



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 12.4

**Meeting Date:** April 6, 2017

**Subject:** Approve Board Policy (BP) 3470 Debt Issuance and Management

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: \_\_\_\_)
- Conference/Action
- Action
- Public Hearing

**Division:** Business Services

**Recommendation:** Approve Board Policy (BP) 3470 Debt Issuance and Management.

**Background/Rationale:** On November 6, 2012, voters within the District authorized two general obligation bond measures known as Measure Q and Measure R. The bond measures authorize the District to issue general obligation bonds in the aggregate amount of \$414 million to finance capital projects, facility upgrades, technology, and supporting infrastructure. The District and the Board are in the process of taking actions to issue 2017 Series E Bonds for Measure Q and 2017 Series C Bonds for Measure R.

During the 2016 California Legislative Session, the Legislature enacted Senate Bill 1029. The purpose of SB 1029 is to enhance the transparency and accountability related to debt issuance practices. It became effective on January 1, 2017, and requires issuers to certify that they have adopted local debt policies and to certify that debt issued is consistent with the adopted policies.

The proposed policy conforms to the new statutory requirements and reflects generally accepted practices and existing requirements that apply to debt issuance.

**Financial Considerations:** NA

**LCAP Goal(s):** Operational Excellence

**Documents Attached:**

1. Executive Summary
2. Board Policy (BP) 3470 Debt Issuance and Management

**Estimated Time of Presentation:** 5 Minutes

**Submitted by:** Gerardo Castillo, CPA, Chief Business Officer

**Approved by:** José L. Banda, Superintendent



# Board of Education Executive Summary

## Business Services



### II. DRIVING GOVERNANCE

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### III. BUDGET

### IV. GOALS, OBJECTIVES, AND MEASURES

### V. MAJOR INITIATIVES

### VI. RESULTS

### VII. LESSONS LEARNED/NEXT STEPS

# **Sacramento City Unified School District**

## **Board Policy 3470 Debt Issuance and Management Policy**

### **Purpose and Framework for Debt Management**

This Debt Management Policy provides a framework for debt management and capital planning by the district.

The Governing Board is committed to long-term capital and financial planning and recognizes that the issuance of debt is a key source for funding the improvement and maintenance of school facilities and managing cash flow. Any debt issued by the district shall be consistent with law and this policy.

*(cf. 3000 - Concepts and Roles)*

*(cf. 3460 - Financial Reports and Accountability)*

*(cf. 7110 - Facilities Master Plan)*

*(cf. 7210 - Facilities Financing)*

The district shall not enter into indebtedness or liability that in any year exceeds the income and revenue provided for such year, unless two-thirds of the voters approve the obligation or one of the exceptions specified in law applies. (California Constitution, Article 16, Section 18). Exceptions include, but are not limited to, lease financings, such as lease purchase agreements, certificates of participation, lease revenue bonds and notes, and grant anticipation notes. Further, under Proposition 39, a measure authorizing the issuance of general obligation bonds may be approved by 55 percent of the electorate. The district may also issue debt through Mello-Roos Community Facility Districts.

When the Board determines that it is in the best interest of the district, the Board may issue debt or order an election to issue debt. The Superintendent or designee

Securities & Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB).

*(cf. 3312 - Contracts)*

*(cf. 3600 - Consultants)*

*(cf. 9270 - Conflict of Interest)*

### **Goals of Debt Management Policy**

The district's debt issuance activities and procedures shall be aligned with the district's vision and goals for providing adequate facilities and programs that support student learning and well-being. When issuing debt, the district shall ensure that it:

1. Maintains accountability for the fiscal health of the district, including prudent management and transparency of the district's financing programs
2. If applicable, pursues 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. Takes 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. Maintains effective communication with rating agencies and, as appropriate, credit enhancers such as bond insurers or other providers of credit or liquidity instruments in order to enhance the creditworthiness, liquidity, or marketability of the debt
5. Monitors the district's

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**Authorized Purposes for the Issuance of Debt**

The district may issue debt

2. Long-Term Debt

- a. General obligation bonds for projects approved by voters (California Constitution, Article 13A, Section 1; Education Code 15100-15262, 15264-15276; Government Code 53506-53509.5). In appropriate circumstances, the District may use School Facilities Improvement Districts as an alternative method of issuing general obligation bonds.

*(cf. 7214 - General Obligation Bonds)*

- b. Special tax bonds issued pursuant to the Mello-Roos Community Facilities Act of 1982 (Government Code 53311-53368.3)

*(cf. 7212 - Mello Roos Districts)*

3. Lease financing, including certificates of participation (COPs)

- a. Lease financing to fund priority capital equipment purchases when pay-as-you-go financing is not feasible (Education Code 17450-17453.1).
- b. Lease financing to fund facilities projects when there is insufficient time to obtain voter approval or in instances where obtaining voter approval is either not practical or unavailable (17400-17429).

4. Special financing programs or structures offered by the federal or state government, such as Qualified Zone Academy Bonds or other tax credit obligations or obligations that provide subsidized interest payments, when the use of such programs or structures is determined to result in sufficiently lower financing costs compared to traditional tax-exempt bonds and/or COPs

5. Temporary borrowing from other sources such as the County Treasurer

COPs, TRANs, revenue bonds, or any other non-voter approved debt instrument shall not be issued by the district in any fiscal year in which the district has a qualified or negative certification, unless the County Superintendent of Schools determines, pursuant to criteria established by the Superintendent of Public Instruction, that the district's repayment of that indebtedness is probable. (Education Code 42133)

When considering a debt issuance, the Board and the Superintendent or designee may evaluate both the short-



1. A competitive bidding process through which the award is based on, among other

The district shall be vigilant in using bond proceeds in accordance with the stated purposes at the time such debt was incurred as defined in the text of the voter-approved bond measure. (Government Code 53410)

When feasible, the district shall issue debt with a defined revenue source in order to preserve the use of the general fund for general operating purposes.

The district shall annually conduct a due diligence review to ensure its compliance with all ongoing obligations applicable to issuers of debt. Such a review may be conducted by bond counsel. Any district personnel involved in conducting such reviews shall receive periodic training regarding their responsibilities.

In addition, the Superintendent or designee shall ensure that the district completes, as applicable, all performance and financial audits that may be required for any debt issued by the district, including disclosure requirements applicable to a particular transaction.

### **Records/Reports**

At least 30 days prior to the sale of any debt issue, the district's Bond Counsel shall submit a report of the proposed issuance to the California Debt and Investment Advisory Commission (CDIAC). Such report shall include a self-certification that the district has adopted a policy concerning the use of debt that complies with law and that the contemplated debt issuance is consistent with that policy. (Government Code 8855)

On or before January 31 of each year, the Superintendent or designee shall submit a report to the CDIAC regarding the debt authorized, the debt outstanding, and the use of proceeds of the issued debt for the period from July 1 to June 30, or the prior fiscal year. (Government Code 8855)

The Superintendent or designee shall provide initial and any annual or ongoing disclosures required by 17 CFR 240.10b-5 and 240.15c2-12 to the Municipal Securities Rulemaking Board, investors, and other persons or entities entitled to disclosure. The district may retain a qualified third party to assist with the district's disclosure filings.

The Superintendent or designee shall seek the advice of bond counsel on compliance with federal tax law. The federal tax law is intended to discourage entities from issuing tax advantaged obligations that are unnecessary in terms of timing and amount as well as for purposes that are not permitted by law. The district's bond counsel and financial advisor will review, in advance, all arbitrage rebate filings and forms sent to the Internal Revenue Service.

The Superintendent or designee shall maintain transaction records including the official transcript, documentation evidencing the expenditure of proceeds, the use of debt-financed property by public and private entities, and investment of proceeds for as long as the debt is outstanding, plus the period ending three years after the final payment date of obligations issued.

*Legal References:*

EDUCATION CODE

*5300-5441 Conduct of elections*

*15100-15262 Bonds for school districts and community college districts*

*15264-15276 Strict accountability in local school construction bonds*

*15278-15288 Citizen's oversight committees*

*15300-15425*

*Management Resources (continued)*

WEB SITES

*California Debt and Investment Advisory Commission: <http://www.treasurer.ca.gov/cdiac>*

*Government Finance Officers Association: <http://www.gfoa.org>*

*Internal Revenue Service: <https://www.irs.gov>*

*Municipal Security Rulemaking Board, Electronic Municipal Market Access (EMMA):  
<http://www.emma.msrb.org>*

*U.S. Government Accountability Office: <http://www.gao.gov>*

*U.S. Securities and Exchange Commission: <https://www.sec.gov>*

**Policy Reference UPDATE Service 12/16**

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