



**SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
Bond Oversight Committee
February 24, 2020 Meeting Minutes
Cañada College, Science and Technology Building 23, Room 103**

Members Present: James Ruigomez, Chair; Rosanne Foust, Vice Chair; Anne Campbell, Bill Collins, Ariana Davarpanah, Michael Duncheon, Roczana Enriquez, Shelley Kessler, Bill Rundberg, Maxine Turner

District Staff Present: Michael Claire, Interim Chancellor; Mitchell Bailey, Vice Chancellor/Chief of Staff; José D. Nuñez, Vice Chancellor, Facilities Planning, Maintenance & Operations; Bernata Slater, Chief Financial Officer; Peter Fitzsimmons, District Budget Officer; Chris Strugar-Fritsch, Director of Capital Projects; Carina Warne, Executive Assistant; Tanya Aloise, Administrative Assistant

Other Attendees Present: Ann Kennedy, A Kennedy Group; Jeff Scogin, A Kennedy Group

Call to Order

Vice Chair Foust called the meeting to order at 3:00 pm. Shortly thereafter, Chair Ruigomez arrived and proceeded to conduct the meeting.

Public Comments on Items NOT on the Agenda

Ms. Marie Baldisseri from the League of Women Voters of Northern & Central San Mateo County spoke and distributed a handout regarding operational guidelines for Bond Oversight Committees developed by the California League of Bond Oversight Committees (CalBoc).

Update on Capital Improvement Program (CIP3), Schedule of Project Rollout and Timing

Mr. Nuñez gave a presentation on the Measure H Capital Improvement Program (CIP3), the schedule of project rollout and timing. Committee members asked questions regarding the water tank project and how the funding process works when the State Chancellor's Office is involved. Mr. Nuñez responded to the questions and described the State process and requirements for State funding projects. Mr. Nuñez also explained how that differed from Measure H funded projects. The presentation will be posted on the Bond Oversight Committee website following the meeting.

Review of Summary of Key Financial Information

Ms. Slater provided a summary of key financial information for Measure H, including bond expenditures and interest. Measure H was approved for \$388M. The first issuance was in May 2015 in the amount of \$127M, the second and final issuance was in November 2018 for \$261M. Expenditures to date are \$200M (52%), commitments to date are \$68M (18%) and the balance available to date is \$120M (31%). As of December 31, 2019, interest earned for Measure H is \$8.4M with expenditures of \$7.2M, leaving a balance available of \$1.2M. Ms. Slater also summarized the financial information for each college. The full presentation and financial reports were included with the distributed meeting materials.

Ms. Foust asked if interest is allocated to projects that are overspent. Mr. Nuñez and Ms. Slater responded that interest earnings are going to Canada Bldg. #1. The District chose to do this for tracking purposes. Ms. Slater noted that the timing of the reports can show projects as being overspent as budgets are realigned. The follow up question was posed as to where funds come from to make the adjustments to cover an overage when it occurs. Ms. Slater responded that adjustments are made from other projects. Mr. Nuñez stated that project savings are used to cover such needs.

A discussion followed regarding the low interest rate the bond proceeds earn. Ms. Slater explained the legal requirement for the funds to be held in the county pool and therefore the District can earn only what the county pool earns.

Financial and Performance Audit Reports

Ms. Slater presented the outcome of the bond program financial and performance audits. The Measure H annual audit reports for FY18-19 returned an unmodified opinion, the highest possible. The Financial Audit was a clean audit and had no findings. The Performance Audit noted that the District expended Measure H funds only for the specific projects developed by the Governing Board and approved by the voters.

Ms. Kessler asked to confirm that any of the deficiencies in revenue that were referred to earlier were the result of the timing issues described earlier. Ms. Slater confirmed.

Ms. Kessler then asked for clarification regarding notes #2 and #5 on page 15 of the committee packet. Note #2: What constitutes “support services”? Mr. Nuñez described that “support services” includes salaries related to the bond, construction management, etc. It is the management piece of the bond. Note #5: Why don’t the Project CSM B17 numbers match Banner? Mr. Scogin explained that it was his understanding that due to the Lease/Leaseback that occurred with this project, a liability had to be booked. A liability is not truly an expense (it can be removed, so it is not yet an expense). It is not reflected in the BOC reports but is shown as an expense in Banner.

Ms. Kessler requested that the notes be more clearly articulated in the future. Ms. Slater stated that the District would be more mindful in the future with their notes.

Ms. Kessler asked another question regarding what appeared to be cost overruns. Ms. Slater responded that it is just a timing issue.

Ms. Terner questioned how the committee would know what the CSM projects are under the “remaining construction commitment” column on page 28 of the packet. Ms. Slater responded that we would have to go back to the auditors for their working documentation for this number. Mr. Claire confirmed that the question is really about how the Committee would know what the burn rate of the funds are and will there be enough money. It was confirmed that was the direction of the question. Ms. Slater further clarified that this number includes encumbrances (commitments) which are a moment of time and are in constant fluctuation. A discussion then continued regarding the timing of the audit as a snapshot in time and the funds are reported accumulatively. It was agreed that the question really is about how to understand where the District is in relation to the completion of the overall project.

Ms. Terner asked about the role of the BOC. She stated that it is to be a watchdog for the voters and the taxpayers to ensure that every project conforms to the ballot language. Every project should reference the project list. She also asked if the references could be added to the presentation. In this way we could be assured, ask questions, understand the connection. She stated it is the only way we can be sure we are doing our job.

Mr. Nuñez stated that project list references are already included in the financial reports. Ms. Terner stated that the way it was represented was too much back and forth work and would take too much time for the volunteer members to get through the information. She asked if references could be added to future project presentations. Mr. Nuñez said that could be done.

Ms. Terner then asked why staff salaries are paid for by the bond; we thought the bond couldn’t pay for salaries. Mr. Nuñez explained that it was because they worked on bond projects. Ms. Kennedy

explained that when Prop 39 passed it clearly stated that there were to be no administrative salaries paid from the bond. As time went on the interpretation of that came into question. Did that mean teachers wages or staff working on the bond? This became a point of debate and confusion. In 2004, the Attorney General released a legal opinion to clarify this matter. Ms. Kennedy stated that the legal opinion could be provided to the Committee. In that legal opinion, the Attorney General established what is known as the “but for” clause. The Attorney General, recognizing the efficiency in having District staff assigned to the bond projects, stated that if the staff would not need to be doing the work “but for” the bond projects, then the bond could pay for that portion of the wages that were the result of the bond work. Examples of how the District applied the “but for” test were illustrated and discussed. Ms. Terner requested a copy of the Attorney General Opinion. Ms. Kennedy stated that it would be distributed after the meeting and would also be included in the next meeting packet. Ms. Kennedy also stated that the auditors review this as part of their annual review. Ms. Slater further described the time study the auditors review.

Ms. Kennedy noted that if the committee would like additional information, the decision needs to be made as a committee and then requested by the Chair.

Mr. Duncheon reiterated the importance of this information and this discussion for the Committee.

Committee Chair, Mr. Ruigomez requested the following be provided at the next BOC meeting:

- 2004 Attorney General Opinion
- Project List

Ms. Davarpanah asked how long the District has been with its current auditors? Ms. Slater responded that the District has been with Crowe LLP for four years. Ms. Slater and Ms. Kennedy then explained the process the District goes through in selecting an auditor which is generally repeated every five years.

Ms. Terner stated that she had read somewhere or heard somewhere that Bond Oversight Committee members could request information be included in the Performance Audit report. Ms. Kennedy stated that there was a time that there was not clear definition on what was in a Performance audit but that is no longer the case. Performance audits are now directed and defined.

Mr. Ruigomez asked the Committee members to be more specific in the future about how they ask their questions of the paid professionals so that the answer could be more specific. Non-specific questions result in non-specific answers.

Review of Proposed New Financial Reports & Data to be Included

Ms. Kennedy stated that this next item of the meeting is largely a continuation of the previous topic. We wanted to hear from the Committee, as a whole, what they would like to see in their suite of reports. Are they comfortable with what they receive now? If not, what would you like to see more of or less of? Ms. Kennedy then directed the conversation back to the Chair to lead the discussion.

Ms. Enriquez stated that as a new member to the Committee and new to the reports, she is happy with what she has received as long as she can ask questions as they come up.

Mr. Duncheon stated the same and reiterated the importance of receiving the Attorney General’s Opinion as discussed earlier.

Ms. Campbell would like to receive the reports in advance in hard copy. Clarification was asked for how long in advance. The response was a week in advance. The Chair asked if that could be done.

Ms. Kennedy stated they would do their best to get it out a week in advance but do to the timing of when the District closed their books and when the meeting was held, it may not always be possible.

Ms. Campbell also requested a Glossary of Terms.

Mr. Duncheon would also like to have a paper copy but a couple of days in advance is fine for him.

Ms. Davarpanah is good with how the reports are, but she had a question. She asked how the projects are determined (i.e. telephone system). Mr. Nuñez stated that the telephone system is fifteen years old and needs replacement. Mr. Claire explained that the District has internal committees that assess the needs of the District, which leads to projects. Ms. Kennedy added that telephones are now a key part of safety and security and are used for emergency announcements. The question of being able to get a signal was raised. Mr. Nuñez stated that the new phones will be hardlines, not based on cellular connectivity. Discussion occurred regarding "blue phones". Mr. Nuñez explained the history. Mr. Duncheon reminded the Committee that the phones were an operational activity and the Committee should stay with their purpose. Mr. Ruigomez redirected the meeting back to topic.

Ms. Enriquez asked a clarification question on Page 13, line 2 of the financial reports. Can you please clarify what the DW Project Requirements/Compliance, a \$20M budget requirement project is? Is this for only District-wide projects or for all projects we discussed at our earlier meeting. The District will have a response at the next meeting.

Ms. Kennedy asked Mr. Scogin to pull up a sample of a report that may solve the problem of the cross referencing to the ballot language discussed earlier. Mr. Scogin reviewed sample project list report that would answer their ballot language questions. The report would be a part of the meeting materials for every meeting. The list gets updated whenever new projects are added, or scopes are added or updated. The new report would have the same data as the Committee is accustomed to seeing but in a new format.

Ms. Terner asked about a report that would show the original budget versus current budget. Ms. Slater described the challenges with defining the original budget back in time. Ms. Kennedy stated that it could be achieved going forward in time. Ms. Terner stated that this would be very helpful.

Mr. Ruigomez stated that the new reports made a lot of sense and would help the Committee review the data more easily.

Mr. Duncheon also said that information that is not needed can be left off too.

Ms. Kennedy summarized that at the next meeting we would have the new report with the data delineated out like the example on page 7 of the reviewed sample report. We are going to have the same data the Committee is accustomed to seeing, but it may look a little different. We will then have the other items requested earlier in the meeting. The project list has been taken care of with the new report. We will be sending out hard copies to everyone except Mr. Ruigomez and Ms. Davarpanah.

Approval of Minutes

A motion was made by Ms. Kessler and seconded by Ms. Campbell to approve the minutes. The minutes were unanimously approved as presented.

Ms. Turner noted that she still did not understand the answer to her question regarding the “Payoff of Facilities Lease Obligations” on page 41 of the meeting packet. The Chair asked that this be added to a Future Agenda Items.

Next Agenda Topics

Presentation on Housing Project: Clarification of the process associated with the payoff of Facilities Lease Obligations and the rental income.

Adjournment

The meeting adjourned at 4:55 PM.

Tour to follow for those who wish to participate.