

MINUTES OF THE CITIZENS' BOND OVERSIGHT COMMITTEE MEETING OF  
OCTOBER 10, 2013

Members Present

Nicolas Ferguson  
Morrie Barenbaum  
Susan Cash  
James Cuevas  
Bob Frost  
Rikki Hix  
Jeff Kraus

Staff Present

Aaron Brown, Vice Chancellor, Finance  
Chris Carlson, Chief of Staff and Facilities Development  
Bill Bogle, Controller  
John al-Amin, Interim VP of Business Services, RCC  
John Baker, Facilities Development  
Jim Parsons, AVC, Strategic Communications

Guests

David Cosnocha, Stradling Attorneys at Law  
Renee Graves, Vicenti Lloyd Stutzman, LLP  
Sandy Ferguson

Call to order: 4 pm

**ORIENTATION**

RCCD Bond Counsel David Casnocha presented an overview of Committee responsibilities under Proposition 39. The following points were discussed:

- History of school finance in California
- Proposition 13
- Proposition 39 – origination and amendment in 2000 – Measure C is a Proposition 39 bond
- Proposition 46 – re the fact that community college districts could pass a local school bond with 2/3 voter approval as long as money is used for the acquisition of property. In addition to authority granted under Prop 46, bonds could pass with 55% approval to allow construction, etc.
- Specific committee responsibilities under Prop 39: financial oversight function (related only to Measure C expenditures); subject to Brown Act; committee appointed by the Board of Trustees; primary responsibility is to ensure that monies are spent in

ORIENTATION

accordance with Proposition 39 guidelines and the 2004 ballot measure approved by voters; reporting out to the public and making sure Measure C expenditure information is available to the taxpayer.

Vice Chancellor Aaron Brown discussed bond issuance and financial processes.

- To date RCCD has issued about \$265 million; another \$85 million remains to be issued over the next six to seven years.
- Issuances have a three-year spend-down requirement, 85% needs to be spent within that time period. We time the issuances with project development.
- State bond leverage was one of the reasons for Measure C.
- Because RCCD hasn't had an issuance in some time, the District and colleges have re-prioritized projects so that the District can move forward with a TRANS.
- Commitment we made to our voters was that the tax rate from Measure C bonds would not exceed \$18/100k; currently we are \$17.95/\$100k because of decrease in area real estate valuation.
- Accountability standpoints: Every project that is going to receive Measure C money goes to RCCD Board of Trustees for approval. Same principles apply to Measure C expenditures as apply to operating funds and grant funds in terms of public bid process, accounting, auditing, etc.

Questions from CBOC members:

1. Can RCCD use Measure C money for energy retrofit and savings? Mr. Brown responded that colleges have submitted projects, and we likely will receive \$906,000 of Measure C monies: about 1/2 to RCC, the remainder to MVC and NC.

2. Because of length of projects designated for Measure C funds, how does that relate to the academic programs that may have been started or ended in the meantime? Ms. Carlson responded that in many cases, changes involved technology changes, but that there also have been project changes due to state funding, program changes, etc.

Will all Measure C bonds be issued by 2018-2020? Mr. Brown replied that RCCD anticipates an issuance of \$55 million in fall of 2014, with a final issuance of \$30 million likely in 2017-18.

Two types of issuances: current interest bonds and capital appreciation bonds. RCCD likely will issue capital appreciation bonds (AB182) - last issuance was RCCD capital appreciation bonds, probably about 2 to 1 vs. current interest bonds.

Chief of Staff and Facilities Development Chris Carlson presented a PowerPoint presentation about past and current construction of Measure C facilities and discussed:

- Value of using Measure C to leverage state funding for construction, noting that when Measure C passed in 2004 the state anticipated that there would be a higher education bond every two years.
- RCCD's use of a construction manager/multi-prime contractor model for construction
- Positive impacts from Measure C construction on local workers and the local economy
- Different types of available state funding for projects, e.g., modernization, seismic retrofitting, etc. She also explained the differences between gross square footage and assignable space: ties into load ratios required by state.

Questions from CBOC members:

1. Is there an opportunity to do construction projects at sites other than RCCD college campuses? Ms. Carlson responded that Measure C allows that.

2. As priorities change, is flood prevention on RCC being discussed? Ms. Carlson responded that these types of projects were under discussion as evidenced by the drainage improvements project and emergency response plans.

### **CBOC MEETING**

Approval of Minutes: M/Cuevas, S/Hix  
July 11, 2013 - accepted for file – unanimous “aye” vote

APPROVAL OF  
MINUTES

Measure C Annual Audit Presentation:

Ms. Graves explained the audit process and the fact that her company has been doing Proposition 39 audits since 2002. Planning procedures to start with: industry, risk assessment, meeting with management, interviews of staff people, get a feel for perceptions on how processes are working. Auditors felt RCCD has a good operation with strong internal controls. Auditors look at internal controls to

AUDIT  
PRESENTATION

determine if they are reliable. That determines how in depth the testing will be. Auditor's job is to give an opinion on the financial statements, that they are or aren't materially correct.

Member Kraus mentioned that, in the past, RCCD staff has talked to the CBOC about internal controls and processes in place.

Two types of audits: financial and performance. When auditors test expenditures, we are looking that they are in accordance with the ballot measure and Prop 39. In addition, auditors review the Committee makeup, check that website is up-to-date, and that an annual report is issued, etc.

Auditor's opinion is a clean opinion, no findings. District's financial statements are fairly stated and are following all the appropriate accounting principles.

Auditors looked at salaries very heavily to make sure Measure C funds are being spent appropriately on staff.

Member Cuevas asked if the percentage of time attributed to an employee changes from one year to the other because of the workload. Mr. Brown answered that an annual assessment is done to track. Ms. Graves said that auditor looks at reports (by person, by month).

Member Cuevas asked if any projects are over budgeted and/or over initial budget. Mr. Brown responded that the District goes back to the Board and asks for additional authorization from it for use of additional Measure C money. RCCD actively manages projects.

Member Cuevas asked if the auditor looked at any of the payroll certifications for Measure C projects. Mr. Brown responded that the District contracts that service out and Ms. Carlson discussed the Project Labor Agreement - labor compliance by a third party.

Ms. Graves reported that the auditor's letter on pgs. 14-15 related to internal controls. The auditor issued a clean letter, which indicates that there are no issues of noncompliance.

Ms. Graves also discussed the Measure C Performance Audit, where the auditors again issued a clean opinion, which means that the District was in compliance with all requirements.

Member Cuevas asked if the District rebids audit services. Mr. Brown said RCCD issues Requests for Proposals (RFP) on a regular basis. Current cycle is five years. Vincenti Lloyd Stutzman, LLP was originally hired to conduct the audit for three years; the contract was extended to four, then RCCD issued an RFP.

Acceptance of the audit reports - M/Barenbaum S/Kraus.

Measure C Financial Update - Mr. Brown presented a brief report.

FINANCIAL  
UPDATE

Committee members requested another report regarding change orders.

Member Cuevas asked if interest income was a projection? Mr. Brown replied that the interest income reported is the actual through 2012; anything after is a projection.

Mr. Brown discussed why the District refinanced a bond issuance once: gained money for projects. This will not be possible in the future due to the Attorney General's opinion that bond savings can only be used for debt service.

Business from Committee Members

BUSINESS FROM  
COMMITTEE  
MEMBERS

Approved 2014 Meetings calendar with date changes to the third Thursday of the scheduled month; time remains at 4 p.m.

Public Comment – None.

Adjournment: 6:40 p.m.