

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-C-2

Date: September 21, 2010

Subject: Resolution No. 5-10/11 - A Resolution of the Board of Trustees of the Riverside Community College District, Riverside County, California, Authorizing the Issuance of Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2010D, and Actions Related Thereto

Background: Attached for the Board's review and consideration is a proposed "Resolution of the Board of Trustees of the Riverside Community College District, Riverside County, California, Authorizing the Issuance of Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2010D, Resolution No. 5-10/11" for the Board's review and information. Also attached is a copy of the Preliminary Official Statement. This matter was discussed at the September 7, 2010, Resources Committee meeting. Mr. Mark Farrell of Piper Jaffray will be available at the Board meeting to respond to questions concerning issuance options.

At this time, staff proposes the following course of action relative to the issuance of Series 2010D bonds:

1. Proceed with the "three- year expenditure rule" option for Series 2010D.
2. Set the not-to-exceed amount in Resolution No. 5-10/11 at \$110,000,000 with the understanding that the staff will continue to update said projection up the point of bond issuance. Thus, the size of Series 2010D could be reduced from this authorized amount if staff determines that a lesser amount is more appropriate to ensure compliance with the 85% requirement.
3. Continue to monitor the interest rate environment. Should it appear that the favorable mix of rates currently experienced is changing and that the benefits associated with this transaction are likely to disappear, then staff would bring this matter back to the Board and its Resources Committee for further review and discussion.

Recommended Action: It is recommended that the Board of Trustees approve Resolution No. 5-10/11, A Resolution of the Board of Trustees of the Riverside Community College District, Riverside County, California, Authorizing the Issuance of Riverside community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2010D at \$110,000,000 and authorize the use of the "three- year expenditure rule" option.

Gregory W. Gray
Chancellor

Prepared by: James L. Buysse
Vice Chancellor
Administration and Finance

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOLUTION NO. 5-10/11**

**A RESOLUTION OF THE BOARD OF TRUSTEES OF THE RIVERSIDE
COMMUNITY COLLEGE DISTRICT, RIVERSIDE COUNTY,
CALIFORNIA, AUTHORIZING THE ISSUANCE OF RIVERSIDE
COMMUNITY COLLEGE DISTRICT (RIVERSIDE COUNTY,
CALIFORNIA) ELECTION OF 2004 GENERAL OBLIGATION BONDS,
SERIES 2010D, AND ACTIONS RELATED THERETO**

WHEREAS, a duly called election was held in the Riverside Community College District (the "District"), County of Riverside (the "County"), State of California, on March 2, 2004 (the "Election"), at which the following proposition (the "Measure C") was submitted to the qualified electors of the District:

"To improve local student access to job training and four-year college preparation classes, improve campus safety, add and upgrade science, health, technology academic classrooms/laboratories; expand public safety, police, firefighting, paramedics and healthcare training facilities; repair, acquire, construct, equip buildings, sites, classrooms; shall Riverside Community College District issue \$350,000,000 in bonds, at legal rates, with no proceeds going to the State, all funds remaining locally, independent citizen oversight, guaranteed annual audits, and no money for administrators' salaries?"

WHEREAS, at such election, Measure C received the affirmative vote of the requisite fifty-five percent or more of the voters of the District voting on the proposition, as certified by the Registrar of Voters of Riverside County in the official canvassing of votes (the "Authorization"); and

WHEREAS, the Board of Supervisors of Riverside County (the "County Board") has issued on behalf of the District (i) an aggregate principal amount of \$ 55,205,000 of Riverside Community College District (Riverside County, California) Election of 2004, General Obligation Bonds, Series 2004A, and (ii) an aggregate principal amount of \$9,795,000 of Riverside Community College District (Riverside County, California) Election of 2004, General Obligation Bonds, Series 2004B, authorized pursuant to Measure C; and

WHEREAS, the District has caused the issuance of an aggregate principal amount of \$90,000,000 of Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2007C, authorized pursuant to Measure C; and

WHEREAS, at this time the Board of Trustees of the District (the "Board") has determined that it is necessary and desirable to issue the fourth series of bonds under the Authorization in an aggregate principal amount not-to-exceed \$110,000,000 and to be styled as "Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2010D" (the "Bonds"); and

WHEREAS, pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), the Bonds are authorized to be issued by the Board of

Supervisors of the County on behalf of the District for the purposes set forth in the ballot submitted to voters at the Election; and

WHEREAS, this Board desires to authorize the issuance of the Bonds in one or more series of taxable or tax-exempt bonds, and further as any combination of current interest bonds, capital appreciation bonds, or convertible capital appreciation bonds; and

WHEREAS, this Board further desires to authorize the issuance of all or a portion of the Bonds as taxable "Build America Bonds" pursuant to the American Reinvestment and Recovery Act of 2009 (the "Recovery Act"); and

WHEREAS, this Board desires to appoint certain professionals to provide services related to the issuance of the Bonds; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including this proposed issue of Bonds, is within all limits prescribed by law;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE RIVERSIDE COMMUNITY COLLEGE DISTRICT AS FOLLOWS:

SECTION 1. Purpose; Authorization. To raise money for the purposes authorized by voters of the District at the Election and to pay all necessary legal, financial and contingent costs in connection with the issuance of the Bonds, this Board hereby petitions the County Board to authorize the issuance of the Bonds pursuant to the Act and to order such Bonds sold at a negotiated sale such that the Bonds shall be dated as of a date to be determined by said County Board, shall bear interest at a rate not-to-exceed that authorized at the Election, shall be payable upon such terms and provisions as shall be set forth in the Bonds and shall be in an aggregate principal amount not-to-exceed \$110,000,000. The Board hereby approves the sale of the Bonds at a negotiated sale, which is determined to provide more flexibility in the timing of the sale, an ability to implement the sale in a shorter time period, an increased ability to structure the Bonds to fit the needs of particular purchasers, and a greater opportunity for Piper Jaffray & Co., (the "Underwriter") to pre-market the Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds. The Board estimates that the costs associated with the issuance of the Bonds, including compensation to the Underwriter and any such costs which the Underwriter agrees to pay pursuant to the Purchase Contract, will equal approximately 2.0% of the principal amount of the Bonds.

This Board hereby authorizes the issuance of the Bonds as one or more series of taxable or tax-exempt bonds, and further any combination of current interest bonds, capital appreciation bonds, and convertible capital appreciation bonds as set forth in the fully-executed Purchase Contract (defined herein), subject to the provisions of a resolution of the County Board relating to the Bonds (the "County Resolution").

This Board hereby authorizes the issuance of all or a portion of the Bonds as Build America Bonds. With respect to Bonds issued as Build America Bonds, the District expects to receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each semi-annual interest payment date for the Bonds. The District hereby directs the

Authorized Officers (defined herein), prior to each Bond Payment Date, to submit or cause to be submitted to the United States Department of the Treasury a subsidy reimbursement request in accordance with applicable Federal regulations. Upon receipt of such subsidy, the District shall deposit or cause to be deposited any such cash subsidy payments into the debt service fund for the Bonds maintained by the County.

SECTION 2. Paying Agent. This Board does hereby authorize the appointment of U.S. Bank National Association as the authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent") for the Bonds. The District acknowledges that ongoing expenses and fees of the Paying Agent and all other fees and costs incurred in connection with the Bonds will be paid by the District.

SECTION 3. Tax Covenants.

(a) With respect to Bonds issued as tax-exempt bonds, the District hereby covenants with the holders of such Bonds that, notwithstanding any other provisions of this Resolution, it will (1) comply with all of the provisions of the County Resolution relating to the Rebate Fund (as defined therein) and perform all acts necessary to be performed by the District in connection therewith, and (2) make no use of the proceeds of the Bonds or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

The District will not make any use of the proceeds of the Bonds or any other funds of the District, or take or omit to take any other action, that would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, so long as any Bonds are unpaid, the District, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1986, as amended, to the extent such requirements are, at the time, applicable and in effect.

The District will not use or permit the use of its facilities or any portion thereof by any person other than a governmental unit as such term is used in Section 141 of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the interest paid on the Bonds. In furtherance of the foregoing tax covenants of this Section 3(a), the District covenants that it will comply with the instructions and requirements of that certain Tax Certificate to be executed and delivered by the District on the date of issuance of such tax-exempt Bonds, which is incorporated herein as if fully set forth herein. These covenants shall survive the payment in full or defeasance of the Bonds.

(b) With respect to Bonds issued as Build America Bonds, the District covenants that it will comply with the instructions and requirements of those certain Tax Certificates to be executed and delivered by the District on the date of issuance of such Build America Bonds.

SECTION 4. Legislative Determinations. This Board determines that all acts and conditions necessary to be performed by the Board or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or

constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

SECTION 5. Official Statement. The Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Secretary of the Board is hereby approved and the Chancellor of the District, the Vice Chancellor, Administration and Finance of the District, and such other officers or employees of the District as may be designated for such purpose (collectively, the "Authorized Officers"), each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to Underwriter to be used in connection with the offering and sale of the Bonds. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement "final" pursuant to 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Bonds. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement.

SECTION 6. Purchase Contract. The form of a purchase contract by and among Riverside County (the "County"), the District and the Underwriter for the Bonds (the "Purchase Contract") on file with the Secretary of the Board is hereby approved. In connection with the sale of the Bonds, the Board authorizes the Authorized Officers, each alone, on behalf of the District, to execute and deliver to the Underwriter a Purchase Contract for the Bonds, with such terms and conditions as may be acceptable to such official; provided, however, that the interest rate on the Bonds shall not exceed that authorized at the Election, the underwriting discount (excluding original discount) shall not exceed 0.8% of the aggregate principal amount of the Bonds issued, and the aggregate principal amount of the Bonds shall not exceed \$110,000,000.

SECTION 7. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District and dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Section. Noncompliance with this Section shall not result in acceleration of the Bonds.

SECTION 8. Authorized Actions.

(a) Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

SECTION 9. Professional Services. The District hereby appoints Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California as Bond Counsel, Best Best &

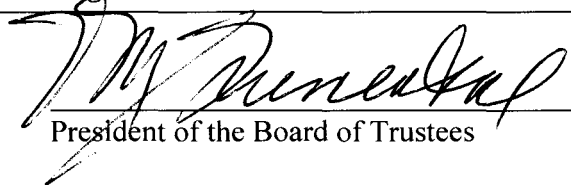
Krieger LLP, Riverside, California as Disclosure Counsel, and Piper Jaffray & Co., El Segundo, California as Underwriter in connection with the issuance of the Bonds.

SECTION 10. Recitals. All the recitals in this Resolution above are true and correct and this Board so finds, determines and represents.


SECTION 11. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED, ADOPTED AND APPROVED this 21st day of September, 2010, by the following vote:

AYES:	MEMBERS	<u>4</u>	<u>Blumenthal/Green/Takano/Medina</u>
NOES:	MEMBERS	<u>0</u>	
ABSTAIN:	MEMBERS		
ABSENT:	MEMBERS	<u>1</u>	<u>Figueroa</u>


President of the Board of Trustees

ATTEST:


Secretary of the Board of Trustees

SECRETARY'S CERTIFICATE

I, Mark Takano, Secretary to the Board of Trustees of the Riverside Community College District, hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held at the regular meeting place thereof on September 21, 2010, of which meeting all of the members of the Board of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: September 21, 2010

By: 
Secretary to the Board of Trustees

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Mark Farrell**Managing Director****(310) 297-6012**

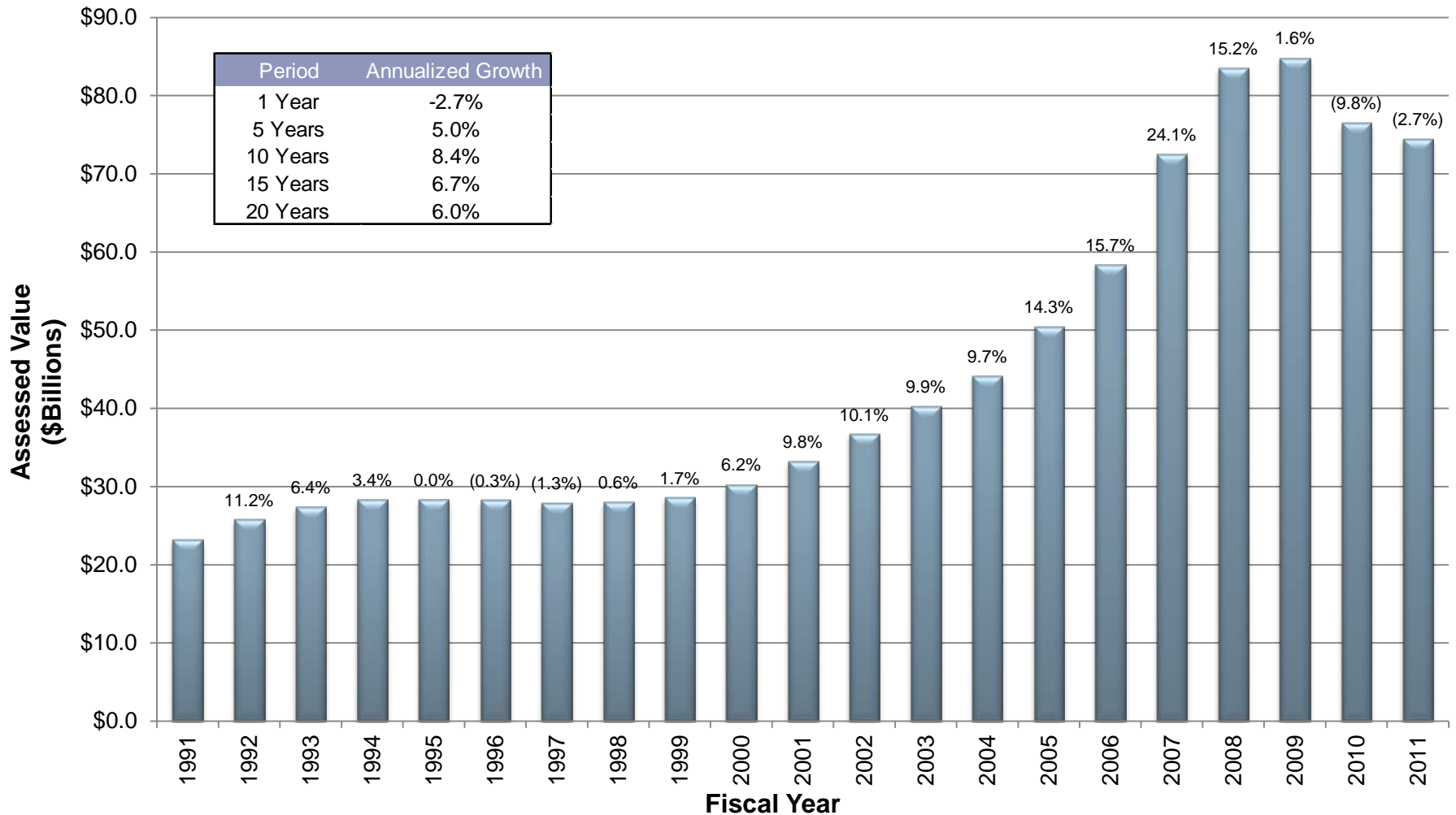
RIVERSIDE COMMUNITY COLLEGE DISTRICT

Measure C Bond Program Update & Prospective Series D Issuance

September 7, 2010

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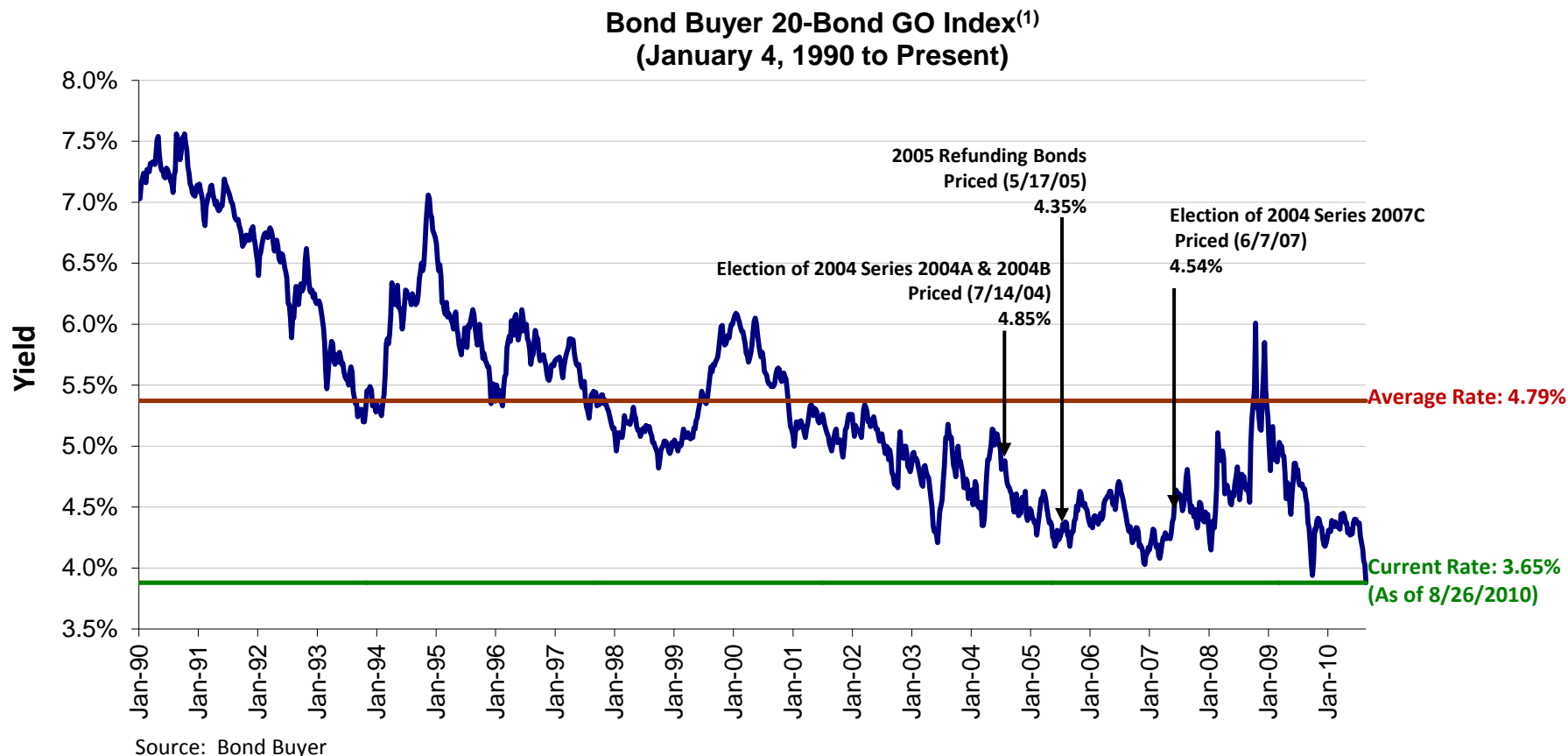
Riverside CCD Historical Assessed Value



Source: Riverside County Treasurer Tax Collector

Historically Low Rates

The chart below highlights general obligation bond interest rates. The Index is currently at 40 year lows.



(1) The Bond Buyer 20-Bond GO Index is comprised of 20 GO bonds maturing in 20 years with an average rating equivalent to Moody's Aa2 and S&P's AA.

Measure C Overview

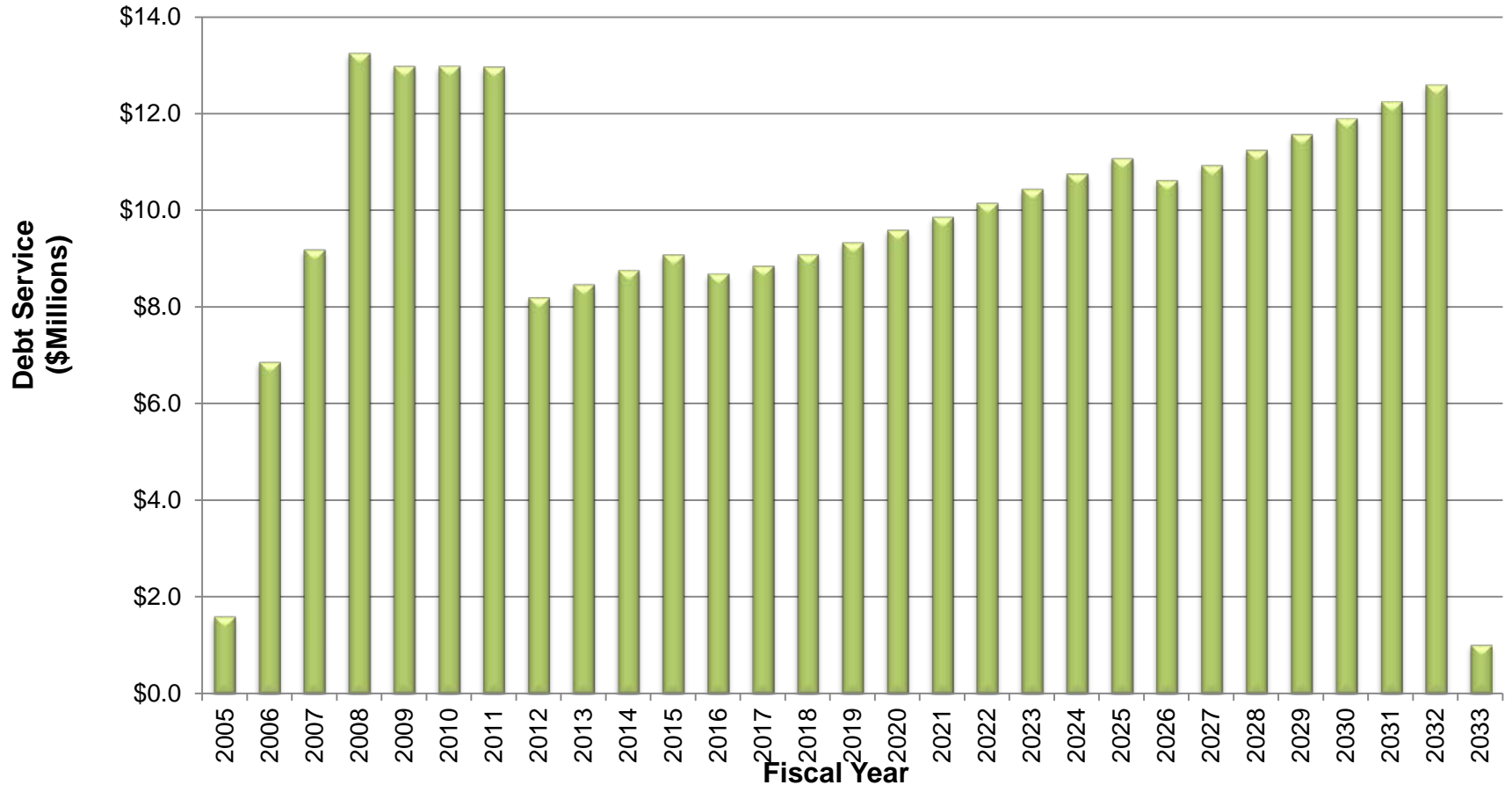
Bond Authorization & Issuance

Total Bond Authorization	\$350,000,000
Series A & B (issued July 14, 2004)	65,000,000
Series C (issued June 7, 2007)	90,000,000
Proposed Series D (expected issuance November 2010)	110,000,000
Remaining Authorization after Series D	85,000,000

Measure C Approved Tax Rate of \$18.00 per \$100,000 AV

Measure C Existing Debt Service

Under the plan of issuing bonds every three years, existing bond payments will drop in 2011/12 to make room for the Series D issuance



Series D Issuance Considerations

Measure C Project Cash Flow Needs

- Bond issuances planned for every three years
- Issuance amount based on estimated Measure C project cash flow schedule
- Availability of State bond funds may impact schedule

Market Conditions

- Tax-exempt general obligation bond interest rates near historic lows
- Opportunity to issue Build America Bonds (“BABs”) in 2010 may further lower interest costs

Assessed Value Growth Projections

- Riverside County projects no change in countywide AV in 2011-12 and modest growth thereafter⁽¹⁾

(1) Source: Riverside County Executive Officer’s FY 2009-10 Midyear Budget Report

Build America Bonds Overview

Municipal bond issuers may issue taxable Build America Bonds (BABs) and receive a subsidy from the U.S. Treasury equal to 35% of the interest cost

Benefit

- Provides municipal bond issuers access to a significant pool of bond purchasers who traditionally invest in taxable bonds
- For certain maturities, issuing taxable BABs provides lower net interest cost than issuing traditional, tax-exempt bonds

Authorization

- Authorized in the American Recovery & Reinvestment Act of 2009
- Legislation will expire at the end of 2010 without an extension from Congress
- Proposal in Congress to extend BABs but at a lower subsidy rate

Tax-Exempt vs. BABs Issuance Comparison⁽¹⁾

In the current market, utilizing BABs would save the District's taxpayers approximately \$17 million in interest costs on a \$110 million bond issuance

	Build America Bond Issue	Tax Exempt Bond Issue
Issuance Breakdown		
Tax-Exempt Current Interest Bonds	\$0	\$95,405,000
Tax-Exempt Capital Appreciation Bonds	5,696,009	14,593,228
Taxable Build America Bonds (BABs)	<u>104,300,000</u>	<u>0</u>
Total Principal	\$109,996,009	\$109,998,228
Term	30 years	30 years
Average Interest Cost ⁽²⁾	4.40%	4.84%
Total Debt Service	\$232,379,936	\$249,165,449
Federal Tax Subsidy (BABs) ⁽³⁾	35%	N/A
AV Growth Assumptions		
2012	0.00%	0.00%
2013	2.00%	2.00%
2014+	3.00%	3.00%

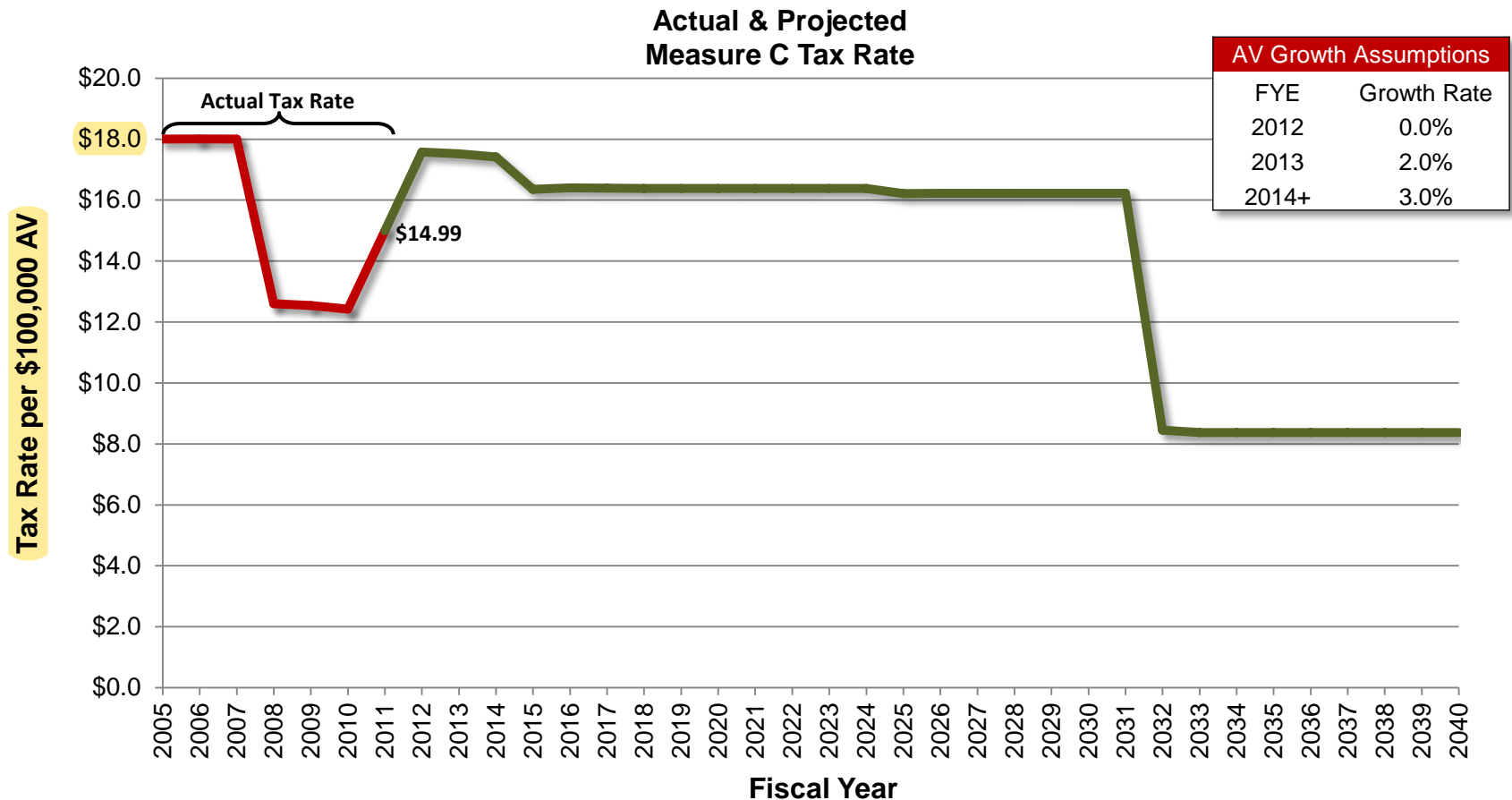
(1) Assumes Aa2/AA- rates as of September 2, 2010. Subject to market fluctuation.

(2) All-In TIC. Assumes all estimated financing costs.

(3) BABs issued in 2010 receive direct subsidy equal to 35% of the interest payments. Authority to issue BABs set to expire in 2010. Proposal in Congress to extend BABs but with lower, 32% subsidy in 2011.

Measure C Actual and Projected Tax Rates

The following chart illustrates the actual and projected Measure C tax rates including the prospective Series D issuance



Financing Schedule Highlights

Date	Event
September 21	District Board authorizes bond issuance
Week of Sept 27 or Oct 4	Rating Agency presentations in San Francisco
October 5	Riverside County Board of Supervisors adopts issuance resolution
Week of October 11	Preliminary Official Statement distributed to investors
Week of October 18	Bonds sold to investors – interest rates locked
Week of November 1	Financing closes – bond proceeds delivered to Riverside County Treasurer