

**ADMINISTRATIVE PROCEDURE 6305 DEBT ISSUANCE AND MANAGEMENT**

The Peralta Community College District (the "District") wishes to establish goals and policies for the issuance and management 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 obligation, whether taxable or tax-exempt as to interest, which the District may incur pursuant to State law. Such obligations include, but are not limited to, general obligation bonds (whether issued directly by the District or by the County of Alameda (the "County") in the name and on behalf of the District) ("G.O. Bonds"), certificates of participation ("Certificates of Participation") representing lease or base rental payments due from the District, other lease-purchase agreements which are capital in nature ("Leases"), bond anticipation notes ("BANs") and tax and revenue anticipation notes ("TRANS") and Other Post Employment Benefit Bonds ("OPEB").

**Goals and Objectives**

The District establishes the following principal objectives with respect to proposed debt issues.

- **Necessity.** The District shall not incur any debt unless it is required by circumstances to do so.
- **Cost-Effectiveness and Risk Profile.** The District shall borrow, when required, in the most cost-effective manner possible, reducing the impact on its General Fund. In the context of G.O. Bonds and short term notes ( TRANS, 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 and the then-prevalent market conditions. 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.
- **Efficiency.** District staff shall insure adequate advance planning for the authorization and issuance of each debt obligation and shall keep the Chancellor and Board apprised of the need and schedule for any borrowing, at the earliest possible time.
- **Local, Small and Emerging Businesses.** The District shall whenever consistent with the above objectives, use local firms that are located in the San Francisco Bay area or Alameda County area as senior manager or co-manager and include providers of professional services for each and every debt offering which are located within the service area of the District, within Northern California or within the State of California, including small and emerging businesses. Firms will be required to provide information about their physical presence in the District's service area and in California overall. Firms will also be required to provide information about their corporate citizenship, e.g., by demonstrating active roles in the communities they serve, including development or participation in charitable programs or scholarships, and policies with regard to the use of women-owned, minority-owned and disadvantaged business enterprises. Staff will make every effort to communicate proactively and give local firms the opportunity to participate in the process when releasing an RFQ for services in connection with a debt issuance.
- **Compliance with State and Federal Law.** At all times, the District shall maintain strict compliance with State and Federal law applicable to its debt instruments. In particular, the District's G.O. Bonds issued under the provisions of Proposition 39 ("Proposition 39"), being Article XIII A of the California Constitution and related provisions of the Education Code of the State, shall meet all the requirements of Proposition 39, and all tax-exempt debt obligations of the District shall meet all applicable requirements of the Internal Revenue Code of 1986, as amended (the "Tax Code").

- 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 for at least the upcoming calendar year or two, taking into account the costs of issuance of each transaction, interest rates that are obtainable for larger versus smaller financings and the amount of staff time available to support each financing. In the case of TRANs, the District shall issue notes in a principal amount sufficient to cover the projected cash flow deficits of the District during the fiscal year in which issued.

#### Procedures in Connection with Debt Obligations

The District shall adhere to the following procedures in connection with each proposed debt issue, subject to scheduling requirements, changes in market conditions, imminent changes in tax law or State law respecting debt obligations of community colleges or exigent circumstances.

- Professional Services. The following providers of professional services in connection with a debt issue shall be subject to a formal Request for Qualifications ("RFQ") process, administered by the Vice Chancellor, Finance and Administration ("VCFA") of the District:
  - Municipal Advisory Firms (MAs)
  - Investment banking (underwriting) firms ("Underwriters")

The following providers of related services in connection with a debt issue shall be selected by the VCFA, upon the advice of the MA, based upon written proposals solicited from no less than two companies:

- Trustee or paying agent services ("Paying Agents")
- Financial printers

It shall not be necessary for the VCFA to request a proposal from an existing Trustee or Paying Agent to provide Escrow Agent services in connection with a refunding of an existing debt obligation of the District, which may instead be sole-sourced.

The following provider of services in connection with a debt issue shall be selected based upon a formal RFQ process:

- Bond, Disclosure or Special Counsel ("Bond/Disclosure Counsel")

Engagement of the above professionals may be for a term of three to five years, or otherwise as provided in the RFQ and the contract with the District. Prior to the final term of each such contract or if the contract has been extended, District shall prepare a new RFQ or request for written proposals in sufficient time to permit the next debt offering to be fully staffed.

- Ratings and Rating Agencies. Each publicly offered issue shall be rated by one or more of the national rating agencies (each, a "Rating Agency"), as the VCFA shall elect, at the then-prevailing charges by such Rating Agencies. The VCFA, shall, from time to time, provide updated financial and operational data to the Rating Agencies in order to maintain the rating of the District at the highest achievable level. The VCFA shall confer either in person, by telephone or video conference with the Rating Agencies, as he or shall elect, prior to the sale of each public issue of debt as a part of the issuance process, with the goal of achieving the highest possible rating for such issue and the lowest possible interest rate or rates.
- Selection of Underwriting Pool and FAs. The VCFA shall publish each RFQ for Underwriters and MAs in accordance with District policy and shall circulate copies to all companies that, prior to the date of the RFQ, have requested a copy of the VCFA in writing. Upon receipt of submissions (each, a "Proposal"), the VCFA or the Municipal Advisor shall (a) eliminate non-conforming

Proposals, notifying each affected company; and (b) circulate copies of each Proposal to the Bond Review Panel (the "Panel").

The Panel shall be determined by the VCFA. The panel's recommendation shall include local firms in the senior tier or co-manager tier. The Panel shall review each conforming Proposal and shall, at the direction of the VCFA, meet and evaluate the Proposals in writing. In the case of review of Proposals from Underwriters, the MA then serving may be an a member of the Panel. The Panel shall recommend one or more professionals under each RFQ, an the VCFA shall submit such recommendations to the Board of Governors for approval.

- Vendors under Leases. In the event that one of the colleges or the Vice Chancellor of General Services should request that a Lease be entered into with a vendor (each, a "Vendor") that will be providing equipment or furnishings, the VCFA shall determine whether that Lease is the most cost-effective manner of financing the same and shall report the justification provided by the college or the Executive Director as part of the supporting staff report to the Board. No Vendor Lease shall be approved or executed without the prior review and approval of the VCFA and Chancellor; Vendor Leases intended to be tax-exempt as to interest shall also be reviewed and amended, if necessary, by Bond Counsel.
- Manner of Borrowing. The Board has determined that the following methods shall have the listed priority, in electing how the District shall borrow for stated capital purposes, in each case, with a preference first for tax-exempt debt and second for table debt:
  1. General Obligation Bonds
  2. Other Post Employment Benefit Bonds
  3. Bond Anticipation Notes
  4. Leases
  5. Certificates of Participation.

In the event that a staff report to the Board requesting a debt issue shall recommend anything other than item 1 above, the staff report shall include a justification therefore.

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 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 District.

- Certificates of Participation. Certificates of Participation shall be issued by or on behalf of the District only for those projects for which G.O. Bonds are not available under Proposition 39, 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 Certificates of Participation may be applied only to the acquisition of equipment, furnishings, real property and improvements, with the maturity dates of such Certificates of Participation not in excess of limits established under the Education Code and the Tax Code.
- Factors in Structuring Each Debt Offering. At the discretion of the VCFA 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 VCFA shall consider conditions in the municipal markets, the type and complexity of the transaction, the timing of the issue and the costs of issuance as described below:

Competitive Sales of Debt. The VCFA shall structure an offering for competitive sale under the following conditions:

1. Bond prices are stable and/or demand is strong
2. Marketing timing and interest rate sensitivity are not critical to pricing

3. Participation from LSEs is not a factor
4. The District then has a credit rating of A+ or better
5. There are no complex explanations required during marketing concerning the District's projects, media coverage, political structure, popular support, and funding or credit quality
6. The debt type and features are conventional
7. Municipal bond insurance ("Bond Insurance") is available and expected
8. The transaction is less than \$100,000,000 in principal amount.

Negotiated Sales of Debt. The VCFA shall structure an offering for negotiated sale under the following conditions:

1. Bond prices are volatile
2. Demand is weak or supply of competing bonds is high
3. Market timing is important, either due to funding deadlines or the desire to effect a refunding of other debt
4. There is a need to coordinate multiple components of a single financing (such as combining tax-exempt with taxable obligations)
5. Participation from LSEs is desired
6. The District's credit rating has been downgraded since the most recent transaction
7. The sale and marketing of the bonds will require complex explanations about the District's projects, media coverage, political structure, popular support, and funding or credit quality
8. The bond type and/or features are non-standard, such as a forward delivery bond sale or the intended use of derivative financial products
9. Bond Insurance is not available or not expected
10. Early structuring and market preparation by the Underwriters are desired
11. The par amount of the offering is in excess of \$100,000,000
12. Demand for the bonds by retail investors is expected to be high.

Private Placements. The VCFA shall structure an offering as a private placement when critical timing issues prevent use of either a competitive or negotiated sale of debt. Private placements shall be subject to a bid within the Pool (as defined below.)

- Procedures Applicable to Each Debt Offering. Prior to commencing documentation for any public debt offering, the VCFA, in conjunction with the FA, will prepare and submit to the Chancellor and Board his or her choices for the Underwriters' syndicate (the "Pool") for that offering, detailing the Senior and/or Co-Senior Manager and the Co-Managers. The VSFA shall demonstrate compliance with the District's local firm preference policy. The VCFA shall rotate the Senior and/or Co-Senior Manager positions within the Pool in such a way that no Underwriter shall serve as either Senior or Co-Senior Manager on two consecutive public offerings. The VCFA shall establish allocations of debt instruments among members of the Pool in a fair manner, taking into account past performance of Pool members on the District's prior debt issues.

In connection with a proposed private placement, the VCFA shall offer the transaction to all members of the Pool and shall, after considering the costs of issuance and proposed interest cost, 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.

Procedures in Connection with Debt Management

- Refundings. Refundings of tax-exempt debt, whether advance refundings or current refundings, shall be done as negotiated offerings pursuant to the above provisions, no new proposals to act as Paying Agent shall be required in connection with a refunding. Refundings shall be considered

by the VCFA and recommended to the Board when present value savings reach or exceed 3%, based on calculations by the FA. Refundings of G.O. Bonds shall be considered by the VCFA and recommended to the Chancellor and Board when present value savings reach or exceed 3%, based on calculations by the FA. 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 pay off is required by the Education Code. Certificates of Participation may be refunded with the proceeds of G.O. Bonds at any time, without a demonstration of present value savings. Further, OPEB Bonds and related instruments may be refunded and/or restructured if, as determined by the VCFA, and approved by the Chancellor, it represents significant savings to the District.

- Changes to Pool Following Selection. Recognizing that investment bankers and investment banking firms have transferred, changed focus, merged and gone out of business over the years, the Board authorizes the VCFA to delete from the Pool any Underwriter which: (a) withdraws from active participation in the California municipal marketplace; (b) has been subject of a material adverse action taken by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board; or (c) terminates or loses the services of the senior bankers included in their Proposal as the District's primary point of contact. The VCFA shall notify the deleted Underwriter in writing and shall so advise the Board at its next meeting in an informational item. This is applicable to Municipal Advisor firms as well.
- Credit Enhancement of Debt Issues. The VCFA, upon consultation with the FA, shall determine whether it is financially advantageous to the District to purchase Bond Insurance to secure the repayment of its publicly offered debt obligations. The Costs of Bond Insurance on tax-exempt offerings must demonstrate an interest rate savings to the District and/or its taxpayers. For other than G.O. Bond issues, the VCFA may, upon consultation with the FA, 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.
- Post Closing. The VCFA shall take such actions and maintain such records regarding the District's debt issues as may be required pursuant to the Tax Code and pertinent regulations, including, without limitation, information required to calculate arbitrage rebate due to the Department of the Treasury, and to insure compliance with the District's continuing disclosure obligations incurred pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

Reference:

Approved by the Chancellor: May 6, 2016