

Notice is hereby given that the Rainbow Municipal Water District Board of Directors will hold a Special Board Meeting at 1:30 p.m. on Tuesday, March 29, 2022 at the District Office located at 3707 Old Hwy 395, Fallbrook, CA 92028. At any time during the session, the Board of Directors Meeting may adjourn to Closed Session to consider litigation or to discuss with legal counsel matters within the attorney client privilege.

AGENDA

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL: Gasca____ Hamilton____ Mack____ Moss____ Stewart____**
4. **ADDITIONS/DELETIONS/AMENDMENTS TO THE AGENDA (Government Code §54954.2)**
5. **INSTRUCTIONS TO ALLOW PUBLIC COMMENT ON AGENDA ITEMS FROM THOSE ATTENDING THIS MEETING VIA TELECONFERENCE OR VIDEO CONFERENCE**

CHAIR TO READ ALOUD - *"If at any point, anyone would like to ask a question or make a comment and have joined this meeting with their computer, they can click on the "Raise Hand" button located at the bottom of the screen. We will be alerted that they would like to speak. When called upon, please unmute the microphone and ask the question or make comments in no more than three minutes.*

*Those who have joined by dialing a number on their telephone, will need to press *6 to unmute themselves and then *9 to alert us that they would like to speak.*

A slight pause will also be offered at the conclusion of each agenda item discussion to allow public members an opportunity to make comments or ask questions."

6. **ORAL/WRITTEN COMMUNICATIONS FROM THE PUBLIC
OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD REGARDING
ITEMS ON THIS AGENDA**

Under Oral Communications, any person in attendance wishing to address the Board regarding matters on this agenda should indicate their desire to speak by filling out and submitting a "Speaker's Slip" to the Board Secretary before the meeting begins. Any person attending remotely wishing to address the Board regarding matters on this agenda should indicate their desire to speak or may email or mail their comments to the Board Secretary one hour before the Open Session scheduled start time. All written public comments received will be read to the Board during the appropriate portion of the meeting. No action will be taken on any oral communications item since such item does not appear on this Agenda, unless the Board of Directors makes a determination that an emergency exists or that the need to take action on the item arose subsequent to posting of the Agenda (Government Code §54954.2). Speaking time shall generally be limited to three minutes unless a longer period is permitted by the Board President.

BOARD ACTION ITEMS

- *7. **DISCUSSION AND POSSIBLE ACTION TO ADOPT ORDINANCE NO. 22-12 AND CORRESPONDING CHAPTER 5.10 AND DEBT MANAGEMENT POLICY SECTION 5.10.010 TO BE INCORPORATED INTO ADMINISTRATIVE CODE TITLE 5, ALL DIVISIONS**
(The California Code 8855(i) requires the District to adopt and periodically update a debt management policy. This item will provide the Board with an opportunity to adopt a policy to be incorporated into the RMWD Administrative Code under Title 5.)
8. **LIST OF SUGGESTED AGENDA ITEMS FOR THE NEXT REGULAR BOARD MEETING**

(*) - Asterisk indicates a report is attached.

9. ADJOURNMENT - To Tuesday, April 26, 2022, at 1:00 p.m.

Pam Moss
Pam Moss
Secretary of the Board

3-28-22 @ 9:30 a.m.
Date and Time of Posting
Outside Display Cases

(*) - Asterisk indicates a report is attached.

BOARD OF DIRECTORS

March 29, 2022

SUBJECT

DISCUSSION AND POSSIBLE ACTION TO ADOPT ORDINANCE NO. 22-12 AND CORRESPONDING CHAPTER 5.10 AND DEBT MANAGEMENT POLICY SECTION 5.10.010 TO BE INCORPORATED INTO ADMINISTRATIVE CODE TITLE 5, ALL DIVISIONS

BACKGROUND

The California Code 8855(i) requires the District to adopt and periodically update a debt management policy.

DESCRIPTION

The attached policy adheres to the California Code 8855(i) requirements of a debt policy.

A local debt policy shall include all of the following:

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

Attachments:

Attachment A – Administrative Code Chapter 5.10 and Section 5.10.010 in both redline and non-redline.

POLICY/STRATEGIC PLAN KEY FOCUS AREA

Administrative Code Chapter 5.10.010 Debt Management Policy

Strategic Focus Area Four: Fiscal Responsibility

ENVIRONMENTAL

In accordance with CEQA guidelines Section 15378, the action before the Board does not constitute a "project" as defined by CEQA and further environmental review is not required at this time.

BOARD OPTIONS/FISCAL IMPACTS

Option 1:

- Approve attached Administrative Code Chapter 5.10.010 Debt Management Policy.
- Make a determination that the action defined herein does not constitute a “project” as defined by CEQA.

Option 2:

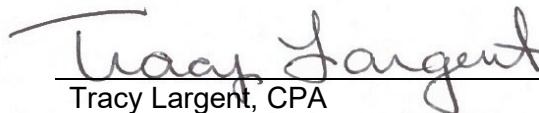
- Approve attached Administrative Code Changes to Chapter 5.10.010 Debt Management Policy with Board recommended revisions.
- Make a determination that the action defined herein does not constitute a “project” as defined by CEQA.

Option 3: Provide staff with direction.

The policy will have limited fiscal impact on the district but will set guidelines for future debt that is in line with best practices.

STAFF RECOMMENDATION

Staff recommends Option 1.



Tracy Largent, CPA
Finance Manager

March 29, 2022

Ordinance No. 22-12

**Ordinance of the Board of Directors of the Rainbow Municipal Water District
Incorporating Chapter 5.10 and Section 5.10.010 – Debt Management Policy
Into Administrative Code Title 5**

WHEREAS, the Rainbow Municipal Water District has, from time to time, adopted various rules and regulations for the operation of the District; and

WHEREAS, certain of those rules and regulations require updating to reflect best practices, as well as changes in applicable laws; and

WHEREAS, the Board of Directors has determined that changes in the rules or regulations of the District shall occur solely by amendment to the Administrative Code;

NOW, THEREFORE,

BE IT ORDAINED by the Board of Directors of Rainbow Municipal Water District as follows:

1. The following rules and regulations of the District, collected are hereby adopted and shall be incorporated into the Administrative Code, consisting of:

Chapter 5.10: Debt Management
Section 5.10.010: Debt Management Policy

2. The General Manager is hereby directed to update the Administrative Code to reflect the approval of these rules and regulations, and to assign or reassign the numbering of the Administrative Code as necessary to codify these rules and regulations as amended.

3. This ordinance shall take effect immediately upon its adoption on this 29th day of March 2022.

AYES:
NOES:
ABSTAIN:
ABSENT:

Hayden Hamilton, Board President

ATTEST:

Dawn Washburn, Board Secretary

Chapter 5.10
DEBT MANAGEMENT

Sections:

- 5.10.010 Debt Management Policy**
- 5.10.010.01 Introduction**
- 5.10.010.02 Policy Purpose and Objectives**
- 5.10.010.03 Issuance Authority and Scope of Indebtedness**
- 5.10.010.04 Debt Management Responsibility**
- 5.10.010.05 Uses and Limits on Indebtedness**
- 5.10.010.06 District Revenues and Debt Service Payments**
- 5.10.010.07 Financing Professionals**
- 5.10.010.07.1 Bond and Disclosure Counsel**
- 5.10.010.07.2 Underwriter**
- 5.10.010.07.3 Trustee and Collateral Agent**
- 5.10.010.08 Structuring Debt Financing**
- 5.10.010.08.1 Term and Structure**
- 5.10.010.08.2 Debt Service Reserve Fund**
- 5.10.010.08.3 Variable Rate Debt**
- 5.10.010.08.4 Derivatives**
- 5.10.010.08.5 Disclosure**
- 5.10.010.08.6 Credit Ratings**
- 5.10.010.09 Debt Administration**
- 5.10.010.09.1 Continuing Disclosure**
- 5.10.010.09.2 Investment Borrowing Proceeds**
- 5.10.010.09.3 State Reporting Requirements**
- 5.10.010.10 Relationship of Debt to Capital Improvement Program and Budget**
- 5.10.010.11 Internal Control Procedures**
- 5.10.010.12 Conclusion**

**Chapter 5.10
DEBT MANAGEMENT**

Sections:

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- 5.10.010.01 Introduction**
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- 5.10.010.04 Debt Management Responsibility**
- 5.10.010.05 Uses and Limits on Indebtedness**
- 5.10.010.06 District Revenues and Debt Service Payments**
- 5.10.010.07 Financing Professionals**
- 5.10.010.07.1 Bond and Disclosure Counsel**
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- 5.10.010.09.3 State Reporting Requirements**
- 5.10.010.10 Relationship of Debt to Capital Improvement Program and Budget**
- 5.10.010.11 Internal Control Procedures**
- 5.10.010.12 Conclusion**

Section: 5.10.010
Debt Management Policy

5.10.010.01 Introduction

This Debt Management Policy (“Policy”) documents Rainbow Municipal Water District’s (the “District”) goals and guidelines for the use of debt instruments for financing District water, wastewater, infrastructure, projects, and other financing needs. The District recognizes the need to invest in ongoing capital replacement and rehabilitation of its facilities to ensure future viability of services, and that the appropriate use of debt can facilitate the timely construction of such facilities.

The purpose of the Policy is to promote sound and uniform practices for issuing and managing loans, and other forms of indebtedness, to provide guidance to decision makers regarding the appropriate use of debt and other repayment obligations of the District.

The Policy is also intended to comply with California Government Code section 8855(i), which became effective January 1, 2017, and requires that governmental agencies that issue any form of debt have a “debt management policy” in place if any form of debt is being contemplated or anticipated.

The District expects to pay for infrastructure and other projects from a combination of current revenues, available reserves, and prudently issued debt. The District recognizes that debt can provide an equitable means of financing projects for its customers and provide access to new capital needed for infrastructure and project needs. Debt will be used to meet financing needs (i) if it meets the goals of equitable treatment of all customers, both current and future; (ii) if it is cost-effective and fiscally prudent, responsible, and diligent under the prevailing economic conditions; and (iii) if there are other District policy reasons therefor.

All District debt will be approved by the Board of Directors (“Board”).

To achieve the highest practicable credit ratings and endorse prudent financial management, the District is committed to systematic capital planning, and long-term financial planning.

Evidence of this commitment to long-term capital planning is demonstrated through adoption and periodic adjustment of the District’s Capital Improvement Plan (CIP) identifying the benefits, costs, and method of funding capital improvement projects over the planning horizon.

5.10.010.02 Policy Purpose and Objectives

The purpose of this Policy is to establish parameters for issuing debt; provide guidance to decision makers with respect to options available to finance capital projects and support other financing needs so that the most prudent, equitable, and cost-effective method of financing can be chosen; and promote objectivity in the decision-making process.

The District will adhere to the following legal requirements for the issuance of debt:

- The state law which authorizes the issuance of the debt;
- The federal and state law which govern the eligibility of the debt for tax-exempt status;

- The federal and state law which govern the issuance of taxable debt;
- The federal and state laws which govern disclosure, sale, and trading of the debt both before and subsequent to issuance; and
- Generally Accepted Accounting Principles (GAAP).

The Policy objectives are as follows:

- To help maintain the financial stability of the District by encouraging sound decision-making so that its long-term financing commitments are affordable and do not create undue risk or burden to operations and service delivery.
- To protect the District's creditworthiness and minimize the District's borrowing costs.
- To meet the requirements of state and federal law and regulation, including state debt issuance reporting requirements and federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into the District's borrowings and administration of its indebtedness.
- Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

5.10.010.03 Issuance Authority and Scope of Indebtedness

The District is an infrequent issuer of debt. The extent of its borrowings is expected to be in the form of various loan and lease agreements. If the District considers alternative forms of indebtedness, this Policy provides flexibility to do so and may also be amended to address relevant issues. While this Policy does not specifically address vendor financing or other forms of installment contracts, to the extent the District were to consider such forms of financing, the spirit of these Policies would apply.

5.10.010.04 Debt Management Responsibility

The General Manager is appointed as the District official responsible for the following:

- Borrowing and debt issuance management, recognizing that assigned staff may be charged with certain day-to-day responsibilities.
- Working with other staff deemed appropriate in formulating the District's debt management plans, seeking Board of Directors' approval to execute such plans, and ensuring the appropriate management of debt.

- Keeping the Board of Directors informed of the District's debt-related activities through informational reports, briefings, or workshops.

5.10.010.05 Uses and Limits on Indebtedness

Debt provides a tool for financing capital projects that are too large to accommodate as part of the annual budget, to share the cost of major improvements between current and future customers and/or to accelerate the delivery of a project when compared to funding on a pay-as-you-go-basis. On the other hand, debt service represents a fixed cost that will compete with other expenditures in the District's budget and cannot be deferred in any given year.

In order to achieve the proper balance in its use of debt, the District will follow the following policy goals:

- The District will not use debt to finance operating expenses. The District may consider use of debt in the event of an extraordinary expense, such as the financing of a major judgment.
- The District will plan for capital improvements and maintenance as part of its budgeting process, seeking to set funds aside in advance of need so that most capital projects can be financed on a "pay-as-you-go" basis. Debt financing will be reserved for extraordinary capital expenditures.
- The District believes that prudent amounts of debt can be an equitable and cost-effective means of financing infrastructure and capital project needs of the District. The District will evaluate the benefit and risks of each proposed issue of new debt on a case-by-case basis, considering such factors as the District's overall fiscal health, the potential impact of increased debt service on then current service levels, the offsetting benefits of a project on operating costs that may mitigate the cost of debt, and other long-term considerations.

In general, debt may be considered to finance such projects if it meets one or more of the following minimum criteria:

- It meets the District's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future residents.
- The need for the project is compelling in terms of on-going cost savings or the need for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues impractical.

5.10.010.06 District Revenues and Debt Service Payments

The District's obligation to make loan payments, or debt service, is an unconditional obligation of the District (and not subject to abatement) payable from all legally available funds of the District.

Loan payments and debt service requirements are to be made by the District from Revenues whether or not the project being financed, or any part thereof is operating or operable or seized or its use is suspended, interfered with, reduced, or terminated in whole or in part. The obligation of the District to make loan payments or debt service from Revenues does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or other source of revenue or for which the District has levied or pledged any form of taxation or other source of revenue.

5.10.010.07 Financing Professionals

The General Manager or their assigned designee will be responsible for recommending the various professionals required for a financing, based on prior experience, recommendations, or a request for proposal process, as they deem appropriate.

5.10.010.07.1 Bond and Disclosure Counsel

Bond counsel prepares the various legal documents for a transaction and renders a variety of opinions, including opinion regarding the tax-exemption of bonds. For all public sales of debt (that, is through the issuance of bonds or other securities sold to multiple investors), the District will retain the services of disclosure counsel to prepare the official statement. The General Manager or their assigned designee will also determine whether to select another law firm to provide the services of disclosure counsel or to assign such duties to bond counsel.

5.10.010.07.2 Underwriter

When the District issues its debt through a negotiated sale, it will select one or more underwriters. The basis for selection will primarily be the firm's experience in water, wastewater, and related sectors, and its perceived ability to secure the lowest cost of funds, including underwriter's fees and expenses.

5.10.010.07.3 Trustee and Collateral Agent

The trustee or collateral agent is a division of a commercial bank that services bonds and other financial instruments. The General Manager or their assigned designee shall have the discretion to select a commercial banking firm for recommendation as trustee or collateral agent, either through a request for qualifications process or by relying on existing banking relationships if deemed to be advantageous.

5.10.010.08 Structuring Debt Financing

5.10.010.08.1 Term and Structure

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed. Generally, the District will structure its financings such that the term does not exceed thirty years.

Debt service will generally be structured to be level over the length of the borrowing. Alternate debt structures may be used to wrap new debt around existing debt to create overall level debt service or to achieve other financial planning goals appropriate to the specific project.

5.10.010.08.2 Debt Service Reserve Fund

To the extent required by the market, the District may fund a debt service reserve fund out of borrowing proceeds no greater than the amount allowed under federal tax law.

5.10.010.08.3 Variable Rate Debt

To maintain a predictable debt service burden, the District will give preference to choosing debt that carries a fixed interest rate.

5.10.010.08.4 Derivatives

The District will not use interest rate swaps in connection with its debt program unless a separate swap policy is prepared and approved by the District Board of Directors. The District may use derivative-like investment products to invest borrowing proceeds, but only upon staff's analysis of the investment as part of the staff report transmitting the financing and specific approval as part of the Board of Directors' action.

5.10.010.08.5 Disclosure

For all public sales of debt, the District will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. The General Manager or their assigned designee, and other appropriate staff will be asked to review this document to ensure that it is accurate and does not fail to include information that such staff and officials think might be material to an investor. The District will make every effort to ensure the fullest disclosure possible in the District's disclosure documents, including, as appropriate, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval by the Board of Directors.

5.10.010.08.6 Credit Ratings

The General Manager or their assigned designee, and other members of the financing team, will evaluate and make recommendations to the District Board of Directors regarding the number of credit ratings to seek on any given public offering. The District will work to maintain its current credit ratings and to increase ratings when the opportunity to do so exists. The General Manager or their assigned designee will periodically communicate with the agencies rating the District's debt so that they will remain well-informed.

5.10.010.09 Debt Administration

The General Manager or their assigned designee shall be responsible for ensuring that the District's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.

5.10.010.09.1 Continuing Disclosure

Under federal law, the District must commit to provide continuing disclosure to investors in any of its debt that is sold to underwriters to be offered to the public. All existing and future District debt should be compliant with the requirements of the Continuing Disclosure Certificates executed at the time of issuance, including the annual filing with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website of the District's Comprehensive Annual Financial Report and any other required reports; the filing of notices of the material events set out in the Continuing Disclosure Certificates; and the filing of any voluntary disclosures deemed material. All such filings will be made within the time requirements set forth in the Continuing Disclosure Certificates.

The District may retain a consultant to assist in preparing and filing required reports and notices.

5.10.010.09.2 Investment of Borrowing Proceeds

Investments of borrowing proceeds shall generally be consistent with the District's Investment Policy as modified from time to time, and with the requirements contained in the governing loan documents.

5.10.010.09.3 State Reporting Requirements

The General Manager or their assigned designee will file any reports required by State law, including the Annual Debt Transparency Report to the California Debt and Investment Advisory Commission required of all debt issued after January 1, 2017, pursuant to Government Code section 8855(k).

5.10.010.10 Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. The District may issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's capital improvement program. The District shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of the District's public purposes in determining the timing of debt issuance.

The District shall avoid the use of debt to fund operating costs.

5.10.010.11 Internal Control Procedures

The General Manager or their assigned designee will monitor the expenditure of loan proceeds to ensure they are used for the purpose and authority for which the loans were issued.

In most cases, proceeds of debt will be held by a third-party trustee or fiscal agent and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager or their assigned designee. In case where the proceeds of debt are not to be held by a third-party trustee or fiscal agent, the General Manager or their assigned designee shall be responsible for approving expenditures in the same manner as the approval for the expenditures for District revenues.

5.10.010.12 Conclusion

This Policy is intended to guide the District's issuance of debt. This Policy should be reviewed and updated periodically to reflect changes in the market, the identification of other best practices, and to incorporate the District's own experience or changing circumstances. Changes to the Policy are subject to review and approval by the District Board of Directors at a legally noticed and conducted public meeting.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets and the District's needs as well as other unforeseen circumstances may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve policy goals. Any deviations from this Policy that is recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

Section: 5.10.010
Debt Management Policy

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All District debt will be approved by the Board of Directors (“Board”).

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- To protect the District's creditworthiness and minimize the District's borrowing costs.
- To meet the requirements of state and federal law and regulation, including state debt issuance reporting requirements and federal requirements regarding disclosure and administration of tax-exempt indebtedness.
- To incorporate best practices into the District's borrowings and administration of its indebtedness.
- Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

5.10.010.03 Issuance Authority and Scope of Indebtedness

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5.10.010.04 Debt Management Responsibility

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- Borrowing and debt issuance management, recognizing that assigned staff may be charged with certain day-to-day responsibilities.
- Working with other staff deemed appropriate in formulating the District's debt management plans, seeking Board of Directors' approval to execute such plans, and ensuring the appropriate management of debt.

- Keeping the Board of Directors informed of the District's debt-related activities through informational reports, briefings, or workshops.

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- The District believes that prudent amounts of debt can be an equitable and cost-effective means of financing infrastructure and capital project needs of the District. The District will evaluate the benefit and risks of each proposed issue of new debt on a case-by-case basis, considering such factors as the District's overall fiscal health, the potential impact of increased debt service on then current service levels, the offsetting benefits of a project on operating costs that may mitigate the cost of debt, and other long-term considerations.

In general, debt may be considered to finance such projects if it meets one or more of the following minimum criteria:

- It meets the District's goal of distributing the payments for the asset over its useful life so that benefits more closely match costs for both current and future residents.
- The need for the project is compelling in terms of on-going cost savings or the need for public safety or services, and the size of the project makes funding out of existing resources or near-term revenues impractical.

5.10.010.06 District Revenues and Debt Service Payments

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5.10.010.07 Financing Professionals

The General Manager or their assigned designee will be responsible for recommending the various professionals required for a financing, based on prior experience, recommendations, or a request for proposal process, as they deem appropriate.

5.10.010.07.1 Bond and Disclosure Counsel

Bond counsel prepares the various legal documents for a transaction and renders a variety of opinions, including opinion regarding the tax-exemption of bonds. For all public sales of debt (that, is through the issuance of bonds or other securities sold to multiple investors), the District will retain the services of disclosure counsel to prepare the official statement. The General Manager or their assigned designee will also determine whether to select another law firm to provide the services of disclosure counsel or to assign such duties to bond counsel.

5.10.010.07.2 Underwriter

When the District issues its debt through a negotiated sale, it will select one or more underwriters. The basis for selection will primarily be the firm's experience in water, wastewater, and related sectors, and its perceived ability to secure the lowest cost of funds, including underwriter's fees and expenses.

5.10.010.07.3 Trustee and Collateral Agent

The trustee or collateral agent is a division of a commercial bank that services bonds and other financial instruments. The General Manager or their assigned designee shall have the discretion to select a commercial banking firm for recommendation as trustee or collateral agent, either through a request for qualifications process or by relying on existing banking relationships if deemed to be advantageous.

5.10.010.08 Structuring Debt Financing

5.10.010.08.1 Term and Structure

Long-term debt financing of capital projects will be amortized over a period no longer than the useful life of the assets being financed. Generally, the District will structure its financings such that the term does not exceed thirty years.

Debt service will generally be structured to be level over the length of the borrowing. Alternate debt structures may be used to wrap new debt around existing debt to create overall level debt service or to achieve other financial planning goals appropriate to the specific project.

5.10.010.08.2 Debt Service Reserve Fund

To the extent required by the market, the District may fund a debt service reserve fund out of borrowing proceeds no greater than the amount allowed under federal tax law.

5.10.010.08.3 Variable Rate Debt

To maintain a predictable debt service burden, the District will give preference to choosing debt that carries a fixed interest rate.

5.10.010.08.4 Derivatives

The District will not use interest rate swaps in connection with its debt program unless a separate swap policy is prepared and approved by the District Board of Directors. The District may use derivative-like investment products to invest borrowing proceeds, but only upon staff's analysis of the investment as part of the staff report transmitting the financing and specific approval as part of the Board of Directors' action.

5.10.010.08.5 Disclosure

For all public sales of debt, the District will retain the services of disclosure counsel (who may also serve as bond counsel) to prepare the Official Statement to be used in connection with the offering and sale of debt. The General Manager or their assigned designee, and other appropriate staff will be asked to review this document to ensure that it is accurate and does not fail to include information that such staff and officials think might be material to an investor. The District will make every effort to ensure the fullest disclosure possible in the District's disclosure documents, including, as appropriate, seeking staff training in disclosure matters. A Preliminary Official Statement will be released to the market only after the completion of the "due diligence" meetings with appropriate staff and approval by the Board of Directors.

5.10.010.08.6 Credit Ratings

The General Manager or their assigned designee, and other members of the financing team, will evaluate and make recommendations to the District Board of Directors regarding the number of credit ratings to seek on any given public offering. The District will work to maintain its current credit ratings and to increase ratings when the opportunity to do so exists. The General Manager or their assigned designee will periodically communicate with the agencies rating the District's debt so that they will remain well-informed.

5.10.010.09 Debt Administration

The General Manager or their assigned designee shall be responsible for ensuring that the District's debt is administered in accordance with its terms, federal and State law and regulations, and best industry practices.

5.10.010.09.1 Continuing Disclosure

Under federal law, the District must commit to provide continuing disclosure to investors in any of its debt that is sold to underwriters to be offered to the public. All existing and future District debt should be compliant with the requirements of the Continuing Disclosure Certificates executed at the time of issuance, including the annual filing with the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access ("EMMA") website of the District's Comprehensive Annual Financial Report and any other required reports; the filing of notices of the material events set out in the Continuing Disclosure Certificates; and the filing of any voluntary disclosures deemed material. All such filings will be made within the time requirements set forth in the Continuing Disclosure Certificates.

The District may retain a consultant to assist in preparing and filing required reports and notices.

5.10.010.09.2 Investment of Borrowing Proceeds

Investments of borrowing proceeds shall generally be consistent with the District's Investment Policy as modified from time to time, and with the requirements contained in the governing loan documents.

5.10.010.09.3 State Reporting Requirements

The General Manager or their assigned designee will file any reports required by State law, including the Annual Debt Transparency Report to the California Debt and Investment Advisory Commission required of all debt issued after January 1, 2017, pursuant to Government Code section 8855(k).

5.10.010.10 Relationship of Debt to Capital Improvement Program and Budget

The District is committed to long-term capital planning. The District may issue debt for the purposes stated in this Policy and to implement policy decisions incorporated in the District's capital improvement program. The District shall integrate its debt issuances with the goals of its capital improvement program by considering when projects are needed in furtherance of the District's public purposes in determining the timing of debt issuance.

The District shall avoid the use of debt to fund operating costs.

5.10.010.11 Internal Control Procedures

The General Manager or their assigned designee will monitor the expenditure of loan proceeds to ensure they are used for the purpose and authority for which the loans were issued.

In most cases, proceeds of debt will be held by a third-party trustee or fiscal agent and the District will submit written requisitions for such proceeds. The District will submit a requisition only after obtaining the signature of the General Manager or their assigned designee. In case where the proceeds of debt are not to be held by a third-party trustee or fiscal agent, the General Manager or their assigned designee shall be responsible for approving expenditures in the same manner as the approval for the expenditures for District revenues.

5.10.010.12 Conclusion

This Policy is intended to guide the District's issuance of debt. This Policy should be reviewed and updated periodically to reflect changes in the market, the identification of other best practices, and to incorporate the District's own experience or changing circumstances. Changes to the Policy are subject to review and approval by the District Board of Directors at a legally noticed and conducted public meeting.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets and the District's needs as well as other unforeseen circumstances may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve policy goals. Any deviations from this Policy that is recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

