

Riverside Community College District

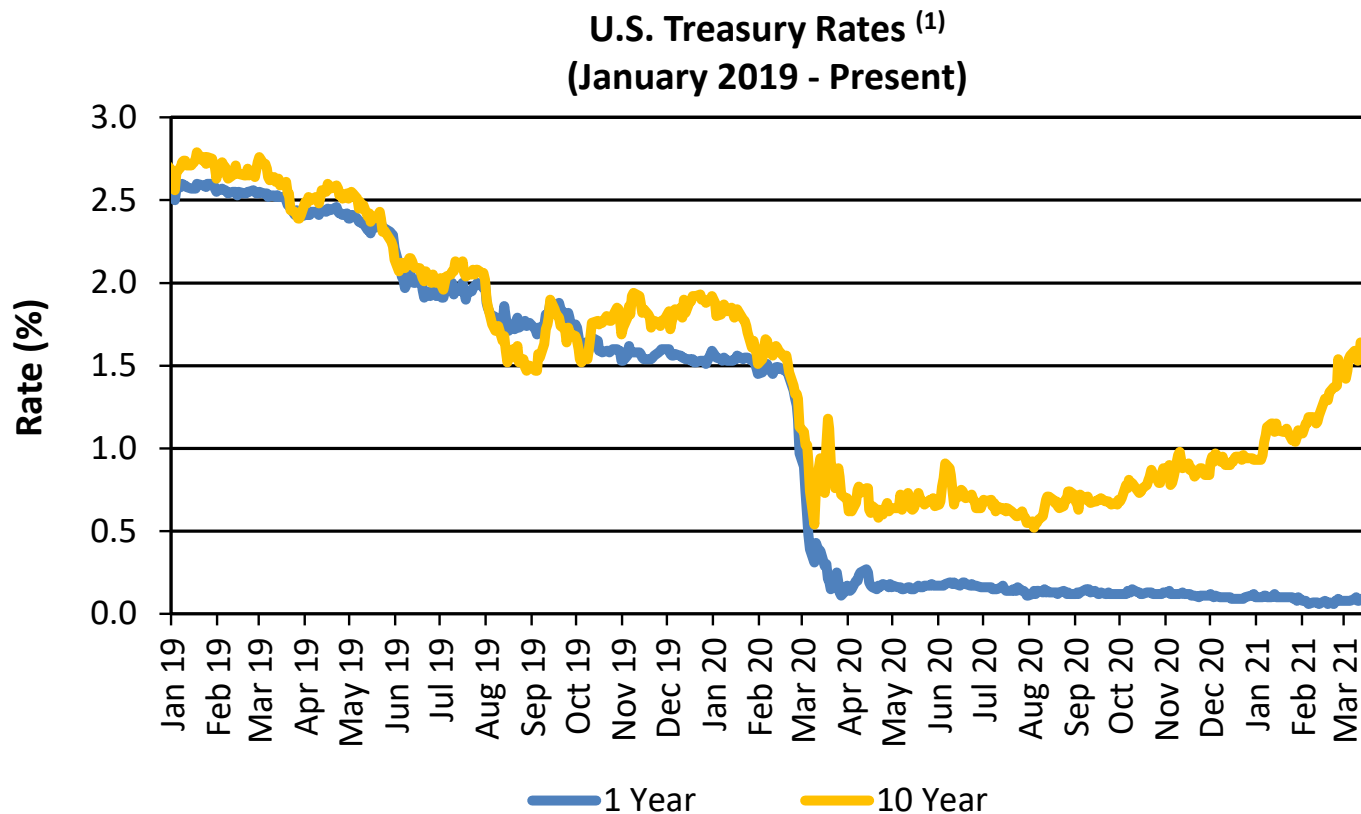
General Obligation Bond Refinancing Overview

April 6, 2021

Interest Rates

The economic impact and central bank response to COVID-19 has resulted in historically low interest rates, however rates have risen in recent weeks due to:

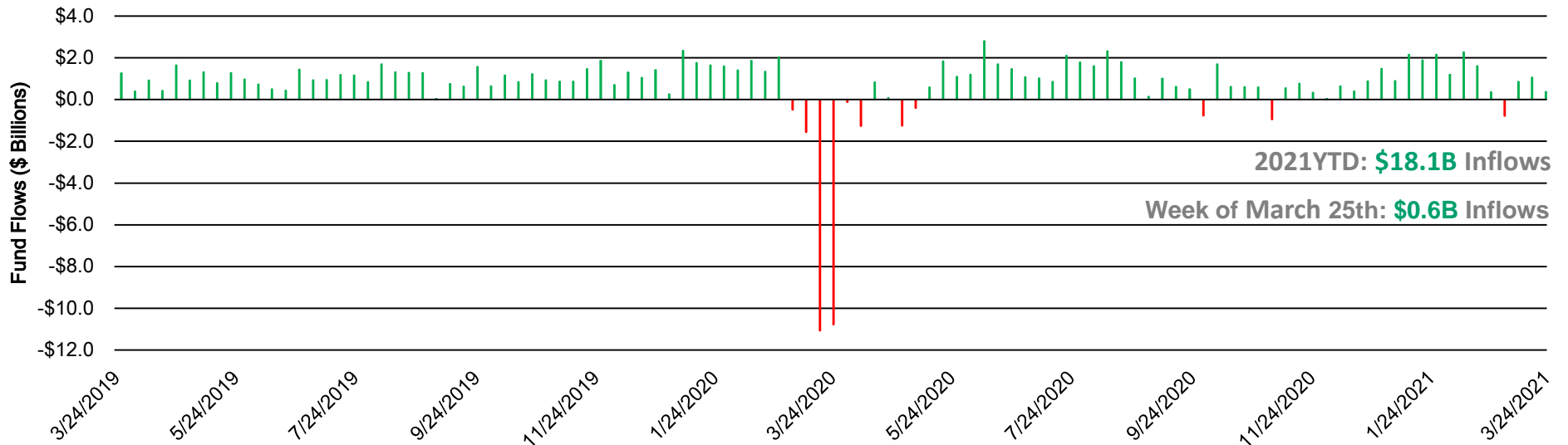
- ◆ Positive sentiment surrounding vaccine distribution
- ◆ Potential inflation resulting from economic re-opening and additional stimulus



(1) Source: U.S. Department of the Treasury.

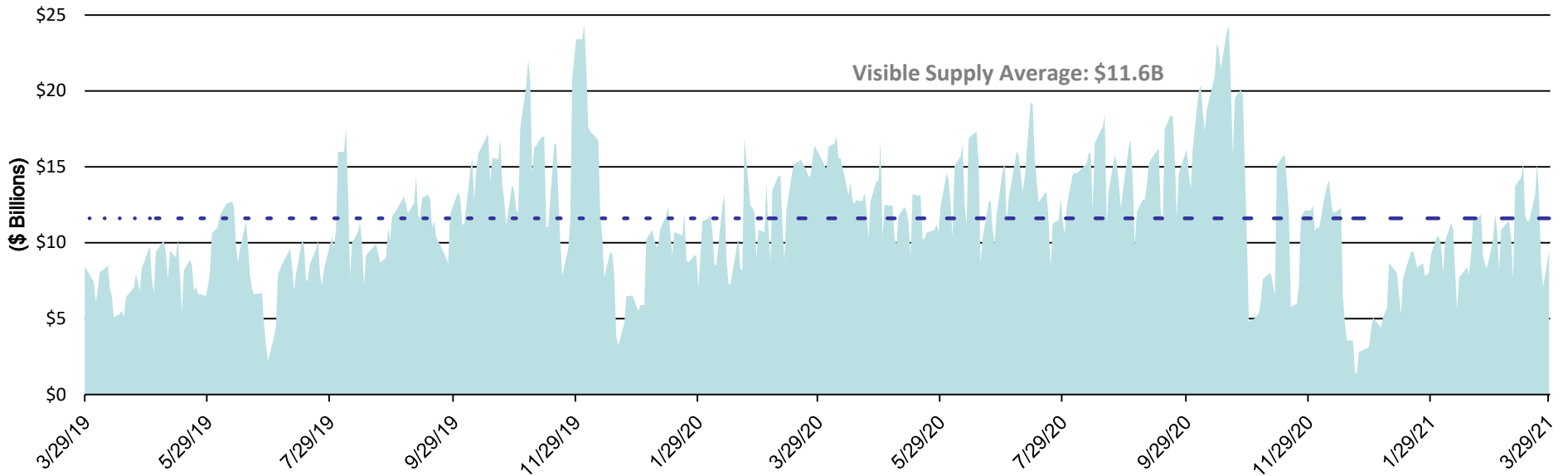
Municipal Bond Market Factors

Municipal Mutual Weekly Fund Flows



Source: PJC Municipal Market Data.

30-Day Visible Supply



Source: The Bond Buyer.

Prior General Obligation Bond Refinancings

The District has been proactive in taking advantage of low interest rate environments to benefit local taxpayers

- ◆ 2005 Refunding Bonds
 - Taxpayer savings: \$3,007,379
- ◆ 2014 Refunding Bonds, Series A & B
 - Taxpayer savings: \$5,009,241
- ◆ 2015 Refunding Bonds
 - Taxpayer savings: \$4,118,535
- ◆ 2019 Refunding Bonds
 - Taxpayer savings: \$29,113,123
- ◆ These refinancings have saved taxpayers a total of \$41,248,278

General Obligation Bond Refinancing Overview

The District has three series of bonds that may be candidates for a refinancing (“Prior Bonds”):

- ◆ 2014 Refunding Bonds, Series A
- ◆ Series 2015E Bonds
- ◆ 2015 Refunding Bonds

Depending on market conditions, the District may realize savings for its taxpayers by refinancing portions of the Prior Bonds

- ◆ Similar to refinancing a home mortgage, savings would be generated for the District’s taxpayers by replacing the higher interest rate Prior Bonds with lower interest rate refunding bonds (“Refunding Bonds”)
 - Refinancing does NOT extend the original bond term
- ◆ In order to comply with IRS rules, the Refunding Bonds would be sold as taxable bonds
- ◆ All financing costs (except for credit ratings) are contingent upon the successful issuance of the Refunding Bonds and are paid only from bond proceeds, not the General Fund

Credit Ratings

The District has very strong credit ratings of 'Aa1' from Moody's Investors Service and 'AA' from Standard & Poor's ("S&P")

- ◆ Following is an overview of the credit rating factors and weighting:
 - Local economy (30%)
 - District finances (30%)
 - District management (20%)
 - District debt/pension (20%)
- ◆ Moody's **upgraded** the District from 'Aa2' to 'Aa1' on October 15, 2019
- ◆ S&P **affirmed** the District at 'AA' on October 16, 2019

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

Refinancing Summary ⁽¹⁾

A refinancing produces present value savings above the industry benchmark of 3%

Debt Service Comparison			
Year	Prior Bonds	Refunding Bonds	Savings
2021	\$ 1,594,613	\$ 1,593,603	\$ 1,010
2022	3,189,225	3,168,194	21,031
2023	3,189,225	3,168,194	21,031
2024	3,189,225	3,168,194	21,031
2025	10,244,225	9,348,194	896,031
2026	13,076,475	12,177,686	898,789
2027	13,659,725	12,762,878	896,847
2028	13,760,975	12,863,415	897,560
2029	14,432,975	13,534,870	898,106
2030	15,119,475	14,223,232	896,243
2031	15,081,725	14,186,999	894,727
2032	9,218,475	8,324,176	894,300
2033	9,735,000	8,839,706	895,294
2034	10,190,000	9,292,662	897,338
2035	10,640,000	9,742,726	897,275
2036	11,115,000	10,218,121	896,880
2037	11,605,000	10,710,715	894,286
2038	12,115,000	11,219,161	895,840
2039	12,640,000	11,744,313	895,687
Total	\$ 193,796,338	\$ 180,287,035	\$ 13,509,302

Savings Statistics	
Present Value ("PV") Savings:	\$ 10,295,103
Original Principal - PV Savings %:	9.7%
Accreted Principal - PV Savings %:	8.6%
2014 Refunding Bonds Call Date:	8/1/24
Series 2015E Bonds Call Date:	2/1/25
2015 Refunding Bonds Call Date:	8/1/25
Escrow Yield ⁽²⁾ :	0.5%
Refunding Bond Yield:	2.4%
Escrow Negative Arbitrage:	\$ (9,331,413)
Interest Rate of Prior Bonds:	4.9%
All-Inclusive Rate of Refunding Bonds:	2.5%
Change in Interest Rate:	2.4%
Original Principal of Prior Bonds:	\$ 106,179,145
Accreted Principal of Prior Bonds:	\$ 119,406,533
Principal of Refunding Bonds:	\$ 141,120,000

(1) Interest rates provided by Piper Sandler on March 22, 2021. Includes all financing costs. Rates are subject to market fluctuation until Refunding Bonds are sold.

(2) Subject to bid.

RCCD BP 6307 – Debt Issuance and Management

Considerations for Refunding:

- ◆ **Best Interest**
 - Whenever deemed to be in the best interest of the District, and the property taxpayers residing within the District, the District shall consider refunding or restructuring outstanding debt if it will be financially advantageous or beneficial for debt repayment and/or structuring flexibility
- ◆ **Net Present Value Analysis**
 - The Vice Chancellor of Business and Financial Services shall review a net present value analysis of any proposed refunding to make a determination regarding the cost effectiveness of the proposed refunding, using a minimum dollar amount and/or percentage savings as a benchmark.
- ◆ **Maximize Expected Net Savings**
 - The timing of any refunding shall be designed to maximize net savings over the life of the bonds
- ◆ **Compliance with Existing Legal Requirements**
 - Any existing debt refunding shall comply with all applicable State and Federal laws governing such issuance

Financing Timeline

Date	Event
Completed	Distribution of authorizing resolution and forms of preliminary official statement (POS) and other legal documents
Completed	Credit package sent to rating agency
March 29	District Executive Cabinet Meeting to review bond financing (<u>March 23 agenda deadline</u>)
April 6	District Board Committee Meeting to review bond financing and legal documents
TBD	Rating agency preparation conference call
April 20	District Board Meeting to adopt resolution and forms of POS and other legal documents (<u>April 13 agenda deadline</u>)
TBD	Rating agency conference call
April 29	Receive rating
April 29	Finalize POS and post electronically
May 5	Pre-pricing conference call to discuss market conditions, interest rate comparables and bond interest rates
May 6	Price bonds – Interest rates locked in
May 13	Print and mail final official statement
May 26	Pre-closing – All documents signed
May 27	Closing