OHLONE COMMUNITY COLLEGE DISTRICT

MEMORANDUM

TO: Board of Trustees

FROM: Gari Browning

DATE: April 16, 2014

SUBJECT: Measure G Update: Bond Series B Issuance

First reading of Resolution #26/13-14, A Resolution of the Board of Trustees of the Ohlone Community College District, Alameda County, California, Authorizing the Issuance of Ohlone Community College District (Alameda County, California) Election of 2012 General Obligation Bonds, Series B, and actions related thereto.

An Election was held in the Ohlone Community College District on November 2, 2010 for the issuance and sale of general obligation bonds of the District for various purposes in the maximum amount of $349,000,000 (the “Measure G”). The District now desires to issue its third series of bonds, Series B, under Measure G in an aggregate principal amount not-to-exceed $75,000,000 (the “Bonds”). The District proposes the issuance of Bonds that include current interest bonds, as well as bonds that allow for the compounding of interest, including capital appreciation bonds. The Bonds are being authorized for sale for the purpose of providing funds to finance projects approved by Measure G and to pay the costs of issuing the Bonds.

Pursuant to California Education Code Section 15146(b)(2), enacted by California Assembly Bill 182 (Stats. 2013, Chapter 477) and effective as of January 1, 2014, the Resolution and materials included in this agenda item are to first be publicly noticed as an information item at this March 12, 2014 Board of Trustees (the “Board”) meeting. At the Board’s next consecutive meeting, currently scheduled for April 9, 2014, the attached Resolution and materials will be publicly noticed as an action item for consideration by the Board.

(a) **Bond Resolution.** This Resolution authorizes the issuance of the Bonds, specifies the basic terms, parameters and forms of the Bonds, and approves the form of Purchase Contract, the form of the Continuing Disclosure Certificate and form of Preliminary Official Statement described below. In particular, Section 1 of the Resolution establishes the maximum aggregate principal amount of the Bonds to be issued ($75,000,000). Section 4 of the Resolution states the maximum underwriter’s discount (0.5%) with respect to the Bonds, and authorizes the Bonds to be sold at a negotiated sale to Piper Jaffray & Co. (the “Underwriter”). The Resolution authorizes the issuance of current interest bonds and capital appreciation bonds.

(b) **Form of Purchase Contract.** Pursuant to the Purchase Contract, the Underwriter will agree to buy the Bonds from the District. All 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 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 (the “POS”) is the offering document describing the Bonds which may be distributed to prospective purchasers of the Bonds. The POS discloses information with respect to among other things (i) the proposed uses of proceeds of the Bonds, (ii) the terms of the Bonds (interest rate, redemption terms, etc.), (iii) the bond insurance policy for the Bonds, if any, (iv) the security for repayment of the Bonds (the tax levy), (v) information with respect to the District’s tax base (upon which such *ad valorem* taxes may be levied), (vi) District financial and operating data, (vii) continuing disclosure with respect to the Bonds and the District, and (viii) absence of litigation and other miscellaneous matters expected to be of interest to prospective purchasers of the Bonds. Following the pricing of the Bonds, a final Official Statement for the 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 issuance). 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 such information in connection with prior bond issuances. The purpose of the law is to provide investors in the Bonds with current information regarding the District. Similar laws have governed the corporate debt market for many years.

(e) **Requirements of Education Code Section 15146(b) and 15146(c).** In satisfaction of California Education Code Sections 15146(b) and 15146(c), enacted by California Assembly Bill 182 (Stats. 2013, Chapter 477) and effective as of January 1, 2014, appended to the Resolution is an information item (“Exhibit C”) containing the following information provided by the financial advisor to the District: approximations of the financing term of the Bonds; time of maturity of the Bonds; repayment ratio of the Bonds; estimated change in assessed value of taxable property within the District over the term of the Bonds; an analysis containing the total overall cost of the capital appreciation bonds expected to be issued; a comparison between the overall cost of the capital appreciation bonds expected to be issued and the overall cost of current interest bonds; and the reason that capital appreciation bonds are being recommended. Also included in Exhibit C is a copy of the disclosure made by the Underwriter in compliance with Municipal Securities Rulemaking Board Rule G-17.

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

**RECOMMENDATION**

For information only.