RESOLUTION NO. 4-22-04

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY ESTABLISHING DEBT MANAGEMENT POLICY

WHEREAS, the Los Vaqueros Reservoir Joint Powers Authority (the "Authority") will likely be entering into debt financing transactions in the future; and

WHEREAS, it is prudent for a local agency that will issue debt to have a Debt Management Policy in place to guide decisions and provide guidelines for the structure of a debt issuance; and

WHEREAS, adherence to a Debt Management Policy signals to rating agencies and capital markets that a local agency is well managed and therefore is likely to meet its debt obligations in a timely manner,

NOW THEREFORE, the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority hereby adopts the following policy as the Authority's Debt Management Policy.

LOS VAQUEROS RESERVOIR JOINT POWERS AUTHORITY DRAFT DEBT MANAGEMENT POLICY

1. PURPOSE

The purpose of this Debt Management Policy is to establish guidelines for the issuance and management of debt to be issued by the Los Vaqueros Reservoir Joint Powers Authority (the "Authority"), and to provide guidance for decision makers with respect to options available for financing capital projects related to the Phase 2 Los Vaqueros Reservoir Expansion Project, the "Project," as defined in the Authority's Joint Exercise of Powers Agreement ("JPA Agreement"), so that the most prudent, equitable, and cost effective financing can be chosen. For purposes of this policy, the term "debt" includes "Bonds," as defined in the JPA Agreement.

2. OVERVIEW

This Debt Management Policy documents the objectives to be achieved by staff both prior to, and subsequent to, issuance of debt, and is designed to promote objectivity in the decision-making process, and to facilitate the financing process by establishing important policy decisions in advance.

This Debt Management Policy is intended to comply with Government Code Section 8855(i) and shall govern all debt undertaken by the Authority.

3. GENERAL POLICY PRINCIPLES

1. DEBT MANAGEMENT GOALS

This Debt Management Policy shall govern all debt undertaken by the Authority. The Authority hereby recognizes that a fiscally prudent debt policy is required in order to:

- Establish and maintain the Authority's sound financial position;
- Ensure the Authority has the flexibility to respond to changes in future service priorities, revenue levels, and operating expenses;
- Protect the Authority's credit-worthiness;
- To ensure total debt does not constitute an unreasonable burden to the Authority and its Members;
- Ensure that the Authority's debt is consistent with the Authority's planning goals and objectives and budget for contemplated Project components, as applicable, and;
- Ensure fiscal responsibility under prevailing economic conditions.

2. PURPOSE AND USE OF DEBT

The Authority will utilize reasonable debt financing to fund long-term improvements related to the Project, including those facilities specified in Exhibit B to the JPA Agreement. Debt can be issued to fund planning, pre-design, design, land and/or easement acquisition, and construction, as well as to procure related fixtures, equipment, and pay other costs as permitted by law.

Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses. The Authority may use long-term debt financings subject to the following conditions:

- The project to be financed must be approved by the Authority Board;
- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized;
- 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%, or will otherwise meet or exceed any such requirement imposed by law;
- The Authority estimates that sufficient revenues will be available to service the debt through its maturity, and;
- The Authority determines that the issuance of the debt will comply with the applicable state and federal laws.

3. TYPES OF DEBT

The Authority may use revenue bonds, Certificates of Participation (COPs), variable rate bonds, state revolving fund (SRF) loans, federal loans, bank loans, notes, commercial paper, direct placements, installment sale agreements, capital leases, and lease-purchase financing. The Authority 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.

In addition to the aforementioned long-term and short-term financing instruments, the Authority may also consider joint arrangements with other governmental agencies. Communication and coordination will be made with local governments regarding cost sharing in potential joint projects, including leveraging grants and funding sources. The Authority is authorized to issue debt in coordination with its Members, as specified in the JPA Agreement.

4. CAPITAL IMPROVEMENTS AND BUDGET

The Authority is committed to long-term capital planning. The Authority intends to issue debt for the purposes stated in this Debt Management Policy. The Authority 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 and reserve funds.

The Authority will seek to avoid the use of debt to fund infrastructure and facilities improvements that are the result of normal wear and tear. The Authority shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are appropriately funded.

5. METHOD OF SALE

As applicable to the type of debt issuance, the Authority will select the method of sale that best fits the type of issuance, market conditions, and the desire to structure any applicable maturities to improve the performance of the debt portfolio.

6. CREDITWORTHINESS OBJECTIVES

Ratings are a reflection of the fiscal soundness of the Authority and its Members, and the capabilities of its management. Typically, the higher the credit ratings, the lower the interest cost on the Authority's debt issuances. To enhance creditworthiness, the Authority is committed to prudent financial management, systematic capital planning, and long-term financial planning. The Authority recognizes that external economic, natural, and other events may affect the creditworthiness of its debt.

7. REDEMPTION FEATURES & REFUNDING POLICY

To preserve flexibility and refinancing opportunities, the Authority debt will generally be issued with call provisions, which enable the Authority to retire the debt earlier or enable the refunding of the debt prior to maturity. The Authority may consider calls that are shorter than traditionally offered in the market and/or non-callable debt when warranted by market conditions and opportunities. For each transaction, the Authority will evaluate the efficiency of call provision alternatives.

8. FINANCING - ROLES AND RESPONSIBLITIES

The primary responsibility for developing debt financing recommendations or refundings shall typically be managed by the Executive Director. In developing recommendations, the Executive Director shall consider the need for debt financing and assess progress on the current status of planning and/or construction of facilities, as defined in the JPA Agreement, specifically in its Exhibit B. All proposed debt financings will be presented to the Board, which has sole authority to approve the issuance of debt.

i. Bond Counsel

Where the Executive Director deems it prudent, the Authority will retain external bond counsel for a debt issue. Bond counsel will prepare the necessary authorizing resolutions, agreements and other documents necessary to execute the financing. All debt issued by the Authority will include a written opinion by bond counsel affirming that the Authority is authorized to issue the debt, stating that the Authority has met all state and federal constitutional and statutory requirements necessary for issuance, and determining the debt's state and federal income tax status.

ii. Financial Advisors

The Authority will utilize the services of independent financial advisors when deemed prudent by the Executive Director. To avoid any conflict of interest, financial advisors cannot also underwrite Authority debt. Services and compensation caps shall be defined by contract. The primary responsibilities of the financial advisors are to advise and assist on bond document negotiations, transaction structuring, including advising on call provision options and timing of issuance, running debt service cash flow analyses, assistance in obtaining ratings on the proposed issuance, and generally acting as an independent financial consultant and economic market expert.

iii. Underwriters

For negotiated sales, the Authority will generally select or pre-qualify underwriters through a competitive process. This process may include a request for proposal or qualifications to firms considered appropriate for the underwriting of a particular issue or type of bonds. The Executive Director will determine the appropriate method to evaluate the underwriter submittals and then select or qualify firms on that basis.

iv. Disclosure Counsel

Where applicable, the Authority will engage Disclosure Counsel to prepare an official statement and to ensure that all disclosure requirements are identified and complied with in a timely manner.

9. DEBT ADMINISTRATION

i. Pre- and Post-Issuance Compliance

In addition to complying with the terms of this Policy, the Authority shall comply with any other applicable policies, including Procedures for Post-Issuance Compliance which will be adopted regarding initial bond disclosure, continuing disclosure, post-issuance compliance, investment of bond proceeds, and bond covenants. The Authority 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 and required expenditure timelines, related to any prior bond issues;
- Investment policies as they relate to the investment of bond or other debt issuance proceeds;
- Insurance requirements, and
- All rate and other bond or debt instrument covenants.

ii. Internal Control

A. Investment of Proceeds - The proceeds of any debt issuance will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of 1) safety, 2) liquidity, and 3) yield, and may be held as cash. The Authority's investment guidelines and bond indenture or other debt instrument will govern objectives and criteria for investment of bond proceeds. The Executive Director will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance or other debt, while complying with arbitrage and tax provisions.

B. Use of Debt Issuance Proceeds – Debt issuance proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other Authority funds. Where applicable, the Authority's Trustee, or other appointed administrator (as determined under the debt instrument) will administer the disbursement of such proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively, or other debt instrument. Requisition for the disbursement of debt issuance funds will be prepared and approved by the Executive Director.

Finance staff will be tasked with monitoring the expenditure of debt issuance proceeds to ensure they are used only for the purpose and authority for which the debt instrument was issued and exercising best efforts to spend those proceeds in such a manner that the Authority will meet one of the spend-down exemptions from arbitrage rebate.

C. Reporting – At least quarterly, Authority staff shall prepare and present to the Board for review, reports on the use of debt proceeds.

10. BOARD DISCRETION

This policy was drafted with the intent to serve as a guide and it in no way restricts the ability of the Authority to review proposed debt issuances or other actions of substance to the Authority. The Board maintains authorization to waive elements of the policy in connection with individual financings at its discretion.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Los Vaqueros Reservoir Joint Powers Authority this 13th day of April, 2022, by the following roll call vote:

AYES:	Ramirez Holmes, Hansen, Wehr, Sethy, Borba, Coleman, Ritchie, LeZotte
NOES:	None
ABSTAIN:	None
ABSENT:	None

Angela Ramirez Holmes (May 11, 2022 11:20 PDT)

Angela Ramirez Holmes, Chair

ATTEST:

Ellen Wehr

Ellen Wehr (May 11, 2022 15:23 PDT)

Ellen Wehr, Secretary