

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
Bond Oversight Committee Minutes
February 3, 2011 – 3 p.m.
College of San Mateo, Bldg 10, Rm 401

Members Present: Linda Asbury (3:12 pm), Gita Dev, Steve Dworetzky, Jeff Gonzalez, Maritess Lagandaon, Gus Petropoulos (3:14 pm), Alan Talansky, Victor Torreano, Adrienne Zanini

Members Absent: Sylvia Merkadeau

District Staff Present: Barbara Christensen, Jim Keller, José Nuñez, Moe Garza

Guest: Terry Montgomery, Xiupin Guillaume (Vavrinek, Trine, Day & Co., LLP)

Call to Order

Director Christensen introduced the new committee member, Adrienne Zanini, who was nominated by CA Tax Reform Association. After a round of introductions, Director Christensen said that there was a quorum and called the meeting to order at 3:08 pm. She asked the committee if they would like to wait for Linda Asbury and Gus Petropoulos before the selection of the Bond Oversight Committee (BOC) Chair and Vice Chair. Consensus of the members was to wait until both arrived to select the Chair and Vice Chair, review the cumulative report on expenditures and review the financial and performance audits.

Approval of Minutes from Meeting of November 4, 2010

It was moved by Linda Asbury and seconded by Steve Dworetzky to approve the minutes of November 4, 2010 as written. The motion passed with all members voting “Aye”.

Selection of BOC Chair and Vice Chair

It was moved by Alan Talansky and seconded by Gita Dev to nominate Linda Asbury for BOC Chair. The motion carried, with two abstentions and the remainder of the committee members voting “Aye”. It was moved by Linda Asbury and seconded by Victor Torreano to nominate Alan Talansky for BOC Vice Chair. Steve Dworetzky asked if there were any other senior members on the committee. Ms. Asbury said Gita Dev was the other senior member on the committee. Mr. Dworetzky suggested that a senior member might better serve as Vice Chair than a new committee member. Ms. Asbury said that his point was well taken and withdrew her nomination of Mr. Talansky. It was then moved by Mr. Petropoulos and seconded by Mr. Dworetzky to nominate Ms. Dev for BOC Vice Chair. The motion passed with all members voting “Aye”.

Ms. Asbury announced that she has another appointment and must leave the meeting shortly. Ms. Christensen recommended that the “Review of Financial and Performance Audits” be

moved up on the agenda because it is most crucial to the work of the BOC. There were no objections from the committee members to move up agenda item 5.

Review of Financial and Performance Audits

Auditors Terry Montgomery and Xiupin Guillaume from Vavrinek, Trine, Day & Co., LLP, reviewed the financial and performance audits for Bond Fund 2005 Election (Measure A) and Bond Fund 2001 Election (Measure C). Ms. Montgomery said the information is presented as of June 30, 2010. She explained for each bond measure there is a financial audit and a performance audit. The financial audit confirms that someone has independently looked at the numbers that the District provided and verified that the numbers are accurate. The performance audit, which is critical to this committee, shows that the funds were spent in accordance with the voter measure.

Ms. Guillaume said the Independent Auditor's Report on page 1 states that the financial statements present fairly, in all material respects, the financial position of the Capital Outlay Bond Fund 2005 Election of the San Mateo County Community College District (SMCCCD). Ms. Guillaume reviewed the financial statements shown on pages 2-3 and notes on pages 4-8 which provide further explanation regarding the financial statements. The performance audit list the individual invoices which were audited on pages 3-4. Ms. Christensen asked what percentage of the expenditures was reviewed. Ms. Guillaume replied that total 2005 Bond expenditures were \$139,281,374, and \$46,166,849 or 33% of the invoices were reviewed as shown on page 4. Ms. Montgomery said the auditors are required to review at least 25% of the expenditures which is the requirement set by SMCCCD. She said there is no legal requirement to the percentage that must be reviewed and it is a judgmental percent determined by everyone involved.

Ms. Guillaume said the Independent Auditor's Report on page 1 states that the financial statements present fairly, in all material respects, the financial position of the Capital Outlay Bond Fund 2001 Election of the San Mateo County Community College District (SMCCCD). The balance sheet on page 2 shows a balance of only \$696,122 because most of the projects have been completed. Ms. Montgomery said the performance audit on page 3 shows \$44,502 or 94.96% of the expenditures were reviewed.

In addition to this audit, Executive Vice Chancellor Keller said the IRS is currently auditing the Bond Fund 2001 Election (Measure C) and Series B, the second issuance of bonds, which is worth \$70,000,000. The IRS looks at the expenditures made to assure the funds are being spent in accordance with the bond program and also they also look at the investments. Mr. Keller said, unlike this audit performed by Vavrinek, Trine, Day & Co., LLP, the IRS will visit the campus to make sure the projects relate to what is on paper. Mr. Petropoulos asked if the IRS audit is routine or did something triggered the audit. Mr. Keller said the audit is routine to assure that the tax exempt status of the bonds is accurate.

It was moved by Mr. Torreano and seconded by Mr. Petropoulos to accept the audits as presented. The motion passed with all members voting "Aye".

Review of Cumulative Report on Expenditures through December 31, 2010 for Measure A and Measure C

Mr. Keller summarized the financial reports as of December 31, 2011. He reported that Measure C shows a balance of \$16, 375. The projects have been completed so the balance will be used for any future issues that arise relating to the completed project. Measure A expenditures to date are \$396,351,448 (85%) with commitments of \$22,953,856 (5%) leaving a balance of \$48,261,076 (10%). Mr. Keller said that last building project, Cañada Building 5/6, will begin in June. Skyline Building 4 and College of San Mateo Building 10 are completed and both will celebrate their grand opening in April.

Ms. Christensen explained to BOC members who had not seen this report that the items highlighted in yellow identify the projects where there was a change in spending from the last quarterly report.

Ms. Dev asked Mr. Keller if the District has completed all projects that were planned over the last 10 years with the issuance of the two bond measures. Mr. Keller said the District had anticipated leveraging the bond funds with State funding and we can no longer rely on State funding. The State failed to approve an educational facilities bond in 2008 or 2010. Also, due to the loss of \$20 million invested in Lehman Brothers securities, there are uncompleted projects on all three campuses.

Mr. Talansky said the federal government is talking about assisting education and job training programs and asked Mr. Keller if it is possible to leverage any federal dollars. Mr. Keller said most of the federal funding comes in the form of grants to be used for operational programs and expenses, not for facilities.

Report on Sources and Uses

Vice Chancellor Nuñez said at the last meeting Alan Talansky had requested a report showing the sources and uses of bond and other construction funds so that the committee could to better understand the financials. Mr. Nuñez displayed a large poster board and explained that this was just a small part of the large sources and uses chart which is used track the funding for various projects and show the project funding.

He reviewed the column heading which included Fund Code, Fund No., Project No., Measure A Adjustments, Current Total Project Budget (including Management Fees) and Total Projected Budget + Requested. He explained that the green area is the project budget which details how the project is funded. Sources of funding for the various projects include Measure A, Measure C, State Capital Outlay, Hazardous Substance, State Scheduled Maintenance, Bond Interest, and COP.

Mr. Nuñez said the two people in the Construction Planning Department who are responsible for maintaining this complex document are Mary Ann Duggan, Project Manager II and Ludmila Prisecar, Financial Analyst.

Mr. Nuñez explained the Sources and Uses summary shows that the District has measures in place to track all project expenditures. It is also a living working document, so the numbers shown on the expenditure report may vary depending on when the report was prepared. Mr.

Keller reminded committee members that the Sources and Uses summary is a tool to manage projects and not an accounting document.

Review and Approval of 2010 Report to the Community

Ms. Christensen explained that the Report to the Community is an annual report describing the construction work that transpired during the previous calendar year and is required by law. Proposition 39 reduced the voter threshold for school bonds from two-thirds voter approval to 55% majority. With this passage, there were two new requirements; schools were required to appoint a Bond Oversight Committee and to produce an annual Report to the Community.

Ms. Christensen said she drafted the report with the input from the Construction Planning Department and others directly involved in the projects. She told the committee that it is their responsibility to review and approve the report. Ms. Christensen asked the committee members for comments, correction or changes.

The committee discussed and recommended several changes to the report. Ms. Christensen noted the suggested changes and will revise the report. She said the approved Report to the Community will be sent to the local media and posted on the BOC website.

It was moved by Mr. Dworetzky and seconded by Mr. Torreano to accept the report with the changes that were discussed. The motion passed with all members voting “Aye”.

Discussion of Program Management Costs

Ms. Christensen said at the last BOC meeting someone wanted to know how we funded program management costs for Measure C and why it was different for Measure A. For Bond Measure C, which was passed in 2001, the District hired Swinerton Construction Management to handle all of the planning and oversight of construction projects. Mr. Nuñez along with several staff members worked with the outside contractor. During that process the District gained a lot of knowledge and information; and as a result, the District decided to reduce the Swinerton contact and use District staff for some of the program management duties.

Ms. Christensen said for CIP 1, Measure C, program management cost was 7.38% of total dollars spent on construction projects. For CIP 2, Measure A, the current estimate for program management cost is 6.9% of the total amount spent on construction projects. Although the District still has a contract with Swinerton Construction Management, the District has assumed a large part of the planning and oversight for CIP 2 projects. Ms. Christensen said she believes that the cost for Swinerton will be below the estimated \$23 million so the management cost will be less 6.9%

Update on Construction Projects

Mr. Nuñez said three projects will go out to bid in summer 2011.

- College of San Mateo – North Gateway project
- Cañada College – Electrical Infrastructure Replacement
- Skyline College - Electrical Infrastructure Replacement

Mr. Nuñez announced there will be two Ribbon Cutting Ceremonies in April and all committee members are invited.

- CSM College Center, Thursday April 14 at 2:30 pm.
- Skyline Building 4, Thursday April 22 at 2:30 pm.

Committee Members' Comments/Requests for Future Agenda Items

Ms. Christensen told the committee members to contact her if they have any questions or would like a topic added to the agenda.

Ms. Dev asked how long the Bond Oversight Committee would continue to meet. Mr. Nuñez said the Measure A projects are expected to be completed by June 30, 2012.

Mr. Torreano said in today's Chronicles newspaper, he read an article that Air Quality Management District has a grant out for Electric Car Stations and suggested that the District may want to explore this opportunity. Ms. Christensen said that this is an interesting idea and noted to follow up with Mr. Nuñez on this subject.

Public Comments

Mr. Petropoulos asked if either of two people, from the public, had any questions or comments? One of the attendees expressed concerns regarding the demolition of Building 20, which houses the horticulture labs, greenhouse and teaching gardens. She said she is part of a program in Building 20 and cannot understand why there have been no provisions to remodel this area instead of tearing it down. She also said the Academic Senate has not approved eliminating the Horticulture and Floristry program from CSM's curriculum, rather the programs have been put on hiatus so enrollment can be reviewed.

Mr. Keller said those questions need to be addressed at the college. He said the District operational funds were cut 20% and all of our colleges had to make difficult choices in evaluating the cost of many programs and the academic needs of the community.

Brief Tour of Building 10 for Interested BOC Members

Ms. Christensen invited BOC members to tour Building 10 with her.

Schedule of Future Meetings: May 5, August 4, November 3 (1st Thursdays, Every 3 Months)

The next meeting will be held on May 5 at 3:00 p.m. at Skyline College.