

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

CITIZEN'S BOND OVERSIGHT COMMITTEE

June 9, 2008

1:30 PM – Committee Tour of College Facilities Projects
3:00 PM – Regular Meeting, MT1, MPC Education Center at Marina
289 12th Street, Marina, CA

Meeting Minutes

MEMBERS PRESENT: Mr. Peter Baird
Mr. Scott Coté
Mr. Steve Emerson
Ms. Daphne Hodgson
Ms. Mary Ann Kane
Ms. Elinor Laiolo
Ms. Eleanor Morrice
Mr. Ron Pasquinelli
Mr. Gary Ray
Ms. Sondra Rees

ABSENT: None

STAFF PRESENT: Ms. Suzanne Ammons, Administrative Assistant to the Vice
President for Administrative Services
Mr. Joe Bissell, Vice President for Administrative Services
Dr. Douglas Garrison, Superintendent/President
Mr. Steve Morgan, Director, Facilities
Ms. Vicki Nakamura, Assistant to the President

OTHERS PRESENT: Mr. Joe Demko, Kitchell

The Committee convened at 1:30 PM for a tour of college bond projects.

1. Call to Order

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

2. Public Comment

There were none.

3. Approval of Minutes

Mr. Bissell reported back on a question from the March meeting regarding why the auditor did not give an opinion on the financial statements of the bond. The auditor explained the firm was only hired to do a performance audit on the effectiveness of the District's bond expenditure procedures rather than a financial audit that would have resulted in an opinion. Thus, there will be no opinion given this year; however, Mr. Bissell said that next year's audit will be structured to provide one.

Motion to approve the minutes of the March 3, 2008 meeting was made by Mr. Emerson and seconded by Mr. Ray. Motion carried unanimously.

4. Accept Bills and Warrants Report

Mr. Bissell stated this quarter's report represents \$4.6 million in checks that were issued for bond expenditures. Chair Baird asked about an expenditure under Swing Space on page 9 of the report regarding removal and installation of carpet at the Fort Ord Center. Mr. Demko confirmed that the work involved both removal and installation. Ms. Hodgson asked if an expenditure for the weight room listed under Swing Space should be moved to the Physical Education project. Mr. Bissell explained the weight room had been converted from a building used for swing space.

Motion to accept the bills and warrants report was made by Ms. Kane and seconded by Ms. Laiolo. Motion carried unanimously.

5. Bond Expenditure Status Report

Mr. Bissell explained the monthly Bond Expenditure Status Report is prepared by Joe Demko, the bond program manager. Mr. Demko noted the columns labeled "% Cost Complete" and "% Schedule Complete" are provided to give information on the status of a project.

Chair Baird asked for clarification of a few items. He noted the Old Library is project #29 on the report, but the Old Library also shows as a closed project in the Bills and Warrants report. He asked if the items under project #29 in Mr. Demko's report are reflected in the Bills and Warrants report. Mr. Bissell explained that the former library building was originally planned to become the student services building and an architectural assessment was made. It was determined there was not enough space to house all of student services, so the assessment of the building was one of the Early Start projects completed at the beginning of the bond program. Dr. Garrison added the project name for the Old Library needs to be updated to reflect the current project concept.

Ms. Hodgson suggested it would be helpful to have consistency in the names of projects. Mr. Demko noted the projects are numbered in the Bond Expenditure Status report and these numbers could also be added to the Bills and Warrants report to provide correlation. Ms. Hodgson stated her preference for a visual association with a title. Chair Baird indicated his support for a numbering system to aid in identifying the projects in the Bills and Warrants report.

Chair Baird also inquired about a credit for a duplicate payment in the Bills and Warrants report. He asked if that credit would also show in the Bond Expenditure Status report. Mr. Bissell answered it may not as the two reports are separate; however, Mr. Demko does reconcile his report with the Bills and Warrants report. Mr. Bissell added the two reports are duplicative, but they provide different information. Chair Baird noted the Bond Expenditure Status report begins with February, and the Bills and Warrants report reflects the quarter beginning in January, so the reports do not correlate.

Referring to the Cost Control report, Ms. Morrice observed there was a projected surplus showing for the Lecture Forum and Social Science Building projects. Ms. Rees noted the same report shows the Physical Education project as over budget by \$1,194,691 and asked about the source of funding for the overage. Mr. Bissell replied contingency funds were used for the overruns. He said the Facilities Committee continually reassesses the scope of work for the projects. Mr. Coté stated a concern that 30% of the contingency has been expended. He said it would be helpful to see a running total of the contingency funds.

Dr. Garrison explained the majority of cost overruns on the Physical Education project resulted from infrastructure-related soil and grading issues. The cost overrun with Building 24 was due to the Division of State Architect requesting further changes after the plans had been approved. Dr. Garrison added that the District must continually revise its long-term construction plan due to the state capital outlay funding process. The state higher education bond measure proposed for November 2008 includes \$20 million for two District projects. The bond may not be placed on the ballot because of political reasons so the next election opportunity will be in 2010. The two District projects will then be delayed. As a result, there must be a constant review of projects.

6. Investment of Series B and C Bonds

Mr. Bissell reviewed the presentation materials provided by the County Treasurer, Lou Solton. He reported he met with Mr. Solton regarding the District's large bond issuance and the best investment strategy to achieve three goals:

1. No loss of principal
2. The funds must be liquid to enable use for projects.
3. Increase interest earnings

Mr. Bissell reviewed the recent Series B and C bonds issuance. Series B resulted in \$9 million of taxable bonds being issued, with no time limit for expenditure. Series C provided \$97 million of tax exempt bond funds that are anticipated to be 85% expended within 5 years. He noted, however, the expenditure of these funds will depend on other factors, such as the timing of state bond measures to provide state funding for the District's projects. If the funds are not expended within five years, there will be no penalty; however, there may be a tax assessment on the interest earned.

Mr. Bissell explained that \$40 million of the bond funds was invested in the Local Agency Investment Fund (LAIF), a pool of funds from schools and other public entities. In Mr. Solton's report, LAIF was earning 4.26% interest, but currently, the rate is 3.1%. Mr. Bissell said these funds are readily available for the District's use.

He continued that \$9 million is invested in medium-term notes and \$58 million are invested in the County pool. Mr. Pasquinelli asked for an explanation of the 11 basis points for the medium term notes. Mr. Emerson stated a concern with some of the financial institution funds in the County investment portfolio and asked if there were any limitations on the County's investment choices. Mr. Bissell suggested inviting Mr. Solton to a future meeting to provide further information.

Mr. Ray stated there are statutory provisions that determine the limits on the County's investments. Mr. Emerson noted a paper loss of \$6 million on the pool and asked at what point does the District act to move funds from the pool to certificates of deposit. Ms. Hodgson commented that the share of these investments in the County pool is a very small percentage. The County's investment policy allows 5% of the pool to be in investment grade funds so the County probably is in compliance. She added that \$40 million is the maximum amount that can be invested in LAIF. Mr. Bissell noted the County has \$40 million in LAIF and the college has an additional \$40 million in LAIF. He added that Monterey County is very conservative in its investments.

Mr. Emerson said the trend was of concern. He indicated his interest in having Mr. Solton attend a meeting to provide further information on the investment portfolio and policy. Mr. Coté asked if the investment of bond funds was within the Committee's purview. Dr. Garrison responded the authority to make changes is with the Board of Trustees. However, the Committee can make a recommendation to the Board. Mr. Pasquinelli requested that Mr. Solton be invited to attend the next meeting.

7. Planning Discussion for 2007-08 Annual Report

Dr. Garrison noted a concern was shared at the last meeting that the Committee's annual report only addressed the previous 12 months rather than being a comprehensive review of the entire bond program. He reviewed the format of the 2006-07 Annual Report and the various sections included in the report. Ms. Nakamura was asked to provide a historical overview of how the annual report evolved. She recounted that samples of annual reports from other community college bond oversight committees were reviewed and this particular format was favored by the Committee for its first annual report. The simplicity and clarity of the format was deemed sufficient to describe the Committee's proceedings and the same format continued to be used for subsequent reports.

Referencing the Bylaws, Dr. Garrison said the annual report must include a statement of the District's compliance and a summary of the Committee's proceedings. He concluded that the previous annual reports fulfilled those requirements. He proposed considering examples from other colleges and asked the Committee for their input regarding additional information to include.

Ms. Hodgson agreed the current report meets the requirements; however, she noted there was no information on the Library and Technology Center, the Physical Education project, and the amount of state matching funds. She recommended the financial section of the report include the original budget, the expenditures to date, the bond expenditures to date, the state bond expenditures to date, total expenditures to date, and the annual expenditures. By providing this information, she said it would be apparent to the public that only a certain amount of taxpayer's monies were used for the projects. Ms. Hodgson cited the new Library as the top headliner project of the bond and it was not included in the annual report.

Dr. Garrison agreed the split between bond and state funds would be informative. He mentioned the Library and Technology Center was not a bond-funded project. Dr. Garrison stated the funding of projects was complex as the District was doing everything possible to find additional sources of funds. Mr. Bissell agreed that a spreadsheet listing all of the funding sources could be very complex.

Mr. Coté concurred with Ms. Hodgson that capitalization information was needed and the public needs to be informed that the bond funds are being matched. He suggested grouping the additional sources under the heading "other sources." Ms. Hodgson agreed that "other sources" would be adequate and recommended adding an explanatory narrative. She also advised changing the titles of projects to be clearer and more visual for the public, citing "as built drawings" as an example of a name with no meaning.

Chair Baird expressed appreciation for Ms. Hodgson's perspective regarding informing the public from her experience working with the City of Seaside. In addition to the compliance side, he said there was a need for informal communication with the public. Chair Baird said the College should be sharing "feel good" stories with the community. He advised that ongoing communication would be beneficial in developing the support needed if the College placed another bond measure before the voters. Mr. Coté agreed that cultivating the public's support now would make it easier to pass another bond later. Mr. Emerson stated informing the public was a big priority and suggested the website could be used for outreach to the public.

Dr. Garrison summarized the input received. The annual report should be changed to clarify the sources of funds, use more consistent descriptive language for project titles, and

include a document that captures what has been accomplished in the College's capital improvement plan.

Ms. Hodgson said the annual report is required, but a glossy publication was also needed. Ms. Rees asked about the joint glossy report the College was developing with the MPC Foundation. Dr. Garrison said that report has not yet come to fruition.

Mr. Bissell noted accounting rules have changed and projects will need to be capitalized, so there would be no extra work involved in providing the capitalization information in the annual report. He proposed keeping the annual report format as is and providing an appendix with further detail regarding other funding sources.

Ms. Hodgson stated the inclusion of the capitalization page in the report makes the bond expenditure page relevant. The consensus of the Committee was to add a page before or after the bond expenditure page showing the capitalization. The page should only include the major projects.

Ms. Morrice commented the current spreadsheet was too simple and she was unable to understand the categories. She advised adding footnotes or including more information.

Dr. Garrison recapped the Committee's discussion. The financial section of the annual report should consist of three parts:

- i) Narrative, organized by project, with a couple of sentences describing the project and including timeline, planned completion date, and total project cost. Also, for each project, the funding sources should be listed.
- ii) Funding source report laying out expenditures for the entire capitalization program of the college and all funding sources. Include other projects (beginning with the Library & Technology Center), not just the bond projects. List as "other."
- iii) Required annual expenditure page with bond, state, and other funding listed.

Dr. Garrison noted the annual report was due to the Committee in November. A progress report will be brought to the August meeting.

There was discussion about whether to use rounded or actual numbers in the financial section. Ms. Hodgson recommended using rounded numbers in the narrative and rounding to \$10,000, without reconciling. Only the annual expenditure portion of the report needs to reconcile. Others favored using the actual numbers and saving staff time.

Ms. Rees asked how this section could be used beyond the annual report. She proposed distributing to the public as a glossy publication and public relations piece. Dr. Garrison said the document can be placed on the website and be a glossy publication; however, the glossy publication will cost money. Ms. Kane suggested adding a page to the College catalog for cost effectiveness. Dr. Garrison stated it was an interesting idea to utilize other college publications to share this information.

Chair Baird asked that a draft of the expanded financial section be shared at the August meeting. Mr. Ray commented that the Board of Trustees will ultimately determine how the annual report is used.

8. Update on Facilities Projects, Timelines and Schedules

Mr. Demko, the college's bond program manager, reviewed the status of current facility projects.

PE Fitness Building

The elevator plans are being reviewed by the Division of the State Architect (DSA).

Public Safety Training Center at Seaside

Mr. Demko said bids are due on June 12. Construction is anticipated to take one year to complete.

MPC Education Center at Marina

Mr. Demko reported the architect is working on the drawings for the permanent building. Meetings have occurred with the City of Marina regarding design topics. The project is expected to be bid in fall 2008.

Infrastructure

The infrastructure project is almost finished. Old transformers are being removed. Improvements to upper parking lot A will be completed by Granite during the summer.

New Lecture Forum Bridge

The bridge will be completed shortly. The old bridge will be demolished as soon as communication lines to the campus are connected.

Old Library

This project is four weeks behind schedule due to additional structural work. When the structural and soil issues are addressed, it is hoped that some time can be made up.

Facilities Master/Funding Plan Reworking Committee

The Facilities Redo Committee continues to meet. Project budgets have been discussed and include state and other funding.

New Student Services Building

The drawings have been submitted to DSA. The College hopes to start the project in spring 2009 after the rainy season. Estimated construction time is one to one and a half years.

Lecture Forum

Minor items remain.

Parking Lots D, E, and F

Work has started on lot F. There was concern about underground utility lines, but the project is expected to be complete in July.

PE Gym

Bids have been received. Schedules may be delayed due to the amount of time required for DSA approval of the drawings.

IPP/FPP Process

Project proposals have been submitted to the state Chancellor's Office for funding consideration.

Chair Baird noted it was reported at the last meeting that the master schedule timeline had been shortened from nine to six years. He asked if this impact was reflected in the current schedule. Mr. Bissell said the shorter timeframe should be reflected.

9. MPC Bond Website

Ms. Nakamura provided a demonstration of the bond program website accessible to the public on the Internet. She reviewed the Committee's webpage which includes the membership list, meeting calendar, and committee documents. The meeting agendas, minutes, annual reports, Bylaws, and bond resolutions are all available on the webpage for

downloading. Ms. Nakamura also showed the information and photographs available on the website for each of the bond projects and acknowledged Mr. Bissell's assistant, Suzanne Ammons, for her work on the project pages.

10. Meeting Schedule

The remaining meeting dates for 2008 are August 4 and November 3 (annual organizational meeting). Dr. Garrison requested the November meeting date be rescheduled to November 10 to accommodate Ms. Nakamura's scheduling conflict. The change was accepted.

11. Suggestions for Future Agenda Topics and Announcements

Mr. Pasquinelli requested the meeting agenda be distributed sooner to allow adequate time to review the reports.

12. Adjournment

The meeting was adjourned at 4:58 p.m.

vn