

RIVERSIDE COMMUNITY COLLEGE DISTRICT
RESOURCES COMMITTEE

Report No.: VI-B-1


Date: November 20, 2007

Subject: Measure C General Obligation Bond Program Update

Background: Information (copies attached) was presented to the Resources Committee on November 14, 2007, relative to the District's Measure C General Obligation Bond program, including:

- A presentation by Don Kent, Assistant Treasurer-Tax Collector, and Jon Christensen, Chief Deputy Treasurer-Tax Collector for the Riverside County Treasurer's Office, describing accountability measures and investment policies related to the Riverside County investment pool. Copies of Mr. Kent's presentation, "The Riverside County Treasurer's Pooled Investment Fund Update" (pages 1 – 11) as well as a copy of the "County of Riverside, Office of the Treasurer-Tax Collector, Statement of Investment Policy" (pages 12 – 23) are attached.
- A presentation by Jim Roth, Managing Director for UBS Securities, updating the Measure C economic information that he presented to the Committee in May 2007 such as assessed valuation, interest rates and bonding capacity etc. A copy of Mr. Roth's presentation is attached (pages 24 – 33).
- An updated Project Commitments Summary report for the period August 2004 through September 30, 2007, which is attached for your information (pages 34 – 38).
- A white paper authored by Dr. Buysse entitled, "Managing The Bonds," describing a variety of factors which must be considered relative to bond issuance (pages 39 – 41).

Information Only.



James L. Buysse
Interim Chancellor

Prepared by: Aaron S. Brown
Interim Vice Chancellor,
Administration & Finance



Capital Markets Group
Riverside County Treasurer-Tax Collector

Riverside Community College
November 13, 2007

The Riverside County Treasurer's Pooled Investment Fund Update

Riverside County Treasurer-Tax Collector

The Riverside County Treasurer is the ex-officio Treasurer of all school districts within the County.

- Bills and collects taxes and assessments
- Provides banking services
 - Virtually all school district funds are deposited with the Treasurer.
 - All General Obligation (“G.O.”) bond funds are required by law to be deposited in treasury.
- Manages funds to produce income.

Treasurer serves as “Agent of Sale” in the sale of negotiated new G.O Bonds issues.

Tax Collector's Responsibilities

Riverside County Treasurer-Tax Collector bills and collects over \$3 billion of taxes and assessments.

- All school districts' share of the basics levy is collected by the office.
- All voter authorized taxes to support G.O Bonds are collected as a separate line item on the tax bill.
- All school district Mello Roos charges are collected as a separate line item on the tax bill.

The Treasurer-Tax Collector has fiduciary obligations to all taxpayers, as well as the school districts.

Treasurer's Pooled Investment Fund (“TPIF”)

Operating principles

- Safety (U.S. Treasury, Fed Agency, AA and A1/P1 or better quality)
- Liquidity (per our policy, 40% < 1 year, 60% ≤ 3 years)
- Yield

Investment Policy (updated December 2006)

- In accordance with California Government Code
- Set parameters for credit quality and maturity
- Consider specific market conditions

Strategy

- Maintain conservative posture
- Maximize investment opportunities

Fund Total
\$4.69 Billion
Weighted Avg. Maturity:
375 Days
Gross Yield:
5.095%
Ratings:
Moody's, Aaa/MR1
Fitch Ratings, AAA/V1+
As of October 31, 2007

Pool Ratings

The TPIF has highest credit ratings from two of the largest rating agencies.

- **Moody's Investors Service**
Aaa/MR1

- Aaa - Smallest degree of investment risk and are judged to be of the best quality.
- MR1 - Least sensitive to changes in market conditions.

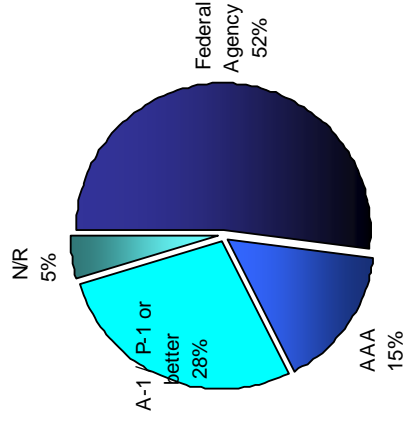
- **Fitch Ratings AAA/V1+**

- AAA - Highest credit quality and lowest expectation of credit risk.
- V1+ - Lowest market risk; should not experience loss of principal value in severely adverse interest rate environments.

Portfolio Sector Breakdown (market values)

Cash Equivalent & MMF	591,000,000.00
Commercial Paper	995,712,532.01
Negotiable CD's	320,000,337.92
Medium Term Notes	345,600,961.53
<u>Local Agency Obligation</u>	<u>6,760,000.00</u>
Total	4,708,428,939.30

Portfolio Credit Quality



The Good, The Bad and the Ugly

The Good:

- Payrolls rose 166k in October, much stronger than expected (consensus: 85k, BLS e: 80k). The unemployment rate remained at 4.7%, as expected.
- Gross Domestic Product (GDP)-Third quarter advanced 3.9%, the strongest growth rate since the first quarter of 2006.

The Bad:

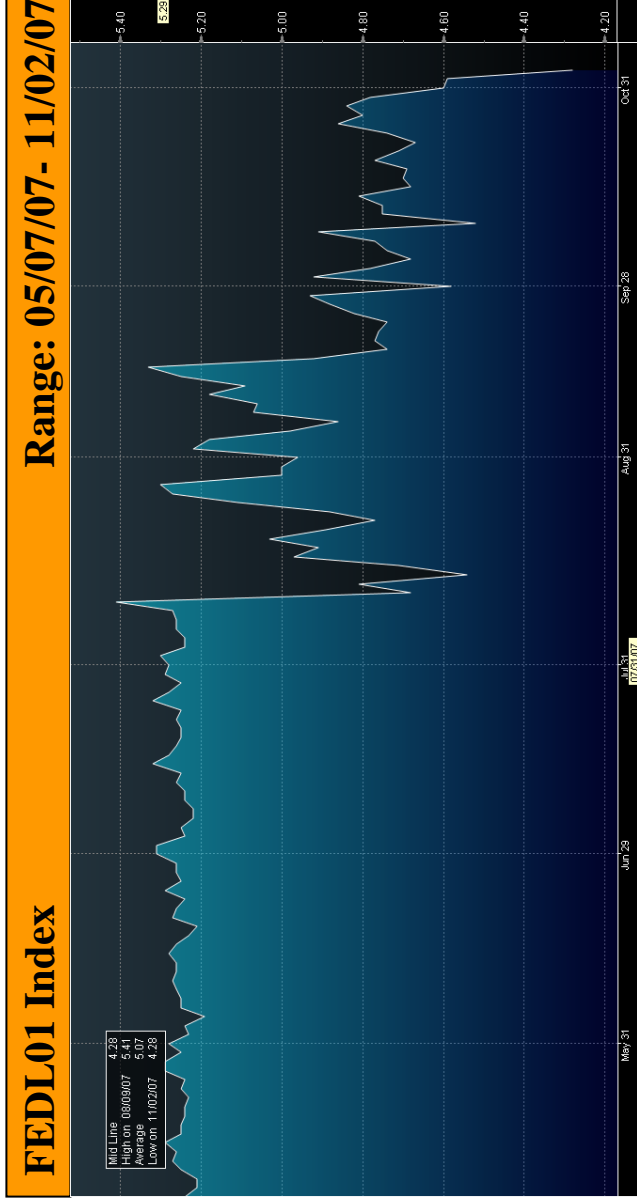
- Consumer confidence for October declined to a reading of 95.6, the lowest level in two years
- The Decline in the Housing market continues to deepen
- Oil/Weak Dollar

The Ugly:

- Potential for stagflation
- Continued distress in the credit markets (CP)

Effective Fed Fund Rates

The FOMC cut its Fed Funds rate from 4.75% to 4.50% at its October 31st meeting. Fed Fund futures indicate a probability of an additional 25 basis point cut in December.



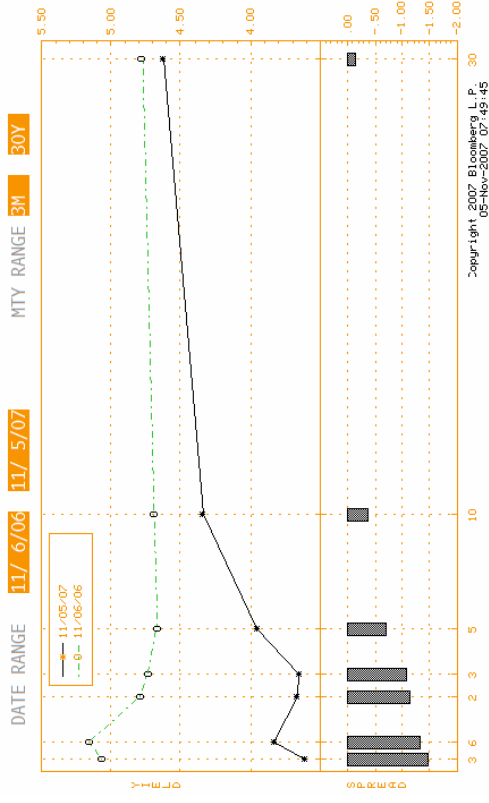
Probabilities of Fed Fund Rate Movements			
Announcement Date 12/11/07			
Fed Move	Current	1 Week Ago	1 Month Ago
4.25	58.25%	66.0%	6.0%
4.50	42.0%	34.0%	94.0%
4.75	0.0%	0.0%	0.0%
5.50	0.0%	0.0%	0.0%
Announcement Date 01/30/08			
Fed Move	Current	1 Week Ago	1 Month Ago
4.25	49.4%	50.6%	30.6%
4.50	31.3%	31.7%	1.7%
4.75	19.3%	17.7%	67.7%
5.50	0.0%	0.0%	0.0%
Announcement Date 03/18/08			
Fed Move	Current	1 Week Ago	1 Month Ago
4.25	38.2%	40.0%	6.9%
4.50	37.9%	36.1%	37.3%
4.75	12.0%	9.9%	55.5%
5.50	11.9%	14.0%	0.3%

Yield Curve

The U.S. Treasury yield curve continues to steepen. A steepening yield curve conceptually implies future economic growth, including potential future inflation.

- Short term rates have declined faster than long term rates.
- There is a 100.2 basis point spread between the 30 year treasury bond and the 3 month treasury bill.

Historical Yield Curve



	11/06/06	11/05/07	Change
3 MONTH	5.068	3.609	-1.4594
6 MONTH	5.165	3.831	-1.3339
2 YEAR	4.799	3.666	-1.1332
3 YEAR	4.738	3.656	-1.0820
5 YEAR	4.671	3.959	-0.7124
10 YEAR	4.693	4.332	-0.3611
30 YEAR	4.784	4.629	-0.1548

The Treasurer's Pooled Investment Fund is heavily impacted by the actions of the Federal Reserve.

- The Federal Reserve directly impacts short term securities such as:
 - Commercial paper, negotiable CD's, agency discount securities, money funds, and repo.
- Long term securities are impacted by the overall bond market reaction to Fed activity and economic indicators
 - Securities such as: U.S. Treasuries, Federal Agencies, and corporate medium term notes.

Going Forward

Continue to strategically hit key cash flow dates (i.e. bi-monthly County payroll, Schools' payroll, DPSS, tax apportionments, etc.)

Maintain medium-term (maximum WAM allowed per the Policy is 1.5 years / 541days) bias to keep Pool positioned in a manner that allows it to slow the effects of potential future rate cuts by the Fed

Riverside County Treasurer

Capital Markets

4080 Lemon St., 4th Floor

Riverside, CA 92501

(951) 955-3967

(951) 955-9598 Fax

www.countytreasurer.org



**COUNTY OF RIVERSIDE
OFFICE OF THE TREASURER TAX-COLLECTOR
STATEMENT OF INVESTMENT POLICY**

INTRODUCTION

The Treasurer's Statement of Investment Policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code so as to become effective January 1, 2007.

SCOPE

The Treasurer's Statement of Investment Policy is limited in scope to only those County, school and special district fund assets actually deposited and residing in the County Treasury. It does not apply to bond funds or other assets belonging to the County of Riverside, or any affiliated public agency the assets of which reside outside of the County Treasury.

FIDUCIARY RESPONSIBILITY

Section 27000.3 of the Government Code declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies to be a trustee and therefore a fiduciary subject to the prudent investor standard. This standard, as stated in Section 27000.3 requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors."

PORTFOLIO OBJECTIVES

The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal; second to maintain sufficient liquidity within the portfolio to meet daily cashflow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law.

AUTHORITY

Statutory authority for the Treasurer's investment and safekeeping functions are found in Sections 53601 and 53635 et. seq. The Treasurer's authority to make investments is to be renewed annually, pursuant to state law. It was last renewed by the Board of Supervisors on November 28, 2006 by County Ordinance No. 767.10. California Government Code Section 53607 effectively requires the legislative body to delegate investment authority of the County on an annual basis.

AUTHORIZED INVESTMENTS

Investments shall be restricted to those authorized in Government Code Sections 53601 and 53635 as amended and as further restricted by this policy statement. All investments shall be governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification, credit quality standards (two of the three nationally recognized ratings shall be used for corporate securities), and purchase restrictions that apply.

STAFF AUTHORIZED TO MAKE INVESTMENTS AND WIRE TRANSFERS

Only the Treasurer-Tax Collector, Paul McDonnell, Assistant Treasurer-Tax Collector, Don Kent, Chief Deputy Treasurer-Tax Collector, Jon Christensen, and, Investment Manager, Giovane Pizano are authorized to make investments (except in the case of an emergency) and to order the receipt and delivery of investment securities among custodial security clearance accounts. Staff authorized to make wire or electronic fund transfers (EFT's), and staff authorized to release these wires and EFT's are governed under the Treasurer's Wire Policy.

AUTHORIZED BROKER/DEALERS

Securities transactions are limited solely to those noted on Schedule II of this policy.

DAILY ACCOUNTABILITY AND CONTROL

Except for emergencies or previous authorization by the Treasurer-Tax Collector, all investment transactions are to be conducted at the Treasurer-Tax Collector's office (if open and available to conduct business), documented, and reviewed by the Treasurer-Tax Collector. All investment transactions will be entered daily into the Treasurer's internal financial accounting system with copies to be filed on a timely basis. Portfolio income shall be reconciled daily against cash receipts and quarterly, prior to the distribution of earnings among those entities sharing in pooled fund investment income.

SECURITY CUSTODY & DELIVERIES

All securities except for money market funds registered in the County's name and securities issued by the County or other local agencies shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. These third party trust department arrangements provide the County with a perfected interest in, and ownership and control over the securities held by the custodian on the County's behalf, and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are **NOT** to be held in investment firm/broker dealer accounts. All security transactions are to be conducted on a "delivery versus payment basis". Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Securities issued by local agencies purchased directly shall be held in the Treasurer's vault. The security holdings shall be reconciled monthly and audited quarterly by the Treasurer's Internal Audits staff.

COMPETITIVE PRICING

Investment transactions are to be made at current market value and competitively priced whenever possible. Competitive pricing does not necessarily require submission of bids, but does require adequate comparative analysis. The current technology utilized by the Treasury provides this information.

MATURITY LIMITATIONS

Unless further restricted by law or these guidelines (Schedule I), no investment shall exceed a final maturity date of five years from the date of purchase.

LIQUIDITY

The portfolio shall maintain a weighted average days to maturity (WAM) of less than 541 days or 1.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less.

SECURITIES LENDING

The Treasurer may engage in securities lending activity limited to 20% of the portfolio's book value on the date of transaction. Instruments involved in a securities lending program are restricted to those securities pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

REVERSE REPURCHASE AGREEMENTS

The Treasury shall not engage in any form of leverage for the purpose of enhancing portfolio yield. There shall be no entry into reverse repurchase agreements except for temporary and unanticipated cashflow requirements that would cause the Treasurer to sell securities at a principal loss. Any reverse repurchase agreements are restricted pursuant to California Government Code Section 53601(i) and by the Treasurer's Statement of Investment Policy.

MITIGATING MARKET & CREDIT RISKS

Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by the nationally recognized rating agencies on the credit worthiness of each issuer of the security, (2) limiting the concentration of investment in any single firm to the dollar limits authorized, (3) by limiting the duration of investment to the time frames noted in Schedule I, (4) and by maintaining the diversification and liquidity standards expressed within this policy.

TRADING & EARLY SALE OF SECURITIES

All securities are to be purchased with the intent of holding them until maturity. However, in an effort to minimize market and credit risks, securities may be sold prior to maturity either at a profit or loss when economic circumstances, trend in short-term interest rates, or a deterioration in credit-worthiness of the issuer warrants a sale of the securities to either enhance overall portfolio yield or to minimize further erosion and loss of investment principal. Such sales should take into account the short and long term impacts on the portfolio. However, the sale of a security at a loss can only be made after first securing the approval of the Treasurer-Tax Collector.

PURCHASE OF WHEN ISSUED SECURITIES

When issued (W.I.) purchases of securities and their subsequent sale prior to cash settlement are authorized as long as sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date.

PORTFOLIO REPORTS/AUDITING

Portfolio reports required by Sections 53607 and 27133(e) shall be filed monthly with the Board of Supervisors. The Treasurer shall also prepare and file with the Board of Supervisors, the County Executive Officer, County Auditor-Controller, Superintendent of Schools and the Investment Oversight Committee, the Treasurer's Monthly Disclosure Report on Investments, including at a minimum, all information required by law. Monthly Treasurer's Pooled Investment Fund reports are to be filed with the County Investment Oversight Committee as required by Section 27134 of the California Government Code. Consistent with Board Policy B-21 (County Investment Policy Statement), § III A, an outside compliance audit will be conducted annually. Outside audits will be conducted at least biannually by an independent auditing firm selected by the Board of Supervisors, per Board Minute Order No. 3.48.

SPECIFIC INVESTMENTS

Specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy, upon written request of the responsible agency, and, approval of the Treasurer-Tax Collector. Investments outside of the policy may be made on behalf of such funds with approval of the governing Board. With the purchase of specific investments, the fund will be allocated the earnings associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a prorata charge for administrative costs to such funds.

PERFORMANCE EVALUATION

Portfolio performance is monitored daily and evaluated monthly in comparison to the movement of the Treasurer's Institutional Money Market Index (TIMMI), or other suitable index. Over time, the portfolio rate of return should perform in relationship to such an index. Regular meetings are to be conducted with the investment staff to review the portfolio's performance, in keeping with this policy, and current market conditions.

INVESTMENT OVERSIGHT COMMITTEE

In accordance with Section 27130 et seq. of the California Government Code, the Board of Supervisors has established an Investment Oversight Committee. The role of the Committee is advisory in nature. It has no input on day to day operations of the Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS

Portfolio income, including gains and losses (if any), will be distributed quarterly in compliance with Sections 53684 and 53844 of the California Government Code which give the Treasurer broad authority to apportion earnings and losses among those participants sharing in pooled investment income, and except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed prorata based upon each participant's average daily cash balance for the calendar quarter. Any subsequent adjustments of reported earnings by the Auditor-Controller will be first reviewed and approved by the Treasurer to assure compliance with California Government Code Sections 53684 and 53844.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted, pursuant to Section 27013 of the California Government Code, to deduct from investment income before the distribution thereof, the actual cost of the investment, audit, deposit, handling and distribution of such income.

Accordingly, in keeping with Sections 27013, 27133(f), and 27135, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: retail banking services, wire transfers, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. Costs are apportioned based upon average daily ending balances. Prior to gaining reimbursement for these costs, the Treasurer-Tax Collector shall annually prepare a proposed budget revenue estimate for "Section 27013 administrative costs", providing a detailed itemization of all costs required to be reimbursed.

TREASURY OPERATIONS

Treasury operations are to be conducted in the most efficient manner to reduce costs and assure the full investment of funds. The Treasurer will maintain a policy regarding outgoing wires and other electronic transfers. Requests for outgoing transfers which do not arrive on a timely basis may be delayed. The County Treasurer may institute a fee schedule to more equitably allocate costs that would otherwise be spread to all depositors.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY

Should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the California Government Code and provide to the County Treasurer a resolution adopted by its governing board stating that it has excess funds available for the purpose of investment. The resolution shall specify the amount of monies to be invested, the person authorized at the agency to coordinate the transaction, the anticipated time frame for deposits, the agency's willingness to be bound to the statutory 30 day written notice requirement for withdrawals, and acknowledging the Treasurer's ability to deduct pro-rata administrative charges permitted by Section 27013. Any solicitation for entry into the TPIF must have the County Treasurer's prior written approval before the receipt of funds is authorized. The depositing entity will enter into a depository agreement with the Treasurer.

POLICY CRITERIA FOR VOLUNTARY PARTICIPANT WITHDRAWALS

With the Treasury being required to maintain a 40% liquidity position at all times during the calendar year, it is anticipated that sufficient funds will be on hand to immediately meet on demand all participant withdrawals for the full dollar amounts requested without having to make any allowance or pro-rata adjustment based on the current market value of the portfolio. In addition, any withdrawal by a local agency for the purpose of investing or depositing those funds outside the Pool shall have the prior written approval of the County Treasurer. The Treasurer's approval of the withdrawal request shall be based on (1) the availability of funds; (2) the circumstances prompting the request; (3) the dollar volume of similar requests; (4) the prevailing condition of the financial markets; (5) the present magnitude of the portfolio's "paper loss" when compared to the total book value of the portfolio, and, (6) whether the withdrawal would adversely affect other depositors in the Pool.

POLICY ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Neither the Treasurer-Tax Collector nor any member of his staff, shall accept any gift, gratuity or honoraria from financial advisors, brokers, dealers, bankers or other persons or firms conducting business with the County Treasurer which exceeds the limits established by the Fair Political Practices Commission (FPPC) and relevant sections of California Government Code section 27133.

ETHICS & CONFLICTS OF INTEREST

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. In addition, the County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Chief Deputy Treasurer-Tax Collector and Investment Manager are required to file annually the applicable financial disclosure statements as mandated by the FPPC and County policy.


INVESTMENTS MADE FROM DEBT ISSUANCE PROCEEDS

The proceeds of a borrowing may be specifically invested per Schedule I of this policy (with the exception of Collateralized Time Deposits and Local Agency Obligations) as well as competitively bid investments (see County of Riverside Office Of The Treasurer-Tax Collector Statement Of Investment Policy Governing Competitively Bid Investments for Pool Participants, dated February 28, 2006).

No pooled fund investments made from the proceeds of a borrowing, the monies of which are deposited in the County Treasury, shall be invested for a period of time exceeding the maturity date of the borrowing. Nor shall any monies deposited with a bank trustee or fiscal agent for the ultimate purpose of retiring the borrowing be invested beyond the maturity date of the borrowing.

POLICY ADOPTION & AMENDMENTS

This policy statement will become effective January 1, 2007 following adoption by the Board of Supervisors, and, will remain in force until subsequently amended in writing by the Treasurer-Tax Collector and approved by the Board.



Paul McDonnell
County of Riverside
Treasurer-Tax Collector

SCHEDULE I

AUTHORIZED INVESTMENTS	DIVERSIFICATION (1)	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	100%	NA.	Maximum 5 years	NA
Notes, participations, or obligations issued by the agencies of the federal government	100%	NA	Maximum 5 years	NA
Bonds, notes, warrants or certificates of indebtedness issued by the state or local agencies or County of Riverside	15% max or \$150mm	NA	Maximum 3 years	Long term - A, A2, A or better
Bankers Acceptances (BA's)	30% maximum	Max \$50mm per issuer	Maximum 180 days	Short term - A-1,P-1,F-1 or better
Commercial Paper (CP) of U.S. corporation with total assets exceeding \$500 mm	40% maximum	Max \$100mm per issuer See Schedule VI	Maximum 270 days	Short term - A-1,P-1,F-1 or better
Local Agency Obligations	2.5% max, no more than 1.25% per issuer	Board of Supervisors approval required. Issued by pool depositors only	Maximum 3 years	Non-rated, if in the opinion of the Treasurer, considered to be of investment grade or better
CalTRUST Short Term Fund	1% maximum	Board of Supervisors approval required.	Daily liquidity	NR / Portfolio managed pursuant to California Government Code § 53601 & 53635
Negotiable CD's issued by national or state chartered banks or a licensed branch of a foreign bank	25% maximum	Max \$50mm per issuer	Maximum 1 year	Short term - A-1,P-1,F-1 or better
Collateralized Time Deposits	2% maximum	See Schedule IV	Maximum 1 year	N/A
Repurchase Agreements (repo) with 102% collateral restricted to U. S. Treasuries, agencies, agency mortgages, CP, BA's	40% max, 25% in term repo over 7 days. No more than 20% w/one dealer in term repo	Repurchase agreements to be on file	Maximum 45 days	Short Term A-1, P-1, F-1 or better If A-2, P-2, F2 then overnight only
Reverse Repurchase Agreements on U. S. Treasury & federal agency securities in portfolio	10% maximum	For temporary cash Flow needs only.	Max 60 days with prior approval of Board of Supervisors	NA
Medium Term Notes or Corporate Notes on U. S. corporation	20% maximum	Max \$30mm per issuer	Maximum 2 years	Short term - A-1, P-1, F-1 Long term - AA, Aa2, AA or better AA, Aa2, AA minimum if under 1 year AAA, Aaa, AAA minimum if over 1 year
Money Market Mutual Funds that invest in eligible securities meeting requirements of California Government Code	20% maximum	Registered with SEC No NAV adjustments No front end loads See Schedule V	Daily liquidity	Long Term - AAA (2 of 3 nationally recognized ratings services)

(1) Whichever is greater.

AUTHORIZED BROKER/DEALERS SCHEDULE II

The Treasurer is authorized to conduct investment security transactions with the broker/dealers which are designated by the Federal Reserve Bank as primary government dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

1. Other authorized firms:

Cantor Fitzgerald Securities Corp.
A.G. Edwards and Sons, Inc.
Union Bank of California
The Bank of New York
Wells Fargo Bank
U.S. Bank

2. Direct purchases from major commercial paper issuers, money market mutual funds, banker's acceptance issuers, negotiable CD issuers, or savings and loan are authorized.
3. Incidental purchases of less than \$10 million may be made with other firms if in the opinion of the Treasurer, such transactions are deemed advantageous.

To ensure compliance with the County Treasurer's investment guidelines, each newly authorized primary government dealer and other authorized firms (as listed above in section A, B and C) will be supplied a complete copy of this Investment Policy document approved by the Board of Supervisors.

**POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS
SCHEDULE III**

1. The County Treasurer has elected to limit security transactions as mentioned in Schedule II. Accordingly, the financial institution must confirm that they are a member of the National Association of Security Dealers (NASD), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses. The Treasurer is prohibited from the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.
2. The County Treasurer's intent is to enter into long-term relationships. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.
3. The firm must state in writing its willingness to be bound by the County Treasurer's written Investment Policy Guidelines.
4. The firm must specify the types of securities it specializes in and will be made available for our account. Additionally, the firm must maintain its own securities clearing operations to qualify doing business with the County Treasurer.
5. It is important that the firm provide related services that will enhance the account relationship which could include:
 - (a) An active secondary market for its securities.
 - (b) Internal credit research analysis on commercial paper, bankers acceptances and other securities it offers for sale.
 - (c) Be willing to trade securities for our portfolio.
 - (d) Be capable of providing market analysis, economic projections, newsletters.
 - (e) Provide market education on new investment products, security spread relationships, graphs, etc.
6. The firm must be willing to provide us annual financial statements.
7. The County Treasurer is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank, The Bank of New York.
8. Without exception, all transactions are to be conducted on a delivery vs. payment (DVP) basis.
9. The broker/dealer must have been in operation for more than 5 years, and, if requested, the firm must be willing to provide us a list of local government clients or other reference, particularly those client relationships established within the State of California.

POLICY CRITERIA FOR COLLATERALIZED TIME DEPOSITS SCHEDULE IV

Before the Treasury can place a time deposit with a local bank or savings and loan, the following criteria must be met:

1. The bank must provide us with an executed copy of the "Contract for Deposit of Moneys".
2. The interest rate on the Time Certificate of Deposit must be competitive with rates offered by other banks and savings and loans residing in Riverside County, and, must exceed the interest rate for treasury bills for a similar maturity period.
3. For investments less than \$100,000, FDIC insurance will be sufficient without requiring any collateral to be pledged with the Federal Reserve to secure the public fund deposit.
4. For investments exceeding \$100,000, there will be a waiver of collateral for the first \$100,000 deposited and protected by FDIC insurance. The remainder of the deposit shall be fully collateralized by U. S. Treasury and Federal Agency securities having maturities less than five years. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. The securities pledged as collateral must have a current market value greater than the dollar amount of the deposit in keeping with the ratio requirements specified in Section 53652 of the Government Code. Additionally, a statement of the collateral shall be provided on a monthly basis.
5. The County Treasurer must be given a current audited financial statement for the financial year just ended as well as the most recent quarterly statement of financial condition. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.
6. The County Treasurer will not place a public fund deposit for more than 10% of the present paid-up capital and surplus of the bank.
7. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc).
8. All time certificates must have a maturity date not exceeding one year from the date of the deposit, with interest payments based upon the stated interest rate.
9. The County Treasurer must receive a letter from the comptroller and/or treasurer of the bank at the time the initial deposit is made, that there is no known pending financial disclosure or public announcement of an adverse financial event involving the bank or savings and loan, nor is there any knowledge that a conflict of interest situation exists between any County official and an officer or employee of the bank.
10. Time deposits will only be made with banks and savings and loans having branch office locations within Riverside County.

**POLICY CRITERIA FOR ENTERING INTO A MONEY MARKET FUND
SCHEDULE V**

1. The firm must provide in writing a statement on the fund's letterhead that the fund meets the statutory requirements of California law (i.e., Sections 53601 and 53635 of the California Government Code).
2. The fund must provide evidence that it has been registered with SEC and has "AAA" ratings from two of the nationally recognized rating services: Moody's, Fitch, Standard & Poor's.
3. The fund must provide us copies of their portfolio reports and shall provide at least at month-end, a complete listing of securities within the fund's portfolio.
4. The fund shall provide us a current prospectus before our participation in the fund.
5. The fund's prospectus cannot allow hedging strategies, options, futures, or security lending transactions.
6. The fund must maintain daily, a principal per share value of \$1.00 per share.
7. The fund shall provide information as to who serves as their custodial bank.
8. The fund shall provide at least annually financial statements on the fund's financial condition and investment performance.
9. The fund shall provide us wire instructions for the purchase and redemption of shares, and must be able to distribute interest earnings to the County Treasurer on a monthly basis.
10. Unless the fund is more than five years old, the County Treasurer is to be given its performance history since the inception of the fund.
11. The County Treasurer is also to be given the date the fund was established, the total assets currently under management, the recent 12 months history as to either the growth or decline in assets under management, and whether or not the fund is assessing 12B-1 management fees.

**POLICY CRITERIA FOR PURCHASES OF COMMERCIAL PAPER
 SCHEDULE VI**

	<u>Short-Term Ratings</u>	<u>Long-Term Ratings</u>
<u>Category 1</u>	A-1+/P-1/F-1+	AAA/Aaa/AAA
<u>Category 2</u>	A-1+/P-1/F-1+	AA+/Aa1/AA+,AA/Aa2/AA, AA-/Aa2/AA-
<u>Category 3</u>	A-1/P-1/F-1	A/A2/A or better.

Restrictions

<u>Category 1</u>	No short-term credit watch by any agency. Maximum of \$100 million per issuer. No more than \$50 million in excess of 180 days.
<u>Category 2</u>	No short-term credit watch by any agency. Maximum of \$100 million per issuer. No more than \$50 million in excess of 90 days.
<u>Category 3</u>	No short-term credit watch by any agency. No long-term negative outlook by any agency. No Asset Backed programs. Maximum of \$100 million per issuer. Maximum of \$50 million per issuer in excess of 5 days. Maturity no greater than 45 days.

Rating Agency Comparison Table

Short-Term Scale		Long-Term Scale	
S&P	A-1+, A-1	S&P	AAA, AA+, AA, AA-, A+, A
Moody's	P-1	Moody's	Aaa, Aa1, Aa2, Aa3, A1, A2
Fitch	F-1+, F-1	Fitch	AAA, AA+, AA, AA-, A+, A



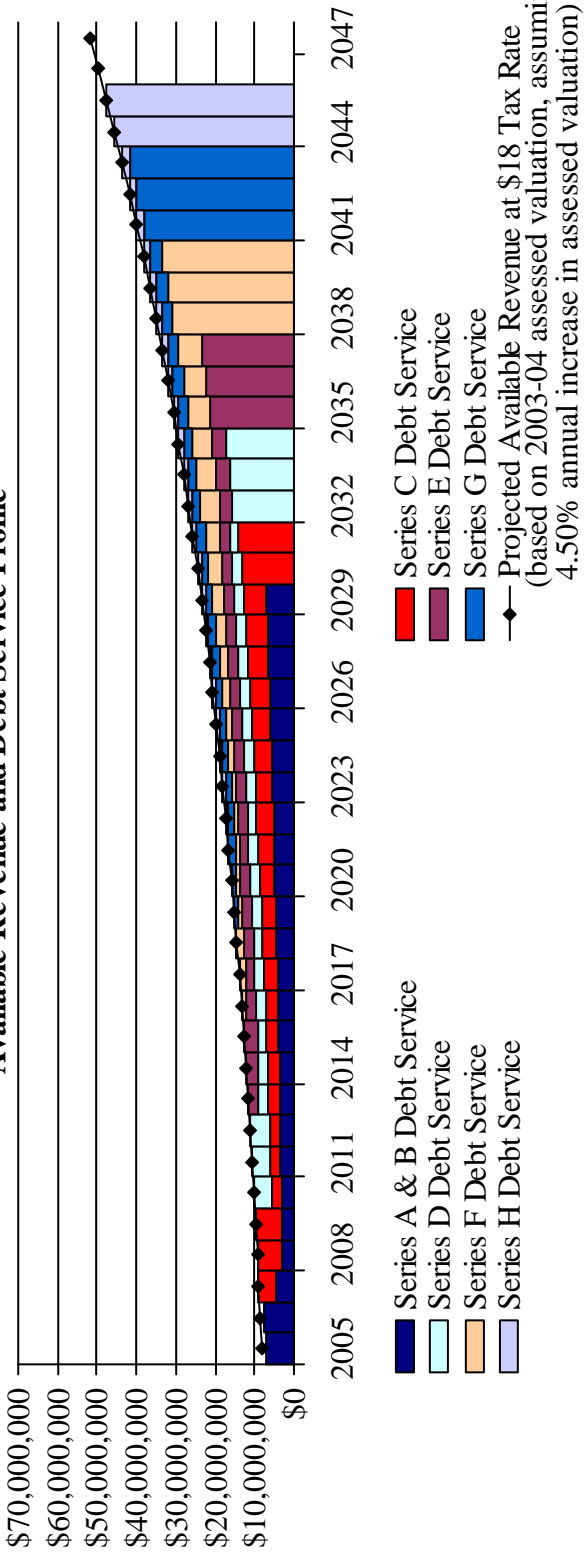
Presentation to Resources Committee
November 13, 2007



Bonding Plan at time of Series A & B Issuance

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Par Amount</u>
Series A & B	08/03/04	08/01/29	\$ 65,000,000
Series C	08/01/06	08/01/31	60,000,000
Series D	08/01/09	08/01/34	50,000,000
Series E	08/01/12	08/01/37	50,000,000
Series F	08/01/15	08/01/40	50,000,000
Series G	08/01/18	08/01/43	50,000,000
Series H	08/01/21	08/01/45	25,000,000

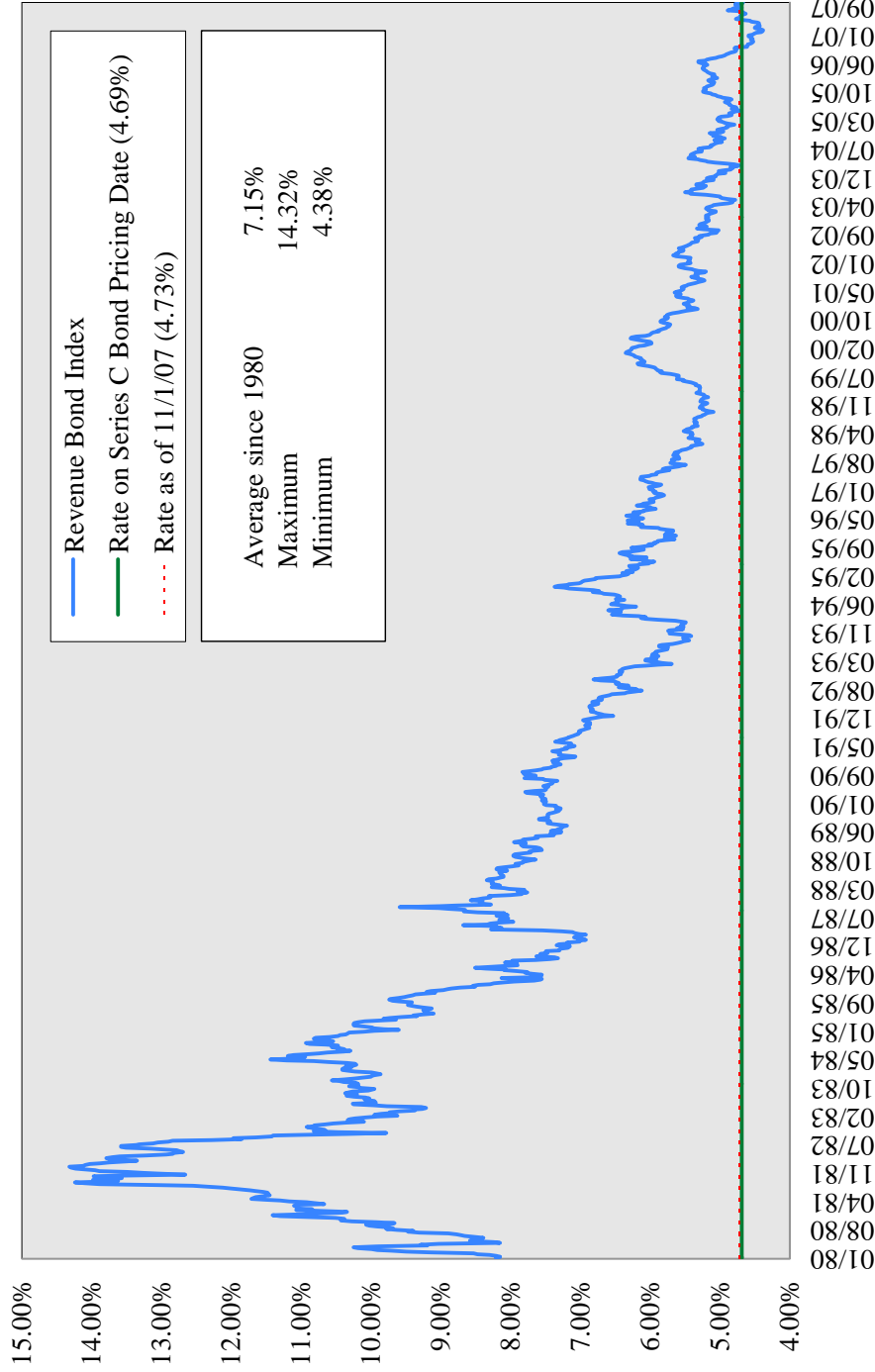
Available Revenue and Debt Service Profile



Projected Tax Rate: \$18.00 / \$100,000 of Assessed Valuation

Historical Long-Term Tax-Exempt Interest Rates

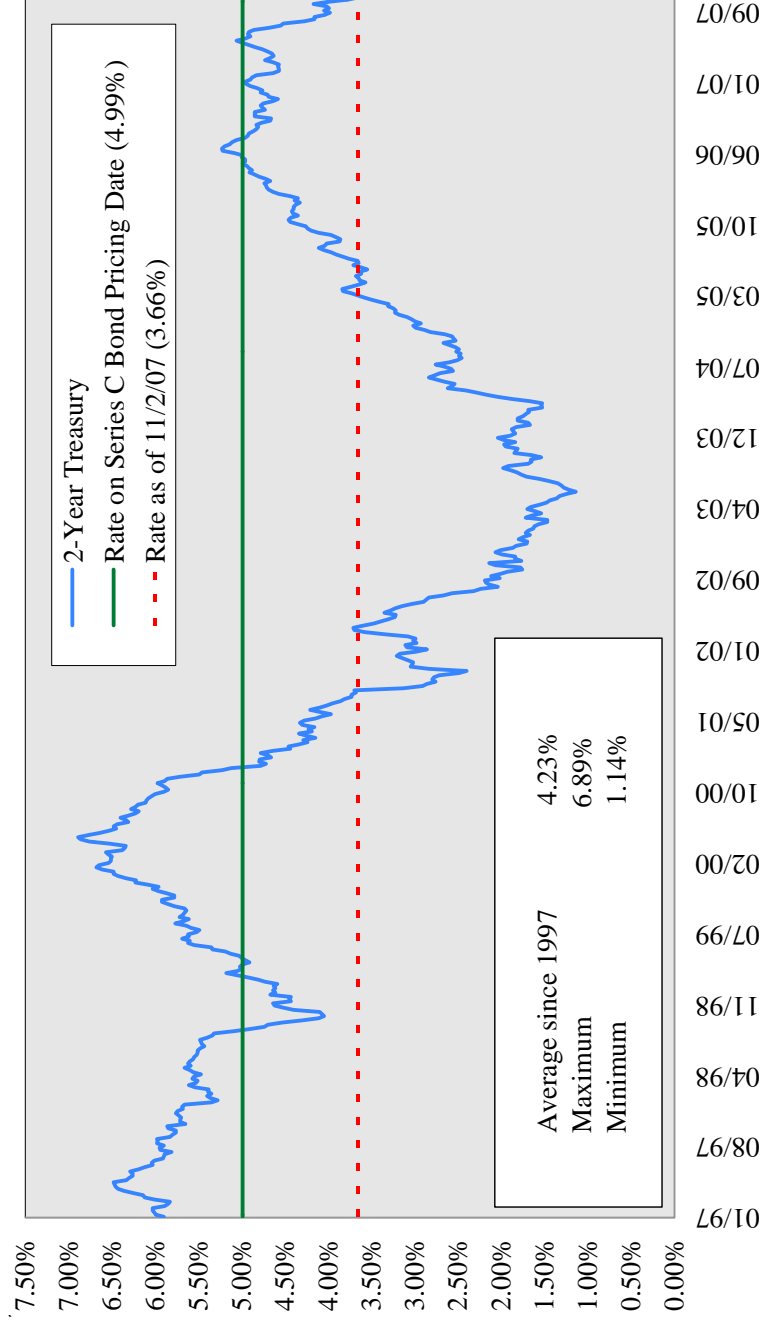
Historical Revenue Bond Index January 1980 – November 2007



* The Revenue Bond Index (RBI) is based on 30-year bonds issued by 25 different revenue bond issuers for a variety of purposes including housing, transportation, hospitals, and pollution control. The RBI is widely used as the benchmark for long-term revenue bonds.

2-Year Treasury Bond Since 1997

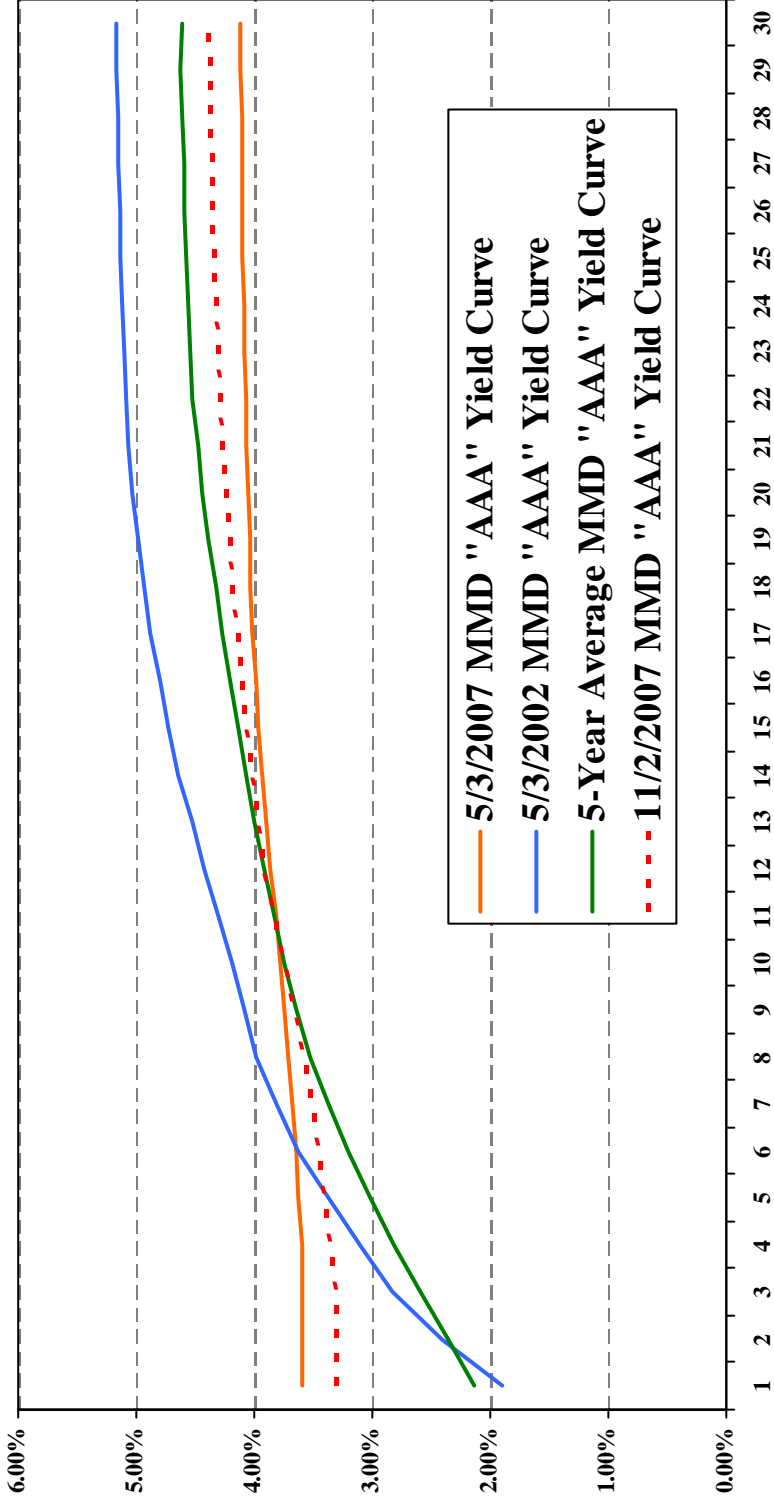
Historical 2-Year Treasury Bond Yield January 1997 – November 2007



* The 2-Year Treasury Bond yield is the market yield on U.S. Treasury securities at 2-year constant maturity, quoted on investment basis..

Yield Curve Comparisons

Municipal Market Data (MMD) "AAA" Yield Curve



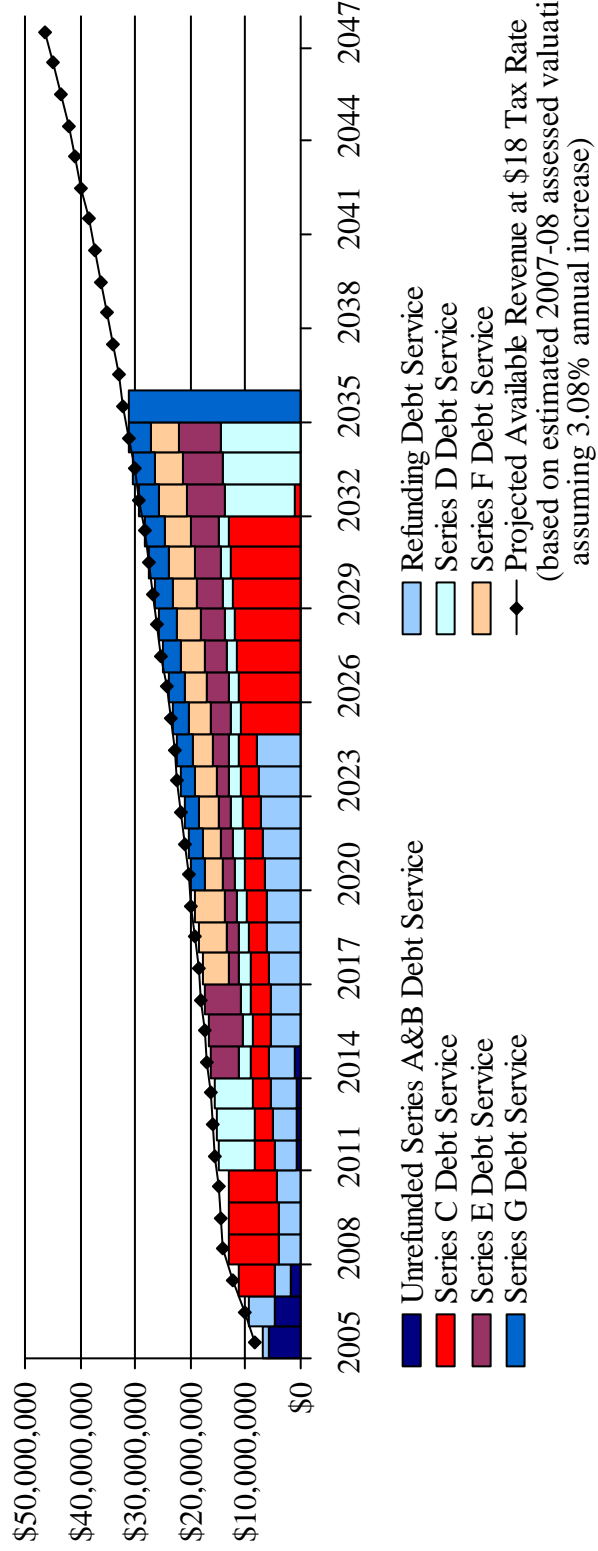
* The Municipal Market Data (MMD) "AAA" bond yield curves are updated daily and serve as the benchmark for the domestic U.S. municipal markets.

Updated Bonding Plan - Option 1: Issue Under Three-Year Expenditure Rule

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Par Amount</u>
Series A & B*	08/03/04	08/01/29	\$ 65,000,000
Series C	06/21/07	08/01/32	90,000,000
Series D	08/01/10	08/01/34	50,000,000
Series E	08/01/13	08/01/34	50,000,000
Series F	08/01/16	08/01/34	50,000,000
Series G	08/01/19	08/01/35	45,000,000

* \$51,730,000 of Series A Bonds were refunded by the 2005 General Obligation Refunding Bonds (which generated \$7,581,784 of additional project funds). The principal amount of the Refunding Bonds does not count against the District's bond authorization.

Available Revenue and Debt Service Profile

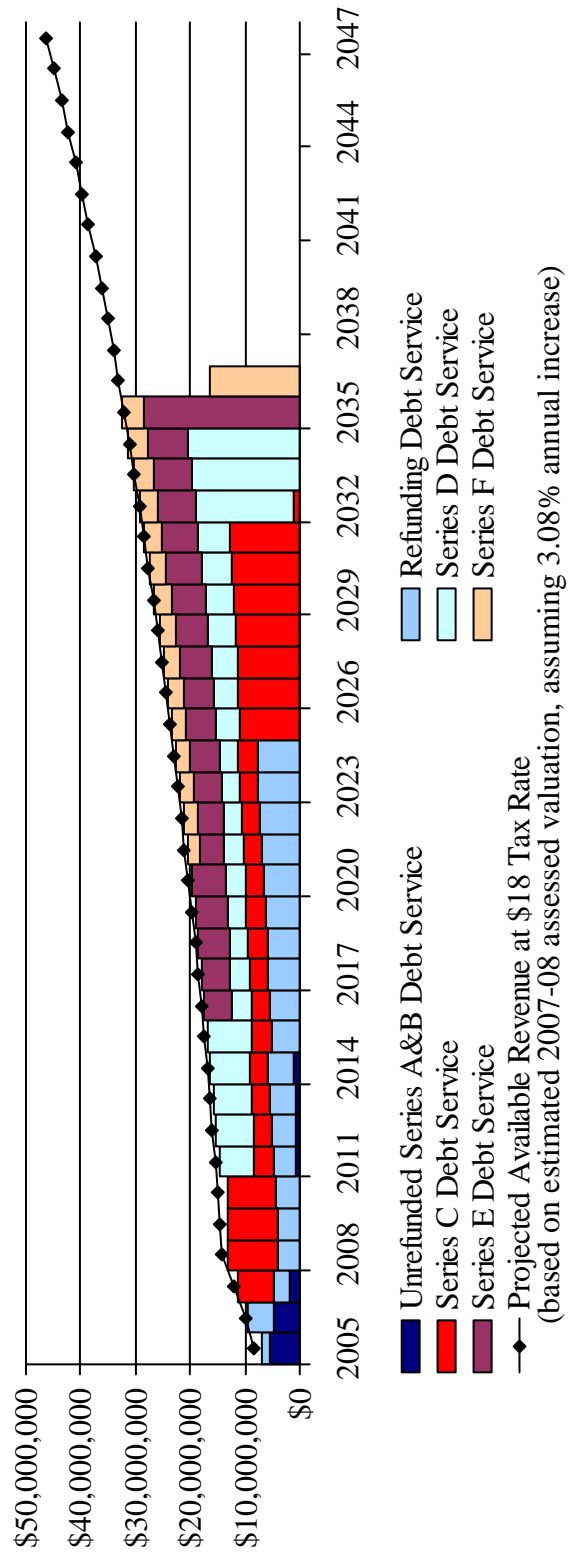


Updated Bonding Plan - Option 2: Issue Under Five-Year Expenditure Rule

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Par Amount</u>
Series A & B*	08/03/04	08/01/29	\$ 65,000,000
Series C	06/21/07	08/01/32	90,000,000
Series D	08/01/10	08/01/34	80,600,000
Series E	08/01/15	08/01/35	77,840,000
Series F	08/01/20	08/01/36	36,560,000

* \$51,730,000 of Series A Bonds were refunded by the 2005 General Obligation Refunding Bonds (which generated \$7,581,784 of additional project funds). The principal amount of the Refunding Bonds does not count against the District's bond authorization.

Available Revenue and Debt Service Profile



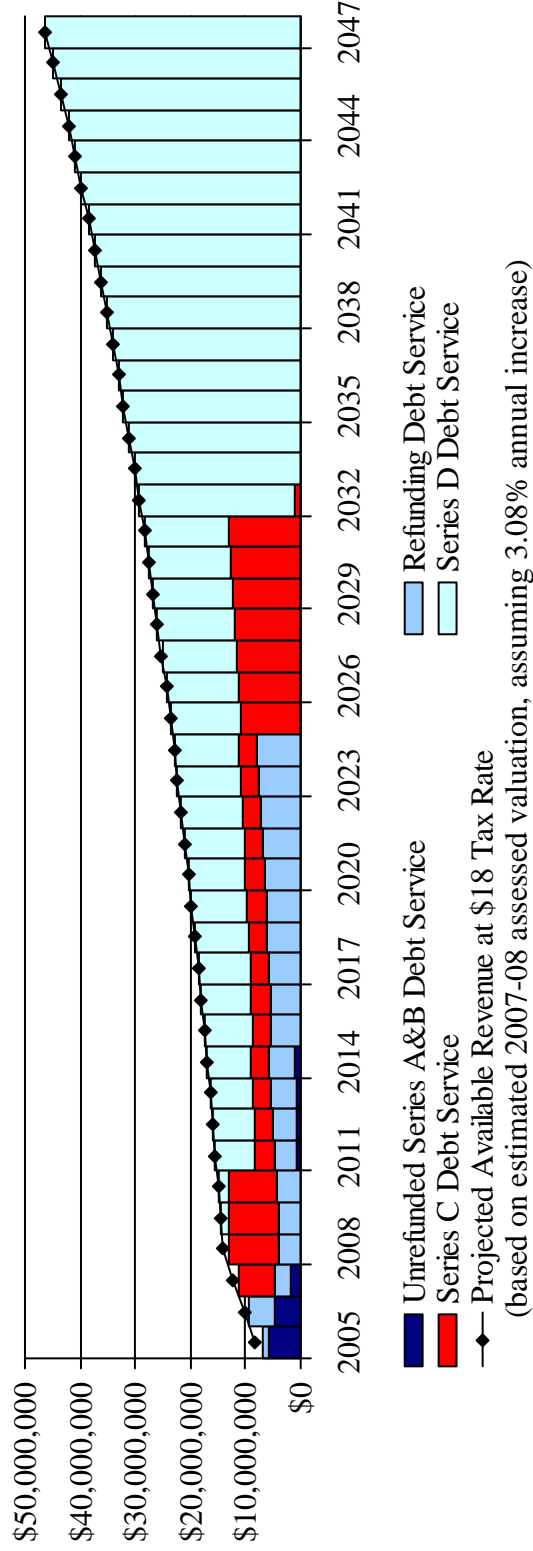
(based on estimated 2007-08 assessed valuation, assuming 3.08% annual increase)

Updated Bonding Plan - Option 3: Issue All Remaining Authorization

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Par Amount</u>
Series A & B*	08/03/04	08/01/29	\$ 65,000,000
Series C	06/21/07	08/01/32	90,000,000
Series D	02/01/08	08/01/47	195,000,000

* \$51,730,000 of Series A Bonds were refunded by the 2005 General Obligation Refunding Bonds (which generated \$7,581,784 of additional project funds). The principal amount of the Refunding Bonds does not count against the District's bond authorization.

Available Revenue and Debt Service Profile



Comparison of Estimated Interest Earnings

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
	<u>Under Three-Year Rule</u>	<u>Under Five-Year Rule</u>	<u>Issue All</u>
Bond Issuance			\$195,000,000
2008			
2010	\$50,000,000	\$80,600,000	
2013	\$50,000,000		
2015		\$77,840,000	
2016	\$50,000,000		
2017			
2019	\$45,000,000		
2020		\$36,560,000	
Total Bond Proceeds	\$195,000,000	\$195,000,000	\$195,000,000
Total Interest Earnings	\$11,569,809	\$20,825,236	\$102,363,179
Total Funds Available for Projects	\$206,569,809	\$215,825,236	\$297,363,179
<i>PV of Funds Available for Projects</i>	<i>\$138,779,421</i>	<i>\$143,246,926</i>	<i>\$177,515,685</i>
Increase in Total Funds Available for Projects	-	\$9,255,428	\$90,793,370
Increase in <i>PV of Funds Available for Projects</i>	-	\$4,467,506	\$38,736,264

Note: 1) Interest earnings are based on an assumed investment rate of 4.00% for both taxable and tax-exempt investments.
2) The present value calculations of Funds Available for Projects are based on a discount rate of 5.0% and a target date of February 1, 2008.

Riverside Community College District
Measure C - Project Commitments Summary
September 30, 2007

Series A, Series B, Series A Refunding, Series 2007 C

Proceeds/Income

Series A and B Proceeds	\$	65,000,000	
Series A and B Premium		3,024,641	
Series A Refunding Premium		8,388,956	
Series 2007 C Proceeds		90,000,000	
Series 2007 C Premium		2,816,967	
FY 2004-2005 Interest Income		1,030,586	
FY 2005-2006 Interest Income		1,726,681	
FY 2006-2007 Interest Income		1,449,144	
FY 2006-2007 Energy Rebates - Utility Retrofit Project		159,498	
FY 2007-2008 Projected Interest Income		3,500,000	
FY 2007-2008 Projected Energy Rebates		<u>218,502</u>	
Total Proceeds/Income			177,314,975

Project Commitments / Proposed Projects

Completed Projects	\$	53,026,438	
In-Progress Projects		<u>71,921,565</u>	
Total Project Commitments			<u>124,948,002</u>
Uncommitted Balance - Measure C funds	\$		<u><u>52,366,973</u></u>

**Riverside Community College District
Measure C - Project Commitments Summary
Through September 30, 2007**

Project	Project Funding Source					Actual Measure C Expenditures thru 09/30/07
	Board Approved Project Budgets	Future Projects - Additional Funding Needed	Actual and Projected State Funding	Total Estimated Project Funding		
Completed						
Certificates of Participation (1993 & 2001) - Refunding	\$ 12,492,085			\$ 12,492,085	\$ 12,492,085	\$ 12,492,085
Issuance Related Expenditures	4,860,905	-	0.00	4,860,905		17,352,990
Bridge Space	1,175,132	-	-	1,175,132		1,175,132
District Phone and Voicemail Upgrades	349,000	-	-	349,000		349,000
MLK Renovation	1,010,614	-	5,133,999 a	6,144,613		1,010,614
Norco Campus Room Renovations	100,020	-	-	100,020		100,019
Swing Space	4,273,734	-	-	4,273,734		4,273,734
Phase I - Wheelock PE Complex/Athletic Field	4,516,435	-	-	4,516,435		4,516,435
Phase I - Parking Structure - Riverside	20,949,896	-	-	20,949,896		20,932,624
ECS Secondary Effects - Moreno Valley	288,919	-	-	288,919		276,348
RCCD System Office Purchase	2,629,981	-	-	2,629,981		2,629,981
Emergency Phone Project	379,717	-	-	379,717		379,717
Total Completed Projects	\$ 53,026,438	\$ -	\$ 5,133,999	\$ 58,160,437	\$ -	\$ 65,488,680
In-Progress or Initial Phase						
Phase II - Wheelock PE Complex	\$ 190,631	\$ -	\$ -	\$ 190,631	\$ -	\$ 190,631
Physical/Life Science Secondary Effects	32,500	-	-	-		32,500
District Computer/Network/ System Upgrades	1,036,990	0	0	1,036,990		862,454
Quad Modernization	8,735,238	-	4,019,766 a	12,755,004		7,629,160
Phase III - Norco Industrial Technology Project	10,147,826	-	20,484,274 p	30,632,100		903,889
Phase III - MV/Student/Academic Services Facility Project	1,157,320	4,055,238	14,397,724 p	19,610,282		521,350
Innovative Learning Center	7,653,605	-	2,444,632 p	10,098,237		4,677,502
Nursing/Sciences Building - Riverside	5,082,686	9,454,314	57,572,000 p	72,109,000		1,822,801
Future Projects - Feasibility/Planning/Management	563,407	723,602	-	1,287,009		266,182
Scheduled Maintenance	885,427	-	258,825 s	1,144,252		632,603
Riverside/Moreno Valley Food Services Remodel	2,539,685	-	-	2,539,685		97,607
Infrastructure Projects - Riverside/Norco/Moreno Valley	484,451	-	-	484,451		480,024
Hot Water Loop System & Boiler Repl. - Moreno Valley	891,296	-	-	891,296		350,758
Utility Retrofit Project	6,176,094	600,000	-	6,776,094		4,096,461
ECS Building Upgrade Project - Moreno Valley/Norco	625,327	-	-	625,327		56,907
Modular Redistribution Projects (All campuses and BCTC)	7,494,328	-	-	7,494,328		1,904,958
PBX/Network Operations Center - Riv/Norco/MoVal	625,550	4,144,450	-	4,770,000		33,109
Norco Campus Student Support Center	11,042,820	1,383,576	-	12,426,396		111,652
Logic Domain - Capital Project Management System	96,000	-	-	96,000		71,000
Long Range Master Plan - Riv/Norco/MoVal	1,460,384	-	-	1,460,384		889,882
Riverside Aquatics Center	5,000,000	5,000,000 d	-	10,000,000		-
Total In-Progress or Initial Phase Projects	\$ 71,921,565	\$ 25,361,180	\$ 99,177,221	\$ 196,427,466	\$ -	\$ 25,631,428
Total Projects	\$ 124,948,002	\$ 25,361,180	\$ 104,311,220	\$ 254,587,902	\$ -	\$ 91,120,108

a Actual State Construction Act Funding

p Projected State Construction Act Funding

s Actual State Scheduled Maintenance Funding Requiring District Match

d \$5,000,000 RCC; \$2,000,000 Riverside County; \$3,000,000 Riverside City; balance private donations

**Riverside Community College District
 Measure C - Project Commitments Summary
 Through September 30, 2007**

	<u>Board Approved Project Budgets</u>	<u>Future Projects - Additional Funding Needed</u>	<u>Actual and Projected State Funding</u>	<u>Total Estimated Project Funding</u>	<u>Actual Measure C Expenditures thru 09/30/07</u>
<u>Proposed Projects</u>					
ADA Compliance		\$ 6,360,000			
Phase II - Wheelock PE Complex - Gym/Stadium		9,986,125	10,058,000 p	20,044,125	
Phase III - Wheelock PE Complex - Bleachers/Lockers		5,300,000			
Physical/Life Science Secondary Effects		4,671,500	25,800,000 p	30,471,500	
Norco Soccer Field Artificial Turf		<u>2,120,000</u>			
		<u>\$ 28,437,625</u>			

p Projected State Construction Act Funding

**Riverside Community College District
Measure C - Project Commitments Detail
Through September 30, 2007**

Series A, Series B, Series A Refunding, Series 2007 C Projects	8/3/2004 Through 09/30/07
<u>Completed</u>	
Certificates of Participation (1993 & 2001) - Refunding	\$ 12,492,085
Cost of Issuance - all series	2,836,265
Debt Service - all series	1,926,402
Measure C Election Costs	98,238
Total Issuance Related Expenditures	\$ 4,860,905
Bridge Space - Moreno Valley Campus	341,637
Bridge Space - Norco Campus	359,401
Bridge Space - RCCD System Office	69,911
Bridge Space - Riverside Campus	404,183
Total Bridge Space	1,175,132
District Phone and Voicemail Upgrades	349,000
MLK Renovation - Equipment	646,479
MLK Renovation- Planning and Working Drawings	101,883
MLK Renovation - Roof Repair	262,252
Total MLK Renovation	1,010,614
Norco - Science & Technology Building Rooms 204-206 Remodel Project	27,088
Norco - Library Building Room 123 Remodel Project	10,121
Norco - Student Services Building, Room 107 Remodel Project	41,480
Norco - Theater Room 203 Remodel Project	13,107
Norco - Center for Applied Competitive Technology Remodel Project	8,224
Total Norco Campus Room Renovations	100,020
Swing Space - Administration Building Remodel	186,100
Swing Space - Lovekin Complex	3,958,309
Swing Space - Business Education Building Remodel	129,325
Total Swing Space	4,273,734
Phase I - Wheelock PE Complex/Athletic Field	4,516,435
Phase I - Parking Structure (Riverside)	20,949,896
ECS Secondary Effects - Moreno Valley	288,919
RCCD System Office Purchase (Heiting Building)	2,629,981
Emergency Phone Installation	
District	10,000
Riverside Campus	178,626
Norco Campus	102,773
Moreno Valley Campus	88,318
Total Emergency Phone Installation Project	379,717
Total Completed Projects	\$ 53,026,438
<u>In-Progress or Initial Phase</u>	
Phase II - Wheelock PE Complex/Athletic Field (Planning and Working Drawings)	190,631
Physical / Life Science Secondary Effects	32,500
District Computer Systems Upgrades	126,990
Computer System Hardware	760,000
District Network Upgrades	150,000
Total District Computer/Network Ugrades	1,036,990
Quad Modernization - Building Project	5,681,990
Quad Modernization - Equipment Project	2,563,000
Quad Modernization - Planning and Working Drawings	490,248
Total Quad Modernization	8,735,238
Phase III - Norco (Planning and Working Drawings)	10,147,826
Phase III - Moreno Valley (Planning and Working Drawings)	1,157,320
Innovative Learning Center	7,653,605
Nursing/Sciences Building (Planning and Working Drawings)	5,082,686

**Riverside Community College District
 Measure C - Project Commitments Detail
 Through September 30, 2007**

Future Projects - Feasibility/Planning/Management		563,407	
Scheduled Maintenance			885,427
Food Services Remodel			
Riverside Campus	583,070		
Moreno Valley Campus	1,956,615		
Total Food Services Remodel			2,539,685
Infrastructure Projects			
Utilities	153,700		
IS	85,000		
Security	69,720		
Facilities Assessment	11,131		
Coordination	53,200		
Electrical / Fire Alarm	<u>111,700</u>		
Total Infrastructure Projects			484,451
Hot Water Loop System - Moreno Valley			891,296
Utility Retrofit Project			
Riverside Campus	3,274,248		
Norco Campus	1,505,668		
Moreno Valley Campus	<u>1,396,178</u>		
Total Utility Retrofit Project			6,176,094
ECS Building Upgrade Project - Moreno Valley/Norco			625,327
Modular Redistribution Project			
Norco Campus	1,986,666		
Moreno Valley Campus	1,448,769		
Ben Clark	2,161,812		
Riverside Campus	<u>1,897,081</u>		
Total Modular Redistribution Project			7,494,328
Riverside - PBX Network Operations Center	500,000		
Norco - PBX Network Operations Center	56,275		
Moreno Valley - PBX Network Operations Center	<u>69,275</u>		
Total PBX Network Operations			625,550
Norco Campus Student Support Center			11,042,820
Logic Domain - Capital Project			96,000
Long Range Master Plan			1,460,384
Riverside Aquatics Project			<u>5,000,000</u>
Total In-Progress or Initial Phase Projects			<u>71,921,564</u>
Total Series A, Series B, Series A Refunding and Series 2007 C Projects			<u>\$ 124,948,002</u>

MANAGING THE BONDS

Now that RCCD has successfully completed its general obligation bond campaign, it must engage in an especially complex endeavor known as “managing the bonds.” As this process is relatively unknown to most of us, it is important that we understand what lies before us. Along with the project need and prioritization process that will involve the college community, this is the only way we can assure our constituents that we are appropriately exercising our fiduciary responsibilities while likewise assuring them that the District’s infrastructure will be improved in accordance with the statements contained in the Measure C ballot statement.

First and foremost, it is important to note that we will not simply issue \$350 million in bonds, bank the proceeds and then draw on the funds when needed. Doing so would violate our commitment to keeping the tax rate at or below \$18 per \$100,000 of assessed valuation. For this and other reasons, we will issue the bonds in several series (i.e. Series A, Series B, etcetera) ... perhaps as many as five or six such issuances over the next 15 to 20 years. At issue in each instance will be the timing and sizing of a particular series.

A variety of factors must be considered when it comes to the matter of timing and sizing a bond issuance, which requires significant planning on the part of the District and its various operating units. Following is a brief description of these factors.

EXTERNAL FACTORS

1. ASSESSED VALUATION GROWTH

As noted above, the District has made a commitment to keep the tax rate at a maximum of \$18 per \$100,000 of assessed valuation (AV). Thus, if AV growth occurs at a pace greater than that estimated in the bond resolution approved by the RCCD Board of Trustees, then the District could conceivably issue bonds more rapidly than anticipated. Conversely, if AV growth slows as it did in the early 1990s, then bond issuance could be delayed. It is important to note, here, that AV growth alone will not dictate bond sizing and timing. As we shall see below, many factors must be considered before one moves forward with a particular series of bonds.

2. SPENDING REQUIREMENTS, REASONABLE EXPECTATION

Due to tax law requirements, RCCD must have a reasonable expectation of spending at least 85% of the proceeds of a series of bonds within the succeeding three years. Thus, the District must carefully consider what projects it can accomplish in a three-year time period as it contemplates the matters of bond sizing and timing.

3. INTEREST RATES

Debt service on Prop 39 bonds is paid by tax revenues. Debt service is based on the dollar amount of bonds issued and the interest rate at the time of issuance. Since RCCD committed to keeping this tax rate below \$18 per \$100k AV, if interest rates increase, the District could face constraints on bond sizing and timing (think the stagflation era during the 1970s). Alternatively, if rates are low, then the District could theoretically issue a larger amount of bonds in a particular series other factors permitting.

4. STATE CAPITAL OUTLAY FUNDING

We hope to leverage some \$200 million or more of State capital outlay funding via the contribution of local bond funds to State-fundable projects. But what if the State is unsuccessful in securing voter approval for a bond proposal? What if the State decides to postpone placing one of its bond measures on the ballot or if it simply decides to delay issuance of approved bonds? Changes in the State's current capital outlay program can significantly affect our decisions relative to bond issuances.

Furthermore, we must be prudent in our construction program. The State considers facility utilization in allocating its capital outlay funds, so we cannot get ahead of ourselves by adding space which might then be utilized at levels below State standards.

Finally, there is the issue of State match requirements. Until the 2000s, the State typically funded 100% of project costs. More recently, however, the State has sought a "local contribution," which typically has been defined as coverage of costs associated with planning and working drawings. It appears that future projects may require a local match of as much as 50% of project costs. Obviously, our discussions about bond sizing and timing will be driven to some extent by future decisions and guidelines concerning State match requirements.

5. GROWTH FUNDING

Most of our facilities require State funding for coverage of operation and maintenance costs as well as the direct costs associated with the activities conducted therein. Thus, our construction program, especially as regards new space, cannot move faster than our growth funding. If we get ahead of ourselves, we will dilute the operating budget while concurrently finding our facility utilization below State standards, hence negatively affecting our State capital outlay funding as stated earlier.

INTERNAL FACTORS

1. ENROLLMENT GROWTH

We must become much more precise with our enrollment planning. We must not only determine which campuses will grow, by how much, and in what time frame, we must also make corresponding decisions at the departmental and programmatic levels. We must do all this with an eye to local demand, State growth and capital outlay funding, facility utilization, etcetera.

2. INSTITUTIONAL CAPACITY

If RCCD is able to leverage \$200 million or more in external capital outlay funding, then when combined with bond proceeds, we would be looking at a program involving the construction of one (and perhaps more) DLLRC-size building(s) somewhere in the District each year for the next 15 to 20 years. In Riverside, more so than at Moreno Valley and Norco, there are significant secondary effects associated with most renovation and new construction projects. Thus, each time we consider the matters of bond sizing and timing, we also must consider, among other things, the effects on campus operations, the capacity of facilities and business office operations to undertake and manage the projects, and the need for and location of temporary facilities for faculty, staff, and students.