



**Maricopa County Community College District
Governing Board Minutes
April 26, 2016**

A Budget and Finance Committee Meeting of the Maricopa County Community College District Governing Board was scheduled to be held beginning at 5:30 p.m. at the District Support Services Center, 2411 West 14th Street, Tempe, Arizona, pursuant to ARS §38-431.07, notice having been duly given.

GOVERNING BOARD

Alfredo Gutierrez, President
Johanna Haver, Secretary
Doyle Burke, Member
John Heep, Member
Jane McGrath, Member
Dana Saar, Member

Absent:

Tracy Livingston, Member

ADMINISTRATION

Debra Thompson
Edward Kelty
Bill Guerriero (Interim)
Steven Gonzales
Irene Kovala
Shouan Pan
Paul Dale
Gene Giovannini

CALL TO ORDER

The Budget and Finance Committee Meeting was called to order at 5:30 p.m.

President Gutierrez explained that this evening's agenda would provide for an explanation by Vice Chancellor of Business Services Debra Thompson of a possible 2016 General Obligation Bond Refunding. If sufficient time remained following this discussion, the agenda would then include information pertaining to the 2015 Audit Cycle and Reports.

**Possible 2016 General
Obligation Bond Refunding**

Vice Chancellor Thompson introduced the team in attendance this evening involved in the General Obligation Bond Refunding Process. They included Kim Granio, Associate Vice Chancellor and Controller of Business Services, Tim Stratton of Gust Rosenfeld, and Kurt Freund, Managing Director of RBC Markets.

Ms. Thompson explained that the latest capital development program is the 2004 General Obligation (GO) Bond Program approved by over 76% of voters and 100% of voting precincts in Maricopa County on November 2, 2004. This Bond Program authorized Maricopa to issue and sell general obligation bonds in the amount of \$951,359,000 for capital outlay, bearing interest at not more than 12% per year and not to run for a period exceeding twenty years.

History on these Bonds included the following:

- \$951,356,000 was issued in five bond sales (2005, 2009, 2011, 2013)
- \$69.5 million refunds occurred in 2012
- As of July 1, 2016 the outstanding principal will be \$534,225,000 (current is \$593,820,000)
- All bonds will be repaid by 7/1/27
- Interest rates are all within the 12% maximum
- The net interest cost for the five series ranges from 2.672% to 3.934%
- The bond maturity is no more than 15 years and is therefore less than the 20-year maximum.
- The current secondary tax rate is approximately \$.23, meaning that a homeowner with a home valued at \$100,000 would pay the Maricopa Community Colleges approximately \$23 per year in taxes to repay the bonds.

Ms. Thompson explained that a Refunding Opportunity exists to refund approximately \$116.6 million or more in outstanding bonds, depending on market and other relevant conditions at the time of sale. A refunding opportunity is effectively the same opportunity many homeowners take advantage of when refinancing their homes at a lower interest rate.

Bond Counsel Comments

Ms. Thompson then requested Tim Stratton of Gust Rosenfeld, Legal Counsel for the Bond, to come forward and explain more about the process. Mr. Stratton explained that ARS Title 35, Chapter 3, Article 3, defines the manner in which bonds can be authorized and issued. Article 4 authorizes refundings. The refunding provides for debt service savings and does allow extending maturity or purpose. The debt remains for the bonds. Arizona Revised Statutes allows the refunding of bonds.

In response to a question regarding the fees for this service by the Bond Counsel reference was made to page 7 of the booklet provided by RBC Capital Markets. Specifically, the fees are \$75,000. All fees associated with the refunding bond issue are listed on this page in the booklet. Mr. Stratton explained that the fees were a percent of the par amount of the bonds.

Financial Advisor Comments

Kurt Freund, Financial Advisor at RBC Capital Markets, came forward to provide a Bond Market Overview and Explanation of the Refunding Process. He explained that if this proposal was supported by the Board, the District would save interest costs, which would then be passed on to homeowners in a reduction of property taxes levied to repay debt service. The bonds being considered for refinancing have an interest rate of 4.11% and the rate is currently estimated at 1.76%. The maturity of the bonds would remain the same at 7/1/24.

Mr. Freund called attention to a detailed informational booklet reviewing the refunding process. The information included the following:

- Rationale behind the Refunding Proposal
- A Summary of Outstanding Debt for the five Series (2007, 2009, 2011, 2012, 2013)
- Existing General Obligation Bonds
- Bond Buyer General Obligation Bond Index
- Refunding Overview specific to Maricopa
- Estimated ProForma Debt Service Post Refunding
- Estimated Costs of Issuance
- Expanded Refunding Overview
- Estimated Pro Forma Debt Service Post Refunding
- Disclaimer

Ms. Thompson indicated that a proposal for action was being prepared for the May 27, 2016 Board Meeting.

2015 Audit Cycle and Reports

The agenda then called for a discussion on the Annual External Audit Process. Vice Chancellor Thompson explained that Maricopa has no choice in who our auditor is and under State Statute, the State Auditor General is responsible for the performance or contracting for an annual financial audit. The FY2015 Audit Results included seven findings. Two were employee compensation-related and five were IT-related. The IT findings would be discussed at a later date due to the sensitive nature of IT security. The employee compensation-related findings indicated there needed to be an improvement over approval of adjunct faculty employees. The second finding involved approval of employees'

timesheets. Significant efforts have been made to educate supervisors on the importance of approving time worked as well as absences for all direct reports. 20% of supervisor are not doing the approving.

Adjournment

The Budget and Finance Committee Meeting adjourned at 6:15 p.m. This was followed by a Regular Board Meeting scheduled for 6:30 p.m.

Johanna Haver
Governing Board Secretary