covert, Farris, Johnson, Rockwell, Scott

4. ADJOURNMENT was at 8:08 p.m.

Board of Directors

Ernest M. Bell, Jr., Superintendent/Secretary of the Board of Directors

Recorder: Diane Naslund

3. BUSINESS ADMINISTRATION

3.1 Approval of Agreement with Government Financial Strategies Inc. to Provide Financial Advisory Services Related to Refinancing of 2007 Lease Revenue Bonds

BACKGROUND INFORMATION: In 2007, Inyo-Kern Schools Financing Authority issued lease revenue bonds, the proceeds of which were used to fund a variety of Sierra Sands Unified School District capital projects. The source of repayment for the 2007 Lease Revenue Bonds is payments made by the school district. On July 20, 2017 Government Financial Strategies (GFS) presented information regarding the opportunity to refinance the 2007 Lease Revenue Bonds. In order to implement the refinancing, the services of a reputable financial advisement firm are desired.

CURRENT CONSIDERATION: The Kern County Office of the Superintendent of Schools works with Government Financial Strategies Inc. on a regular basis in its review of school district financing vehicles. The district has been working with Government Financial Strategies Inc. to good effect since December 2012. By so doing, the district remains knowledgeable and in the forefront of appropriate developing financial vehicles as well as the options related to its current and future financial plans.

FINANCIAL IMPLICATIONS: The agreement with Government Financial Strategies Inc. is for a fixed fee of \$30,550, in accordance with attached scope of work, plus \$1,000 for expenses. The fee and expenses are payable from bond proceeds and therefore built into the borrowing amount, if and when the financing closes.

SUPERINTENDENT’S RECOMMENDATION: It is recommended that the board authorize staff to enter into an agreement with Government Financial Strategies Inc. to provide financial advisory services related to refinancing of 2007 Lease Revenue Bonds.



GOVERNMENT FINANCIAL STRATEGIES FINANCIAL ADVISORY SERVICES AGREEMENT

THIS AGREEMENT ("Agreement") is made this July 19, 2017, between Government Financial Strategies inc., a financial advisory firm ("Government Financial Strategies") and Inyo-Kern Schools Financing Authority ("Client") who agree as follows:

1. Scope of Work. Government Financial Strategies shall perform the services described in the scope(s) of work attached hereto as Exhibit A (the "Work"). Modifications, deletions and additions to the Work described in Exhibit A may be made, from time to time, upon the subsequent written agreement by both parties.

2. Payment.

a. In consideration for the Work to be provided by Government Financial Strategies under this Agreement, Client agrees to pay fees and expenses as set forth in Exhibit A.

b. For Work performed on a time and materials basis, Government Financial Strategies shall submit invoices to the Client on a monthly basis. For Work performed for a fixed fee, Government Financial Strategies shall submit invoices to the Client upon the completion of the Work or as otherwise identified in Exhibit A.

c. Government Financial Strategies is required to provide written disclosure to all financial advisory clients about actual or potential conflicts of interest as well as certain other information. Exhibit B sets forth the potential conflicts of interest that we have determined presently exist as well as other information we are required to provide to you as a federally registered municipal advisor. Client acknowledges receipt of Exhibit B, and Client has been given the opportunity to discuss such matters with Government Financial Strategies.

3. Term.

a. This Agreement shall terminate upon the later of the completion of the Work or June 30, 2022, unless earlier terminated as provided in subsection (b).

b. This Agreement may be terminated by either party upon thirty (30) days advance written notice to the other party.

c. Upon termination of this Agreement by either party, Client shall compensate Government Financial Strategies for all Work performed prior to termination. If the compensation identified in Exhibit A was on a time and materials basis, such compensation shall be based on time and materials incurred prior to termination. If the compensation identified in Exhibit A was on a fixed fee basis, such compensation shall be the greater of: 1) the percentage of services completed through the termination date multiplied by the fixed fee, or 2) the amount based on a time and materials basis, not to exceed the fixed fee. "Payment," "Ownership of Documents," "Indemnification," "Severability," "Governing Law and Venue," and "Entire Agreement" shall survive the termination of this Agreement.

4. Professional Ability and Loyalty. Government Financial Strategies represents that it possesses the skill to competently perform the Work, that it shall perform that Work in a manner equal to or

exceeding generally accepted professional practices and standards for firms performing similar work, and that it will act in a manner it believes to be in the best interest of the Client rather than any third party.

5. Ownership of Documents. Every report, study, memo, letter, spreadsheet, worksheet, plan, graph, diagram, map, photograph, computer model, computer disk, computer software and other document or item prepared by Government Financial Strategies under this Agreement and provided to and paid for by the Client (the "Work Product") shall be the property of Client, and Client shall have the right to use, reuse, reproduce, publish, display, broadcast and distribute the Work Product and to prepare derivative and additional documents or works based on the Work Product without further compensation to Government Financial Strategies. Government Financial Strategies may retain a copy of any Work Product and use, reproduce, publish, display, broadcast and distribute any Work Product and prepare derivative and additional documents or works based on any Work Product; provided, however, that Government Financial Strategies shall not provide any Work Product not previously made available to the public to any third party without Client's prior approval, unless compelled to do so by legal process. If Client reuses or modifies any Work Product for a use or purpose other than that intended by the Work under this Agreement, then Client shall hold Government Financial Strategies harmless against all claims, damages, losses and expenses arising from such reuse or modification.

6. Indemnification. Both parties shall indemnify, defend, protect, and hold harmless the other party, its officers, employees, volunteers and agents from and against any and all liability, losses, claims, damages, expenses, demands, and costs (including, but not limited to, attorney's fees) directly arising from any negligent act or omission, willful misconduct or violation of law of the other party.

7. Insurance.

a. Government Financial Strategies, at its sole cost and expense, shall procure and maintain for the duration of this Agreement workers compensation insurance in the amount required by statute, comprehensive general liability insurance with coverage of at least one million dollars (\$1,000,000) per occurrence and aggregate, automobile liability insurance with coverage of at least one million dollars (\$1,000,000) per accident, and professional errors and omissions insurance with coverage of at least one million dollars (\$1,000,000) per occurrence and aggregate.

b. Upon request, Government Financial Strategies shall provide to Client the evidence of such insurance.

8. Municipal Advisor Registration. Government Financial Strategies is a municipal advisor registered with the Securities and Exchange Commission (registration number 867-00775) and the Municipal Securities Rulemaking Board (registration number KO127).

9. Conflicts of Interest. Except as expressly described in Section 2(c) above and Exhibit B attached, Government Financial Strategies has no material conflicts of interest that might impair its fiduciary duty to the Client. Client acknowledges that Government Financial Strategies may have other governmental clients with overlapping jurisdictions with Client.

10. Independent Contractor. Government Financial Strategies shall be an independent contractor in performing the Work and shall not act as an agent or employee of Client. The employees of Government Financial Strategies and its subcontractors are not employees of Client within the meaning or application of any federal or state unemployment insurance laws, social security law or any worker's compensation, industrial accident law or other industrial or labor law.

11. Non-Discrimination. Government Financial Strategies will not discriminate in any way against any person on the basis of race, color, religious creed, national origin, ancestry, sex, sexual

orientation, age, physical handicap, medical condition or marital status in connection with, or related to, the performance of this Agreement.

12. Successors and Assigns. This Agreement shall bind and inure to the benefit of the successors and assigns of the parties; however, Government Financial Strategies shall not assign its rights and obligations under this Agreement without the prior written consent of Client, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Government Financial Strategies may subcontract a portion of the Work to its wholly-owned subsidiary, GFS Australia Pty. Ltd, and its sole employee, Jonathan Edwards.

13. No Waiver of Rights. Any waiver at any time by either party of its rights as to a breach or default of this Agreement shall not be deemed to be a waiver as to any other breach or default.

14. Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable, the legality, validity, and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired.

15. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the State of California. The county and federal district court where the Client's main office is located shall be venue for any state and federal court litigation concerning the enforcement or construction of this Agreement.

16. Notice. All notices that are required or permitted to be given under this Agreement shall be in writing and sent by either personal delivery, nationally recognized overnight courier service or prepaid, first class United States postal mail. Notices shall be sent to the addresses listed below, or to such other address as either party may specify in writing:

Government Financial Strategies:

Government Financial Strategies
Attn: Lori Raineri, President
1228 N Street, Suite 13
Sacramento, CA 95814-5609

Inyo-Kern Schools Financing Authority:

Inyo-Kern Schools Financing Authority
Attn: Tim Johnson, Chairman,
Ernest M. Bell, Secretary
113 W. Felspar
Ridgecrest, CA 93555

17. Entire Agreement. This Agreement represents the sole, final, complete, exclusive and integrated expression and statement of the terms between the parties concerning the Work, and supersedes all prior oral and/or written negotiations, representations or contracts. This Agreement may be amended only by written agreement by both parties. Government Financial Strategies agrees to promptly amend or supplement this Agreement to reflect any material changes or additions to this Agreement.

IN WITNESS HEREOF, the parties have caused this Agreement to be signed by their duly authorized representatives.

Government Financial Strategies inc.

Inyo-Kern Schools Financing Authority

By: _____
Lori Raineri, President

By: _____
Tim Johnson, Chairman

By: _____
Ernest M. Bell, Jr., Secretary

EXHIBIT A

SCOPE(S) OF WORK

Government Financial Strategies will provide general financial planning and advisory services to Inyo-Kern Schools Financing Authority which include but are not limited to the following: a review of facilities needs and costs, a review of short term and long term cash flow schedules, identification and classification of existing and potential revenue sources, assistance with the production of a comprehensive financial plan, financial advisory services in connection with any debt issues, participation in real estate negotiations, general background information on real estate acquisition and lease agreements, allocation of revenues to expenditures, development of financial strategies, reviews of documents, and presentations to the governing board. Such services will be provided as requested by Inyo-Kern Schools Financing Authority.

In consideration of the services provided, Inyo-Kern Schools Financing Authority will pay Government Financial Strategies hourly fees of \$225 for services, plus out-of-pocket expenses (such as mileage, meals, etc.). For travel time, Inyo-Kern Schools Financing Authority will pay Government Financial Strategies hourly fees of \$112.50.

EXHIBIT B

DISCLOSURE OF CONFLICTS OF INTEREST AND OTHER INFORMATION

Conflicts of Interest

Government Financial Strategies is required to provide written disclosure to all financial advisory clients about the actual or potential conflicts of interest presented by our representation of Client.

Government Financial Strategies has determined, after exercising reasonable diligence, that it has no known material conflicts of interest that would impair its ability to provide advice to the Client in accordance with its fiduciary duty to municipal entity clients such as the Client. To the extent any such material conflicts of interest arise after the date of this Agreement, Government Financial Strategies will provide information with respect to such conflicts in the form of a written amendment or supplement to this Agreement.

Municipal Advisor Registration, Legal and Disciplinary Events

Government Financial Strategies is registered as a "municipal advisor" pursuant to Section 15B of the Securities Exchange Act and rules and regulations adopted by the United States Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). As part of this registration Government Financial Strategies is required to disclose to the SEC information regarding criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation involving Government Financial Strategies. Pursuant to MSRB Rule G-42, Government Financial Strategies is required to disclose any legal or disciplinary event that is material to the Client's evaluation of Government Financial Strategies or the integrity of its management or advisory personnel. Government Financial Strategies has determined that no such event exists.

Copies of Government Financial Strategies filings with the United States Securities and Exchange Commission can currently be found by accessing the SEC's EDGAR system Company Search Page which is currently available at <https://www.sec.gov/edgar/searchedgar/companysearch.html> and searching for either Government Financial Strategies or for our CIK number which is 0001617177.



MEMORANDUM

To: Christina Giraldo

From: Jonathan Edwards *JE*

Date: July 24, 2017

Re: Scope of Work to Provide Financial Advisory Services in Connection with the Issuance of 2017 Refunding Lease-Revenue Bonds (to Refinance 2007 Lease-Revenue Bonds)

Christina, below is a scope of work for us to provide financial advisory services in connection with the issuance of 2017 Refunding Lease-Revenue Bonds (to Refinance 2007 Lease-Revenue Bonds).

Services Provided

We will provide the following services in connection with the Authority's issuance of its 2017 Refunding Lease-Revenue Bonds:

- Develop and manage the schedule of events
- Assist with identifying and selecting other members of the financing team, as appropriate (e.g., bond counsel, paying agent bank, credit rating agency, etc.)
- Manage the costs of issuance budget
- Review and comment on the authorizing resolution(s) and legal documents
- Advise the Authority on structuring the financing to meet the Authority's objectives, including debt service savings
- Prepare, distribute and evaluate the responses to a request for proposal for placement agent services
- Assist the placement agent with the preparation of a request for proposals for financing terms (e.g. interest rate, prepayment terms, etc.) from potential lenders
- Analyze the financing proposals and report the results to the Authority
- Prepare the closing wire instructions, including coordinating the flow of funds and deposit of proceeds
- Provide a post-sale presentation and/or memorandum to the Authority summarizing the sale process, sale results, and savings
- In connection with the above, provide Board presentation(s), attend meetings, and coordinate with Authority staff, other members of the financing team and outside entities as needed

Fees and Expenses

Consistent with our fee schedule, our fixed fee for the above services is \$30,550, plus \$1,000 for expenses. Our fee and expenses are payable from bond proceeds (and therefore built into the borrowing amount) when the financing closes.

July 24, 2017
Christina Giraldo

Scope of Work to Provide Financial Advisory Services in Connection with the Issuance
of 2017 Refunding Lease-Revenue Bonds (to Refinance 2007 Lease-Revenue Bonds)
Page 2



In order to be able to provide independent advice to the Authority, if the financing process is not completed (e.g. the Authority decides to not move forward), then our fee would be based on the hours worked (at our rate of \$225) and expenses incurred to that point, but not to exceed the fixed fee amount.

Christina, our commitment to our clients is "100 percent satisfaction guaranteed, 100 percent of the time". It is our goal to provide the best financial advisory services in the most economical fashion. We look forward to providing the Authority with this same high level of service.

If the scope of work is acceptable, please sign and date below and then return a copy to me.
Thank you.

JSE/abm

Accepted By:

Christina Giraldo
Treasurer
Inyo-Kern Schools Financing Authority

Date: _____

4. POLICY DEVELOPMENT AND REVIEW

4.1 Adoption of Board Policy 3470.1, Debt Issuance and Management

BACKGROUND INFORMATION: The Assistant Superintendent of Business and Support Services has reviewed selected board policies and administrative regulations as a result of recommendations from the California School Boards Association (CSBA) policy service. All proposed new policy and administrative regulations and revisions of such reflect recent changes in applicable state and/or federal laws and regulations.

CURRENT CONSIDERATIONS: On September 12, 2016, Governor Jerry Brown signed Senate Bill (SB) 1029, which requires all California public agencies to report annually on any debt sold on or after January 21, 2017. In addition to the annual reporting requirement, SB 1029 requires all public agencies to implement a debt policy covering certain minimum statutory requirements. Effective January 2017 a debt policy must be implemented prior to the time a local agency sells debt. A local agency must also certify that it has a debt policy in place when it reports the proposed sale to the California Debt and Investment Advisory Commission (no later than 30 days prior to proposed sale). BP 3470.1 was presented to the board for a first reading at the Inyo-Kern Schools Financing Authority board meeting on August 2, 2017.

FINANCIAL IMPLICATIONS: None.

SUPERINTENDENT’S RECOMMENDATION: The superintendent recommends the board adopt Inyo-kern Schools Financing Authority Board Policy 3470.1, Debt Issuance and Management as presented.

DEBT ISSUANCE AND MANAGEMENT

The Board of Directors 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 Authority shall be consistent with law and this policy.

The Authority shall not enter into indebtedness or liability that in any year exceeds the income and revenue provided for such year except as authorized by law.

When the Board determines that it is in the best interest of the Authority, the Board may issue debt. The Secretary 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, the Secretary or designee shall administer and coordinate the Authority'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 Secretary 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 Authority'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 Authority 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 Authority shall select a legal team on an as-needed basis to assist with debt issuances or special projects.

Policy Goals

The Authority's debt issuance activities and procedures shall be aligned with the Authority's purpose as set forth in the First Amended Joint Exercise of Powers Agreement. When issuing debt, the Authority shall ensure that it:

- 1. Maintains accountability for the fiscal health of the Authority, including prudent management and transparency of the Authority'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*

DEBT ISSUANCE AND MANAGEMENT

- 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. When determining the timing of debt issuance, considers market conditions, cash flows associated with repayment, and the Authority's ability to expend the obtained funds in a timely, efficient, and economical manner consistent with federal tax laws*
- 6. Determines the amortization (maturity) schedule which will fit best within the overall debt structure of the Authority at the time the new debt is issued*
- 7. 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*
- 8. Preserves the availability of the Authority's general fund for operating purposes and other purposes*
- 9. 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 Authority 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 Authority 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 Authority's annual operating budget, shall not be financed from

DEBT ISSUANCE AND MANAGEMENT

debt payable later than 15 months from the date of issuance. The Authority 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 Secretary or designee shall recommend to the Board potential financing method(s) that result in the highest benefit to the Authority, 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 Authority to meet its cash flow requirements (Government Code 53850-53858)*
- b. 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 Authority (Government Code 53859-53859.08)*

2. Long-Term Debt

- a. Special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Government Code 53311-53368.3)*

3. Lease financing, including revenue bonds and certificates of participation (COPs)

- a. Lease financing to fund the highest priority capital expenditures when pay-as-you-go financing is not feasible (Education Code 17450-17453.1)*

- 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**

DEBT ISSUANCE AND MANAGEMENT

5. *Temporary borrowing from other sources such as the County Treasurer*

Relationship of Debt to Authority 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 property and facilities of the Authority or its members as identified in a relevant capital improvement plan or 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, if appropriate, the Board and the Secretary 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 ratio of annual debt service secured by the general fund to general fund expenditures.

The Authority 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 Authority shall consider the overall impact of the current and future debt burden of the financing when determining the duration of the debt issue.

The Authority 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 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.

DEBT ISSUANCE AND MANAGEMENT

To the extent practicable, the Authority shall also consider credit issues, market factors, and tax law when sizing the Authority'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.

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 Authority-issued debt, the Secretary 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 Authority. 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 Authority 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 Authority than either a negotiated or competitive sale*

Investment of Proceeds

The Authority 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 Authority. Where applicable, the Authority'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.

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

DEBT ISSUANCE AND MANAGEMENT

Refunding/Restructuring

The Authority 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.

Internal Controls

The Secretary 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 Authority in maintaining the effectiveness and efficiency of operations, properly expending funds, reliably reporting debt incurred by the Authority and the use of the proceeds, complying with all laws and regulations, preventing fraud, and avoiding conflict of interest.

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

The Authority 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 Authority personnel involved in conducting such reviews shall receive periodic training regarding their responsibilities.

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

Records/Reports

At least 30 days prior to the sale of any debt issue, the Secretary 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 Authority 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 Secretary 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)

DEBT ISSUANCE AND MANAGEMENT

The Secretary 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 Authority's disclosure filings are updated as needed.

The Secretary 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 Secretary or designee shall annually report to the Board regarding debts issued by the Authority, including information on ratings on the Authority's bonds, market update and refunding opportunities, new development for California bond financings, and the Authority's compliance with post-issuance requirements.

Legal Reference:

EDUCATION CODE

17150 Public disclosure of non-voter-approved debt

17400-17429 Leasing of Authority property

17450-17453.1 Leasing of equipment

17456 Sale or lease of Authority property

17596 Duration of contracts

42130-42134 Financial reports and certifications

ELECTIONS CODE

1000 Established election dates

GOVERNMENT CODE

8855 California Debt and Investment Advisory Commission

53311-53368.3 Mello-Roos Community Facilities Act

53410-53411 Bond reporting

53550-53569 Refunding bonds of local agencies

53580-53595.55 Bonds

53850-53858 Tax and revenue anticipation notes

DEBT ISSUANCE AND MANAGEMENT

53859-53859.08 Grant anticipation notes

CALIFORNIA CONSTITUTION

Article 13A, Section 1 Tax limitation

Article 16, Section 18 Debt limit

UNITED STATES CODE, TITLE 15

78o-4 Registration of municipal securities dealers

UNITED STATES CODE, TITLE 26

54E Qualified Zone Academy Bonds

CODE OF FEDERAL REGULATIONS, TITLE 17

240.10b-5 Prohibition against fraud or deceit

240.15c2-12 Municipal securities disclosure

CODE OF FEDERAL REGULATIONS, TITLE 26

1.103 Interest on state and local bonds

1.141 Private activity bonds

1.148 Arbitrage and rebate

1.149 Hedge bonds

1.6001-1 Records

Management Resources:

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
PUBLICATIONS**

California Debt Issuance Primer

GOVERNMENT FINANCE OFFICERS ASSOCIATION PUBLICATIONS

An Elected Official's Guide to Debt Issuance, 2nd Ed., 2016

Understanding Your Continuing Disclosure Responsibilities, Best Practice, September 2015

Investment of Bond Proceeds, Best Practice, September 2014

Selecting and Managing Municipal Advisors, Best Practice, February 2014

Debt Management Policy, Best Practice, October 2012

Refunding Municipal Bonds, Best Practice, January 2017

INTERNAL REVENUE SERVICE PUBLICATIONS

Tax Exempt Bond FAQs Regarding Record Retention Requirements

Tax-Exempt Governmental Bonds, Publication 4079, rev. 2016

U.S. GOVERNMENT ACCOUNTABILITY OFFICE PUBLICATIONS

Internal Control System Checklist

DEBT ISSUANCE AND MANAGEMENT

WEB SITES

California Debt and Investment Advisory Commission:

<http://www.treasurer.ca.gov/cdiac>

Government Finance Officers Association: <http://www.gfoa.org>

Internal Revenue Service: <https://www.irs.gov>

Municipal Security Rulemaking Board, Electronic Municipal Market Access (EMMA):

<http://www.emma.msrb.org>

U.S. Government Accountability Office: <http://www.gao.gov>

U.S. Securities and Exchange Commission: <https://www.sec.gov>