
LOS RIOS COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

December 2, 2010

Cosumnes River College – LRC 109

12:00 p.m.

Minutes

(Approved 3/30/11)

Members Present: Basim Elkarra, Marcia Fritz, Robert Holderness, John Orr, Jennifer Quinn, Diane Schachterle, Nicholas Schroeder, Heather Slater, Jane Vargas, Sharon Margetts (*via teleconference*)

Members Absent: Joe Debbs

District

Representatives: Jon Sharpe, Deputy Chancellor
Theresa Matista, Associate Vice Chancellor, Finance
Pablo Manzo, Associate Vice Chancellor, Facilities Management
Tatyana Zabegalin, Accountant, Grants & Contracts
Jennifer Delucchi, Deputy Chancellor's Executive Assistant

Guests: Dr. Deborah Travis, President, Cosumnes River College
Don Wallace, Vice President Administration, Cosumnes River College
Peggy Vande Vooren, Gilbert Associates, Inc.
David Kasperik, Gilbert Associates, Inc.

1. INTRODUCTIONS

Jon announced that the Committee Chair, Rick Maya, has had to resign from the committee since he is currently doing some fundraising consulting for Folsom Lake College. Jane Vargas, the Committee's Vice Chair, will preside over today's meeting. Jon explained that a couple new and returning members have been appointed and will joining the committee at the next meeting. He suggested deferring the election of new officers to the March meeting. The Committee members introduced themselves.

President Travis welcomed the committee to Cosumnes River College and provided an overview on the growth of the college, highlighting the Science and Cafeteria projects. She also talked about the Elk Grove Center and the Winn Center – all funded by Measure A and Measure M.

2. PUBLIC COMMENTS

Jon explained that meetings of the Citizens' Bond Oversight Committee fall under the Brown Act and are open to the public. There were no public comments.

3. APPROVAL OF MINUTES

The July 22, 2010 meeting minutes were considered for the Committee's approval. A motion was made by John Orr and seconded by Jennifer Quinn for approval of the July minutes. Mr. Holderness abstained from the vote since he was not in attendance.

Motion carried, 9:0 (one abstention)

4. REPORTS

Budget Update

Jon provided a brief update on the State budget and its impact on Los Rios. He shared an email from Erik Skinner, Executive Vice Chancellor at the State Chancellor's Office, outlining a \$25.4 billion shortfall projected by the LAO. This would mean cuts of over \$230 million for community colleges. An update from the Community College League of California that provided a five-year forecast of Proposition 98 funding for community colleges was shared with the Committee as well. The Committee also received copies of selected pages from the District's budget book. Jon referenced the schedule of historical and budget year categorical program funding on page 7, as well as the District's three-year budget plan on page 10. He noted that this plan was instrumental in helping the District attain its bond rating upgrade. Other pages from the book provided an explanation of the states funding methodology and how Los Rios utilizes its funding. Jon explained the District's X, Y, Z (conservative to optimistic) budgeting approach. He said that college allocations are based on a complex formula based on number of students, square footage, and other factors. Jane Vargas asked a question about where the proposed 5% cut would come from. Jon said it comes from our apportionments. Thus far we have reduced discretionary allocations to campuses and have reduced the number of course section offerings by 5.5%.

Review of Expenditures

Theresa presented the financial activity of Measure A and Measure M as of October 15, 2010. Hard copies of a PowerPoint presentation were provided to the Committee.

Measure A

Theresa first presented a summary of the Measure A Bond expenditures through October 15, 2010. She mentioned that Series A of Measure A was refinanced on October 7, 2010. Jon interjected and explained that the threshold the District had set for refinancing Series A was to save at least \$1 million over the life of the bond. With a 3.2% true interest cost rate on the refinancing, we actually saved \$2.25 million over the term of the remaining seven years. Our upgraded bond rating also helped in securing the savings. Theresa then continued with the report noting that to date \$233.1 million in Measure A funds have been appropriated (this includes interest income as well as the proceeds from the future Series E) for projects and \$186.7 million has been expended. Encumbrances (construction contracts and purchase orders) to date total \$13.1 million. The total change in expenditures and encumbrances since the July meeting is \$9.6 million. Theresa also presented a summary of the financial activity by college location, and reported that the appropriations to date amount to 88% of the total Measure A authorization. The expenditures and encumbrances are at 75%. Series A, B, and C have all been fully expended. The total financial activity for all capital project funds, which include bond, State and other funding sources, was also presented to the Committee. The total appropriations for all funds as of October 15, 2010 are \$385 million. Total expenditures to date are \$308 million and encumbrances are \$28.9 million. Jon elaborated on the IRS requirement to spend 85% of bond

proceeds within three years of issuance. A list of changes to existing project budgets was presented to the Committee. There was a total savings of \$1.4 million from the project budgets that can be re-appropriated to other projects. Jon commented that it is not unusual to see 20 bidders on a project. It is a much more competitive market than a few years ago. Theresa reported that 42 projects have been completed and five are under construction. An updated list of completed projects and new projects planned to bid through July 2011 was provided. Robert Holderness asked what the Water Tower is. Jon explained it's an annex to the District Office. Jane Vargas asked if the five acquisitions (listed on page 8 of the packet) were low prices based on real estate value today. Jon replied that the properties listed were all purchased before the decline, but the District is in the process of acquiring additional properties and will get good prices in the current market. Jon also explained the term 'modernization' under the State's definition which means the project will not result in any additional square footage.

Measure M

Following the Measure A presentation, Theresa presented a summary of the Measure M Bond expenditures through October 15, 2010. Series A was issued on October 19, 2010 in the amount of \$130 million. It was reported that six projects have been appropriated, totaling \$125.2 million. To date, \$3 million has been encumbered and \$4 million has been expended. The list of Measure M projects appropriated as of October 15, 2010 was included in the presentation materials. Jon pointed out that these projects are not eligible for state funding. They will be funded 100% by the District and Bond. He reminded the Committee that the District fast-tracked these initial projects to help stimulate the local economy and also take advantage of the bidding climate.

Bond Credit Rating

A handout about bond credit ratings, as well as documents supporting the District's ratings from Moody's and Standard & Poor's were shared with the Committee.

Summary of Change Orders

Theresa asked Pablo Manzo to break down the change order report. Pablo explained that an 'error' is a mistake made in the architectural drawings and an 'omission' is something that is left out of the bid documents. An omission is something that was necessary and so the added cost is something that would have been incurred regardless of whether it had been included initially or is added to the project when the omission is detected. However, in general any change order is at a premium. In terms of assessing who is responsible for the change order, the distinction between an error and an omission is important. Jane Vargas asked whose fault it is in the case of an omission. Pablo said it is the responsibility of the project designer. Four change orders were presented to the Committee. Jon noted that while these change orders are within the limits, they are higher than what the District strives for.

Project Updates

Pablo presented an update on all the active bond funded projects and provided color photos of each project in its current phase of construction. He noted that the SCC-Davis Center will be the District's first LEED Certified building, with a silver certification. Pablo also shared a list of projects that are bidding or starting construction soon. Jane Vargas asked what is housed in the Centers. Pablo answered that general education classes are typically held in the centers. Each one has a learning resource center as well. Jon referred the Committee to the District's *Educating a Region* brochure, which explains the Centers concept. He said the majority of students attend a campus within a few miles of their home. A portion of the next meeting will be dedicated to the District's Centers concept.

Audit Review

Peggy Vande Vooren and David Kasperik of Gilbert Associates presented the results of their external audit of the Measure A and Measure M General Obligation Bonds. Peggy pointed out that the Financial Audit and Performance Audit are two separate reports the committee is required to review under Proposition 39. Peggy went through each of the reports with the Committee. John Orr asked if there is a full audit every year. Jon said yes, as a requirement of Proposition 39 for both the financial and the performance audit. There were no findings for 2009-10.

5. FUTURE MEETINGS

The next Citizens' Bond Oversight Committee meeting will be scheduled in March. Jennifer Delucchi will work with the Committee members to determine a date and time that works well. The members present agreed that the current lunch-hour meeting time works well.

6. ADJOURNMENT

A motion was made by Basim Elkarra and seconded by John Orr to adjourn the meeting. The meeting adjourned at 1:30 p.m.

jd

cc: Board of Trustees
Executive Staff