

Solano Community College District  
CITIZENS' BOND OVERSIGHT COMMITTEE

March 2, 2009 – 5:30 pm  
The Board Room (626)

ADOPTED MINUTES

CALL TO ORDER

A meeting of the Citizens' Bond Oversight Committee was called to order at 5:32 pm, Monday, March 2, 2009, in the Board Room of Building 600, Solano Community College by Bruce DuClair, Chairperson.

Members Present:

Jesse Branch, College Foundation  
Frank Crim, Construction/Trades  
Bruce DuClair, Taxpayers' Association  
Carol Landry, Business Organization  
Lillian Nelson, Student Body President  
Rozzana Verder-Aliga, Business Organization

Members Absent: James Conlow, Betty Frank

Others Present:

Dr. Robert Jensen, Interim Supt/President  
Lisa J. Waits, Ed.D., Vice President, Student Services  
David Froehlich, Director, Facilities  
Ron Richards, Program Manager, Kitchell CEM  
Lester Young, Project Manager, Kitchell CEM  
Stan Dobbs, Facilities Contractor  
Judy K. Anderson, Executive Assistant, Business Services  
David Casnocha, Bond Attorney, Stradling Yocca Carlson & Rauth

I. APPROVE AGENDA:

- Motion (Lillian Nelson), second (Carol Landry) to approve the March 2 meeting agenda. Motion passed unanimously.

II. APPROVE MINUTES:

- Motion (Lillian Nelson), second (Jesse Branch) to approve the February 2 meeting minutes. Motion passed unanimously.

Dr. Waits introduced Dr. Robert Jensen, Interim Supt/President and David Casnocha to the committee members. Dr. Jensen thanked the CBOC members for serving on the committee. He has been on the Solano College campus in the past and said that many good improvements were made as a result of Measure G.

III. EDMAC REPORT RECOMMENDATIONS: Examination of Receipt, Disbursement, and Use of Measure G Bond Funds – by David Casnocha, bond attorney with Stradling Yocca Carlson & Rauth:

- Mr. Casnocha introduced himself and said he has 33 years of municipal bond experience in K-14 school districts. He has provided bond counsel to Solano College and managed the sales of its Series A & B bonds. He gave a historical summary of how bond measures evolved. Measure G was passed by voters in November, 2002, in the amount of \$124.5 million.
- He said that some primary mandates of Proposition 39 include:
  - Greater level of project specificity to voters. Previously, it was only a 75-word statement. A full ballot text is required now.
  - The review bond expenditures to ensure it was spent correctly.
  - It establishes a citizens' oversight committee granted authority by the ed. code to review expenditures.
- A board resolution is required to establish the CBOC and create the Bylaws. He provided a prototypical example of Bylaws he created that is used predominantly throughout the State. The powers of the CBOC are contained in the Education Code.
- The CBOC is not a legally independent group, so that if it's discovered bond monies are not being spent correctly, legal action may only be taken if brought by a taxpayer (a CBOC member may take legal action, but only individually. As a committee, the CBOC cannot file legal action).
- The oversight is only to the Measure G bond funds—no other District funds.
- The CBOC also ensures that bond funds are not used for salaries.
- Mr. Casnocha described a situation at Foothill-DeAnza Community College District. It was sued because someone alleged it failed the specificity test. The college won because the court ruled that colleges aren't required to be exact and in great detail, in describing a project. The college can be "general," and describe the type of project.
- Attorney General legal opinion reported that prohibition of using bond monies to pay salaries was mainly for curriculum-type positions. Some staff salary and overhead costs can be expensed to a bond if staff can show that it was for the bond. The AG said it must apply the "but for" test—whereby, for example, "but for" Measure G, we wouldn't have incurred 60% of the time for Director of Facilities; "but for" Measure G, we wouldn't have incurred 20% of the CBO's time, etc. It must pass this test in order to expense it to Measure G.
- The CBOC should receive the same information the Governing Board receives relative to Measure G—not any more, not any less.
- The District's Board and its designee, usually the Supt/President, has the following authority, as outlined in the CBOC Bylaws, Section 3.4. Those are within the purview of the CBOC.
- The CBOC is required to inform the public and submit an annual report summarizing the Measure G activities of the prior year, usually to the Board. However, the CBOC isn't limited to just that—it can write a letter to the local papers, for example. Mr. Casnocha suggested looking at other colleges' websites for examples.
- The CBOC can see the District's annual financial audit. The bond audit typically follows the District's audit. They can visit the college's facilities. They can review efforts of the District to maximize bond proceeds with various cost-

saving measures like doing “green” and energy-efficiency upgrades—and show how are we saving money? Prop. 39 have an “anti-waste” component to it.

- The CBOC can disagree with a District decision on a bond purchase, and it can go to the Board with a recommendation.
- The CBOC is to comply with the Brown Act. It has to maintain records and provide for public access to records—like posting information on the District’s website.
- The CBOC needs to stay in place for 180 days after the last bond monies were spent. Right now, the District has about \$40 to \$50 million remaining.
- Mr. Casnocha said the CBOC members may call him anytime—it will not generate a bill.
- He said that Tom Henry has a good reputation and experienced in helping districts in financial distress.
- Mr. Casnocha discussed the EdMAC Report recommendations on Measure G. He said given the transaction that took place, the reimbursement resolution should have been passed by the Board; however, he doesn’t recommend it now because it’s after the fact and the District doesn’t foresee doing this again.
- He will email some materials like AG opinions, what constitutes a bond project, etc.
- Mr. Casnocha explained that a practice done by districts in the past was to pass “pyramid bonds.” The abusers, according to the IRS, would reimburse themselves for all the capital improvement projects from the past. IRS passed regulations saying that if a district wants to spend money in advance of the bond being issued, they need to formally state its intent to issue bonds for that purpose—such as a resolution. There is a timeline that a reimbursement is allowed—it is not open-ended.
- He says it is quite common for districts to do this and is permissible from a legal perspective. Bonds are supposed to induce projects, and not be used as a cash cow. He and his tax dept. looked at the \$1,045,000 transfer, and the paper trail should have been more clear. His focus is to protect the integrity and validity of the tax-exempt status of the bonds. A lesson to be learned from this: the District has to improve its methodology of record-keeping and transparency with respect to types of entries related to bond money.
- The District must keep for six years after the final bonds mature—the 2006 series bond matures in 27 years and add six years to it. The records kept include: investment of the bond proceeds, the interest earned, and all the expenditures. The IRS is doing random audits. The San Diego CCD is being audited now.
- The CBOC is not liable for mistakes made by the college—they’re an advisory group—not making decisions. However, the law compels the CBOC to report something they feel is not right by going to the administration, board, etc.
- The District has a vested interest in making sure everything is conducted properly because it may seek another bond in the future, and the CBOC is a channel to the public—to report that taxpayer money was properly used.
- Mr. Casnocha said he’s satisfied that things are appropriate, and processes will be improved.
- Ms. Verder-Aliga asked if all dollars properly spent include the \$1 million? The answer is yes.
- There is a question of \$217,000. It was determined that it’s an appropriate expense; however, Dr. Jensen stated that if there’s a discomfort—not legally,

but perception-wise, the college will reverse that cost. David Casnocha has given it a clean bill of health—the purchase of the software passed the test. Mr. Casnocha indicated the CBOC can direct staff to make a recommendation to the board to make a decision. If there's a perception problem and the college should go out for another bond, we'll change it.

- The Chair, Bruce DuClair, said we should send out a press release. The process was flawed, but the CBOC is satisfied with the analysis of the expenditures.
- Dr. Waits said the title of "TCP Maintenance," is misleading. She wants to assure the group that it was appropriate. It's the name of the software program—it was for the phone system.
- Dr. Jensen noted that staff will draft a proposed press release for the CBOC.
- Ms. Landry asked what are the plans to improve financial reporting? Dr. Jensen said the District is working with the State Trustee and will hire a new Chief Business Official. A serious challenge is the MIS problem—the implementation was flawed because we didn't run a parallel system. Carol said there were very similar events at Vacaville Unified School District—their first step to recovery was a new financial person, too. Dr. Jensen said that it colors everything we do, and we're not looking to blame anyone—we just need to fix it. Carol asked when the college come under a State Trustee? Dr. Waits replied it was approved at the January 7 Board meeting. Tom Henry is here in an advisory role.
- Dr. Jensen said Tom Henry is here until we get better stability by a new President and CBO and get over the accreditation hurdles and relay to the State Chancellor that Solano College is recovering.
- The S/P search committee met today after screening the applications. The goal is to have someone on duty by July 1.
- Mr. DuClair asked what is the due date for the accreditation report? The answer is April 1. Dr. Jensen said that Solano College will be in business—this is the gateway for most people for higher education. The college has work to do, and everybody gets it now. Dr. Waits said this has been good—the committee is engaged, the bond attorney provided good information and it's important for the public to know the college is moving forward.
- Frank Crim asked Mr. Casnocha if there are strict deadlines for project completion dates? David replied no, but there are regulations on how much time the District has to spend funds.
- Files and records have to be kept for 30+ years (the bond sale date + 30 years + 6 years after that). Electronic form is sufficient.
- Dr. Jensen thanked Dr. Waits for her work with the committee.

#### IV. ITEMS/ISSUES FOR NEXT AGENDA:

- None submitted.

#### V. ADJOURNMENT

- The meeting was adjourned at 6:47 pm.

jka