CITIZENS' BOND OVERSIGHT COMMITTEE

1-9-03
MINUTES

The meeting of the Sonoma County Junior College District Citizens' Bond Oversight Committee was held on January 9, 2003 in the meeting room of Pedroncelli Center, 2032 Armory Drive, Santa Rosa, CA. The meeting began at 3:05 p.m.

Committee Members Present:	John Dado, Chair Lily Bergfelt Barry Fisher Spencer Flournoy Ann Ryan Judy Shubin Marv Stubbs
Committee Members Absent:	Mike Hauser Frank Podesta

(Both members called in advance and expressed regrets for not being able to attend the meeting.)

College Staff Present:	Robert F. Agrella Curt Groninga Ron Root

1. <u>INTRODUCTION OF MEMBERS AND GUESTS</u>

2. <u>APPROVAL OF MINUTES</u>

   On a motion by Spencer Flournoy, second by Barry Fisher, the minutes were approved as submitted.

3. <u>PUBLIC COMMENT</u>

   None.

4. <u>PROPOSITION 47 AND SRJC BOND PROGRAM</u>

   Dr. Agrella reported that because the statewide bond measure, Proposition 47, was approved by the voters in November, the college is able to proceed with two of the major construction projects being planned currently. The new library construction project will be partially funded with $31 million of State bond funds, and continued planning for the expansion of the Petaluma Campus will be funded with $1.7 million of State bond funds.

5. SERIES 2002A BOND ISSUE

Mr. Root reported that the original timeline to complete the sale of the first bond issue in late November had to be adjusted to late January. This was caused by some delays in receiving County Board of Supervisors approval, and by the holidays. At the direction of President Agrella and the Board of Trustees, expenses of the bond sale will be underwritten from the principle amount of $60 million rather than from hiding them in the amortization schedule as an additional expense to be paid by the taxpayers. The General Fund will be immediately reimbursed from proceeds of the sale for the approximate $2.6 million of advances provided by the General Fund to cover bond project start-ups since the time of voter approval of Measure A.

Responding to a query about the meaning of the term “arbitrage,” Mr. Root explained that bond funds earn investment income that is allowed to be used to assist in covering the cost of bond projects. The term “arbitrage” is usually used to refer to the strict limitations established by the IRS code on the time period in which a public entity can earn investment income on tax-exempt bonds without a tax penalty. The general rule of thumb is that bonds may only be sold in amounts that may reasonably expected to be expended within a three-year period from the date of sale. Beyond that date, adjustments must be made in the investments to ensure that income does not exceed certain rate limits. The college’s financial advisor and underwriter will assist in monitoring this issue to ensure that the college remains in compliance with the federal tax code.

6. SEWUP PROGRAM

Mr. Root introduced this item by citing one of the responsibilities of the Citizens’ Bond Oversight Committee as contained in the Board of Trustee’s approved policy for the committee:

> “To carry out its role, the CBOC may review efforts by the District to maximize bond revenues by implementing various cost saving measures.”

The SEWUP Program provides an insurance alternative to the typical manner in which capital projects are insured, and might provide considerable cost savings on large construction projects. General contractors and subcontractors are all required by law to carry insurance for such risks as workers’ compensation, general liability, vehicle liability, excess liability, builders' risk, etc. Often, a large project may have dozens of subcontractors, all of whom have sought and paid for their own insurance coverage. Mr. Root explained that it is almost impossible to monitor these entities to ensure that their coverage is adequate and current. In addition, small subcontractors may have difficulty obtaining insurance in the current market, and they may pay exorbitant rates for the coverage. And if an accident occurs during construction, there is the likelihood that considerable time would be spent sorting out liability between the "competing" insurers.

Mr. Root described the SEWUP program. A Joint Powers Authority has been established for one purpose, and that is to find a low cost alternative for large construction projects wherein the entire insurance requirements for all participants is covered under one umbrella policy. This would not only ensure that all contractors and subcontractors are adequately and continuously insured, but would permit control over the amount of insurance coverage, control over disputes concerning any claims, and result in potential savings. Mr. Root cited data from the JPA showing the average total project cost includes approximately 4% for insurance coverage, and the SEWUP plan has historically saved 25% or more of those costs. The JPA's current contracted insurer is Zurich, one of the largest and most financially secure insurance companies in the world. The college would seek bids on construction projects showing the total cost with and without insurance, and then would compare those numbers to the Zurich bid to determine how to cover insurance requirements. Since the college has no obligation to use SEWUP, it preserves all options for consideration.

7. BOND PROGRAM EXPENDITURES TO-DATE

Mr. Root reviewed the standard reporting sheet providing updated expenditure-to-date information on bond projects. A total of $2,604,507 has been expended, with all funds coming as an advance from the college's General Fund reserves. Major changes from the last CBOC include the following: Culinary Arts Building (Brickyard) $300,126; Space Planning Consultants $155,362; and Library Planning and Drawings $236,336.

8. BOND OVERSIGHT COMMITEE WEB SITE

Dr. Agrella reported that substantial progress was being made toward the development of a web site dedicated to the activities associated with the Citizens' Bond Oversight Committee's work. The web site will allow the public to access the agenda, committee materials, and minutes of meetings. A test version of the website has been developed and it is anticipated that the site will be fully functional prior to the Committee's next meeting.

9. BUDGET PLANNING UPDATE

Mr. Root briefly reviewed the current status of the state budget and the impacts the current statewide deficit will have on the college's budget for 2002-03. Tomorrow (Friday, January 10, 2003), the Governor will release his 2003-04 budget and additional budget reduction will then be known.

ADJOURNMENT

The meeting adjourned at 4:20 p.m.

NEXT MEETING

tentatively scheduled for
2:00 p.m.
MONDAY
June 9, 2003
Shone Farm