
LOS RIOS COMMUNITY COLLEGE DISTRICT

Citizens' Bond Oversight Committee

December 4, 2014

Consumes River College, Orchard Room

12:00 p.m.

Minutes

(Approved 3/26/15)

Members Present: Basim Elkarra, John Orr, Jennifer Quinn, Diane Schachterle, Sharon Margetts, Joe Debbs, Bill Heinicke

Members Absent: Robert Holderness, John Pappas, Nick Schroeder, Richard SooHoo, Catherine Lopez

District

Representatives: Theresa Matista, Vice Chancellor, Finance and Administration
Rose Ramos, Associate Vice Chancellor, Finance
Pablo Manzo, Associate Vice Chancellor, Facilities Management
Carrie Bray, Director, Accounting Services
Val Voda, Accountant, Grants & Contracts
Laura Machado, Deputy Chancellor's Executive Assistant

Guests: Cory Wathen, Vice President Administration, Cosumnes River College
Debbie Travis, President, Cosumnes River College
Peggy Vande Vooren, Gilbert Associates, Inc.

1. INTRODUCTIONS

Basim called the meeting to order at 12:11pm. Theresa introduced Rose Ramos, the new Associate Vice Chancellor of Finance. Rose will be presenting the expenditure reports after this meeting. Debbie Travis welcomed everyone to Cosumnes River College. She announced that the Winn Center reached LEED Platinum Status and that Regional Transit is still in construction to complete the light rail line to Cosumnes River College.

2. PUBLIC COMMENTS

There were no public comments.

3. APPROVAL OF MINUTES

A motion for approval was made by Sharon Margetts and seconded by Jennifer Quinn to approve the July 31, 2014 minutes.

Motion Carried, 7:0

4. REPORTS

Budget Update

Theresa discussed the handout from School Services of California regarding the favorable outlook for Proposition 98 funding. Theresa indicated that the last of the deferrals should be paid off this year. Under the Legislative Analyst's Office (LAO) forecast, the 2013-14 Proposition 98 guarantee is revised upward by \$177 million to \$58.5 billion. For 2015-16, the LAO forecasts a 4.1% increase in the guarantee, which provides \$2.6 billion in new ongoing funding.

Theresa also covered the Schools Services of California handout regarding Facilities Bonds. There was no Higher Education Bond on the ballot in November 2014. We have many projects on the list that were slated to start next spring that were based on the assumption there would be a state bond to fund a portion of them. We are now looking at these future projects to develop a plan for moving forward if there is no state bond measure on the 2016 ballot. If there is no bond in 2016, the later projects that were primarily geared toward growth in capacity will probably need to be deferred. In the near term, we may use local bonds to fully fund projects. Theresa shared that we have some projects on the list we always planned to construct entirely with local bond funds, like the athletic fields or parking structures because some projects are not eligible for State support. However, almost all of the remaining projects were planned counting on the State to fund a portion of the cost. Joe Debbs asked if we have sole discretion as to what projects we select. Theresa indicated yes, as all of the projects qualify under the ballot language of either Measure A or M.

Review of Expenditures

Theresa reported that the Sacramento County Treasury notified the District they have discovered the County made an error over the last five years in the allocation of interest to local agencies. The error means the county will collect back \$19,000 from Measure A and \$56,000 from Measure M interest allocations. The County is giving all agencies, including the District, a year's notice before they makes this adjustment.

Theresa provided the financial activities of Measures A and M as of October 15, 2014. Hard copies of the PowerPoint presentation were provided to the Committee.

Measure A

To date, \$249.5 million in Measure A funds have been appropriated (this includes interest income as well as the future proceeds from Series E) for projects and \$240.1 million has been expended. Encumbrances (construction contracts and purchase orders) total \$8.3 million. The total change in expenditures and encumbrances since the May report is \$1.2 million. Theresa also presented a summary of the financial activity by college location and reported the appropriations to date amount to 95% of the total Measure A authorization. Expenditures and encumbrances are at 93.7%. Series A, B, C, and D 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 October 15, 2014 are \$396.4 million. Total expenditures to date are \$387 million and total encumbrances are \$8.3 million.

A list of changes to existing project budgets was also presented to the Committee. A decrease of \$921,643 has been allocated since the May 2014 report. Theresa reported 53 projects have been completed and one project is under construction from Measure A.

Measure M

Series A of Measure M was issued on October 19, 2010 in the amount of \$130 million. Series B of Measure M was issued on June 27, 2013 in the amount of \$60 million. \$184 million in Measure M funds have been appropriated (this includes interest income) for projects. To date, \$9.4 million has been encumbered and \$145.5 million has been expended. Theresa summarized the financial activity by college location and presented the changes and additions since the July meeting. The total changes and additions since the May report is \$2.2 million. The list of projects planned to bid through July 2014 was also reviewed.

Change Order Reports

There were three projects completed since the last meeting: FLC Physical Education/Athletic Fields Construction with change orders totaling 2.5% of the contract amount; FLC Physical Education Addition 1 (Gym) with change orders totaling 2.7% of the contract amount; CRC Art Gallery Space with change orders totaling 4.9% of the contract amount.

Project Updates

Pablo presented an update on all active bond-funded projects, including photos of each project in its current phase of construction and provided a list of projects where bidding or construction starts soon.

Continuing Disclosure

With every issuance of a series of bonds, the district must disclose financial information including any unforeseen/default or financial issues. Additionally, the District is required to provide annual disclosures of its financial statements and other financial information to a public clearinghouse. Apparently across the nation many public agencies were not fulfilling these requirements and the SEC issued new regulations requiring underwriters and agencies to review past years and inform the SEC of any failure to disclose. The District contracts with the Dale Scott Company to perform these compliance requirements. The first reporting requirement was for underwriters and none of the underwriters for the District's bonds reported any disclosure issues related to Los Rios. In addition, both Dale Scott and the District's bond counsel believed the District had complied and therefore we were not required to file any report with the SEC.

Short Term Bonds for Equipment

At the last meeting, Diane Schachterle inquired about a new type of bond issuance that is available to purchase equipment. Our projects include equipment as well as land acquisition and buildings. Theresa asked Dale Scott, the District's Financial Adviser, about these equipment bonds – called PayGo Bonds. Dale Scott holds the patent on these types of bonds and was very helpful in explaining the benefits. PayGo bonds match the term of the bond to the equipment life. PayGo Bonds can be beneficial in terms of short-term interest rates. Theresa explained that when the District issues bonds, each series is a mix of maturity dates and interest rates with the longest term 25 years. There is an effort to match the amount of bonds maturing within the first few years after issuance to the projected equipment expenditures, so that the financing of equipment purchases is aligned with the equipment life. For example, when we issued \$20 million series E from Measure A, a majority of those funds were used construct facilities. Buildings depreciate over 50 years – so we pay for a building with a 50-year life over 25 years. However, over \$4M in bonds from the series mature within seven years of issuance with a relatively low yield. In that regard, we achieve the same result as the PayGo Bonds if we do use a portion of the series for equipment. However, if we plan on purchasing a significant amount of equipment in the future,

we will look into the use of a PayGo bond along with the regular series. Dale said it would be possible to have a combined issuance for a PayGo and facilities thereby save on issuance costs. Joe suggested that he would like to have an overview of our bond process, including how projects are assigned to each bond measure and how projects are prioritized. At the March meeting, Theresa will bring a list of projects remaining on both measures and will go over how the bonds proceeds are allocated to each of the projects.

Audit Review

Peggy Vande Vooren of Gilbert Associates presented the results of their external audit of the Measure A and Measure M General Obligation Bonds for the year ended June 30, 2014.

She noted the Financial Audit and Performance Audit are two separate reports the committee is required to review under Proposition 39. There were no findings for 2013-14.

5. FUTURE MEETINGS

The next meeting will be on March 26, 2015 at Sacramento City College. At this meeting, we will be electing a new chair for the committee.

6. ADJOURNMENT

The meeting adjourned at 1:20pm.

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cc: Board of Trustees
Executive Staff