

CITIZENS' BOND OVERSIGHT COMMITTEE

DRAFT MEETING MINUTES

Tuesday, January 15, 2019, 6:00 PM

San José Evergreen Community College District Office

1st Floor Conference Room 112

40 South Market Street, San José, CA 95113

<u>Present:</u>	Leo Cortez	Support Organization
	Shanta (Shay) Franco-Clausen	Business Community
	Enrique Villegas	Student – Evergreen Valley College
	Bethel Kim	Community At-Large
	Matthew Mahood	Business Community
	Rose Regalado	Senior Citizens' Organization
	Linda Reiners	Business Community
	Joel Ruiz Herrera	Community At-Large
<u>Absent:</u>	Vice President Andrea Alexander	Administrative Services, EVC
	Cory Demar	Community At-Large
	Johnny Lee	Taxpayers' Association
<u>Staff:</u>	Chancellor Byron Breland	SJECCD
	Interim Vice Chancellor Jorge Escobar	Administrative Services, SJECCD
	Mike Hohl	Director of Facilities and Bond Programs, SJECCD
	Linda Wilczewski	Interim Director of Fiscal Services, SJECCD
	President Keith Aytch	Administrative Services, EVC
	Ann Kennedy	AKG
	Mike Chegini	AKG
	Jessica Fassler	AKG
	John Dominguez	Cossolias Wilson Dominquez Leavitt, CPAs

AGENDA:

1) Call to Order

The meeting was called to order at 6:07 PM by Shay Franco-Clausen.

2) Approval of Agenda

Matt Mahood / Linda Reiners motioned, and the committee unanimously approved the meeting agenda.

3) Approval of Minutes from September 18, 2018

The committee reviewed the previously distributed September 18, 2018 meeting minutes and asked for comments. There were no comments. Linda Reiners / Bethel Kim motioned, and the committee unanimously approved the meeting minutes.

4) Public Comment – 3 Minutes per speaker with advance sign in

There were no public comments made.

5) Communications Received by Citizens' Bond Oversight Committee Members

It was noted that Members received the resignation of Brigit Espinosa via email. Her service was recognized and appreciated.

6) Staff Reports

Chancellor Breland thanked the Citizens' Bond Oversight Committee Members for their attendance.

Chancellor Breland gave a brief overview of the following Staff updates:

- Vice Chancellor Smith retired
- Peter Fitzsimmons, Executive Director of Financial Services, resigned
- Linda Wilczewski has stepped up to Interim Executive Director of Financial Services

7) Recognition of Service

The Committee recognized Johnny Lee for his years of service. His term ends in February and he has chosen not to continue. Chancellor Breland spoke, elaborating on his contributions during his 5 years of service.

8) Review of Committee Membership

Ms. Kennedy updated the Committee on membership changes that occurred at the October 9, 2018 Board of Trustees meeting. Enrique Villegas was appointed Student Representative to EVC and Bethel Kim was reappointed from Student to At Large.

Next, the members whose terms were coming to an end in February were asked if they would go on the record to sign up for another term. Rose Regalado, Linda Reiners, Matt Mahood and Leo Cortez went on the record to continue their service for another term. Cory Demar would be contacted via email.

For those Members whose terms would end in June 2019, Ms. Kennedy requested they be prepared to decide at the next meeting.

9) Financial and Performance Audit Reports

Mr. Dominguez of Cossolias Wilson Dominguez Leavitt, Certified Public Accountants presented the FY1718 Financial and Performance Audits for Measure G-2010 and Measure X. He noted that the District is responsible for providing the financial information.

The following reports were distributed to the Citizens' Bond Oversight Committee Members:

- 2016 Measure X General Obligation Bonds Financial Statements
- 2016 Measure X General Obligation Bonds Performance Audit
- 2010 Measure G General Obligation Bonds Financial Statements
- 2010 Measure G General Obligation Bonds Performance Audit

Mr. Dominguez gave an overview of the Measure X and Measure G-2010 Financial and Performance audits report process for the fiscal year ended June 30, 2018. The committee was informed that the audit evidence that was obtained is sufficient and appropriate to provide a basis for the audit opinion. The Measure X and Measure G-2010 Financial Statements and Performance Audit reports are available on the Bond website <http://cboc.sjebond.com/audit-information/>.

The results of the performance audits indicated that, in all significant respects, San José Evergreen Community College District expended Measure X and Measure G-2010 General Obligation Bond funds for the year ended June 30, 2018 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

The audit firm took a random sample of \$11.4Mil in Measure G 2010 expenditures, which is 44% of total expenditures, to provide representation across projects, vendors, and expenditure amounts.

The auditors are doing site walks up to 3 times a year.

Ms. Reiners asked how many CWDL personnel are involved in the audit and how much of that work is done on site. Mr. Dominguez said they were on site for six weeks with three to six people, four with a lot of Prop 39 experience.

Ms. Regalado asked how the sample expenditures are selected. Mr. Dominguez answered that they have professional standards set by the American Institute for Certified Public Accountants (AICPA) and the Yellow Book (US GAO) that they follow. They use software to look for anomalies as well as choose a random, statistically significant sample of expenses, both large and small dollar expenses, about 200 transactions per measure.

Ms. Franco-Clausen asked what a transaction looks like. Mr. Dominguez explained they start at the warrant, determine the work that was paid for, is there sufficient backup for a layman to understand what the work consisted of. They confirm checks and balances at the District's accounting department were followed, were the proper approvals received. They look back at when was the requisition issued, when was the purchase order issued, did it go to the Board before work commenced, etc. Mr. Dominguez commented that the District and campus staff are very accommodating and responsive to CWDL's requests.

Mr. Herrera wondered about the people the District hires to help with this effort, and commented that it must require a lot of manpower on the District side to do this work.

Ms. Kennedy explained that the bond program as a whole has a software system that interfaces with the District software system as well as allows the people in the field and anyone else involved to upload attachments, so that much of this work is done already as a part of the record retention process.

Ms. Wilczewski commented that this process also puts the District in a good position for the end of the program, due to the IRS requirement on record retention of 30 years + 3 beyond the last dollar spent. Ms. Kennedy explained that most documents had to be retained for the life of the bond, or 30 years + 3 after payoff, according to the IRS. The goal is to try to meet that every year rather than at the end of the bond.

Ms. Franco-Clausen commended the District on clean audit reports and thanked Mr. Dominguez for his work.

10) Review and Approval of 2017-2018 Annual Report

Mr. Chegini thanked Ms. Franco-Clausen, Mr. Herrera, and Ms. Regalado for their work on the Annual report. He gave a thorough overview of the draft Measure X & Measure G-2010 Citizens' Bond Oversight Committee 2017-2018 Annual Report. The Annual Report is accessed at the Bond website at <http://cboc.sjebond.com/AR1718/>. Once it is approved, the print friendly version will be created. Mr. Herrera complimented Mr. Chegini and staff on the presentation. Ms. Franco-Clausen will present the Annual Report at the February Board of Trustees' meeting and Mr. Chegini will drive the technology. Joel Ruiz Herrera / Rose Regalado motioned, and the Committee unanimously approved the Draft FY1718 Annual Report.

It was decided to do the Financial Reports (Item 12) prior to Project updates (Item 11).

11) Program Financial Reports

a. Financial Reports

Ms. Kennedy began by directing the Committee members to page 90, Measure G-2010 Whole Program Report, and pointed out to members that the Unallocated Bond Earnings (Endowment) that is a negative amount, which has not been seen by the Committee before. Ms. Wilczewski, Mr. Dominguez, Ms. Kennedy, and Mr. Wang from Keygent all looked at it to determine why the numbers showed as they did. It is a mark to market adjustment, only reporting that if it were sold at that time, that would be its value. Ms. Kennedy stated that she and Ms. Wilczewski, Mr. Dominguez, and Mr. Wang will work with the County on how best to parse out the numbers so that the District

still receives the data, but it is not presented to the Committee in this manner, as the current view is not helpful for the Committee. Ms. Kennedy will bring an update or resolution to the next meeting. Ms. Reiners mentions it is not helpful to see large positives either if they are not realized. Ms. Kennedy agreed that only actual earnings should be reflected on the reports. Ms. Kennedy suggested that due to the full agenda that if the Committee agreed, to move forward to approve the agenda item.

Linda Reiners / Shay Franco-Clausen motioned, and the Committee unanimously approved the Measure G2010 and Measure X Financial Reports

b. Bond List Revisions

i. Measure G-2010 Bond List Revision(s):

There were two Measure G-2010 Bond List Revisions during the reporting period ending September 30, 2018. These Bond List Revisions were reported upon at the last meeting of the Committee and are included in the financial reports for this period.

- July 10, 2018
- August 28, 2018

There was one Measure G-2010 Bond List Revision that occurred after the reporting period ending September 30, 2018 and prior to this meeting. This revision took place at the following Board of Trustees' meeting and is reflected in the attached report.

- December 11, 2018

Mr. Mahood asked if there was anything specific members should be looking for. Ms. Kennedy said no, and elaborated on the bond list revisions included in the report.

ii. Measure G – 2010 / X Bond List Revision(s)

There were two Measure G-2010 / X Bond List Revisions during the reporting period ending September 30, 2018. These Bond List Revisions were reported upon at the last meeting of the Committee and are included in the financial reports for this period.

- July 10, 2018
- September 11, 2018

There were two Measure G-2010 / X Bond List Revisions that occurred after the reporting period ending December 31, 2018 and prior to this meeting. These revisions took place at the following Board of Trustees' meetings and are reflected in the attached reports.

- November 13, 2018
- January 8, 2019

Please refer to the meeting packet for more details.

Ms. Reiners asked about negative proposed revisions on pages 111 (Project 31131) and 129 (Project 39905). Ms. Kennedy referred Ms. Franco-Clausen to the reason text to the right of the page. Ms. Wilczewski addressed the question. Ms. Kennedy explained capitalizable expenses, how they

are tracked and spread to the projects. Ms. Kennedy explained the red numbers are budget being moved. Ms. Franco-Clausen asked for clarification regarding how budget is being moved and where it is being moved to. Ms. Wilczewski explained that the transfers stay within their respective bonds. Ms. Reiners asked if the salary charges are initially non-bond, then moved into the bond, and Ms. Wilczewski explained that the charges are booked to a general overhead bucket within the bond, then moved to projects that enjoy the benefit of that labor. Ms. Kennedy clarified that if the expense is not capitalizable, the expense is not moved to the project and stays within the general overhead bucket. Ms. Reiners asks for an explanation for the benefits of capitalization of expenses. Ms. Kennedy explained that the whole purpose of the bond is for capital expenditures, capital facilities. The law says that per series the bond is allowed to have up to 5% of non-capitalizable expenditures, per IRS regulation. The law further directs what are capitalizable expenditures vs what are not—for example, cost of issuance is not a capitalizable expense. Ms. Reiners comments that the purpose of this rule is to ensure the maximum amount of dollars are applied to real projects versus other activities.

12) Project Updates

Mr. Hohl gave a brief overview of the Measure G-2010 and Measure X Bond Program project highlights regarding current status of the projects for the District Office, Evergreen Valley College and San José City College. Please refer to the meeting packet for more details.

13. Future Agenda Items

a. Enrollment Demographics (Spring Meeting)

Ms. Kennedy mentioned that this was a request from the previous meeting, however the item was postponed due to the long agenda at the current meeting.

Ms. Reiners expressed concern over how much money is being spent on basic repair and capital upgrades, though she recognized that the work was clearly necessary. She wanted to know how the District can ensure projects are serving the intent of the ballot language related to retraining and re-entry into the workforce. Ms. Kennedy proposed that she work with the leaders of each college to present to the Committee their overall vision for the bond. Each college has a Facilities Master Plan and Educational Master Plan which informed the ballot language.

b. Budget Cost Report Review (Spring Meeting)

Ms. Kennedy asked the committee if they are still interested in hearing a presentation about this item as it was Ms. Espinosa's request who is no longer a CBOC member. Ms. Franco-Clausen said she is still interested.

14. Adjournment

Linda Reiners moved to adjourn. Leo Cortez seconded the motion. The meeting adjourned at 7:14 PM.

The next scheduled meeting is Tuesday, March 19, 2019 at 6:00 – 7:30 PM. This meeting will be held at the Evergreen Valley College.