September 28, 2019

Fiduciary Responsibility and Budgeting

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“To be an effective fiduciary, trustees must deepen their knowledge on federal and state fiscal environments and refine the skills needed to make policy decisions to assure that resources are allocated to best meet the needs of their students.”

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I. Trustee Roles and Responsibilities

Trusteeship in a Nutshell

You are a member of a lay board which, as a unit,

- Sets the policy direction
- Monitors institutional performance
- Employs a chief executive officer as the institutional leader
- Acts as community bridge and buffer
- Establishes the climate in which educational goals are accomplished
- **Assures fiscal health and stability**
- Defines standards for good personnel relations, and
- Serves as a positive agent for change

Fiduciary Health and Stability

Boards are responsible for ensuring the public's money is spent responsibly.

- Boards fulfill this responsibility best by establishing, as policy, their parameters or limits for the use of **public funds**, and by **reviewing annual audits** conducted by firms that they hire.

Budget approval is an important legal requirement for a board.

- Represents the plan for achieving the college mission
- Includes **projected revenue and details the spending plans** for the college's fiscal year
- Reviewing individual line items or warrants is not a good use of trustee time
- Trustees should be familiar with the overall summary of the document

Long-Range Planning

- Is your board aware of the implications of making long-term commitments, such as:
  - Employee union contracts, including retirement and health benefits,
  - Construction and maintenance,
  - New Programs,
  - **Indebtedness,** and
  - **Multi-year contracts?**

Foundation & Gifts

- Is your board confident that gifts are accounted for and used appropriately?
- Is your board aware of how the foundation is spending its money?

Public funds

Community colleges are publicly funded institutions;

- Until 1978, local boards of trustees had authority to establish local tax rates for community colleges
  - Most of the resources used by the colleges came from local property taxes
- Proposition 13 removed local taxing authority and put limits on property tax rates and increases
- Determining level of public funding for the colleges shifted from local boards to state government

Boards work within state-determined allocations to establish budget priorities that best serve their local communities

- Must do so within the constraints of state statutes and CCC Board of Governors (BOG) and Chancellor's Office regulations and guidelines on how funds may be used

California Community Colleges Funding by Source

(Dollars in Millions Except Funding Per Student)

	2017-18 Actual	2018-19 Revised	2019-20 Enacted	Change from 2018-19 Amount	Change from 2018-19 Percent
Proposition 98					
General Fund	$ 5,757	$ 6,117	$ 6,193	$ 75	1.2%
Local Property tax	2,980	3,056	3,244	188	6.2%
Subtotals	$ 8,737	$ 9,173	$ 9,437	$ 263	2.8%
Other State					
Other General Fund	$ 466	$ 895	$ 636	$ (259)	-28.9%
Lottery	231	245	245	-	0.0%
Special funds	96	95	99	4	4.2%
Subtotals	$ 793	$ 1,235	$ 980	$ (255)	-20.6%
Other Local					
Enrollment fees	$ 457	$ 473	$ 475	$ 2	0.4%
Other local revenue	4,627	4,726	4,762	36	0.8%
Subtotals	$ 5,084	$ 5,199	$ 5,237	$ 38	0.7%
Federal	$ 288	$ 288	$ 288	-	0.0%
Totals	**$ 14,902**	**$ 15,895**	**$ 15,942**	**$ 46**	**0.3%**
Full-time equivalent (FTE) students	1,125,665	1,123,393	1,130,091	6,698	0.6%
Proposition 98 funding per FTE student	$ 7,762	$ 8,166	$ 8,351	$ 185	2.3%
Total funding per FTE students	$ 13,239	$ 14,150	$ 14,107	$ (43)	-0.3%

STATE REVENUES

Community colleges receive most of their monies from state government. State funding is provided by three major sources: state general fund, local property taxes, and student fees. Additionally, the state distributes funds from the federal government to colleges for specific programs.

Five Notable Changes to Community College Apportionment Formula

1. Rescinds Scheduled Increases in Share of Formula Based on Student Outcomes. For 2019-20, 70 percent of apportionment funding will be distributed based on enrollment, 20 percent will be distributed based on the number of low-income students, and 10 percent will be distributed based on student outcomes. In subsequent years, these rates are to be adjusted for inflation. When the new funding formula was adopted last year, the share of funding based on student outcomes was scheduled to increase from 10 percent to 20 percent by 2020-21, with a corresponding reduction to the share based on enrollment.

2. Extends a Hold Harmless Provision One Additional Year. Extends for an additional year (through 2021-22) a hold harmless provision that ensures community college districts will receive no less than their total apportionment amount in 2017-18, adjusted for inflation.

3. Uses a Three-Year Rolling Average to Calculate Outcomes-Based Funding. Requires the outcomes-based portion of the formula to be calculated using a three-year rolling average of student outcome data. In 2018-19, allocations to districts were based on one year of student outcome data.

4. Limits Funding to Highest Award Earned by a Student Each Year. Provides districts with outcome-based funding only for the highest degree or certificate earned by a student in any particular year. In 2018-19, districts received funding for all degrees and certificates earned by students.

5. Clarifies and Changes Transfer Definition. For 2018-19 only, clarifies that a transfer student will generate outcomes funding for only one community college district. Beginning in 2019-20, transfer students will generate outcomes-based funding for any community college district where they completed 12 or more units.

Comprehensive Annual Financial Report (CAFR)

- Compiled by accounting staff and audited by an external accounting firm

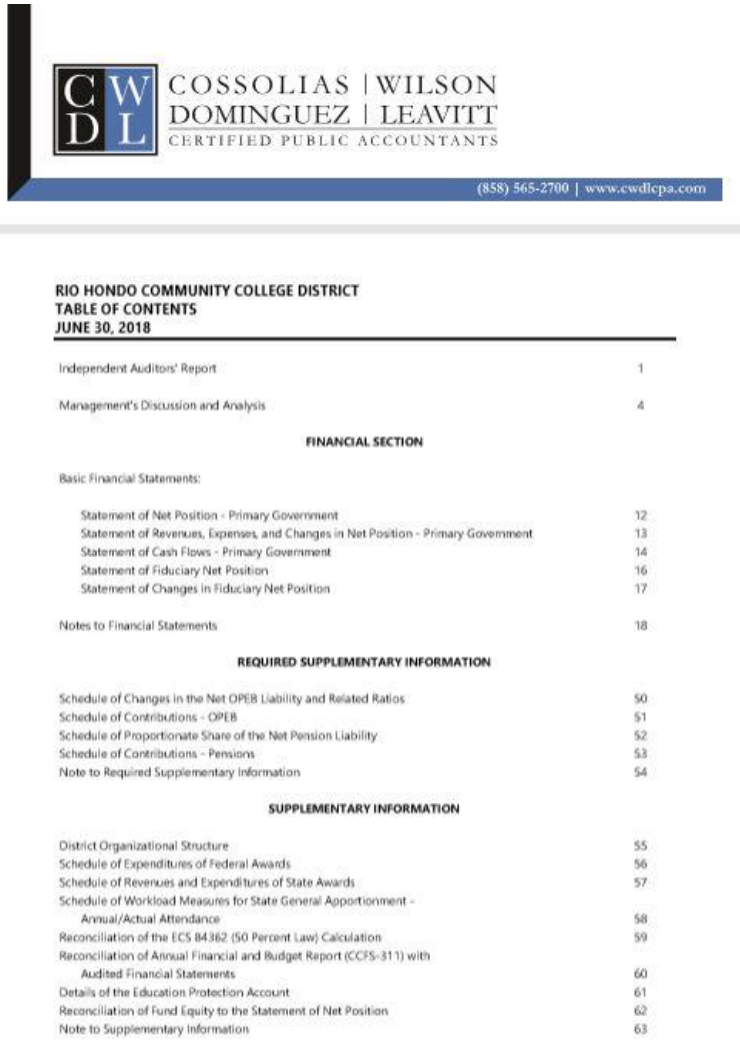
- Set of financial statements comprising the financial report complies with the accounting requirements set by the Governmental Accounting Standards Board (GASB)

    - Purpose of the GASB is to provide city and state governments with generally accepted accounting practices (GAAP) and enforce uniformity among accounting practices

    - Purpose of the CAFR is to provide accurate and meaningful information concerning the public agency's financial conditions and performance

    - CAFR contains the results of the period (fiscal year) with the accumulations of previous years.

        - Shows the total of all financial accounting that a general purpose budget does not report
        - Contains a section that provides a comparison of the period and actual budget



COSSOLIAS | WILSON
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RIO HONDO COMMUNITY COLLEGE DISTRICT
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JUNE 30, 2018

Budget - Projected Revenue and Spending Plans

- Adopted Budget is the plan of financial operation consisting of an estimate of proposed revenue and expenditures for the upcoming fiscal year
- Adopted Budget is presented to the Board annually in June
- Adopted Budget allocates the available resources of the public agency among potential activities to achieve the objectives of the agency
- Budgets are adopted based on estimates of State funding
- Once the State adopts their budget, district budgets are subsequently updated

DATES	ACTION	CALIFORNIA CODE OF REGULATIONS
On or before July 1	Develop a tentative budget and forward to appropriate county officer for validation.	58305(a)
As required by the county	Provide all data needed by the county to compute the actual amounts to be levied on the property tax rolls of the district.	58305(b)
During or before the first week in September* but at least three days prior to public hearing	Proposed budget available for public inspection	58301
On or before the 15th day of September* but not earlier than three days following availability of the budget for public inspection	Public hearing	58301
On or before the 15th day of September*	Adoption of final budget	58305(c)
On or before the 29th day of September*	Submit adopted Annual Financial and Budget Report to the Chancellor and file with the appropriate county officers for information and review	58305(d)

Budget - Projected Revenue and Spending Plans (Continued)

BUDGET ASSUMPTIONS
2018-2019

A. State General Apportionments, as calculated under the new Student Centered Funding Formula (SCFF) is lower than last year's funding levels under SB 361. The new formula holds the college's funding level harmless at last year's apportionment funding, plus COLA.

B. COLA is 2.71%.

C. COLA of 2.71% for EOPS/CARE, CALWORKS and DSPS state categorical funds.

D. Projected 2018–2019 SCFF funding criteria are:

70% Base Allocation 12,800 FTES
20% Supplemental Allocation
10% Student Success Allocation

E. New Strong Workforce Development Revenues of nearly $6 million.

F. Expenditures include projected step, column, PERS and STRS increases. In addition, salary increases of 2.71% are reflected for faculty, management and confidential, and 3.71% for classified staff.

G. Health and Welfare increase of 13%.

H. PERS/STRS increase to 18.062% and 16.28%, respectively

A-1

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: Moody's: "Aa1"; S&P: "AA"
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$310,700,000
MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT
(Los Angeles County, California)
Election of 2018 General Obligation Bonds, Series 2019A

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Mt. San Antonio Community College District (Los Angeles, California) Election of 2018 General Obligation Bonds, Series 2019A (the "Bonds") were authorized at an election of the registered voters of the Mt. San Antonio Community College District (the "District") held on November 6, 2018, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $750,000,000 principal amount of general obligation bonds of the District. The Bonds are being issued by the District to (i) pay the District's 2019 General Obligation Bond Anticipation Notes, (ii) finance the costs of acquiring, constructing, repairing and equipping District sites, buildings and facilities, and (iii) pay the costs of issuing the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of Los Angeles County (the "County") is empowered and obligated to levy such *ad valorem* property taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds, such that interest thereon shall accrue from the date of delivery and be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2019. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

Payments of principal and interest on the Bonds will be made by the Paying Agent (defined herein) to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association, Los Angeles, California, has been appointed as agent of the Treasurer and Tax Collector of Los Angeles County to act as Paying Agent for the Bonds.

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity dates, as stated herein.

Maturity Schedule
(See inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriters, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel to the District. Certain matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company, in New York, New York, on or about April 4, 2019.

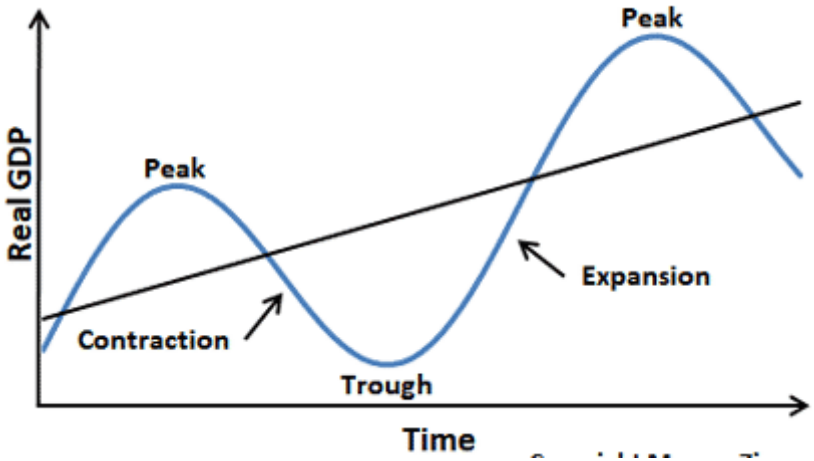
RBC CAPITAL MARKETS STIFEL

The date of this official statement is March 13, 2019.

II. Long-Range Planning

Long-Range Planning

- Is your board aware of the implications of making long-term commitments, such as:
  - Employee union contracts, including retirement and health benefits,
  - Construction and maintenance,
  - New Programs,
  - **Indebtedness,** and
  - **Multi-year contracts?**



Inverted Yield Curve

The yield curve has inverted before every U.S. recession since 1955, suggesting to some investors that an economic downturn is coming.

Occurs when the interest rates on short-term bonds are higher than the interest rates paid by long-term bonds.

What it means: people are so worried about the near-term future that they are piling into safer long-term investments.

MULTI-YEAR CONTRACTS

Will a District be able to maintain multi-year contracts in the event of a recession? What are the opt-out clauses and penalties?

INDEBTEDNESS

Low interest rates offer lower cost of borrowing, right? In the event of another recession debt service is still required to be paid.

III. Foundation & Gifts

Where did all the money go?

Remember the headline "Stop Wall Street Pay-to-Play Pressure on School Districts"?

THE TREASURER'S OFFICE WILL DO NO BUSINESS WITH FIRMS THAT DO NOT PLAY BY THE RULES

Firms must certify on a quarterly basis that they are not involved in bond election campaigns in hopes of winning school district contracts for bond issuance services.

CURRENTLY THE TREASURER'S OFFICE DOES BUSINESS WITH:

26 LAW FIRMS IN THE BOND COUNSEL POOL + 13 ADVISORY FIRMS IN THE FINANCIAL ADVISOR POOL + 66 FIRMS IN THE UNDERWRITER POOL

TREASURER'S NEW ENFORCEMENT INITIATIVE HAS WIDESPREAD BACKING

The association of county treasurers from all 58 counties and two government efficiency advocates – California Forward and Common Cause – are in full support.

…Is your board confident that gifts are accounted for and used appropriately?
…Is your board aware of how the foundation is spending its money?
…Form 990?

IV. Case Studies

Case Study: Long-Range Planning

Open Financial Statements Commission (SB 598)

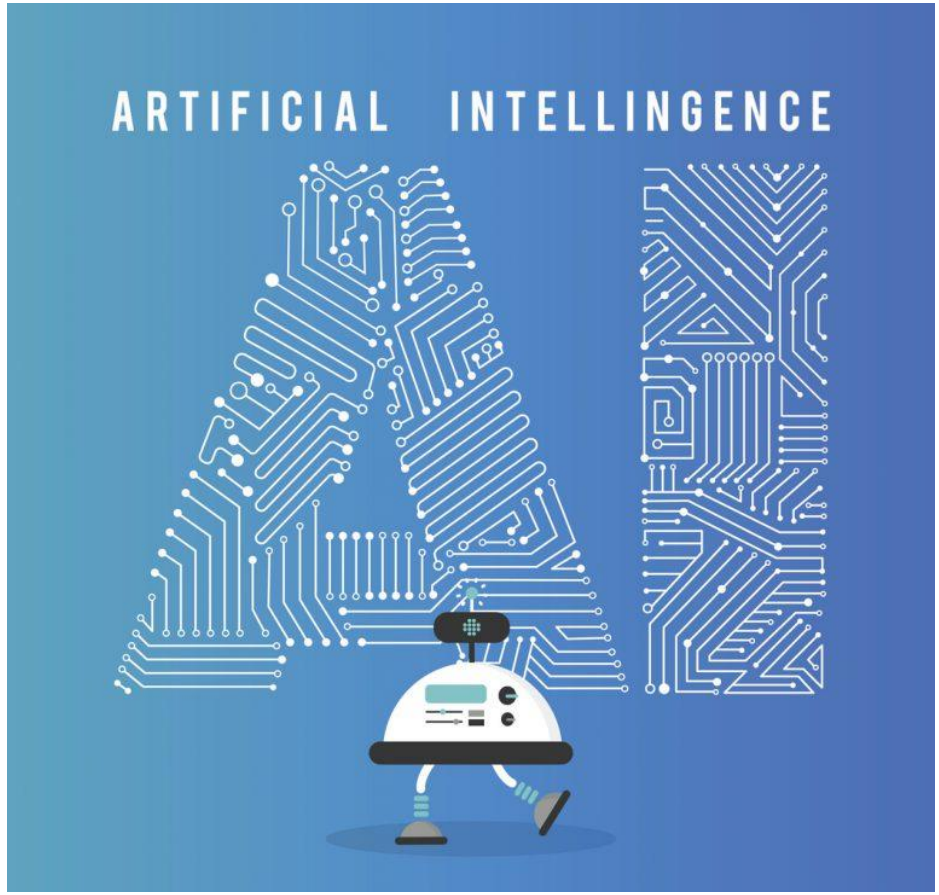
- Roughly more than 1,500 public entities (including community colleges) prepare annual financial statements, independently audited, and submitted to the State Controller
- Reports are submitted as a PDF, either in a text-searchable format or as a scanned physical document
- Most agencies submit an unaudited financial transactions report

The new commission will…

- Evaluate the feasibility of transitioning municipal finance reports to a machine readable format, such as iXBRL (inline eXtensible Business Reporting Language)
- Making financial statements "machine readable" enables software to extract data and create reports to evaluate, compare, and forecast

Why does this matter?

- Artificial Intelligence (AI) or machine learning
    - AI to boost regulator in Denmark
    - AI assisted Audits?



Case Study: Long-Range Planning

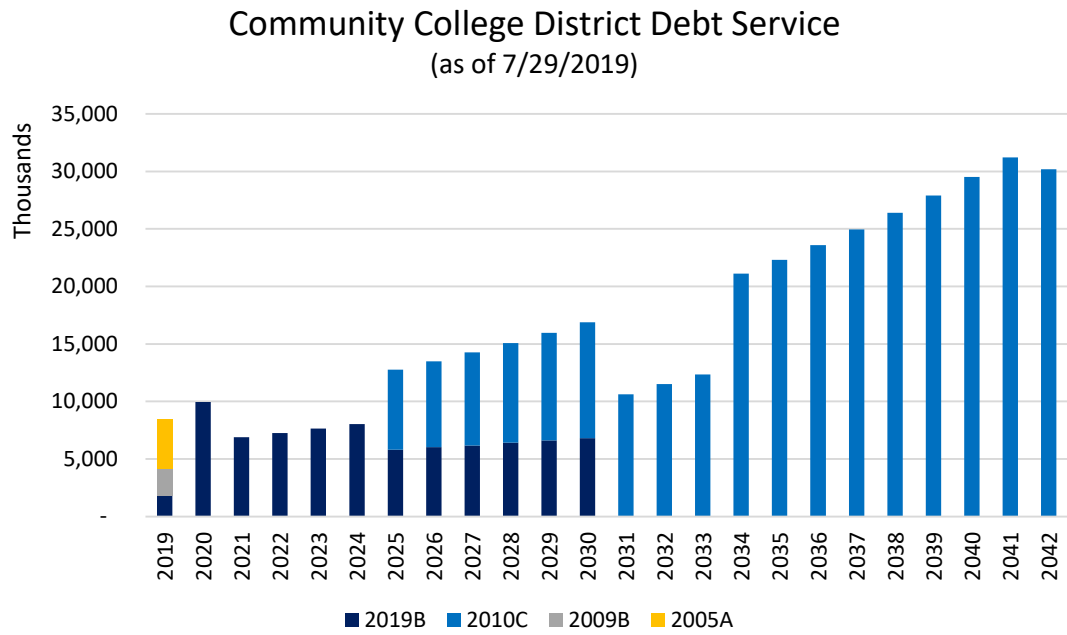
Are you aware of the implications of making long-term commitments? The District that locked itself out of $48 million

- A community college district received authorization for the issuance of not more than **$245 million** of general obligation bonds approved by more than 55% of the voters of the District in **2004 ("Election of 2004")**
- In theory, $62 million of the 2004 authorization ($245 million) should still be accessible by the District
- Realistically, only about **$14 million** could be accessed given the District's tax rate analysis
- What happens to the remaining **$48 million** of authorization?
- Let me tell you…

Series	Original Par	Outstanding Par	Tax Status	Call Date
2019B	60,710,000	60,710,000	Tax-Exempt	Non-Callable
2010C	60,040,980	206,985,000	Tax-Exempt	8/1/2034 (Convertible CABs Only)
2009B**	64,996,843	24,485,000	Tax-Exempt	8/1/2019 (CIBs Only)
2005A*	47,117,244	4,085,000	Tax-Exempt	8/1/2015 (CIBs Only)
Total	**232,865,067**	**296,265,000**		

*Only 8/1/2019 maturity remaining after Series 2019B refunding

**8/1/2019 outstanding, all other CIBs refunded by Series 2019B - only CABs remaining



Case Study: Long-Range Planning

Why it is important to understand how to utilize financing tools to meet tax rate threshold

Community College District
Estimated Tax Rate Analysis

Year		Est. Assessed Valuation				Election of 2004	Tax
(8/1)	% Growth	Secured	Utilities	Unsecured	Total	Total	Rate*
2019	-	37,192,425,159	15,508,688	1,583,021,241	38,790,955,088	8,462,654	-
2020	4.000%	38,680,122,165	16,129,036	1,646,342,091	40,342,593,292	9,955,000	24.68
2021	4.000%	40,227,327,052	16,774,197	1,712,195,774	41,956,297,023	6,881,000	16.40
2022	4.000%	41,836,420,134	17,445,165	1,780,683,605	43,634,548,904	7,253,250	16.62
2023	4.000%	43,509,876,939	18,142,971	1,851,910,949	45,379,930,860	7,636,250	16.83
2024	4.000%	45,250,272,017	18,868,690	1,925,987,387	47,195,128,095	8,023,000	17.00
2025	4.000%	47,060,282,898	19,623,438	2,003,026,883	49,082,933,218	12,759,590	26.00
2026	4.000%	48,942,694,214	20,408,375	2,083,147,958	51,046,250,547	13,488,840	26.42
2027	4.000%	50,900,401,982	21,224,710	2,166,473,877	53,088,100,569	14,262,090	26.86
2028	4.000%	52,936,418,061	22,073,699	2,253,132,832	55,211,624,592	15,086,840	27.33
2029	4.000%	55,053,874,784	22,956,647	2,343,258,145	57,420,089,576	15,956,340	27.79
2030	4.000%	57,256,029,775	23,874,913	2,436,988,471	59,716,893,159	16,872,090	28.25
2031	4.000%	59,546,270,966	24,829,909	2,534,468,010	62,105,568,885	17,842,840	28.73
2032	4.000%	61,928,121,805	25,823,106	2,635,846,730	64,589,791,640	18,867,840	29.21
2033	4.000%	64,405,246,677	26,856,030	2,741,280,599	67,173,383,306	19,957,840	29.71
2034	4.000%	66,981,456,544	27,930,271	2,850,931,823	69,860,318,638	21,102,840	30.21
2035	4.000%	69,660,714,806	29,047,482	2,964,969,096	72,654,731,384	22,317,840	30.72
2036	4.000%	72,447,143,398	30,209,381	3,083,567,860	75,560,920,639	23,602,840	31.24
2037	4.000%	75,345,029,134	31,417,756	3,206,910,574	78,583,357,465	24,957,840	31.76
2038	4.000%	78,358,830,299	32,674,467	3,335,186,997	81,726,691,763	26,392,840	32.29
2039	4.000%	81,493,183,511	33,981,445	3,468,594,477	84,995,759,434	27,910,090	32.84
2040	4.000%	84,752,910,852	35,340,703	3,607,338,256	88,395,589,811	29,515,530	33.39
2041	4.000%	88,143,027,286	36,754,331	3,751,631,786	91,931,413,403	31,215,019	33.95
2042	4.000%	91,668,748,377	38,224,504	3,901,697,058	95,608,669,940	30,193,276	31.58

*Per $100,000 of assessed valuation

Case Study: Foundation and Gifts

Some things to consider…
-Are we proud to take the gift?
-Do we have a Gift Policy?
-Should we be public about what our policy is?
-If the person is politically unpopular, do we still take money from them?
-Do we take money from people trying to advance a political agenda?

THE NEW YORKER

NEWS DESK

HOW AN ÉLITE UNIVERSITY RESEARCH CENTER CONCEALED ITS RELATIONSHIP WITH JEFFREY EPSTEIN

New documents show that the M.I.T. Media Lab was aware of Epstein's status as a convicted sex offender, and that Epstein directed contributions to the lab far exceeding the amounts M.I.T. has publicly admitted.

By Ronan Farrow September 6, 2019

The New York Times

Brown University Puts Official Tied to Jeffrey Epstein's M.I.T. Gifts on Leave

Joichi Ito resigned on Saturday as the leader of M.I.T.'s Media Lab after emails showed an effort to hide donations arranged by the disgraced financier Jeffrey Epstein — work that has ensnared a former M.I.T. official now at Brown. Earl Mcgehee/Getty Images for SXSW

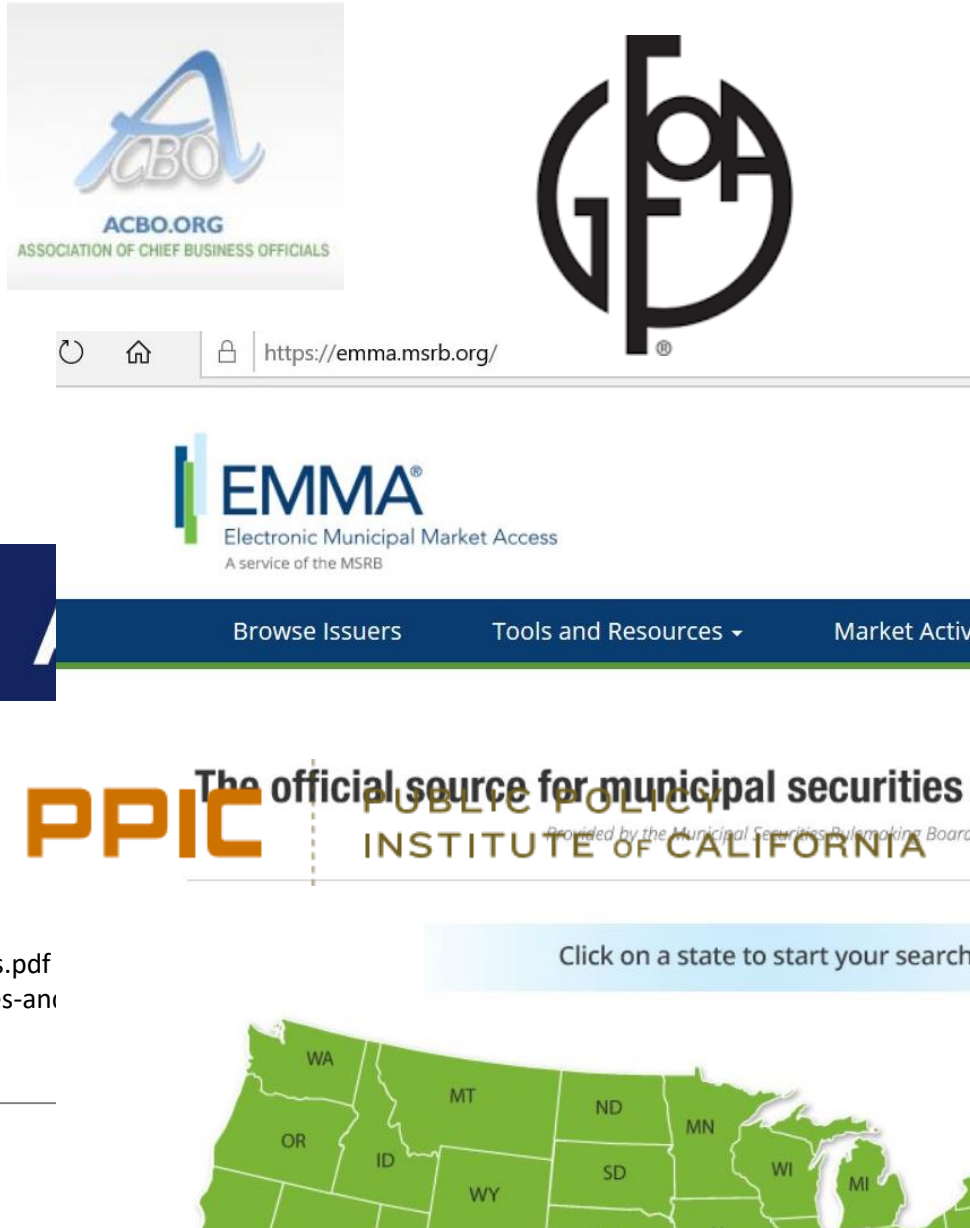
By David Yaffe-Bellany

Published Sept. 9, 2019 Updated Sept. 13, 2019

RAMIREZ GROW WITH US

IV. Conclusion

Resources



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Responsibilities of Ramirez as an underwriter. As an underwriter, Ramirez is required to deal fairly at all times with both municipal issuers and investors. Ramirez must purchase securities with a view to distributing securities in an arm's-length commercial transaction with the issuer and has financial and other interests that differ from those of the issuer. Ramirez has a duty to purchase securities from issuers at a fair and reasonable price, but must balance that duty with its duty to sell them to investors at prices that are fair and reasonable.