



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

Monday, November 7, 2011
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College

Meeting Minutes

- MEMBERS PRESENT: Mr. Scott Coté
Mr. J. Fagan
Mr. Stewart Fuller
Ms. Daphne Hodgson, Chair
Ms. Mary Ann Kane
Mr. Bob Mulford
Mr. Ron Pasquinelli
Mr. Gary Ray, Vice Chair
Mr. Niels Reimers
- ABSENT: None
- STAFF PRESENT: Ms. Rosemary Barrios, Controller
Dr. Douglas Garrison, Superintendent/President
Mr. Stephen Ma, Vice President for Administrative Services
Ms. Vicki Nakamura, Assistant to the President
- OTHERS PRESENT: Mr. Wayne Cruzan
Mr. Joe Demko, Kitchell
Dr. Sophal Ear
Mr. Rick Heuer
Mr. Birt Johnson, Jr.
Mr. Jimmy Panetta
Ms. Patty Rossi

- 1. Call to Order**
The regular meeting of the Citizens' Bond Oversight Committee of Monterey Peninsula College was called to order at 3:04 PM by Chair Hodgson.
- 2. Public Comment**
There were no public comments.

3. Introductions

Dr. Garrison introduced incoming members Wayne Cruzan, Rick Heuer, Sophal Ear, Birt Johnson, James Panetta, and Patricia Rossi, who will be joining the committee in March.

4. Committee Membership Update

Dr. Garrison noted five members of the Committee, Scott Coté, Daphne Hodgson, Mary Ann Kane, Ron Pasquinelli, and Gary Ray, are completing their tenure on the committee. Individuals for appointment to the committee were solicited to fill “designated seats” per the bylaws. Mr. Pasquinelli and Ms. Kane were representatives of the Monterey Peninsula Taxpayers Association and the GENTRAIN Society, respectively. Both of these organizations were contacted for replacements. Rick Heuer will be representing the taxpayers association and Wayne Cruzan will be the new representative of the GENTRAIN Society. The remaining vacancies on the committee were for representatives of the community at-large. Notices were placed in the local newspaper and on the MPC website. Letters were also sent to attendees at the recent Board candidate orientations conducted by Dr. Garrison. Dr. Sophal Ear, Birt Johnson, and James Panetta were recommended for appointment as the community representatives. Dr. Garrison stated this impressive group of prospective members was approved by the Board at the October meeting. He welcomed the incoming members to the committee.

Dr. Garrison recognized Mr. Coté, Chair Hodgson, Ms. Kane, Mr. Pasquinelli, and Mr. Ray for their service on the committee and presented each with a certificate of appreciation. He expressed thanks for their time and careful attention to their work as committee members.

5. Officers

Dr. Garrison informed the committee that Bob Mulford had agreed to serve as chair for the next year and will preside, beginning at the next meeting. Dr. Garrison acknowledged Chair Hodgson for her leadership as chair during the past two years.

Chair Hodgson opened the floor for selection of the vice-chair position. Mr. Fagan expressed interest in serving and he was approved unanimously.

6. Measure I – History of Bond Issuances and Tax Rates

Mr. Ma introduced Ivory Li and Tim Carty, with PiperJaffray & Co., the District’s bond underwriter, to report on how the bonds have performed and the tax rate.

Ms. Li provided an overview of Measure I, the District’s \$145 million bond measure. Measure I was approved with strong community support of 64.6% of the electorate. The estimated tax charge was \$23.89 per \$100,000 of property valuation. All of the District’s bonds have been issued; Series A was issued in 2003 and was refinanced in 2005. Series B and C were issued in January 2008.

Ms. Li reviewed the history of bond interest rates over the past 20 years. She noted that the District sold the bonds when interest rates were relatively low, below the 20-year average.

Regarding bond tax rate performance, she reported the tax rate levied in the years 2004 through 2012 has been lower than the estimated tax rate of \$23.89. The average tax rate for this time period was \$21.36. Mr. Ma asked about the stability of the tax rate.

Ms. Li stated there was only one year, 2011, when the assessed valuation was negative. In the district, property values have maintained in comparison to other districts which have experienced double digit decreases. Dr. Ear asked for the cause of the decrease in 2011. Ms. Li explained the assessed valuation is not the same as market value. In recent years, there has been a downturn in the real estate market. Property owners have requested reassessment, resulting in the decrease in 2011. Chair Hodgson added the County assessor wrote down the property assessment in both Seaside and Marina.

Mr. Pasquinelli asked if there was any financial advantage to another refinancing of the bond. Ms. Li explained the Series B and C bonds cannot be prepaid until 2018. The District would need to set up a bond escrow account to earn interest in the next 3-5 years to refinance the bonds in 2018. She estimated the District would need earnings of 1/5% per year until 2018. During this time, the District would not be able to touch the funds in escrow.

7. Approval of August 8, 2011 Minutes

It was noted that Mr. Coté was listed as both present and absent at the August 8 meeting; he was in attendance. A correction will be made.

Mr. Ma provided follow up to a question in the minutes under the Bills and Warrants item. Mr. Ray had questioned the differences in cost for computers purchased for the math lab. Mr. Ma explained the price difference was due to the computers being purchased without the monitors, and the monitors being purchased separately. He provided a handout which clarified the description for the three line items in question.

Motion to approve the minutes of August 8, 2011, as corrected, was made by Mr. Fagan, and seconded by Mr. Mulford. Motion carried unanimously.

8. Accept Bills and Warrants Reports

Mr. Ma asked for questions or comments on the report.

A question was asked whether any of the reimbursements of staff on page 3 were duplications. Mr. Ma responded staff will research to determine if there were any double charges. Mr. Coté expressed concern about staff being directly reimbursed for \$13,000 in out of pocket purchases. Ms. Barrios stated she shared his concern. She requested the staff member to process an open purchase order for these expenses in the future. Mr. Ma noted there has been a history of audiovisual staff installing equipment which staff has purchased and the District has reimbursed. Mr. Heuer suggested staff could also use a Calcard to make the purchase. Mr. Fagan asked about the warranty on equipment purchased this way. Mr. Ma stated he will review the practice.

Mr. Reimer referred to the purchase of 24 computer tables with retractable storage for \$57,000 on page 5 and asked for further information. Dr. Garrison explained the tables are workstations that can be used with a monitor or as a table. Mr. Ma added the platform for the monitor is retractable; the tables are custom made.

Mr. Mulford asked about the purchase of 205 HP flat panel monitors for thin clients on page 5. The description states 71 were purchased for the Education Center and 105 for the Monterey campus; however, those quantities do not add up to 205. Mr. Ma said staff will research and report back. Ms. Kane asked for an explanation of "thin clients." Mr. Coté said thin client is a system where the computer at the desk is minimal and

processing is completed on a big server. As a result, there are large cost savings because there is no need to buy individual computers.

Mr. Fagan inquired about several entries in the report for HGHB Architects for services in 2010. He asked why the invoices are from that far back. Mr. Demko responded some contracts extend for several years and agreements with architects may cover many phases of a project. He will check why the billings are from 2010.

Mr. Fagan also noted an invoice number was missing for the PlanWell retrieval on page 11.

Mr. Mulford questioned art locker inspection services on page 11 and why the cost is so high. Mr. Demko explained every project processed through the Division of the State Architect (DSA) requires a DSA inspector. The art locker project was not small, costing \$250,000. The project involved seismic bracing, foundation work, and ADA compliance improvements. The inspection cost is 2% of the project cost and the billing is by hours. Mr. Ma added ongoing inspection services are provided during the course of construction. Dr. Garrison noted the District has two inspectors of record, a requirement for community colleges.

Ms. Kane asked about the further phases of redevelopment services provided by Dolinka Group, listed on page 4. Mr. Ma confirmed there would be additional work to address underpayments that were found. Phase III will include negotiation with the redevelopment agencies regarding the payment schedule and correcting the underpayments.

Chair Hodgson requested an explanation of PlanWell retrieval. Mr. Demko said American Reprographics offers a system where plans and drawings are maintained online. Copies of drawings are provided as needed, saving time and expense of manual photocopying. She questioned an expense for PlanWell retrieval for \$16,000 on page 9. Mr. Demko explained this expense was for actual drawings and blueprints. Chair Hodgson advised a more specific description be used to distinguish the different services.

Chair Hodgson followed with a question regarding the parking lot B expansion on pages 10-11. She noted two payment applications for Monterey Peninsula Engineering and asked why there appeared to be no retention on the project. Mr. Demko said the retention arrangement depends on the contractor. Larger contractors prefer to have the retention deposited in the bank in an escrow account to earn interest. With smaller contractors, the 10% retention is paid at the end of the project. Parking lot B was a fast project, completed over two months. The contractor was paid 90% with the remaining 10% paid when the project was finalized.

Chair Hodgson commented the same question applies to the humanities project; the first payment was made with no retention indicated. She advised a new state law goes into effect January 1 that reduces the retention to 5%; she did not know if the law also applies to community colleges. Dr. Garrison asked what language would be helpful in distinguishing between the 10% retention held for smaller contractors rather than the retention held in an escrow account. Ms. Hodgson suggested using, "(Retention held by college)," for the smaller contractors.

Mr. Mulford questioned payment application #16 for Dilbeck & Sons on page 2, described as 125% time completed. Payment application #15 was for 100% completion. Staff will research and report back.

Chair Hodgson proposed a formatting change for the closed projects listing on the report. She suggested italicizing the payments to indicate the expenses were not made from the current period.

It was moved by Ms. Kane, and seconded by Mr. Fagan to accept the September 30, 2011 bills and warrants report. Motion carried unanimously.

9. Bond Expenditure Status Report and Cost Control Report

Mr. Ma reviewed the September 30, 2011 bond expenditure status report. Chair Hodgson expressed concerns with the report. While the total completed projects figure of \$61,405,724 can be tied to the bills and warrants report, the overall total of bond funds spent to date (\$101,773,920) cannot. In addition, the year to date payments (\$0) for the Automotive Technology project does not correlate with the payment indicated on the bills and warrants report of \$1,937. She asked how the overall total of bond expenditures was calculated.

Ms. Barrios indicated the bond expenditure report reflects a modified accrual accounting basis. At June 30, liabilities are set up for the prior year; the books are not closed until September 30. The liabilities are included in the prior year expenses in the bond expenditure report. The bills and warrants report represents a cash basis, reflecting when payments are actually made.

Mr. Demko reported the cost control report is prepared for the Governing Board every month. The report shows the status of active projects and tracks the overall budget. He noted projects were added to this month's report. Mr. Demko stated a recommendation will be made to reallocate any bid savings. The life science/physical science project will have bid savings while the theater project is currently over budget by \$1 million.

In response to a question from Ms. Rossi, Mr. Demko stated furniture and equipment is covered by a separate fund with a budget of \$4 million. He indicated this approach resulted in better control of expenditures. Ms. Rossi asked about the "other" category which amounted to over \$1 million for information technology expense. She commented CISCO will provide a discount or donation to community colleges and the vendor may not be applying the discount. Mr. Demko said the "other" category also funds hazardous materials remediation or unforeseen conditions.

10. Annual Report for 2010-11

Dr. Garrison stated the committee is obligated to provide an annual report to the Board of Trustees per the bylaws. A draft report has been prepared for review by the committee. The Chair will present the report to the Board at the November meeting.

Mr. Mulford recommended the length of term be defined in the discussion of committee membership on page 5.

Mr. Coté commented the amount of matching funds the District has acquired is impressive. He noted 35% of bond funds remain to be spent. However, the amount of total expenditures is higher than reflected on page 9 due to state matching funds. He

suggested a footnote is needed to show the percentage of bond funds spent as well as the amount of matching funds coming from other sources. Dr. Garrison noted the total with matching funds is provided on page 20. There was consensus to add this information to the expenditure summary on page 9.

Mr. Pasquinelli commented the past four years as a committee member have been educational for him regarding effective bond oversight. He said the taxpayers association is using the college's reports as a template for Monterey Peninsula Unified School District, Pacific Grove Unified School District, and the regional parks district.

Ms. Rossi suggested including the tax rate performance comments from PiperJaffray in the report. Chair Hodgson cautioned the report is from the committee and the committee could not make these comments. Dr. Garrison proposed including a statement that the tax rate has remained under the estimated rate presented to the voters in 2002.

Motion to approve the 2010-11 annual report with the changes discussed was made by Mr. Reimer, seconded by Mr. Coté. Motion carried unanimously.

Chair Hodgson will present the report to the Board at the November 22 meeting. The annual report will then be posted on the committee's webpage.

11. Update on Facilities Projects, Timelines and Schedules

Mr. Demko reviewed the status of active projects.

Education Center at Marina Permanent Facilities – Mr. Demko said the facilities have been completed. Classes are in session.

Infrastructure – Mr. Demko said the lighted kiosks with location maps have been installed on campus.

Swing Space – Mr. Demko reported interim housing costs are higher than anticipated due to the need for more swing space to accommodate the renovation of the former student services building. The construction schedule for this project was accelerated as state funding became available.

Facilities Committee – Mr. Demko reported the committee recently met to discuss the overbid for the theater project and the bid savings from the life science/physical science project.

Humanities/Former Student Services/Business Humanities – Mr. Demko said the renovation of the former student services building is going well. The contractor is trying to get the building weather tight for winter. When the building is completed, humanities faculty will move in. In future phases, the humanities building will be remodeled and the business humanities building will be demolished.

Mr. Fagan inquired if the favorable bid climate was ending. Mr. Demko responded yes. He said the pool of subcontractors has narrowed and the cost of commodities is increasing. Mr. Fagan asked how a higher bid situation will affect future projects. Mr. Ma stated the district is at the maximum in terms of the number of projects currently underway on campus. Contingency funds were used to cover the higher costs of the theater and gym projects. He commented the district continues to monitor costs and contingencies have been built into all projects. Mr. Demko added

the good news is that the bids for the theater and life science/physical science projects have been received and contracts approved.

Theater – Mr. Demko reported good progress is being made. There will be a new orchestra pit and elevator. The asbestos removal and demolition work went well.

Life Science/Physical Science Buildings – This is two phase project. The two buildings were combined into one project to use one contractor and save on time and costs.

Gym First Floor – Mr. Demko reported the project is \$300,000 over the bid estimate.

Pool/Tennis Courts – Interim housing for the gym project has been placed on the tennis courts. The pool refurbishment will be completed first.

Music – Mr. Demko said the project budget is currently \$1.2 million and supplemental funding is under consideration.

Student Center – Mr. Demko reported schematic drawings have been completed and budgets have been evaluated.

Regarding the master schedule, Mr. Demko reported that schedules are holding for the projects and change orders are being managed. The arts complex will be a challenge to schedule due to the swing space needs of the various programs. The project will likely be phased.

Mr. Mulford asked how many architects are under contract with the college. Mr. Demko said there are five; however, the college primarily uses HGHB, a local firm. Dr. Garrison commented the Board has a strong feeling to use local firms where possible. The college is a major economic driver for the Peninsula economy. Mr. Fagan concurred. He noted Otto Construction, a local contractor, has completed \$24 million in projects at the college, a huge investment in the local community.

12. Meeting Schedule

The meeting dates of March 5, June 11, August 6, and November 5 (annual organizational meeting) were proposed for 2012. Motion made to adopt the proposed meeting schedule was made by Mr. Mulford and seconded by Mr. Coté. Motion carried unanimously.

13. Suggestions for Future Agenda Topics and Announcements

Mr. Fagan announced the Heroes Open II golf tournament would be held Saturday to benefit the Veterans Cemetery project.

Chair Hodgson commented she enjoyed her experience on the committee and learning about the college. She expressed appreciation for the opportunity.

14. Adjournment

Chair Hodgson adjourned the meeting at 5:00 PM.

vn

Follow-up Items from November 7, 2011 CBOC Meeting

Per the Meeting Minutes, #8 Accept Bills and Warrants Report:

1. A question was asked whether any of the reimbursements of staff on page 3 were duplications. Mr. Ma responded staff will research to determine if there were any double charges. Mr. Coté expressed concern about staff being directly reimbursed for \$13,000 in out of pocket purchases. Ms. Barrios stated she shared his concern. She requested the staff member to process an open purchase order for these expenses in the future. Mr. Ma noted there has been a history of audio visual staff installing equipment which staff has purchased and the District has reimbursed. Mr. Heuer suggested staff could also use a Cal card to make the purchase. Mr. Fagan asked about the warranty on equipment purchased this way. Mr. Ma stated he will review the practice.
 - Ms. Barrios has reviewed the reimbursements and there are no double charges.
 - Regarding the warranty of equipment, the staff member will provide Fiscal Services with a list of the equipment items purchased that had a warranty. Most items would have a 90 day warranty, and it is now past 6 months.
 - The first three reimbursements on the list were from the FY 10-11. These were part of the year-end liabilities on the report from 6/30/11.
 - Mr. Ma has reviewed this practice and concluded that in the future, purchases by staff shall be made using a Cal card or the purchase order system.
2. Mr. Mulford asked about the purchase of 205 HP flat panel monitors for thin clients on page 5. The description states 71 were purchased for the Education Center and 105 for the Monterey campus; however, those quantities do not add up to 205. Mr. Ma said staff will research and report back.
 - The description should have read: 71 were purchased for the Education Center and 134 for the Monterey Campus.
 - This totals the 205 on the report.
3. Mr. Fagan also noted an invoice number was missing for the PlanWell retrieval on page 11.
 - Invoice 8365046
4. Mr. Mulford questioned payment application #16 for Dilbeck & Sons on page 2, described as 125% time completed. Payment application #15 was for 100% completion. Staff will research and report back.
 - The description for both payment applications should have included "Time." Payment Application #15 states Estimated Percent Complete 100% (Time). Payment Application #16 states Estimated Percent Complete 125% (Time)
 - Ms. Barrios spoke with Mike Carson, Kitchell. There were change orders for the Education Center construction project due to some PG&E issues. That is the reason for the notations of 100% and 125% Estimated Percent Complete (Time).
 - Mr. Demko will provide additional clarification at the meeting, if needed.
5. Mr. Fagan inquired about several entries in the report for HGHB Architects for services in 2010. He asked why the invoices are from that far back. Mr. Demko responded some contracts extend for several years and agreements with architects may cover many phases of a project. He will check why the billings are from 2010.
 - Joe Demko will respond to this question at the meeting.