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LOS RIOS COMMUNITY COLLEGE DISTRICT  
**Citizens' Bond Oversight Committee**

April 18, 2013

Folsom Lake College, Peregrine Room

12:00 p.m.

Minutes

*(Approved 8/1/13)*

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**Members Present:** Joe Debbs, Bill Heinicke, Robert Holderness, Catherine Lopez, John Orr, Jennifer Quinn, Diane Schachterle, Basim Elkarra

**Members Absent:** Richard SooHoo, Nick Schroeder, John Pappas, Sean Nesbitt, Sharon Margetts

**District**

**Representatives:** Jon Sharpe, Deputy Chancellor  
Theresa Matista, Associate Vice Chancellor, Finance  
Pablo Manzo, Associate Vice Chancellor, Facilities Management  
Val Voda, Accountant, Grants & Contracts  
Laura Machado, Deputy Chancellor's Executive Assistant

**Guests:** Kathleen Kirklin, Vice President Administration, Folsom Lake College  
Brian King, Chancellor  
Pamela Haynes, President, Board of Trustees

**1. INTRODUCTIONS**

Jon called the meeting to order at 12:10 p.m. and welcomed everyone to Folsom Lake College (FLC). He asked the Committee to introduce themselves to the new member of the Citizens' Bond Oversight Committee, Catherine Lopez. Pamela Haynes, President of the Board of Trustees, expressed her gratitude to the committee for their service to the community and to Los Rios. Brian King also welcomed everyone to the meeting. Jon stated that Kathleen has done an excellent job working with FM to design and furnish new buildings. Jon explained the reason we changed the Oversight meeting from March 28<sup>th</sup> to April 18<sup>th</sup> was to provide proper notice of the meeting under the Brown Act.

**2. PUBLIC COMMENTS**

There were no public comments.

**3. APPROVAL OF MINUTES**

The November 29, 2012 meeting minutes were considered for the Committee's approval. A motion for approval was made by John Orr and Diane Schachterle seconded it.

*Motion Carried, 8:0*

## **4. REPORTS**

### **Membership Update**

Jon handed out an updated Membership Roster. He also explained since the last amendment of the Bylaws, the Legislature changed the law to allow oversight committee members to serve three consecutive terms instead of two. As a result, the Citizens' Bond Oversight Bylaws will be considered for amendment by the Board to allow Oversight Committee members to serve three consecutive terms. In addition, recommendations will be made to more clearly state when and where the Committee's regular meetings are held. There is still the option to have a break in service and come back to serve on the committee. Mr. Heinicke and Mr. Pappas have agreed to another three year term.

### **Budget Update**

Jon gave a breakdown of the Governor's Proposal from State Vice Chancellor- Dan Troy summarizing key changes related to the California Community Colleges. The Governor's budget contains a proposal to increase apportionment by \$196.7M and to allow the Board of Governors to determine how those funds should be allocated. Governor Brown wants to buy down the current community colleges' deferral by \$179M. The proposal also allocates \$49.5M to community colleges for energy efficiency projects under Proposition 39 and \$16.9M to fund a statewide access point for online education. The Governor proposed a policy change to shift the K-12 system's adult education and apprenticeship programs from the K-12 system to the community colleges. To accomplish this result, the Governor would provide community colleges with approximately \$300M from the Proposition 98 funds. When the May revise comes out, Jon believes the Governor will still try to shift Adult Education/Internship programs to the community colleges, but that the move will be gradually implemented over two years. The Governor has also proposed a 90-unit cap on students, after which they must pay the full cost of their instruction. Governor Brown has also proposed that all students must fill out the FAFSA as a condition to receiving any financial aid. Finally, the Governor proposes a five year phase-in of funding apportionments based on the completion rates of the students rather than the current practice of allocating apportionment based on enrollment on census date. Unlike his previous proposals, though, this proposal is intended to be cost neutral, as any money lost due to lost apportionment would be shifted to student support efforts such as the Student Success and Support Program.

Jon stated that many of these proposals have implementation issues that need to be resolved before they can be enacted. We will find out more when the May Revise comes out.

Joe Debbs asked about the \$16.9M to enhance online education efforts in the community colleges. Jon explained that this includes the creation of a centralized Virtual Campus into a single hosting system, so students could find online courses and access 24/7 support through a common portal. Jon explained a larger scale system is intended to be more efficient and provide easier accessibility for students to come to one spot and find out all the information they need.

### **Centers Update**

Jon stated since the committee last met we were successful at acquiring the last center site – FLC, Rancho Cordova Center. Jon provided the committee with a rendering of what the new Rancho Cordova center will look like. He also provided map showing the property acquired for the site on Folsom Blvd. The site covers three separate properties which were formerly owned by the Community Redevelopment Agency, SST Hospitality, LLC and California American Water Company. We are told that we are the first in the state to purchase redevelopment property under

the new laws. Importantly, the site benefits from being directly across from the Mather light rail station and near Highway 50. Jon stated the campus will be located in the yellow portion of the map. The Rancho Cordova Center will be developed in three phases. The green and blue portions will be developed over time for parking. John Orr asked if there will be any consideration of a LEED building. Jon said we are not going to go through the official LEED process because it is quite costly, but the building will meet the silver standard LEED requirements. Jon said the City of Rancho Cordova has been excellent to work with. We will be opening Elk Grove Center in September, 2013.

### **Future Bond Issues**

Jon stated that we are going to be selling two bond series in the near future - Measure A, Series E for \$20M that will primarily fund the FLC- Physical Education Gym and Measure M, Series B for \$60M that will allow each campus to construct new buildings, modernization projects and provide necessary infrastructure improvements. Jon stated that none of these projects will be funded by state bonds, these projects will be entirely district funded. Jon also went over bond considerations and how we manage our bond program. The total Assessed Valuation (AV) is the total value of what homes/businesses are worth in the district. If AV stays low, we can't sell more bonds and keep the \$9.09 estimated tax rate. Some districts have sold capital appreciation bonds (CABs) to stay under the statutory \$25/100K AV cap on bond payments. When districts use CABs, they pay little or nothing in the early years of repayment, but ultimately pay more for the borrowed funds over time. Jon stated the District has never issued a CAB and does not plan to do so. The legislature is reacting to those districts who have issued CABs by enacting laws that restrict bond issuances to a 4 to 1 debt to principal ratio and makes sure the bonds can be refinanced after ten years. Jon shared that the legislative bond proposal (AB 182) would limit the term to 25 years. He also shared that all Los Rios bonds are for 25 years. We will be in good shape if our AV rebounds, but it will be a challenge in long run to keep the low rate if it does not. If AV doesn't rebound and that tax rate could go up, but for several years we have been below that.

### **Review of Expenditures**

Theresa provided the financial activities of Measures A and M as of February 15, 2013. Hard copies of the PowerPoint presentation were provided to the Committee.

#### Measure A

To date, \$250.3 million in Measure A funds have been appropriated (this includes interest income as well as the future proceeds from the future Series E) for projects and \$219.4 million has been expended. Encumbrances (construction contracts and purchase orders) total \$15.9 million. The total change in expenditures and encumbrances since the November meeting is \$3.4 million. Theresa also presented a summary of the financial activity by college location and reported the appropriations to-date amount to 94.5% of the total Measure A authorization. Expenditures and encumbrances are at 89%. Series A, B, and C have all been fully expended. The total financial activity for all capital project funds supporting Measure A projects, which include bond, State, and other funding sources was also presented to the Committee. The total appropriations for all funds as of February 15, 2012 are \$397 million. Total expenditures to-date are \$365.1 million and encumbrances are \$16.7 million. A list of changes to existing project budgets was also presented to the Committee. An additional \$714,039 has been allocated since the November 2012 meeting. Theresa reported 49 projects have been completed and three are under construction from Measure A.

## Measure M

Series A of Measure M was issued on October 19, 2010 in the amount of \$130 million. It was reported that 24 projects have been appropriated, totaling \$165.9 million. To date, \$22.8 million has been encumbered and \$92.8 million has been expended. Theresa summarized the financial activity by college location and presented the changes and additions since the November meeting. The total changes and additions since the November report is \$9 million. The list of projects planned to bid through July 2013 was also reviewed.

Pablo explained the District wide (DW) - Security improvements phases 1A and 1B. He said the \$4.7 million project is needed to provide security and a safe environment to all the campuses by implementing a new keying system at all the campuses.

### **Summary of Change Orders for Completed Construction Projects**

There was one project completed since the last meeting; SCC Hughes Stadium Modernization with change orders totaling 12.1% of the contract amount.

Jon explained that Hughes Stadium was built in 1928 and we faced some significant challenges in the renovation. Bringing the building up to modern standards was more expensive than originally thought. When the contractors began excavating the field they found extensive issues with the soil conditions, which caused costs to go up over 10% of the contract amount. This required Board approval in July 2012 to allow us to go over the 10%. Jon said the District goal is to limit total change orders to below 5% for new buildings and 7% for modernizations and we have done a good job overall toward this goal.

Basim Elkarra had a question regarding change order #6 for the Hughes Stadium Modernization. Jon asked Pablo to email the details of this change order to Basim. In the future, Change Order reports will capture a brief description of larger change orders of completed projects.

### **Project Updates**

Pablo presented an update on all active bond-funded projects, including photos of each project in its current phase of construction. He also provided a list of projects that will be starting soon. Pablo showed the rendering of the FLC Gym.

## **5. FUTURE MEETINGS**

The next meeting will be on August 1, 2013 at Cosumnes River College.

## **6. ADJOURNMENT**

The meeting adjourned at 1:40 p.m.

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cc: Board of Trustees  
Executive Staff