
Administrative Procedure
Chapter 6 – Business & Fiscal Affairs

AP 6307 DEBT ISSUANCE AND MANAGEMENT

References:

Government Code Section 8855
Title 4 Sections 6000 et seq.

The Vice President, Business Services, or designee shall administer these procedures. These procedures are supplemented by the Post-Issuance Tax Compliance Procedures document, which is available on the District website.

Definitions

- A. “Debt obligations” shall include all types of obligations, whether taxable or tax-exempt as to interest, which the District may incur pursuant to the laws of the State of California (the “State”). Such obligations include, but are not limited to, general obligation bonds (whether issued directly by the District or by the County of Los Angeles (the “County”) in the name and on behalf of the District) (“G.O. Bonds”), certificates of participation (“Certificates of Participation” or “COPs”) or lease revenue bonds (“LRBs”) 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”).

Goals and Objectives – with respect to proposed debt obligations:

1. **Necessity.** Debt will be issued when it is determined that it is in the best interest of the District to do so.
2. **Cost-Effectiveness and Risk Profile.** Borrowing will occur, when required, in the most cost-effective manner possible, reducing the impact on its Unrestricted General Fund. When issuing G.O. Bonds and BANs, borrowing will be done 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. Financing vehicles shall be pursued with the lowest possible cost and risk to the District and its taxpayers, avoiding elaborate and novel financing structures unless there shall be good cause shown.

3. **Efficiency.** Advance planning for the authorization and issuance of each debt obligation will be monitored by the Director, Fiscal Services.
4. **Exigent Circumstances.** Due, among other things, to the vagaries of State funding of community colleges, there may be circumstances that prevent staff from providing much advance notice to the Board of the need to incur debt; under such circumstances, staff will accompany any request for the incurrence of debt with a detailed explanation.
5. **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 and BANs 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 (the "Education Code"), 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").
6. **Sizing of Transactions.** 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 fiscal year, taking into account the costs of issuance of each transaction, interest rates that are obtainable for larger versus smaller financings and the staff time available to support each financing. In the case of TRANs, the District shall issue notes in a principal amount no more than that required to cover the projected cash flow deficits of the District during the fiscal year in which issued.
7. **Relationship to Capital Improvement Program and Budget.**
 - (a) **Budget:** The District recognizes the importance of emergency reserves, including liquidity in the General Fund, that can provide a financial cushion in years of low revenue receipts. In order to provide sufficient reserves for such circumstances, these regulations provide that the District borrow in the most cost-effective manner possible with the lowest possible impact on its General Fund, and that G.O. Bonds be issued prior to long-term debt impacting the District's General Fund (such as COPs and LRBs) when possible.
 - (b) **Capital Improvement Plan:** In connection with the authorization of G.O. Bonds by Measure LB in June 2016, the District engaged in the development of a Facilities Master Plan, which guided the creation of the Measure LB Project List. Proceeds of G.O. Bonds

issued pursuant to the Measure LB authorization must be spent on projects included on the Measure LB Project List. Previously, the District received authorization under Measure E in February 2008. Prior to the Measure E Election, the District prepared a Unified Master Plan, which guided the creation of the Measure E Project List. Proceeds of G.O. Bonds issued pursuant to the Measure E authorization must be spent on projects included on the Measure E Project List.

B. Selection of Professional Services.

Investment banking firms, financial advisory firms, bond counsel or special counsel, and other financing team members, as applicable, shall be selected in accordance with the District's Purchasing Manual (Handbook of Purchasing Regulations).

C. Manner of Borrowing; Types of Debt that May Be Issued and Purposes of Debt. At the time of issue of any debt, it must be done so in accordance with the current applicable State and/or Federal law.

1. General Obligation Bonds (G. O. Bonds). Proceeds may only be used for projects included on the Measure E and LB Project Lists.
2. Bond Anticipation Notes (BAN). These may only be issued in anticipation of the sale of G.O. Bonds. The proceeds shall only be used for authorized purposes of the G.O. Bonds and to repay outstanding BANs.
3. Vendor Leases. The District may enter into lease obligations if it is in the best interest of the District to do so. Vendors shall be selected in accordance with the District's Purchasing Manual (Handbook of Purchasing Regulations).
4. Certificates of Participation (COPs) or Lease Revenue Bonds. 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, 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 COPs may be applied only to the acquisition of equipment, furnishings, real property and improvements, with the maturity dates of such COPs not in excess of limits established under the Education Code and the Tax Code.

The District may also enter into long-term leases and/or COPs for public facilities, property, and equipment. In the event that lease revenue bonds financing costs are lower than COPs financing costs, the District may consider using a lease revenue bond structure for financing public facilities, property and equipment.

5. Tax and Revenue Anticipation Notes (TRANs). TRANs shall be issued 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.

D. Factors in Structuring Each Debt Offering.

At the discretion of the Vice President, Business Services, any debt offering may be pursued as (1) a competitive sale; (2) a negotiated offering; or (3) a private placement. In making the decision, the Vice President, Business Services, will consider conditions in the municipal markets, the type and complexity of the transaction, the policies of the Los Angeles County Treasurer-Tax Collector, the timing of the issue and the costs of the issuance.

E. Post-Closing Procedures.

The Vice President, Business Services shall take such actions as may be necessary to ensure that the District complies with its post-issuance tax compliance procedures and continuing disclosure procedures.

The District shall submit an annual report for any issue of debt for which it has submitted a report of final sale to the California Debt and Investment Advisory Committee (“CDIAC”) on or after January 21, 2017, which shall cover a reporting period from July 1 to June 30, inclusive, to CDIAC no later than seven months after the end of such reporting period in a method approved by CDIAC and which complies with Section 8855 of the Government Code of the State.

Detailed procedures referenced in this regulation are maintained on the Long Beach City College website at www.lbcc.edu and for internal reference on the LBCCD Disclosure Compliance platform under Policies and Procedures, currently maintained at www.disclosurecompliance.com in conjunction with Cooperative Strategies, LLC. These documents are titled:

- A. Post-Issuance Tax Code Compliance Procedures.
- B. Procedures for Post-Issuance Continuing Disclosure Compliance.
- C. Internal Control Checklist for Bond Requirements.

Also see BP 6307 Debt Issuance and Management.

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(Replaces former LBCC AR 6016)