
LOS RIOS COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee
December 3, 2009
American River College, ITC Training Room
12:00 p.m.

Minutes
(Approved 3/25/10)

Members Present: Jerry Bernau, Bob Blymyer, Dan Lawrence, Rick Maya, Margaret Solie

Members Absent: Marcia Fritz, Martin Kennison, Matt Mahood, Heather Paris, Chris Reeg, Jane Vargas

District

Representatives: Jon Sharpe, Deputy Chancellor
Theresa Matista, Associate Vice Chancellor, Finance
Vincent Montoya, Director, Facilities Management
Kim Sayles, Supervisor, Grants & Contracts
Van T. Tran, Accountant, Grants & Contracts
Jennifer Delucchi, Deputy Chancellor's Executive Assistant

Guests: David Viar, President, American River College
Bob Allegre, Vice President Administration, American River College
Carrie Bray, Director of Accounting
Bruce Gibbs, Auditor, Matson & Isom

INTRODUCTIONS

Chair Bob Blymyer called the meeting to order at 12:15 p.m. All present members and guests introduced themselves.

APPROVAL OF MINUTES

Approval of the July 23, 2009 minutes was deferred to the next meeting as there was not a quorum present.

REPORTS

Series A Refunding / Series D Update

Jon Sharpe reported that interest rates had recently dropped significantly and the District's underwriter, Dale Scott & Co., had recommended refinancing outstanding debt for Series A of Measure A. Refinancing could potentially result in \$1 million in savings to the taxpayers. Jon explained the process, including that the refinancing window is limited by the call dates on the bonds. After the District received the upgraded rating from Standard & Poor's (to AA-) and began the refinancing process, ratings started to creep back up and there was less of a market for it. Jon reported that the District is holding off right now, anticipating that rates will come back down after the first of the year. He said that if we can't save \$1 million, it's not worth going

through the process and paying underwriters, etc. He added that the District's stable rating will help in future ratings.

Jon also updated the Committee on the issuance of Measure A, Series D. The proceeds were received on August 4, 2009, so the funds are now available for projects.

Budget Update

Copies of budget-related articles from the *School Services of California, Community College Update* were provided to the Committee. Jon noted that Proposition 98 (which funds K-14) minimum funding guarantees are approximately 40% of the statewide budget. In a recent LAO report, it was identified that Proposition 98 is owed an additional \$1 billion, although it is not expected that will be funded. Jon added that community colleges do not expect statewide COLA or Growth funding in the next couple years. Enrollment fees are expected to increase. Jon also discussed the American Recovery and Reinvestment Act (ARRA) funds. At the time of the Board's adoption of the 2009-10 budget in September, the ARRA funds were uncertain. We have now received the funds, and were given three days to spend them. Los Rios received ~\$1.6 million. We were allowed to backfill expenditures that had already been incurred. Management will present a recommendation to the Board later this month adopting the flexibility provisions that were enacted in the State budget. The District's three year plan is to utilize reserves and has also had to make reductions to course sections and in operational allocations. Jon noted that the District as a whole is working well together to make the necessary cuts.

Margaret Solie asked if Los Rios will be able to accept all of the local freshmen that are being turned away from UC and CSU. Jon said, in all honesty, we will not be able to take all of them. Los Rios is currently considerably over cap. Students are being encouraged to register early and we'll accommodate as many as we can.

Rick asked if there is a direct correlation between the unemployment rate and enrollment. Jon said yes, in bad economic years we do see an increase in enrollment, however in the good years we don't see much of a dip as would be expected.

A list of the Board of Governor's proposed Capital Outlay Projects for the 2010 budget was provided to the Committee. This list is the projects that are being recommended to be included in the Governor's January proposal. Many of the projects listed do not currently have funding. A statewide bond measure may be put on the next election. If the bond is not passed, the projects may be set aside until a funding source is secured. Six Los Rios projects are included on the list.

Review of Expenditures

Theresa presented a summary of the Measure A Bond expenditures through October 15, 2009 and provided an update on bids awarded since the last meeting. To date, four series of bonds have been issued totaling \$217.5 million. One more series will be issued from Measure A, in order to fully expend the \$265 million authorization. It was reported that \$238.4 million in Measure A funds has been appropriated (this includes a portion of interest income and Series E) for projects and \$164.6 million has been expended. Encumbrances to date amount to \$15.8 million. The total change since the July meeting is \$6.4 million (in expenditures and encumbrances). Theresa also presented a summary of the financial activity by college location, and reported that the appropriations to date amount to 90% of the total Measure A authorization. The expenditures and encumbrances are at 68%. Approximately \$68 million of the \$70 million Series C issuance has been expended as of October 15, 2009, which is 97% of the total amount.

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, 2009 are \$392.9 million. Total expenditures to date are \$257 million and encumbrances are \$42.4 million. A detailed list of changes to existing project budgets and the addition of new projects were presented to the Committee. There was a total savings of \$2.9 million from the project budgets that can be re-appropriated to other projects. Margaret asked if the savings from a project goes back to that particular college, or to the general pot. Theresa explained that each college was not given a specific allocation of funds from the bond, but rather a list of projects that would be developed. Theresa reported that thirty-five projects have been completed and seven are under construction. A list of completed projects and new projects planned to bid through July 2010 was provided. Jon explained the design build competition the District will utilize for the CRC Architecture/Construction Building. The partnership will be between the architect, builder and the District. Once the design team is selected, it will still be a year or so before construction starts.

Following the Measure A presentation, Theresa presented a summary of the Measure M Bond expenditures through October 15, 2009. The District is currently using its own Capital Outlay funds to advance funds to six Measure M fast-track projects. The first issuance is planned for Fall 2010. It was reported that \$120.9 million in Measure M funds has been appropriated for projects and \$642,347 has been expended (District Capital Outlay cash funding pending bond proceeds). Encumbrances to date amount to \$4.4 million. A list of Measure M projects appropriated as of October 15, 2009 was included in the presentation materials.

Rick Maya asked if the District completes an economic impact report to determine the number of jobs created from these construction projects. Jon said no, but a study was recently done in Los Angeles that determined that, in general, for about every \$72,000 spent on a project, one job is created.

Jon reported that the tax rate came out a little higher than anticipated. The assessed valuation was lower than expected and the allocation by the County was a bit off, which will correct itself in future years. He shared that the district office has received a few phone calls regarding the higher rate, but not too many. The Measure A tax rate statement identified a peak rate of \$16.25/\$100,000 and we are still far below that.

Project Updates

Vincent Montoya presented an update on all the active bond funded projects and provided color photos of each project in its current phase of construction. He also shared a list of projects that are bidding or starting construction soon.

Audit Report

Three reports were mailed to the Committee members prior to the meeting. Carrie Bray introduced Bryce Gibbs who explained Matson & Isom's process in auditing the District, and then presented the performance audit and financial statements. It was noted that there were no recommendations in the audit.

Other Comments

Jon thanked the committee for their input on the Annual Report before it was finalized in September. As the report evolves, the District has been able to use it in more situations.

Jon also shared that Scheduled Maintenance Special Repair (SMSR) was one of two programs that was not funded at all in the current budget. He noted that next year's report will be lean in comparison to past years.

Finally, Jon reminded the Committee that six members will be terming out in May of next year.

FUTURE MEETINGS

The next meeting will be on Thursday, March 25, 2010 at Folsom Lake College. A tentative schedule of 2010 meetings and their locations was provided to the Committee.

ADJOURNMENT

The meeting adjourned at 1:35 p.m.

jd

cc: Board of Trustees
Executive Staff