

CONSENT AGENDA ACTION ITEM

Governing Board Agenda

Meeting Date: February 24, 2009

Item Number	Item Title	Responsible Agents
V.E.1	RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF \$220,000,000 AGGREGATE PRINCIPAL AMOUNT OF MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT OF MARICOPA COUNTY, ARIZONA, GENERAL OBLIGATION BONDS, PROJECT OF 2004, SERIES C (2009)	Ms. Debra Thompson

Recommendation

It is recommended that the Governing Board approve and order the issuance and sale of \$220,000,000 aggregate principal of General Obligation Bonds, Project of 2004, Series C (2009).

Justification

The District continues its efforts to implement the \$951.4 million bond program approved by 76% of Maricopa County voters in 2004. To date, dozens of construction, remodeling or building purchases have been completed or are underway, with more planned over the next few years. Additionally, the District has purchased land parcels to develop new campuses in a future bond program and has made equipment purchases pursuant to the bond referendum. At this point, we are about at the peak of this program.

To finance this activity, the District has issued two series of General Obligation bonds: Series A for \$190.3 million was issued in 2005 and Series B was issued in 2007 for \$240 million. Interest costs on the bonds have been below 4% on both series, due to the District's high credit rating (AAA, or the highest possible) and a generally favorable interest climate.

Funding	Approvals/Certifications
<u>Source:</u> <u>Account Identification:</u>	Chancellor _____ Academic & Student Affairs _____ Business Services _____ Human Resources _____ ITS _____ Res Dev & Cmty Relations _____ College President _____

The District issues bonds on a cash flow, not a project basis, meaning that bonds are issued to finance the cash flow of dozens of projects for a period of time, not to fund the full completion of particular projects. In other words, any particular project might be funded by more than one Series of bonds. This approach allows us to phase in many projects at the same time, and manage workload with minimal staff impact since staff and faculty time on the project can vary given the stage of the project.

All of Series A proceeds have been expended and all but \$39 million in Series B proceeds is expended or encumbered. Series C is requested in order to provide necessary funding for approximately the next two years. Series D (\$250 million) is expected to be issued in 2011 and Series E (\$51 million) in 2013.

The bonds have a maximum maturity of 15 years, with an average life of about 9.5 years. State law permits the levy of a secondary tax to repay General Obligation bonds and our bond covenants pledge the same. The actual tax rate consistently has come in less than projected in the statutorily required voter pamphlet and now approximates \$.16/\$100 of assessed valuation for outstanding 1994 and 2004 program debt. This translates into \$16 per year for the owner of a \$100,000 home. The rate next fiscal year is expected to remain about \$.16/\$100 of assessed valuation. Overall, the average tax rate projected in the voter pamphlet for the full program was \$.1583/\$100 of assessed valuation; the current projected average is \$.1018/\$100 of assessed valuation.

This action item is proposed in order to facilitate this sale of bonds. Other elements of the process include a review by the State's Joint Committee on Capital Review (JCCR) pursuant to State law, ratings agency calls and ratings assignments, and potentially then a competitive sale of the bonds on either March 24 or April 28 at 10 am, depending on when the JCCR review occurs. The bond sale is awarded to the firm that meets all legal requirements and sets the lowest interest cost on the bonds. We bring a recommendation that the Governing Board award this purchase and sale of the bonds on the same evening that the bonds are bid, and that either will be March 24 or April 28.

The actual sale of these Series C General Obligation bonds is further contingent on the availability of operating budget support (for increased utility, maintenance and staffing costs for the new facilities). The voter referendum provides funding for actual capital development as well as resources (secondary property taxes) to repay the bonds that have been issued. The district has funded future operating costs from the increases in our three main operating budget resources (property taxes, state aid and tuition and fees). The district steadily has been building operating budget for this program since adopting the FY04-5 budget (\$15 million to date) but still requires additional budget estimated at \$14 million plus potential additional operational costs from technology projects, etc. beyond initial capitalized expenditures. Given the State aid cuts that have occurred to date and are likely in the future, and the District's at least partial response to address these State cuts through its own budget cuts, in order to fund these operating costs and other critical needs, the District is more reliant than ever on modest tuition increases (proposed this year at \$5/per credit hour) and the 2% Constitutional increase in the tax levy (which approximates a \$7.2 million and results in a property tax of \$73.98 per year on a home valued at \$100,000, or an increase of \$1.45 if the 2% was not approved). We would need to re-evaluate the sale if these increases are not proposed as the Series C sale contemplates that new projects will be funded with Series C; without available operating dollars, the facilities would not be able to come on line.