BUSINESS AND NONINSTRUCTIONAL OPERATIONS

SUBJECT: Debt Issuance And Management

The Board of Education (the “Board”) of the Jurupa Unified School District (the “School District”), on behalf of the School District and on behalf of all Community Facilities District formed by the School District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Section 53311, et seq., of the California Government Code (the “Mello-Roos Act”), or that may hereafter be formed by the School District pursuant to the Mello-Roos Act (each a “Community Facilities District” and when discussed collectively with the School District, the “District,” as applicable), wishes to establish this Debt Issuance Policy (the “Debt Policy”) to provide guidelines for the issuance of debt obligations of the District and to outline certain procedures in connection therewith.

For purposes of the Debt Policy, the term “debt obligations” shall include all types of obligations, whether taxable or tax-exempt as to interest, which the School District or a Community Facilities District may incur pursuant to the laws of the State of California (the “State”). Such obligations include, but are not limited to, general obligation bonds (whether issued directly by the School District or by the County of Riverside (the “County”) in the name and on behalf of the School District) (“G.O. Bonds”), certificates of participation (“Certificates of Participation” or “COPs”) or lease revenue bonds (“LRBs”) representing lease or base rental payments due from the School District, other lease-purchase agreements which are capital in nature (“Leases”), bond anticipation notes (“BANs”) and tax and revenue anticipation notes (“TRANs”), and in the case of Community Facilities Districts, bonds issued pursuant to the Mello-Roos Act secured by special taxes levied on the property within such Community Facilities District (“Special Tax Bonds”).

The debt obligations shall be issued to finance capital improvements, equipment acquisitions and other items for the District. The Debt Policy shall remain in place from its date of adoption by the Board until withdrawn, replaced or amended by further action of the Board. Senior District staff is directed to take all action required to implement this Debt Policy and to adhere to its precepts. All references in this Debt Policy to the “Assistant Superintendent” shall include any of his or her designees.

The Board directs District staff to adhere to the following procedures in connection with each proposed debt issue to determine the appropriate method of financing, subject to scheduling requirements, changes in market conditions, imminent changes in federal tax law or State law respecting debt obligations of school districts, or exigent circumstances.

Goals and Objectives

The Board establishes the following principal goals and objectives with respect to proposed debt obligations.

- ***Cost-Effectiveness***. The District shall borrow, when required, in the most cost-effective manner possible, reducing the impact on its General Fund, within the context of preserving financial flexibility and meeting capital funding requirements. In the context of G.O. Bonds and BANs, the District shall seek to borrow on such terms as are most beneficial to the taxpayers of the District, given the necessity for borrowing, the nature of the financing, the preservation of financial flexibility, and the then-prevalent market conditions. The District shall issue G.O. Bonds prior to long-term debt impacting the General Fund (such as COPs and LRBs) when possible.

- ***Risk Profile***. The District shall pursue financing vehicles with the lowest possible risk to the District and its taxpayers, avoiding elaborate and novel financing structures unless there shall be good cause shown.

- ***Maintenance of High Credit Ratings***. The District shall strive to attain the best credit rating for each debt issue if deemed financially beneficial to obtain a credit rating for such debt issuance. The high credit ratings reduce the interest costs paid by the District on the amounts borrowed. Lower interest costs result in lower tax rates and a reduced burden on the General Fund.

- ***Compliance with State and Federal Law***. At all times, the District shall maintain strict compliance with State and federal law applicable to its debt obligations. In particular, (i) the provisions of Article XIII A of the California Constitution and related provisions of the Education Code (the "Education Code") of the State ("Proposition 39") with respect to G.O. Bonds and BANs issued thereunder; (ii) the Mello-Roos Act with respect to any Special Tax Bonds issued by a Community Facilities District; and (iii) applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code") with respect to all tax-exempt debt obligations.

- ***Sizing of Transactions***. The District's public offerings of debt shall be offered in the principal amounts that reflect the projected capital needs of the District, taking into account the costs of issuance of each transaction, interest rates that are obtainable for larger versus smaller financings and the staff time available to support each financing. In the case of TRANs, the District shall issue notes in a principal amount no more than that required to cover the projected cash flow deficits of the District during the fiscal year in which issued.

- ***Useful Life***. The term of the debt obligation should not exceed the useful life of the financed assets, taking into account periodic costs such as maintenance, major renovation or replacement of component parts of the financed improvement during the life of the indebtedness.

<u>Relationship of Debt to, and Integration with, the District's Facilities Program and Budget</u>

<u>Facilities Plan</u>. The Assistant Superintendent, in consultation with the District's Assistant Superintendent of Planning and Development and community committee, shall assess and identify the capital needs of the District and review the current facilities plan maintained by the Planning and Facilities Department (the "Facilities Plan") to develop a schedule for when assets should be improved or acquired. The Assistant Superintendent shall identify potential funding sources and financing options and match those resources to the capital needs identified in the

Facilities Plan. In making such determination, the Assistant Superintendent shall consider the maximum term, average maturity, amortization of debt service, option redemption features, and use of variable or fixed-rate debt, credit enhancements, and other structuring considerations, as further discussed below.

Budget. The District recognizes the importance of emergency reserves, including liquidity in the General Fund that can provide a financial cushion in years of low revenue receipts. In order to provide sufficient reserves for such circumstances, as stated in the goals and objectives above, this Debt Policy provides that the District borrow in the most cost-effective manner with the lowest possible impact to its General Fund (*i.e.*, issuing G.O. Bonds prior to long-term debt impacting the General Fund).

Policy Goals related to the District's Planning Goals and Objectives

The projects in the Facilities Plan must be in-line with the District's educational mission and the Assistant Superintendent will only finance assets with debt obligations which further the District's educational mission and are consistent with the above-stated Debt Policy goals and objectives.

Manner of Borrowing; Types of Debt that May be Issued and Purposes of Debt

School District. The following are the types of debt obligations that the School District may issue, in each case, with a preference first for tax-exempt debt and second for taxable debt:

1. ***General Obligation Bonds***

G.O. 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. G.O. Bonds of the School District shall only be issued to finance projects included on the project list approved by the voters at the election when such G.O. Bonds were authorized, and which comply with State law and applicable provisions of the Tax Code.

2. ***Bond Anticipation Notes***

BANs shall be issued in compliance with Section 15150 of the Education Code, in anticipation of the sale of G.O. Bonds at the time the BANs are issued. The proceeds from the sale of the BANs shall be used only for authorized purposes of the G.O. Bonds or to repay outstanding BANs authorized by the Education Code.

3. ***Vendor Leases***

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.

Lease financing is appropriate for facilities for which there is insufficient time to obtain voter approval or in instances where obtaining voter approval is not feasible. If and when voter-approved debt proceeds subsequently become available, the School District will use such proceeds to take out the lease financing where appropriate.

4. ***Certificates of Participation or Lease Revenue Bonds***

COPs shall be issued by or on behalf of the School District only for those projects for which G.O. Bonds are not available, or when a stated revenue source other than the General Fund, such as energy savings, may be used to pay lease payments. The proceeds of COPs may be applied only to the acquisition of equipment, furnishings, real property and improvements, with the maturity dates of such COPs not in excess of limits established under the Education Code and the Tax Code.

The School District may also enter into long-term leases and/or COPs for public facilities, property, and equipment. In the event that LRB financing costs are lower than COPs financing costs, the School District may consider using an LRB structure for financing public facilities, property and equipment.

5. ***Tax and Revenue Anticipation Notes***

TRANs shall be issued, in accordance with applicable provisions of the Government Code of the State, when necessary to address projected cash flow deficits of the School District, and the proceeds applied to such purposes. The proceeds of tax-exempt TRANs may not be applied to the payment of any other tax-exempt obligation of the School District.

Community Facilities Districts. When a Community Facility District issues debt, it shall issue Special Tax Bonds pursuant to the Mello-Roos Act, the Resolution of Intention, and the Resolution of Formation and for the purposes stated therein with respect to the Community Facilities District issuing such Special Tax Bonds.

Method of Sale

At the discretion of the Assistant Superintendent, any debt offering may be pursued as (1) a competitive sale; (2) a negotiated offering; or (3) a private placement. In making his or her election under this provision, the Assistant Superintendent shall consider conditions in the municipal markets, the type and complexity of the transaction, the policies of the Riverside County Treasurer-Tax Collector, the timing of the issue and the costs of issuance. The District shall pursue the method that has the potential to achieve the lowest financing costs.

- ***Competitive Sales of Debt***. In a competitive sale, underwriters submit sealed bids and the underwriter or the underwriting syndicate with the lowest true interest cost is awarded the sale.

- ***Negotiated Sales of Debt***. In a negotiated sale, the underwriter or underwriting syndicate is selected through a request for proposal (RFP) process or through negotiations with the District.

- ***Private Placements***. The Assistant Superintendent shall structure an offering as a private placement when critical timing issues prevent use of either a competitive or negotiated sale of debt. In connection with a proposed private placement, the Assistant Superintendent shall select the underwriter or underwriters submitting proposals for purchase of the obligations on the best terms for the District, with such results provided on an informational basis to the Board prior to the Board's considering an action to authorize the private placement.

Factors in Structuring Each Debt Offering

- ***Maximum Term***. The maximum term of the debt obligations shall be limited to the shorter of the average useful life of the financed assets or the maximum term permitted under the California Government Code or Education Code, as applicable.

- ***Average Maturity***. The District shall attempt to align the useful life of the capital improvement with the period in which the debt obligation will be outstanding. 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% percent of the average life of the assets being financed. The District may also consider whether the useful life of the capital improvement aligns with the period during which those benefiting from the improvement are paying for it.

- ***Debt Service Amortization***. 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 credit for future use. Annual debt service payments shall generally be amortized on a level basis or in the case of G.O. Bonds consistent with conservative growth expectations for assessed valuation.

- ***Redemption Provisions***. The Assistant Superintendent shall set forth call provisions for each debt issue, in consultation with the underwriter and financial advisor, which provides the best economic outcome to the District taking into account the needs of the District and market conditions. While the Assistant Superintendent is allowed flexibility in setting the call provisions, debt obligations should generally be callable in no later than 10 years.

- ***Credit Enhancement of Debt Issues***. The Assistant Superintendent, in consultation with the financial advisor, shall determine whether it is financially advantageous to the District to purchase bond insurance to secure the repayment of its publicly offered debt obligations and/or a reserve fund surety policy to satisfy the reserve requirement. The costs of bond insurance and/or reserve fund surety policy on tax-exempt offerings must demonstrate an overall debt service savings to the District and/or its taxpayers. For other than G.O. Bond issues, the Assistant Superintendent may, upon consultation with the financial advisor, determine to obtain credit enhancement through the issuance of letters of credit or standby purchase agreements, upon his or her determination that it is financially advantageous to the District to do so.

Refundings

Refundings of tax-exempt debt, whether advance refundings or current refundings, shall be done as negotiated offerings pursuant to the above provisions. Refundings shall be considered by the Assistant Superintendent and recommended to the Board when a targeted present value savings can be achieved, based on calculations by the financial advisor. BANs shall be refunded, or "rolled over" by other BANs or paid off by the issuance of subsequent G.O. Bonds in accordance with their terms, without any requirement of a showing of savings, as their retirement is required by the Education Code. COPs may be refunded with the proceeds of G.O. Bonds at any time, without a demonstration of a targeted present value savings.

Selection of Professional Services

- ***Independent Financial Advisor***. Irrespective of the nature of the sale of securities (competitive or negotiated), the District shall select and retain a general financial advisory team led by an experienced independent financial advisor to provide advice on the District's debt management program, debt issuance structure, rating agency relations, credit enhancement decisions and other transaction details.

- ***Bond Counsel***. The District shall select and retain a bond counsel who shall prepare Board resolutions, bond documents and provide tax advice on specific debt transactions.

- ***Disclosure Counsel***. Irrespective of the nature of the sale of securities (competitive or negotiated), the District shall select and retain a disclosure counsel. In doing so, the District recognizes the importance of accurate and adequate disclosure and the relationship between District staff and disclosure counsel retained directly by District.

- ***Underwriter***. The underwriter or underwriting syndicate shall be selected taking into account the considerations discussed in "Method of Sale" above.

- ***Ratings and Rating Agencies***. At the option of the Assistant Superintendent, a publicly offered issue of debt may be rated by one or more of the national rating agencies (each a "Rating Agency"), as the Assistant Superintendent shall elect, upon consultation with the financial advisor and other members of the financing team. The Assistant Superintendent may, from time to time when recommended by its financial advisor or other members of the financing team, provide updated financial and operational data to the Rating Agencies in order to maintain the rating of the District at the highest achievable level.

- ***Vendors Under Leases***. In the event that the Assistant Superintendent should desire that a Lease be entered into with a vendor (each, a "Vendor") that will be providing equipment or furnishings, the Assistant Superintendent shall determine with that Lease is the most cost effective manner of financing the same. Vendor Leases intended to be tax-exempt shall also be reviewed and amended, if necessary, by bond counsel.

- ***Other Team Members***. The District, upon the counsel of staff and the financial advisor, shall select and retain other qualified and needed financing team members as may be required to fulfill the District's obligations related to the District's debt management program. Other financing team members may include, but are not limited to, special tax consultant, continuing disclosure consultant, continuing disclosure review consultant, continuing disclosure dissemination agent, trustee/fiscal agent, paying agent and bond registrar, financial printers, credit enhancement provider, reserve surety policy provider, economic analyst and/or data analyst, and arbitrage rebate service provider.

Post-Closing Procedures

The Assistant Superintendent shall take such actions as may be necessary to ensure that the District complies with its post-issuance tax compliance procedures and continuing disclosure policies and procedures, both of which have previously been adopted by the Board and are incorporated herein by reference.

The District shall submit an annual report for any issue of debt for which it has submitted a report of final sale to the California Debt and Investment Advisory Committee ("CDIAC") on or after January 21, 2017, which shall cover a reporting period from July 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.

Internal Control Procedures

District staff shall implement internal control procedures, consistent with the requirements of State law, to ensure that the proceeds of any debt issuance are directed to the intended use. The District's internal control procedures are attached hereto as Appendix A.