

**Minutes of the Study Session of the Board of Trustees  
San Mateo County Community College District  
October 14, 2009  
San Mateo, CA**

**The meeting was called to order at 6:07 p.m.**

**Board Members Present:** President Karen Schwarz, Vice President Patricia Miljanich, Trustees Helen Hausman, Richard Holober and Dave Mandelkern, and Student Trustee Virginia Medrano Rosales

**Others Present:** Chancellor Ron Galatolo, Executive Vice Chancellor Jim Keller, Skyline College President Victoria Morrow, College of San Mateo President Michael Claire, Cañada College Vice President of Instruction Sarah Perkins and Cañada College Academic Senate President Martin Partlan

**Pledge of Allegiance**

**DISCUSSION OF THE ORDER OF THE AGENDA**

In order to accommodate guests, Barbara Christensen, Director of Community and Government Relations, asked that item 09-10-1C, Financing Plan for Cañada Vista, be considered immediately after Approval of Personnel Actions. There were no objections.

**MINUTES**

It was moved by Trustee Hausman and seconded by Trustee Holober to approve the minutes of the September 23, 2009 meeting of the Board. The motion carried, all members voting "Aye."

It was moved by Trustee Mandelkern and seconded by Trustee Hausman to approve the minutes of the October 6, 2009 meeting of the Board. The motion carried, all members voting "Aye."

**STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS**

None

**NEW BUSINESS**

**APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (09-10-1A)**

It was moved by Trustee Holober and seconded by Trustee Hausman to approve the actions in Board Report No. 09-10-1A. The motion carried, all members voting "Aye."

**FINANCING PLAN FOR CAÑADA VISTA (09-10-1C)**

Ms. Christensen provided updates on College Vista and Cañada Vista. She said the total cost of College Vista, which opened in December 2005, was \$9.3 million or \$233.52 per square foot. As of July 1, 2009, rents have repaid the District \$1.5 million and have funded a long-term capital reserve of \$120,000; between \$35,000-50,000 is added each year to this reserve. Since opening, nine residents have moved out to buy a home. The estimated cost for Cañada Vista is \$14.5 million or \$241.66 per square foot, which is 3.5% higher than College Vista. All units at Cañada Vista will be air conditioned, the units are slightly larger on average, the units have upgraded soundproofing and roofing, and the clubhouse is three times larger than the one at College Vista.

Ms. Christensen displayed photographs showing the progress of the Cañada Vista construction. She said the contract completion date is June 18, 2010. Construction is currently ahead of schedule, but the actual completion date will depend on rain and any schedule complications.

Trustee Mandelkern asked what the appropriate reserve account amount is for capital improvements such as repainting, reroofing, etc. Ms. Christensen said that in order to determine the appropriate amount, staff and the property manager went through capital items and determined what the replacement costs would be at the end of the normal life of each item. The reserve is set at an amount to provide those replacement costs when needed.

Executive Vice Chancellor Keller said the primary vehicle for financing a building is issuance of Certificates of Participation. The traditional method would be to finance the building over 30 years at the existing rate and sell off the Certificates of Participation. However, because of the current difference between long-term and short-term rates, District staff has met with bond counsel and the underwriter to discuss ways to take advantage of the short-term rates. The recommendation is to issue a short-term note over a long-term period with a five-year guaranteed rate which is currently approximately 2.25%. The note would be sold to the District using its retirement fund. Currently much of the money in the retirement fund is in the County comingled fund and is earning less than 1%. With this proposal, more money would be brought into the retirement fund at the higher short-term rate. No underwriting would be necessary and the issuance costs would be limited to bond counsel, title insurance and other insurance.

Bond counsel Chris Lynch of Jones Hall explained that the proposal is a lease-back arrangement whereby the District would lease certain of its existing assets to its Financing Corporation (Corporation) and the Corporation would immediately lease them back to the District. The Corporation would assign its right to receive lease payments to the retirement fund and the retirement fund would then give the District the amount of money it needs to finance construction of Cañada Vista. The leased assets would be the CSM library and public safety center. Mr. Lynch said the lease-back structure is very common in California and was used for College Vista. Mr. Lynch outlined the documents that will be brought to the Board on October 28 if a decision is made to go forward with the proposal:

1. A Lease Agreement between the District and the Financing Corporation
2. An Assignment in which the Corporation assigns its rights to receive lease payments to the retirement fund
3. Approving Resolutions of both the District Board of Trustees and the Corporation Board of Directors

Trustee Holober asked if, as both lender and borrower, the District has a requirement to be at arm's length and look at competitive interest rates. Mr. Lynch said this proposal is structured to be as close as possible to a market normal transaction, as if a third party unrelated to the District were buying the financing. Mr. Lynch said he and the District are working with the underwriter, Morgan Stanley, to make sure the interest rate chosen is appropriate for this situation.

Regarding the need to diversify the retirement pool, Trustee Holober asked if this proposal is overly concentrated with one issuer. Chancellor Galatolo said the concentration is high, at about 45% of the money in the retirement fund, but that the District is the one that must pay it back. He said the plan would enhance the District's ability to gain interest for the retirement fund rather than keeping that money in the County comingled fund where it earns less than 1%. Chancellor Galatolo said that general obligation funds have been set aside and are available to defease the lease financing at any time. Every year the situation would be evaluated and the Board would decide whether to defease or continue on. Chancellor Galatolo said the proposal is structured to allow the greatest flexibility.

Trustee Mandelkern said he is also concerned about the concentration issue. He requested further information on the structure of the retirement fund, whether the fund has an investment policy, any relevant Education

Code or other government code sections, and who the trustees of the fund are. Trustee Mandelkern said there is no question that the District would intend to repay the loan, but if there are unforeseen circumstances, e.g. an earthquake causing the property to be red-tagged so that no rents were coming in, the overconcentration in the retirement fund could become a factor. Executive Vice Chancellor Keller said the retirement fund, like all other District funds, is controlled by the Board. He said the Board approved establishment of a trust fund for post retirement benefits and a Retirement Board of Authority, members of which serve at the discretion of the Board of Trustees. However, this trust fund is not the same as the retirement fund that is to provide the funding. Chancellor Galatolo said that in the event of an unforeseen circumstance, the obligation would be paid off using the general obligation funds set aside for this purpose. Mr. Flynn said that security measures mimic those of traditional lease financing, including rental interruption insurance and the fact that the District must ask the Board annually to appropriate the lease payments as part of the budget.

Trustee Mandelkern asked for clarification on the library and public safety center being used as collateral. Mr. Lynch said that in order to obligate the District to make payments on an annual basis, it is necessary to use an existing asset which is available to the District at the current time. He added that collateral simply means it is available to be leased on an annual basis and the District can obligate itself to make lease payments; there is not a deed of trust which would be subject to foreclosure.

Trustee Holober asked if there is an amount that should be retained in the retirement fund to use for cash flow purposes if the State does not make timely payments to the District. Executive Vice Chancellor Keller said the District borrows from other funds for this purpose and looks at the retirement fund as a last resort. Chancellor Galatolo added that as part of the annual analysis, the District will look at the combination of cash flow and appropriate timing with market conditions to determine if it is time to use general obligation funds to offset the obligation.

Noting that many analysts predict an increase in interest rates, Trustee Mandelkern asked about opting for a relatively short duration as opposed to trying to lock in a longer duration at a lower interest rate now. Executive Vice Chancellor Keller said that long-term rates in California are not favorable at this time. Chancellor Galatolo said this is why it is important to have general obligation funds available for use when the timing dictates. Trustee Mandelkern said that 45% is very high and asked if any thought has been given to doing part of the financing through the vehicle recommended in the proposal and part through separate financing. Chancellor Galatolo said this could be done but it would trigger the costs of issuance and that other financing would not carry a greater guarantee.

Vice President Miljanich said it is important to note that the Board takes its concern about the retirement fund seriously. She said it is also important to note that employees will benefit from the development of this project.

Chancellor Galatolo said that in response to concerns expressed by the Board, staff will look into investment policy guidelines under California Government Code Section 53600. He said there could be separate modifiers for this specific element to make sure it is in compliance from a policy standpoint. This information, along with the documents described above, will be discussed at the October 28<sup>th</sup> meeting of the Board.

### **Other Recommendations**

#### **APPROVAL OF ACCREDITATION FOLLOW-UP REPORTS – CAÑADA COLLEGE, COLLEGE OF SAN MATEO AND SKYLINE COLLEGE (09-10-1B)**

It was moved by Trustee Hausman and seconded by Trustee Mandelkern to approve the reports as presented. Vice Chancellor Jing Luan said that included in all of the reports are the responses to District recommendations; District staff, including Vice Chancellor Harry Joel and Barbara Christensen, worked in conjunction with College staff on these recommendations.

Trustee Hausman noted the enormous amount of work and the complexity of the reports and said they are well done.

Trustee Mandelkern asked if a consultant helped with the preparation of the reports as was done last year at Cañada College and College of San Mateo. President Claire and Vice President Perkins said a consultant was not used at either College for these reports.

President Schwarz asked why the District was not required to respond on its own to the District recommendations. Vice Chancellor Luan said that since the District is not accredited, the responses had to be included in the College reports.

After this discussion, the motion carried, all members voting "Aye."

## **INFORMATION REPORTS**

### **FALL 2009 CENSUS REPORT (09-10-2C)**

Vice Chancellor Luan said the financial crisis has brought more students to the District. Total headcount increased by 7.8% compared to fall 2008. FTES increased by approximately 9% and load increased by 11%; the average load in the District is now 610. Two new categories under "Ethnicity," Multi Ethnicity and Pacific Islander, were added in order to be in compliance with federal guidelines. Since these categories are listed for the first time there is no comparison to the previous semester.

## **STUDY SESSION**

### **UPDATE ON SAN MATEO ATHLETIC CENTER (09-10-3C)**

Tom Bauer, Director of Auxiliary Services, presented a history of the fitness and aquatic center. Planning for the facility began in November 2006. Advance planning was done by the College of San Mateo Physical Education (PE) Dean and faculty. Community-based feedback was very positive and it was clear from an academic perspective that such a facility would be a benefit to both the College and the District as a whole. The facility was initially planned to be primarily an academic resource with an underlying enterprise component. After the passage of Measure A, the Construction Planning Department began working with the PE Dean and aquatics and adaptive PE faculty members, along with a fitness center equipment consultant. In fall 2007, Chancellor Galatolo asked Mr. Bauer to begin attending the planning meetings with an eye on an enterprise component. It soon became clear that the vision of the District team was not being met in terms of programming, equipment and layout. The decision was made to use the work that had been done as a baseline for the creation of the plan that has now become the final program for the facility. This program has generated positive comments from community members and fitness equipment experts.

Mr. Bauer said that on July 22, 2009, he presented an information report on the fitness center to the Board. He reviewed the building layout, goals and objectives for the facility and the status of the operational planning process. He also discussed the process by which the name San Mateo Athletic Club and Aquatic Center was chosen.

With a targeted opening date of February or March 2010, Mr. Bauer said fall 2009 is the right time to begin planning membership marketing to the San Mateo community. As a pro forma budget, job descriptions, staffing and marketing plans were developed, it became evident to the entire team that expert assistance was needed, particularly as it pertained to membership marketing. Mr. Bauer said he looked for a company that could help with both membership marketing and operations. He scheduled a meeting with representatives from San Francisco-based Club One, Inc. in early September. Mr. Bauer was very impressed and scheduled a presentation to District and College leadership. After that presentation, it was unanimously decided that the District would recommend entering into a relationship with Club One to help with the final phase of planning

and membership marketing. Approval to move forward with Club One was granted at the Board meeting of September 23, with a request for more information about Club One and the specific terms of the engagement.

The District's relationship with Club One pursuant to the contract award began on October 1 and Club One teams have been working side by side with Mr. Bauer. A number of meetings will be held with faculty and staff to assist and advise Club One through the final phase. Mr. Bauer said that throughout the process, he expects to learn more about the operational requirements of a community-based fitness and aquatic center. He said this is a complex operation and is a completely new business opportunity for the District. Mr. Bauer noted that a College enterprise like the bookstore or cafeteria is expected to be self supporting; it must also be able to fund depreciation and invest funds for future equipment and developmental needs.

Mr. Bauer said he has an extensive background in operating college bookstores and was hired to take the District bookstores to the next level. Approximately one year after he was hired, he was asked to add supervision of the food service contract, an existing professional services contract, and the vending contract. Mr. Bauer said these experiences have not only enhanced his auxiliary services skills, but have enabled him to recognize the value in operating that which is in your operational expertise, as are the bookstores, and to effectively partner with those who operate businesses better than we can ourselves. Mr. Bauer said the bookstores are run very successfully by the District team and the food services are run just as effectively by Pacific Dining under a professional services agreement.

Mr. Bauer said that as part of the pro forma budget process, staff has drafted a Request for Proposal for fitness and aquatic management. Mr. Bauer said he feels strongly that in the very near future, a formal Request for Proposal should be issued to qualified companies. It is his hope that such a request will help the team to "know what we don't know" operationally and crystallize the most effective way to move forward. Once a Request for Proposal is issued, the District management team will develop a completely open process available to all qualified vendors in the industry. Mr. Bauer said he believes that through the limited engagement of Club One, along with information obtained through a formal Request for Proposal, staff will have all of the information needed to make the best possible recommendation to the Board for the successful operation of the San Mateo Athletic and Aquatic Center. Mr. Bauer thanked the Board for its past support of him and the Auxiliary Services team. He asked for the Board's continued confidence as the team leads this endeavor to open the new enterprise in the District. Mr. Bauer assured the Board that the team will apply the same diligence and will report back to the Board throughout the process.

Mr. Bauer introduced Jim Mizes, President and CEO of Club One and Scott Landgraf, Chief Development Officer. Mr. Landgraf said Club One has been in business for 18 years. They operate corporate managed sites, commercial health clubs, community centers, a medical fitness center, and three college/university sites. They are active in 13 states and have more than 140,000 members. They have been voted by their employees as one of the Top 100 Employers in the Bay Area for three years in a row. Mr. Landgraf said Club One is committed to health and wellness and considers itself a partner rather than a supplier. Club One believes in innovative methods to take fitness and wellness outside of its four walls.

Mr. Landgraf outlined Club One's service to the District through their very specifically defined engagement:

1. Marketing through Opening – develop a budget, determine how to market/advertise, develop internal branding design (forms, etc.)
2. Operations – Budget and revenue planning, programming and staffing
3. Human Resources – Job definition, ad placement, respondent prioritization
4. Membership Services – Develop procedures and policies

Mr. Mizes said that in a typical fitness club, a member's experience is to meet with a fitness professional who sells the features and benefits, receive an orientation, and then "go forth and exercise" with no further exchange. Club One's vision of what their members will say includes: "they support me all the time," "it is like a life center," and "I've never gotten results like this before." Club One believes in fitness and wellness 24 hours a day and tries to help members find joy in movement. Key points of Club One's system are:

- WellPower – uses Meyer-Briggs testing coded by color so that the trainer understands his/her clients and can offer appropriate life cycle management. More than 30% of members take the test.
- Intelligent Intake System – uses exercise specialist and lifestyle coach.
- Weight Management – most members of fitness clubs come to lose weight; Club One helps members reach goals by understanding clients' differences.
- BeWell – an online wellness portal offering calorie count, meal planner, exercises to do at home, etc.
- Integrated Health Management – health screening and reporting.
- Habit Changer – platform for serving behavior change programs; it is a 42 day platform with supportive communication daily via email.

Trustee Hausman said that in the current economy, many people must make choices on how to spend money and she asked Mr. Mizes if he thinks there will be sufficient membership. Mr. Mizes said the fitness center will try to attract students, faculty and community members. He said that convenience is the most important factor in people's choice of a fitness club. He said that pricing will need to be competitive.

Trustee Mandelkern asked if there is mixed academic and community use at the other three colleges with which Club One partners. Mr. Mizes said there is mixed use at Cal State Long Beach, where Club One is the tenant. Trustee Mandelkern asked if they have experienced any challenges with blending the groups. Mr. Mizes said they have not. Trustee Mandelkern asked if there are issues with space management. Mr. Mizes said this is always an issue and that use of space is ultimately the partner's decision. Mr. Landgraf added that Club One needs to understand curriculum needs and then they can help with programming. Chancellor Galatolo said the center will also be a training facility for future instructors in fitness, Pilates, spinning, etc. Trustee Mandelkern asked if Club One has experience in managing a large pool/aquatics center. Mr. Mizes said Club One manages swim programs, including the program at the Peninsula Jewish Community Center, which is one of the most successful in the County. He said Club One does not have expertise in water polo teams but is excited to work with such programs as a partner.

Trustee Mandelkern asked if Club One tested any assumptions the District had regarding a marketing approach. Mr. Landgraf said they did preliminary analysis to gauge how many people will join within a five mile and eight mile radius. They found there is a viable market but it is difficult to predict how fast membership will grow. Mr. Mizes noted that more than 5,000 members signed up during the six months of presales for the new Jewish Community Center in Palo Alto.

Trustee Mandelkern asked Mr. Mizes where he sees Club One's relationship with the District going past the current contract. Mr. Landgraf said Club One is currently in a support model. He said he believes that health club experts should manage health clubs. Mr. Landgraf said he is keenly aware that the District would like to put out a Request for Proposal and that Club One will respond, fully understanding that there will be competition. Mr. Landgraf described models of how Club One could partner with the District:

- Club One could provide 100% of operations
- Club One could operate the facility and the District could operate the back office and memberships
- A Club One employee could be general manager and the rest of the employees could be District employees
- Support service models – Club One could provide consulting services only

Trustee Mandelkern asked Mr. Bauer if he will provide the Board with membership information, pro forma budget, staffing assumptions, etc. Mr. Bauer said he is working with Club One on these items and hopes to provide all information to the Board by December. Trustee Mandelkern said he would like to see the fee structure for different groups. Mr. Bauer said that in the pro forma, there are rates for students, faculty, staff and community members. Fees are also based on the method of payment.

Trustee Holober asked when the marketing will go out to the community. Mr. Bauer said the back cover of College of San Mateo's spring catalog is a rendering of the center and it gives a website at which people can complete a form showing interest in the facility. Trustee Holober asked if Club One's products will be part of the marketing as it becomes more concrete and specific. Mr. Landgraf said the District may include any programs it wants but they would be branded as the District rather than as Club One.

Trustee Holober said he is interested in hearing what the pricing will be, as well as terms and conditions of membership and how complaints from members will be dealt with. Mr. Mizes said that Club One has a 90-97% satisfaction rating by its partners. He added that 95 out of 100 comments are positive and that problems are corrected as they arise.

President Schwarz said she personally knows three people who do not live within five miles of the College but want to come to the fitness center because of the College's reputation. President Schwarz asked where the funding will come from for startup fees. Chancellor Galatolo said there is seed money in the budget for this purpose. President Schwarz said she is also interested in the fee structure.

President Schwarz asked how parking will be handled. Mr. Bauer said patron parking will be available; there is a meeting scheduled next week regarding this issue and more information will be available after that time.

Student Trustee Medrano Rosales said she looks forward to learning what the student membership price will be. Mr. Landgraf said this varies at different facilities.

Trustee Mandelkern asked if an initiation fee will be charged. Mr. Bauer said it will but total or partial waiver of the fee will be offered in advertisements.

Trustee Mandelkern asked if there will be a need for additional staffing for maintenance. Mr. Bauer said the facility will require more maintenance and he is discussing this with Vice Chancellor José Nuñez, Vice Chancellor Harry Joel and College of San Mateo Facilities Manager Diane Martinez.

President Schwarz said she heard there will be tours of facilities managed by Club One and asked if Board members could be included. Mr. Bauer said Board members are welcome and he will email them the schedule. Chancellor Galatolo recommended that Board members join the tour if possible. He asked if day passes could be provided to Board members and Mr. Mizes offered the passes.

President Schwarz thanked Mr. Bauer, Mr. Mizes and Mr. Landgraf for a thorough presentation.

### **RECESS TO CLOSED SESSION**

President Schwarz said that during Closed Session, the Board will (1) hold a conference with legal counsel regarding two cases of anticipated litigation, (2) consider two cases of student discipline, and (3) hold a conference with labor negotiator Harry Joel; the employee organizations are AFT and CSEA.

The Board recessed to Closed Session at 8:35 p.m.

The Board reconvened to Open Session at 10:20 p.m.

**CLOSED SESSION ACTIONS TAKEN**

President Schwarz reported that at the Closed Session just concluded, the Board voted 5-0 to recommend expulsion of two students.

**ADJOURNMENT**

It was moved by Trustee Hausman and seconded by Trustee Mandelkern to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 10:25 p.m.

Submitted by



Ron Galatolo  
Secretary

Approved and entered into the proceedings of the October 28, 2009 meeting.



Patricia Miljanich  
Vice President-Clerk