

# College Coordinating Council Meeting

Wednesday, May 10, 2017  
 A124 – President’s Conference Room  
 9:30 a.m. – 10:30 a.m.

**Type of Meeting:** Regular  
**Note Taker:** Patty McClure  
**Please Review/Bring:** Agenda, Minutes

**Committee Members:**

Irit Gat, Academic Senate  
 Roderick Mendoza, Associated Student Organization  
 Ed Knudson, President  
 Pamela Ford, Classified Union  
 Michelle Hernandez, Confidential/Management/Supervisory  
 LaDonna Trimble, Deans  
 Dr. Scott Lee, Faculty Union  
 Dr. Bonnie Suderman, Vice President of Academic Affairs  
 Mark Bryant, Vice President of Human Resources  
 Dr. Erin Vines, Vice President of Student Services

## AGENDA

Items	Person(s) Responsible	Time	Action
<b>STANDING ITEMS:</b>			
I. Approval of Previous Minutes of April 26, 2017.	All		
II. Constituent Reports	All		
<b>INFORMATION/DISCUSSION/ACTION ITEMS:</b>			
III. BP 5010 – Admissions and Concurrent Enrollment	Bonnie	2 minutes	
IV. BP & AP 5700 – Intercollegiate Athletics	Bonnie	2 minutes	
V. BP & AP 6307 – Debt Issuance and Management	Ed	5 minutes	
VI. Debt Management Policy & Implementing Procedures	Ed	5 minutes	
<b>FUTURE AGENDA ITEMS:</b>			
<b>NEXT MEETING DATE: May 24, 2017</b>			

# College Coordinating Council Minutes

Wednesday, April 26, 2017  
A124 – President’s Conference Room  
9:30 a.m. – 11:00 a.m.

**Type of Meeting:** Regular  
**Note Taker:** Patty McClure  
**Please Review/Bring:** Agenda, Minutes

**Committee Members:**  
Irit Gat, Academic Senate  
Roderick Mendoza, Associated Student Organization  
Ed Knudson, President - **ABSENT**  
Pamela Ford, Classified Union  
Michelle Hernandez, Confidential/Management/Supervisory - **ABSENT**  
LaDonna Trimble, Deans - **ABSENT**  
Dr. Scott Lee, Faculty Union  
Dr. Bonnie Suderman, Vice President of Academic Affairs  
Mark Bryant, Vice President of Human Resources  
Dr. Erin Vines, Vice President of Student Services

## MINUTES

Items	Person(s) Responsible	Time	Action
<b>STANDING ITEMS:</b>			
I. Approval of Previous Minutes of March 22, 2017.	All		The minutes were approved with a minor revision to Item V changing the language to read: <i>It was agreed to compare other college’s BPs/APs and consult with legal counsel.</i>
II. Constituent Reports	All		<b>Roderick</b> stated that ASO had 3 candidates for the Student Trustee position, that they are all very passionate and that one of them would be replacing him on the CCC committee. <b>Irit</b> stated that Van Rider will be the next Academic Senate President, Susan Lowry is the VP and Ty Mettler is the First Executive Officer starting in July. She stated that the Senate is working on changing the Academic Senate President’s term to two years vs. currently having a three-year term. <b>Scott</b> stated that Liette Bohler would continue as Treasurer, David Adams would be the First VP and the Adjunct VP would be Connie Villegas or Sharon Wilson.
<b>INFORMATION/DISCUSSION/ACTION ITEMS:</b>			
III. AP 4020 – Program, Curriculum, and Course Development	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.

IV.	AP 4021 – Program Discontinuance	Bonnie	2 minutes	Send out to constituent groups and to return to the June 14 <sup>th</sup> CCC Meeting.
V.	AP 4025 – Philosophy and Criteria for Associate Degree and General Education	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
VI.	BP & AP 4050 - Articulation	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
VII.	BP & AP 4070 – Course Auditing and Auditing Fees	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
VIII.	AP 4102 – Career and Technical Education	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
IX.	AP 4105 – Distance Education	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
X.	BP 4220 – Standards of Scholarship	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
XI.	AP 4222 – Remedial Coursework	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
XII.	BP 4225 – Course Repetition	Bonnie	2 minutes	Approved to go to the May 8, 2017 board meeting.
XIII.	BP 3505 – Emergency Response Plan	Mark	2 minutes	Approved to go to the May 8, 2017 board meeting.
XIV.	AP 7212 – Temporary Faculty	Mark	2 minutes	Discussion on revisions and return to CCC meeting.
XV.	BP & AP 7330 – Communicable Disease	Mark	2 minutes	Revisions were agreed on. Send out to constituent groups and to return to the June 14 <sup>th</sup> CCC Meeting.
XVI.	BP 7380 – Retiree Health Benefits	Mark	2 minutes	Discussion on revisions to be more specific on Ed Code Section and to bring back to the next CCC Meeting.
<b>FUTURE AGENDA ITEMS:</b>				
<b>NEXT MEETING DATE: May 10, 2017</b>				

# BP 5010 Admissions and Concurrent Enrollment

## Reference:

Education Code Section 76000, 76001, 76002, 76038;

Labor Code Section 3077;

~~U.S. Department of Education regulations on the integrity of Federal Student Financial Aid Programs under Title IV of the Higher Education Act of 1965, as amended;~~ 34 Codes of Federal Regulations Section 668. 16(p) (US Department of Education Regulations on the Integrity of Federal Student Financial Aid Programs under Title IV of the Higher Education Act of 1965, as amended); ACCJC Accreditation Standard II.C.6

The District shall admit students who meet one of the following requirements and who are capable of profiting from the instruction offered:

- Any person over the age of 18 and possessing a high school diploma or its equivalent.
- Other persons who are over the age of 18 years and who, in the judgment of the Dean of ~~Enrollment Services Student Services~~ or designee are capable of profiting from the instruction offered. Such persons shall be admitted as provisional students, and thereafter shall be required to comply with the District's rules and regulations regarding scholastic achievement and other standards to be met by provisional or probationary students as a condition to being readmitted in any succeeding semester.
- All 16 or 17-year-old students who have not completed high school may be admitted by examination. Students successfully completing such examination will be awarded a "Certificate of Proficiency" by the State Board of Education that authorizes the student to enroll at Antelope Valley College with regular student status.
- Persons who are apprentices as defined in Section 3077 of the Labor Code
- Any student who is identified as highly gifted, whose age or class level is equal to grades middle or high school, is eligible to attend as a special part-time student for advanced scholastic or vocational courses.
- Any student who is identified as highly gifted, whose age or class level is equal to grades middle or high school, is eligible to attend as a special full-time student for advanced scholastic or vocational courses.
- Any student who is identified as highly gifted, who is enrolled in middle or high school, may attend summer session for advanced scholastic or vocational courses.

The District may deny or place conditions on a student's enrollment upon a finding by the Board or designee that the applicant has been expelled within the preceding five years or is undergoing expulsion procedures in another California community college district, or other academic institution and/or that the applicant continues to present a danger to the physical safety of the students and employees of the District.

The District shall in its discretion, or as otherwise federally mandated, evaluate the validity of a student's high school completion.

## Evaluating the validity of a student's high school:

Students shall be required to show proof of high school completion when such validity is deemed necessary by an employee of the District.

### Denial of Requests for Admission

- If the Board denies a request for special full time or part time enrollment by a pupil who is identified as highly gifted, the board will record its findings and the reason for denying the request in writing within 60 days.
- The written recommendation and denial shall be issued at the next regularly scheduled board meeting that occurs at least 30 days after the pupil submits the request to the district.

The ~~Superintendent/President or designee Dean of Student Services (Enrollment Services)~~ shall establish procedures regarding evaluation of requests for special full time or part time enrollment by a pupil who is identified as highlygifted.

### Claims for State Apportionment for Concurrent Enrollment

Claims for state apportionment submitted by the district based on enrollment of high school pupils shall satisfy the criteria established by statute and any applicable regulations of the Board of Governors.

The ~~Superintendent/President or designee Dean of Student Services (Enrollment Services)~~ shall establish procedures regarding compliance with statutory and regulatory criteria for concurrent enrollment.

(See Administrative Procedures 5010, 5011, 5012 and 5013) Adopted:

2/6/06

Revised 9/14

Revised 12/8/14

Revised: /17

BP 5700 Intercollegiate Athletics

References:

*Education Code Sections 78223, 66271.6, 66271.8, 67360 et seq.*

The District shall maintain an organized program for men and women in intercollegiate athletics. The program shall not discriminate on the basis of gender in the availability of athletic opportunities.

The Superintendent/President or designee shall assure that the athletics program complies with state law, the California Community Colleges Commission on Athletics Constitution and Sports Championship Handbooks ~~Sports Guides~~, and appropriate Conference Constitution regarding student athlete participation.

See Administrative Procedure #5700

Adopted: 2/6/06

Revised: 9/10/07

Revised: /17

## AP 5700 Intercollegiate Athletics

Reference:

**Education Code 66271.6, 66271.8, 67360 et seq.**  
**Title IX, Education Amendments of 1972;**  
**ACCJC Accreditation Standard II.C.4**

### Athletic Drug Testing

Antelope Valley College requires all student athletes to have a sports physical and complete a drug screening. The sports physical must be completed prior to participation in any athletic event and the drug screening must take place prior to the traditional competition in intercollegiate sports by the student athlete. This screening is conducted through a medical facility determined by the district.

**2/6/06**

**Revised: 9/10/07**

**Revised: /17**

## BP 6307 Debt Issuance and Management

### Reference:

Government Code Section 8855

The Superintendent/President delegates the debt management & issuance to the Executive Director of Business Services, Chief Business Official. The Executive Director of Business Services, Chief Business Official shall establish procedures to ensure District is professionally managing its debt and fulfills its annual debt issuance reporting requirements to the California Debt and Investment Advisory Commission.

Procedures shall include:

- The purpose for which the debt proceeds may be issued.
- The types of debt that may be issued.
- The relationship of the debt to, and integration with, the District's capital improvement program or budget, if applicable.
- Policy goals related to the District's planning goals and objectives.
- The internal control procedures that the District has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

5/4/17



# AP 6307 Debt Issuance and Management

## Reference:

Government Code Section 8855

The Superintendent/President delegates the debt management & issuance to the Executive Director of Business Services, Chief Business Official. The Executive Director of Business Services, Chief Business Official shall establish procedures to ensure District is professionally managing its debt and fulfills its annual debt issuance reporting requirements to the California Debt and Investment Advisory Commission.

## Article I

### Purpose and Goals

This Policy provides a framework for debt management and capital planning by the District.

This Policy has been developed to meet the following goals:

- (1) Identifying the purposes for which the debt proceeds may be used.
- (2) Identifying the types of debt that may be issued.
- (3) Describing the relationship of the debt to, and integration with, the District's capital improvement program.
- (4) Establishing policy goals related to the District's planning goals and objectives.
- (5) Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.

## Article II

### Purposes for Which Debt Proceeds May be Used

#### Section 2.01. Authority and Purposes of the Issuance of Debt

The laws of the State of California (the "State") authorize the District to incur debt to make lease payments, contract debt, borrow money, and issue bonds for school improvement projects. The District is authorized to contract debt to acquire, construct, reconstruct, rehabilitate, replace, improve, extend, enlarge, and equip such projects; to refund existing debt; or to provide for cash flow needs.

#### Section 2.02. State Law

Section 18 of Article XVI of the State Constitution contains the "debt limitation" formula applicable to the District.

There are a number of State laws that govern the issuance of general obligation bonds ("GO Bonds") by community college districts. Sections 1(b)(2) (Proposition 46) and 1(b)(3) of Article XIII A (Proposition 39) of the State Constitution allow the District to issue GO Bonds. The statutory authority for issuing GO Bonds is contained in Education Code Section 15000 *et seq.* Additional provisions applicable only to Proposition 39 GO Bonds are contained in Education Code Section 15264 *et seq.* An alternative procedure for issuing GO Bonds is also available in Government Code Section 53506 *et seq.*

The statutory authority for issuing Tax and Revenue Anticipation Notes (“TRANs”) is contained in Government Code Section 53850 *et seq.* Authority for lease financings is found in Education Code Section 17455 *et seq.* and additional authority is contained in Education Code Sections 17400 *et seq.*, 17430 *et seq.* and 17450 *et seq.* The District may also issue Mello-Roos bonds pursuant to Government Code Section 53311 *et seq.*

### **Section 2.03. Debt Issued to Finance Operating Costs**

The District may deem it necessary 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.

The District’s Superintendent/President, or Executive Director of Business Services, Chief Business Official (“CBO”), will review potential financing methods to determine which method is most prudent for the District. Potential financing sources include tax and revenue anticipation notes, temporary borrowing from the Los Angeles County Treasurer and Tax Collector, and internal temporary interfund borrowing.

## **Article III**

### **Types of Debt That May be Issued**

#### **Section 3.01. Types of Debt Authorized to be Issued**

A. Short-Term: The District may issue fixed-rate and/or variable rate short-term debt, which may include TRANs, when such instruments allow the District to meet its cash flow requirements. The District may also issue bond anticipation notes (“BANs”) to provide interim financing for bond projects that will ultimately be paid from GO Bonds.

B. Long-Term: Debt issues may be used to finance essential capital facilities, projects and certain equipment where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations.

Long term debt in the form of GO Bonds may be issued under Article XIII A of the State Constitution, either under Proposition 46, which requires approval by at least a two-thirds (66.67%) majority of voters, or Proposition 39, which requires approval by at least 55% of voters, subject to certain accountability requirements and additional restrictions.

The District may also enter into long-term leases and/or COPs for public facilities, property, and equipment.

C. Lease Financing: Lease-purchase obligations are a routine and appropriate means of financing capital equipment and certain capital facilities. However, lease obligations may impact on budget flexibility.

D. Use of General Obligation Bonds: A significant portion of the District’s capital projects are projected to be funded by GO Bond proceeds. Projects financed by the GO Bonds will be determined by the constraints of applicable law and the project list approved by voters.

## Article IV

### Relationship of Debt to and Integration with District's Capital Improvement Program or Budget

#### Section 4.01. Impact on Operating Budget and District Debt Burden

In evaluating financing options for capital projects, both short and long-term debt amortization will be evaluated when considering a debt issuance, along with the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs.

#### Section 4.02. Capital Improvement Program

The CBO and the facilities staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Board of Trustees. Staff will, as appropriate, supplement and revise any applicable Facilities Master Plan in keeping with the District's current needs for the acquisition, development and/or improvement of District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed.

#### Section 4.03. Refunding and Restructuring Policy

##### A. Considerations for Refunding.

1. District's Best Interest. Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility.

2. Net Present Value Analysis. The CBO shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.

3. Maximization of Expected Net Savings. Another consideration in deciding which debt to refinance and the timing of the refinancing shall be maximization of the District's expected net savings over the life of the bonds.

4. Comply with Existing Legal Requirements. The refunding of any existing debt shall comply with all applicable State and Federal laws governing such issuance.

## Article V

### Policy Goals Related to District's Planning Goals and Objectives

In following this Policy, the District shall pursue the following goals:

1. The District shall strive to fund capital improvements from voter-approved GO Bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.
2. The District shall endeavor to attain 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. The District shall take 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. The District shall, with respect to GO Bonds, remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.
5. The District shall consider market conditions and District cash flows when timing the issuance of debt.
6. The District shall determine the amortization (maturity) schedule which will fit best within the overall debt structure of the District at the time the new debt is issued.
7. The District shall match the term of the issue to the useful lives of assets funded by that issue whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in future.
8. The District shall, when planning for the issuance of new debt, consider the impact of such new debt on overlapping debt of local, state and other governments that overlap with the District.
9. The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible, categorical grants, revolving loans or other State/federal aid, so as to minimize the encroachment on the District's General Fund.
10. The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

## **Article VI**

### **Internal Control Procedures for Issuance of Debt to Ensure Intended Use of Proceeds**

#### **Section 6.01. Structure of Debt Issues**

A. Maturity of Debt: The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. Accordingly, the average life of the financing shall not exceed 120% of the average life of the assets being financed. In addition, 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.

B. Debt Structure:

1. GO Bonds:

a. *New Money Bond Issuances:* For new money bond issuances, the District shall size the bond issuance consistent with the “spend-down” requirements of the Internal Revenue Code and within any limits approved by the District’s voters. To the extent possible, the District will also consider credit issues, market factors (e.g. bank qualification) and tax law when sizing the District’s bond issuance.

b. *Refunding Bond Issuances:* The sizing of refunding bonds will be determined by the amount of money that will be required to cover the principal of, accrued interest (if any) on, and redemption premium for the bonds to be defeased on the call date and to cover appropriate financing costs.

c. *Maximum Maturity:* All bonds issued by the District shall mature within the limits set forth in applicable provisions of the Education Code or the Government Code. The final maturity of bonds will also be limited to the average useful life of the assets financed or as otherwise required by tax law.

2. Lease-Purchase Obligations: The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed.

C. Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use.

**Section 6.02. Use of Proceeds**

The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred. In furtherance of the policy, and in connection with the issuance of all GO Bonds:

1. As required by Government Code Section 53410, the District shall only use GO Bond proceeds for the purposes approved by the District’s voters; and

2. The CBO shall have the responsibility, no less often than annually, to provide to the District’s Board of Trustees a written report which shall contain at least the following information:

(i) The amount of the debt proceeds received and expended during the applicable reporting period; and

(ii) The status of the acquisition, construction or financing of the school facility projects, as identified in any applicable bond measure, with the proceeds of the debt.

These reports may be combined with other periodic reports which include the same information, including but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, or continuing disclosure reports or other reports made in connection with the debt. These requirements shall apply only until the earliest of the following: (i) all the debt is redeemed or defeased, but if the debt is refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased, or (ii) all proceeds of the debt, or any investment earnings thereon, are fully expended.

3. The District shall post on the District website the Annual Report of the District's Independent Bond Oversight Committee which has been given the responsibility to review the expenditure of GO Bond proceeds to assure the community that all GO Bond funds have been used for the construction, renovation, repair, furnishing and equipping of school facilities, and not used for teacher or administrator salaries or other operating expenses.

4. The District shall hire an independent auditor to perform an annual independent financial and performance audit of the expenditure of GO Bond proceeds, and to post such audits on the District website.

5/4/17

Antelope Valley Community District  
Business Services

DEBT MANAGEMENT POLICY &  
IMPLEMENTING PROCEDURES



Prepared By:

**Executive Director of Business  
Services/Chief Business Officer**

May 2017

## DEBT MANAGEMENT POLICY & IMPLEMENTING PROCEDURES

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The policies set forth in this Debt Management Policy (the “Policy”) have been developed to provide guidelines for the issuance of general obligation bonds, certificates of participation (“COPs”) and other forms of indebtedness by the Antelope Valley Community College District (the “District”). While the issuance of debt can be an appropriate method of financing capital projects, careful and consistent monitoring of such debt issuance is required to preserve the District’s credit strength and budget and financial flexibility. These guidelines will serve the District in determining the appropriate uses for debt financing and debt structures as well as establishing prudent debt management goals.

## Background

The District has good credit ratings of any major urban community college school district in the nation. The District’s Lease Revenue Bonds are rated A1 by Moody’s Investors Service and AA by Standard & Poor’s Corporation. The District’s COPs ratings are A1 (Moody’s) and A+ (Standard & Poor’s). These good credit ratings reduce the interest costs paid by the District on the amounts borrowed. Lower interest costs result in taxes paid to service debt on the District’s general obligation bonds and a reduced burden on the District’s operating funds for non-general obligation debt. These debt management policies are intended to assist in maintaining the District’s high credit ratings so that access to borrowed funds is provided at the lowest possible interest rates. Additionally, these policies are intended to set forth selection criteria for certain financial consultants and attorneys which will ensure a fair and open selection process, provide opportunities for all firms (including small business enterprises) to participate in District contracts, and result in the selection of the best qualified partners. The District faces continuing capital infrastructure and cash requirements. In particular, the District completed a comprehensive educational master plan and facilities master plan that identified the need construct facilities that replace 50 + year old facilities and expand capacity to support growing industry and community needs. The costs of these requirements will be met, in large part, through the issuance of various types of debt instruments and other long-term financial obligations. Under “Measure AV”, adopted by the voters in November 2016, The District has general obligation bond authorization from an election of the registered voters of the District held on November 8, 2016 (the “Measure AV”). At the Measure AV Election, almost 67% of the persons voting on the proposition voted to authorize the issuance and sale of not to exceed \$350,000,000 principal amount of general obligation bonds to finance the acquisition, construction and modernization of certain properties and District facilities, as more fully described in a Project List submitted to the voters at the Measure AV (the “Measure AV Project List”). G.O. Bonds of the District authorized by the Measure AV shall only be issued to finance projects included on the Measure AV Project List and which comply with State law and applicable provisions of the Tax Code. The ballot text included upgrades in math, engineering, aerospace/advanced manufacturing classrooms and labs, improve class availability and safety, update technology, repair, construct, acquire facilities, sites and equipment to maintain quality, affordable education for local students and returning veterans, and prepare students for jobs and transfer to four-year universities. Prior to Measure AV, the District had seen an increase in its levels of debt and other obligations and the need to anticipate future issuance of debt obligations. With these additional debt issuances, the effects of decisions regarding type of issue, method of sale, and payment structure become ever more critical to the District’s fiscal health. The District plans to defease existing debt instruments with Measure AV proceeds, thus freeing up available funding in the general unrestricted fund. An essential component of Measure AV is that \$35 million is to be endowed in accordance with Education Code 15146, which prohibits the proceeds from the sale of bonds from being withdrawn by the District for investment outside of county

treasury. The \$35 million is to remain in the county treasury indefinitely with interest earnings to be reinvested into small capital projects of the District on an on-going basis. The \$35 million principle amount shall not be withdrawn for any purpose, except in the case of disaster preparedness recovery or fiscal insolvency. The goal is to assist in bridging the gap between being reliant on state scheduled maintenance funding that can dissolve during times of economic turmoil. The ongoing interest earnings will reduce reliance on state funds and ensure that capital facilities can be adequately maintained in the long-term. To help ensure the District's creditworthiness, an established policy of managing the District's debt is essential. To this end, the Board of Trustees of the District (the "Board") recognizes this Policy to be financially prudent and in the District's best economic interest. In addition, the District's practices with respect to monitoring its outstanding debt issues for compliance with all Internal Revenue Service requirements and other transaction requirements are set forth in Appendix A to this Policy.

Article I. **Purpose and Goals**

The purpose of the 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 general obligation bond debt, tax and revenue anticipation notes, and lease financings in a conservative and prudent manner. In following this Policy, the District shall pursue the following goals:

- ┌ The District shall strive to fund capital improvements from referendum-approved general obligation bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.
- ┌ The District shall endeavor to attain 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.
- ┌ The District shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.
- ┌ The District shall remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.
- ┌ The District shall consider market conditions and District cash flows when timing issuance of debt.
- ┌ The District shall determine the amortization (maturity) schedule which will best fit with the overall debt structure of the District at the time the new debt is issued.
- ┌ The District shall match the term of the issue to the useful lives of assets whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in future.
- ┌ The District shall, when planning for the issuance of new debt, consider the impact of new debt on overlapping debt of local, state and other governments that overlap with the District.
- ┌ The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible categorical grants, revolving loans or other State/federal aid, so as to minimize the encroachment on the District's General Fund.
- ┌ The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

The District shall ensure that local and emerging businesses will be considered for and used in lead and other roles in the financing team when appropriate. The key financial management tools and goals that are intrinsic to the Policy include:

- A. Reserve Policy: The District recognizes the importance of emergency reserves, including liquidity in the General Fund, that can provide a financial cushion in years of poor revenue receipts. A reserve fund policy has been adopted by the Board as part of its Budget and Finance Policy.
- B.
- C. Capital Financing Plan: A 20-year capital financing plan has been prepared by the Chief Business Officer and presented to the Board of Trustees.
- D. Annual Debt Report: The Chief Business Officer will annually prepare for and submit to the Superintendent and the Board of Trustees a Debt Report as further described under Section 4.02 herein. This annual report shall also be submitted to the California Debt and Investment Advisory Committee (“CDIAC”) on or after January 21, 2017, which shall cover reporting period from Jul 1 to June 30, inclusive, to CDIAC no later than seven months after the end of such reporting period in a method approved by CDIAC and which complies with Section 8855 of the Government Code of the State.

## Article II. **Authorization**

### Section 2.01 **Authority and Purposes of the Issuance of 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. Under these provisions, the District may contract debt to pay for the cost of acquiring, constructing, reconstructing, rehabilitating, replacing, improving, extending, enlarging, and equipping such projects; to refund existing debt; or to provide for cash flow needs.

### Section 2.02 **Types of Debt Authorized to be Issued**

- A. Short-Term: The District may issue fixed-rate and/or variable rate 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 commercial paper in the context of funding shorter-term acquisitions, such as equipment, or interim funding for capital costs that will ultimately be replaced with longer-term COPs. The District may also participate in an annual pooled financing of delinquent property taxes to the extent that the Chief Business Officer determines such financing produces significant benefit to the District. The District may also issue bond anticipation notes (“BANs”) to provide interim financing for bond projects that will ultimately be paid from general obligation bonds.
- B. Long-Term: Debt issues may be used to finance essential capital facilities, projects and certain 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. Projects which are not appropriate

for spreading costs over future years will not be financed with long-term debt. Long-term debt will not, under any circumstances, be used to fund District operations.

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 Article XIII A of the State Constitution, either under Section 1(b)(2) which requires at least a two-thirds majority or Section 1(b)(3) (“Proposition 39”) which requires approval by at least 55% of voters, subject to additional restrictions.

The District may also enter into long-term leases and/or COPs for public facilities, property, and equipment. In the event that lease revenue bond (“LRB”) financing costs are lower than COPs financing costs, the District may consider using an LRB structure for financing public facilities, property, and equipment. The District may issue COPs or LRBs in variable rate mode as long as the requirements in Section 3.08A hereof are met.

- C. Equipment Financing: Lease obligations are a routine and appropriate means of financing capital equipment. However, lease obligations also have the greatest impact on budget flexibility. Therefore, efforts will be made to fund capital equipment with pay-as-you-go financing where feasible, and only the highest priority equipment purchases will be funded with lease obligations. With the exception of leases undertaken through the District’s standard procurement process, all equipment with a useful life of less than six years shall be funded on a pay-as-you-go basis unless the following conditions are met:
- i. In connection with the proposed District budget, the Superintendent makes the finding that there is an “economic necessity” based on a significant economic downturn, earthquake or other natural disaster and there are no other viable sources of funds to fund the equipment purchase.
  - ii. The Board concurs with the Superintendent’s finding in the adoption of the budget.
  - iii. The debt ceilings in Section 3.08 of this Policy are not exceeded.
- D. Lease Financing of Real Property: Lease financing for facilities is appropriate for facilities for which there is insufficient time to obtain voter approval or in instances where obtaining voter approval is not feasible. Such financings will be structured in accordance with Section 3.01 of the Policy. If and when voter approved debt proceeds become available subsequently, the District will use such proceeds to take out the financing where appropriate.
- E. 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 for projects with no stream of user-fee revenues. Examples of revenue sources include voter- approved taxes that repay general obligation or special tax bonds.

- F. Use of General Obligation Bonds: Voter-approved general obligation bonds typically provide the lowest cost of borrowing and do not impact the District's General Fund. General obligation bond debt, to the extent authorized for the District, requires either two-thirds approval of the voters (in the case of traditional general obligation bonds) or 55% approval of the voters (in the case of general obligation bonds issued pursuant to Proposition 39). In recognition of the difficulty in achieving the required voter approval to issue general obligation bonds, such bonds will be generally limited to facilities and projects that provide wide public benefit and for which broad public support has been generated.
- G. Use of Revenue Bonds: Revenue bonds supported solely from fees are not included when bond rating agencies calculate debt ratios. Repayment of such bonds would rely on dedicated, pledged funds such as developer fees. Accordingly, in order to preserve General Fund debt capacity and budget flexibility, revenue bonds will be preferred to General Fund supported debt when a distinct and identifiable revenue stream can be identified to support the issuance of bonds at a cost effective rate.
- H. Use of Asset Transfer COPs: The District will use an "asset transfer" COP financing to finance emergency capital needs for which there are no other viable financing options. Additionally, asset transfer COPs may be used if significant savings in financing costs can be generated compared to other financing alternatives.
- I. Pay-As-You-Go Financing: Except in extenuating circumstances, the District will fund routine maintenance projects in each year's capital program with pay-as-you-go financing. Extenuating circumstances may include unusually large and non-recurring budgeted expenditures, or when depleted reserves and weak revenues would require the delay or deletion of necessary capital projects.
- J. Use of Special Financing Structures: The District may use special financing structures permitted by the federal government if they are determined to result in sufficiently lower financing costs versus traditional tax-exempt bonds and/or COPs to offset any additional administrative and compliance costs and risks.
- K. Capital Appreciation Debt: The District may issue Capital Appreciation Bonds ("CABs") pursuant to the law. However, CABs generally result in higher interest costs and may fail to match the cost of the project to the benefits received over the time period the CABs are outstanding. CABs will be avoided unless the Board determines it is necessary to issue CABs for urgent projects that cannot be more cost-effectively financed by an alternative method.

### Section 2.03 **State Law**

Section 18 of Article XVI of the State Constitution contains the basic "debt limitation" formula applicable to the District.

Sections 1(b)(2) and 1(b)(3) of Article XIII A of the State Constitution allow the District to issue traditional general obligation bonds and Proposition 39 bonds, respectively. The statutory

authority for issuing general obligation bonds (including CABs) is contained in Section 15000 *et seq.* of the Education Code. Additional provisions applicable only to Proposition 39 general obligation bonds are contained in Section 15264 *et seq.* of the Education Code. An alternative procedure for issuing general obligation bonds is also available in Section 53506 *et seq.* of the Government Code.

The statutory authority for issuing TRANs is contained in Section 53850 *et seq.* of the Government Code. Authority for lease financings is found in Section 17455 *et seq.* of the Education Code and additional authority is contained in Sections 17400 *et seq.*, 17430 *et seq.* and 17450 *et seq.* of the Education Code. The District may also issue Mello-Roos bonds pursuant to Section 53311 *et seq.* of the Government Code.

#### Section 2.04 **Annual Review**

The Policy shall be reviewed and submitted to the Board for approval separately from the budget at least annually. The Chief Business Officer 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 Chief Business Officer may delegate the day-to-day responsibility for managing the District's debt and lease financings. The Board is the obligated issuer of all District debt and awards all purchase contracts for bonds, COPs, TRANs and any other debt issuances.

### Article III. **Structural Features, Legal and Credit Concerns**

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

- A. Maturity of Debt: The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. The final maturity of the debt shall be equal to or less than the useful life of the assets being financed, and the average life of the financing shall not exceed 120% of the average life of the assets being financed. In addition, 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.
- i. General Obligation Bonds:
    - a. The final maturity of General Obligation Bonds will be limited to the shorter of the average useful life of the asset financed or 25 years when such bonds are issued pursuant to the Education Code.
    - b. The final maturity of General Obligation Bonds issued under the Government Code will be limited to the shorter of the average useful life of the asset financed or 40 years. Per AB 182, the maturity of the bonds may not exceed 30 years unless there is no compounding of interest.
    - c. General Obligation Bond issues will generally be sized to the amount reasonably expected to be required for two years' expenditure requirements.
  - ii. Lease-Purchase Obligations: The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed. The

final maturity of real property obligations will also consider the size of the financing.

- iii. Mello-Roos Obligations and Revenue Bonds: These obligations, although repaid through additional taxes levied on a discrete group of taxpayers or from pledged developer fees, constitute overlapping indebtedness of the District and have an impact on the overall level of debt affordability. The District will develop separate guidelines for the issuance of such obligations as the need arises.
- B. Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use. Annual debt service payments will generally be structured on a level basis per component financed; however, principal amortization may occur more quickly or slowly where permissible, to meet debt repayment, tax rate, and flexibility goals.
- C. Capitalized Interest: Unless required for structuring purposes, the District will avoid the use of capitalized interest in order to avoid unnecessarily increasing the bond size and interest expense. Certain types of financings such as COPs or LRBs may require that interest on the debt be paid from capitalized interest until the District has use and possession of the pledged asset. However, the District may pledge assets using an asset-transfer structure as collateral for the issue in order to eliminate the need for capitalized interest.
- D. Call Provisions: The Chief Business Officer and Controller, based upon analysis from the financial advisor of the economics of callable versus non-callable features, shall set forth call provisions for each issue.

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

There are three methods of sale: competitive, negotiated, and private placement. The preferred method of sale shall be the competitive method as it is likely to result in the lowest interest cost to the District. All three methods of sale shall be considered for all issuance of debt, however, as each method has the potential to achieve the lowest financing cost given the right conditions. Any award through negotiation shall be subject to approval by the District, generally by the Chief Business Officer or other person designated by the Chief Business Officer, to ensure that interest costs are in accordance with comparable market interest rates. When a competitive bidding process is deemed the most advantageous method of sale for the District, award will be based upon, among other factors, the lowest offered True Interest Cost (“TIC”). While not used as frequently as negotiated or competitive sale methods, a private placement sale would be appropriate 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.



**Section 3.03 Markets**

The District shall consider products and conditions in the capital markets in meeting the District's financing needs. When practical in its financing program, the District shall consider local and regional markets as well as retail and institutional investors.

**Section 3.04 Credit Enhancements and Derivatives**

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. The credit rating of any counterparty must be at least A+ at the time of the transaction. The District shall use a competitive process to select providers of such products to the extent applicable. In order to assure that the District purchases credit enhancement cost-effectively, the Chief Business Officer will review an economic analysis, by maturity where appropriate, prepared by the financial advisor before selecting which maturities to insure.

The District may also undertake certain hedging strategies in connection with its debt issues. Authorized strategies include interest rate caps and their variants. The Chief Business Officer may develop an appropriate policy regarding interest rate swaps and other derivatives for approval by the Board. Such policy, if approved, will be integrated into this Policy.

**Section 3.05 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 evaluated. 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. The cost of debt issued for major capital repairs or replacements should be judged against the potential cost of delaying such repairs.

**Section 3.06 Debt Limitation**

Section 15106 of the Education Code limits the District's total outstanding bonded debt (i.e., the principal portion only) to 2.5% of the assessed valuation of the taxable property of the District. Thus, Section 15106 of the Education Code limits the issuance of new debt when the District has total bonded indebtedness in excess of 2.5% of the assessed valuation in the District. TRANs and lease payment obligations in support of COPs/LRBs generally do not count against this limit except as provided in Section 17422 of the Education Code.

**Section 3.07 Debt Issued to Finance Operating Costs**

The District cannot finance general operating costs from debt having maturities greater than thirteen months. However, the District may deem it necessary 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 and having a useful life of less than one year.

The Chief Business Officer will review potential financing methods to determine which method results in the lowest cost to the District. Potential financing sources include Tax and Revenue Anticipation Notes (TRANs), commercial bank lines of credit, temporary borrowing from the County of Los Angeles Treasurer, and internal temporary interfund borrowing. In analyzing the impact on District cost, the Chief Business Officer will consider the lost interest earnings for the District funds providing temporary borrowing capacity.

### Section 3.08 Credit Rating Methodologies and Tracking of District's Performance Scores

Debt Burden Ratios and Credit Rating Methodologies: The District's credit ratings are an important factor that directly impact the interest cost of the District's debt. S&P and Moody's have released revised methodologies for determining an issuer's underlying or implicit general obligation rating. A key objective of the new methodologies is to make the process of determining an issuer's rating more transparent, thus enabling the District itself to see how its performance on various rating criteria affects its credit ratings.

In addition to considering the District's credit performance as measured using the S&P and Moody's methodologies, the following debt burden ratios should be considered in developing debt issuance plans:

- Ratio of Outstanding Debt to Assessed Value. The ratio "Direct Debt" shall be calculated using both G.O. Bonds and COPs. In addition, the ratio "Overall Direct Debt" or "Overall Debt" shall be calculated by aggregating all debt issues attributable to agencies located in the District as presented in the California Municipal Statistics Overlapping Debt Statement. It is important to monitor the levels and growth of Direct Debt and Overall Debt as they portray the debt burden borne by the District's taxpayers and serve as proxies for taxpayer capacity to take on additional debt in the future.
- Ratio of Outstanding Debt Per Capita. The formula for this computation is Outstanding Debt divided by the population residing within the District, based upon the most recent estimates as determined by the United States Bureau of the Census. Ratios shall be computed for both "Direct Debt Per Capita" and "Overall Debt Per Capita".
- Ratio of Annual Lease Debt Service to General Unrestricted Fund Expenditures. The formula for this computation is annual lease debt service expenditures divided by General Unrestricted Funds (i.e., General and Debt Service Funds) expenditures (excluding interfund transfers & other outgo) as reported in the most recent annual CCFS 311 Report.
- Proportion of Fixed-Rate and Variable-Rate COPs Issues. The District can benefit from some variable rate exposure in its portfolio of COPs/LRBs. However, the District shall keep its variable rate exposure, to the extent not hedged or swapped

to fixed rate, at or below 20% of the total principal of outstanding COPs/LRBs or \$100 million, whichever is less. “Hedges” include unrestricted cash resources as well as interest rate products such as caps and collars. Under no circumstances will the District issue variable rate debt for arbitrage purposes. If variable rate debt is used, the Chief Business Officer will periodically, but at least annually, determine whether it is appropriate to convert the debt to fixed interest rates.

- A. Debt Affordability: The determination of how much indebtedness the District should incur will be based on a Capital Financing Plan (the “Plan”) that is currently being developed by the Chief Business Officer, which analyzes the long-term infrastructure needs of the District, and the impact of planned debt issuances on the long- term affordability of all outstanding debt. The Plan will be based on the District’s current capital plan and will include all District financings to be repaid from the General Fund, special funds or *ad valorem* property taxes. The affordability of the issuance of debt will be determined by evaluating, among other factors, the impact such issuance has on the District’s credit ratings and borrowing costs and analyzing debt service metric trends over time.
- B. Targets and Ceilings for Debt Affordability: One of the factors contributing to the District’s high credit ratings is its moderate General Fund-supported debt level relative to other large issuers and as compared to the resources available to repay the debt. The issuance of debt to be repaid from the General Fund and other internal District resources (typically, the District’s certificates of participation) must be carefully monitored to maintain a balance between debt and said resources.

The District’s credit environment is also affected by the District’s issuance of its General Obligation Bonds paid from voter approved tax levies as well as the debt issuance activities of other agencies (for example, the City of Palmdale, City of Lancaster and the County of Los Angeles whose jurisdictions overlap those of the District (“Overlapping Debt”). It is important for the District to examine debt burden ratios for such Overlapping Debt even though such debt is not paid from the District’s Unrestricted General Fund or other internal resources. Further, the tax receipts used to repay the District’s General Obligation Bonds are levied and collected by the County of Los Angeles and are not controlled by the District.

Table 1 lists the debt burden factors that will be monitored by the Chief Business Officer in the case of debt to be repaid from the General Unrestricted Fund or other District resources. These factors will be compared to targeted and maximum levels for those factors. The targets and ceilings are intended to guide policy. The targets and ceilings do not mean that debt issuance is automatically approved if there is room under a particular target or ceiling. On the contrary, each and every proposed debt issuance must be individually presented to and approved by the Board of Trustees.

Table 2 indicates the benchmark debt burden ratios to be monitored by the Chief Business Officer that recognize the combined direct debt and overall debt of the District, as applicable.

The Office of the Chief Business Officer shall annually prepare or cause to be prepared a Debt Report providing details of the calculations of debt ratios and projections of the impact of future debt issuance on the District’s direct debt. The Chief Business Officer shall also develop appropriate appendices to the Debt Report containing relevant information on any rating agency and/or Government Finance Officers Association debt policy guidelines with respect to debt burden ratios.

Debt Ratios: The following table sets forth the debt ratios to be monitored under the Policy and their targeted levels and Policy ceilings, if applicable.

Debt Burden Ratio: The debt burden ratio is an indicator on whether the District can cover its full annual debt service payments with its annual revenue. This ratio shows the relationship between the District’s revenue, debt-paying capacity and it’s required debt payment. For analysis purposes, the District should review it’s 3-year trend on an annual basis. To calculate this ratio, divide the total annual revenue of funds that pay the debt services by the total full debt service annual payment. If debt burden ratio shrinks each year, it might be a sign that the District’s debt payment is becoming burdensome. It will also show insight into how the District is paying off its debt. If there is another funding source outside of general unrestricted fund paying off the debt and then it begins to use unrestricted funds, it could be a sign that the revenue stream intended to pay down the debt is not sufficient.

**Table 1**

Debt Factor	Target	Ceiling
Annual COP/LRB Debt Service Payment Limit	3.5% of General Unrestricted Fund Expenditures (Minus Other Outgo)	5.0% of General Unrestricted Fund Expenditures (Minus Other Outgo)
COP/LRB Annual Debt Service Payment Cap 2017	\$3.5 Million	

**Table 2**

Debt Burden Ratio	Benchmark
Direct Debt to Assessed Value	Moody’s Median for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
	Standard & Poor’s Mean for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county

Antelope Valley Community College District

Overall Debt to Assessed Value	Moody's Median for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
	Standard & Poor's Mean for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
Direct Debt Per Capita	Moody's Median for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
	Standard & Poor's Mean for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
Overall Debt Per Capita	Moody's Median for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county
	Standard & Poor's Mean for Similarly Rated School Districts With Student Population Above 10,000; with emphasis on community colleges in Southern California, if possible, or school districts in the local county

“Direct Debt” includes all debt that is repaid from the General Unrestricted Fund or from any tax revenues deposited into special funds not supporting revenue bonds.

“Overall Debt” includes any debt that is paid from general tax revenues and special assessments by residents in the District. This includes debt issued by other agencies whose taxing boundaries overlap the District, such as the City of Palmdale, City of Palmdale and the County of Los Angeles.

- C. Monitor Impact on District Taxpayer of Voter-Approved Taxes: In addition to the analysis of the District’s debt affordability, the Plan will review the impact of debt issuance on District taxpayers. This analysis will incorporate the District’s General Obligation Bond tax levies as well as tax rates imposed by overlapping jurisdictions as reported in the District’s CAFR. In addition, the District will monitor the performance of the actual tax levy rate per \$100,000 of assessed value for each General Obligation Bond authorization versus what the tax levy rate was expected to be at the time of the original bond election and include said performance in the Debt Report. The Measure AV was authorized with a tax levy limitation of \$25 per \$100,000 of assessed value to repay bonds issued under each authorization (Measure).

#### Article IV. **Related Issues**

##### Section 4.01 **Capital Improvement Program**

Planning and management of the District’s Facilities Master Plan rests primarily with the Facilities Services Department under the President/Superintendent’s direction, subject to review by the Bond Oversight Committee and approval by the Board of Trustees and California Community College’s Chancellor’s Office. The Facilities Services Department will, as appropriate, supplement and revise these plans in keeping with the District’s current needs for the acquisition, development and/or improvement of District’s real estate and facilities. The plans must include a summary of total cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed. The Chief Business Officer shall prepare an annual Capital Financing Plan in conjunction with the capital program budget as part of the annual budget for the District.

##### Section 4.02 **Reporting of Debt**

In accordance with S.B. 1029 the district will report implement these debt management policies and report no later than 30 days after a new debt issuance to the California Debt and Investment Advisory Committee (CDIAC).

The report shall include the issuance date, the amount of (i) new debt issued (ii) debt outstanding, (iii) debt authorized but not issued, (iv) assessed valuation and (v) outstanding debt expressed as a percentage of assessed valuation, each as of the end of the fiscal year. The District’s dissemination agent’s shall post/update the information on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website.

The Chief Business Officer will also produce an annual Debt Report which covers the following information: (i) bonded debt limitation and assessed valuation growth, (ii) debt outstanding, (iii) bonds authorized but unissued, (iv) debt refundings, (v) tax rate performance on outstanding bonds, (vi) cost of district debt, and (vii) credit ratings. This report will be provided to the Board and

uploaded to the District's website.

#### **Section 4.03 Financial Disclosure**

The Internal Auditor, in conjunction with the CBO, shall be responsible for the District's disclosure compliance functions, in conjunction with the disclosure counsel appointed by the District.

The District shall prepare or cause to be prepared appropriate disclosures as required by Securities and Exchange Commission Rule 15c2-12, the federal government, the State of California, rating agencies, bond insurers, underwriters, bond counsel, investors, taxpayers, and other persons or entities entitled to disclosure to ensure compliance with applicable laws and regulations and agreements to provide ongoing disclosure.

The District shall make available its annual CCFS311s, budgets, and audit reports on the District's website. The District's dissemination agent will update the information on the Electronic Municipal Market Access (EMMA) website so that interested persons have a convenient way to locate major financial reports and documents pertaining to the District's finances and debt.

#### **Section 4.04 Review of Financing Proposals**

All capital financing proposals involving a pledge of the District's credit through the sale of securities, execution of loans or lease agreements, or otherwise directly or indirectly lending or pledging of the District's credit initially shall be referred to the Chief Business Officer who shall determine the financial feasibility of such proposal and make recommendations accordingly to the Board.

#### **Section 4.05 Establishing Financing Priorities**

The Chief Business Officer shall administer and coordinate the Policy and the District's debt issuance program and activities, including timing of issuance, method of sale, structuring the issue, and marketing strategies. The Chief Business Officer shall, as appropriate, report to the Superintendent and the Board regarding the status of the current and future year programs and make specific recommendations.

#### **Section 4.06 Rating Agency and Credit Enhancer Relations**

The District shall endeavor to maintain effective relations with the rating agencies and credit enhancers. The Chief Business Officer along with the District's general financial advisor shall

meet with, make presentations to, or otherwise communicate with the rating agencies on a consistent and as appropriate basis in order to keep the agencies informed about the District's capital plans, debt issuance program, and other appropriate financial information. The Chief Business Officer with the District's general financial advisor shall communicate with credit enhancers as appropriate to determine if a cost effective product for the District is commercially available with reasonable terms and conditions.

#### Section 4.07 **Investment Community Relations**

The District shall endeavor to maintain a positive relationship with the investment community. The Chief Business Officer shall, as necessary, prepare reports and other forms of communication regarding the District's indebtedness, as well as its future financing plans. This includes information presented to the media and other public sources of information. To the extent applicable, such communications shall be posted on the District's website.

#### Section 4.08 **Refunding and Restructuring Policy**

Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt when financially advantageous or beneficial for debt repayment and structuring flexibility. The Chief Business Officer shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding. The minimum net present value savings as a percentage of the refunded aggregate principal amount to be considered for refunding shall be no less than 3% per maturity unless, at the discretion of the Chief Business Officer, a lower percentage is more applicable, for situations including, but not limited to, maturities with only a few years until maturity or COPs being defeased or redeemed from proceeds of GO Bonds or other structuring considerations. In addition, the net present value savings must exceed any negative arbitrage associated with the refunding, subject to the Chief Business Officer's discretion. Another consideration in deciding which debt to refinance and the timing of the refinancing shall be maximization of the District's expected net savings over the life of the bonds.

The Chief Business Officer may waive the 3% per maturity savings threshold when evaluating a fixed rate refunding of variable rate debt, as the refinancing of certain variable rate structures may provide other substantial benefits to the District that include, but are not limited to, elimination of interest rate risk, renewal risk, and counterparty risk.

The Chief Business Officer shall be empowered to restructure escrow funds for the District's refunded Bonds and COPs from time to time when savings can be achieved. The Chief Business Officer shall review a savings analysis of any proposed restructuring in order to make a determination regarding its cost-effectiveness. The target net savings shall be no less than \$1.0 million unless, at the discretion of the Chief Business Officer, a lower amount is more appropriate given the nature of the particular escrow fund. Any savings from such restructuring shall be applied in accordance with legal and tax considerations and legal analysis at the time such savings are available.



**Section 4.09 Investment of Borrowed Proceeds**

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

The District shall competitively bid the purchase of investment securities (except State and Local Government Series (SLGs) issued by the US Treasury), investment contracts, float contracts, forward purchase agreements and any other investments pertaining to its tax-exempt debt issues. A duly registered investment advisor or the County of Los Angeles Treasurer-Tax Collector shall solicit bids for investment products. Eligible and qualified providers, but not any of the members of the District's financial advisor pool, may bid on investment products.

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 (i) ensure liquidity and (ii) minimize risk.

**Section 4.10 Federal Arbitrage Rebate Requirement**

The District shall maintain or cause to be maintained an appropriate system of accounting to calculate bond investment arbitrage earnings in accordance with the Tax Reform Act of 1986, as amended or supplemented and applicable United States Treasury regulations related thereto.

**Section 4.11 Transaction Records**

The Chief Business Officer 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. Each transaction file shall include the official transcript for the financing, the final number runs and a post-pricing summary of the debt issue. The Chief Business Officer shall timely provide a summary of each financing to the Board.

**Section 4.12 Financing Team Members****A. Retention of Consultants**

- i. General: All financial advisors, investment advisors, bond counsel, disclosure counsel, tax counsel, and underwriters will be selected at the discretion of the CBO and approved by the Superintendent/President. The CBO may utilize a known, trusted advisor or start pools to be created through a Request for Proposals (RFP) or Request for Qualifications (RFQ) process, whichever is most appropriate given the circumstances. The District's contracting policies will apply to all contracts with finance professionals. Generally, contracts for financial advisors, investment advisors, underwriters, and bond, tax, and disclosure counsels will be for up to five years.

Members of the financing team for each specific transaction will be identified and presented to the Board as part of the financing transaction Board report or as a separate informative. If however, an urgent financing opportunity or need arises such that there is not enough time to obtain Board approval of the financing team through the regular process, the Superintendent may authorize the appointment of the team.

- ii. Underwriters: The minimum qualifications for underwriters to be considered for District transactions are: the firm must have a permanent office in the State of California; the firm must have completed at least ten (10) financings in the prior two years; the firm must maintain net capital of at least \$100,000 at all times; the lead investment banker must have at least three years of experience working on large, complex transactions and must be authorized to sign a bond purchase contract; the firm must hold and maintain at all times all appropriate and required Federal and State licenses and registrations; and the firm must at all times have at least one full-time professional employee with a NASD Series 53 license (Municipal Securities Principal).

Based upon evaluation of submitted statements of qualifications, underwriting firms will be assigned to one of four specific tiers:

Tier	Eligible Syndicate Assignments
Senior Manager	Senior, co-senior, or co-manager on any transaction
Co-Senior Manager	Co-senior or co-manager on any transaction; senior manager on transactions under \$200 million principal amount.
Co-Manager	Co-manager on any transaction.
Emerging Firm	Co-manager with a reduced liability on appropriate transactions.

In the event the District issues bonds through a negotiated sale, the selection of underwriters will be based upon a mini-RFP process and will generally be for a single transaction. The mini-RFP will specify the scoring system for selection of the underwriters and will consider the following factors in decreasing order of priority:

1. Past performance on financing transactions. Exceptionally strong or poor results on District transactions will carry extra weight.
2. Analysis of the District’s financing needs and proposed financing structure, recommended marketing plan and determination that the firm has sufficient net capital.
3. Proposed underwriting fees, including takedown, direct expenses, and the cost of underwriter’s counsel.

4. Demonstrated commitment to, track record in, and investing in the communities served by the LAUSD.

Underwriters may be selected for multiple transactions if multiple issuances are planned for the same project. In addition, the District will include at least one firm with an office within the District's boundaries on each standard, fixed rate financing transaction.

- iii. General Financial Advisor: The District will retain a general financial advisory team to provide general advice on the District's debt management program, financial condition, budget options and rating agency relationships. Additionally, the general financial advisor will structure the District's General Obligation and refunding bond issuances and may be used on an as-needed basis to structure issuances that do not fall into the other categories of District debt obligations. Any firm serving as general financial advisor must be duly registered at all times with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and must also hold any certifications and/or licenses required by the SEC and/or MSRB.
- iv. As-Needed Bond Counsel, Tax Counsel, and Disclosure Counsel: The District will select an external legal team to be used on an as-needed basis to assist with debt issuances or special projects that do not fall under the bonds, COPs, and TRANS categories of District debt obligations. Additionally, one or more of the firms may be selected to provide general legal advice on, among other things, debt financing, disclosure documents, and continuing disclosure.
- v. Range of Financings: Financial advisory, external legal counsel, and underwriting teams will be selected for the District's COPs financings, TRANS, special revenue bonds and any other bond program which may be created. Depending on particular expertise and consultant availability, some firms may be used on more than one program. However, efforts will be made to establish different teams to provide a number of firms the opportunity to participate in District contracts.

#### B. Use of Independent Financial Advisors

- i. Use of Independent Financial Advisors: Any firm serving as financial advisor must be duly registered as a municipal advisor on financings at all times with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB) and must also hold any certifications and/or licenses required by the SEC and/or MSRB. In recognition of the fact that in a financing the goals of the underwriters and the issuer are inherently in conflict, the District will strive to hire financial advisors who do not participate in the underwriting or trading of bonds or other securities. Under certain circumstances, however, it may be in the District's interests to hire an investment banking firm to act as financial advisor on specific bond issues, although said firm must obey any SEC and/or

MSRB rules and restrictions pertaining to broker-dealer or investment banks serving as financial advisor.

- ii. Financial Advisor Pool or direct award: The May 2017 may direct award based on a competitive process or maintain a pool of financial advisors separated into two tiers.
  - a. Firms in the General Financial Advisor Tier may be used for various financial projects for which the District requires advanced financial expertise not available within the District. The General FA Tier will also be used to select the District's Independent Registered Municipal Advisor (IRMA). Firms in the General FA Tier may serve as financial advisors on the District's debt issuances.
  - b. Firms in the Transactional Financial Advisor Tier may serve the district as financial advisors on the District's debt issuances.
- iii. Independent Registered Municipal Advisor: The May 2017 may select a specific firm to serve as the District's IRMA, as defined by the SEC. In order to facilitate open communication with underwriters, the District will prepare and post on its website a letter stating that the District has an IRMA. Before acting on any proposal received from underwriters, the District will provide the proposal to the IRMA and consider all feedback received from the IRMA.
- iv. Use of Investment Advisors for Investment Advice: Although, in most instances, the Chief Business Official will make all investment decisions relative to temporary investments pending the expenditure of bond proceeds, an investment advisor may provide investment advice on refundings and other transactions with specialized investment needs. Any firm serving as investment advisor on a District transaction must be registered at all times as an investment advisor with both the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB), as applicable, must hold any certifications and/or licenses required by the SEC and/or MSRB, and must present its Form ADV or equivalent and written fee proposal to the District prior to commencement of any work.

C. Disclosure by Financing Team Members; Ethics

All financing team members will be required to provide full and complete disclosure, under penalty of perjury, relative to any and all agreements with other financing team members and outside parties. The extent of the disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which would compromise a firm's ability to provide independent advice which is solely in the best interests of the District, or which could reasonably be perceived as a conflict of interest. All financing team members shall abide by the Board of Trustees code of ethics.

Section 4.13 **Special Situations**

Changes in the capital markets, District programs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy. These situations may require modifications or exceptions to achieve policy goals. Management flexibility is appropriate and necessary in such situations, provided specific authorization is received from the Board of Trustees.

**APPENDIX A**  
**ANTELOPE VALLEY COMMUNITY**  
**COLLEGE DEBT ISSUANCE AND**  
**MANAGEMENT POLICY**

This Debt Management Policy (the “Policy”) provides written guidelines for the issuance of indebtedness by the Antelope Valley Community College District (the “District”) in satisfaction of the requirements of S.B. 1029, codified as part of Government Code Section 8855.

**Article I**

**Purpose and Goals**

This Policy provides a framework for debt management and capital planning by the District.

This Policy has been developed to meet the following goals:

- (1) Identifying the purposes for which the debt proceeds may be used.
- (2) Identifying the types of debt that may be issued.
- (3) Describing the relationship of the debt to, and integration with, the District’s capital improvement program.
- (4) Establishing policy goals related to the District’s planning goals and objectives.
- (5) Implementing internal control procedures to ensure that the proceeds of the proposed debt issuance will be directed to the intended use upon completion of the issuance.

**Article II**

**Purposes for Which Debt Proceeds May be Used**

**Authority and Purposes of the Issuance of Debt**

The laws of the State of California (the “State”) authorize the District to incur debt to make lease payments, contract debt, borrow money, and issue bonds for school improvement projects. The District is authorized to contract debt to acquire, construct, reconstruct, rehabilitate, replace, improve, extend, enlarge, and equip such projects; to refund existing debt; or to provide for cash flow needs.

**State Law**

Section 18 of Article XVI of the State Constitution contains the “debt limitation” formula applicable to the District.

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There are a number of State laws that govern the issuance of general obligation bonds (“GO Bonds”) by community college districts. Sections 1(b)(2) (Proposition 46) and 1(b)(3) of Article XIII A (Proposition 39) of the State Constitution allow the District to issue GO Bonds. The statutory authority for issuing GO Bonds is contained in Education Code Section 15000 *et seq.* Additional provisions applicable only to Proposition 39 GO Bonds are contained in Education Code Section 15264 *et seq.* An alternative procedure for issuing GO Bonds is also available in Government Code Section 53506 *et seq.*

The statutory authority for issuing Tax and Revenue Anticipation Notes (“TRANS”) is contained in Government Code Section 53850 *et seq.* Authority for lease financings is found in Education Code Section 17455 *et seq.* and additional authority is contained in Education Code Sections 17400 *et seq.*, 17430 *et seq.* and 17450 *et seq.* The District may also issue Mello-Roos bonds pursuant to Government Code Section 53311 *et seq.*

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

The District may deem it necessary 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.

The District’s Superintendent/President, or Executive Director of Business Services, May 2017 (“CBO”), will review potential financing methods to determine which method is most prudent for the District. Potential financing sources include tax and revenue anticipation notes, temporary borrowing from the Los Angeles County Treasurer and Tax Collector, and internal temporary interfund borrowing.

## **Article III**

### **Types of Debt That May be Issued**

#### **Types of Debt Authorized to be Issued**

Short-Term: The District may issue fixed-rate and/or variable rate short-term debt, which may include TRANS, when such instruments allow the District to meet its cash flow requirements. The District may also issue bond anticipation notes (“BANs”) to provide interim financing for bond projects that will ultimately be paid from GO Bonds.

Long-Term: Debt issues may be used to finance essential capital facilities, projects and certain equipment where it is appropriate to spread the cost of the projects over more than one budget year. Long-term debt should not be used to fund District operations.

Long term debt in the form of GO Bonds may be issued under Article XIII A of the State Constitution, either under Proposition 46, which requires approval by at least a two-thirds (66.67%) majority of voters, or Proposition 39, which requires approval by at least 55% of voters, subject to certain accountability requirements and additional restrictions.

The District may also enter into long-term leases and/or COPs for public facilities, property, and equipment.

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Lease Financing: Lease-purchase obligations are a routine and appropriate means of financing capital equipment and certain capital facilities. However, lease obligations may impact on budget flexibility.

Use of General Obligation Bonds: A significant portion of the District's capital projects are projected to be funded by GO Bond proceeds. Projects financed by the GO Bonds will be determined by the constraints of applicable law and the project list approved by voters.

## **Article IV**

### **Relationship of Debt to and Integration with District's Capital Improvement Program or Budget**

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

In evaluating financing options for capital projects, both short and long-term debt amortization will be evaluated when considering a debt issuance, along with the potential impact of debt service, and additional costs associated with new projects on the operating budget of the District. The cost of debt issued for major capital repairs or replacements may be judged against the potential cost of delaying such repairs.

#### **Capital Improvement Program**

The CBO and the facilities staff have responsibility for the planning and management of the District's capital improvement program subject to review and approval by the Board of Trustees. Staff will, as appropriate, supplement and revise any applicable Facilities Master Plan in keeping with the District's current needs for the acquisition, development and/or improvement of District's real estate and facilities. Such plans may include a summary of the estimated cost of each project, schedules for the projects, the expected quarterly cash requirements, and annual appropriations, in order for the projects to be completed.

#### **Refunding and Restructuring Policy**

##### Considerations for Refunding.

District's Best Interest. Whenever deemed to be in the best interest of the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility.

Net Present Value Analysis. The CBO shall review a net present value analysis of any proposed refunding in order to make a determination regarding the cost-effectiveness of the proposed refunding.

Maximization of Expected Net Savings. Another consideration in deciding which debt to refinance and the timing of the refinancing shall be maximization of the District's expected net savings over the life of the bonds.

Comply with Existing Legal Requirements. The refunding of any existing debt shall comply with all applicable State and Federal laws governing such issuance.



## **Article V**

### **Policy Goals Related to District's Planning Goals and Objectives**

In following this Policy, the District shall pursue the following goals:

The District shall strive to fund capital improvements from voter-approved GO Bond issues to preserve the availability of its General Fund for District operating purposes and other purposes that cannot be funded by such bond issues.

The District shall endeavor to attain 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.

The District shall take all practical precautions and proactive measures to avoid any financial decision that will negatively impact current credit ratings on existing or future debt issues.

The District shall, with respect to GO Bonds, remain mindful of its statutory debt limit in relation to assessed value growth within the school district and the tax burden needed to meet long-term capital requirements.

The District shall consider market conditions and District cash flows when timing the issuance of debt.

The District shall determine the amortization (maturity) schedule which will fit best within the overall debt structure of the District at the time the new debt is issued.

The District shall match the term of the issue to the useful lives of assets funded by that issue whenever practicable and economic, while considering repair and replacement costs of those assets to be incurred in future.

The District shall, when planning for the issuance of new debt, consider the impact of such new debt on overlapping debt of local, state and other governments that overlap with the District.

The District shall, when issuing debt, assess financial alternatives to include new and innovative financing approaches, including whenever feasible, categorical grants, revolving loans or other State/federal aid, so as to minimize the encroachment on the District's General Fund.

The District shall, when planning for the sizing and timing of debt issuance, consider its ability to expend the funds obtained in a timely, efficient and economical manner.

## **Article VI**

### **Internal Control Procedures for Issuance of Debt to Ensure Intended Use of Proceeds**

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

Maturity of Debt: The duration of a debt issue shall be consistent, to the extent possible, with the economic or useful life of the improvement or asset that the issue is financing. Accordingly, the average life of the financing shall not exceed 120% of the average life of the assets being financed. In addition,

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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.

Debt Structure:

GO Bonds:

*New Money Bond Issuances:* For new money bond issuances, the District shall size the bond issuance consistent with the “spend-down” requirements of the Internal Revenue Code and within any limits approved by the District’s voters. To the extent possible, the District will also consider credit issues, market factors (e.g. bank qualification) and tax law when sizing the District’s bond issuance.

*Refunding Bond Issuances:* The sizing of refunding bonds will be determined by the amount of money that will be required to cover the principal of, accrued interest (if any) on, and redemption premium for the bonds to be defeased on the call date and to cover appropriate financing costs.

*Maximum Maturity:* All bonds issued by the District shall mature within the limits set forth in applicable provisions of the Education Code or the Government Code. The final maturity of bonds will also be limited to the average useful life of the assets financed or as otherwise required by tax law.

Lease-Purchase Obligations: The final maturity of equipment or real property lease obligations will be limited to the useful life of the assets to be financed.

Debt Service Structure: The District shall design the financing schedule and repayment of debt so as to take best advantage of market conditions, provide flexibility, and, as practical, to recapture or maximize its debt capacity for future use.

**Use of Proceeds**

The District shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred. In furtherance of the policy, and in connection with the issuance of all GO Bonds:

As required by Government Code Section 53410, the District shall only use GO Bond proceeds for the purposes approved by the District’s voters; and

The CBO shall have the responsibility, no less often than annually, to provide to the District’s Board of Trustees a written report which shall contain at least the following information:

- (i) The amount of the debt proceeds received and expended during the applicable reporting period; and
- (ii) The status of the acquisition, construction or financing of the school facility projects, as identified in any applicable bond measure, with the proceeds of the debt.

These reports may be combined with other periodic reports which include the same information, including but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, or continuing disclosure reports or other reports made in connection with the debt. These requirements shall apply only until the earliest of the following: (i) all the debt is redeemed or defeased, but if the debt is refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased, or (ii) all proceeds of the debt, or any investment earnings thereon, are fully expended.

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The District shall post on the District website the Annual Report of the District's Independent Bond Oversight Committee which has been given the responsibility to review the expenditure of GO Bond proceeds to assure the community that all GO Bond funds have been used for the construction, renovation, repair, furnishing and equipping of school facilities, and not used for teacher or administrator salaries or other operating expenses.

The District shall hire an independent auditor to perform an annual independent financial and performance audit of the expenditure of GO Bond proceeds, and to post such audits on the District website.

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Debt Issuance and Management Policy

Adopted by the Board of Trustees on January 9, 2017

**APPENDIX B****ANTELOPE VALLEY COMMUNITY COLLEGE****LONG-TERM DEBT—TAX COMPLIANCE POLICY & PROCEDURES**Statement of Purpose

This Tax Compliance Policy (the “Policy”) sets forth specific policies of the Antelope Valley Community College District (the “District”) designed to monitor tax compliance by the District with respect to Tax-Advantaged Obligations,<sup>2</sup> including but not limited to post-issuance tax compliance with applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and regulations promulgated thereunder (the “Treasury Regulations”).

This Policy is intended to document and supplement existing practices and describe various procedures and systems implemented and to be implemented to demonstrate compliance with the requirements that must be satisfied at the time of, and subsequent to, the issuance of Tax-Advantaged Obligations. Compliance with applicable provisions of the Code and the Treasury Regulations is an on-going process and an integral component of the District’s debt management program. Accordingly, implementation of this Policy will require ongoing surveillance through, and sometimes beyond, the final maturity of the related issue of Tax-Advantaged Obligations and, likely, consultation with legal counsel beyond the initial engagement for the issuance of particular obligations.

This Policy is meant to set forth best practices and procedures and is intended to be revised over time. The Policy is meant to be the District’s initiative to document compliance with the provisions of the Federal tax law addressing Tax-Advantaged Bonds. Given the size, scope and complexity of the District’s financings and school construction and maintenance program, strict compliance with all elements of this Policy will require ongoing review and refinement of the Policy. Any failure to conform to any component of this Policy shall in no way infer that the District is not in compliance with the provisions of the Code applicable to Tax-Advantaged Obligations of the District.

Policies and Procedures Generally

The District’s Chief Business Officer (“CBO”) will establish a Tax Compliance Officer, (Internal Auditor) for monitoring tax compliance with regard to debt offerings. The CBO shall also be responsible for ensuring adequate succession plan for transferring tax compliance responsibility when changes in staff occur.

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<sup>2</sup> The District issues (i) bonds, certificates of participation and other obligations, the interest on which is intended to be excluded from gross income for federal income tax purposes (“Tax-Exempt Obligations”) and (ii) bonds and other obligations, which provide certain credits to bondholders in lieu of or in addition to interest payments or interest subsidy payments to issuers (*e.g.*, Build America Bonds and Qualified School Construction Bonds), that finance property that was otherwise eligible to be financed with proceeds of Tax Exempt Obligations (“Tax Credit/Subsidy Obligations,” collectively with Tax-Exempt Obligations, “Tax-Advantaged Obligations”).

The Internal Auditor should coordinate procedures for record retention and review of such records as more fully described herein and needs to gain familiarity with Internal Revenue Service (“IRS”) Forms 8038-G, 8038-B, 8038-CP, 14002, and relevant provisions of the Code and the Treasury Regulations, including but not limited to Treasury Regulations Sections 1.141- 2, 1.141-3, 1.141-12, and 1.150-1 through 1.150-2.

The Internal Auditor needs to review tax compliance procedures and systems on a periodic basis, but not less than annually, and consult with the District’s General Counsel, Chief Business Officer, and bond counsel as appropriate and as needed.

Electronic media will be the preferred method for storage of all records maintained by the District in connection with tax compliance. Document maintenance requirements may change over time, and the Internal Auditor shall consult with bond counsel to develop and maintain a comprehensive records retention policy so as to facilitate continuing compliance with the provisions of the Code applicable to the District’s Tax-Advantaged Obligations. The District will maintain the following categories of records with respect to each issue of its outstanding Tax-Advantaged Obligations:

- (i) Documentation relating to the authorization, sale and issuance of Tax-Advantaged Obligations;
- (ii) Documentation setting forth the dates, amounts and purposes of each expenditure of Tax-Advantaged Obligations were expended, as more fully described under “Expenditure of Proceeds” below;
- (iii) Documentation of arrangements governing the use of Property Financed with Proceeds of each issue of Tax-Advantaged Obligations, as more fully described under “Private Use and Ownership” below; and
- (iv) Documentation relating to the investment of proceeds and replacement proceeds allocable to each issue of Tax-Advantaged Obligations.

The foregoing records shall be maintained by the District under the supervision of the Internal Auditor for a period of not less than six years after the final payment of principal on such Tax-Advantaged Obligations, provided that with respect to property financed with proceeds of Tax-Advantaged Obligations, such records shall be maintained for a period of not less than six years after the final payment of principal on such Tax-Advantaged Obligations or any Tax- Advantaged Obligations issued to refund, directly or indirectly, the issue of Tax-Advantaged Obligations that financed such property.

Issuance of Obligations

With respect to each new issue of Tax-Advantaged Obligations, the Internal Auditor is to (a) obtain and store a closing binder and/or CD or other electronic copy of the relevant and customary transaction documents, (b) confirm that bond counsel or tax counsel has filed with IRS Form 8038-G or Form 8038-B for such issue, and (c) coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Tax-Advantaged Obligations. Documentation to be maintained shall include, but not be limited to:

- (i) Resolutions of the District and the County authorizing the issuance of the Bonds;
- (ii) Bond Purchase Agreement;
- (iii) (Preliminary Official Statement, Official Statement and any other documentation circulated to potential investors;
- (iv) Certifications with respect to delivery of Tax-Advantaged Bonds and the receipt of the purchase price therefor;
- (v) Tax Certificate or Tax Compliance Agreement (including exhibits, such as an issue price certificate of the underwriter or, in the event of a private placement, the purchaser);
- (vi) Schedules prepared by the Financial Advisor or Underwriter setting forth the sources and uses of funds, projected expenditure of proceeds, projected investment earnings on proceeds and computation of yields, together with any verification reports issued in connection with the issue;
- (vii) With respect to guaranteed investment agreements, or yield restricted defeasance escrows, documentation evidencing compliance with three-bid rules set forth in Treasury Regulation Section 1.150-5;
- (viii) Any verification reports issued with respect to the issue; and
- (ix) Information reporting forms filed with the Internal Revenue Service, and proofs of filings such forms.

Expenditure of Proceeds

The administrator of each office that is responsible for spending proceeds of the District's Tax—Advantaged Bonds will maintain records setting forth the date and amount of each disbursement of proceeds of Tax-Advantaged Obligations administered by its office, together with invoices or other proofs with respect to each disbursement, the name of the vendor or other payee, an identification of the facility or other property acquired, constructed, improved or renovated with the proceeds of such disbursement and a brief description of the actual work performed or property acquired with the proceeds of such disbursement. Within 120 days following the end of

each fiscal year of the District, the Internal Auditor shall obtain records setting forth with respect to each disbursement of proceeds of Tax-Advantaged Obligations:

- (i) The date of such disbursement;
- (ii) The amount of such disbursement;
- (iii) The funding source (e.g., specific GO measure or COPs issue);
- (iv) The location code and location name;
- (v) The object of expenditure; and
- (vi) The project number and description, when available, or a brief description of the type of the expenditure.

Within six months after the end of each fiscal year, the Internal Auditor shall prepare a report setting forth the date, amount and purpose of each disbursement of proceeds of each issue of Tax-Advantaged Bonds during the prior fiscal year (the "Issue Expenditure Reports"). The term "purpose" shall mean each separate school facility financed with a disbursement or a description of other property financed with such disbursement.

#### Private Use and Ownership

Tax-Advantaged Obligations may lose their tax status if a bond issue meets (1) the private business use test (*i.e.*, results in Private Use (defined below)) in Section 141(b)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and (2) (a) the private security or payment test ("Private Security or Payments") in Section 141(b)(2) of the Code (collectively, the "Private Business Test"), or (b) the private loan financing test in Section 141(c) of the Code. The Private Business Test relates to the use of the proceeds of an issue and the test is met if more than the lesser of (1) \$15,000,000 and (2) 10 percent<sup>3</sup> of the proceeds of an issue meet both prongs of the Private Business test.

Definition of Private Payments. For purposes of this Policy, "Private Payments" means payments derived, directly or indirectly, in respect of property used or to be used for Private Use. The District will periodically enter into arrangements that result in Private Use but will not involve any Private Payments. Except in the case of certificates of participation, which involve leases of properties that are used in a Private Use or secures obligations that financed property used in a Private Use, or loans of bond proceeds, arrangements that result in Private Use, but do not

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<sup>3</sup> Such ten percent limitation is reduced to five percent with respect to Private Use that is either unrelated to governmental uses of proceeds of the same issue, or disproportionate to related governmental uses of proceeds of such issue.

involve Private Payments, will not cause the District's general obligation bonds to become private activity bonds.<sup>4</sup>

Definition of Private Use. For purposes of this Policy, the term "Private Use" means any activity that constitutes a trade or business that is carried on by persons or entities other than state or local governmental entities ("Nongovernmental Entities"). State or local governmental entities are referred to herein as "Governmental Entities." The United States of America is not treated as a Governmental Entity. Any activity carried on by a person other than a natural person is treated as a trade or business. Any asset financed with Tax-Advantaged Obligations not owned by a Governmental Entity will be considered to be used in a Private Use.

In most cases, Private Use will occur only if a Nongovernmental Entity has a special legal entitlement to use the bond financed property. Such a special legal entitlement includes ownership or actual or beneficial use pursuant to a lease, management, service or incentive payment contract, output contract, research agreement or similar arrangement. Private Use may also be established solely on the basis of a special economic benefit to one or more Nongovernmental Entities.

Management and Service Contracts. With respect to management and service contracts, the determination of whether a particular contract results in Private Use shall be based on the application of the Code and Treasury Regulations, including particularly Revenue Procedure 97-13, 1997-1 C.B. 632, as amended by Revenue Procedure 2001-39, 2001-2 C.B. 39, a summary of which is attached hereto as Exhibit A. Such management and service contracts include, but are not limited to, operating agreements, construction management agreements, business services agreements, technical consulting services agreements and other similar agreements. Further, for purposes of determining the nature of a Private Use, any management or service contract that is properly characterized as a lease for federal income tax purposes is treated as a lease. Consequently, any such agreements, even though referred to as a management or service contract may nevertheless be treated as a lease. In determining whether a management or service contract is properly characterized as a lease, it is necessary to consider all of the facts and circumstances, including the following factors: (i) the degree of control over the property that is exercised by a nongovernmental person; and (ii) whether a nongovernmental person bears risk of loss of the financed or refinanced property.

Short-Term Use Exception. Arrangements fitting within either of the following two exceptions will not result in Private Use.

*Use Pursuant to Generally Applicable and Uniformly Applied Rates.* Use pursuant to an arrangement will not result in Private Use if (A) the arrangement does not transfer ownership of the property to a nongovernmental person, (B) the term of the use under the arrangement,

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<sup>4</sup> Private use alone may cause the Private Business Test limitations to be exceeded in the event that the obligations to that financed the privately used property are also secured by property used in a private use. For example, certificates of participation in a lease of property that is involved in a private use that finance property that is also used in a private business use may become taxable private activity bonds even if the District receives no payments with respect to such property.



including all renewal options, is not longer than 100 days, and (C) compensation under the arrangement is based on generally applicable and uniformly applied rates.

*Use Pursuant to Negotiated Arm's Length Arrangements.* Use pursuant to an arrangement will not result in Private Use if (A) the arrangement does not transfer ownership of the property to a nongovernmental person, (B) the term of the use under the arrangement, including all renewal options, is not longer than 50 days, and (C) the arrangement is a negotiated arm's-length arrangement and compensation under the arrangement is at fair market value.

Construction Contracts and Other Purchases of Capital Assets. A contract with a nongovernmental person to construct capital assets or to sell capital assets to the District does not generally result in Private Use unless additional services are being provided by the nongovernmental person in connection with such contract, *e.g.*, construction management or consulting services. Such services with respect to bond financed property must be analyzed for Private Use under Revenue Procedure 97-13.

Materials and Commodity Supply Contracts. A contract or purchase order for materials, commodities, inventory or other supplies from a nongovernmental person does not generally result in Private Use unless there are additional services being provided by the nongovernmental person in connection with the contracts, *e.g.*, consulting services. Such service arrangements with respect to bond financed property must be analyzed for Private Use under Revenue Procedure 97-13.

Ownership of bond financed property. If bond financed property is owned by a nongovernmental person, such ownership will be considered Private Use of the asset for purposes of the Private Use rules.

Leases of bond financed property. All leases of bond financed property to a nongovernmental person constitute Private Use of such property unless an exception for short term use is satisfied.

Nonpossessory Incidental Use. Any non-possessory incidental use such as vending machines, bank machines and similar uses may be excluded from the Private Use rules to the extent of 2.5% of an issue of Tax-Advantaged Obligations. Such use of bond financed property shall be tracked by Tax Compliance Designee.

Joint Ventures, Partnerships or other forms of Joint Ownership. Entry into a joint venture, partnership or other form of joint ownership with a nongovernmental person generally gives rise to Private Use. Such arrangements with respect to bond financed property must be reviewed by bond counsel.

Special Priority Rights or Special Economic Benefits. A contract which conveys special priority rights or special economic benefits in bond financed property to a nongovernmental person may create Private Use. In determining whether special economic benefit gives rise to Private Use of bond financed property, it is necessary to consider all of the facts and circumstances, including one or more of the following factors: (a) whether the bond financed property is functionally related or physically proximate to property used in the trade or business of a nongovernmental

person; (b) whether only a small number of nongovernmental persons receive the economic benefit; and (c) whether the cost of the bond financed property is treated as depreciable by the nongovernmental person. Such arrangements with respect to bond financed property must be reviewed by bond counsel.

Compilation and Maintenance of Logs Listing Arrangements Potentially Involving Private Trade or Business Use.

From time to time, the District enters into the following types of arrangements involving bond financed property:

- Use Agreements and Leases with Charter Schools
- After School Programs
- Summer Camps
- Civic Center Leases
- Naming Rights
- Other Leases, Licenses or Use Agreements Involving Bond Financed Property

The arrangements described above will be referred to in this Policy as “Arrangements”.

The Internal Auditor will retain copies of the Arrangements, and maintain a log listing such Arrangements, which shall note with respect to each Arrangement (i) whether such Arrangement conforms to the Short-Term Use Exception described above, and (ii) if not, the amount of payments to be received by the District and whether such payments exceed the District’s incremental costs of operating and maintaining the subject facility arising from the Private Use of the subject property.

The Internal Auditor shall also compile and maintain a separate list of each arrangement described above that will not qualify for the Short-Term Use Exception and that provides payments to the District that will exceed the District’s incremental cost of operating and maintaining the subject facility arising from the arrangement (referred to as the “Potential Private Use Contract Log”).<sup>5</sup> Each item listed in the Private Use Contract Log shall set forth (i) the issue or issues of Tax Advantaged Bonds that financed property used in connection with such arrangement, (ii) the amount of proceeds of such issue allocable to such property, and (iii) the amount of payments expected with respect to such arrangement, net of the incremental costs incurred by the District to operate and maintain the facility as a result of such arrangement.

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<sup>5</sup> Arrangements involving property that was financed with proceeds of any of the District’s certificates of participation will be listed in the Potential Private Use Contract Log regardless of whether the District is to receive any payments under such Arrangements.

The Internal Auditor shall also compile and maintain the following logs:

- **Property Disposition Log.** The Internal Auditor shall compile and maintain a log listing all assets of the District purchased with proceeds of Tax Advantaged Obligations that have been sold or otherwise disposed by the District (each, a “Disposition”). The log should include with respect to each Disposition, the Issue of Tax-Advantaged Bonds that financed the acquisition, construction or renovation of such asset and the amount of proceeds of such issue that are allocable to such asset (the “Property Disposition Log”).
- **Private Loan Log.** The Internal Auditor shall compile and maintain a log listing all proceeds of each issue of Tax-Advantaged Obligations applied to make loans to third parties (the “Private Loan Log”).

The Tax Compliance Designee shall update the respective logs at least annually.

Structuring of Arrangements to Avoid Private Use or Private Payments. It is the Policy of the District that to the extent consistent with the business objectives of the District, any potential Arrangement which might result in Private Use of bond financed property shall be structured so as to avoid or minimize Private Payments.

Dispositions. No transfer, sale or other proposed disposition of bond financed property by the District shall take place without the prior review and approval by the General Counsel, after consultation with bond counsel.

Remedial Actions. In the event that the District is unable to satisfy the limitations with respect to Private Use and Private Payments with respect to any issue of Tax-Advantaged Obligations, the Internal Auditor shall consult with the General Counsel, the Chief Business Officer and bond counsel and work with bond counsel to effect a remedial actions or take such other actions as shall be required to maintain the tax-advantaged status of such bonds. The Internal Auditor shall provide any information regarding the bond financed property to effectuate such remedial action to the General Counsel and the Chief Business Officer. The Internal Auditor must maintain copies of the documentation with respect to the remedial action with the Potential Private Use Contract Log and attach such copies to the transcript of closing documents it maintains with respect to each affected issue of Tax-Advantaged Obligations.

Periodic Review. Although the District will monitor Private Use of assets financed with Tax-Advantaged Obligations and Private Payments relating to such use, the Internal Auditor will no less frequently than annually review and update the Potential Private Use Contract Log, the Disposition Log the Private Loan Log and the log that it maintains with respect to each issue of Tax-Advantaged Obligations. The Internal Auditor shall at least annually prepared a detailed calculation of all existing Private Use and Private Payments, if any, that occurred during the prior year (the “Private Use Calculation”) with respect to each issue of the District’s Tax- Advantaged Obligations. The Potential Private Use Contract Log, the Disposition Log and the Private Use calculations are referred to herein as the “Annual Reports.” The Internal Auditor will provide the Annual Reports, reflecting activity through the last day of each fiscal year, to the General Counsel by November 30th of the following fiscal year.

Arbitrage and Rebate

Section 150 of the Code, the regulations promulgated thereunder and the pronouncement relating thereto (the “Arbitrage Rules”) are intended to ensure that issuers, such as the District, are issuing Tax-Advantaged Obligations for the primary purpose of financing property needed by the District to carry-out its governmental purposes, and not for the purpose of taking advantage of the difference between its tax-advantaged costs of borrowing and its ability, if any, to invest proceeds of such obligations in higher yielding obligations. Continuing compliance with the Arbitrage Rules primarily involves ensuring that proceeds of Tax-Advantaged Obligations (“Proceeds”) are invested in accordance with yield limitations set forth in the Arbitrage Rules, except to the extent an exception to such yield limitation cannot be satisfied, and rebating certain investment earnings to the United States Treasury. With respect to certain issues of Tax- Advantaged Obligations, the District will need to ensure that all proceeds and investment earnings are either expended on qualifying projects within specified periods, or portions of such issues are timely redeemed.

Specific post-issuance procedures to effect compliance with the Arbitrage Rules are addressed below. However, the procedures set forth herein are not intended to be exhaustive and further procedures may need to be identified and implemented, in consultation with the District’s staff, bond counsel, tax counsel, if any, and the District’s financial advisors and investment advisors. Since proceeds of the District’s bond issues are deposited in a Building Fund administered and invested by the Los Angeles County Treasurer and Tax Collector (the “County Treasurer”), and the County Treasurer collects and invests moneys to be used to pay debt service on the District’s Tax-Advantaged Obligations, the County Treasurer shall also be involved in the development and implementation of this Policy insofar as this Policy relates to compliance with the Arbitrage Rules.

Procedures Generally – the following policies relate to procedures and systems for monitoring post-issuance compliance generally with the Arbitrage Rules.

- (i) The Internal Auditor shall be responsible for monitoring the District’s post- issuance arbitrage compliance issues. The Chief Business Officer of the District shall be responsible for ensuring an adequate succession plan for transferring post-issuance arbitrage compliance responsibility when changes in staff occur.
- (ii) The Internal Auditor should coordinate procedures for record retention and review in accordance with the provisions of this Policy described below. In addition, the Internal Auditor shall ensure that adequate records are established and maintained to set forth the date, amount and nature of each expenditure of proceeds of each issue of Tax-Advantaged Obligations and investment earnings thereon (the “Proceeds”). Such records shall be consistent with and may be part of the Issue Expenditure Reports described under “Expenditure of Proceeds” above. The Internal Auditor shall also establish and maintain a record of each investment of Proceeds, which shall include (i) the purchase date, (ii) the purchase price, (iii) information establishing that the purchase price is the fair market value as of such date (*e.g.*, the published quoted bid by a dealer in such an investment on the date of

purchase), (iv) any accrued interest paid, (v) the face amount, (vi) the coupon rate, (vii) periodicity of interest payments, (viii) disposition price, (ix) any accrued interest received, and (x) disposition date. To the extent any investment becomes allocable to Proceeds after it was originally purchased, it shall be treated as if it were acquired at its fair market value at the time it becomes allocable to Proceeds. To the extent Proceeds are maintained by the County Treasurer, the Internal Auditor shall advise the County Treasurer of the requirement to maintain such records with respect to each investment of Proceeds by the County Treasurer, and obtain a copy of such records from the County Treasurer at least annually.

- (iii) The Internal Auditor should review post-issuance arbitrage compliance procedures and systems with bond counsel or tax counsel at least annually.

The following procedures shall be implemented with respect to the issuance of each issue of Tax-Advantaged Obligations:

- (i) Following the issuance of each issue of Tax Advantaged Obligations, the Internal Auditor shall obtain and maintain each of the documents listed above under “Issuance of Obligations” including, a fully executed tax certificate with respect to such issue and any information reporting forms filed with the Internal Revenue Service with respect to each issue, together with proof of filing. A copy of such certificate and information reporting forms, together with the Timetable (as defined below), shall be provided to the County Treasurer as soon as practicable after the issue date of each issue of Tax-Advantaged Obligations.
- (ii) The Internal Auditor should confirm that bond counsel has filed with the Internal Revenue Service (the “IRS”) the applicable information report (e.g., Form 8038-G, Form 8038 or Form 8038-B) for such issue.
- (iii) The Internal Auditor should coordinate receipt and retention of relevant books and records with respect to the investment and expenditure of the proceeds of such Tax-Advantaged Obligations with other members of the District’s staff and staff of the County Treasurer.
- (iv) A record should be maintained with respect to each issue of Tax-Advantaged Obligations containing a schedule setting forth (i) the latest date such proceeds may be invested at an unrestricted yield, (ii) the benchmarks that must be satisfied in order to meet an exception to the arbitrage rebate rules, (iii) the dates on which any arbitrage rebate computations are required to be completed and arbitrage rebate is required to be paid to the United States Treasury and (iv) any date by which proceeds are required to either be expended or applied to redeem bonds and any other dates on which all or a portion of the Proceeds of such issue are required or expected to be expended (the “Timetable”)

Arbitrage – the following procedures should be carried-out from the issue date through the final redemption date of each issue of Tax-Advantaged Obligations:

- (i) The Internal Auditor should coordinate the tracking of expenditures and any investment earnings with other applicable District staff, including staff of the Facilities Division. The Internal Auditor should obtain and review at least monthly reports of the expenditure and investment of proceeds of each issue of Tax-Advantaged Obligations that are on deposit in the District's Building Fund. The Internal Auditor should maintain a procedure for the allocation of proceeds of the issue and investment earnings to expenditures, including the reimbursement of pre-issuance expenditures.
- (ii) The Internal Auditor should obtain a computation of the yield on each issue of Tax-Advantaged Obligations from the District's financial advisor, and obtain from bond counselor tax counsel a listing of all arbitrage yield restrictions attributable to Proceeds or amounts treated as proceeds of each issue. For example, with respect to each issue of qualified school construction bonds, the Internal Auditor should obtain from tax counsel or bond counsel the yield limitation with respect to any invested sinking fund established for such issue.
- (iii) The Internal Auditor should monitor compliance with the applicable "temporary period" (as defined in the Code and Treasury Regulations), and expectations for the expenditure of proceeds of the issue, and advise the County Treasurer of the need to yield restrict investments with respect to proceeds that are not eligible to be invested at an unrestricted yield pursuant to a temporary period.
- (iv) The Internal Auditor should coordinate with the County Treasurer and the bond trustee, if applicable, to ensure that investments acquired with proceeds of each issue of Tax-Advantaged Obligations are purchased at fair market value. In determining whether an investment is purchased at fair market value, any applicable Treasury Regulation safe harbor may be used. In the event Proceeds are invested in an investment contract or any other investment that is not traded on an established market, and for which fair market values are not continually published, the Internal Auditor or County Treasurer shall consult with bond counsel or tax counsel to ensure that fair market rules set forth in the Treasury Regulations are satisfied.
- (v) The Internal Auditor should coordinate with the County Treasurer, the Chief Business Officer and the applicable bond trustee to avoid formal or informal creation of funds reasonably expected to be used to pay debt service on such issue without determining in advance whether such funds must be invested at a restricted yield.
- (vi) The Internal Auditor should consult with bond counsel or tax counsel prior to engaging in any post-issuance credit enhancement transactions (e.g., bond insurance, letter of credit) or hedging transactions (e.g., interest rate swaps, caps).
- (vii) The Internal Auditor should coordinate with bond counsel to identify situations in which compliance with applicable yield restrictions depends upon later investments and monitor implementation of any such restrictions.

- (viii) The Internal Auditor should coordinate with the arbitrage rebate consultant, as described in (ix) below, to monitor compliance with six-month, 18-month or 2-year spending exceptions to the rebate requirement, as applicable.
- (ix) The Internal Auditor should coordinate with Chief Business Officer to ensure that the District continuously engages a firm nationally recognized in the area of arbitrage rebate compliance with respect to each issue of Tax-Advantaged Obligations to arrange, as applicable, for timely computation of arbitrage rebate or arbitrage yield reduction liability and, if rebate or a yield reduction payment is due to the IRS, for timely filing of Form 8038-T and, to arrange timely payment of such rebate liability. Such arbitrage rebate consultant shall also confirm whether any of the spending exceptions to the arbitrage rebate rules are satisfied. The Internal Auditor should ensure that each arbitrage rebate consultant is provided with a copy of the Timetable with respect to each issue of Tax-Advantaged Obligations and that the contract or engagement letter with such arbitrage rebate consultant provides for such arbitrage rebate consultant to work with the District to refine the Timetable and provide timely notification to the Internal Auditor of each deadline set forth in the Timetable. The Internal Auditor shall maintain with its records with respect to each issue of Tax-Advantaged Obligations copies of each report submitted by any arbitrage rebate consultant and each Form 8038-T filed by the District.
- (x) The Internal Auditor should, in the case of any issue of refunding obligations, coordinate with the District's financial advisor, the applicable bond trustee and the applicable escrow agent to arrange for the purchase of the refunding escrow securities, should obtain a computation of the yield on such escrow securities from the Treasury's outside arbitrage rebate specialist and should monitor compliance with applicable yield restrictions. Timetables should be adjusted to reflect the termination of temporary periods, the allocation of Proceeds of the refunded bonds as transferred proceeds of the refunding bonds and other matters resulting from such refunding.

#### Retention of Records

Retention of Records. As described above, the District is required to prepare the Annual Reports, which summarize and analyze certain underlying documentation related to the Tax-Advantaged Obligations. In addition to the requirement to retain the Annual Report, the District will also need to retain the related underlying documentation (the "Records") described below.

Records Required to be Retained. The Records that must be retained include, but are not limited to, the following:

- (i) All legal and accounting documents relating to proceeds of the Tax-Advantaged Obligations, including opinions of counsel and the tax certificate with respect to each issue of Tax-Advantaged Obligations.
- (ii) Expenditure of Proceeds of Tax-Advantaged Obligations as described below.

- (A) Documents evidencing the expenditure of the proceeds of the Tax-Advantaged Obligations and investment earnings thereon and the specific assets financed with such proceeds, including projected draw schedules and invoices (*e.g.*, records with respect to the bond accounts and funds);
  - (B) Documents setting forth all funds and accounts relating to the Tax-Advantaged Obligations;
  - (C) Documents pertaining to the investment of the proceeds of the Tax- Advantaged Obligations (*e.g.*, records with respect to the bond accounts and funds), including the purchase and sale of securities, guaranteed investment contracts, and swap/hedge transactions;
  - (D) With respect to all investments acquired in any fund or account in connection with the Tax-Advantaged Obligations, the information set forth under the heading “Arbitrage and Rebate” herein;
- (iii) Documents evidencing any allocations with respect to the proceeds of the Tax-Advantaged Obligations.
  - (iv) Documents evidencing the use and ownership of the bond financed property, including contracts for the use of such property (*e.g.*, the Annual Reports, and the logs described herein, and documents evidencing the sale or other disposition of the bond financed property.

Required Retention Periods. The District will retain the Records and Reports until the date that is six years after the complete retirement of the related Tax-Advantaged Obligations.

Form of Records. The District will keep all records in a manner that ensures complete access thereto for the applicable above described period either in hard copy or electronic format. If the records are kept in electronic format, compliance is necessary with the requirements of Revenue Procedure 97-22, 1997-1 C.B. 652, (or subsequent guidance provided by the Internal Revenue Service), which provides guidance for maintaining books and records by using an electronic storage system that either images their hardcopy books and records or transfers their computerized books and records to an electronic storage media (*e.g.*, an electronic data compression system).

Failure to Retain Records. A failure to maintain material records required to be retained by this Section may result in the loss of the tax status of the Tax-Advantaged Obligations and could cause additional arbitrage rebate to be owed.

#### Reissuance

The following policies relate to compliance with rules and regulations regarding reissuance of Tax-Advantaged Obligations issued by the District:



The CBO and the Internal Auditor in conjunction with the General Counsel are to (a) identify and consult with bond counsel regarding any post- issuance change to any terms of an issue of Tax-Advantaged Obligations, (b) request bond counsel to determine whether such potential change would cause the issue to be treated as “reissued” for federal income tax purposes, and (c) confirm with bond counsel whether any “remedial action” in connection with a “change in use” (as such terms are defined in the Code and Treasury Regulations) must be treated as a reissuance for tax purposes.

#### Training

The District shall engage its bond counsel, special tax counsel or another resource such as the California Debt & Management Investment Advisory Commission (CDIAC), to attend a seminar at least annually, which shall be attended by the Internal Auditor, representatives of the Chief Business Officer, the General Counsel and any other staff members from each office of the District responsible for the expenditure of proceeds of the District’s Tax- Advantaged Obligations. The County Treasurer and members of the Bond Oversight Committee should also be invited to participate in such seminar. Such seminar shall include a review of the District’s compliance initiatives during the prior twelve-month period, discussions relating to restrictions on the use of proceeds of Tax-Advantaged Bonds, arbitrage requirements and recent developments in such areas.

**APPENDIX C**  
**ANTELOPE VALLEY COMMUNITY**  
**COLLEGE CONTINUING DISCLOSURE**  
**PROCEDURES**

**I. INTRODUCTION**

**A. Purpose**

These continuing disclosure procedures (“Continuing Disclosure Procedures” or “Procedures”) of the Antelope Valley Community College District (the “District”) are intended to (a) ensure that the District’s Continuing Disclosure Documents (as defined below) are accurate and comply with all applicable federal and state securities laws, and (b) promote best practices regarding the preparation of the District’s Continuing Disclosure Documents.

**B. Definitions**

1. “Continuing Disclosure Documents” means (a) annual continuing disclosure reports filed with the MSRB and (b) event notices and any other filings with the MSRB.
2. “Official Statements” means preliminary and final official statements, private placement memoranda and remarketing memoranda relating to the District’s securities, together with any supplements, for which a continuing disclosure obligation is required.

**II. KEY PARTICIPANTS**

**A. Disclosure Practices Working Group**

1. **Composition.** The Disclosure Practices Working Group (the “Disclosure Working Group”) has been created by the Chief Business Officer (“CBO”) to have general oversight over the entire continuing disclosure process. Membership in the Disclosure Working Group shall be appointed by the CBO and consist of persons relevant to the disclosure process. The following persons currently constitute the Disclosure Working Group.
  - a. Chief Business Officer;
  - b. Internal Auditor (Compliance Officer);

c. Disclosure Counsel

d. Any other individuals appointed by the CBO.

2. The Disclosure Working Group shall consult with external professionals (such as those with expertise as bond counsel, tax counsel, disclosure counsel, and financial advisor) or other interested parties as the CBO or any other member of the Disclosure Working Group determine is advisable related to continuing disclosure issues and practices. Meetings of the Disclosure Working Group may be held in person or via conference call.
3. The Disclosure Working Group is an internal working group of the District staff (with the exception of Disclosure Counsel) and not a decision-making or advisory body subject to the provisions of the Ralph M. Brown Act (Government Code Section 54950 et seq.)
4. Responsibilities. The Disclosure Working Group is responsible for:
  - a. Reviewing and approving all Continuing Disclosure Documents as contained in the District's Preliminary and Final Official Statements before such documents are posted;
  - b. Reviewing annually the District's status and compliance with continuing disclosure obligations including filings of Annual Reports and Notices of Listed Events as described in Sections III.B. and III.C. below;
  - c. Reviewing any items referred to the Disclosure Working Group; and
  - d. Evaluating the effectiveness of these Continuing Disclosure Procedures and approving changes to these Continuing Disclosure Procedures.

B. Internal Auditor (Compliance Officer)

1. Appointment. The District Internal Auditor shall be the Compliance Officer.
2. Responsibilities. The Internal Auditor is responsible for:
  - a. Approving the Continuing Disclosure Documents, Listed Event Notices, and Voluntary Filings.
  - b. Preparing and filing the Continuing Disclosure Documents and seeking assistance from professionals in the financial advisory and bond, tax, and disclosure counsel pools, as necessary;
  - c. Serving as a "point person" to communicate issues or information that should be or may need to be included in any Continuing Disclosure Document or a specific filing of, for example, a Listed Event Notice or a Voluntary Filing;

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- d. Monitoring compliance by the District with these Continuing Disclosure Procedures, including timely dissemination of the annual report and event filings as described in Sections III.B. and C. below;
- e. Recommending changes to these Continuing Disclosure Procedures to the Disclosure Working Group as necessary or appropriate;
- f. Following up with others, including management of outside consultants assisting the District, in the preparation and dissemination of Continuing Disclosure Documents to make sure that assigned tasks have been completed on a timely basis and making sure that the filings are made on a timely basis and are accurate;
- g. Together with the CBO, coordinating the timely provision of information to Disclosure Counsel as needed to fulfill its responsibilities to the District;
- h. In anticipation of preparing Continuing Disclosure Documents, soliciting “material” information (as defined in Securities and Exchange Commission Rule 10b-5) from District units;
- i. Maintaining records documenting the District’s compliance with these Continuing Disclosure Procedures; and
- j. Reviewing compliance with and providing appropriate certifications in connection with the various covenants in bond, COPs, and TRANs documents. The Internal Auditor shall review the bond documents to determine which covenants require an annual or regular certification and maintain a list of the same.
- k. Monitoring the websites and subscribing to the communications (e.g., news alerts, press releases, etc.) of each Rating Agency and Bond Insurer (defined herein) in order to be aware of any rating change as described in each Continuing Disclosure Document.

### III. CONTINUING DISCLOSURE FILINGS

#### A. Overview of Continuing Disclosure Filings

1. Under the continuing disclosure undertakings it has entered into in connection with its debt offerings, the District is required to file annual reports (“Annual Reports”) with the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access (“EMMA”) system in accordance with such agreements in each year. Such Annual Reports are required to include the District’s audited financial statements and certain updated financial and operating information (or may incorporate by reference publically-available documents that contain such information).

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2. In accordance with each Continuing Disclosure Documents, if audited financial statements are not available by the date the Annual Report is required to be filed, unaudited financial statements are to be included in such Annual Report and audited financial statements shall be filed when such statements become available. If unaudited financial statements are filed, the cover page may include a disclaimer stating that such financial statements are unaudited and are subject to adjustments and modifications, the result of which will be presented in the audited financial statements. In addition, in accordance with the applicable Continuing Disclosure Document, the District shall file or cause to be filed a notice of any failure to provide its Annual Report on or before the date specified in a Continuing Disclosure Document.
3. The District is also required under its continuing disclosure obligations to file notices of certain events on EMMA.

B. Annual Reports

The Internal Auditor shall ensure that the preparation of the District's Annual Reports shall commence as required under each specific continuing disclosure obligation. Before any annual report is submitted to EMMA, the Disclosure Coordinator shall confer with the Disclosure

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Working Group as needed regarding the content and accuracy of any Annual Report.

### C. Event Filings

Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the material events listed in any of the District's continuing disclosure certificates. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with counsel from the bond, tax, and disclosure counsel pool to the extent determined by the Internal Auditor and the CBO, whether a filing is required or is otherwise desirable.

### D. Paying Agent, Bond Insurer, and Rating Agency Filings

1. The Internal Auditor shall submit to each issuer of a financial guaranty insurance or municipal bond insurance policy guaranteeing the scheduled payment of principal of and interest on an outstanding issue of bonds when due (a "Bond Insurer"), paying agent and trustee such annual or interim financial information and other information as it may request in accordance with the respective agreements with the District.
2. Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if he or she becomes aware of any of the events for which Moody's Investor's Service, Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business or any other such rating agency then-rating the District's bonds (each, a "Rating Agency"), any Bond Insurer, paying agent or trustee of the District's bonds requires notice. The Disclosure Working Group may meet to discuss the event and to determine, in consultation with counsel from the bond, tax, and disclosure counsel pool to the extent determined by the Internal Auditor and the CBO, whether a filing is required or is otherwise desirable.
3. The Internal Auditor shall submit to each such Rating Agency such financial and other information it may request to obtain or maintain a rating on the Bonds

### E. Uncertainty

The CBO may direct questions regarding the Procedures or disclosure to counsel from the bond, tax and disclosure counsel pool, the Office of General Counsel, or such other counsel or consultant as he/she deems appropriate.

### F. Voluntary Disclosures

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The District's policy is to only file annual financial information and operating data and listed event notices that are required under the Continuing Disclosure Documents and applicable federal securities laws. The Internal Auditor may determine to file voluntary disclosure information that is not required under the Continuing Disclosure Documents.

### IV. DOCUMENTS TO BE RETAINED

The Internal Auditor shall be responsible for maintaining records demonstrating compliance with these Continuing Disclosure Procedures. The Internal Auditor shall retain an electronic or paper file ("Disclosure File") for each Annual Report that the District files or causes to be filed on EMMA. Each Disclosure File shall include final versions of the Continuing Disclosure Documents; written confirmations, certifications, letters and legal opinions described herein; copies of these Continuing Disclosure Procedures and a list of individuals to whom they have been distributed and the dates of such distributions; and a written record of the dates of meetings and/or conference calls of the Disclosure Working Group. The Disclosure File shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Continuing Disclosure Document, or the date the Continuing Disclosure Document is published, posted, or otherwise made publically available, as applicable.

### V. EDUCATION

- A. The CBO shall ensure that the Internal Auditor and the Disclosure Working Group are properly trained to understand and perform their responsibilities. Such training may include training sessions conducted by consultants with expertise in municipal securities law, municipal securities compliance and disclosure or by attendance at conferences, or other appropriate methods identified by the CBO.
- B. The District shall engage a law firm of nationally recognized standing in matters pertaining to the federal securities laws ("Disclosure Counsel") its disclosure counsel to provide a seminar at least annually, which shall be attended by the Internal Auditor, representatives of the Chief Business Officer and the General Counsel, and members of the District's Board of Trustees. Members of the Bond Oversight Committee should also be invited to participate in such seminar. Such seminar shall include a review of the District's disclosure compliance initiatives during the prior twelve-month period.

### VI. AMENDMENTS

Other than timely meeting the requirements of its Continuing Disclosure Documents continuing disclosure certificates, any provisions of these Continuing

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Disclosure Procedures may be waived or amended at any time upon consultation with the CBO.