

SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
Bond Oversight Committee Minutes
March 5, 2015
SMCCCD District Office Board Room

Members Present:

- ✓ Alan Talansky, Chair, business representative
- ✓ Steve Dworetzky, Vice Chair, community member
- ✓ Gus Petropoulos, active in organization in support of District (Retirees and Foundation)
- ✓ Jeannine Ryan, senior representative
- ✓ Victor Torreano, community member
- ✓ Adrienne Zanini, representative of bona-fide taxpayers association
- ✓ Dennis Zheng, student representative (by phone)

Members Absent:

- ✓ Maritess Lagandaon, community member

District Staff Present: Barbara Christensen, Director of Community/Government Relations; Raymond Chow, Chief Financial Officer; José Nuñez, Vice Chancellor of Facilities Planning, Maintenance and Operations; Karen Powell, Executive Director, Facilities, Maintenance & Operations, Carina Warne, Executive Assistant

Guests Present: One guest by phone

Call to order

Chairman Talansky called the meeting to order at 3:05 p.m.

Information on Potential New Member Frank Pagliaro

Due to the resignation of Maritess Lagandaon, Ms. Christensen advertised on the Bond Oversight Committee website for new members and Frank Pagliaro contacted Ms. Christensen. He is a construction lawyer who grew up in New York where his family had a construction company. He went to law school and worked as an attorney for the family business before moving to the Bay Area. Chancellor Galatolo and Ms. Christensen interviewed Mr. Pagliaro and concluded that he is very well qualified. His name will be recommended to the Board of Trustees on March 25, 2015 to join the committee. He would have attended the Bond Oversight Committee today, but he is out of town.

Public Comments on Non-Agenda Items

No Comments

A guest on the phone said she could not hear everyone. Each committee member and District staff went around the room and introduced themselves and did a microphone test.

Approval of Minutes from Meeting of September 4, 2014

	Dworetzky	Lagandoan	Petropoulos	Ryan	Talansky	Torreano	Zanini	Zhenz
Motion						x		
Second			x					

Ayes	7
Noes	0
Abstain	0

Motion Passed

Review/Accept Cumulative Report on Expenditures through December 30, 2014 for Measure A Expenditures

Chief Financial Officer Raymond Chow gave a summary of key financial information through December 30, 2014. Measure A is projected to be completed by June 2015. Measure C was completed in June 2011. The Total Budget for Measure A is \$468,000,000. Expenditures as of December 30, 2014 are \$460,611,287 or 98.43%. Commitments to date are \$2,624,564 or 0.56%. Balance available to date is \$4,764,149 or 1.02%.

The Districtwide projects budget is \$64,886,016. YTD expenditures are \$61,863,661 or 95.35%. Commitments are \$988,687. Balance available is \$2,033,668. The top three unfinished projects are the Computer Lab Replacement Project \$1,082K, Technology Upgrades \$404K and Small Projects \$315K.

Cañada College projects budget is \$36,684,852. YTD expenditures are \$36,427,473 or 99.3%. Commitments are \$48,529. Balance available is \$208,850. The top three unfinished projects are Small Projects \$165K, Building 3 Theater Carpet Replacement \$27K and Emergency Building Repairs \$17K.

College of San Mateo projects budget is \$270,205,443. YTD expenditures are \$266,520,346 or 98.64%. Commitments are \$1,560,920. Balance available is \$2,124,177. The top three unfinished projects are North Gateway \$1,660K, Small Projects \$220K and Emergency Building Repairs \$207K.

Skyline College projects budget is \$96,223,689. YTD expenditures are \$95,799,807 or 99.56%. Commitments are \$26,428. Balance available is \$397,454. Unfinished projects are Small Projects \$235K and Emergency Building Repairs \$162K.

José Nuñez said it is more realistic to project Measure A to be completed by December 2015.

Mr. Talansky asked a question about Emergency Building Repairs. Mr. Nuñez said that the Emergency Building Repair Fund is a set up for all three colleges and is used for emergencies, for example, a major piece of equipment such as an Air Handler or a Boiler malfunction, etc. Mr. Nuñez said the intent is to diminish the Small Projects and the Emergency Building Repair Fund under Measure A. Then under Measure H establish new Small Projects and Emergency Building Repair Fund.

As of December 31, 2014, cumulative bond interest earned (plus approximately \$10M in Lehman fund recovery) is \$32,699,844. Mr. Talansky asked if the District might receive more recovery payments and Mr. Chow answered that we may. Mr. Chow has been in contact with San Mateo County Treasury and there is still one outstanding lawsuit; the District is expecting another \$600K - \$700K.

Expenditures are \$13,230,231 or 40.46%. Commitments are \$1,232,214. Balance available is \$18,237,399. Estimated FY14/15 interest income is \$210K. County Pool current interest rate is 1.0%.

Mr. Torreano asked why we can't get a better yield than 1.0%. Mr. Chow said that the funds are invested in the County Pool and that the District is trying to get permission to invest the funds ourselves. Mr. Chow has interviewed outside investment companies. Mr. Petropoulos asked if there is a legal requirement that makes us use the County Pool. Mr. Chow said according to Eugene Whitlock, our Director of HR and previous County Counsel, the answer is no. Mr. Torreano asked if the Bond Oversight Committee has to approve which financial "vehicle" we chose to invest in. Ms. Christensen answered no and said that the Bond Oversight Committee's responsibility is making sure all expenditures are for items on the Bond Projects List.

The member of the public on the phone had a question about the "Theater" and asked why the District would invest in a theater and later tear it down? Mr. Nuñez answered the question stating that the Theater expenditures mentioned before were for Cañada College Building 3 Theater. The Theater that is scheduled to be demolished is Skyline College Building 1.

Information on Bond Refinancing and the District's Credit Ratings

Due to very low interest rates, the District had an opportunity to refinance some of the Measure C (Election of 2001) and Measure A (Election of 2005) bonds. In advance of the refunding, the District's creditworthiness was rated by Standard and Poor's and Moody's Rating Service – both of which gave the District the very highest rating possible. We are the only public College / University in California to receive these ratings. In fact, only one other College or University in California received a similar rating is Stanford University.

The District planned to refinance approximately \$117.7 M of the \$563M in outstanding bonds to save \$10.9M in net present value savings. However, at the time of refunding, it was possible to refinance \$127.5M in outstanding bonds, producing gross savings of \$20.53M between 2015 and 2038. Net present value savings was \$14.47M.

Update on Construction Projects; Report on Energy Efficiency Projects and Savings; Update on North Gateway Project

Vice Chancellor of Facilities Planning, Maintenance & Operations, José Nuñez presented a project update. Projects included at Cañada College are the Theater lobby facelift and carpet replacement, generator awning, and SparkPoint classroom. At College of San Mateo, projects include Building 30 Plaza (funded with redevelopment funds), Building 5 office conversion, Building 1 office space preparation, and library carpet replacement. Projects at Skyline College include the fireside lounge signage installation and the Building 5 Library wireless upgrade. Districtwide projects include District Office restroom renovation, Cañada College and CSM roadways parking lot fixture LED retrofit, Districtwide exterior lighting upgrade, and Districtwide utility measurement & verification.

Mr. Talansky asked about redevelopment funds and Ms. Christensen responded that the redevelopment funds that Mr. Nuñez is referring were accumulated before the demise of redevelopment agencies. The District has agreements with many redevelopment agencies in the County and, in some of these agreements, we pledged that money would be used for projects that are beneficial to the community and the college. For example, athletic field replacement is a project that the District has used redevelopment

funds for. Mr. Nuñez said there is about \$1.5M left in the redevelopment fund and \$1M of that is committed for the CSM Softball Field (Summer 2016).

Ms. Powell gave a project update on the College of San Mateo North Gateway Project. The General Contractor for the project was terminated by the District on August 29, 2014. The Surety / Bonding Company, Liberty Mutual, has assisted the District in executing a Take Over Agreement. A revised completion schedule is expected by next week and occupancy is estimated by late Summer 2015. 732 parking spaces will come online when the project is complete.

Ms. Powell also gave an overview of current Energy & Sustainability efforts including the Cañada College solar project, Electric Vehicle Charging Stations (11 stations Districtwide), water efficiency measures, and storm water management. Mr. Torreano asked how the energy from the Cañada College solar project is used. Ms. Powell answered that it goes back into the grid. The District has emergency generators to use in case of a black out.

There was discussion about possibly adding 10 more electric vehicle charging stations at the campuses and the possibility of charging for use. The average cost to the District is 0.14 cents an hour. The grant used for these stations required that we not charge for the first year. We are just closing out the first year, so conversations about charging for use in the future are in process.

Review of 2013-14 Audit

Chief Financial Officer Raymond Chow gave a summary of the audit for FY13/14. The bond audit has two parts: Financial Audit and a Performance Audit to assure that the District is following the requirements of the law.

Mr. Chow went through the highlights of the Financial Audit first. On page 2, the Auditor's Opinion states that SMCCCD's Measure A financial statements are presented fairly and in accordance with accounting principles. Page 3 is the Balance Sheet, showing assets and liabilities. As of June 30, 2014 there is a fund balance of \$33,490,566. Page 4 shows the expenditures and fund balance. Page 10 explains how the Auditor completed the audit. On Page 11, in the second paragraph, the most important statement is "the financial statements are free of material misstatement." On page 13 & 14 there are no findings.

Next Mr. Chow went through the highlights of the Performance Audit. In the Performance Audit, the auditor's job is to make sure that the District is spending bond funds only on items that are included in the Bond Projects list. The auditor reviewed 27% of total expenses. Mr. Chow pointed out the last sentence on Page 1 which states that "the District expended Measure A General Obligation Bond funds only for the specific projects approved by the voters". .

There was a question about using bond funds to pay salaries for employees working on bond projects. Mr. Chow stated that the District has hired its own staff to work on projects and complete tasks that contractors would normally do. Mr. Nunez said that the State Attorney General ruled on this matter a few years ago finding that this is an appropriate use of bond funds.

Review/Approve 2014 Report to the Community

Ms. Christensen presented a draft Annual Report to the Community, which is required by the law. The document summarizes projects undertaken at Cañada College, College of San Mateo, Skyline College and Districtwide in 2014.

Mr. Petropoulos noted on “2014 in Review” in paragraph 1 that it should be added that the Board of Trustees approved the 2015 Facilities Master Plan Amendment in January 2015, but had been discussing and reviewing the document for a while before that. Ms. Christensen said she will make the change and distribute on Monday.

	Dworetzky	Lagandoan	Petropoulos	Ryan	Talansky	Torreano	Zanini	Zhenz
Motion	x							
Second			x					

Ayes	7
Noes	0
Abstain	0

Motion Passed

Ms. Christensen said that the report will be posted on the BOC webpage.

Update on 2015 Amendment of the Facilities Master Plan and CIP3 Projects, Rollout and Timing

Vice Chancellor Nuñez gave the Committee a preview of his briefing for the Districtwide Measure H Launch Celebration on March 25, 2015. This presentation was also given at a Skyline College CIP3 Open Forum on February 27, 2015 and at the Cañada College Planning & Budget Council on March 4, 2015.

Ms. Christensen noted that this presentation will outline the work of the Bond Oversight Committee over the next several years and, due to the increase in work, she suggested the Committee start meeting every three months again.

Mr. Nuñez’s briefing started with CIP3 planning efforts currently underway including scheduling cost estimating, California Environmental Quality Act, construction management, project controls, design standards, swing space planning, architect & engineer planning and general contractor prequalification. Mr. Nuñez also explained the various contract templates the District uses including Architect and Engineer (A&E) short form Professional Services Agreement (PSA), A&E long form PSA for Design Build, A&E Agreement for Lease Lease-Back (LLB), Pre-Construction Services Agreement, and Construction Contracts.

Mr. Nuñez gave a list of 26 major projects Districtwide and showed maps of the Facilities Master Plan which showed the location of each project. Mr. Nuñez said that the Facilities Master Plan Amendment has multiple funding sources and not all projects in the Facilities Master Plan are funded by the bond.

A question was asked by the member of the community on the phone about the CSM Building 5 Health and Wellness Center expansion. She had concerns about money being spent on a recently modernized building and asked whether the San Mateo Athletic Club will be “reimbursing” the District for the cost. Ms. Christensen said that the Facilities Master Plan contains “everything we are dreaming about” and a final decision has not yet been made about the project. Mr. Nuñez agreed and said that the San Mateo Athletic Club is not a private enterprise. It is a facility that is used both for college athletic programs and classes and the San Mateo Athletic Club.

Mr. Nuñez gave a list of the “first wave of projects” which include Cañada Building 1 Demo & New Kinesiology, Cañada New Math & Science, College of San Mateo Building 3 Theater Modernization, College of San Mateo 12 / 19 Demo & New Construction, College of San Mateo 17 Student Life / Faculty Offices, Skyline Building 1 Social Science / Creative Arts, Skyline New Environmental, and Skyline New Energy Management.

Mr. Petropoulos asked a question regarding the District’s design standards. Ms. Powell answered that the District is updating the design standards right now which includes roofing, mechanical, finishes, building systems, etc. The District works very hard to find a balance between respecting the existing architecture on campus, but not necessarily mimicking it. Design elements echo what we already have in place, respecting the vernacular so that we don’t have a “sore thumb in the middle of campus”.

Mr. Nuñez said that the new Director of Capital Projects, Chris Strugar-Fritsch, will be starting on March 30th.

Update on Legal Cases: B20 and Trees Litigation

Ms. Christensen said two CEQA lawsuits were filed against the District. The first was in regard to Building 20 (the old Horticulture building) and the surrounding area at College of San Mateo. The District lost the case at the superior court and appellate court levels. However, several appellate courts have ruled differently on the specific matter that is the subject of this lawsuit and, therefore, the District appealed the ruling to the California Supreme Court. The Supreme Court has agreed to hear the case and will probably do so in the spring.

Ms. Christensen referenced a case regarding a single family home in Berkeley that was decided by the State Supreme Court yesterday that bolsters our position. The residents in the area objected to the project. The residents that sued in that case used the same attorney that is suing us. They lost at the Superior Court and Appellate Court levels. The Supreme Court backed the City of Berkeley. The bottom line is that when a lead agency (such as SMCCCD or the City) makes a determination with evidence that there are no environmental impacts they have to be given deference. That is one of the issues in our case.

Ms. Christensen said the District lost the second case, regarding tree removal, at the superior court level but won at the appellate level. It has not been appealed to the Supreme Court. The plaintiff attorney tried to depublish the decision, but that request was denied. The District submitted a request for reimbursement of court fees, but the Plaintiff is refusing to pay.

Committee Members’ Comments/Requests for Future Agenda Items

None

Schedule of Future Meetings: June 4, September 3, 2015, December 3, 2015 and March 3, 2016 (first Thursday every three months)

Ms. Christensen will send the schedule out to all Committee Members.

Motion to Adjourn

	Dworetzky	Lagandoan	Petropoulos	Ryan	Talansky	Torreano	Zanini	Zhenz
Motion						x		
Second	x							

Ayes	7
Noes	0
Abstain	0

Motion Passed

Meeting adjourned at 4:51 p.m.