RESOLUTION…. to mitigate long-term obligations created by the COP debt, the PVCCD Board of Trustees approves Option IV of the Debt Mitigation Plan according to the provisions specified:

Palo Verde Community College District 2012-2037 COP Debt Mitigation Plan

The following plan has been reviewed by the College's financial advisor through Magis Financial Advisors and by the College's financial consultant, C.M. Brahmbhatt; approved by the Board's Finance and Audit Committee, and submitted for review to the Budget Committee and College Council as follows:

1. The College will continue to provide $855,000 annually for the COP debt payment beginning in 2011 from the General Fund.

2. The College will provide an additional $766,000 annually for the COP debt payment from 2016 through 2037 from the General Fund.

3. The College will reserve from the LAIF account beginning January, 2013, $350,000 to be identified and reserved for capital projects as the facilities begin to age. Interest income generated from the LAIF account or through unanticipated interest revenue will be re-directed into this capital account to maintain capital stability.

4. Requiring Board approval, unanticipated annual revenue will be re-directed to an account preserved for "debt service" to reduce or help reduce annual COP debt shortfalls.

5. Four options currently exist, were based on and took into consideration the state of the economy, interest rates, and the state of the California education and financial situation:
    a. Option I – Do Nothing and maintain the current $60,449,000 debt as obligated resulting in a shortfall of approximately $735,000 annually from 2027 – 2037.
    b. Option II – Refinance COP debt now with the result of having shortfalls beginning in 2026 of over a million dollars annually and realizing total debt of $67,267,000 (negative arbitrage).
    c. Option III - Refinance the COP debt in 2016 with the result of having shortfalls beginning in 2027 of approximately annually and realizing total debt of $61,135,000.
    d. Option IV – Refinance the COP debt in 2016 and apply the remaining LAIF funds to buy down the COP principle resulting in an annual shortfall of approximately $125,000 and an overall debt of $47,600,000.

6. Maintain on-going monitoring of economic trends, indicators, interest rates, consultation with financial experts, and other components which could positively or negatively impact any of the listed options, or result in the creation of a new option, with the capability of adjusting the plan as needed.

7. The Board of Trustees will review the options no less than annually, update the plan options, and adjust the plan if deemed beneficial to the institution.

8. The Board's Finance and Audit Committee will develop a Debt Policy during spring 2013 to ensure the conditions and criteria under which the Board accepts additional debt in the future.

9. It is recommended to accept Option IV as the preferred plan to-date based on the data and information provided.