DEBT ISSUANCE POLICY

Amended October 7, 2020

The Board of Trustees (the "Board" of the Los Angeles Community College District (the "District") wishes to establish goals and policies for the issuance of debt obligations of the District and to outline certain procedures in connection therewith. The Debt Issuance Policy (the "Debt Policy") shall remain in place from its date of adoption by the Board until withdrawn, replaced or amended by further action of the Board. Senior District staff is directed to take all action required to implement this Debt Policy and to adhere to its precepts.

For purposes of the Debt Policy, the term "debt obligations" shall include all types of obligations, whether taxable or tax-exempt as to interest, which the District may incur pursuant to State law. 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") 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

The Board establishes the following principal goals and objectives with respect to proposed debt issues.

- Necessity. The District shall not incur any debt unless it is required by circumstances to do so.

- Cost-Effectiveness and Risk Profile. The District shall borrow, when required, in the most cost-effective manner possible, reducing the impact on its General Fund. In the context of Bonds and BANs, the District shall seek to borrow 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. The District shall pursue financing vehicles with the lowest possible risk to the District and its taxpayers, avoiding elaborate and novel financing structures unless there shall be good cause shown.

- Efficiency. District staff shall insure adequate advance planning for the authorization and issuance of each debt obligation and shall keep the Board apprised of the need and schedule for any borrowing, at the earliest possible time.

- Exigent Circumstances. The Board recognizes that due, among other things, to the vagaries of State funding of community colleges, there may be circumstances that prevent District staff from providing much advance notice to the Board of the need to incur debt; under such circumstances, District staff will accompany any request for the incurrence of debt with a detailed explanation as to why advance notice was not possible.

- Small, Local, Emerging, Disabled Veteran, and Veteran-owned Businesses (SLEVDVS). For each and every debt offering, the District shall, whenever be consistent with the above goals and objectives, include as underwriters, to a minimum thirty percent (30%) participation include Small, Local, Emerging, Disabled Veteran and Veteran-Owned Businesses to serve as senior manager, co-manager and/or syndicate member.

  "Small businesses" are those firm identified as having a net capital for underwriting of less than $100 million based on the most recent quarterly Focus Report Part II filing. "Local Businesses" are those firms which have a primary or substantial investment banking presence in Los Angeles County, are domiciled in the service are of the District, in Southern California, or which are businesses that can evidence primary headquarters in the City or Los Angeles. "Emerging" businesses are those firm that have been in business in their substantially current form for less than five (5) years. Small, Local, Emerging, Disabled Veteran and Veteran-Owned businesses are collectively designated in this policy as "SLEVDVS". Firms will be required to provide information about their physical presence in the District's service area and in California overall. Firms will also be required to provide information about their corporate citizenship, e.g., by demonstrating active roles in the communities they serve, including development or participation in charitable programs or scholarships, and policies with regard to the use of women-owned, minority- owned and disadvantaged business enterprises. Staff will make every effort to communicate proactively and give local firms the opportunity to participate in the process when releasing an RFQ or services in connection with a debt issuance.

- 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 XIIIA of the California Constitution and related provisions of the Education Code of the State, 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").

- Sizing of Transactions. The District's 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 calendar year, taking into account the costs of issuance of each transaction, interest rates that are obtainable for larger versus smaller financings and the amount of staff time available to support each financing. In the case of TRANs, the District shall issue notes in a principal amount sufficient to cover the projected cash flow deficits of the District during the fiscal year in which issued.

Procedures in Connection with Debt Obligations

The Board directs District staff to adhere to the following procedures in connection with each proposed debt issue, subject to scheduling requirements, changes in market conditions, imminent changes in tax law or State law respecting debt obligations of community colleges or exigent circumstances.

- Professional Services. The following providers of professional services in connection with a debt issue shall be subject to a formal Request for Qualifications ("RFQ" process, administered by the Chief Financial Officer (the "CFO") of the District:

    - Investment banking firms ("Underwriters")

    - Municipal Advisor Firms ("MAs")

The following provider of services in connection with a debt issue shall be selected by the General Counsel of the District ("General Counsel"), based upon a formal RFQ process:

- Bond Counsel, Disclosure Counsel, Tax Counsel, or other Special Counsel ("Legal Counsels")

Engagement of the above professionals may be for a term of three (3) years, or otherwise as provided in the RFQ and the contract with the District with extensions. Prior to the final term of contract, District shall prepare a new RFQ in sufficient time to permit for the next debt offering to be fully staffed.

The following providers of related services in connection with a debt issue shall be selected by the CFO, upon the advice of the MA, based upon written proposals solicited from no less than two companies:

- Trustee or paying agent services ("Paying Agents")
- Financial printers

It shall not be necessary for the CFO to request a proposal from an existing Trustee or Paying Agent to provide Escrow Agent services in connection with a refunding of an existing debt obligation of the District, which may instead be sole-sourced.

- Ratings and Rating Agencies. Each publicly offered issue shall be rated by one or more of the national rating agencies (each, a "Rating Agency"), as the CFO shall elect, upon consultation with the MA, at the then-prevailing charges by such Rating Agencies. The CFO, shall, from time to time, provide updated financial and operational data to the Rating Agencies in order to maintain the rating of the District at the highest achievable level. The CFO shall confer either in person, by telephone or video conference with the Rating Agencies, as he or she shall elect, prior to the sale of each public issue of debt as a part of the issuance process, with the goal of achieving the highest possible rating for such issue and the lowest possible interest rate or rates

- Selection of Underwriting Pool and MAS. The CFO shall publish each RFQ for Underwriters and MAs in accordance with District policy and shall circulate copies to all companies that, prior to the date of the RFQ, have requested a copy from the CFO in writing. Upon receipt of submissions (each, a "Proposal"), the CFO shall (a) eliminate non-conforming Proposals, notifying each affected company.

  The CFO will evaluate the proposals and shall submit recommendations to the Board Budget and Finance Committee for confirmation and approval. The recommendation for underwriters shall include the recommendation of two (2) lists: one list of Underwriters with the capability of underwriting and serving as senior manager for an assumed District debt offering of no less than $250 million, and one list of those Underwriters designed as co- managers. The accompanying report of the CFO shall reflect compliance with this Debt Policy.

- Vendors under Leases. In the event that one of the colleges or the Executive Director of Facilities should request that a Lease be entered into with a vendor (each, a "Vendor") that will be providing equipment or furnishings, the CFO shall determine whether that Lease is the most cost-effective manner of financing the same and shall report the justification provided by the college or the Executive Director as part of the supporting staff report to the Board. No Vendor Lease shall be approved or executed without the prior review and approval of the CFO; Vendor Leases intended to be tax-exempt as to interest shall also be reviewed and amended, if necessary, by Bond Counsel.

- Manner of Borrowing. The Board has determined that the following methods shall have the listed priority, in electing how the District shall borrow for stated capital purposes, in each case, with a preference first for tax-exempt debt and second for table debt:

    - General Obligation Bonds
    - Bond Anticipation Notes
    - Vendor Leases
    - Certificates of Participation.

  In the event that a staff report to the Board requesting a debt issue shall recommend anything other than item 1 above (G.O. Bonds), the staff report shall include a justification, therefore.

  TRANs shall be issued, in accordance with applicable provisions of the Government Code of the State, 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.

- Certificates of Participation. 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 under Proposition 39, 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 Certificates of Participation may be applied only to the acquisition of equipment, furnishings, real property and improvements, with the maturity dates of such Certificates of Participation not in excess of limits established under the Education Code and the Tax Code.

- Factors in Structuring Each Debt Offering. At the discretion of the CFO, any debt offering may be pursued as (1) a competitive sale; (2) a negotiated offering or (3) a private placement. In making his or her election under this provision, the CFO shall consider conditions in the municipal markets, the type and complexity of the transaction, the timing of the issue and the costs of issuance as described below:

  Competitive Sales of Debt. The CFO shall structure an offering for competitive sale under the following conditions:

    1. Bond prices are stable and/or demand is strong.
    2. Marketing timing and interest rate sensitivity are not critical to pricing.
    3. Participation from LSEs is not a factor.
    4. The District then has a credit rating of A+ or better.
    5. There are no complex explanations required during marketing concerning the District's projects, media coverage, political structure, popular support, and funding or credit quality.
    6. The debt type and features are conventional.

7. Municipal bond insurance ("Bond Insurance") is available and expected.

8. The transaction is less than $100,000,000 in principal amount.

Negotiated Sales of Debt. The CFO shall structure an offering for negotiated sale under the following conditions:

1. Bond prices are volatile.

2. Demand is weak or supply of competing bonds is high.

3. Market timing is important, either due to funding deadlines or the desire to affect a refunding of other debt.

4. There is a need to coordinate multiple components of a single financing (such as combining tax-exempt with taxable obligations).

5. Participation from LSEs is desired.

6. The District's credit rating has been downgraded since the most recent transaction.

7. The sale and marketing of the bonds will require complex explanations about the District's projects, media coverage, political structure, popular support, and funding or credit quality.

8. The bond type and/or features are non-standard, such as a forward delivery bond sale or the intended use of derivative financial products.

9. Bond Insurance is not available or not expected.

10. Early structuring and market preparation by the Underwriters are desired.

11. The par amount of the offering is in excess of $100,000,000.

12. Demand for the bonds by retail investors is expected to be high.

Private Placements. The CFO shall structure an offering as a private placement when critical timing issues prevent use of either a competitive or negotiated sale of debt. Private placements shall be subject to a bid within the Pool (as defined below.)

- Procedures Applicable to Each Debt Offering. Prior to commencing documentation for any public debt offering, the CFO, in conjunction with the MA, will prepare and submit to the Board his or her choices for the Underwriter's syndicate (the "Pool") for that offering, detailing the Senior and/or Co-Senior Manager and the Co-Managers. The CFO shall demonstrate compliance with the Districts local firm preference policy. The CFO shall establish allocations of debt instruments among members of the Pool in a fair manner taking into account past performance of Pool members on the District's prior debt issues. The proposed underwriting group and all other consultants participating in the debt issuance shall provide a completed Form 700 to be kept on file with the District. The proposed underwriting group for that issue shall be provided on an informational basis to the Board prior to the Board's considering an action to authorize the debt issue.

In connection with a proposed private placement, the CFO shall offer the transaction to all members of the Pool and shall, after considering the costs of issuance and proposed interest cost, select the Underwriter or Underwriters submitting proposals for purchase of the obligations on the best terms for the District, with such results provided on an informational basis to the Board prior to the Board's considering an action to authorize the private placement.

- Refundings. Refundings of tax-exempt debt, whether advance refundings or current refundings, shall be done as negotiated offerings pursuant to the above provisions, no new proposals to act as Paying Agent shall be required in connection with a refunding. Refundings shall be considered by the CFO and recommended to the Board when present value savings reach or exceed 3%, based on calculations by the MA. Refundings of G.O. Bonds shall be considered by the CFO and recommended to the Board when present value savings reach or exceed 3%, based on calculations by the MA. BANs shall be refunded, or "rolled over" by other BANs or paid off by the issuance of subsequent G.O. Bonds in accordance with their terms, without any requirement of a showing of savings, as their pay off is required by the Education Code. Certificates of Participation may be refunded with the proceeds of G.O. Bonds at any time, without a demonstration of present value savings.

- Changes to Pool Following Selection. Recognizing that investment bankers and investment banking firms have transferred, changed focus, merged and gone out of business over the years, the Board authorizes the CFO to delete from the Pool any Underwriter which: (a) withdraws from active participation in the California municipal marketplace; (b) has been subject of a material adverse action taken by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board; or (c) terminates or loses the services of the senior bankers included in their Proposal as the District's primary point of contact. The CFO shall notify the deleted Underwriter in writing and shall so advise the Board at its next meeting in an informational item.

- Credit Enhancement of Debt Issues. The CFO, upon consultation with the MA, shall determine whether it is financially advantageous to the District to purchase Bond Insurance to secure the repayment of its publicly offered debt obligations. the Costs of Bond Insurance on tax-exempt offerings must demonstrate an interest rate savings to the District and/or its taxpayers. For other than G.O. Bond issues, the CFO may, upon consultation with the MA, determine to obtain credit enhancement through the issuance of letters of credit or standby purchase agreements, upon his or her determination that it is financially advantageous to the District to do so.

- Post Closing. The CFO shall take such actions and maintain such records regarding the District's debt issues as may be required pursuant to the Tax Code and pertinent regulations, including, without limitation, information required to calculate arbitrage rebate due to the Department of the Treasury, and to insure compliance with the District's continuing disclosure obligations incurred pursuant to Rule 15c2-12 of the Securities and Exchange Commission.