REFUNDING

PALO VERDE COMMUNITY COLLEGE DISTRICT

DATE: January 12, 2016

TO: Board of Trustees

FROM: Russi Egan, Vice President of Administrative Services

RE: Resolution #16-01-B03 A RESOLUTION OF THE BOARD OF TRUSTEES OF THE PALO VERDE COMMUNITY COLLEGE DISTRICT AUTHORIZING THE ISSUANCE OF PALO VERDE COMMUNITY COLLEGE DISTRICT, RIVERSIDE AND SAN BERNARDINO COUNTIES, CALIFORNIA, 2016 GENERAL OBLIGATION REFUNDING BONDS (SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2004-1), AND ACTIONS RELATED THERETO

BACKGROUND

An election was held in the School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District (the "Improvement District") on June 7, 2005 at which the voters approved the issuance of $6,000,000 of general obligation bonds (the "Authorization"). Under the Authorization, the District issued $2,946,253.60 of Bonds of School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District Election of 2005, Series 2005 (Bank Qualified) and $3,053,625.50 of Bonds of School Facilities Improvement District No. 2004-1 of the Palo Verde Community College District Election of 2005, Series 2006 (Bank Qualified) (together, the "Prior Bonds").

The Palo Verde Community College District (the "District") now desires to refinance all or a portion of the outstanding Prior Bonds (so refunded, the "Refunded Bonds") through the issuance of general obligation refunding bonds (the "Refunding Bonds") in an aggregate principal amount of not-to-exceed $4,000,000. All benefits from the refunding will be delivered to the property owners in the Improvement District. The final maturity of the Refunding Bonds will not be later than the maturity dates of the Refunded Bonds.

(a) Bond Resolution. This Resolution authorizes the issuance of the Refunding Bonds, in one or more series of federally taxable or federally tax-exempt bonds. The Resolution authorizes the issuance of the Refunding Bonds, specifies the basic terms, parameters and forms of the Refunding Bonds, and approves the form of Purchase Contract, Continuing Disclosure Certificate, Escrow Agreement and Preliminary Official Statement described below. In particular, Section 1 of the Resolution establishes the maximum aggregate principal amount of the Refunding Bonds to be issued ($4,000,000). Section 4 of the Resolution states the maximum underwriting discount (1.0%) with respect to the Refunding Bonds, and authorizes the Refunding Bonds to be sold at a negotiated sale. The Resolution authorizes the issuance of current interest bonds only; capital appreciation bonds are not authorized.

(b) Form of Purchase Contract Pursuant to the Purchase Contract, Morgan Stanley & Co. LLC (the "Underwriter") will agree to buy the Refunding Bonds from the District. All of the conditions of closing the transaction are set forth in this document, including the documentation to be provided at the closing by various

parties. Upon the pricing of the Refunding Bonds, the final execution copy of the Purchase Contract will be prepared following this form.

(c) Form of Preliminary Official Statement. The Preliminary Official Statement ("POS") is the offering document describing the Refunding Bonds which may be distributed to prospective purchasers of the Refunding Bonds. The POS discloses information with respect to, among other things, (i) the proposed uses of proceeds of the Refunding Bonds, (ii) the terms of the Refunding Bonds (interest rate, redemption terms, etc.), (iii) the bond insurance policy for the Refunding Bonds, if any, (iv) the security for repayment of the Refunding Bonds (the tax levy), (v) information with respect to the Improvement District's tax base (upon which such *ad valorem* property taxes may be levied), (vi) District financial and operating data, (vii) continuing disclosure with respect to the Refunding Bonds and the District, and (viii) absence of litigation and other miscellaneous matters expected to be of interest to prospective purchasers of the Refunding Bonds. Following the pricing of the Refunding Bonds, a final Official Statement for the Refunding Bonds will be prepared, substantially in the form of the POS.

(d) Form of the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate can be found in APPENDIX C to the POS. Effective July 3, 1995, all underwriters of municipal bonds, are obligated to procure from a bond issuer a covenant that such public agency will annually file "material financial information and operating data with respect to the District" through the web-based Electronic Municipal Market Access ("EMMA") system maintained by the Municipal Securities Rulemaking Board (which is the federal agency that regulates "broker-dealers," including investment bank firms that underwrite municipal obligation issuances). This requirement is expected to be satisfied by the filing of the District's audited financial statements and other operating information about the District, in the same manner the District has filed in connection with prior bond issuances. The purpose of the law is to provide investors in the Refunding Bonds with current information regarding the District. Similar laws have governed the corporate debt market for many years.

(e) Escrow Agreement. Pursuant to the Escrow Agreement, proceeds from the sale of the Refunding Bonds in an amount sufficient to redeem the outstanding Refunded Bonds will be deposited in an escrow fund (the "Escrow Fund") held by U.S. Bank National Association (acting as "Escrow Agent"). The monies in the Escrow Fund will be used by the Escrow Agent to refund each series of the Refunded Bonds on the first available optional redemption date. Following the deposit of proceeds into the Escrow Fund, the Refunded Bonds will be defeased and the obligation of Riverside County and San Bernardino County to levy *ad valorem* property taxes for payment of the Refunded Bonds will cease.

FISCAL IMPACT

There is no fiscal impact to the General Fund resulting from the issuance of the Refunding Bonds.

RECOMMENDATION

Staff recommends approval of Resolution #16-01-B03, A RESOLUTION OF THE BOARD OF TRUSTEES OF THE PALO VERDE COMMUNITY COLLEGE DISTRICT AUTHORIZING THE ISSUANCE OF PALO VERDE COMMUNITY COLLEGE DISTRICT, RIVERSIDE AND SAN BERNARDINO COUNTIES, CALIFORNIA, 2016 GENERAL OBLIGATION REFUNDING BONDS (SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2004-1), AND ACTIONS RELATED THERETO