



Policy No.: P400-24-5	Type of Policy: Finance
Policy Title: Capital Financing and Debt Management	
Policy Description: Parameters for issuing and managing debt	
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The purpose of this policy of the Board of Directors of Dublin San Ramon Services District is to establish a local debt policy in accordance with California Government Code Section 8855, which requires the issuer of debt to submit reports to the California Debt and Investment Advisory Commission that include a certification by the issuer that it has adopted local debt policies.

PURPOSE OF DEBT

The District will only use debt financing to purchase or construct capital assets that cannot be acquired from either current revenues or above-minimum replacement reserves to fund capital improvements and additions; it will not be used for operating and maintenance costs.

Lease/purchase agreements for the purchase of vehicles, equipment, and other capital assets shall generally be avoided, particularly if smaller quantities of the asset can be purchased on a pay-as-you-go basis.

CRITERIA

The District will use the following criteria to evaluate pay-as-you-go versus pay-as-you-use or long-term financing in funding capital improvements.

Factors Favoring Pay-As-You-Go Financing

- Adequate funds are available in the replacement and/or expansion funds.
- Adding debt would adversely affect the District's cash flow position or operating flexibility.
- Market conditions are unstable or present difficulties in funding.

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Factors Favoring Pay-As-You-Use Financing

- Asset life is equal to or greater than the term of the financing. Asset will be paid for as it is used, hence “pay-as-you-use” financing.
- Revenues available for debt service are sufficient and reliable so that long-term financings can be sold at favorable interest rates.
- A project is mandated by state or federal requirements, and resources are insufficient or unavailable.
- The project is immediately required to meet District needs and current resources are insufficient or unavailable.

TYPES OF DEBT

The District may use any combination of fixed-rate bonds, commercial paper, bank loans, state loans, pension obligation bonds, or any other type of debt allowable by California law, not including variable-rate bonds or derivative products.

Each debt issuance should be evaluated on an individual basis within the framework of the District’s long-term financial plan when determining the type of debt to issue.

Debt may be structured so as to pay interest only until project completion. Principal amortization shall be established to ensure full payment of the principal and interest on the debt over no more than 30 years or the life of the asset, whichever is less.

USE OF PROCEEDS

General – Proceeds (including investment income on original sale proceeds) of capital obligations, other than proceeds used to pay costs of issuance, shall be spent on capital expenditures. For this purpose, capital expenditures generally mean costs to acquire, construct, or improve assets (i.e., land, buildings, equipment etc.). Capital expenditures include design and planning costs related to the project, and include architectural, engineering, surveying, soil testing, environmental, and other similar costs incurred in the process of acquiring, constructing, improving or replacing the asset. Capital expenditures do not include operating expenses of the project.

Reinvestment of Proceeds – The District shall comply with all applicable federal, state, and contractual restrictions regarding the use and investment of bond proceeds. This includes compliance with restrictions on the types of investment securities allowed, restrictions on the allowable yield of some invested funds, as well as restrictions on the time period during over which some bond proceeds may be invested. To the extent that a bond issue is credit enhanced, the District shall adhere to the investment guidelines of the credit enhancement provider.

Requirements of Indenture – The District will comply with all terms and conditions of the appropriate legal documents related to the debt as described in Debt Disclosures below. Such limitations shall include, but not be limited to Investments in the Indenture.

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PROFESSIONAL SERVICES

A variety of specialized service providers will be used to provide professional assistance with the determination of the type of financial obligation to use as well as the process of issuing securities. These will include but are not limited to:

- **Financial Advisor** – The Financial Advisor (Advisor) is a consultant who advises the District (issuer) on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings. While the Advisor is legally able to serve as underwriter for an issue under certain circumstances, in order to avoid any appearance of a conflict of interest, the District shall not use the Advisor as an underwriter on any issuances where they have served as the Advisor.
- **Underwriter** – A dealer which purchases a new issue of municipal securities for resale. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding.
- **Bond Counsel** – An attorney retained by the issuer to give a legal opinion that the issuer is authorized to issue proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings and litigation.
- **Trustee** – A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

DEBT MANAGEMENT

The District will generally conduct financings on a competitive basis. However, negotiated financings may be used due to market volatility or the use of an unusual or complex financing or security structure.

The District will use credit enhancements such as letters of credit or insurance when necessary for marketing purposes, availability and cost-effectiveness.

The District will diligently monitor its compliance with bond covenants and ensure its adherence to federal arbitrage regulations and continuing disclosure requirements.

District staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refinancing outstanding obligations that are available for redemption.

DEBT CAPACITY

The District will set user rates at levels needed to fully cover operations and maintenance and recurring capital replacement, and to meet debt coverage covenant requirements.

Appropriate reserve levels shall be established by the Board to minimize impacts to ratepayers when development fees are insufficient to pay for expansion-related debt.

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ISSUANCE OF JOINT DEBT

The District may enter into joint debt issuances with any of its Joint Powers Agencies. Any joint debt issuance with other parties will stipulate that the involved parties will take no action that will be to the detriment of the other party as related to the debt.

CREDIT RATING

Recognizing that the credit rating of the District has a direct impact on the cost of borrowing costs, the District shall take timely and appropriate actions to always maintain strong credit ratings and strive to retain ratings in the “AA” rating category from S&P and Fitch.

DEBT DISCLOSURES

General

These Debt Disclosure Procedures (the “Disclosure Procedures”) of Dublin San Ramon Services District (the “District”) are intended to ensure that the District is in compliance with all applicable federal and state securities laws.

Disclosure Coordinator

The Treasurer of the District shall be the disclosure coordinator of the District (the “Disclosure Coordinator”).

Internal Control Procedures

In order to comply with the following internal controls, the Finance Director and General Manager shall share responsibility to assure that disbursements are made only after each request for disbursement is substantiated with appropriate invoices, requisitions and other supporting documentation. Each of the aforementioned shall thoroughly review any request for disbursement and may request further documentation as may be deemed appropriate:

- To ensure that proceeds of any debt are issued in accordance with its governing documents and the Capital Financing and Debt Management policy, no disbursements shall be made without the written approval of the Finance Director and the General Manager. The draw request shall be provided to the Engineering Services Manager by the Contractor. Approval shall only be provided when the Finance Director is in receipt of an appropriate certification from the construction project manager with supporting invoices from suppliers and/or contractors evidencing appropriate payment requests in connection with the project.
- Cumulative project payments are used periodically to prepare requisition reimbursement requests from bond proceeds held within the trustee bank. Requisitions are sequentially numbered and follow the format of total project costs-to-date, less prior requisitions, and amount this requisition.

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The requisition also includes bank wiring instructions. The requisition must be signed by an authorized signer established with the trustee bank. Authority may be delegated to the Treasurer.

- In the case of an issue of bonds, the proceeds of which will be used by a governmental entity other than the District, the District may rely upon a certification by such other governmental entity that it has adopted the policies described in Senate Bill 1029 (2016).

Review and Approval of Official Statements

The Disclosure Coordinator of the District shall review any Official Statement prepared in connection with any debt issuance by the District in order to ensure there are no misstatements or omissions of material information in any sections that contain descriptions of information prepared by the District.

In connection with its review of the Official Statement, the Disclosure Coordinator shall consult with third parties, including outside professionals assisting the District, and all members of District staff, to the extent that the Disclosure Coordinator concludes they should be consulted so that the Official Statement will include all “material” information (as defined for purposes of federal securities law).

As part of the review process, the Disclosure Coordinator shall submit all Official Statements to the Board of Directors for approval. The approval of an Official Statement by the Board of Directors shall be docketed as a new business matter and shall not be approved as a consent item. The Board of Directors shall undertake such review as deemed necessary by the Board of Directors, following consultation with the Disclosure Coordinator, to fulfill the Board of Director’s responsibilities under applicable federal and state securities laws. In this regard, the Disclosure Coordinator shall consult with the District’s disclosure counsel to the extent the Disclosure Coordinator considers appropriate.

Continuing Disclosure Filings

Under the continuing disclosure undertakings that the District enters into in connection with its debt offerings, the District is required each year to file annual reports with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system in accordance with such undertakings. Such annual reports are required to include certain updated financial and operating information, and the District’s audited financial statements.

The District is also required under its continuing disclosure undertakings to file notices of certain events with EMMA.

The Disclosure Coordinator is responsible for establishing a system (which may involve the retention or one or more consultants) by which:

- (i) The District will make the annual filings required by its continuing disclosure undertakings on a complete and timely basis.
- (ii) The District will file notices of enumerated events on a timely basis.

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Public Statements Regarding Financial Information

Whenever the District makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the District is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

Training

The Disclosure Coordinator shall ensure that the members of the District staff involved in the initial or continuing disclosure process and the Board of Directors are properly trained to understand and perform their responsibilities.

The Disclosure Coordinator shall arrange for disclosure training sessions conducted by the District’s disclosure counsel. Such training sessions shall include education on these Disclosure Procedures, the District’s disclosure obligations under applicable federal and state securities laws and the disclosure responsibilities and potential liabilities of members of the District’s staff and members of the Board of Directors. Such training sessions may be conducted using a recorded presentation.