

*RIVERSIDE COMMUNITY COLLEGE DISTRICT*  
***District Budget Advisory Council Meeting***

Friday, October 21, 2022

[Zoom Conference Link](#)

Phone: 1 (669) 444-9171 Meeting ID: 812 9387 2837  
9:00 a.m. - 11:00 a.m.

**AGENDA**

- I. Welcome and Call to Order
- II. Approval of Meeting Minutes
  - September 22, 2022
- III. District Budget Update
  - ECA – Reserve Requirement
- IV. Other
  - Solar Project Financing Update
    1. Presentation from Financial Advisor (Keygent) and Underwriter (Piper Sandler)
    2. “Down Payment” Recommendation
  - Unique Program Allocation Update
  - District Office Allocation Methodology
- V. Future Meetings
  - Future Meeting (Zoom)
    - Friday, November 18, 2022
    - Friday, December 9, 2022
    - Friday, January 20, 2023
    - Friday, February 24, 2023
    - Friday, March 17, 2023
    - Friday, April 21, 2023
    - Friday, May 19, 2023
    - Thursday, June 15, 2023

*RIVERSIDE COMMUNITY COLLEGE DISTRICT*  
*District Budget Advisory Council Meeting*

*Thursday, September 22, 2022*  
*2:00 p.m. – 4:00 p.m.*

MEETING MINUTES

MEMBERS PRESENT

Aaron S. Brown	(District)
Misty Griffin	(District)
Liz Tatum	(Riverside City College)
Mark Sellick	(Riverside City College)
Jennifer Bielman	(Riverside City College)
Asatar Bair	(Riverside City College)
Nader Ghopreal	(Moreno Valley College)
Felipe Galicia	(Moreno Valley College)
Michael Collins	(Norco College)
Esmeralda Abejar	(Norco College)
Courtney Buchanan	(Norco College)
Paula Barrera	(Norco College)
Gloria Aguilar	(Recorder)

MEMBERS NOT PRESENT

Cyndi Gundersen	(District)
Edd Williams	(Moreno Valley College)
Kristine DiMemmo	(Riverside City College)
Majd Askar	(Moreno Valley College)
Alfred Cardoza	(Moreno Valley College)
	(Student Trustee)

GUESTS

Laurie MqQuay-Peninger (District)

I. CALLED TO ORDER:

- a. By Aaron Brown

II. APPROVAL OF MINUTES:

- a. Once a quorum was achieved, Barrera moved and Collins seconded approval of the minutes for June 16, 2022. Collings requested one change to the minutes, changing his attendance from not present to present. Galicia abstained.
- b. Once a quorum was achieved, Bielman moved and Collins seconded approval of the minutes for August 26, 2022. No abstentions.

III. DISTRICT BUDGET UPDATE:

- a. Brown stated the budget passed at the 9/20/22 Board meeting.
- b. RCCD applied for the Emergency Conditions Allowance (ECA) Reserve Requirement. Reviewed page 8, item #6 of the application which is to develop a reserve requirement. Brown said the council needs to develop a budget policy recommendation change and will need to be adopted before or by February 28, 2023.
- c. If RCCD did not apply, we would have faced a \$7-\$8 million dollar loss.
- d. GFAO said or the fund balance of the memo said at a minimum regardless of size, maintain unrestricted budgetary fund balance in the general fund of no less than two months of regular general operating revenues or regular general fund operating expenditures.
- e. Brown recommends RCCD follow the expenditure option and to not include one-time expenditures, and only include general operating funds ongoing expenditures.
- f. Inquiries of the dollar amount of the current 5% policy vs the new reserve dollar amount was asked. Brown said the current policy of 5% is approximately \$16 million dollars, and the new reserve is estimated to be about \$35-\$40 million dollars. This is the total for two months of operating expenditure.
- g. This will be a multi-year implementation as it could be a financial hardship if not completed over several years. The State permits multi-year implementation.
- h. Brown said his office will produce a draft to with DBAC.
- i. FY 2021-22 will be used to identify the monthly general fund Resource 1000 expenditures, subtracting one-time expenditures to get the two highest months balances during the year to utilize in the calculation.
- j. Brown will forward draft to the group prior to the next meeting.
- k. FY 2022-23 Physical Plant & Instructional Support:
  - l. Reviewed page 12, the district was allocated \$18 million dollars based on P2 reported FTES. This year the state \$4 million dollars auto awarded to each school district on top of the calculation.
  - m. The estimated solar project cost is \$32 million dollars. We are looking to bring this amount to \$20 million to finance. Brown said his recommendation is to use a combination of budget savings and deferred maintenance. This impacts all three colleges, and district office.
  - n. Collins reminded the group of PPIF instructional equipment funds. All colleges rely on these funds to support instructional equipment for classroom needs.
  - o. Courtney inquired about the funding sources for the \$12 million dollars. Brown explained the amount would be between the budget savings and deferred maintenance funds.
  - p. Sellick shared he understands the concept and expressed concerns in recapturing the savings being used. Brown said the two accounts of deferred maintenance and instructional equipment be recaptured if savings are realized from the Solar Project over time.

- q. Collins expressed concerns regarding utilizing the funds when a possible recession is forthcoming. Brown said we would not utilize all deferred maintenance or saving funds, it would be an amount we feel comfortable with.
- r. The group will provide their feedback on this matter.
- s. Collins inquired if the reserves are set for any other usage or liabilities. Brown shared; they are not set aside for any known expenses. Sellick stated unfunded initiatives during strategic planning will be impacted. Brown acknowledged these concerns, the situation is not ideal, and poses a challenge due to the lack of bond measure, and the need to bring down our debt level is needed.
- t. The timeline for this is about 2-3 weeks to notify our financial advisor, prepare and complete the paperwork for the credit rating and have it ready for November 1<sup>st</sup> Board.
- u. Will need the colleges to come up with their best ideas on how to allocate between these resources. An email will be sent out to the group.

IV. OTHER:

- a. Unique Program Allocation Update: Goal is to have a resolution ready for the beginning of the calendar year.
- b. Griffin provided an update on where the project is. The group is facing a difficulty with the unique program calculation as these programs have unique variables posing a challenge. Griffin stated a meeting is scheduled with Dr. Mills to discuss the Enrollment Management data and make some decisions on how to move forward with the calculations.
- c. Sellick restated his concern for the calculations creating challenges for the actual work of the programs.
- d. Collins acknowledged the comparison of these unique programs are challenging and is looking forward to the conversation.
- e. Brown stated this will be concluded before the end of the year, and will be assessed for the best decision.
- f. District Office Allocation Methodology:
- g. Brown said an analysis of the district office is needed, what are service level expectations and the cost for providing the services.
- h. Brown shared there may be potential models out there which can be used from other school districts when conducting the cost analysis.
- i. Feedback on what expectations of services provided to the colleges from the district office will be needed. Identifying these will help to build a cost structure. The preliminary conversations will begin soon.
- j. Question and conversation regarding the percentage surrounding the generation of FTES was discussed. The number will be sent out to the group.

V. FUTURE MEETINGS

- a. Proposed meeting dates will be used for the FY 2022-23 year.

• MEETING ADJOURNED:

**BP 5200 BUDGET PREPARATION AND RESERVES**

**References:**

Education Code Section 70902(b)(5);  
Title 5 Sections 58300 et seq.;  
The California Community Colleges Budget and Accounting Manual  
ACCJC Accreditation Standard III.D

Each year, the Chancellor shall present to the Board of Trustees a budget, prepared in accordance with all applicable laws and regulations. The schedule for presentation and review of budget proposals shall comply with State law and regulations, and provide adequate time for Board review.

The District shall employ the concept of a fund balance target in the annual budget development process. The fund balance target concept shall apply to the Unrestricted General Operating Fund (Resource 1000) and shall equate to a minimum of two months of total general operating fund regular ongoing expenditures measured as follows:

- 1) The monthly average of total Resource 1000 expenditures from the prior fiscal year, exclusive of one-time expenditures, times two.
- 2) This policy will be implemented ratably over a four year period with the first year of implementation being FY 2023-2024, based on the calculation each year and culminating in full implementation by FY 2026-27.

The fund balance target amount shall be the first item funded in the budget for any fiscal year and will also be extended to other District Funds/Resources when and where applicable.

Budget preparation shall meet the following criteria:

- The annual budget shall support the District's strategic and educational plans;
- Assumptions upon which the budget is based shall be presented to the Board of Trustees for review; and
- A schedule shall be provided to the Board of Trustees each year that includes dates for presentation of the tentative budget, required public hearing(s), Board review, and approval of the final budget. At the public hearings, interested persons may appear and address the Board of Trustees regarding the proposed budget or any item in the proposed budget.

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Date Approved: May 15 2007

Revised: November 25, 2014 (references only)

(Replaces Policy 7080)

Formerly: 6200

October 2022

# Riverside Community College District

Prospective Certificates of Participation

# COPs Overview

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Certificates of Participation (COPs) are a financing alternative to general obligation (GO) bonds

- ◆ COPs are lease financings that do not require voter approval
  - Proceeds are used to construct/acquire real or personal property
    - Cannot be used for operations/cash flow purposes
- ◆ Unlike GO bonds which are repaid from property taxes, COPs are repaid from the District's general fund or other sources
  - The District utilizes an essential site and enters into a lease with a non-profit corporation
  - The District makes lease payments which are used to repay the financing
    - Flexible repayment options and financing terms
      - E.g. Annual debt service can be sized according to projected solar savings
  - Given the repayment from District funds vs property taxes, rating agencies assign a lower credit rating to COPs vs GO bonds and interest costs are therefore higher than GO bonds
  - Early payoff can be made from future GO bonds, State reimbursement funds, or other District funds



# Legal Documents

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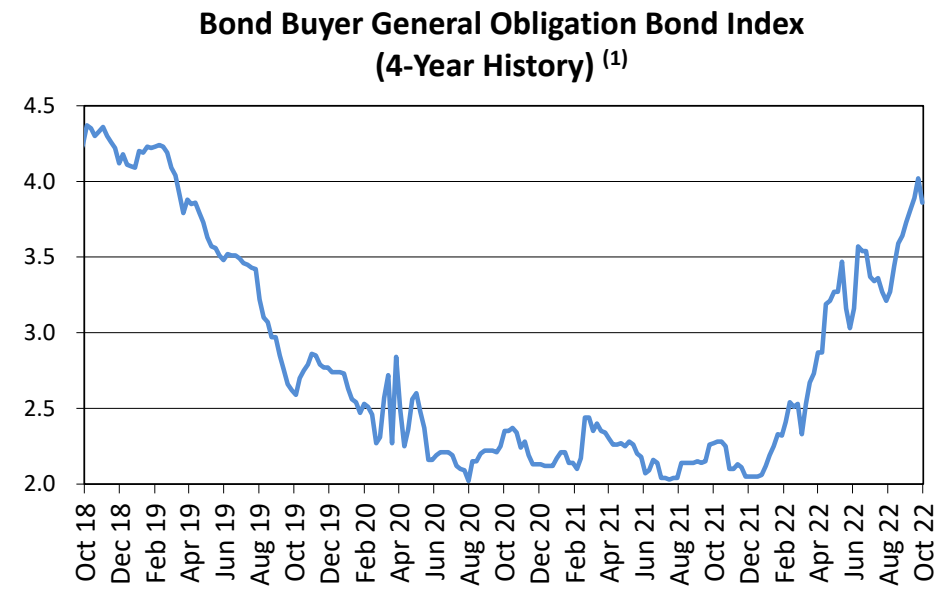
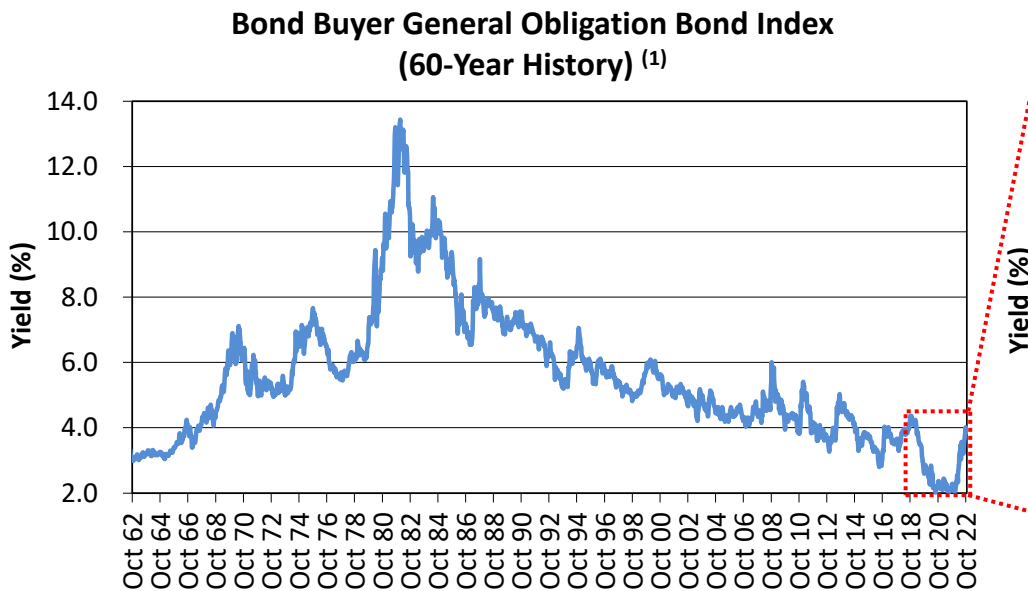
Following is a summary of legal documents that would be prepared:

- ◆ **Authorizing resolution**
  - Approves the issuance of the COPs
  - Specifies the terms and parameters of the COPs
  - Authorizes District staff to take the steps necessary to complete the financing
- ◆ **Approves the form of other legal documents**
  - Preliminary Official Statement
    - Offering document circulated to prospective investors describing the COPs
  - Certificate Purchase Agreement
    - Agreement in which the underwriter agrees to purchase the District's COPs
  - Continuing Disclosure Certificate
    - Outlines the District's duties to provide ongoing information to the investing community on its finances, tax base information and listed events
  - Site Lease and Lease Purchase Agreement
    - Outlines the lease of District property to the non-profit and the sublease back from the non-profit with the obligation to make lease payments
  - Assignment Agreement and Trust Agreement
    - The non-profit assigns its rights in the Site Lease and Lease Purchase Agreement to the Trustee with the Trust Agreement outlining the terms of the financing

# Interest Rates (1)

Following a period of record low interest rates early in the pandemic, interest rates have risen due to:

- ◆ Supply chain/labor constraints
- ◆ Inflation (e.g. oil prices)
- ◆ War in Ukraine
- ◆ Fed/other central bank actions in increasing interest rates (both taken and expected)



(1) Index reflects average yield to maturity of 20 general obligation bonds with 20-year maturities rated 'Aa2' by Moody's Investors Service and 'AA' by Standard and Poor's. Source: The Bond Buyer & Bloomberg.

# District Credit Rating

Based on the District's Moody's GO bond rating of **Aa1**, The District has an implied COP rating of **Aa3** based on the below factors:

- ◆ Local economy (30% of rating)
- ◆ District finances (30% of rating)
- ◆ District debt (30% of rating)
- ◆ District management (10% of rating)

Moody's generally assigns General Fund-backed financings a rating two notches below the District's GO bond rating

	Moody's	Rating Description
Investment grade	Aaa	Prime
	Aa1	High grade
	Aa2	
	Aa3	
	A1	Upper medium grade
	A2	
	A3	
	Baa1	Lower medium grade
	Baa2	
Baa3		
Non-investment grade	Ba1	Speculative
	Ba2	
	Ba3	
	B1	Highly speculative
	B2	
	B3	
	Caa1 & below	Extremely speculative/ Default

# Illustrative Scenarios

Scenario	Current Rates			Current Rates +0.50%			Current Rates -0.50%		
<b>All-In Cost (1)</b>	5.37%			5.88%			4.86%		
<b>Sources &amp; Uses</b>									
Par	\$20,060,000			\$20,080,000			\$20,040,000		
Premium	462,851			456,467			469,443		
<b>Total Sources</b>	<b>\$20,522,851</b>			<b>\$20,536,467</b>			<b>\$20,509,443</b>		
Project Fund	\$20,000,000			\$20,000,000			\$20,000,000		
Insurance (2)	205,574			217,164			194,177		
<b>Issuance Costs</b>	<b>317,277</b>			<b>319,303</b>			<b>315,266</b>		
<b>Total Uses</b>	<b>\$20,522,851</b>			<b>\$20,536,467</b>			<b>\$20,509,443</b>		
<b>June 1</b>	<b>Debt Service</b>	<b>Solar Savings</b>	<b>Net Savings</b>	<b>Debt Service</b>	<b>Solar Savings</b>	<b>Net Savings</b>	<b>Debt Service</b>	<b>Solar Savings</b>	<b>Net Savings</b>
2023	\$ 492,024	\$ -	\$ (492,024)	\$ 539,793	\$ -	\$ (539,793)	\$ 444,336	\$ -	\$ (444,336)
2024	1,060,650	-	(1,060,650)	1,163,625	-	(1,163,625)	957,850	-	(957,850)
2025	1,710,650	2,415,495	704,845	1,813,625	2,415,495	601,870	1,607,850	2,415,495	807,645
2026	1,298,150	2,000,642	702,492	1,367,875	2,000,642	632,767	1,233,600	2,000,642	767,042
2027	1,324,650	2,034,883	710,233	1,389,675	2,034,883	645,208	1,254,875	2,034,883	780,008
2028	1,344,150	2,069,760	725,610	1,414,550	2,069,760	655,210	1,274,575	2,069,760	795,185
2029	1,366,900	2,105,287	738,387	1,437,225	2,105,287	668,062	1,297,700	2,105,287	807,587
2030	1,392,650	2,141,473	748,823	1,462,700	2,141,473	678,773	1,319,025	2,141,473	822,448
2031	1,341,150	2,066,215	725,065	1,415,700	2,066,215	650,515	1,273,550	2,066,215	792,665
2032	1,366,150	2,103,761	737,611	1,440,075	2,103,761	663,686	1,299,200	2,103,761	804,561
2033	1,393,900	2,142,004	748,104	1,466,975	2,142,004	675,029	1,322,825	2,142,004	819,179
2034	1,419,150	2,180,960	761,810	1,491,125	2,180,960	689,835	1,344,425	2,180,960	836,535
2035	1,441,900	2,220,640	778,740	1,517,525	2,220,640	703,115	1,369,000	2,220,640	851,640
2036	1,467,150	2,261,058	793,908	1,545,900	2,261,058	715,158	1,396,325	2,261,058	864,733
2037	1,494,650	2,302,229	807,579	1,575,975	2,302,229	726,254	1,421,175	2,302,229	881,054
2038	1,524,150	2,344,166	820,016	1,602,475	2,344,166	741,691	1,443,550	2,344,166	900,616
2039	1,553,463	2,386,884	833,422	1,633,488	2,386,884	753,397	1,471,500	2,386,884	915,384
2040	1,579,100	2,430,397	851,297	1,660,188	2,430,397	770,210	1,496,363	2,430,397	934,035
2041	1,606,063	2,474,721	868,658	1,692,575	2,474,721	782,146	1,528,138	2,474,721	946,583
2042	1,639,088	2,519,870	880,782	1,725,075	2,519,870	794,795	1,556,350	2,519,870	963,520
2043	1,667,650	2,565,860	898,210	1,752,400	2,565,860	813,460	1,581,000	2,565,860	984,860
2044	1,658,850	2,554,716	895,866	1,746,600	2,554,716	808,116	1,574,250	2,554,716	980,466
2045	1,547,025	2,380,899	833,874	1,626,900	2,380,899	753,999	1,470,000	2,380,899	910,899
2046	1,577,675	2,427,202	849,527	1,659,900	2,427,202	767,302	1,498,000	2,427,202	929,202
2047	1,608,100	2,474,399	866,299	1,691,600	2,474,399	782,799	1,526,750	2,474,399	947,649
2048	1,638,025	2,522,509	884,484	1,726,700	2,522,509	795,809	1,556,000	2,522,509	966,509
2049	1,672,175	2,571,548	899,373	1,759,600	2,571,548	811,948	1,585,500	2,571,548	986,048
<b>Total</b>	<b>\$ 39,185,236</b>	<b>\$ 57,697,577</b>	<b>\$ 18,512,340</b>	<b>\$ 41,319,843</b>	<b>\$ 57,697,577</b>	<b>\$ 16,377,734</b>	<b>\$ 37,103,711</b>	<b>\$ 57,697,577</b>	<b>\$ 20,593,866</b>

(1) Assumes tax-exempt rates with a 3-year optional call for an 'Aa3' underlying rating as provided by Piper Sandler on October 3, 2022. Subject to market fluctuations.

(2) Insurance and reserve fund policies subject to bid and may be utilized if economical.

# Illustrative Timeline

October 2022							November 2022							December 2022						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1		1	2	3	4	5					1	2	3	
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31
30	31																			

Date	Event
October 19	Distribution of authorizing resolution and form legal documents
<b>October 21</b>	District Budget Advisory Council
<b>October 24</b>	District Chancellor’s Cabinet meeting to review COP
<b>November 1</b>	District Board Committee meeting to review COP
Wk of November 1	Credit rating preparation zoom call
Wk of November 7	Rating agency zoom call
Wk of November 7	Non-Profit meeting to adopt authority resolution
<b>November 15</b>	District Board meeting to adopt resolution and form legal documents
November 16	Receive rating
November 16	Due diligence call
November 17	Finalize preliminary official statement and post electronically
November 29	Pre-pricing – Review market conditions and preliminary interest rates
November 30	Pricing – Interest rates locked in
December 7	Print and mail final official statement
December 14	Closing – Proceeds available to District