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# LOS RIOS COMMUNITY COLLEGE DISTRICT

## Citizens' Bond Oversight Committee

December 5, 2013

Sacramento City College, Rodda North Room 258

12:00 p.m.

Minutes

*(Approved 7/31/14)*

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**Members Present:** Joe Debbs, Bill Heinicke, John Orr, Basim Elkarra, Richard SooHoo, Nick Schroeder, Sharon Margetts, Diane Schachterle, Robert Holderness, Jennifer Quinn

**Members Absent:** John Pappas, Catherine Lopez, Sean Nesbitt

### District

**Representatives:** Jon Sharpe, Deputy Chancellor (absent)  
Theresa Matista, Associate Vice Chancellor, Finance  
Pablo Manzo, Associate Vice Chancellor, Facilities Management  
Val Voda, Accountant, Grants & Contracts  
Carrie Bray, Director Accounting Services  
Reanna Vasquez, Administrative Assistant

**Guests:** Dr. Kathryn Jeffery, President, SCC  
Bob Martinelli, Vice President Administration, SCC  
Peggy Vande Vooren, Gilbert Associates, Inc.

## 1. INTRODUCTIONS

Mr. Elkarra called the meeting to order at 12:06 pm and welcomed everyone to the meeting.

## 2. PUBLIC COMMENTS

There were no public comments.

## 3. APPROVAL OF MINUTES

A motion for approval was made by John Orr and seconded by Sharon Margetts.

*Motion Carried, 7:0*

## 4. REPORTS

### Budget Update

Theresa mentioned that on November 20, 2013 the Legislative Analyst Office (LAO) issued their report on the State Budget, which was favorable. The LAO is projecting to end the year with \$4.2 billion more in revenues than was budgeted. They are also projecting an increase in Proposition 98 spending by \$3.1 billion (\$300M+ more for the community college system). Governor Brown is projecting revenue on a conservative, low end to guard against overspending. The LAO's projection is the more realistic of the two revenue projections. In mid-January Governor Brown will release the 2014-15 proposed budget and the first indication of whether or

not we receive additional funding for 2014-15. The LAO is recommending that the increased funds be used to pay-down debt obligations such as the deferrals. There is still almost \$600 million in deferrals.

Theresa passed out a handout from the Community College Update issued on November 15, 2013. The State Controller's Office reported that revenues for the month of October were up 10.7% and \$604 million over projections year-to-date.

Joe Debbs inquired about the outlook for financial aid. Theresa shared that financial aid was not touched for the most part because most of the funding is federal. This year we received an increase for Extended Opportunities Programs and Services (EOPS) and Disability Support Programs and Services (DSPS). The funds were not fully restored, but the increase has helped. There is also a new program called Student Success Support Program (SSSP), formerly known as Matriculation, which received a significant augmentation. The goal of SSSP is to improve student success and focus on delivering services like orientation. Dr. Jeffery added that this program will cover many student services and also focuses on new students, and carries over into instructional areas as well. SSSP is more focused on direct contact with students, orientation, assessments, measuring counseling contacts, and making sure the students develop a Student Education Plan.

### **Review of Expenditures**

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

#### Measure A

To date, \$248.7 million in Measure A funds have been appropriated (this includes interest income as well as the projected proceeds from Series E) for projects and \$225.2 million has been expended. Encumbrances (construction contracts and purchase orders) total \$11.2 million. The total change in expenditures and encumbrances since the August meeting is \$600,000. Theresa also presented a summary of financial activity by college location and reported that the appropriations to-date amount of 94% 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 projects funds supporting Measure A projects, which includes bond, state, and other funding sources was also presented to the committee. The total appropriations for all funds as October 15, 2013 are \$395.8 million. Expenditures to-date total \$372.1 million and encumbrances are \$11.2 million. A list of changes to existing project budgets was also presented to the Committee. A decrease of \$401,090 has occurred since the August 2013 meeting. Theresa reported that 51 projects have been completed and three are currently under construction from Measure A.

#### Measure M

To-date, \$172.4 million in Measure M funds have been appropriated (this includes interest income as well as the projected income from Series B) for projects. There are \$24.8 million in encumbrances and \$117.7 million has been expended. Theresa summarized the financial activity by college and presented changes and additions since the August meeting. The total changes and additions since the May report is \$708,648. A list of completed Measure M projects was also reviewed.

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

There were two projects completed since the last meeting; ARC Life Science & Fine Arts Portable Modernization with change orders totaling 4.5% of the contract amount, and CRC P.E./Athletic Fields & TAP Improvements with change orders totaling 4.5% of the contract amount. Basim asked if an error was made regarding the costs at CRC. Pablo explained that when an architect makes an error in design, they are responsible for any redesign and resolving the situation. If it is an omission, the architect is responsible for the redesign, but typically the correction of an omission adds value so there is a cost to the District for the added work.

## **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.

## **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, 2013.

### Financial Statements Audit

Peggy stated that there were no findings or issues to report. There is an additional paragraph added at the top of page 2 that discusses changes in accounting principles. Governmental Accounting Standards Board (GASB) statement 65 redefined what is considered an asset or liability. This statement created two additional account group classifications: deferred outflow of resources and deferred inflow of resources. It reclassified the account called deferred amount on refunding of defeased debt from a contra to long-debt to a deferred outflow of resources (page 9). This account is deferred and amortized over the remaining life of the old debt or life of the new debt, whichever is shorter. Page 10 shows the cumulative effect of change in accounting principles as a result of GASB statements 62 and 65. Respectively, these statements required the capitalization of debt interest cost related to the construction of an asset and that debt issuance costs incurred in the issuance of bond debt be recognized as an expense in the period incurred rather than amortized. The net result of the implementation of the new standards was an increase in the District's net position of \$10.8 million.

### Performance Audit

Peggy shared that this was a clean report and that the overall objective of the Performance Audit is to make sure projects are expensed according to what tax payers have approved. Page 3 of the report outlines the procedures performed for conducting the audit, and pages 4 to 5 lists a summary of expenditures for Measures A and M.

## **5. FUTURE MEETINGS**

A schedule listing the next two meetings was provided to the committee. Basim thanked Dr. Jeffery for hosting the meeting at Sacramento City College and wished everyone a happy holiday. Dr. Jeffery expressed her appreciation to the members for their continued involvement with the Oversight Committee. She encouraged the committee to attend a theatre act at the new Performing Arts Center and/or attend an event at Hughes Stadium.

## **6. ADJOURNMENT**

The meeting adjourned at 1:20 p.m.

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