

RESOLUTION NO. 18-990

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
JOSHUA BASIN WATER DISTRICT APPROVING A
DEBT MANAGEMENT POLICY**

WHEREAS, the Board of Directors (the “Board”) of the Joshua Basin Water District (the “District”) recognizes that cost-effective access to the capital markets depends on prudent management of the District’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 Joshua Basin Water District 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 and are hereby incorporated in conjunction with the respective staff report.

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 Joshua Basin Water District Debt Management Policy, Article 10 of the District’s Administration Code, to be effective on the date of approval.

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

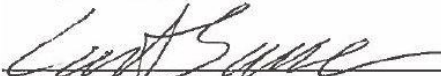
Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing resolution was adopted at a regular meeting of the Board of Directors of the Joshua Basin Water District held on the 15th day of August, 2018 by the following vote:

Mickey Luckman	<u>AYE</u>
Bob Johnson	<u>AYE</u>
Tom Floen	<u>AYE</u>
Geary Hund	<u>AYE</u>
Rebecca Unger	<u>AYE</u>



Mickey Luckman, President, Board of Directors



Curt Sauer, Board Secretary

ARTICLE 10

DEBT MANAGEMENT POLICY

10.01 PURPOSE OF THIS POLICY

The purpose of this Debt Management Policy is to establish guidelines for the issuance and management of District debt and to guide decision-makers with respect to options available for financing infrastructure, and other capital projects so that the most prudent, equitable, and cost-effective financing can be chosen.

This Policy is intended to comply with Government Code Section 8855(i) and shall govern all debt issued by the Joshua Basin Water District ("District.") The District hereby recognizes that a fiscally prudent debt policy is required to:

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

It is a goal of the District to provide for the infrastructure and capital project needs of its ratepayers, financing those capital project needs from a combination of current revenues, available reserves, and prudently issued debt. Debt financing can be utilized to achieve an equitable allocation of capital costs/charges between current and future system users.

10.02 PURPOSES FOR WHICH DEBT MAY BE ISSUED

10.02.01 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 District. The standard term of long-term debt borrowing is 10 to 30 years. 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 debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The District may use long-term debt financings subject to the following conditions:

- a) The project to be financed must be approved by the Board of Directors.
- b) The District estimates that sufficient revenues will be available to service the debt through its maturity.
- c) The District determines that the issuance of the debt will comply with the applicable state and federal law.
- d) The capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the project.

10.02.02 Short-Term Debt - Short-term debt may be issued to provide financing for the District's operational cash flows 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. The standard term for short-term debt borrowing is ten (10) years or less.

10.03 TYPES OF DEBT – The following types of debt are allowable under this Policy:

- a) General obligation bonds (GO bonds)
- b) Bond or grant anticipation notes (BANs)
- c) Lease revenue bonds, certificates 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 of 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

The Board of Directors 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 Management 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.

10.04 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 Management Policy and to implement policy decisions incorporated in the District's capital budget and capital improvement plan. The decision to incur new indebtedness should be integrated with the Board-adopted annual operating and capital budgets.

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 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 District’s public purposes.

10.05 POLICY GOALS RELATED TO PLANNING GOALS AND OBJECTIVES

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 purposes stated in this Policy and to implement policy decisions incorporated in the District’s annual operations budgets.

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

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 non-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 not construct or acquire a facility if it is unable to adequately provide for the subsequent annual operation and maintenance costs of the facility throughout its expected life.

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

10.06 INTERNAL CONTROL PROCEDURES

When issuing debt, in addition to complying with the terms of this 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 the 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 AGM/Controller of the District (or his or 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 which will be carefully documented by the District in records compliant with current accounting standards and subject to the District's annual audit.