

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT

CITIZEN'S BOND OVERSIGHT COMMITTEE

Monday, March 2, 2009
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College
980 Fremont Street

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

ABSENT: Ms. Sondra Rees

STAFF PRESENT: Ms. Rosemary Barrios, Controller
Mr. Joe Bissell, Vice President for Administrative Services
Dr. Douglas Garrison, Superintendent/President
Mr. Jeff McCart, Athletic Trainer
Mr. Steve Morgan, Director, Facilities
Ms. Vicki Nakamura, Assistant to the President

OTHERS PRESENT: Mr. Joe Demko, Kitchell
Dr. Jim Tunney, Trustee

1. Call to Order

The regular meeting of the Citizen's Bond Oversight Committee of Monterey Peninsula College was called to order at 3:03 PM by Chair Baird.

2. Public Comment

Dr. Jim Tunney, Chair of the Governing Board, speaking on behalf of the trustees, offered thanks to the committee for their work.

3. Approval of November 17, 2008 Minutes

Motion to approve the minutes of the November 17, 2008 meeting was made by Mr. Ray and seconded by Mr. Pasquinelli. Vice Chair Emerson commented on the completeness and quality of the minutes. Motion carried unanimously.

Dr. Garrison noted at the November meeting, the committee approved the annual report for presentation to the Governing Board. He referred to the handout, an excerpt from the Governing Board minutes for the December 9, 2008 meeting, which showed Chair Baird attending and presenting the report to the trustees. The Board was pleased to receive the report as well as Mr. Baird's comments.

7. Education Center at Marina Design Presentation (Item taken out of order)

Ken Scates, architect for the first phase development of the Education Center at Marina, was invited to make his presentation earlier than scheduled in the agenda. Mr. Scates began with an aerial view of the site and noted the Highway 1 intersection with Imjin Parkway was located ½ mile away.

He then reviewed the site drawings. Phase one consists of five separate structures housing eight standard 35 seat classrooms, one larger classroom, a multipurpose room, and utility service functions. The structures are oriented around a central courtyard. Future phases will repeat the use of the courtyard as an organizing feature.

Mr. Scates explained the courtyard is semi-enclosed, with the building structures and walls providing a buffer against the wind, an environmental factor specifically considered in the design. The structures are contemporary in nature and make use of concrete walls, glass, and wood. A special feature is a tower element that has been added to provide a visual monument that can be seen from some distance. Mr. Scates said a wind generator is being proposed for the tower element.

He indicated parking lots are provided along 12th Street. Landscaping will consist of native vegetation. Additional trees will also be planted. Future build-out will be to the south of the phase one development.

Mr. Scates also shared two watercolor renderings of the proposed structures, one showing the entry from Third Avenue and the other depicting the interior courtyard.

Mr. Coté asked if bicycle racks were included and Mr. Scates confirmed racks would be installed in the parking area. Mr. Coté followed with a second question about the project meeting LEED certification. Mr. Scates indicated the structures had not been designed for certification, but "green" features were incorporated in the project.

Chair Baird asked about the amount of power that could be produced by the wind generator. Mr. Scates responded his research showed the turbine will produce enough energy to operate a building. He was uncertain if there would be any payback, but he was confident that the wind generator would perform well as the City of Marina experiences significant sustained wind.

Ms. Morrice inquired about the use of moisture collectors. Mr. Scates said currently cisterns cannot be used, but he added the landscaping would not require a large amount of irrigation.

Dr. Garrison asked if project construction would begin July 31. Mr. Scates replied the drawings will be submitted to the Division of the State Architect for review. He did not know how long the review process would take.

Vice Chair Emerson commented that as a Marina resident, he was enthused about the project. He added the Marina Planning Commission was also very positive.

4. Accept Bills and Warrants Report

Mr. Bissell asked for questions or comments regarding the report.

Ms. Morrice noted a duplicate entry for replacement of a cracked waste line on page 4 of the report. Mr. Bissell replied the descriptions were similar, but represented different portions of the project. He will confirm and report back.

Chair Baird inquired about two similar entries on page 4 for new gym flooring. Ms. Barrios, Controller, said these entries were for separate expenses. Mr. Bissell surmised one entry was for the initial payment and the other represented installment payments. He said he would verify and report back.

Chair Baird asked for clarification regarding two entries on page 6 for the purchase of 52 computer chairs for the language lab and 36 for the Marina Education Center. He asked if the styles of the chairs were different because there appeared to be a cost differential between the two orders. Mr. Bissell said standardization of furniture is a goal, but the Education Center may have required a different style. He will check into and report back at the next meeting.

Ms. Hodgson requested a definition of “commissioning services” listed on page 2. Mr. Demko explained these services are provided by a third party specialist who ensures the operating systems are working. Mr. Morgan, Director, Facilities, added the heating, ventilation, and air conditioning (HVAC) systems are highly technical and commissioning verifies the systems are functioning as the engineer intended. In addition to HVAC, commissioning is also performed on electrical and information technology systems. Mr. Bissell noted commissioning was not done on the Library and Technology Center and as a result, the building environment is not always comfortable to users. Mr. Coté asked if “verification services” on page 12 had the same meaning. The answer was yes; Mr. Coté recommended using the same terminology on future reports.

Ms. Hodgson continued with questions on several entries. She referred to an entry for Alfa Tech for HVAC services on page 5 and asked if the item was an operating expense (which would be an illegal bond expenditure). Mr. Bissell verified the expense was for design services only. Ms. Hodgson asked about “server room migration expenses” on page 6 of the report. Mr. Bissell explained the current server room is located in the Business building and will be moved to the new Administration Building along with Fiscal Services and Information Technology offices. She then noted there were repeat entries on page 10 for project management services for July and August, but the amounts differed. Mr. Bissell said he would check into.

Mr. Pasquinelli questioned whether storm drain repairs to the baseball field listed on page 14 were a maintenance item rather than a bond project expense. Mr. Bissell responded the repairs resulted when a new backstop was needed to keep stray baseballs away from the new Child Development Center. In reviewing the plans for the backstop, the Division of the State Architect required installation of an ADA-accessible sidewalk which created a drainage problem on the baseball field.

Motion to accept the bills and warrants report was made by Mr. Emerson and seconded by Ms. Hodgson. Motion carried unanimously.

5. Bond Expenditure Status Report

Mr. Bissell reminded the committee a new report format had been developed and shared at the November meeting. He stated the new report ensures the figures tie into the bills and warrants report and shows the status of project budgets. The current report shows that \$60 million has been spent to date.

Mr. Bissell also noted at the November meeting, Lou Solton reported that \$30 million of the County investments were involved in the Washington Mutual and Lehman Brothers bankruptcies and a portion of the college's bond funds would be affected. Mr. Bissell said the actual loss is still unknown; bonds are still selling at 25¢ on the dollar. Until there is a final settlement, the loss will not be known. Given the bankruptcy situation, Mr. Coté asked if the college was prevented from accessing these funds until the loss is recognized. Mr. Bissell did not know, but he speculated the County probably would not allow the college to withdraw the full amount.

Vice Chair Emerson observed the County also had investments in J.P. Morgan and General Electric (GE). He said the GE bond is showing similarities with Washington Mutual and Lehman Brothers and asked if there were discussions to move funds. Mr. Bissell stated he had discussed with Mr. Solton whether funds should be moved to other investments; however, LAIF is currently earning 1.7%. Mr. Bissell stated it was a tough market. Funds could be withdrawn, but there would be inflation impacts. He said if funds were withdrawn today, the loss would also have to be recognized.

Mr. Emerson reiterated his concern with the GE bond. He noted the college's investments in GE were not pooled; thus, the college would take the entire loss if there was a failure. Mr. Bissell said the college does not anticipate using those funds for 7-8 years as they were part of the taxable bonds issued.

Chair Baird had several questions regarding the new report format. He referred to the column labeled "Bond Budget less Total Payments and Purchase Orders," noting the figures actually reflect only the total bond budget minus total payments. Mr. Bissell responded purchase orders should be included in the calculation, so the formulas will be checked. Mr. Baird stated the percentages reflected under cost and schedule in the "Project % Completed" column also appeared to be incorrect. He cited as examples the new administration building, listed at 65% complete in cost and which should have been 32.8%, the Lecture Forum at 121%, and the social science renovation at 75%. Mr. Demko explained the budgets include non-bond funds and state payments are difficult to track. Mr. Bissell said the budget would be rechecked.

Chair Baird referred to the Infrastructure – Parking/Phase II project and noted the schedule is 100% complete and the cost is 112% or 12% over budget. He stated this figure is reasonable, but there is \$288,886 in outstanding purchase orders not included in the cost. If included, the project would be 42% over budget. Mr. Demko said the purchase orders may have been over-estimated. Mr. Baird advised that any project over 100% in cost becomes more noticeable than may be warranted.

Chair Baird concluded he was pleased with the new report format; he said just a few more adjustments are needed. Mr. Bissell responded he would re-evaluate the format and make necessary corrections for the next meeting.

Ms. Hodgson asked about the total prior year expense figures reflected in the third column. She said the total showed \$50 million on the current expenditure report, a \$2 million difference from the prior report. She noted a difference from the bills and warrants report. Mr. Bissell indicated he would review the figures.

Dr. Garrison announced that Joe had been asked to participate on the County's investment committee. Mr. Bissell indicated that the other committee members represent agencies who have investments with the County. The first meeting was held in February and the meeting schedule will be quarterly.

6. Bond Auditors' Reports for 2007-08

Mr. Bissell related that last year the committee questioned why the auditor did not provide an opinion on the bond financial statements. To address this concern, he asked the district's auditing firm to do two reports. The first report is an audit of the general financial statements. Mr. Bissell referred the committee to the last paragraph of the report providing an unqualified opinion from the auditor. He said if there were any problems, the auditor would have identified them. Mr. Bissell also stated the auditor agrees with all expenses and revenues.

The second report is a performance report in which specific procedures are identified to undergo a review for compliance with Proposition 39 bond requirements, including a test of 25% of expenditures. Mr. Bissell said in the case of the district's audit, 1% of 50,000 transactions were checked. In the bond audit, 32% of expenditures were tested for compliance. He reviewed page 2 of the performance report and said no exceptions found. The auditor made one adjustment to the district's financial records in the amount of \$22,042. Mr. Bissell complimented Rosemary Barrios and Fiscal Services staff for keeping accurate track of the bond expenditures.

Ms Hodgson referred to page 3 of the financial statements audit report and asked for an explanation of the "other uses" item for \$1,898,813. Mr. Bissell thought the amount reflected a combination of numbers. Since it was a negative amount, he concluded it was a transfer of funds, but he will check with the auditor.

8. Update on Facilities Projects, Timelines and Schedules

Mr. Demko, the college's bond program manager, began his report with a review of the status of current facility projects.

PE Fitness Building

The elevator will be completed this summer.

Public Safety Training Center at Seaside

Mr. Demko said work was going well on the renovation. The asphalt in the parking lot was installed.

MPC Education Center at Marina

The additional temporary modular building is in operation. Mr. Demko reported the drawings are ready to submit to the Division of the State Architect (DSA).

Infrastructure

Mr. Demko indicated work was proceeding on the parking lots.

Old Library

Mr. Demko reported the college would take beneficial occupancy this week. He noted the deck construction was behind due to the rains. In two weeks, furniture will be installed. The computer network equipment will be housed in a special, air-conditioned room and the switchover in the network system is scheduled to occur during the spring recess.

New Student Services Building

Mr. Demko said the college hopes to go out to bid this month on the project. He expects there to be several bidders due to the slow economy.

PE Gym

The project is completed and over budget due to the seismic work required.

Auto Technology Building

Mr. Demko said the architect is working on the drawings for the classroom addition.

Baseball Backstop

The college is still waiting for DSA to finish its review.

Swing Space

The swing space plan is being developed. The old Administration Building will be converted to provide six classrooms.

Facilities Committee

Mr. Bissell reported the committee is discussing how to address delays due to the lack of a state bond measure in 2008. The committee is considering changes to projects. For example, the college currently has a state-approved project proposal for a renovation of the Business, Life Science and Physical Science Buildings. The committee is considering renovating the Business building with bond money only and submitting a proposal for state funding to renovate the other two buildings.

Dr. Garrison noted the complexity of issues facing the Facilities Committee. The committee must consider the impacts of projects on the college's capacity load, the changes in state construction funding, the delay of the state bond measure, more competition for state funding due to 14 other districts successfully passing Proposition 39 bonds, and the changing bid climate. He said the end result is a need for a revised strategy.

9. Meeting Schedule

The meeting schedule for the remainder of the year was reviewed by the committee:

Monday, June 8, 2009

Monday, August 3, 2009

Monday, November 2, 2009 (Annual Organizational Meeting)

10. Suggestions for Future Agenda Topics and Announcements

Included from last time is a status report on bond investments.

A tour of facilities was proposed for the committee at the June and August meetings. In June, the committee will tour the new Administration Building and other projects on the Monterey campus. In August, a tour of the Seaside Public Safety renovation project on Col. Durham Road will take place, followed by the meeting there or at the Education Center in Marina.

11. Adjournment

The meeting was adjourned at 4:37 p.m.

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