PLEASANT VALLEY
RECREATION AND PARK DISTRICT

DEBT MANAGEMENT POLICY
Board approved 7/1/2009

Pleasant Valley Recreation and Park District's (District) most appropriate use of debt financing is for the purchase or construction of major capital facilities that will serve as a long-term community asset. The policies outlined below are not intended to serve as a list of rules to be applied to the District's debt issuance process, but rather to serve as a set of guidelines to promote sound financial management. The use of a long-term debt instrument such as the sale of certificates of participation can spread the acquisition and construction costs of the facility over the period of years during which it will be used by the community.

I. INCURRED DEBT

District debt will be incurred mostly for major capital projects, not for any recurring purpose such as current operating and maintenance expenditures. For betterment and repair and replacement projects, debt financing may be used to better match the anticipated need and costs with available funds on hand. Smaller projects should be funded on a "pay-as-you-go" basis from current revenues. 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. Capital projects financed through debt issuance will not be financed for a term longer than the expected useful life of the facility permitted by the internal Revenue Service.

II. DEBT SERVICE PAYMENTS

The District will make debt service payments, acting with prudence and diligence and will allocate a Debt Reserve sufficient enough to the amount of debt service due in the next fiscal year. The District may purchase a surety policy or replace an existing cash-funded Debt Service Reserve Fund when deemed prudent and advantageous. The District may permit the use of guaranteed investment agreements for the investment of reserves funds pledged to the repayment of any District debt when it is approved by the Board of Directors.

III. NEW DEBT

New debt will be established on parity with existing debt. An internal analysis will be conducted for each proposed long-term financing which analyzes the impact on current and future budgets for debt service and operations. This analysis will also address the reliability of revenues to support debt service. No new debt will be undertaken without consulting appropriate external financial advisors and bond counsel. Financial advisors and bond counsel will be selected in a manner consistent with the District's customary practice of hiring professional services.

IV. DISTRICT BONDS

The District will determine on a case-by-case basis, whether to sell its bonds competitively or through negotiation. In a competitive sale, the District's bonds shall be awarded to the bidder providing the lowest true interest cost ("TIC"), as long as the bid adheres to requirements set forth in the official notice of sale. The District recognizes that some securities are best sold through negotiation. From time to time the District may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

V. REFUNDING OPPORTUNITIES

The District shall have the responsibility to evaluate potential refunding opportunities presented by underwriting and/or financial advisory firms. The District shall establish a targeted savings level equal to 3% of par refunded on a net present value (NPV) basis. This figure should serve only as a guideline; the District must evaluate each refunding opportunity on a case-by-case basis and must take into consideration: time to maturity; size of the issue; current interest rate environment; annual cash flow savings; and the value of the call option.

VI. RATING SERVICES

The Financial Supervisor shall be responsible for maintaining the District's relationship with Standard & Poor's Rating Services. The District may choose to deal with another Ratings Service Agency as circumstances dictate and will strive to maintain the best possible bond rating on all debt issuances.

VII. AUDITED FINANCIAL REPORT and BOND PROSPECTUS

The Financial Supervisor will provide full disclosure on every audited financial report and bond prospectus and report to the Board of Directors feedback from the rating agency regarding the District's financial strengths and weaknesses and recommendations for addressing any weaknesses of the District.

VIII. LEGAL REQUIREMENTS FOR ISSUANCE OF DEBT

The District will adhere to the following legal requirements for the issuance of public debt: California state law which authorizes the issuance of the debt; federal and state laws which govern the eligibility of the debt for tax-exempt status; federal and state laws which govern the issuance of taxable debt; and the federal and state laws which govern disclosure, sale, and trading of the debt.