

**Governing Board's Finance and Audit Committee  
Meeting Notice and Agenda\*  
Friday, October 21, 2022  
9:00am  
Virtual Meeting#**

**General Matters**

- |                  |            |        |
|------------------|------------|--------|
| 1. Call to Order | Ken Marcus | 9:00am |
|------------------|------------|--------|

**Action Items**

- |   |            |        |
|---|------------|--------|
| 2. Approval of Minutes from August 26, 2022 | Ken Marcus | 9:05am |
|---|------------|--------|

**Reports and Feedback**

- |  |              |         |
|--|--------------|---------|
| 3. Investment Report   | John Utter   | 9:10am  |
| 4. Serving on a Public Board   | Jeff Silvyn  | 9:35am  |
| 5. Enterprise Risk Management and Compliance Report, October 2022  | David Parker | 9:55am  |
| 6. CFO Update  | David Bea    | 10:10am |
| a. Revenue Bonds   |              |         |
| b. Classification and Compensation Study Update  |              |         |
| c. Three-Year Budget Plan for Fiscal Years 2024-2026   |              |         |
| d. Higher Learning Commission Update   |              |         |
| e. Moody's Issuer Comment  |              |         |
| f. Certificate of Excellence in Financial Reporting Awarded by the Government Finance Officers Association |              |         |

**Effectiveness Discussion****Information Items**

- |                                 |  |
|---------------------------------|--|
| 7. Future Agenda Items          |  |
| a. Marketing and Enrollment     |  |
| b. Workforce Update             |  |
| c. Adult Education              |  |
| d. Office of Dispute Resolution |  |
| e. Space Usage                  |  |

**Adjournment**

Next Meeting  
December 9, 2022  
Zoom Webinar

**\*Option to recess into executive session** – Pursuant to A.R.S. 38-431.03(A)(2) the Committee may vote to go into executive session for discussion or consideration of records exempt by law from public inspection, including the receipt and discussion of information or testimony that is specifically required to be maintained as confidential by state or federal law. Pursuant to A.R.S. 38-431.03(A)(3) the Committee may vote to go into executive session for discussion or consultation with legal counsel for the College.

**Additional Information** – Additional information about the above agenda items is available for review on the College's [website](#).

The Committee reserves the right to change the order of agenda items.

To request a reasonable accommodation for individuals with disabilities, a minimum of five (5) business days before the event is requested. Contact Phone: (520) 206-4539 Fax: (520) 206-4567.

Members of the Committee may participate by telephone, video, or internet conferencing.

#### **#VIRTUAL MEETING**

Following the guidance of public health officials, the College has closed its facilities to the public and allows only restricted access for essential personnel to promote social distancing and limit the spread of the coronavirus. Accordingly, the Finance and Audit Committee will conduct this meeting through remote technology only. Members of the public interested in following the proceedings may do so via Zoom webinar.

Please click the link below to join the webinar:

<https://pima.zoom.us/j/91507079594>

Or join webinar with the following methods

Phone one-tap

Phone one-tap: US: +13462487799,,91507079594# or +16694449171,,91507079594#

Join by Telephone

For higher quality, dial a number based on your current location.

Dial:

US : +1 346 248 7799 or +1 669 444 9171 or +1 669 900 6833 or +1 719 359 4580 or +1 253 215 8782 or +1 301 715 8592 or +1 309 205 3325 or +1 312 626 6799 or +1 386 347 5053 or +1 564 217 2000 or +1 646 558 8656 or +1 646 931 3860

Webinar ID: 915 0707 9594

Passcode: 476547



Governing Board's Finance and Audit Committee

Friday, August 26, 2022

9:00am

Virtual Meeting - Zoom Webinar

### Meeting Minutes

#### In Attendance:

Ken Marcus (Chair-Elect), David Bea (Ex-Officio), Laura Ward, Jesus Manzanedo, Demion Clinco, Maria Garcia, Kathleen Witt, Agnes Maina (Ex-Officio), Keri Hill (Recorder)

#### Not in Attendance:

Scott Odom (Chair), Ben Tuchi

#### Guests:

Nic Richmond, Vice Chancellor for Strategy, Analytics and Research; Jose Saldamando, Internal Auditor; Brandye D'Lena, Assistance Vice Chancellor for Facilities

#### General Matters

##### 1. Call to Order

Chair-Elect Marcus called the meeting to order at 9:01am, noting a quorum was met.

#### Action Items

##### 2. Approval of Minutes from June 17, 2022

Chair-Elect Marcus asked if the Committee had any changes to the minutes. With no changes, a motion was made to approve the minutes.

##### *Motion No. 202208-01: Approve Minutes from June 17, 2022*

First: Laura Ward

Second: Jesus Manzanedo

Vote: Motion passed unanimously (Marcus, Ward, Marcus, Clinco, Manzanedo voting in favor)

Motion Carried.

#### Reports and Feedback

##### 3. Strategy, Analytics and Research - Enrollment Update (Nic Richmond)

Dr. Richmond introduced her report, providing an overview of the 2021-2025 Strategic Plan, Achieve60 AZ, and the Institutional Targets. She continued with observations about the population of Pima County and the impact of these demographics on potential community college enrollment. Competition is also a factor, with Massive Open Online Courses, Americans' perceptions of the importance of college, and declining birth rates.

The pandemic significantly impacted the rate of decline in enrollment at the College, which is consistent with trends nationwide. However, Fall enrollment is up about 8.72% compared to the prior year, giving an optimistic outlook for the College.

Ms. Witt joined the meeting in progress.

Dr. Richmond continued with an analysis of the demographics of Fall 2021 and Fall 2022 students, noting the areas the College will target for recruitment efforts and Achieve60 AZ completer counts. She continued with enrollment (defined as the count of classes taken by students) and how it is distributed in Fall 2022 across the academic divisions vs. Fall 2021. Online enrollment is still increasing, indicating strong interest in this methodology as the College ramps up its in-person offerings.

There is a 39% increase in new to higher education students at Pima, compared to a one percent increase for continuing or returning students. This speaks to a need to engage more effectively with adult students, not just for enrollment but also to impact the lives of those in the community.

The College tracks progress measures across cohorts as part of the Voluntary Framework for Accountability (VFA). This data includes fall to next-term retention rates, first term no success, retention, completion, and transfer rates. Dr. Richmond shared the different methodologies utilized to review this data as the College continues to understand the trends and identifies the areas of strategic focus.

Chair-Elect Marcus asked about the comparisons to peer institutions. Dr. Richmond described the federal reporting and the information gathered from the National Student Clearing House; Fall 2022 data has not yet been released. Data will also be compared with the in-state community colleges.

Ms. Witt asked about coordination with the business community and ensuring that adult learners and industry certificates meet local needs. Dr. Ian Roark leads the College's Workforce Development efforts, which include occupational advisory committees that will take feedback from the industry and implement that into the curriculum. Dr. Richmond provided an example from her experience in her previous role as a Dean at the Downtown Campus. Dr. Bea provided an additional example related to the new Automotive Center at the Downtown Campus; feedback from business and industry leaders heavily influenced the facility's construction, and the advisory groups have provided meaningful input on the curriculum. As an employer in Tucson, Ms. Witt spoke about some of the challenges she has hiring employees with the right skill sets.

Ms. Garcia asked a few questions of Dr. Richmond. Related to the definition of credentials, those refer to traditional completion points like a degree or certificate; the College is exploring offering other credentials that, for example, may be provided by an outside entity. Regarding data and the community, the College recognizes that many students will remain in the community, and new dashboards will be created in coordination with the economic development office in Phoenix. Dr.

Richmond also described the methodology associated with the two-year cohorts for the VFA. Lastly, the College should continue to improve pathways to transfer to a university. Ms. Garcia concluded her questions by asking about connections with the University of Arizona, as many are not prepared for higher education, and there may be opportunities for the College to assist these students better.

With no further questions, Dr. Richmond concluded her report.

#### **4. Internal Audit (Jose Saldamando)**

Mr. Saldamando introduced the Third Quarter Update from the Office of the Internal Auditor. He began with the general department update, reviewing the status of actions to address findings in open audits and the progress on the co-sourced audits for Information Technology (IT) and Key Controls. The Arizona Auditor General is currently engaged in its annual audit of the fiscal year ended June 30, 2022.

He continued with the other activities from the third quarter, including attendance at the Security and Access Control Work Group and professional development opportunities.

Regarding the audit recap, there are currently 13 items closed and six to be addressed across the open audits. Mr. Saldamando described the current efforts to resolve the open items. The Detail Audit Plan and Important Compliance and Guidance Items were shared.

Ms. Garcia asked about Hispanic Serving Institutions, and Mr. Saldamando stated that there could be an opportunity for inclusion in the upcoming Enrollment Management audit.

Ms. Ward inquired about the risk level associated with Information Technology General Controls Audit. Mr. Saldamando said that out of 21 observations noted, there were three high, ten medium, and eight low risk items. The risk rate will also be provided with the Executive Summary issued by the Internal Auditor. Dr. Bea stated that additional conversations would happen with this Committee on IT in the near future. Ms. Ward also inquired about governance, as this element impacts institutions, including their credit ratings.

#### **5. Facilities Projects and Centers of Excellence Updates (Brandye D'Lena)**

Ms. D'Lena introduced herself as the Assistant Vice Chancellor for Facilities and began her report on the Centers of Excellence (COEs) and other projects. Updates included the following:

- Advanced Manufacturing Building: will soon host an event with the PCC Foundation.
- Aviation Technology Center: almost completed.
- West Campus Allied Health: currently in design development and engaged with a construction manager at risk. The design will reflect Sentinel Peak, and the College is engaged with local historians on the design abatement.
- West Campus Science Labs: major HVAC and piping are complete, as well as underground utility work. Construction is approximately 70% and is planned for completion in October

2022. This project encountered unforeseen circumstances and has been dramatically impacted by supply chain and other escalation issues.

- Desert Vista Campus Culinary: a Title V grant partially funds this project. It includes a Bakery Pastry Kitchen and a Bistro.
- College-wide Trane Project: will create a living lab for students to be trained on the controls. The project will upgrade College HVAC and further sustainability efforts.
- College-wide Honeywell Project: the College is installing perimeter card readers at all campuses and securing access controls.
- College-Wide Electric Vehicle Charging Stations: continuing sustainability efforts and collaborating with Tucson Electric Power.
- Downtown Campus Hotel Properties: architect and construction manager at risk are both under contract, with design kick-off anticipated this Fall.
- Tucson Inn Sign Restoration: in coordination with Thrive in the '05, this is progressing through historical evaluation and approval.
- Truck Driving Modular Replacement: extensive repairs and replacement of modular units.

Ms. Ward inquired about the epoxy flooring at Aviation and the rationale for selecting it. Ms. D'Lena stated that tiled floors would not support the heavy equipment. Further, epoxy is less porous than concrete and will remain cleaner.

Ms. Garcia asked about the total expenditures for each project, especially considering cost overruns. Ms. D'Lena spoke about future items that will be submitted to the Governing Board for action.

With no further discussion, Ms. D'Lena concluded her report.

## 6. CFO Update (David Bea)

### a. Enterprise Risk Management - August 2022 Report

On behalf of Mr. Parker, who is attending a session with the Arizona School Risk Retention Trust, the August 2022 report was provided for information. Dr. Bea stated that the College is continuing to work to evaluate risks and incorporate them throughout processes, and ERM will develop the framework.

### b. Revenue Bonds

The inception to date report on the revenue bonds was presented as information. A future meeting of this Committee will be held at the new facilities at the Downtown Campus.

### c. Classification and Compensation Study Update

As discussed with this Committee in June, the College has implemented a new classification and compensation structure. Dr. Bea provided a brief overview of the challenges with the previous system and its impacts on hiring and retaining staff in certain areas, as well as with salary compression for existing employees.

Ms. Witt departed the meeting.

Dr. Bea continued with a description of the implementation of the new structure and how employees were placed. To address the pressures of inflation, a minimum adjustment of \$2,000 over the prior fiscal year was provided for employees not placed at a new market salary. The College continues to work through the implementation challenges, and there is an ongoing communication effort.

Mr. Clinco departed the meeting in progress.

An Appeals Process has also been implemented and will be open through September 30, 2022. Approximately 200 appeals have been received to date, with about half already resolved. Issues range from calculations of years of services to title changes and updates to job descriptions. The College was fortunate to have the resources via Prop 481 to implement this new structure.

**d. Three-Year Budget Plan for Fiscal Years 2024-2026**

The College will have ongoing costs related to classification and compensation, and sustainability of personnel costs will be folded into the three-year budget plan. Deferred maintenance needs will also be folded into the budget as new facilities come online.

### Information Items

**7. Future Agenda Items**

- a. Marketing and Enrollment
- b. Workforce Update
- c. Adult Education
- d. Office of Dispute Resolution
- e. Space Usage

### Adjournment

The meeting adjourned at 10:49am.

**Next Meeting:**

October 21, 2022

Virtual Meeting - Zoom Webinar



# Pima County Community College Portfolio Update

September 2022

**John Utter**  
Head of U.S. Institutional Client Service





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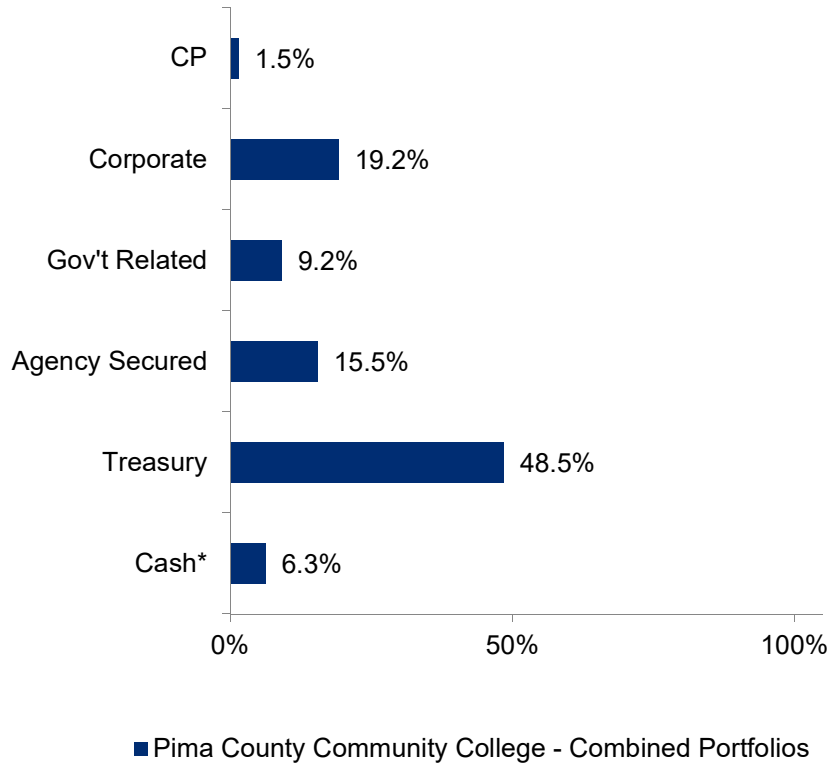
- I. 1-3 Year Portfolio Review
- II. Ultra Short Portfolio Review
- III. 2019 Revenue Bond Portfolio Review
- IV. Economic and Market Commentary
- V. Appendix
  - i. Bios
  - ii. Investment Policy Statement Arizona Revised Statutes

# Summary of Combined Portfolio Characteristics

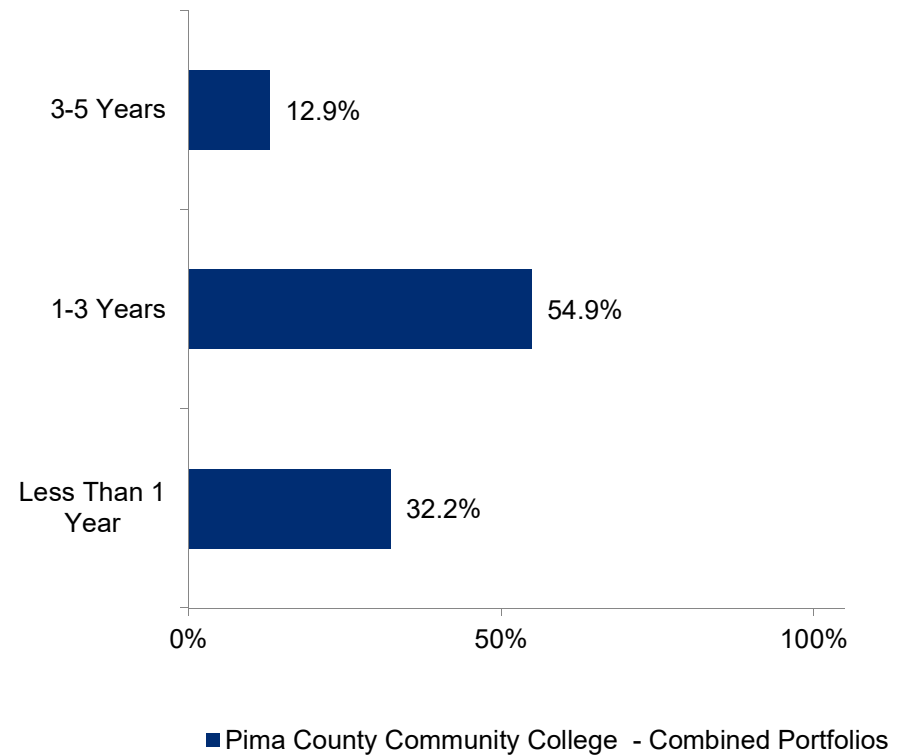
## Pima County Community College

The Pima County Community College combined investment assets with RBC GAM includes two RBC managed short term portfolios (\$118.9 million) and a bond proceeds portfolio (\$17.9 million).

### Sector Distribution



### Duration Distribution



\*Cash assets do not include AZ LGIP and Bank Deposits held outside of portfolios managed by RBC GAM

As of 9.30.22  
Source: RBC GAM



# Pima County Community College District - 1-3 Year Portfolio

# Portfolio Performance

## Pima County Community College – 1-3 Year Portfolio

<b>9.30.22 Market Value: \$103,304,866</b>	<b>YTD</b>	<b>3Q 2022</b>	<b>2Q 2022</b>	<b>1Q 2022</b>	<b>4Q 2021</b>	<b>2021</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 Year</b>	<b>Since Inception (7.1.12)</b>
Total Portfolio (Gross of Fees)	-4.18	-1.43	-0.62	-2.19	-0.34	-0.05	-4.51	-0.27	0.84	0.84	0.86
Total Portfolio (Net of Fees)	-4.24	-1.44	-0.64	-2.21	-0.36	-0.12	-4.58	-0.34	0.77	0.77	0.79
Principal Return	-5.2	-1.81	-0.97	-2.51	-0.69	-1.65	-5.85	-2.03	-1.02	-0.93	-0.83
Income Return	1.06	0.39	0.35	0.32	0.35	1.62	1.42	1.8	1.88	1.79	1.7
ICE BofA 1-3 Year Tsy & Agy Index	-4.35	-1.56	-0.51	-2.34	-0.53	-0.55	-4.86	-0.48	0.57	0.57	0.62

As of 9.30.22

Source: RBC GAM, ICE Data Services

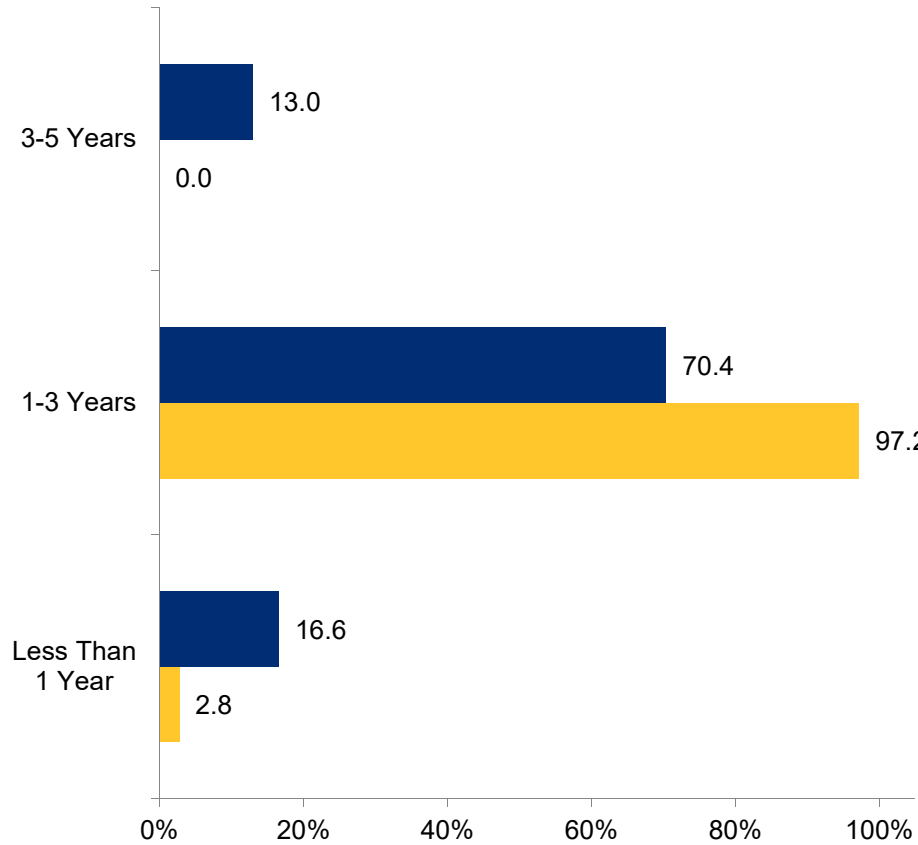
All returns for periods greater than one year are shown on an annualized basis. Past performance is not indicative of future results.



# Portfolio Characteristics

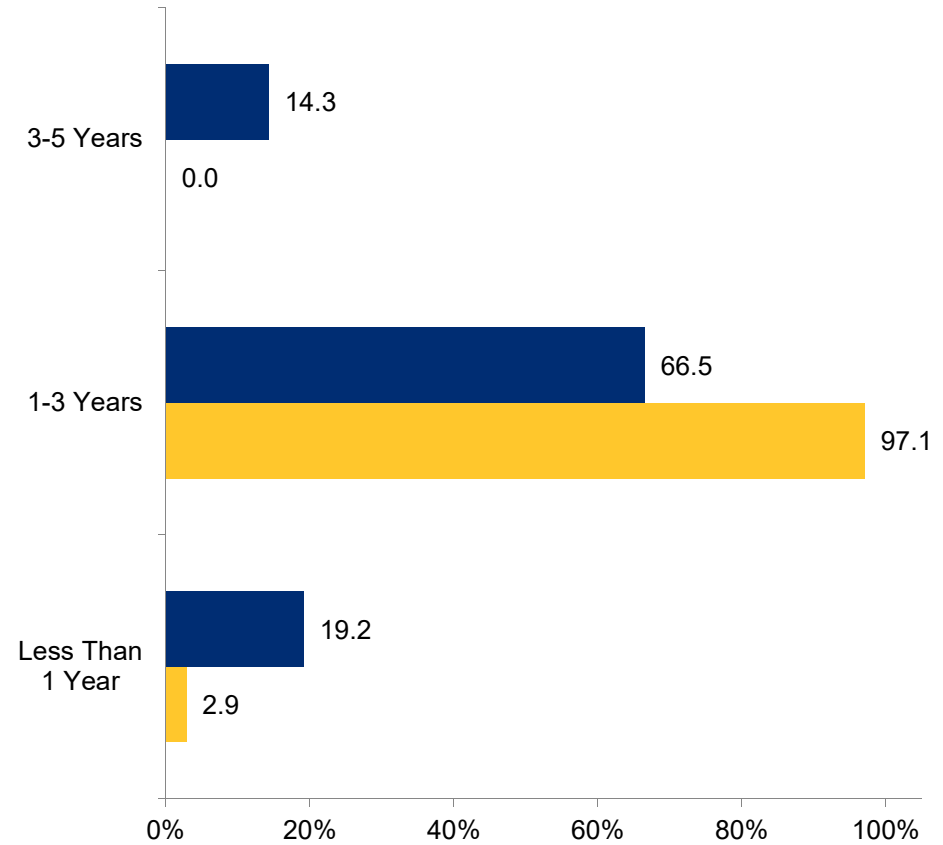
## Pima County Community College – 1-3 Year Portfolio

Duration Distribution as of 9.30.22



■ Pima County Community College - 1-3 Yr  
 ■ ICE BofA 1-3 Yr Tsy & Agy

Duration Distribution as of 6.30.22



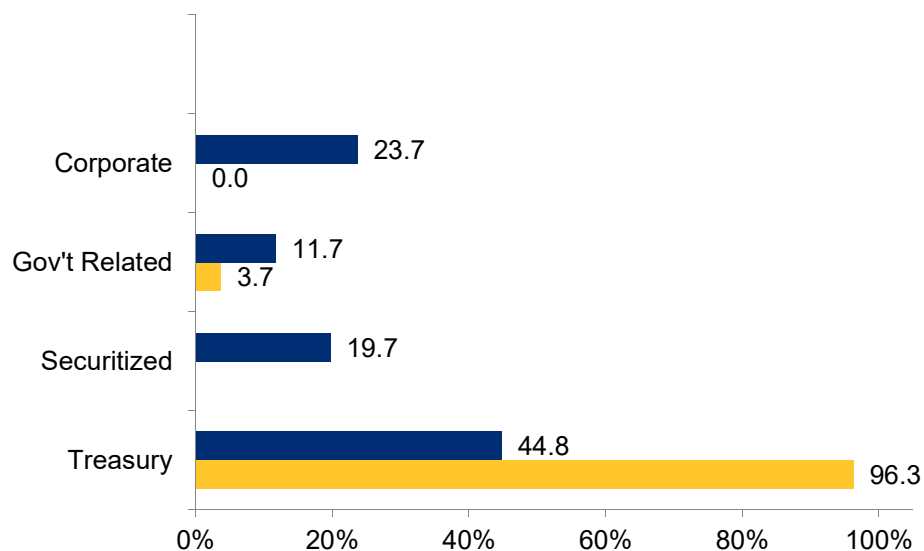
■ Pima County Community College - 1-3 Yr  
 ■ ICE BofA 1-3 Yr Tsy & Agy

As of 9.30.22  
 Source: RBC GAM, ICE Data Services



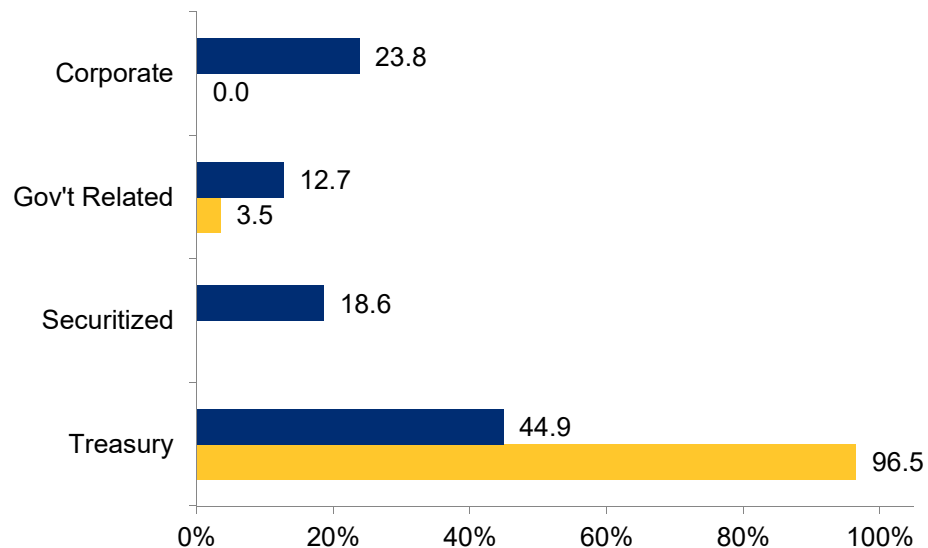
## Pima County Community College – 1-3 Year Portfolio

**Sector Distribution as of 9.30.22**



■ Pima County Community College - 1-3 Yr  
 ■ ICE BofA 1-3 Yr Tsy & Agy

**Sector Distribution as of 6.30.22**



■ Pima County Community College - 1-3 Yr  
 ■ ICE BofA 1-3 Yr Tsy & Agy

Characteristics	Pima County Community College 1 3 Year as of 9.30.22	ICE BofA 1 3 Yr Tsy & Agy As of 9.30.22	Pima County Community College 1 3 Year as of 6.30.22	ICE BofA 1 3 Yr Tsy & Agy As of 6.30.22
Effective Duration	1.77 years	1.84 years	1.81 years	1.85 years
Market Yield	4.31%	4.30	3.08%	3.00%
Book Yield	1.49%		1.26%	--
Average Quality	AAA	AAA	AAA	AAA

As of 9.30.22

Source: RBC GAM, ICE Data Services, Sector charts exclude cash & equivalents



# Duration By Sector

## Pima County Community College – 1-3 Year Portfolio

	<b>Duration As of 9.30.22</b>	<b>% Assets As of 9.30.22</b>	<b>Contribution to Duration As of 9.30.22</b>	<b>Duration As of 6.30.22</b>	<b>% Assets As of 6.30.22</b>	<b>Contribution to Duration As of 6.30.22</b>
<b>Corporate</b>	2.18 Years	23.75%	<b>29.10%</b>	2.12 Years	23.84%	<b>27.94%</b>
<b>Agency</b>	1.03 Years	11.74%	<b>6.84%</b>	1.26 Years	12.58%	<b>8.76%</b>
<b>Agency Secured</b>	2.19 Years	19.73%	<b>24.36%</b>	1.99 Years	18.48%	<b>20.36%</b>
<b>Treasury</b>	1.58 Years	44.69%	<b>39.70%</b>	1.73 Years	44.93%	<b>42.94%</b>
<b>Total</b>	<b>1.78 Years</b>	<b>100.00%</b>	<b>100.00%</b>	<b>1.81 Years</b>	<b>100.00%</b>	<b>100.00%</b>

As of 9.30.22  
Source: RBC GAM, Contribution to Duration table excludes cash & equivalents





# Pima County Community College District - Ultra Short Portfolio

# Portfolio Performance

## Pima County Community College – Ultra Short Portfolio

<b>9.30.22 Market Value: \$15,591,468</b>	<b>YTD</b>	<b>3Q 2022</b>	<b>2Q 2022</b>	<b>1Q 2022</b>	<b>4Q 2021</b>	<b>2021</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>7 year</b>	<b>Since Inception (5.1.12)</b>
Total Portfolio (Gross of Fees)	-1.38	-0.26	-0.24	-0.89	-0.13	0.08	-1.51	0.32	1.12	0.97	0.71
Total Portfolio (Net of Fees)	-1.43	-0.27	-0.26	-0.91	-0.14	0.02	-1.58	0.25	1.05	0.90	0.64
Principal Return	-2.01	-0.50	-0.48	-1.04	-0.33	-0.84	-2.33	-1.05	-0.15	-0.15	-0.38
Income Return	0.64	0.25	0.24	0.15	0.20	0.93	0.84	1.38	1.27	1.13	1.1
Blended Benchmark*	-1.82	-0.51	-0.30	-1.02	-0.22	-0.13	-2.05	0.14	0.98	0.83	0.58
ICE BofA US 3mo T-Bill	0.61	0.46	0.02	0.00	0.02	0.05	0.62	0.59	1.15	0.95	0.66

\*1.1.2019-Current: ICE BofA 0-2 Year US Treasury; 5.1.2012 thru 12.31.2018: ICE BofA 3 Month T-Bill

As of 9.30.22

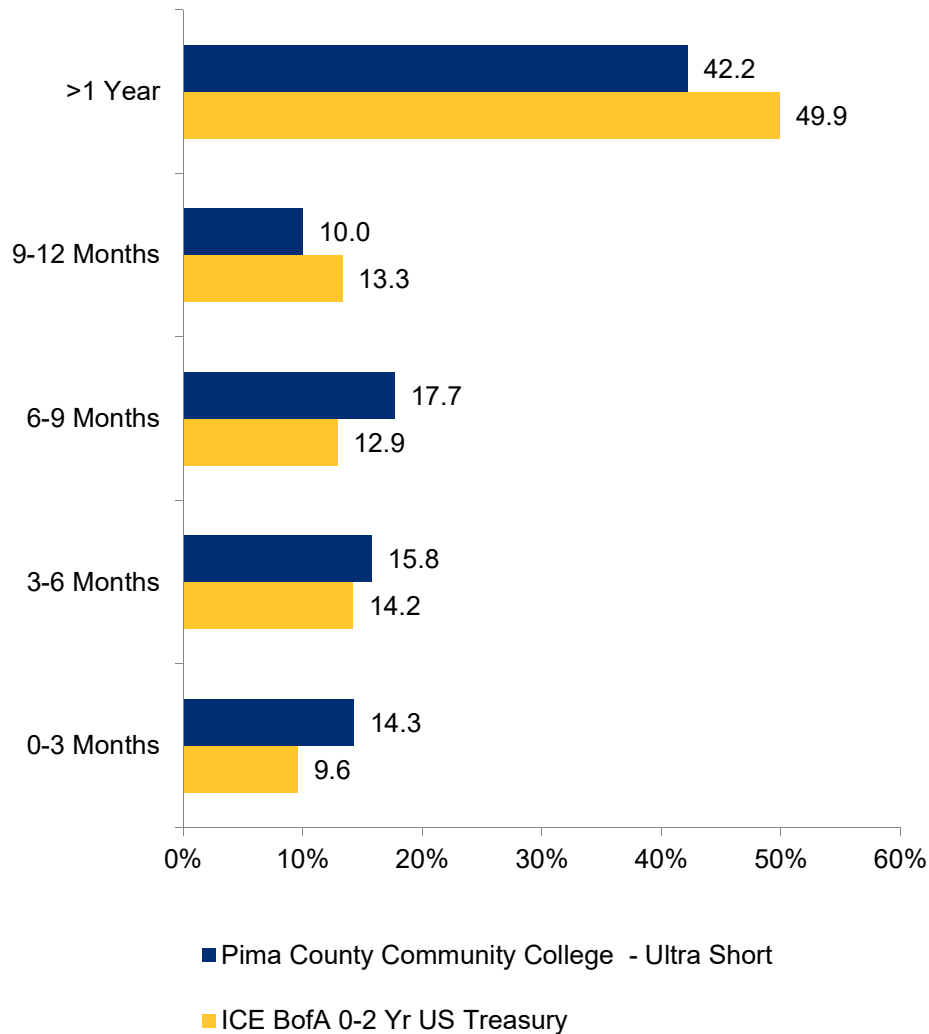
Source: RBC GAM, ICE Data Services

All returns for periods greater than one year are shown on an annualized basis. Past performance is not indicative of future results.

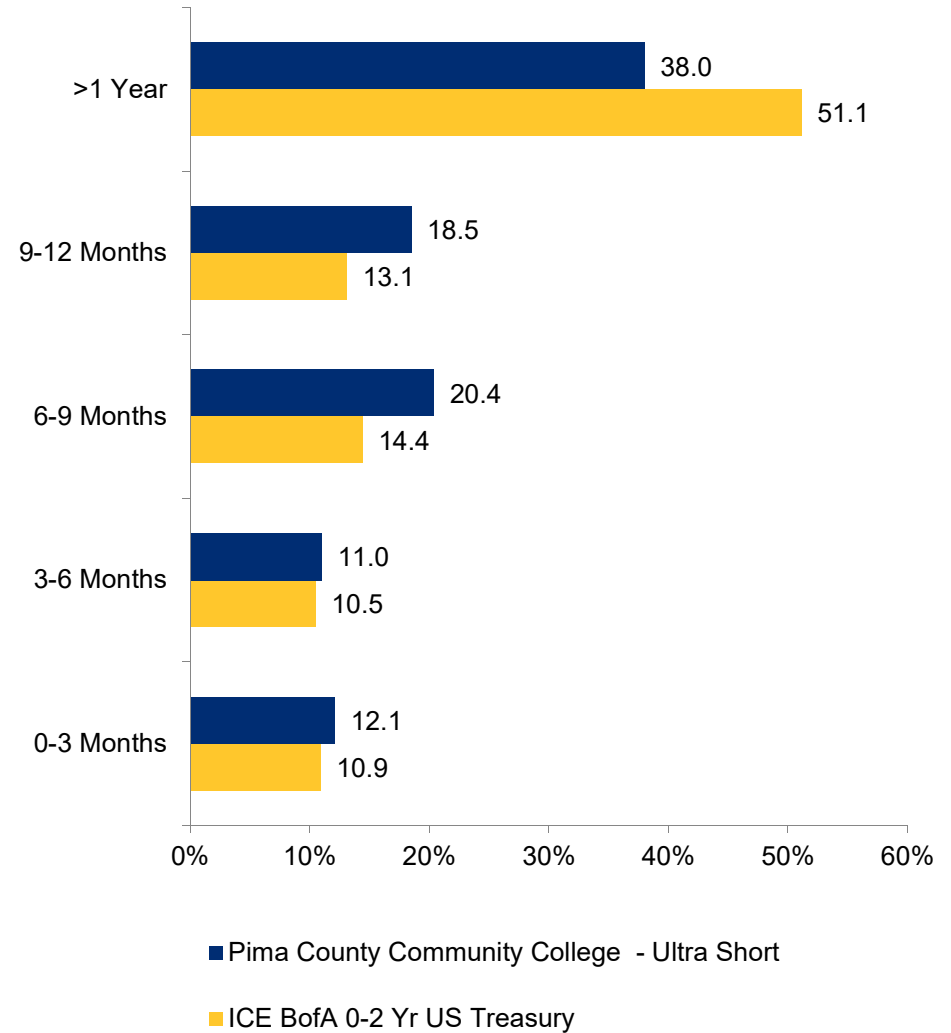


## Pima County Community College – Ultra Short Portfolio

### Duration Distribution as of 9.30.22



### Duration Distribution 6.30.22

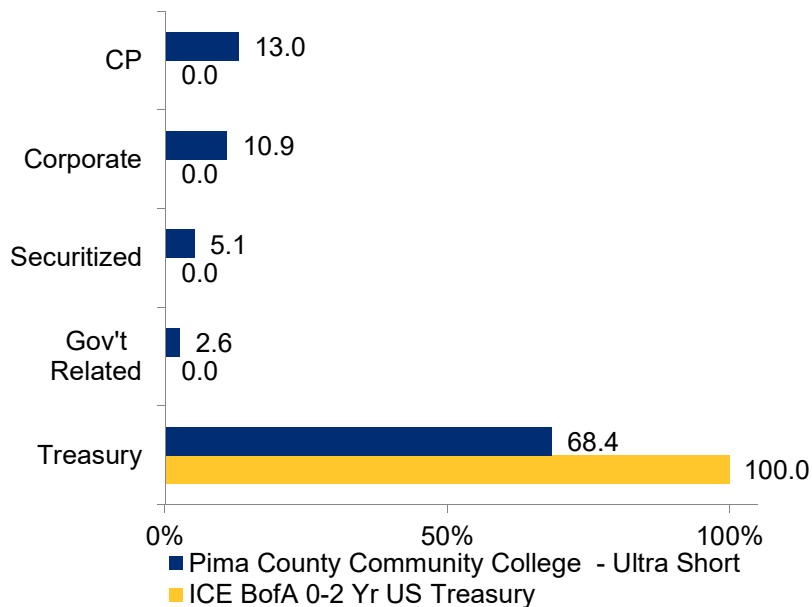


As of 9.30.22  
Source: RBC GAM, ICE Data Services

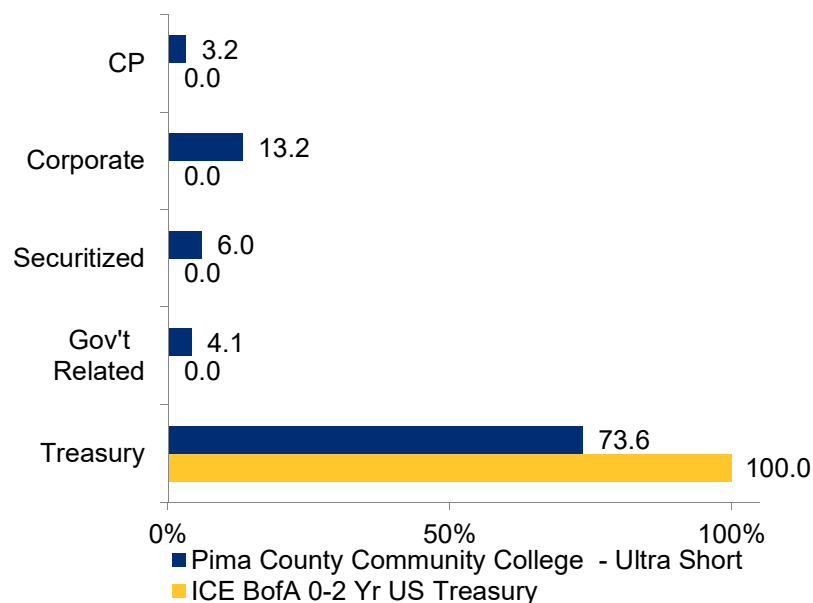


## Pima County Community College – Ultra Short Portfolio

**Sector Distribution as of 9.30.22**



**Sector Distribution as of 6.30.22**



Characteristics	Pima County Community College Ultra Short as of 9.30.22	ICE BofA 0 2 Yr US Treasury as of 9.30.22	Pima County Community College Ultra Short as of 6.30.22	ICE BofA 0 2 Yr US Treasury as of 6.30.22
Effective Duration	0.90 years	0.99 years	0.91 years	1.02 years
Market Yield	4.0%	4.09%	2.72%	2.71%
Book Yield	1.65%		0.81%	--
Average Quality	AA+	AAA	AAA	AAA

As of 9.30.22

Source: RBC GAM, ICE Data Services, Sector charts exclude cash & equivalents

RBC Global Asset Management



# Duration By Sector

## Pima County Community College – Ultra Short Portfolio

	Duration As of 9/30	% Assets As of 9/30	Contribution to Duration As of 9/30	Duration As of 6/30	% Assets As of 6/30	Contribution to Duration As of 6/30
<b>Corporate</b>	0.31 Years	7.32%	<b>8.92%</b>	0.66 Years	13.24%	<b>9.67%</b>
<b>Gov't Related</b>	0.62 Years	10.97%	<b>26.73%</b>	0.38 Years	4.14%	<b>1.74%</b>
<b>Commercial Paper</b>	0.22 Years	4.74%	<b>4.10%</b>	0.22 Years	3.18%	<b>0.77%</b>
<b>Agency Secured</b>	0.68 Years	3.84%	<b>10.26%</b>	0.83 Years	5.95%	<b>5.43%</b>
<b>Treasury</b>	0.94 Years	73.04%	<b>5000%</b>	1.02 Years	73.59%	<b>83.29%</b>
<b>Total</b>	<b>0.85 Years</b>	<b>100.00%</b>	<b>100.00%</b>	<b>0.91 Years</b>	<b>100.00%</b>	<b>100.00%</b>

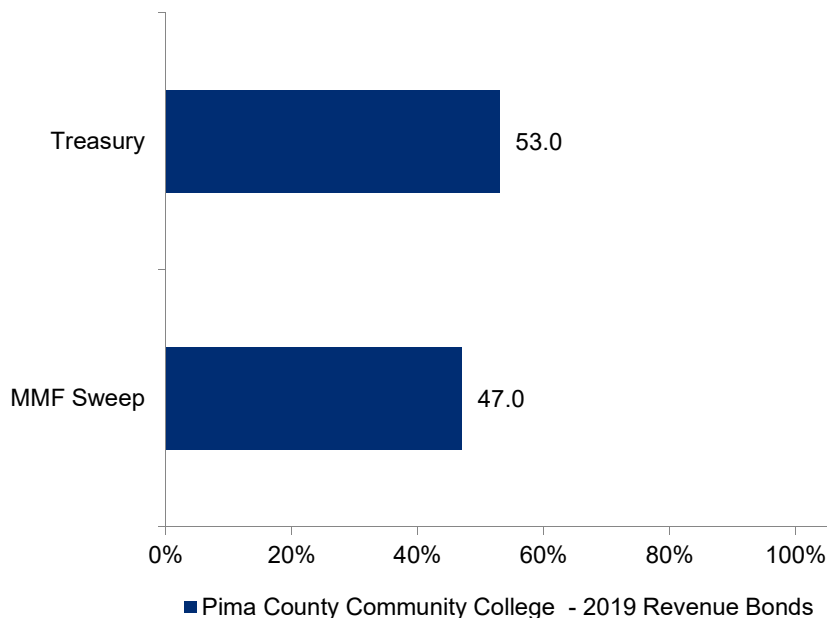
As of 9.30.22  
 Source: RBC GAM, Contribution to Duration table excludes cash & equivalents



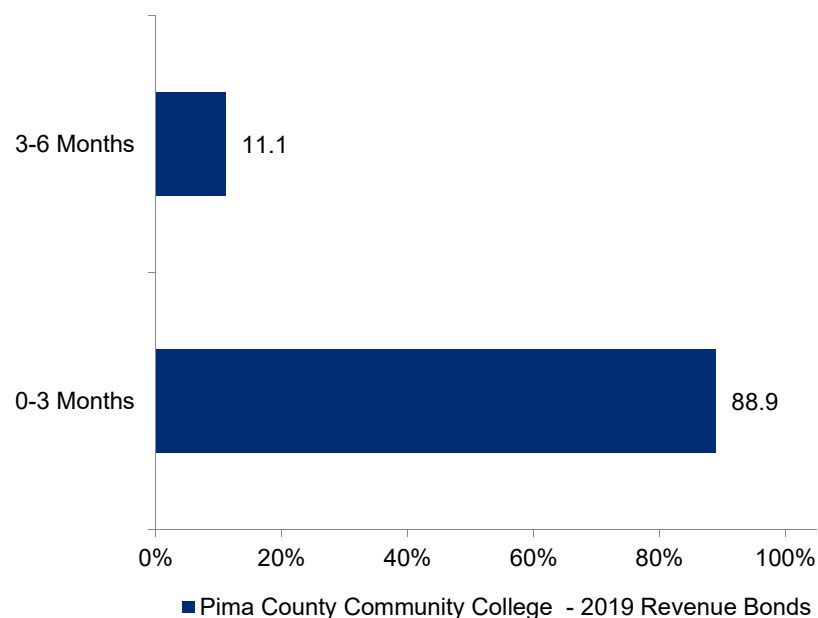
# Pima County Community College District - 2019 Revenue Bonds

## Pima County Community College – 2019 Revenue Bonds

**Sector Distribution as of 9.30.22**



**Duration Distribution as of 9.30.22**



Characteristics	Pima County Community College 2019 Revenue Bonds
Effective Duration	0.08 years
Market Yield	1.67%
Book Yield	0.56%
Average Quality	AAA
Market Value	\$17,932,377

As of 9.30.22  
Source: RBC GAM

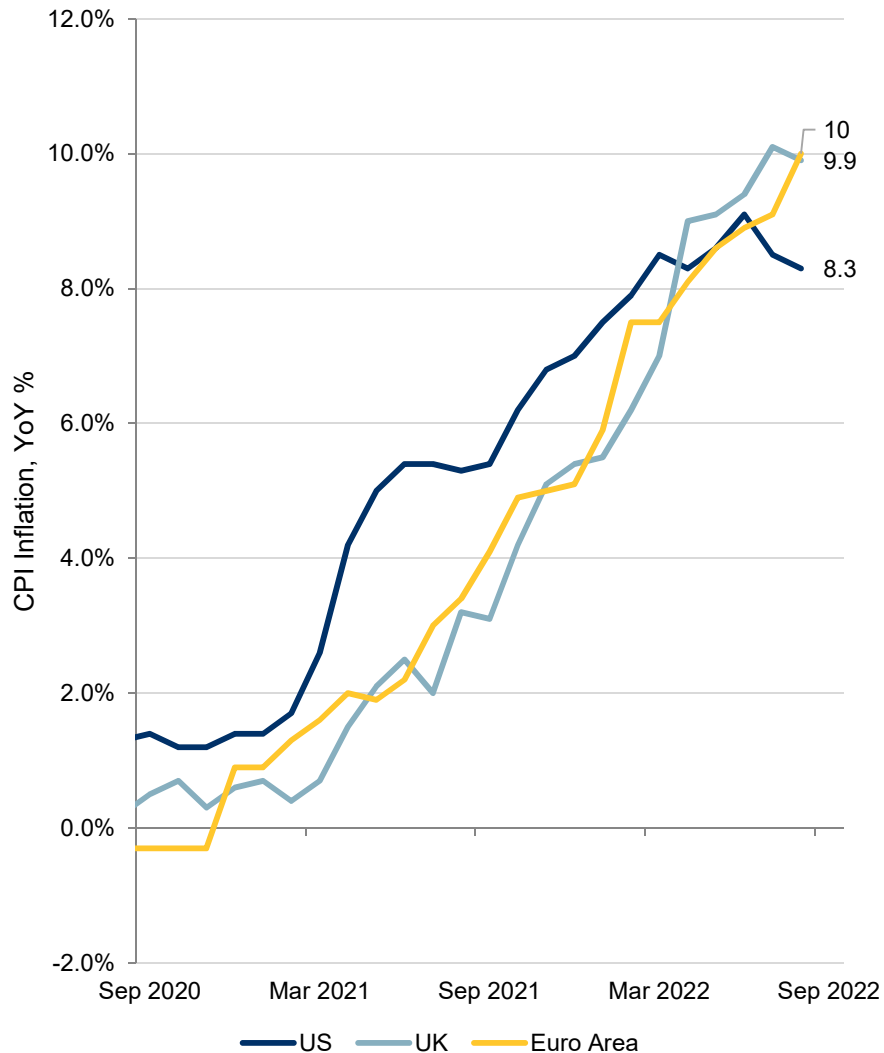


# Economy & Market Review

# Overview

- Global backdrop:
  - High inflation is a top concern globally
  - Europe facing recession due to energy crisis
  - China recession concerns driven by zero Covid and property market crisis
  - Russian aggression remains a wildcard
  - Overheating US economy running at full capacity
- The Fed continues to be extremely hawkish but adding strain to global markets
- Financial conditions have tightened meaningfully
  - Treasury rates have risen to levels not seen since before the great financial crisis
  - Mortgage rates have more than doubled year-to-date
  - Credit spreads have softened, pricing in growing recession risk
  - Equity markets are in bear territory
- US recession is increasingly likely in 2023
  - Only question is duration and depth
- More dispersion/volatility in risk assets creates opportunity with caution

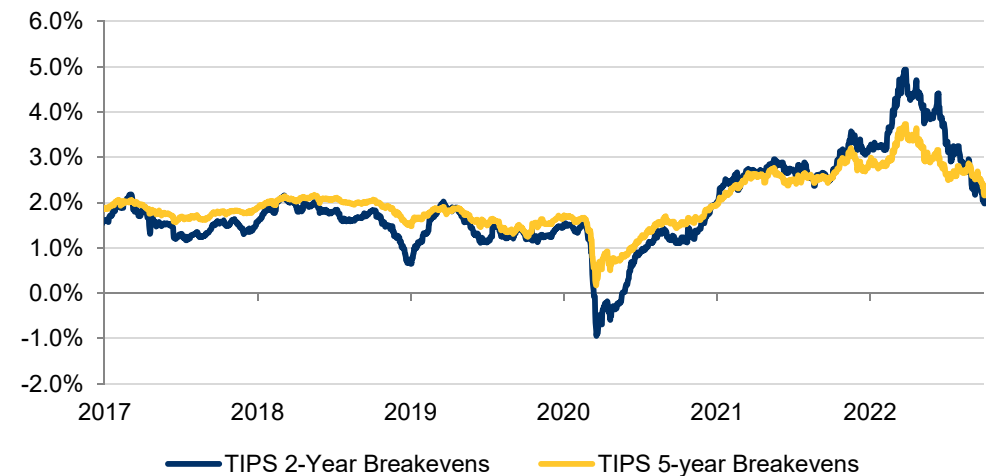
# Concerning Global Inflation Levels



As of 9.30.22  
Source: Bloomberg

- Inflation has expanded more broadly driven by continued strong consumer demand
- Inflation outcomes present major uncertainty over the next several years
- Forward inflation expectations have been falling
- Longer term, demographics and technology can act as a headwind to future inflation

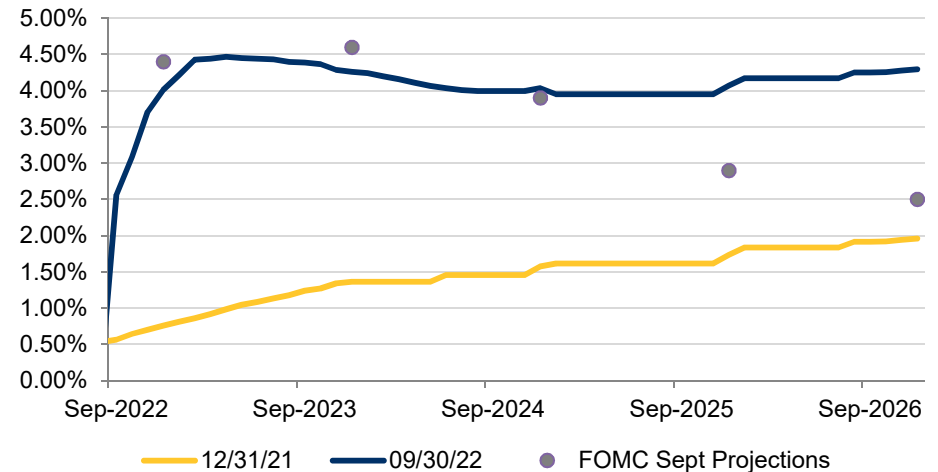
## US Inflation Expectations



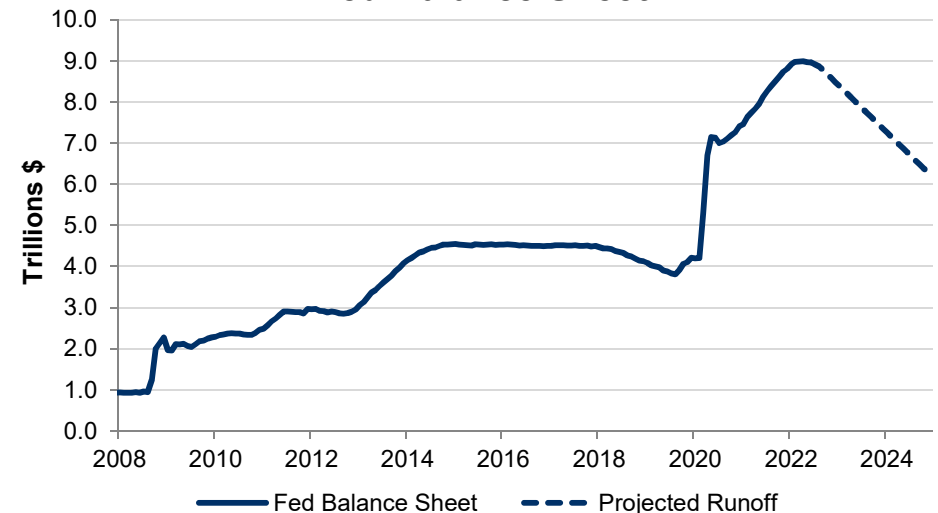
# The Fed reinforces hawkish tone

- Rate hike urgency
  - FOMC hiked another 75 bps at their September meeting
  - They are determined to combat inflation even as tighter policy inflicts economic damage
  - Revised Summary of Economic Projections (SEP) forecasts terminal rate at 4.6% in 2023
  - SEP reduced real GDP outlook to 0.2% in 2022 from 1.7% at June meeting
  - The Fed is now expected to raise rates another 125 bps before the end of the year along with quantitative tightening program
- Implications
  - Higher rates should slow economy
  - Base case of recession in 2023
  - Continued US Dollar strength

## Market Expectations of Fed Hikes



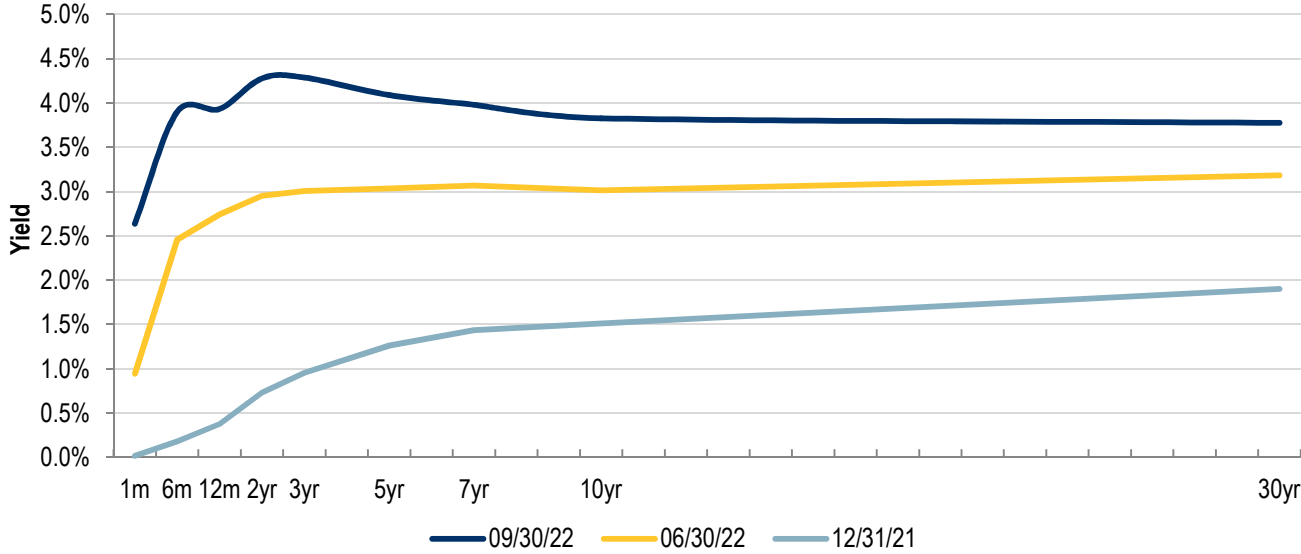
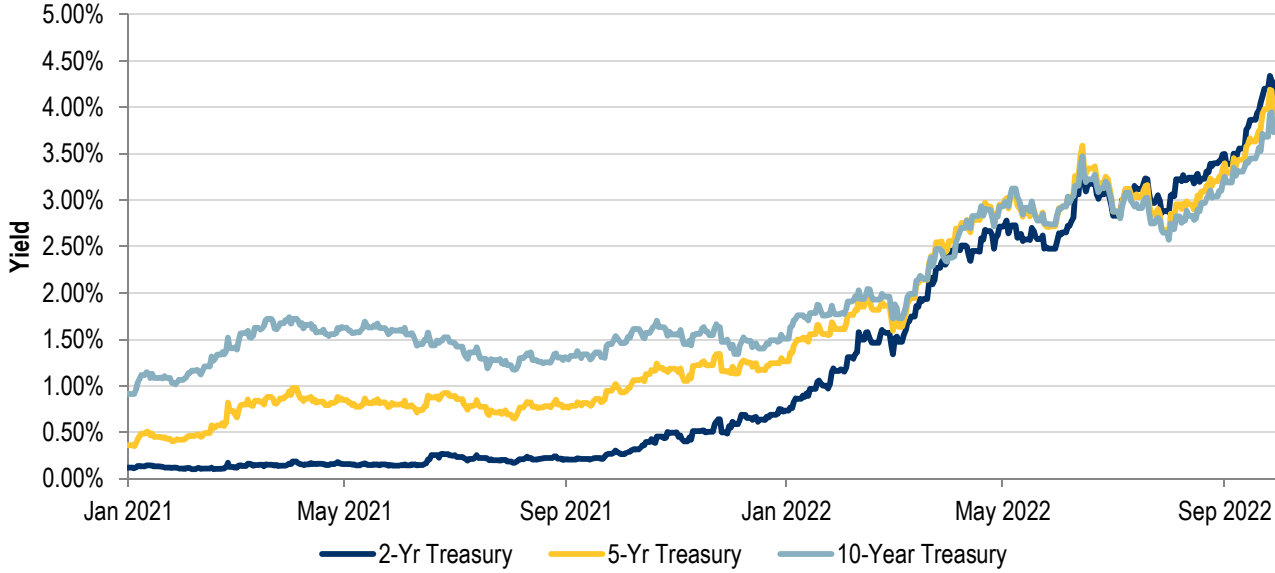
## Fed Balance Sheet



As of 9.30.22

Source: Bloomberg, Federal Reserve, Fitch Ratings

# U.S. Treasury Rates



As of 9.30.22  
Source: Bloomberg



## Economic activity remains positive but headwinds abound

- Europe & China facing recession – US recession likely in 2023
- Fed determined to bring inflation under control
- Elevated market volatility/less liquid markets
- Secondary issues
  - War in Ukraine has become entrenched – harsh winter looming for Europe
  - China's COVID response/growth prospects weakening
  - Reduced globalization – companies onshoring to mitigate future supply shocks
- US GDP outlook
  - Expectations are being downgraded as recession risks rise
- Interest Rates sideways
  - Front end anticipating Fed peak around 4.6%
  - Longer rates dampened by recession concerns
  - Rates will continue to be volatile but most of the moves in rates is behind us
- Risk Assets
  - Fundamentals remain supportive, but concern that inflation/tighter conditions will erode earnings
  - Spread widening warrants caution, but will create opportunities

# Appendix



# Professionals



## John A. Utter

Managing Director, Head of Institutional Client Service – U.S.

John Utter is responsible for developing and implementing industry leading client service practices and leads the firm's client service efforts, including the development of asset allocation solutions for ultra high net worth and off-shore clients. He joined RBC GAM-US in 2010 from RiverSource Investments, where he was a divisional sales director leading a sales team that helped clients with investment solutions ranging from traditional equities and fixed income to portable alpha and absolute return strategies. Before that, John spent 15 years in institutional sales assisting banks, insurance companies and hedge funds in the U.S. and Europe with their fixed income investments. He began his career in the investment industry in 1988. John earned a BA from St. Lawrence University, holds FINRA Series 7, 24 and 63 licenses and is registered as an Associated Person with the National Futures Association.

# Investment Policy Statement

## Pima County Community College District Investment Guidelines

The following are guidelines applicable to the placement of Pima County Community College District ("District") funds the District deems to be excess of current budgetary requirements. Investments will at all times comply with statutory and regulatory requirements governing the placement of District's public funds.

### **Purpose**

The purpose of this Statement is to establish guidelines for the fund's investment Portfolio (the "Portfolio"). The statement also incorporates accountability standards that will be used for monitoring the progress of the Portfolio's investment program and for evaluating the contributions of the Investment Manager(s) hired on behalf of the fund and its beneficiaries.

### **Scope**

These investment guidelines shall apply to the District's general, auxiliary, and plant fund assets.

### **Administration**

The Governing Board's Finance and Audit Committee ("Committee") will review quarterly investment performance reports received from the District's Investment Manager ("Manager") and/or the District's independent third-party Custodial Bank ("Custodian") and will provide an annual summary to the District's Governing Board. The Committee will also be responsible for periodically reviewing the District's Investment Guidelines ("Guidelines").

All trades of marketable securities will be executed through Manager by Delivery vs. Payment (DVP). Securities will be held by Custodian selected by the District and evidenced by safekeeping receipts in the District's name. The District will only conduct securities investment transactions with financial institutions and licensed security broker/dealers legally registered in the State of Arizona and on the Manager's list of approved financial institutions and brokers/dealers, a copy of which the Manager shall provide the District annually.

### **Objectives**

The fund is to be invested with the objective of preserving the long-term, real purchasing power of assets while providing a relatively predictable stream of annual income and appreciation. The primary objectives of all District investment activities, in priority order, shall be:

#### 1. Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall Portfolio. This objective focuses on mitigation of credit risk, custodial credit risk, and interest rate risk.

#### 2. Liquidity

The investment portfolio shall be sufficiently liquid to meet anticipated operating requirements. This shall be accomplished by structuring the Portfolio such that securities mature concurrently with anticipated demands. The Portfolio shall also be structured such that the District may access invested funds necessary to cure the effects of an unexpected event.

# Investment Policy Statement

## 3. Total Return

The investment portfolio shall be designed with the objective of attaining an optimized market rate of return throughout budgetary and economic cycles.

Consistent with a need for stability, diversification, and suitability, special consideration shall be given to investments that demonstrate a commitment to:

- Community development and/or investment, particularly in communities with minority or low income residents
- Diversity in hiring, executives, and boards with respect to sexual orientation, gender, race, and ethnicity
- Transparency and accountability in corporate governance
- Living wages for all employees
- Environmental sustainability, including reducing greenhouse emissions and improving sustainable forestry.

### Permitted Investments

Investments indicated in A.R.S. § 35-323 will be permitted by these guidelines. The District has elected to further allow investment in asset classes that historically protect and maintain purchasing power. Most suitably, in portfolios with longer dated objectives. The Committee recognizes that the strategic allocation to varying asset classes with varying degrees of risk, return, and correlation will be the most significant determinate of long term

return and value stability. The Committee also expects that actual return volatility may vary from expectations and objectives across short periods of time.

While the Committee wishes to retain flexibility with respect to making periodic changes, it expects to do so only in the event of material changes to the fund, to the assumptions underlying fund spending, and/or to the capital markets and asset classes in which the Portfolio invests.

Each asset class should not be considered alone, but by the role it plays in a diversified Portfolio. Diversification among asset classes has historically increased returns and reduced overall Portfolio risk. How asset classes relate to each other is the key to making asset allocation decisions within the context of overall risk and return. With these tenets in mind, the Committee has outlined permissible assets as follows:

1. Certificates of deposit in eligible depositories as defined in A.R.S. § 35-321.
2. Certificates of deposit in one or more federally insured banks or savings and loan associations in accordance with the procedures prescribed in A.R.S. § 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository (as defined in A.R.S. § 35-321) to the same extent and in the same manner as required under A.R.S., Title 35, Chapter 2, Article 2.1.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.

# Investment Policy Statement

The pooled investment funds established by the Arizona State Treasurer pursuant to A.R.S. § 35-326.

6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.

7. Bonds, notes, or other evidences of indebtedness of Arizona or any of its counties, incorporated cities or towns, or school districts that are rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

8. Bonds, notes, or evidences of indebtedness of any county, municipal district, municipal utility, or special taxing district of any state that are payable from revenues, earnings, or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment. Debt must be rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

9. Bonds, notes, or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. Debt must be rated AA by Moody's Investors Service or Standard and Poor's rating service or their successors.

An investment shall not be made if:

The face value of all such obligations, and similar obligations outstanding, exceeds fifty per cent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.

b. A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.

10. Commercial paper of prime quality that is rated "PI" by Moody's Investors Service or rated "A1" or better by Standard and Poor's rating service or their successors. All commercial paper must be issued by corporations organized and doing business in the United States.

# Investment Policy Statement

Bonds, debentures, and notes that are issued by corporations organized and doing business in the United States and that are rated "AA" or better by Moody's Investor Service or Standard and Poor's rating service or their successors. Ratings apply at the time of purchase. In the event that a security is subsequently downgraded below the minimum rating criteria, the Manager will review the position with the District to determine the appropriate course of action.

12. Securities of or any other interests in any open-end or closed-end management type investment companies or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by this investment guidelines statement, and registered under the Investment Company Act of 1940, as amended.

13. Cash and Cash Equivalents: Cash and cash equivalents can present risk for an institution with a long-term horizon due to the low return and the diminution of purchasing power that entails. It is considered expected to maintain cash and cash equivalents consistent with the operational needs of the College for payables in addition to a minimum of eight percent of the revenues of the current general and designated fund budgets. Outside of extraordinary market dislocation periods, cash will exist from time to time for transaction and/or rebalancing needs.

## Diversification and Duration

Maximum percentage of market value of all invested fund assets, as described in "Scope" above:

Position Size: 5% targeted maximum in any one security  
 Issuer: 5% targeted maximum in any one issuer

Exemptions to Issuer Maximum Include:

- Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.
- Interest bearing accounts, certificates of deposit, or repurchase agreements which are collateralized with obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities.

Shorter duration bonds carry less risk than longer duration bonds and result in better price stability in distressed market environments. If cash is needed in this period, shorter duration bonds provide a source of funds that have had minimal price deterioration.

The Committee recognizes that the long term average fixed income yield curve has a modest upward slope. Standard deviation (price volatility), on the other hand, slopes more dramatically upward in the same frame. Comparing historical returns with historical risk, we understand longer maturity bonds are not an efficient form of compensated risk over the long term, especially beyond 5 year maturities.

# Investment Policy Statement

## Investment Allocations

<u>Type</u>	<u>Maximum Allocation</u>
Cash	20%
Certificates of Deposit (Term)	50%
Repurchase Agreements	50%
Pooled Investments (LGIP)	50%
U.S. Government Obligations/TIPS	100%
U.S. Government Agencies	100%
Municipal Securities	20%
Commercial Paper	20%
Corporate Bonds	50%

Percentages apply at the time of purchase, allowing for moderate drift with long term holding intent. If the percentages are materially exceeded due to redemption or other activity, the Manager will seek to realign the Portfolio within the maximum targeted percentages.

# Arizona Revised Statutes

35-323 - Investing public monies; bidding; security and other requirements

## 35-323. Investing public monies; bidding; security and other requirements

A. The treasurer shall invest and reinvest public monies in securities and deposits with a maximum maturity of five years. All public monies shall be invested in eligible investments. Eligible investments are:

1. Certificates of deposit in eligible depositories.
2. Deposits in one or more federally insured banks or savings and loan associations placed in accordance with the procedures prescribed in section 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under this article.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.
5. The pooled investment funds established by the state treasurer pursuant to section 35-326.
6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
7. Bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants that shall bear interest pursuant to section 11-635.
8. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment.
9. Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. An investment shall not be made if:
  - (a) The face value of all such obligations, and similar obligations outstanding, exceeds fifty percent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.
  - (b) A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.
10. Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States.
11. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies.
12. Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association.

<http://azleg.gov/ars/35/00323.htm>[09/09/15 10:58:45 AM]

35-323 - Investing public monies; bidding; security and other requirements

13. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.
- B. Certificates of deposit shall be purchased from the eligible depository bidding the highest permissible rate of interest. No monies over one hundred thousand dollars may be awarded at any interest rate less than one hundred three percent of the equivalent bond yield of the offer side of United States treasury bills having a similar term. If the eligible depository offering to pay the highest rate of interest has bid only for a portion of the monies to be awarded, the remainder of the monies shall be awarded to eligible depositories bidding the next highest rates of interest.
- C. An eligible depository is not eligible to receive total aggregate deposits from this state and all its subdivisions in an amount exceeding twice its capital structure as outlined in the last call of condition of the superintendent of financial institutions.
- D. If two or more eligible depositories submit bids of an identical rate of interest for all or any portion of the monies to be deposited, the award of the deposit of the monies shall be made to the eligible depository among those submitting identical bids having, at the time of the bid opening, the lowest ratio of total public deposits in relation to its capital structure.
- E. Each bid submitted, and not withdrawn prior to the time specified, constitutes an irrevocable offer to pay interest as specified in the bid on the deposit, or portion bid for, and the award of a deposit in accordance with this section obligates the depository to accept the deposit and pay interest as specified in the bid pursuant to which the deposit is awarded.
- F. The treasurer shall maintain a record of all bids received and shall make available to the board of deposit at its next regularly scheduled meeting a correct list showing the bidders, the bids received and the amount awarded. These records shall be available to the public and shall be kept in the possession of the treasurer for not less than two years from the date of the report.
- G. Any eligible depository, before receiving a deposit in excess of the insured amount under this article, shall deliver collateral for the purposes of this subsection equal to at least one hundred two percent of the deposit. The collateral shall be any of the following:
  1. A bond executed by a surety company that is approved by the treasury department of the United States and authorized to do business in this state. The bond shall be approved as to form by the legal advisor of the treasurer.
  2. Securities or instruments of the following character:
    - (a) United States government or agency obligations.
    - (b) State, county, school district and other district municipal bonds.
  3. The safekeeping receipt of a federal reserve bank or any bank located in a reserve city, or any bank authorized to do business in this state, whose combined capital, surplus and outstanding capital notes and debentures on the date of the safekeeping receipt are ten million dollars or more, evidencing the deposit therein of any securities or instruments described in this section. A safekeeping receipt shall not qualify as security, if issued by a bank to secure its own public deposits, unless issued directly through its trust department. The safekeeping receipt shall show upon its face that it is issued for the account of the treasurer and shall be delivered to the treasurer. The safekeeping receipt may provide for the substitution of securities or instruments which qualify under this section with the affirmative act of the treasurer.
  4. Letters of credit issued by a federal home loan bank if:
    - (a) The letter of credit has been delivered pursuant to this section or chapter 10, article 1 of this title to the statewide

<http://azleg.gov/ars/35/00323.htm>[09/09/15 10:58:45 AM]



# Arizona Revised Statutes

35-323 - Investing public monies; bidding; security and other requirements

collateral pool administrator.

(b) The letter of credit meets the required conditions of:

(i) Being irrevocable.

(ii) Being issued, presentable and payable at a federal home loan bank in United States dollars. Presentation may be made by the beneficiary submitting the original letter of credit, including any amendments, and the demand in writing, by overnight delivery.

(iii) If the letter of credit is for purposes of chapter 10, article 1 of this title, containing a statement that identifies the statewide collateral pool administrator as the beneficiary.

(iv) Containing an issue date and a date of expiration.

(c) For the purposes of chapter 10, article 1 of this title, the eligible depository, if notified by the statewide collateral pool administrator, is not allowed to use new letters of credit issued by a federal home loan bank if that federal home loan bank fails to pay a draw request as provided for in the letters of credit or fails to properly complete a confirmation of such letters of credit.

H. The securities, instruments or safekeeping receipt for the securities and instruments shall be accepted at market value if not above par, and, if at any time their market value becomes less than the deposit liability to that treasurer, additional securities or instruments required to guarantee deposits shall be deposited immediately with the treasurer who made the deposit and deposited by the eligible depository in which the deposit was made.

I. The condition of the surety bond, or the deposit of securities, instruments or a safekeeping receipt, must be such that the eligible depository will promptly pay to the parties entitled public monies in its custody, upon lawful demand, and will, when required by law, pay the monies to the treasurer making the deposit.

J. Notwithstanding the requirements of this section, any institution qualifying as an eligible depository may accept deposits of public monies to the total then authorized insurance of accounts, insured by federal deposit insurance, without depositing a surety bond or securities in lieu of the surety bond.

K. An eligible depository shall report monthly to the treasurer the total deposits of that treasurer and the par value and the market value of any pledged collateral securing those deposits.

L. When a security or instrument pledged as collateral matures or is called for redemption, the cash received for the security or instrument shall be held in place of the security until the depository has obtained a written release or provided substitute securities or instruments.

M. The surety bond, securities, instruments or safekeeping receipt of an eligible depository shall be deposited with the treasurer making the deposit, and the treasurer shall be the custodian of the bond, securities, instruments or safekeeping receipt. The treasurer may then deposit with the depository public monies then in the treasurer's possession in accordance with this article, but not in an amount in excess of the surety bond, securities, instruments or safekeeping receipt deposited, except for federal deposit insurance.

N. The following restrictions on investments are applicable:

1. An investment of public operating fund monies shall not be invested for a maturity of longer than five years.

2. The board of deposit may order the treasurer to sell any of the securities, and any order shall specifically describe the securities and fix the date upon which they are to be sold. Securities so ordered to be sold shall be sold for cash by the treasurer on the date fixed in the order, at the then current market price. The treasurer and the members of the board are not accountable for any loss occasioned by sales of securities at prices lower than their cost. Any loss or expense shall be charged against earnings received from investment of public funds.

35-323 - Investing public monies; bidding; security and other requirements

3. Investments shall not be made in companies identified pursuant to section 35-392, subsection A, paragraph 1.

O. If the total amount of subdivision monies available for deposit at any time is less than the maximum coverage amount of the federal deposit insurance corporation, the subdivision board of deposit shall award the deposit of the funds to an eligible depository in accordance with an ordinance or resolution of the governing body of the subdivision. Deposits of less than the maximum coverage amount of the federal deposit insurance corporation are not subject to the requirements of this chapter.

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# Welcome to Public Service

(now for the strings)

Jeff Silvyn

General Counsel

VC for Legal Affairs

# What is the open meeting law?

Set of laws that were intended to:

- Maximize public access to the governmental process.
- Open deliberations and proceedings to the public.
- Prevent public bodies from making decisions in secret.
  - Found at A.R.S. §§ 38-431 through -431.09.

# The definition also includes...

Standing committees

Special committees

**Advisory committees**

**Subcommittees**

- of or appointed by the public body

# Advisory committees and subcommittees are defined as...

- Any entity, **however designated**
- Officially established
  - on motion or order of the public body
  - **or** by presiding officer of the public body
- For purpose of making a recommendation concerning a decision to be made or a course of conduct to be taken by the public body



# What is required?

- Provide meeting notice
- Have an agenda
- Meet in public
- Permit public to attend
  - Exception: authorized executive sessions
- Take all action in public
- Create/ prepare meeting minutes or a recording.



# What is a meeting?

- A.R.S. § 38-431(4)
- “Meeting” is a **gathering**, in person or through technological devices
- of a **quorum** of a public body
  - Discuss
  - Propose
  - Deliberate
  - Take legal action



# What is a meeting? (Cont'd)

- **A.R.S. § 38-431(4)(b) - Includes:**
  - **“(i) A one-way electronic communication by one member of a public body that is sent to a quorum of the members of a public body and that proposes legal action.”**
  - **“(ii) An exchange of electronic communications among a quorum of the members of a public body that involves a discussion, deliberation or the taking of legal action by the public body concerning a matter likely to come before the public body for action.”**

# If it's not on the agenda...

- You cannot discuss it!
- New items must wait for a future meeting.



# Executive (confidential) meeting sessions

- Limited, specific topics that may be discussed in private among the members of the committee
  - i.e. Discussion or consultation for legal advice with attorneys for the public body
- Requirements
  - Notice with citation to applicable statutory category of executive session
  - Keep minutes
  - Only those necessary for discussion allowed to attend

# Executive Session Pitfalls

- Inappropriate disclosure
  - What happens in executive session stays in executive session!
  - Chair must remind members about the confidentiality requirement every time.
    - A.R.S. § 38-431.03(C)
- Taking legal action.
  - All votes must take place in public!



# Public Records Law ARS § 39-121, 121.01

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Applies to public bodies and their committees

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Applies to records of official activities and activities supported by public funds

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Records preservation required

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Records available for public review

# *Griffis v. Pinal County,*

215 Ariz. 1, 156 P.3d 418 (2007)

- 2007 Arizona Supreme Court decision.
- Nature and purpose of document determines its status, not its location or the use of government property.
- Purely personal e-mails generated or maintained on a government e-mail system are not, as a matter of law, public records under Arizona's public record laws.

# Conflict of Interest ARS §§ 38-501 to 511

- Can't participate in decision in which you or close relative have a financial interest
  - By law - “spouse, child, grandchild, parent, grandparent, brother or sister of the whole or half blood and their spouses, and the parent, brother, sister or child of a spouse.”
  - The College also considers close relatives of the employee to include nephew, niece, grandchild, domestic partner and child of a domestic partner.
- Can't use position for personal gain
- Would reasonable person question ability to make unbiased decision
- If in doubt – disclose and recuse

Thank you for your service!





Pima Community College's Enterprise Risk Management (ERM) framework is primarily ISO 31000 based, complemented by principles from the COSO standard.

Our objective is to integrate risk assessment and risk awareness into everyday decision-making, understanding that risk is the effect of uncertainty upon objectives. Risk includes both opportunity and consequence, as the effect can be both positive and negative. This requires decision-makers to have a clear understanding of our strategic and key tactical objectives.

### **ERM Program Development Update**

We knew that our initial development and implementation plan was aggressive and would need adjustment along the way. Several items have caused us to revisit strategy, planning, and timing.

- Suggestions from our stakeholder meeting about possible enhancements
- The loss of several members of our ERM Workgroup and summer unavailability
- Evaluation of ERM platforms and how tweaking our concepts could increase effectiveness
- Addition of HLC Accreditation Criterion 2 coordination responsibilities
- Preparation for upcoming Title IX Coordinator responsibilities.

The stakeholder meeting was very informative.

- The group really liked the alignment map of the Strategic Plan and Chancellor's Goals, recommending that we consider adding the Provost's goals. This concept may work well due to the level of correlation with the Chancellor's goals.
- Points of distinction are an important part of our general strategy and there is an opportunity to better identify a common set.
- Upside risk, or opportunity, is a challenging concept. A means of evaluating opportunity, considering velocity and interdependence, and preparedness and alignment was greatly appreciated.
- The group saw value in the General Management Controls and Considerations section but didn't immediately recognize how to use them. We need to better flesh out this concept.
- The consequence rating tool was easily understood and would facilitate timely and confident decision making.
- The full Risk Appetite Statement was easily understood. They especially liked the simplified 'bookends' model that could be used for everyday decision making. The full tool would be important for large strategic decision that pushed the 'bookends' as well as for the cultural statements it includes.
- A guide will be helpful but a manual or book doesn't make as much sense as learning ERM and doing ERM together.
- Piloting with a few departments could provide valuable information.
- The stakeholder group felt the work completed to date met our primary goals:
  - [The positive side of risk, opportunity, is better recognized.](#)
  - [Developed processes and resources are relevant and effective.](#)

- Unrecognized and emerging risk is identified and assessed.
- All levels and complexities of decision making are supported.
- Decision making is facilitated and the basis for decisions is better documented.

We may also be able to restructure from a linear path to two concurrent paths allowing earlier evaluation of the institution's greatest risks.

Three potential ERM/Compliance platforms have been identified. Two are standalone platforms and one is part of a larger GRC system.

The Director is attending NCSU's Higher Education ERM Workshop in November.

### **Operational/Insurance Risk Update**

Our Fiduciary insurance renewal went smoothly. Renewal of our commercial Cyber insurance was very challenging.

- Our cyber security position is continually improving.
- Insurers' specific criteria list has essentially become a gatekeeper to insurability and the bar is set higher every year.

We retained our coverage limits at a similar premium, but with a deductible increase from \$100,000 to \$250,000.

### **Compliance Program Update**

The Title IX Coordinator role is being established within the Compliance and Ethics program. Current co-coordinators in Student Affairs and Human Resources will become deputy coordinators. Coordinator training will be completed in December.

Preparation is underway for PCC's 2024 Assurance Argument to the Higher Learning Commission. HLC Criterion 2 focuses upon Integrity: Ethical and Responsible Conduct. The Director is one of the Criterion 2 leads and is helping prepare a Governing Board summary for its November meeting.

The cornerstone of a compliance program is the organization's Code of Conduct. An update to BP 2.18, College Compliance, is underway to also incorporate Ethics and a team will review AP 2.18.01 prescribing the framework for design and implementation of the College's program.

**Revenue Bond Projects - Inception to Date**

FY=22 Period=14

<u>FUND</u>	<u>FUND_DESC</u>	<u>Revenues</u>	<u>Personnel</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance</u>
581999	Rev Bonds Control Fund	67,808,594	0	(443,102)	(43,830,379)	23,535,113
<b>5R8000</b>	<b>RVB PROJ - Control</b>	<b>67,808,594</b>	<b>0</b>	<b>(443,102)</b>	<b>(43,830,379)</b>	<b>23,535,113</b>
581001	RVB Proj -Advanced Mfg.New Bldg	0	0	(23,960,329)	19,860,324	(4,100,005)
<b>5R8001</b>	<b>RVB PROJ - Applied Tech- Building</b>	<b>0</b>	<b>0</b>	<b>(23,960,329)</b>	<b>19,860,324</b>	<b>(4,100,005)</b>
581003	RVB Proj - Transportation New Bldg	0	0	(13,509,604)	13,535,034	25,429
<b>5R8002</b>	<b>RVB PROJ - AppTech COE AE WFD SS</b>	<b>0</b>	<b>0</b>	<b>(13,509,604)</b>	<b>13,535,034</b>	<b>25,429</b>
581005	RVB Proj - ST Bldg Renovations	0	0	(85,481)	94,016	8,536
<b>5R8003</b>	<b>RVB PROJ - AppTech Weld,Mach,Engr,M</b>	<b>0</b>	<b>0</b>	<b>(85,481)</b>	<b>94,016</b>	<b>8,536</b>
581007	RVB Proj - AppTech Makerspace CAD	0	0	(1,787)	1,787	0
<b>5R8004</b>	<b>RVB PROJ - AppTech Makerspace CAD</b>	<b>0</b>	<b>0</b>	<b>(1,787)</b>	<b>1,787</b>	<b>0</b>
581011	RVB Proj -DC Copper RE	0	0	(1,373,263)	1,373,263	0
581009	RVB Proj -DC Frontier RE	0	0	(1,361,845)	1,361,845	0
581037	RVB Proj -DC CoE Program Space Renv	0	0	(439,381)	439,381	0
581036	RVB Proj -DC RE Infrastructure Dev	0	0	(366,567)	366,567	0
581034	RVB Proj -DC 333 W Drachman (FT2)	0	0	(1,712,800)	1,712,800	0
581032	RVB Proj -DC Historic Assessment	0	0	(178,055)	178,055	0
<b>5R8005</b>	<b>RVB -DC Campus Expansion &amp; Developm</b>	<b>0</b>	<b>0</b>	<b>(5,431,911)</b>	<b>5,431,911</b>	<b>0</b>
581013	RVB Proj -PSI ESI	0	0	(49,277)	49,277	0
<b>5R8007</b>	<b>RVB PROJ -PSEI EMSI</b>	<b>0</b>	<b>0</b>	<b>(49,277)</b>	<b>49,277</b>	<b>0</b>
581015	RVB Proj -Science Labs	0	0	(5,004,437)	4,332,129	(672,308)
<b>5R8008</b>	<b>RVB PROJ -Science Labs</b>	<b>0</b>	<b>0</b>	<b>(5,004,437)</b>	<b>4,332,129</b>	<b>(672,308)</b>
581017	RVB Proj -Allied Health COE	0	0	(20,032)	20,032	0
<b>5R8009</b>	<b>RVB PROJ -Allied Health COE</b>	<b>0</b>	<b>0</b>	<b>(20,032)</b>	<b>20,032</b>	<b>0</b>
581019	RVB Proj -EC Bookstore/Food Svc	0	0	(49,443)	49,443	0
<b>5R8010</b>	<b>RVB PROJ -EC Bookstore/Food Svc</b>	<b>0</b>	<b>0</b>	<b>(49,443)</b>	<b>49,443</b>	<b>0</b>
581021	RVB Proj -DC Bookstore/Food Svc	0	0	(446,916)	446,916	0
<b>5R8011</b>	<b>RVB PROJ -DC Bookstore/Food Svc</b>	<b>0</b>	<b>0</b>	<b>(446,916)</b>	<b>446,916</b>	<b>0</b>
581023	RVB Proj -NW Bookstore/Food Svc	0	0	(3,642)	3,642	0
<b>5R8012</b>	<b>RVB PROJ -NW Bookstore/Food Svc</b>	<b>0</b>	<b>0</b>	<b>(3,642)</b>	<b>3,642</b>	<b>0</b>
581025	RVB Proj -WC Campus Store	0	0	0	0	0
<b>5R8013</b>	<b>RVB PROJ -WC Bookstore/Food Svc</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
581027	RVB Proj -DV Cafe	0	0	0	0	0
<b>5R8014</b>	<b>RVB PROJ -DV Bookstore/Food Svc</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Revenue Bond Projects - Inception to Date**

FY=22 Period=14

<u>FUND</u>	<u>FUND_DESC</u>	<u>Revenues</u>	<u>Personnel</u>	<u>Other Expenditures</u>	<u>Transfers</u>	<u>Fund Balance</u>
500005	"Revenue Bonds" Revenue	0	0	0	0	0
<b>5RVBND</b>	<b>Revenue Bond Funded Projects</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
		<b>67,808,594</b>	<b>0</b>	<b>(49,005,960)</b>	<b>(5,870)</b>	<b>18,796,764</b>

# Classification and Compensation Update

Governing Board Meeting

September 14, 2022

Presented by: Dr. David Bea



# Classification and Compensation

Compensation structures ensure employees are properly paid for the value they provide

- Recruit and retain talent - align pay to market
- Recognize the value from increased job experience
- Ensure fair and equitable pay

## Problems with Previous Structure

- 22 Years Old
  - Positions and job duties have changed
  - **Jobs/schedules not regularly adjusted to market**
  - Salary inversion
- Resource Limitation Impacts
  - Low salary pool increases
  - Suspension of step progression
  - **Salary compression**
    - ~65% Non-exempt @ minimum
    - ~45% Exempt @ minimum
    - ~40% Faculty @ Step 6
  - Limited recognition of College experience/value



# Study Outcomes

1. Pay is above market:  
Potential reduction in pay
2. Pay is at market: No change
3. Pay is below market:  
Increase merited
  - Resources enable full increase
  - Increase is phased in
  - Increase is delayed

FY 2023 Salary Adjustments			
	<u>Staff</u>	<u>Faculty</u>	<u>Total</u>
<u>Placement in New Scales</u>	515	165	680
Percent of Positions Adjusted	56%	73%	60%
Schedule Costs	\$3.9M	\$1.4M	\$5.3M
Average Increase	\$7.6K	\$8.5K	\$7.8K
<u>Positions At or Above Market</u>	398	60	458
Minimum Adjustment Costs	<u>\$1.4M</u>	<u>\$0.2M</u>	<u>\$1.6M</u>
Total Adjustments	\$5.3M	\$1.6M	\$6.9M

# FY23 Pay Adjustments by Band/Grade

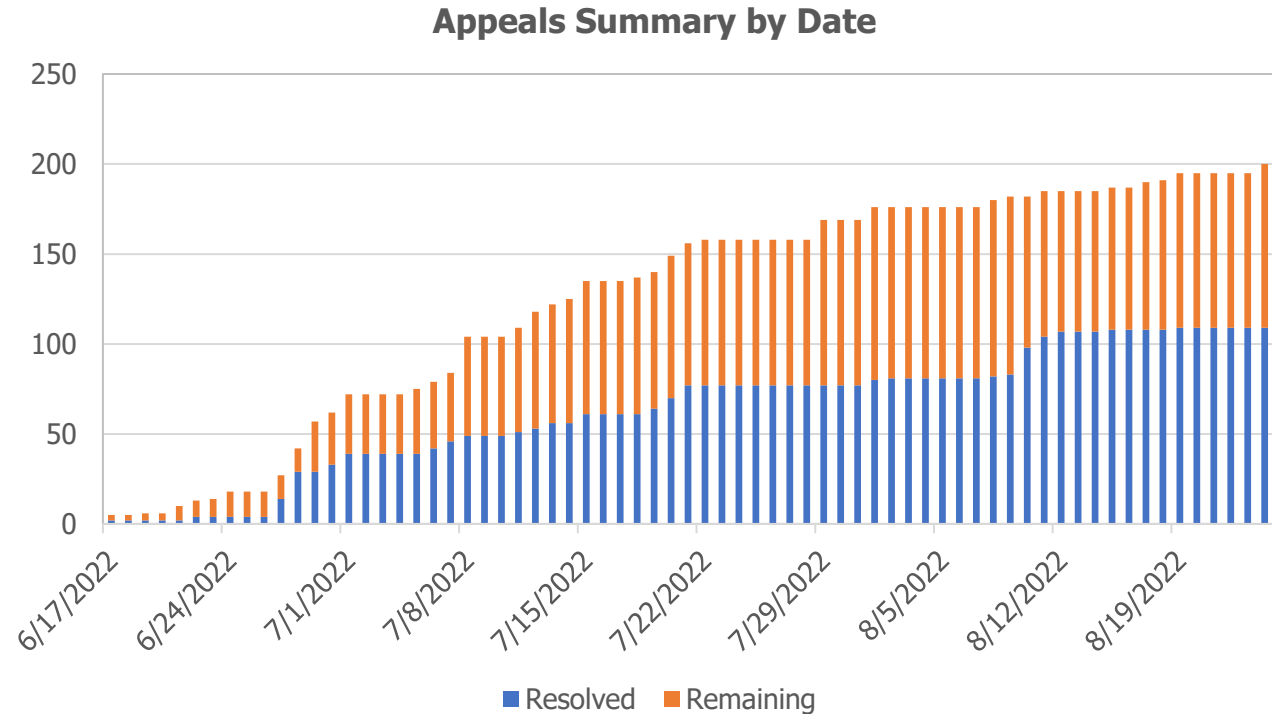
Staff and Administrators	
Band	Avg. % Increase
1	17.2%
2	7.9%
3	9.7%
4	6.9%
5	9.4%
6	9.4%
7	6.7%
8	11.6%
9	9.7%
10	7.8%
11	2.3%
12	2.4%
Total Average	9.1%

Faculty Pay Increases	
Grade	Avg. % Increase
1	3.0%
2	5.0%
3	6.2%
4	9.3%
5	9.0%
6	18.0%
Total Average	10.4%



# Appeals Process

- Open until September 30, 2022
- Summary
  - Appeals received, 216
    - Job description/title, 56%
    - Salary, 12%
    - Years in position, 23%
  - Resolved, 125
  - Remaining, 91



# Next Steps

- Conclude Appeals
- Continue to refine/revise communication
- Reinstate Steering Committees
  - Codify/update practices, procedures, and policies
  - Define performance-based pay adjustment
    - Mechanism
    - Criteria
  - Other adjustments (i.e., hard-to-fill positions, alternate educational attainment, etc.)



# Questions?

# Additional Information

- [Intranet - Compensation and Classification](#)
- June 8, 2022 Presentation to Governing Board
  - [Board report](#)
  - [Video](#)



 **Keep striving.**

**ISSUER COMMENT**

8 September 2022


**Contacts**

Patrick Ronk +1.212.553.3623  
 Analyst  
 patrick.ronk@moodys.com

Susan I Fitzgerald +1.212.553.6832  
 Associate Managing Director  
 susan.fitzgerald@moodys.com

Heather Correia +1.214.979.6868  
 AVP-Analyst  
 heather.correia@moodys.com

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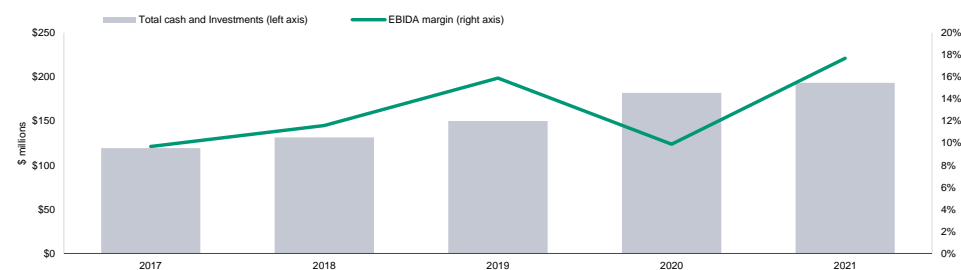
EMEA 44-20-7772-5454

## Pima County Community College District, AZ

Vibrant local economy, diverse programming, and effective management support Tucson area community college

[Pima County Community College District's](#) (PCC; Aa2 stable) solid credit quality is supported by its profile as a quality provider of low-cost higher education and vocational training in the [Tucson, Arizona](#) (Aa3 stable GO) metropolitan area. PCC's diverse programmatic offerings and effective financial discipline are evidenced through stable margins, growing liquidity and strong debt service coverage. The district's enrollment declined during the pandemic but rebounded in fall 2021 and managements projects it will grow substantially in fall 2022. Operating support from the [State of Arizona](#) (Aa1 stable) is minimal, but dedicated property tax revenue from Pima County's growing tax base and successful partnerships with community businesses and other education providers will continue to support fiscal health moving forward.

Exhibit 1

**Wealth growth and strong EBIDA margins underpin PCC's financial flexibility**


Source: Moody's Investors Service

PCC's market position remains strong, reflecting its important role as a two-year provider of education in the economically diverse Tucson area. The district has worked to capitalize on population growth by offering a wide array of two-year degrees and vocational certification programs across several academic areas, including nursing and health care, automotive and advanced manufacturing, and STEM. PCC recently opened a new automotive technology building and is expected to complete construction on new advanced manufacturing and aviation technology buildings in spring 2023. The district is also expanding its dual enrollment partnerships with local high schools and online education offerings to better reach traditional and non-traditional student populations across the metropolitan area.

Enrollment declined notably during the pandemic, but the district expects increases in the years to come. Headcount enrollment decreasing by 20% from fall 2019 to fall 2020. After

the return to in-person education, enrollment grew by 3% in fall 2021 and management projects it will rebound strongly by 13% for fall 2022.

Operating margins will remain stable over the near-term due to growth in key revenue streams in tandem with conservative budgeting. The college's budget is comprised of property taxes (60%), tuition (25%) and state appropriations (10%). PCC's tax base, which includes Tucson, is large and diverse, and continues to grow, driven by residential construction. Property taxes have steadily increased the past several years and help mitigate volatility in student-generated charges. Over the past several years, the college's EBIDA margins hovered around 11% before climbing to 18% in fiscal 2021 due to recognition of HEERF monies. Based on fiscal 2022's preliminary results, PCC is projecting another surplus: property taxes increased with tax base appreciation, enrollment stabilized, and positions were held vacant.

PCC's wealth and liquidity are healthy and expanding, providing strong coverage of operating expenses and debt. At fiscal 2021 year-end, total cash and investments were \$193 million, which equated to 1.1x coverage of operating expenses and 3.5x coverage of total debt. The college favorably has a policy to maintain at least 75% of operating expenses in reserve, a threshold PCC has exceeded for several years.

The college's debt burden will remain manageable given limited future borrowing plans. At fiscal 2021 year-end, PCC had around \$55 million in bonds outstanding, and annual debt service coverage is solid at 8x. Age of plant is high at 25 years; however, PCC plans to use excess cash reserves to fund deferred maintenance. Additionally, management is also engaging in several strategic partnerships with local businesses and other higher education providers in the region to jointly finance future capital improvements. The college participates in two statewide, cost-sharing defined benefit plans. At fiscal 2021 year-end, the adjusted net pension liability was \$302 million, materially increasing PCC's total leverage to \$356 million. Favorably, pension and OPEB contributions represent a modest 5% of total operating expenses.

Exhibit 2

### Pima County Community College District, AZ

	2017	2018	2019	2020	2021
Total Fall Headcount Enrollment	24,347	19,594	19,512	15,544	16,027
Operating Revenue (\$000)	172,636	178,702	183,441	191,630	197,486
Annual Change in Operating Revenue (%)	1.3	3.5	2.7	4.5	3.1
Total Cash & Investments (\$000)	119,398	131,627	150,166	181,970	193,329
Total Debt (\$000)		1,329	59,715	57,097	54,575
Total Cash & Investments to Total Adjusted Debt (x)	0.4	0.4	0.4	0.5	0.5
Total Cash & Investments to Operating Expenses (x)	0.7	0.8	0.9	1.0	1.1
Monthly Days Cash on Hand (x)	252	274	323	354	387
EBIDA Margin (%)	9.7	11.6	15.9	9.9	17.7
Total Debt to EBIDA (x)	0.0	0.1	2.0	3.0	1.6
Annual Debt Service Coverage (x)		150.4	25.5	3.3	7.8

Source: Moody's Investors Service

### Issuer profile

Pima County Community College District (PCC) is the main provider of two-year higher education and vocational training across six campuses in Pima County, Arizona. The district served a fall 2021 enrollment of approximately 16,000 students and had operating revenue of \$197.5 million in fiscal year 2021.

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