

RESOLUTION NO. 18-5

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN DIEGUITO RIVER VALLEY REGIONAL OPEN SPACE PARK JOINT POWERS AUTHORITY ADOPTING THE SAN DIEGUITO RIVER VALLEY REGIONAL OPEN SPACE PARK JOINT POWERS AUTHORITY DEBT MANAGEMENT POLICY

WHEREAS, the Board of Directors (the “Board”) of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority (the “JPA”) recognizes that cost-effective access to the capital markets depends on prudent management of the JPA’s debt program; and

WHEREAS, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the “Report of Proposed Debt Issuance”), and must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies (the “CDIAC Requirements”); and

WHEREAS, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Board finds and determines that adoption of the attached Debt Management Policy (the “Debt Management Policy”) will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is in compliance with the CDIAC Requirements; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority hereby orders and determines as follows:

Section 1. Recitals. The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct.

Section 2. Approval of the Debt Management Policy. This Board hereby declares that the proposed Debt Management Policy attached hereto, is hereby approved as the San Dieguito River Valley Regional Open Space Park Joint Powers Authority Debt Management Policy to be effective on the date of approval.

Section 3. Authorization to Manage Debt Issuance Functions. The Executive Director, or a designee thereof, is hereby authorized to manage debt issuance functions for the JPA in accordance with the Debt Management Policy.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was adopted at a regular meeting of the Board of Directors of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority held on the on the 16th day of November, 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED

CHAIRMAN

ATTESTED:

EXECUTIVE DIRECTOR

DEBT MANAGEMENT POLICY

This Debt Management Policy (the “Debt Policy”) of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority (the “Issuer”) was approved by the Issuer’s BOARD OF DIRECTORS on November 16, 2018. The Debt Policy may be amended by the BOARD OF DIRECTORS as it deems appropriate from time to time in the prudent management of the debt of the Issuer.

1. Findings

This Debt Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and shall govern all debt undertaken by the Issuer.

The Issuer hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the Issuer’s sound financial position.
- Ensure the Issuer has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses.
- Protect the Issuer’s credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future taxpayers, ratepayers and constituents of the Issuer.
- Ensure that the Issuer’s debt is consistent with the Issuer’s planning goals and objectives and capital improvement program or budget, as applicable.

2. Policies

A. Purposes For Which Debt May Be Issued

(i) Long-Term Debt. Long-term debt may be issued to finance the construction, acquisition, and rehabilitation of capital improvements and facilities, equipment and land to be owned and operated by the Issuer.

(a) Long-term debt financings are appropriate when the following conditions exist:

- When the project to be financed is necessary to provide basic services.
- When the project to be financed will provide benefit to constituents over multiple years.
- When total debt does not constitute an unreasonable burden to the Issuer and its taxpayers and ratepayers.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The Issuer may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the BOARD OF DIRECTORS.
- 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%.
- The Issuer estimates that sufficient revenues will be available to service the debt through its maturity.
- The Issuer determines that the issuance of the debt will comply with the applicable state and federal law.

(ii) Short-term debt. Short-term debt may be issued to provide financing for the Issuer's operational cash flows in order to maintain a steady and even cash flow balance. Short-term debt may also be used to finance short-lived capital projects; for example, the Issuer may undertake lease-purchase financing for equipment.

(iii) Financings on Behalf of Other Entities. The Issuer may also find it beneficial to issue debt on behalf of other governmental agencies or private third parties in order to further the public purposes of Issuer. In such cases, the Issuer shall take reasonable steps to confirm the financial feasibility of the project to be financed and the financial solvency of any borrower and that the issuance of such debt is consistent with the policies set forth herein.

B. Types of Debt

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

- general obligation bonds
- bond or grant anticipation notes
- lease revenue bonds, certificates of participation and lease-purchase transactions
- other revenue bonds and certificates of participation
- tax and revenue anticipation notes
- land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment statutes
- tax increment financing to the extent permitted under state law
- conduit financings, such as financings for affordable rental housing and qualified 501c3 organizations

The Issuer may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

Debt shall be issued as fixed rate debt unless the Issuer makes a specific determination as to why a variable rate issue would be beneficial to the Issuer in a specific circumstance.

C. Relationship of Debt to Capital Improvement Program and Budget

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

The Issuer 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. The Issuer shall seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear.

The Issuer shall integrate its debt issuances 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 Issuer's public purposes.

The Issuer 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 reduce annual budgetary expenditures.

The Issuer shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

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

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

The Issuer 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 Issuer to realize, whenever possible, and subject to any overriding non-financial policy considerations, (i) minimum net present value debt service savings equal to or greater than 3.0% of the refunded principal amount, and (ii) present value debt service savings equal to or greater than 100% of any escrow fund negative arbitrage.

E. Internal Control Procedures

When issuing debt, in addition to complying with the terms of this Debt Policy, the Issuer shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The Issuer will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- the Issuer's investment policies as they relate to the investment of bond proceeds.

Whenever reasonably possible, proceeds of debt will be held by a third-party trustee and the Issuer will submit written requisitions for such proceeds. The Issuer will submit a requisition only after obtaining the signature of the EXECUTIVE DIRECTOR. In those cases where it is not reasonably possible for the proceeds of debt to be held by a third-party trustee, the EXECUTIVE DIRECTOR shall retain records of all expenditures of proceeds through the final payment date for the debt.