



PLEASANT VALLEY RECREATION AND PARK DISTRICT

DEBT POLICY Board Approved September 1, 2021

POLICY

This Debt Policy is intended to provide guidance in the issuance and management of debt by the District or its related entities and is intended to comply with Government Code Section 8855(i) and shall govern all debt issued by the District. The District hereby recognizes that a fiscally prudent debt policy is required to:

- Maintain the District's sound financial position.
- Ensure the District has the flexibility to respond to changes in future service priorities, revenues, and operating expenses.
- Protect the District's creditworthiness
- Ensure that all debt is structured to protect current and future taxpayers, ratepayers, and constituents of the District.
- Ensure that the District's debt is consistent with the District's planning goals and objectives and capital improvement program or budget, as applicable.

DEBT CAPACITY

The District will be mindful of its overall debt burden in the context of its revenues, expenses, reserves, and overall financial health and any limitations imposed by law.

LONG TERM DEBT

Consideration of Issuance

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

Long-term debt financings are appropriate:

- a) When a project to be financed is necessary to provide District services.
- b) When the project to be financed will benefit constituents over several years.
- c) When total debt does not constitute an unreasonable burden to the District and its taxpayers or ratepayers.
- d) When the debt is used to refinance outstanding debt to reduce the total cost of the debt or to realize other benefits of a debt restructuring, such as increased flexibility in the use of cash and reserves.

Long-Term Conditions

Adopted: July 1, 2009

Superseding Resolution No.: No Prior Resolution

Amended: September 1, 2021



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Long-term debt financing will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The District may use long-term debt financing subject to the following conditions:

- a) The project to be financed must be approved by the District Board.
- b) The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%.
- c) The District estimates that sufficient revenues will be available to service the debt through its maturity.
- d) The District determines that the issuance of the debt will comply with the applicable state and federal law.

New Debt

An internal analysis will be conducted for each proposed new debt financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service. In undertaking new debt, the District may consult with appropriate external financial advisors. External Financial advisors and bond counsel will be selected in a manner consistent with the District's customary practice of hiring professional services.

SHORT-TERM DEBT

Short-term debt may be issued to provide financing for the District's operational cash flow to maintain a steady and even cash flow balance as in anticipation of periodic receipts of property taxes and other revenues. Short-term debt may also be used to finance short-lived capital projects; for example, the District may undertake lease-purchase financing for equipment consistently with debt limit requirements, if any.

TYPES OF DEBT

The District Board may from time to time find that other forms of debt would be beneficial to further its public purpose and may approve such debt without an amendment to the Debt Policy. Debt shall be issued as fixed rate debt unless the District makes a specific determination as to why a variable rate issue would be beneficial to the District in a specific circumstance.

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

- a) General Obligation Bonds (GO Bonds)
- b) Bond or Grant Anticipation Notes (BANs)

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- c) Lease Revenue Bonds, Certificate of Participation (COPs) and lease-purchase transactions
- d) Other revenue bonds and COPs
- e) Tax and other revenue anticipation notes (TRANS)
- f) Land-secured financings, such as special tax revenue bonds issued under the Mello Roos Community Facilities Act 1982, as amended, and limited obligation bonds issued under applicable assessment statutes.
- g) Tax increment financing to the extent permitted under State law.
- h) Refunding Obligations
- i) State Revolving Loan Funds
- j) Lines of Credit
- k) Federal Loans

Relationship of Debt to Capital Improvement Program and Budget

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

The District shall strive to fund the upkeep and maintenance of its infrastructure and facilities due to normal wear and tear through the expenditure of available operating revenues ("pay as you go"). The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The District shall integrate its debt issuance with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the District's public purposes.

<h3>POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES</h3>

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

It is a policy goal of the District to protect taxpayers, ratepayers and constituents by using conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical total borrowing costs.

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The District will comply with applicable state and federal law as it pertains to the maximum term of debt and the procedures for levying and imposing any related taxes, assessments, rates and charges.

When refinancing debt, it shall be the policy goal of the District to realize, whenever possible, and subject to any overriding no-financial policy considerations, (i) minimum net present value debt service savings approximately 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than any escrow fund negative arbitrage. The cost of refinancing will always be less than the savings.

The District shall seek to avoid the use of debt to fund infrastructure and facilities improvements in circumstances when the sole purpose of such debt financing is to temporarily reduce annual budgetary expenditures. Capital investments intended to reduce District operating costs indefinitely, as by improving the efficiency of its operations, are appropriate for long-term debt.

The District shall seek to time debt issues to avoid need for unplanned general fund expenditures for capital improvements and equipment.

INTERNAL CONTROL PROCEDURES

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds. Without limiting the foregoing, the District will periodically review the requirements of and will remain in compliance with the following:

- a) Any continuing disclosure undertakings entered into by the District in accordance with SEC Rule 15c2-12.
- b) Any federal tax compliance requirements, including, without limitation, arbitrage and rebate compliance.
- c) The District's investment policies as they relate to the use and investment of bond proceeds.

Proceeds of debt will be held either (a) by a third-party trustee or fiscal agent, which will disburse such proceeds to or upon the order of the District upon the submission of one or more written requisitions by the Administrative Services Manager (or his/her written designee), or (b) by the District, to be held and accounted for in a separate fund or account to ensure debt proceeds are expended only for the purposes for which the debt was issued, the expenditure of

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which will be carefully documented by the District in records compliant with current accounting standards and subject to the District’s annual audit.

Records related to debt issuance, including but not limited to expenditures and investment of proceeds, will be maintained for as long as required by applicable law and the documents related to the debt issue. Such records may need to be maintained for longer than the term of the bond issue and any refunding issue.

Debt Policy

Debt Policy Date	Debt Policy Resolution Number
7/1/2009	No Resolution
9/1/2021	No. 690

Adopted: July 1, 2009
 Superseding Resolution No.: No Prior Resolution
 Amended: September 1, 2021