

OHLONE COMMUNITY COLLEGE DISTRICT  
**Citizens' Bond Oversight Committee Meeting**  
Fremont Campus, Room 7101  
43600 Mission Boulevard, Fremont, CA 94539

Minutes of the Citizens' Bond Oversight Committee  
October 1, 2012

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**MEMBERS PRESENT:** Bob Douglass, Brad Hatton, Hector Rastrullo, Rakesh Sharma, William Wahl, Andrea Francis, Frank Pirrone, Tawney Warren, Dennis Wolfe

**MEMBERS ABSENT:** none

**OCCD STAFF PRESENT:** Dr. Gari Browning, President/Superintendent  
Ron Little, Vice President, Administrative Services  
Joanne Schultz, Dean, Business Services  
Thomas Moore, Director of Facilities  
Arti Damani, Bond Accountant  
Kelly Abad, Assistant to the V.P., Administrative Services

**GUESTS:** Don Eichelberger, Stegeman & Kastner, Measure A Bond Manager  
Casey Michaelis, Gilbane/EIS, Measure G Project Manager  
Ann Kennedy, Gilbane/EIS, Measure G Project Manager  
Chris Wilson, Gilbane/EIS, Measure G Project Manager

**OPEN MEETING:** The meeting was called to order by Rakesh Sharma at 6:00 p.m.

**COMMUNICATIONS  
FROM THE AUDIENCE:** None

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FROM THE COMMITTEE:** None

**SCHEDULED ITEM**

**1. Approval of the Agenda**

The agenda was approved with a motion to move agenda item #10 before agenda item #2.  
**Moved** / Francis / **Seconded** / Douglass / **All in favor**

**2. Approval of the 06/18/12 minutes**

The minutes were approved with amendments.  
**Moved** / Francis / **Seconded** / Warren / **All in favor**

**3. Committee Members' Attendance Report**

The committee attendance report is for your information.

**4. Recognition of Committee Members' Terms**

Dr. Browning thanked Andy Francis for serving as a Citizens' Bond Oversight Committee member over the last year and for accepting a second term on the committee.

**5. Selection of Committee Chair and Vice Chair**

It was recommended that Bob Douglass be the new Chair.

**Moved** / Francis / **Seconded** / Warren / **All in favor**

Bob appreciates the nomination. He stated that he wouldn't be here without Diablo Valley College and is very passionate about Community Colleges. He is also a big part of the Foundation.

Rakesh Sharma was nominated to become the Vice Chair.

**Motioned** / Douglass / **Seconded** / Wolfe / **All in favor**

Rakesh is a valued member and a real positive role model with the Foundation.

**6. Communications from Committee Members**

VPAS Ron Little asked if there any committee members have anything they would like to bring up. No comments from the Committee.

**7. Communications from Staff**

VPAS Little stated that the District has selected which architect team that will be recommended to the Board of Trustees for the Academic Core Project. The recommendation will be taken to the Board of Trustees in October. Cannon Design/Anderson-Brule Architecture is the firm and we look forward to working with them.

*Bob Douglass: Is the design team local?*

*Ron Little: They are national but have an office in San Francisco.*

Ron also mentioned that our audit work has been completed. The audit will be presented at our future meeting in January.

The District has refinanced the bonds, approximately \$98 million and saved taxpayers approximately \$8 million.

*Bob Douglass: Did the Argus print anything?*

*Patrice Birkedahl: No, they do not print anything that the District has going on.*

*Dennis Wolfe: Will the Tri-City Voice?*

*Patrice: Yes, they will.*

**8. Communications from the Public**

Bob Douglass asked about agenda item number 8 and about not seeing any text on this. Ron Little said that a question from a community member about the cost of bonds. How would this committee answer questions that might come before them about capital appreciation bonds, CABs. We have put together a power point presentation to show the committee about revenues and the selling of bonds. Ron presented noting the different types of bonds (presentation in minute's materials). Ron discussed capital appreciation bonds and convertible capital appreciation bonds.

Debt service includes interest and principle. Ron showed an example of a \$10 million dollar bond. In the final year, when the bond matures, the total debt service is \$15 million. If there is a 5% coupon bond, there are no interest payments and we will not pay the investors until it matures. You can see the 5% and that interest compounds on top of interest and you see a total debt service of \$16 million dollars.

*Bob Douglass: I don't know how it works to provide greater ability to manage tax rates. When the assessed value fluctuates then the capacity that exists in the current year goes untouched.*

*Rakesh Sharma: For someone that has a tax liability that is not going to change over the next 10 years, it doesn't matter what bonds they buy. Correct?*

*Ron Little: That is correct. The impact is on long-term.*

The repayment ratios are typically in between two-to-one or three-to-one. How do we fund long term capital from the investment side?

*Andy Francis: What is the reason for the 9.3 repayment? Did they have a poor rating on their bond?*

*Ron Little: We will look over that in a second when we talk about what effects repayment ratios.*

There are many factors. The length of the financing of the bond is one. Ed Code allows us to stretch it out to 25 years. We rely more heavily on the government code section, which is 40 years, instead of the education code section. Credit rating is another factor.

Ron discussed the options of redemption features. Bonds can be refinanced prior to maturity. Most bonds can be refinanced prior to maturity. Some cabs do not allow for refinancing. That is not an atypical structure.

The responses that were sent to the inquiry from the public were shown.

*Rakesh Sharma: When the ratio is higher, is it lack of knowledge from the people or is something else going on?*

*Ron Little: The answer is yes to your first question and there is more to the story. There is a lack of understanding of what goes into the cost of bonds. These numbers do not take into account the present value of money. The margin between the two is less. Shorter issuances with current interest bonds are a better option. They can get more cash than they could later and some districts opt to go with longer issuances. There needs to be more transparency with respect to the Board before they issue those programs.*

*Dennis Wolfe: There is potential for hyper-inflation when inflation goes up. I'm a little worried about that.*

*Ron Little: Inflation has been flat, as we know, but I agree that it is something to be monitored.*

*Bob Douglass: Was there a response?*

*Ron Little: He thanked us for the reply. He wanted to bring it to our attention and appreciated the response and understood it.*

**9. Measure A Financial Update**

Joanne gave a brief updated of the Measure A Financials. It is not much different than the last time we had a conversation. The available balance is shown without any available encumbrances. The total interest earned to date is shown. There is still interest that needs to be allocated to the program.

**10. Measure A Bond Projects Update**

Don Eichelberger gave an update on Measure A. We have a total of thirty-five physical projects. Thirty-two have been completed. There are three active projects in the system now: Geo Coils, Student Services Building HVAC and Science Modulars.

The total Measure A Budget is \$163 million. That amount will be increased by about \$50K by interest that is currently unallocated.

- Geo Coils at the Newark Center – We have an engineering failure going on right now. Solution is to completely redo the vaults. They are either due to bad products or bad installation. Current estimate to fix is \$2 million. May be covered by insurance. There may be litigation.
- Student Services Building HVAC – There are some days that some rooms in Building 7 are unbearable. The cost of this may be paid by E&O.
- Science Modulars – Chris Wilson will report on this project.

*Brad Hatton: Is that the first project in Newark? (Geo Coils)*

*Don Eichelberger: Yes*

*Andy Francis: Is there a quick fix to this? The District is paying for water. How receptive was the contractor?*

*Don Eichelberger: We are about to find out how receptive the contractor will be.*

*Rakesh Sharma: Is there a type of warranty?*

*Don Eichelberger: No, not for this system. E&O may come into play.*

- DSA closeouts – Don showed a picture of the DSA letter for the last old project for this campus within Measure A. This letter is important because it states that a project is done. Technically, the Board of Trustees is personally liable without the letter. DSA will deny permits if you have old projects open. There are currently no open projects with DSA, except for active projects.
- Below Grade Water Intrusion – This is the giant dewatering project. Training will be done on how to maintain the system and this will be handed over to the Facilities Department.

*Rakesh Sharma: Will these improvements help with the rain, etc.?*

*Bob Douglass: That is the theory.*

*William Wahl: The committee went on a tour of the Fremont Solar Project. Has it been turned online?*

*Chris Wilson: We will go through that project in a minute.*

## 11. Measure G Financial Update

Ann Kennedy gave an update of the financial reports and pointed out changes to the report. We had no interest earnings in our first report. There is a notation box to the right that we've added that discussed the standard three year bond. Cost status is a new box, which is catastrophic contingency. It is programmed in for the bond list revision. It was decided that it would not be grouped into the collective contingency on a per project basis.

Ann stated that she will be going over the bond list revision that was done after the period closed with the committee. That bond list revision will change the new report. One of the two pie charts was removed because we do not have other funding sources. We do not have other funding sources at this point, so it is redundant. This Committee is responsible for expenses. We are at a cumulative \$14.4M. Spending is ramping up at this time.

Ann went over the Measure G quarterly summary report with the committee.

*Brad Hatton: In regards to the catastrophic contingency, is this based on a percentage? Are we securing enough funds for that category? How is that determined?*

*Ann Kennedy: We revisited the District Facilities Master Plan and realignment of the projects. Once the plan was completed all the budgets were reviewed. At this time, 3% is where we initially began and that is very typical. Each project budget has a contingency in it and then there is an additional contingency for unforeseen conditions. At a certain point in the program, the Executive Team and Bond Program Team will discuss when to release them.*

*Rakesh Sharma: Is this catastrophic for things like the Geo Coils?*

*Ann Kennedy: Yes, we start putting away money for the rainy days.*

*Rakesh Sharma: In regards to unallocated interest earned, does that have to be allocated or can it sit in a pot?*

*Ann Kennedy: We encourage allocating it in the bond projects within the plan and do a bond list revision. There are projects that haven't made it onto the bond project list yet.*

*Rakesh Sharma: Can it be left? Yes.*

*Ann Kennedy: That can be management's decision to leave it in an untouched pot or they can move it in another project's contingency.*

*Rakesh Sharma: Did measure A have a catastrophic contingency set up?*

*Bob Douglass: I don't know what a catastrophic contingency is for. Is it for earthquakes, etc.?*

*Ron Little: Any unforeseen adverse events. When we get to the end of the program, we can put it into other projects. The management team is traditionally very careful. We have called it out as a distinct project, so to make a change it has to be approved by the Board of Trustees.*

*Brad Hatton: Would we have solved any problems had we done this for measure A?*

*Ann Kennedy: It is best practice. Our program team, with our experience, has found that if District's did not make a conscious set aside it left them struggling if things did come up. Our team always recommends these types of contingencies.*

*Joanne Schultz: While it was not called catastrophic, the Measure A bond interest was used in this manner. We waited until the end of the bond program to use it. It is a more formal way.*

*Tawney Warren: For the Measure A Bond there was a conscious contingency there. The money was then allocated to other projects. Is that correct?*

*Joanne Schultz: There were a number of bond list revisions at the end. There were a few projects in Measure A. There were projects that were set aside once we saw problems. Some of those projects have been resolved through Don Eichelberger's capable leadership.*

The following pages discussed are the August 8<sup>th</sup> Board item that went to the Board of Trustees. This was a major realignment of the District Facilities Master plan. It is not present in the financial reports. It occurred after the report closing date.

*Bob Douglass: Can we have overheads of this and add them to the presentations? We can present them on the screen.*

*Andy Francis: The budget total has changed dramatically. Is there enough in the \$349 million?*

*Chris Wilson: The District Facilities Master Plan made some significant changes to the projects. On the Bond List Revision it shows projects that are combined. These are not individual projects. For the Academic Core Buildings, all monies came together to make it one big project. We did not change the overall program, just aligned it. Projects will say consolidated next to them. There are 9 pages of detail about consolidation.*

*Hector Rastrullo: How do the soccer stakeholders feel about being lumped together with the baseball diamond? Do they worry about being lumped in?*

*Ron Little: The original estimates were very high-level. By consolidating, there may be some cost savings as we bid them out together.*

*Rakesh Sharma: Specifications are the same for the projects. It is the dollar amounts that are changing by consolidating.*

## **12. Measure G Bond Projects Update**

Chris Wilson discussed the Measure G Bond Projects.

- Fremont Photovoltaics - PG&E granted operation on August 1<sup>st</sup>. There is a lobby touch screen in Building 7. This allows everyone to see what type of productions we're receiving.
- Newark Photovoltaics – DSA approval in August. Have one lot complete out of the two lots we are doing it on. We are looking at a completion date of late this year or early next year.

*Rakesh Sharma: Is there a spacing standard? What determines the spacing?*

*Chris Wilson: The shadowing is what determines the spacing.*

- Quick fix projects: There are 10 projects in various design stages.
  - Concrete repair: All of the wood is gone and filled with concrete.
  - Roof Tiles have been removed and a piece of sheet metal was put up.
  - Civil Infrastructure Project: nearing completion right now. As the new buildings come in, we'll build a system. All things go through Building 1.
- Academic Core Selection – Cannon Design/Anderson Brule Architecture has been selected.
- Budget and Schedule Update: Bond list revision has been made. Scopes have been updated.

DFMP stands for District Facilities Master Plan.

**13. Selection of Annual Report**

A subcommittee for the CBOC annual report needs to be formed. Andy Francis volunteered. Bob Douglass is fine doing it since he is the new Chair.

**14. Evaluation of current meeting**

No comment.

**15. Topics for Next Meeting**

- Approval of the annual report
- Acceptance of the annual audit
- Interested in the Geo-Coils resolution.
- Administrative costs in bond money. Discussion of coming up with a policy statement.

It was stated that Rakesh Sharma is running for Fremont's City Council.

Bob Douglass adjourned the meeting at 7:24 p.m.