

**KERN COMMUNITY COLLEGE DISTRICT
BOND OVERSIGHT COMMITTEE**

March 26, 2014

Minutes of the Meeting

Present: Mr. Brent Rush; Mr. Giovanni Ruiz; Mr. Michael O’Doherty;
Ms. Jennifer M. Wood-Slayton

Absent: Mr. Paul Klippenstein; Mr. Jack “Woody” Colvard; Mr. Larry Starrh;
Mr. Jay Hershey;

District Staff: Mr. Thomas J. Burke, Chief Financial Officer
Mr. Eitan Aharoni, Director, Facilities Planning, Design & Construction
Ms. Jana Durham, Business Services Assistant (Scribe)

Guest: Mr. Larry Baker, Shinault Baker & Company, CPA

1. **Call to Order:**

Mr. Rush called the meeting to order at 3:05 p.m., in the District Office of the Kern Room of the Kern Community College District Office at 2100 Chester Avenue, Bakersfield, CA, 93301

2. **New Members / Nomination of appointment of board members of the committee:**

- a. Review and sign Ethics Statement (only new members are required to sign) –

The committee acknowledged that there were no new member nominations at this time, but that term renewals would be submitted to the District board of trustees for approval.

3. **Review and Approval of Minutes:**

- a. Review and approval of the Minutes of the November 12, 2013 Meeting:

It was noted that Mr. Starrh was present at the November 12, 2013 meeting. The change was duly noted and the minutes of the November 12, 2013 meeting, as revised, were approved by the committee.

- b. Review and approval of the Minutes of the February 13, 2013 Meeting:

No changes were recommended by the committee and the minutes of the February 12, 2013 meeting were approved by the committee.

4. **Review and discussion of Prop. 39 Audit performed by the firm of Shinault Baker & Company, CPA with guest, Mr. Larry Baker, CPA:**

The committee reviewed the Prop 39 Audit. Mr. Burke invited Mr. Baker to summarize the audit for the committee. He advised that he was impressed with all of the facilities and the results of operations and shared that in touring the new Performing Arts Building at Bakersfield that he noted that an excellent job had been done, very close to budget and in line with what was anticipated. With respect to the additional bond issuance, the report looks the

same as last year with the numbers being changed, but no issues presented and again he reiterated that he was impressed with the progress and standards. Mr. Burke addressed the committee with information that the financial advisors had advised the District to refinance just under \$50M, which resulted in a gross savings to the taxpayers of just under \$2.9M. Present value on savings is \$2.7M which far exceeds what the SEC projected. The taxpayers really got a break this time. Some of the COPS are not callable and a portion of the bonds were taxable. Mr. Starrh inquired as to the requirements of arbitrage. Mr. Burke responded that it has to be tested every few years and that you cannot be negative. In response to Mr. Starrh's inquiry about the frequency of this, it was confirmed by Mr. Burke that we cannot do this very often, as the interest rate margin is small. Mr. Burke further confirmed for Mr. Starrh that the cost of the \$50M bond issue is 2% with a maximum of \$1.5M (net). Mr. Starrh then directed a question to Mr. Baker about the processes involved with the audit and asked if the entire campuses of BC and PC were toured how what is audited - contracts and matching invoices? Mr. Baker explained that they select certain projects, and went on to say that in viewing buildings that were modernized, the changes are evident, but he was impressed that the flavor and style of the buildings and campus is retained. Mr. Baker said essentially that they move from the accounting records to viewing the buildings and work from there.

The committee drew its attention to Mr. Rush who asked about the statewide capital outlay bond and whether it would be on the ballot this year. Mr. Burke responded that the Governor is indicating that probably not until 2016.

Mr. O'Doherty arrived at 3:21pm to join the meeting. Mr. Burke retrieved the actual report on the savings to the taxpayers and shared with the committee. Mr. Rush acknowledged that this was a successful piece of business that results in lowering the amount the taxpayers have to pay. Mr. Burke asked if there were any further questions on the audit to be presented to Mr. Baker. No further comments were raised.

5. **Project Status Report Presentation – Summary – Eitan Aharoni:** Mr. Aharoni addressed the committee to summarize the project status report which was presented to them. He commented that the project managers are working very hard with good results and added that this District is efficient. He noted that the District has a lot of small projects and appreciates Mr. Baker's efforts on the audit reporting. Mr. Aharoni went on to summarize the SRID spending and explained to the committee that it takes a couple of weeks after the end of the reporting period closes to get actual dollar amounts, and anytime the committee would like to see any detailed information at any time, that he is available to meet with them and/or talk with them about the status of project budgets, costs, etc. Mr. Aharoni gave an overview of the PowerPoint presentation including distribution by site. Mr. Burke interjected an update on the Kratzmeyer property at Enos Lane and Kratzmeyer (extension of Olive Drive) that the District is preparing to submit to the Board of Trustees an agricultural lease agreement between the District and Fabbri reserving a portion of the property for possible future Bakersfield College campus development. He explained that the almonds presently on the property are at end of life. The negotiation with Fabbri brothers is to lease the property starting in 2016 for 30 years for cotton candy grapes. Mr. Doherty asked about whether or not this was to go out to bid and Mr. Burke responded that we had not; that the party had come to us to negotiate it for the total of 126 acres.

Mr. Rush asked about the District's progress on the California City property and whether there are any plans to expand Cerro Coso. Mr. Aharoni advised that there are no expansion plans at this time for Cerro Coso. He went on to advise the committee that growth has been about 1.5% which does not merit another campus. Mr. Burke added that it will probably be another 25 years before we build another campus, with the exception of the Bakersfield College agriculture department possibility at the Kratzmeyer location.

Mr. Aharoni returned to the PowerPoint presentation discussing the distribution of \$89M. The capital outlay is a set aside of matching funds where the state will provide the bulk of the money. We have to hold these funds until the state gets around to presenting it to the voters. Then the state will release the funds. As to the language arts basement project, capital outlay may be used. The Learning Resource Center at Delano is waiting on state funds. Mr. Burke indicated that we are moving back on the Student Services project. There are 50% matching requirements. Mr. Burke said if the state doesn't approve it, we might just end up with only the match money (ours). Mr. O'Doherty asked whether we were rethinking it and Mr. Burke responded that we are in a holding pattern – political issue. Mr. Rush asked at what level on the list is the District with the State and Mr. Burke said that if the bond passes in 2014, we will get one building per site. He said that there is no bond for 2016 – so state capital funds are over. Cerro Coso had a project on the capital outlay wait list and they decided not to wait and do it with local funds. Mr. Rush asked about the other changes of \$11,061,033 and Mr. Aharoni explained that part is for in the event of project amounts set aside are delayed because of escalation factor – we need that to be a reserve to supplement.

Mr. Burke addressed the committee advising that district-wide we are developing an emergency response plan evaluating electronic remote lockdown of classes – doors controlled and mass notification sirens. We are considering the deployment of cameras and to what extent this may benefit or not benefit us.

Mr. Aharoni resumed his PowerPoint overview summarizing the percentage of completion on construction projects and change order totals which he noted had been added to the PowerPoint at the request of the committee from past meetings. He noted that many projects are in the completion stage and there will be a new table for those projects that are 100% completed. We will track rate of change orders. We set aside 5% and 7% as reserves, respectively for new projects and modernization projects. Mr. Rush noted that he likes the comments column that was added to the PowerPoint and noted the improvement, stating that he believes it's much better to understand now. Mr. Aharoni said that the District has a very good track record with projects and change orders. He said that at Porterville College, an illegal addition of an internal wall was discovered that was hanging from the ceiling. It had to be removed as it was 1970's vintage work. Mr. O'Doherty referencing the reserved 5% and 7% asked whether it frees up money when budgeted at 7% and we only use, i.e., 4%. Mr. Aharoni confirmed yes. Mr. Burke reminded them however that inflation is high. Mr. Aharoni said that the freed up money goes back to the site for projects.

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Mr. O'Doherty dismissed himself from the meeting at 3:52pm as he had another appointment. Mr. Aharoni assured Mr. O'Doherty that he would provide him a summary so that he can stay up to speed with this meeting.

Ms. Wood-Slayton asked about the left over moneys and what happens to the savings. Mr. Burke reiterated that it goes to another project, but noted that we have more projects than money. Mr. Aharoni resumed overview of the PowerPoint. IPPs are preliminary plans for each site. We are reshuffling some of the projects at Porterville College and two projects are moving forward. Some IPPs move to FPP. Mr. Rush asked about the KCCD website and changes to the SRID portion and Ms. Durham confirmed that changes have been made as requested.

Mr. Aharoni went on to discuss the labor compliance program with Kern County Superintendent of Schools that is required for projects that get state funding. Prevailing wage and apprenticeship programs are required and we use a wing of KCSOS that performs it for us. SC Anderson is the general contractor for the Bakersfield College Performing Arts Center and Mr. Chuck Parks at KCSOS handles the labor compliance for the District. We make an effort to use local contractors whenever we can. It goes to bid, our scopes of work allow for more local hiring.

Mr. Burke addressed the incident of an explosion near the pool plus a sink hole, so it was time for the gas replacement project at Bakersfield College. Mr. Aharoni detailed the workings of the thermal energy storage tank and the Bakersfield College Chiller Replacement project. We will enjoy tremendous savings in energy starting this year. Mr. Burke added that the gymnasium never had air conditioning, only swamp coolers – it's a great facility otherwise. Mr. Aharoni discussed the Bakersfield College Chairlift/Elevator Repair to be completed.

Ms. Wood-Slayton dismissed herself from the meeting at 4:15pm as she had another appointment to attend.

Mr. Aharoni continued with discussion about the Bakersfield College northeast parking lot shade structure advising that the ADA spaces needed to be covered too. He noted that the DSA process is slow. Mr. Rush asked about the cost and Mr. Aharoni confirmed approximately \$500,000. The Weill Institute DSA Modernization is completed. He said that for the Cerro Coso Main Building – that at the next meeting there will be time to show 3D interior photos, including the Occupational Lab Reroof – Welding, the Gym HVAC updated using Prop 39 moneys. Energy projects get set funds over the next 4 years. As to Mammoth, he reminded the committee that the funds are not from SRID, but that it is funded from its own bond. He shared the additional photos of Porterville College Math Science, Fire Lane and Parking Lot and the PC Student Center showing the illegal addition, the Gym Reroof, the Plano Fire Lane/Street Improvement. He advised that we have submitted an application with the Solar Energy Commission to get \$3M from the SEC and Mr. Burke commented that it is available with 0% financing – a great deal. Mr. Starrh asked what amount of time it takes to pay off the electricity, so you own solar, not leasing it? Mr. Burke responded that the District is not comfortable leasing – we own.

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Mr. Aharoni concluded his overview with the Porterville College Central Plant – loop central chilled system equaling 30-40% energy improved and optimizes the controls – each classroom has its own control. He asked the committee if there were any questions. There were no further questions raised by the committee.

6. **Next Meeting Date:** Mr. Burke suggested that the next BOC meeting be held in the Fall, 2014 and the committee agreed to convene at Bakersfield College and for that meeting to include a tour of the campus. Mr. Aharoni suggested that another meeting could be scheduled for late Fall to be held at the Porterville College campus if the committee would like. Mr. Baker mentioned that he would like to attend, as well.
7. **Meeting Adjournment:** The meeting was adjourned at 4:25 p.m.