DRAFT

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: III-C-7 Date: December 14, 2010

Subject: Riverside Community College District's 2010 General Obligation Bonds

Attached for the Resources Committee's review and information is a report on the issuance of RCCD's 2010 General Obligation bonds. This matter will be discussed further at the December 7, 2010, meeting.

Information only.

Gregory W. Gray
Chancellor

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

PiperJaffray.

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November 1, 2010

Dr. James Buysse
Vice Chancellor, Administration & Finance
Riverside Community College District
4800 Magnolia Avenue
Riverside, CA 92516

Dear Dr. Buysse:

The Riverside Community College District's Election of 2004 General Obligation Bonds, Series D & D1 were sold to investors on Wednesday, October 27, 1010 and were well received by the market. This latest installment of approximately $110 million of Measure C bonds was structured as a combination of Build America Bonds and tax-exempt capital appreciation bonds with maturities ranging from 2015 to 2040. The Series D & D1 Bond financing is scheduled to close on November 10, 2010, at which time the bond proceeds will be deposited into RCCD's building funds held by the Riverside County Treasurer's Office.

RCCD and its taxpayers will benefit from the timing of the sale of the Series D & D1 Bonds, with the sale occurring near the 40 year historic low point in rates. Municipal bonds reached their most recent low point in rates at the end of August 2010 and remained near the lows during September. Rates have increased slightly in October; however, from a long-term perspective, it is still a very attractive time to issue bonds. Going back as far as 1967, tax exempt general obligation bonds rates have been higher than they were on October 27th 98.4% of the time as measured by the tax exempt general obligation index, the Bond Buyer 20 GO. When presented to the Board in September, the average market rates for RCCD's bonds were 4.40%. The actual average rate for the Series D & D1 bonds following the successful pricing on October 27th was 4.62%.

Further demonstrating the successful sale of RCCD's bonds is a comparison to a very similarly rated and structured general obligation bond financing for Palomar Community College District sold the day after RCCD's bonds. RCCD's bonds were sold with rates equal to or lower than Palomar's rates in every common maturity. The following table compares the rates for common maturities between the two financings.

Riverside CCD and Palomar CCD
Comparison of Overlapping Capital Appreciation Bond & Build America Bond Rates

Riverside Community College District
GO Bonds, Election of 2004, Series 2010D & D-1
Total Issuance Amount: $109,997,689
Rating (Moody's / S&P): Aa2/AA
Enhancement: None
Optional Call (BABs): 8/1/2020 at par
Optional Call (CABs): Non-callable
Sale Date: October 27, 2010
Underwriter: Piper Jaffray

Palomar Community College District
GO Bonds, Election of 2006, Series B
Total Issuance Amount: $174,998,901
Rating (Moody's / S&P): Aa2/AA-
Enhancement: None
Optional Call (BABs): 8/1/2020 at par
Optional Call (CABs through 2032): Non-callable
Sale Date: October 28, 2010
Underwriters: RBC, Citi, De La Rosa and Kinsell, Newcomb & De Dios

	Year	Par Amount/ Maturity Value	Yield	Spread to Treasury/MMD		Year	Par Amount/ Maturity Value	Yield	Spread to Treasury/MMD		RCCD vs. Palomar Spread (bp)	RCCD vs. Palomar Rate (bp)
Tax Exempt Capital Appreciation Bonds	2015	375,000	2.360	1.18	vs MMD	2015	280,000	2.360	1.15	vs MMD	3	0
	2016	570,000	2.730	1.26	vs MMD	2016	430,000	2.770	1.26	vs MMD	0	(4)
	2017	765,000	3.100	1.32	vs MMD	2017	880,000	3.230	1.40	vs MMD	(8)	(13)
	2018	970,000	3.440	1.41	vs MMD	2018	1,175,000	3.740	1.65	vs MMD	(24)	(30)
	2019	1,175,000	3.850	1.56	vs MMD	2019	1,575,000	4.150	1.80	vs MMD	(24)	(30)
	2020	1,360,000	4.190	1.71	vs MMD	2020	1,780,000	4.550	2.00	vs MMD	(29)	(36)
	2021	1,560,000	4.720	2.05	vs MMD	2021	3,000,000	4.880	2.15	vs MMD	(10)	(16)
	2022	1,775,000	4.930	2.15	vs MMD	2022	3,640,000	5.130	2.30	vs MMD	(15)	(20)
	2023	1,975,000	5.120	2.25	vs MMD	2023	4,315,000	5.320	2.40	vs MMD	(15)	(20)
	2024	2,190,000	5.350	2.40	vs MMD	2024	5,125,000	5.500	2.50	vs MMD	(10)	(15)
	2025	3,205,000	5.530	2.50	vs MMD	2025	5,030,000	5.580	2.50	vs MMD	0	(5)
Build America Bonds	2030					2030						
	2031					2031						
	2032					2032						
	2033					2033						
	2034					2034						
	2035	36,580,000	6.970	2.95	vs 30yr	2035						
	2036					2036						
	2037					2037						
	2038					2038						
	2039					2039						
	2040	65,720,000	7.020	3.00	vs 30yr	2040						
	2041					2041						
	2042					2042						
	2043					2043						
	2044					2044						
	2045					2045	83,500,000	7.194	3.15	vs 30yr		

The ability to issue Build America Bonds provided a significant interest rate benefit to RCCD's bonds, providing direct savings to the District's taxpayers. As authorized under the American Recovery & Reinvestment Act of 2009, Build America Bonds ("BABs") allow municipal issuers to issue taxable bonds and receive a direct subsidy from the IRS equal to 35% of the interest cost of the bonds. This subsidy is deposited into the repayment account for the bonds and reduces the amount of taxes required to be levied to repay the bonds. In the current market, BABs in the 20 to 30 year maturity range enjoy lower effective interest rates (after including the subsidy) than tax exempt bonds of the same term. As a result of these lower net interest rates, it is estimated that the District saved its taxpayers over $31 million in interest costs by issuing BABs compared to a tax exempt financing only[1]. When the financing plan was presented to the Board in September, the estimated benefit of the BABs was closer to $17 million. The increase in the BAB benefit is a result of tax exempt interest rates rising at a faster pace than BAB rates, widening the spread between the two types of bonds, during the past two months.

As part of the process to bring the RCCD's bonds to market, the District and the financing team traveled to San Francisco to meet with the rating agencies, Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P"), to update RCCD's existing bond rating. Prior to the issuance of the Series D & D1 Bonds, RCCD's general obligation bonds held Aa2/AA- ratings from Moody's and S&P respectively. RCCD was well represented in the meetings with the rating agencies. Following the meetings, Moody's affirmed the existing Aa2 rating and S&P upgraded RCCD's rating to "AA" from "AA-". In upgrading RCCD's rating, S&P commented on the District's history of maintaining healthy financial operations, flexibility to manage enrollments and class offerings to maximize state funding, and the community's strong income and wealthy indicators. Higher ratings have a direct benefit to RCCD's bond program by lowering the interest rates the bonds must carry to attract investors. As shown in the table below, RCCD's strong Aa2/AA ratings (highlighted in yellow) place the District among the top rated community college districts in the state.

California Community College District
General Obligation Bond Ratings

		Moody's								
		Aaa	Aa1	Aa2	Aa3	A1	A2	A3	NR	Total
S&P	AAA									0
	AA+		2	1						3
	AA	2	7	11					1	21
	AA-		3	21						24
	A+			3	3	1			2	9
	A			3	1					4
	A-						1		1	2
	NR								9	9
	Total	2	12	39	4	1	1	0	13	72

Source: Bloomberg
NR = No rating

The Series D & D1 Bonds were structured assuming the next series of Measure C bonds would be issued in the 2013/14 fiscal year. Correspondingly, the combined tax rates for all outstanding Measure C bonds, including the new Series D & D1, were structure to remain near the $18 amount approved by voters in 2004 for the next three years before dropping to allow room for the new bonds to be issued. The table below shows the tax rate projections assuming there is no change in RCCD's total assessed value in the 2011/12 fiscal year, a 2% increase in 2012/13, and a 3% increase

[1] Assumes tax exempt interest rates as of October 27, 2010 and same assessed value assumptions used for tax rate constraint for the hypothetical tax exempt only series of bond as used for the actual Series D & D1 bonds.

thereafter. These growth rates are consistent with the growth rates projected by Riverside County for the county wide assessed value growth during the next three years. Historically, RCCD's actual assessed value growth has tracked the countywide rate with a slightly positive variance. The tax rate projections do not include supplemental collections or any reserves held by the county which would result in lower rates than projected.

Measure C Bond Tax Rates
(Fiscal Year 2011 Actual and Fiscal Years 2012-2040 Projected)

Tax Year	Measure C Tax Rate	Tax Year	Measure C Tax Rate	Tax Year	Measure C Tax Rate
2011	$14.99	2021	17.21	2031	14.24
2012	17.75	2022	17.24	2032	9.65
2013	17.75	2023	17.26	2033	9.47
2014	17.64	2024	17.28	2034	9.48
2015	17.07	2025	17.30	2035	9.48
2016	17.11	2026	14.06	2036	9.47
2017	17.14	2027	14.08	2037	9.48
2018	17.16	2028	13.96	2038	9.48
2019	17.19	2029	13.84	2039	9.48
2020	17.19	2030	13.73	2040	9.48

On behalf of the entire Piper Jaffray team, congratulations on the successful sale of the Series D & D1 bonds. Please do not hesitate to contact me with any questions or if you need any additional details regarding the bond sale.

Sincerely,

Mark J. Farrell

Mark J. Farrell
Managing Director
Public Finance Investment Banking

Cc: Aaron Brown, Associate Vice Chancellor, Finance

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

General Obligation Bond Sale Review
December 7, 2010

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Series D Overview

Initially planned for Spring 2011, the issuance of RCCD's third installment of Measure C bonds was accelerated into 2010

- Expedited timeline to benefit from market conditions and lower costs to taxpayers
- Market interest rates near historic lows
- Issuance of Build America Bonds offered opportunity for lowering borrowing costs
- Federal authorization for Build America Bonds set to expire at the end of 2010

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Financing Schedule Highlights

Series D & D-1 financing was completed in approximately 11 weeks

Date	Event
September 7	Financing plan presented to Resources Committee
September 21	RCCD Board authorizes bond issuance
October 5	Riverside County Board of Supervisors adopts issuance resolution
October 7	Rating Agency presentations in San Francisco
October 19	Preliminary Official Statement distributed to investors
October 27	Bonds sold to investors – interest rates locked
November 10	Financing closes – bond proceeds delivered to Riverside County Treasurer

Bond Ratings

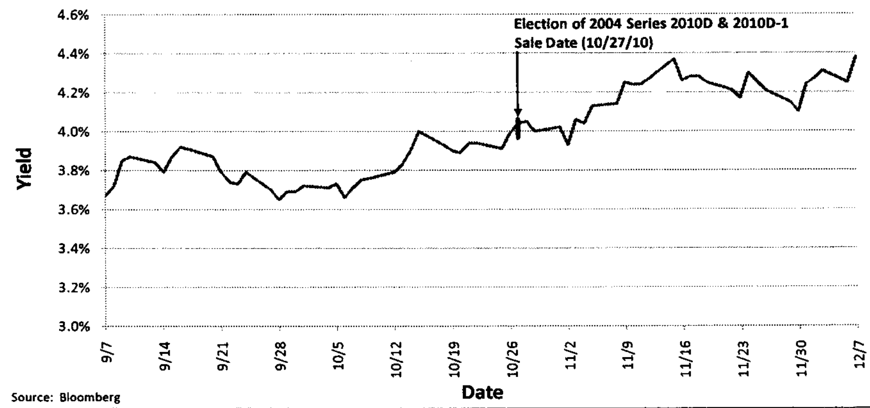
RCCD had a successful rating trip resulting in an upgrade from Standard and Poor's and an affirmation from Moody's

- Standard & Poor's upgraded RCCD to AA from AA- and Moody's affirmed its equivalent Aa2 rating
- Standard & Poor's noted three credit strengths in its report
  - Flexibility to manage enrollments and class offerings to maximize state funding
  - Strong income and wealth indicators
  - History of maintaining healthy financial operations
- RCCD's Aa2/AA ratings place it among the top rated community colleges in the state
- Higher ratings lead to lower interest rates for RCCD's bonds

Market Conditions

The 30-year Treasury bond yield increased by 0.37% during the course of the financing and yields have continued to rise

30-Year Treasury Bond Yields
(Sep. 7 – Dec. 7, 2010)



Source: Bloomberg

Preliminary vs. Final Bond Structure

Utilizing Build America Bonds compared to an all tax-exempt bond structure provided the District's taxpayers with estimated savings of over $31 million

	Preliminary (September 7) Structure(1)	Final Structure
Issuance Breakdown		
Tax-Exempt Capital Appreciation Bonds	$5,696,009	$7,699,278
Taxable Build America Bonds (BABs)	104,300,000	102,300,000
Total Principal	$109,996,009	$109,999,278
Term	30 years	30 years
Average Interest Cost(2)	4.40%	4.62%
Total Debt Service	$232,379,936	$240,462,261
Estimated BAB Benefit vs. Tax-Exempt Bonds	$16,750,000	$31,670,000

(1) Aa2/AA- rates as of September 2, 2010.
(2) All-In TIC. Includes all financing costs.

Interest Rate Comparison

RCCD's bonds achieved favorable interest rates to a comparable financing that priced the following day

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GO Bonds, Election of 2008, Series 2010D & 2010D-1
Total Issuance Amount: $109,999,278
Rating (Moody's / S&P): Aa2/AA
Optional Call: BABs: 8/1/2020 at par; CABs: Non-callable
Sale Date: October 27, 2010
Underwriter: Piper Jaffray

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Total Issuance Amount: $174,998,901
Rating (Moody's / S&P): Aa2/AA-
Optional Call: BABs: 8/1/2020 at par; CABs through 2032: Non-callable
Sale Date: October 28, 2010
Underwriters: RBC, Citi, De La Rosa and Kinsell, Newcomb & De Dios

	RCCD Year	RCCD Par Amount/ Maturity Value	RCCD Yield	RCCD Spread to Treasury/MMD		Palomar Year	Palomar Par Amount/ Maturity Value	Palomar Yield	Palomar Spread to Treasury/MMD		RCCD vs. Palomar Benchmark (bp)	RCCD vs. Palomar Yield (bp)
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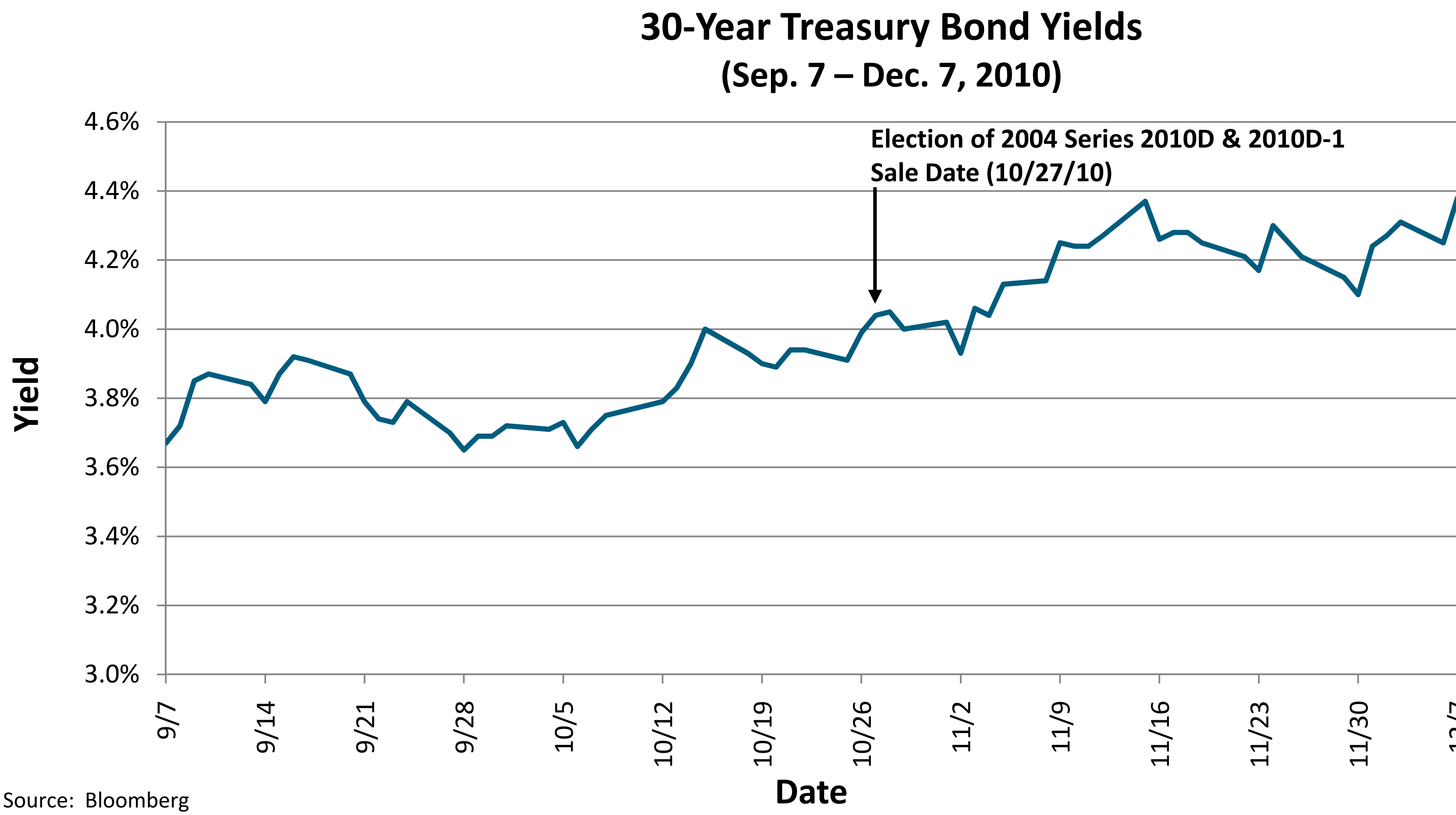

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