

REVISED ACTION ITEM

Governing Board Agenda

Meeting Date: March 24, 2009

<u>Item Number</u>	<u>Item Title</u>	<u>Responsible Agents</u>
V.E.1	RESOLUTION PROVIDING FOR THE PURCHASE 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 authorize the purchase and sale of \$220,000,000 aggregate principal of General Obligation Bonds, Project of 2004, Series C (2009) to Barclays Capital, Inc. following the close of a competitive electronic bidding process at 10 A.M. on March 24, 2009. With this step, the district will close this bond sale and receive the \$220,000,000 in bond proceeds by the end of the first week in April and this will fund the continued implementation of the 2004 bond program.

Barclays Capital, Inc. was a responsive bidder and offered the lowest true interest cost on the bonds. The results of the bids are as follows:

<u>Bids Received</u>	<u>Net Interest Costs</u>
1. Barclays Capital, Inc.	4.012533%
2. Robert W. Baird & Co., Inc.	4.092284%
3. Merrill Lynch & Co.	4.363748%

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 _____

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.

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.

Other elements of the process have concluded already: a favorable review by the State's Joint Committee on Capital Review (JCCR) pursuant to State law, ratings agency calls and ratings assignments. This part of the process is a competitive sale of the bonds on March 24 that opens the morning of March 24 and closes that same morning at 10 am. With some competitive bidding, such as for construction awards, it is possible to allow for a longer window of time to receive and make the award but for financial transactions such as a bond sale, the bids are made reflective of the financial market at the moment the bids are submitted; hence the bid and award are made on the same day to reflect that very sensitive market pricing. Therefore, 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 on March 24; immediately prior to the start of the March 24 Board meeting, we therefore will replace this item that currently lacks information on bidders and the recommended award with all such information. If the award is not made on the same day, this would likely have an adverse impact on future bond sales (i.e., might limit competition, increase interest costs). The bond sale is awarded to the firm that meets all legal requirements and sets the lowest interest cost on the bonds.