The meeting of the Measure D Citizens’ Oversight Committee was held at, 6500 Soquel Drive, room 2030, Aptos, CA on Thursday, February 7, 2013 at 9:00 am.

Present: Kathy Blackwood, Ceil Cirillo, Ronald Kaplan, Brian Mathias

Staff: John Hendrickson, Victoria Lewis, Graciano Mendoza, Joe Nugent

Guest: Jill Stenton, Vavrinek, Day, Trine (VDT), Joanna Bowes, Financial Advisor

Absent: Sharon Gray, Blaine Brokaw, Joseph Watkins

Kathy Blackwood called the meeting to order at 9:06.

I. **Introductions:** The committee introduced themselves and welcomed John Hendrickson, Interim President.

II. **Agenda Modifications:** None.

III. **Comments from the Public:** None.

IV. **Minutes:** The minutes of October 11, 2012 were approved (Cirillo/Mathias).

V. **2011-12 Bond Audit (June 30, 2012)**

Jill Stenton reviewed the unqualified audit opinion with the committee. She noted the following:

- The financial statements for the bond funds are free from material statement. $9.7 million of bond funds remain to be spent. $2.6 million were spent in the last year, primarily on the Watsonville expansion.
- The bonds are yield restricted, that is, the amount of interest that can be kept by the college out of the total earned is limited. Every 5 years an arbitrage calculation is performed. There is $55,000 estimated to be owed for interest in 2006-07 and 2007-08. It hasn’t been paid because it hasn’t been billed. Interest rates were higher then, now interest is practically nothing.
- Cash balances have decreased significantly as well, reducing earned interest.
- Note 5: June 30, 2012, of the $9.7M funds remaining, $7.7M were committed (signed contracts).
- Page 10—no deficiencies in internal controls were found
• Page 11—There are no issues of non-compliance. This is standard accounting language in paragraph one regarding internal controls. The auditor looks for potential misstatements. A review of controls is not a Prop 39 requirement. There are no findings. One date is to be corrected—February 24, 2012 in draft; January in bound copy.

Victoria Lewis explained that the audit and annual report are provided together so that the committee can see the financial report when they review the annual report.

Ms. Stenton also reviewed the performance audit, also known as agreed upon procedures.
• On page 3, the objectives state that the audit ensures that bond funds were spent on voter approved projects. The auditors obtained a list of expenditures and selected a sample to review.
• A sample including 65% of the total expenditures was selected—that is significantly large sample. Large and small, unusual invoices are included. Over $1.8M of $2.7 M total expenditures were audited.
• On page 4, the auditors concluded that the funds were expended properly.

The committee members asked whether building a new high school was a potential bond project--was that Delta High School or something else? Staff will research this question and bring information back to the committee. The list of projects given to the voters included everything that might be done but is not prescriptive; Cabrillo can’t do anything that is not on the list but doesn’t have to do everything on the list. The purview of the committee was discussed—to be sure that bond funds were spent on bond projects and not administrator salaries. The Governing Board has the responsibility to prioritize the bond projects.

The committee moved (Cirillo/Mathias) to accept the finance and performance audits. Ms. Stenton thanked the staff and said they were easy to work with.

VI. Annual Report and Timelines
The committee reviewed the 2011-12 annual report. Kathy Blackwood explained that according to bond counsel David Casnocha, only those members who were part of the 2011-12 committee could approve the prior year annual report. There was concern that Ms. Blackwood was the only member present from the prior year. The committee discussed the purpose of the report, that it is submitted to the Board of Trustees, posted online and made available to the community. The annual report schedule was delayed until the audit is ready; the downside of that decision is that the committee membership is out of sync with the report.

Current committee members will send suggested edits to Ms. Blackwood and opted not to take action on the annual report today. A telephone meeting to discuss the report further will be scheduled next week, and staff will consult with bond counsel.
VII. **Bond Refinancing**: Joanna Bowes addressed two issues:

1. The term bond refunding means refinancing the bonds, much like refinancing a home mortgage. Lower interest rates do not translate into a refund of property taxes; rather, it lessens the existing liability for each taxpayer and reduces the overall debt service by $10M. The tax on individual property tax bills will be less, but by a small amount. The college informed the county auditor of the need to collect fewer taxes.

2. The maturity date of Measure C is 2027, Measure D is 2039. When the refinancing occurred, the loan was not extended (that is not legal) but the payments were reduced. Final maturity for the 2012 refinancing is 2039. The amount saved per person is very small, it translates into 57 cents per $100,000 of assessed valuation, but looking at it from the other way, to raise a hundred million dollars costs everyone only several cents.

VIII. **Project Status Update**: Responding to the COC Request for Information, Joe Nugent reviewed the handout on definitions of deferred maintenance projects and funding sources (see attached). There is no specific list of projects that the college is working on. The college received a $500,000 endowment to fund the maintenance of the remodeled 800 building. New facility maintenance is funded from the general fund, state funds, if available, and now interest from an endowment, which demonstrates the support in the community. The committee thanked staff for the information.

Other updates included:

- Arts Education Classrooms: Received final certification from DSA.
- Health & Wellness Buildings: Received final certification from DSA.—nothing more to report.
- 800 Building Construction: under construction at the moment, on schedule and on time.
- 600 Building renovation: design going to DSA this month.
- Watsonville Green Technology Center: Complete. Awaiting DSA final certification. Received LEED platinum certification.
- Campus-wide signage project. Building 800 renovation means updating signage.
- Stadium restrooms project has been submitted to DSA.
- Delta modular were moved from the hill, they are now certified. Those are the kinds of things that will now be certified.

IX. **Committee Photo**: Postponed.

X. **Next meeting**: Staff will poll the committee via email.

Motion to adjourn (Kaplan/Mathias). The meeting adjourned at 10:38 am.

Action items:

| 1. Timeline to approve the annual report; consult with bond counsel | Victoria Lewis |
Citizen’s Oversight Committee  
Request for Information  
February 7, 2013

In response to the request for information at the October 11, 2012 Citizens Oversight Committee meeting, deferred maintenance projects can be categorized under the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Maintenance</td>
<td>Deferred maintenance is the practice of postponing maintenance activities such as repairs on both real property (i.e. infrastructure) and personal property (i.e. machinery) in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications.</td>
</tr>
<tr>
<td>Predictive Maintenance</td>
<td>Predictive maintenance (PdM) techniques help determine the condition of in-service equipment in order to predict when maintenance should be performed. This approach offers cost savings over routine or time-based preventative maintenance, because tasks are performed only when warranted.</td>
</tr>
<tr>
<td>Preventative Maintenance</td>
<td>The care and servicing by personnel for the purpose of maintaining equipment and facilities in satisfactory operating condition by providing for systematic inspection, detection, and correction of incipient failures either before they occur or before they develop into major defects.</td>
</tr>
<tr>
<td>Scheduled Maintenance</td>
<td>Periodic prescribed inspection and/or servicing of equipment accomplished on a calendar, mileage, or hours of operation basis.</td>
</tr>
<tr>
<td>State Scheduled Maintenance</td>
<td>The State Chancellor’s office requests that all 72 Community College Districts report and request funding for repair projects to facilities on an annual basis. Cabrillo College is required to keep a running list of projects and approximate anticipated costs; however no funding has been available since 2008.</td>
</tr>
</tbody>
</table>
Sources of Funding:

- State Scheduled Maintenance
- Federal
- Local

Example, private funding:

The Peggy and Jack Baskin Foundation has provided a building preservation generous donation of $500,000 that will support the 800 building STEM renovation project. The pledge payment schedule is $100,000 per year for five years; the first installment to be paid 1/31/13. The projected 4% payout is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
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<tbody>
<tr>
<td>2013-14</td>
<td>$2,000</td>
</tr>
<tr>
<td>2014-15</td>
<td>$5,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>$8,333</td>
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<tr>
<td>2016-17</td>
<td>$9,333</td>
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<td>2019-20</td>
<td>$19,000</td>
</tr>
<tr>
<td>2020-21</td>
<td>$20,000</td>
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