



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

Monday, August 29, 2016
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College
980 Fremont Street, Monterey, California

Meeting Minutes

MEMBERS PRESENT: Mr. Wayne Cruzan, Vice Chair
Mr. Thomas Gaspich
Mr. Hunter Harvath
Mr. Rick Heuer
Mr. Birt Johnson, Jr.
Mr. Stephen Lambert
Ms. Sharon Larson
Mr. Rob Lee
Mr. James Panetta, Chair

ABSENT: None

STAFF PRESENT: Ms. Rosemary Barrios, Controller
Dr. Steve Crow, Vice President for Administrative Services
Ms. Vicki Nakamura, Assistant to the President
Dr. Walter Tribley, Superintendent/President

OTHERS PRESENT: Mr. Mike Carson, Kitchell
Mr. David Casnocha, Stradling Yocca Carlson & Rauth

1. Call to Order

The regular meeting of the Citizens' Bond Oversight Committee of Monterey Peninsula College was called to order at 3:00 PM by Chair Panetta.

2. Public Comment

Horticulture instructor, Margot Grych, commented the campus has heritage trees, many of which are in decline. She stated the need for special measures to take care of these trees and to set aside funds for campus grounds maintenance.

3. Approval of June 13, 2016 Minutes

Motion made by Mr. Johnson, seconded by Mr. Harvath, to approve the minutes of the June 13, 2016 meeting. Motion carried unanimously, with one abstention.

AYES:	8 MEMBERS:	Gaspich, Heuer, Harvath, Johnson, Lambert, Larson, Lee, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	0 MEMBERS:	None
ABSTAIN:	1 MEMBER:	Cruzan

4. Bond Refinancing Follow-Up

There were two issues requiring follow-up from the 2016 bond refinancing item at the June 13 meeting. One was a question regarding the outstanding principal on the bonds. Included in the agenda packet was a spreadsheet prepared by the District's bond underwriter, Ivory Li, Piper Jaffray. Ms. Nakamura reviewed the spreadsheet which showed the total amount currently outstanding as \$137,583,522. Three series of bonds have been issued, Series A in June 2003 and Series B and C in January 2008, for a total of \$145 million. There have been 3 bond refinancings, in December 2005, June 2013, and June 2016, resulting in \$30 million of tax savings and a debt term that has remained the same, extending until 2034.

The other issue pertained to the allocation of 2005 refunding bond proceeds to projects. District bond counsel, David Casnocha, addressed the 2005 refunding bond. He reviewed the background, noting the bond election was in November 2002, and the Series A bonds were issued in June 2003. In 2005, the Board of Trustees approved refinancing the Series A bonds, and the District issued cash-out refunding bonds in December 2005. The refinancing reduced the debt term from 2027 to 2020 and generated cash exceeding the amount needed to eliminate the debt service. Mr. Casnocha noted bond refinancings were extremely popular in 2005-06 as the assessed value of property was growing rapidly and the opinion of bond counsels was that the excess funds could be shared between districts and the taxpayers.

Mr. Casnocha discussed taxpayer group efforts to petition the state legislature and the state attorney general (OAG) to curtail cash-out refunding bonds. The legislature did not want to pursue; however, the OAG agreed to review the legality. In 2009, the OAG issued its opinion that cash-out refunding bonds violated the state constitution because the District would receive more funds than the voters approved. However, the OAG opinion also recognized that already issued cash-out refunding bonds were legal and valid. Mr. Casnocha discussed the Code of Civil procedure law that provides a 60-day limit for challenging the validity of bonds. He concluded his presentation, stating the economic consequences of the 2005 refunding bond were \$4.2 million generated for District projects, the taxpayers had decent savings, and 7 years of debt was eliminated.

Mr. Heuer stated he was a member of the committee in 2005 and the taxpayers raised objections to these funds being applied to projects. He said his approach was to wait until the end of the bond to see if these funds were expended. Mr. Heuer asked what was the maximum amount approved by the voters in 2002. He stated this amount could not be exceeded, voicing his disagreement with the OAG opinion. Mr. Heuer said the issue was not one of legality, but what the District promised the voters.

Mr. Casnocha provided further detail regarding the policy restrictions applied to the 2005 refunding bonds. The \$4.2 million generated were not bond proceeds, but rather the premium paid by investors who purchased the bonds. He stated this premium was not restricted in the same way. When bonds are sold at a premium, there is the question of how to use the excess cash. Mr. Casnocha stated the funds could be spent for any purpose; however, in the case of the District's refunding bonds, the cash was applied to the same voter approved projects included in Measure I.

Mr. Heuer stated he appreciated the District's approach, but the principle of the issue remains for him. Mr. Casnocha commented the community colleges and school districts have the problem of having more facilities projects than dollars available to fund. Cash-out refunding bonds were a way to solve this problem, while reducing the tax burden, shortening the maturity of the bonds, and allowing schools to share in the benefit to complete more projects.

Ms. Larson asked if the taxpayers will continue to pay \$23.89 per \$100,000 assessed valuation until 2034. Mr. Casnocha responded yes and explained the level tax rate.

Chair Panetta asked about next steps forward. Dr. Tribley stated expenditure of the \$4.2 million was a District decision. Mr. Casnocha stated the Board of Trustees was informed of the OAG opinion and apprised of the issues.

5. Accept Bills and Warrants Report

Chair Panetta advised the report would be reviewed by page and invited questions. There were no questions on any of the pages.

It was moved by Mr. Heuer and seconded by Mr. Lee to accept the June 30, 2016 bills and warrants report. Motion carried unanimously.

YES:	9 MEMBERS:	Cruzan, Gaspich, Heuer, Harvath, Johnson, Lambert, Larson, Lee, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	0 MEMBERS:	None
ABSTAIN:	0 MEMBERS:	None

6. Bond Expenditure Status Report

Chair Panetta asked for questions or comments on the report. Mr. Johnson noted there have been no additional expenditures under the furniture/equipment category since March. He asked if charges were anticipated in the future. Mr. Carson replies there may be potential expenditures associated with other planned bond projects, such as the Music and Public Safety Training facilities. Mr. Johnson stated there have been no new expenditures on these projects since 2013. Mr. Carson explained the District is waiting for state matching funds to complete these projects.

7. Monterey County Treasurer's Investment Report

Dr. Crow reported interest rates remain low as the investments are low risk. Referring to the County Treasurer's investment policy, Mr. Lee asked if a compliance audit has been conducted and shared with the District. Dr. Crow said he would follow up and report back to the committee.

8. Membership Update

Dr. Tribley indicated four members, Mr. Gaspich, Mr. Harvath, Ms. Larson, and Mr. Lee, will be completing their first term in November. He requested they consider serving a second term on the committee. Staff will contact the members regarding this request.

9. Facilities Needs and New Bond Measure

Dr. Tribley stated his interest in beginning a conversation regarding a new bond measure. He observed there are many facilities needs on campus and the District has not had a Director of Facilities for several years. He added that Dr. Crow has finished his first year at MPC and they have recently discussed the opportunity of placing a new bond measure on the November 2016 ballot. After consideration of the efforts needed to align the campus, the MPC Foundation, and the Governing Board in support of this initiative, they have decided to defer this opportunity into the future.

Regarding District facility needs, Dr. Crow noted there has been a lack of planning at the District going forward. He has contracted with a consultant, Umstot, to do facilities planning. According to the facilities condition assessment in the Chancellor's Office FUSION program, the District has needs for over \$100 million of repairs, and a facilities replacement value of over \$400 million. A preliminary report has been given to the Board of Trustees.

Mr. Heuer commented 2016 is probably not a good time for a bond measure. He noted there are already 7 bond issues, 3 business license taxes, and 2 sales tax initiatives on the ballot. Mr. Johnson welcomed hearing the information about college facility needs and a future bond measure.

10. Meeting Schedule

Chair Panetta noted the next meeting on November 7 will be the annual organizational meeting with a new chair named.

11. Suggestions for Future Agenda Topics and Announcements

Despite his comments on the 2005 bond refinancing, Mr. Heuer offered his compliments to MPC regarding the bond management information shared and the cost effectiveness of the bond program. He stated the MPC bond reports are used as an example to other bond oversight committees.

12. Adjournment

Motion made by Mr. Johnson and seconded by Mr. Heuer to adjourn the meeting at 4:10 PM.
Motion carried unanimously.

AYES:	9 MEMBERS:	Cruzan, Gaspich, Heuer, Harvath, Johnson, Lambert, Larson, Lee, Panetta
NOES:	0 MEMBERS:	None
ABSENT:	0 MEMBERS:	None
ABSTAIN:	0 MEMBERS:	None

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