

**Minutes of the Regular Meeting of the Board of Trustees
San Mateo County Community College District
April 28, 2010
San Mateo, CA**

The meeting was called to order at 6:02 p.m.

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

Others Present: Chancellor Ron Galatolo, Executive Vice Chancellor Jim Keller, Skyline College Vice President of Student Services Lori Adrian, College of San Mateo President Michael Claire, Cañada College President Tom Mohr, and District Academic Senate President Patty Dilko

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Trustee Hausman and seconded by Trustee Schwarz to approve the minutes of the Study Session of April 14, 2010. The motion carried, all members voting "Aye."

PRESENTATIONS TO THE BOARD BY STUDENTS IN THE COLLEGE OF SAN MATEO HORTICULTURE AND FLORISTRY PROGRAMS (10-4-2C)

College of San Mateo student Brenda Bennett read a statement on behalf of the Student AIFD (American Institute of Floral Designers) Board, horticulture students and some instructors regarding plans for the Building 20 Complex; a copy of the statement is attached to the official minutes of record. President Miljanich thanked Ms. Bennett and others in attendance for their presentation. She said this is not an appropriate time for the Board to respond but they will make sure there is a response from administration. President Miljanich said the Board appreciates the group's interest in working with the District.

STATEMENTS FROM EXECUTIVES AND STUDENT REPRESENTATIVES

Executive Reports were presented by Skyline College Vice President Adrian, College of San Mateo President Claire, Cañada College President Mohr, Executive Vice Chancellor Keller, District Academic Senate President Dilko and Associated Students of Skyline College (ASSC) President Denisse Gonzalez. Copies of the Presidents' Executive Reports were available for distribution at the meeting and are attached to the official minutes of record.

Chancellor Galatolo said he was asked to present at the Annual Trustees Conference in Long Beach. Trustee Hausman will be recognized for twenty years of service as a trustee at the Conference's Sunday luncheon.

Vice President Adrian highlighted items in President Morrow's written report, including awards to the Skyline Chapter of Phi Theta Kappa, the March 17 Career Networking Night, and the 40th Anniversary Celebration to be held on May 6. Vice President Adrian announced that Skyline student Stephanie Nales was selected as a recipient of a Pister Scholarship awarded by the University of California-Santa Cruz.

President Claire said that Political Science Instructor Frank Damon invites elected officials to speak to students in his classes and Congresswoman Jackie Speier has done so many times. Congresswoman Speier will be the commencement speaker this year. Five CSM student-veterans were honored by Congresswoman Speier and President Claire thanked Mario Mihelcic, Admissions Assistant and Certified Official for Veterans Benefits, for his contributions to the veterans program.

President Mohr said two Cañada College students were selected for the All-California Academic Team by Phi Theta Kappa. Two students are recipients of John Kent Cooke scholarships. President Mohr asked Dr. Dilko to introduce two Honors Transfer Program students who presented at the First Annual Student Research Presentations today.

Nina Chen discussed her research topic, Krautrock, an obscure form of rock music which came out of Germany in the late 1960s. Krautrock was a direct response to issues of de-Nazification and was closely aligned with left-wing politics and the German student movement. Popular music of the time avoided any reference to Nazism and nationalism, while Krautrock sought to engage with these issues through the expression of the highly intellectual music of the German avant-garde of the 1950s and also through American rock.

Veo Rice discussed her topic, Chattel to Citizen-Children's Medical Rights versus Parental Religious Rights. Ms. Rice looked into faith-based healing and the exemptions allowed by some states, including absolution from prosecution in case of the death of a child. Ms. Rice also looked at the journey it took for children to become citizens as opposed to property and where children's constitutional rights have been violated by allowing parents full exemption due to religious beliefs. Ms. Rice said there is a movement to have the laws reviewed and modified.

Executive Vice Chancellor Keller said the District is preparing its tentative budget based on the information available. Governor Schwarzenegger promised to veto any budget that does not include the increases in funding for public universities and community colleges that he proposed earlier in the year. Chancellor Galatolo said it will be difficult for the Governor to keep this promise because of the continuing deficit.

President Dilko said the three College Senates have been responding to program revisions and program reviews which were submitted. The District Senate hosted a meeting with the AFT Executive Committee, at which they developed proposals to improve communication and effectiveness in areas of shared interest. Senate presidents and vice presidents attended the Spring Plenary Session of the State Academic Senate. There was discussion about legislative bodies' attempts to make community colleges do a better job regarding transfers, without recognition of the role that must be played by the UCs and CSUs. Among the resolutions passed at the Plenary Session were: Ongoing Concerns with the Accrediting Commission for Community and Junior Colleges; Adopt the *Student Equity: From Dialog and Access to Action* Paper (authored by Cañada Professor David Clay); Comprehensive Funding for Child Development Labs (authored by Professor Dilko); and Opposition to Proposed Modification of the Community College Mission. CSM Professor Diana Bennett authored the "Senate Support for AB 2400" which was referred to the Executive Committee.

Ms. Gonzalez said that in response to budget cuts, the Associated Students of Skyline College (ASSC) launched a Student Advocacy Campaign. Activities included a voter registration and postcard drive; distribution of a fact sheet; a mass email to students to inform them of upcoming events and ways to become involved; and the "Organize Don't Agonize" teach-in and workshop. ASSC collaborated on the organization of a "Stop the Education Cuts" rally. They also organized Skyline's participation in the March in March for which 111 Skyline students went to Sacramento. While in Sacramento, Ms. Gonzalez and other Skyline students met with State Senator Leland Yee to discuss their concerns about the budget. ASSC hosted the Student Senate for Community Colleges Region 3 meeting. ASSC also co-sponsored the Haiti Now Benefit Concert and supported other activities including the Journalism Conference, American Medical Student Association Pre-Med Club Conference, Career Night and several club activities. Five ASSC members will attend the Student General Assembly in Los Angeles this weekend. ASSC elections will be held next week. Trustee Schwarz asked Ms. Gonzalez if Senator Yee was receptive during their meeting. Ms. Gonzalez said he was both receptive and supportive as they discussed how cuts to categorical programs would be detrimental to students, particularly in a community as diverse as Skyline's. President Miljanich asked Ms. Gonzalez how the student voter registration was received. Ms. Gonzalez said not many students were registered previously. She said students generally did not understand how the budget problems affected them. In response to the outreach efforts, students are interested and receptive and there is good momentum at Skyline. Trustee Holober said he hopes students will use this momentum and enthusiasm to work in support of Measure G.

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

Mario Mihelcic said five CSM student-veterans were honored by Congresswoman Jackie Speier at a recent Young Adults Town Hall Meeting. The Veterans Program has submitted a proposal to the State Chancellor's Office for a Veterans Resource Center. If approved, there will be a dedicated academic counselor onsite six hours per week. The Veterans Program is working on getting support to fly POW and MIA flags during certain holidays and Mr.

Mihelcic thanked President Claire for his leadership and support on this issue. Mr. Mihelcic said the number of veterans being certified for benefits increased again this semester. Trustee Hausman said the least the District can do for students who served their country is to reciprocate by serving them. Trustee Schwarz said the Veterans Program began with Mr. Mihelcic helping with a book and, through his generosity, the program has grown. Trustee Schwarz said Mr. Mihelcic is an excellent example of volunteerism for our students.

Violeta Grigorescu, lab tech at CSM, said CSEA is part of a new organization called C.A.U.S.E. (California Advocates United to Save Education). The organization is committed to resisting further budget cuts to education in California. A rally will be held at CSM on May 19 from 4:30 to 6:30 in the Quad. Local elected officials will be invited to attend. Ms. Grigorescu encouraged all present to attend the rally as well.

NEW BUSINESS

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (10-4-2A)

It was moved by Trustee Holoher and seconded by Trustee Hausman to approve the actions in Board Report No. 10-4-2A. The motion carried, all members voting "Aye."

APPROVAL OF CONSENT AGENDA

President Miljanich said the Consent Agenda consists of Board Report 10-4-2CA, Acceptance of Gifts by the District. It was moved by Trustee Schwarz and seconded by Trustee Hausman to approve the consent agenda. The motion carried, all members voting "Aye."

Other Recommendations

APPROVAL OF SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT PROPOSED 2010-11 BOARD GOALS (10-4-100B)

It was moved by Trustee Hausman and seconded by Trustee Holoher to approve the proposed goals. Trustee Holoher said that goal #3, "Aggressively protect property taxes by maintaining a presence in Sacramento and good communication with our local legislators" might need to be more clearly described. President Miljanich suggested changing the wording to "Aggressively protect local control and retention of property taxes. . ." All Board members agreed and the motion to approve the goals as amended carried, all members voting "Aye."

ACCEPTANCE OF EXTERNAL FUNDS FROM THE STATE OF CALIFORNIA DEPARTMENT OF REHABILITATION AND ADOPTION OF RESOLUTION NO. 10-8 AUTHORIZING EXECUTION OF AGREEMENT (10-4-101B)

It was moved by Trustee Schwarz and seconded by Trustee Holoher to accept the funds as detailed and adopt Resolution No. 10-8. The motion carried, all members voting "Aye."

APPROVAL OF CONTRACT FOR COLLEGE OF SAN MATEO BULLDOGS WEIGHT TRAINING ROOM PROJECT (10-4-102B)

It was moved by Trustee Schwarz and seconded by Trustee Holoher to approve the contract as detailed in the report. The motion carried, all members voting "Aye."

APPROVAL OF SPECTRUM USE AGREEMENT WITH SEZMI CORPORATION (10-4-103B)

It was moved by Trustee Schwarz and seconded by Trustee Hausman to approve the agreement as detailed in the report. KCSM General Manager Marilyn Lawrence said she learned last Wednesday that County Counsel wants to make one final change to the agreement. Sezmi Corporation's president is out of the country and, therefore, is not available to approve the final agreement. Ms. Lawrence asked the Board to approve the amended agreement pending Sezmi's approval. If there are material modifications, the agreement will be brought back to the Board. The Board agreed to this request and voted unanimously to approve the amended contract pending Sezmi's approval, assuming no material modifications.

APPROVAL TO APPOINT MEMBERS TO THE SAN MATEO COUNTY COLLEGES EDUCATIONAL HOUSING CORPORATION BOARD (10-4-104B)

It was moved by Trustee Hausman and seconded by Vice President Mandelkern to approve the appointment as detailed in the report. The motion carried, all members voting "Aye."

INFORMATION REPORTS

PROSPECT AND TAXPAYER BENEFITS OF REFINANCING DISTRICT BONDS (10-4-2C)

John Sheldon, Managing Partner at Morgan Stanley, said the reason to refinance the general obligation bonds would be to capture savings which would then be passed on to taxpayers. If the decision was made to refinance, the District would issue a new set of bonds which would produce proceeds to the District. The proceeds would be placed into an escrow account and would be invested in securities. The proceeds would remain in the escrow account until the call date on the bonds which are being refinanced; the escrow then pays off the refunded bonds and they are legally defeased.

Factors which affect the decision on whether to refinance include:

- the interest rates on existing debt
- new borrowing rate
- negative arbitrage – the proceeds from the new bonds must remain in the escrow account until the call dates on the existing bonds; there is negative arbitrage because the District would be borrowing at a higher rate than what the proceeds in the escrow account yield; the District would lose money on the investment for the first couple of years until the old bonds are retired
- projection for interest rates in the future
- cost of District time spent on refunding

The District's existing bond rates are in the 5% range and new bond rates are in the 3.5% range. Morgan Stanley's projection for the 10 Year U.S. Treasury rate (currently 3.76%) is 5.50% for the fourth quarter of 2010.

If the District refinanced approximately \$60 million of its bonds and used a level savings structure, the net present value savings would be approximately \$2 million; this is equivalent to an annual tax rate reduction of \$0.13 per \$100,000 of assessed value. An accelerated savings structure could also be used and the refunding would generate the majority of cash flow savings in 2014. The savings would be substantially higher if the District waits until after the call dates on the current bonds, thereby avoiding negative arbitrage; however, there is uncertainty about what the interest rates might be at that time.

Vice President Mandelkern asked where the proceeds from the refunded bonds would be escrowed. Mr. Sheldon said the two general options are cash or U.S. Treasury securities. The County Pool is not a vehicle for the escrow. Vice President Mandelkern asked what interest rate variation would be acceptable if the District waited to refinance until closer to the 2012 call date. Mr. Sheldon said he will run an analysis to get precise numbers, but his guess is that the District could withstand 20 to 30 basis points. Vice President Mandelkern asked if Morgan Stanley's fee and other fees are factored into the savings. Mr. Sheldon said they are; the savings shown are net.

Trustee Holober noted that the amount that can be refinanced changed from \$100 million to approximately \$60 million during the period of time Morgan Stanley has been assessing the refunding. Mr. Sheldon said this is because municipal bond rates went higher and the new borrowing cost rates went up. Trustee Holober asked what the length of time is from approval to refinance to the actual sale date. Mr. Sheldon said the process takes from 45 to 75 days. Trustee Holober asked if there is the ability to increase or decrease the amount to refinance before the final sale date. Mr. Sheldon said the Board would pass a resolution stating they will refinance any bonds that save a certain percent of their par amount, and staff would make certain that the stated target is met when the bonds are priced. Alternatively, the Board could specify that there must be a certain percentage of savings overall. Trustee Holober asked if, during the two year escrow period, the District would be locked into particular treasuries or if short-term notes could be bought and rolled over. Mr. Sheldon said escrow rates are locked in at the time of borrowing. Trustee Holober asked how the District would cover the cost of the new bonds during the two-year period of negative

arbitrage. Mr. Sheldon said the County would levy the tax against the new bonds, while the old bonds would be paid from the escrow account.

In anticipation of questions from the public if the Board moves forward with refinancing, Vice President Mandelkern said he would like to clarify what happened in the past. He said it is his understanding that the issuance of Measure A bonds in 2006 was timed to near all-time low interest rates; therefore, refinancing of these bonds would not be an attempt to correct something that was done incorrectly. Mr. Sheldon said this is correct; the timing on both issuances was excellent. Vice President Mandelkern asked Mr. Sheldon if he believes there was anything in the way the District handled taxpayer money with regard to the bond issuances to indicate that mistakes were made or poor judgment was exercised. Mr. Sheldon said the District handled its general obligation bond issuances better than most school districts in the State because (1) it captured extremely low interest rates in both issuances and (b) the bonds were issued early, providing the chance for the funds to grow over time. Vice President Mandelkern said the bonds were issued in 2006 with the intention of earning more money, and the District would have made more money had the County Pool investment fund not lost a substantial portion in Lehman Brothers securities. Vice President Mandelkern clarified that since the District had no control over this investment, the loss of \$25 million rests with the County Treasurer rather than with the District. Mr. Sheldon concurred and said that Morgan Stanley recommended during the process that the District invest its money elsewhere. Chancellor Galatolo said the District tried to do so.

Trustee Holober asked where the District stands in terms of its rating when it goes out to market. Mr. Sheldon said the District is one of the highest rated community colleges in the State and its bonds will be extremely well-received. Executive Vice Chancellor Keller said the District was reviewed by Standard & Poor's less than six months ago and sustained the rating it had. Vice President Mandelkern asked if the negative publicity that the County has received has cast a negative reflection on the District. Mr. Sheldon said there might be a little focus on it but San Mateo County is still more highly rated than most counties in the State. He said Morgan Stanley will guide the rating agencies toward recognizing that the security to the bonds is property taxes within the County.

Vice President Mandelkern asked if this topic will be brought back to the Board for further discussion. Chancellor Galatolo said he believes the Board should have further discussions about setting a target for overall savings and about the issue of public perception. Recognizing that the District could save approximately \$2 million but would be paying underwriters, bankers and lawyers approximately \$500,000, the Board must grapple with whether to pursue the savings in light of how it might be perceived. Chancellor Galatolo said that if the Board achieves a level of comfort after these discussions, he would recommend that refinancing be brought forward as an action item.

DISCUSSION OF AT-LARGE ELECTIONS FOR COUNTYWIDE OFFICES (10-4-4C)

Trustee Holober said there is currently the threat of a lawsuit against San Mateo County because of the way it conducts elections for the Board of Supervisors. At issue is the question of whether an at-large system dilutes the ability of minority residents, as a protected class, to elect candidates of their choice or otherwise influence the outcome of an election. Trustee Holober said that although the District's situation is different because everyone runs at-large for the Board of Trustees, the District could be exposed and the issue should be examined. President Miljanich said the purpose of this discussion is to introduce the issue and consider discussing it further in the future, perhaps at a study session.

Vice President Mandelkern said the Board should examine the issue seriously and he is in favor of bringing the topic to a study session. He said that although the District's situation is different than the Board of Supervisors, there is a history of approaching school districts with the same issues. Vice President Mandelkern said it would be helpful for the Board to have data, e.g. how other countywide school districts conduct elections.

Trustee Hausman said that considering the problems currently facing the District, it is interesting that this topic should come to the Board before the District is even approached on the issue. She said that while trying to get more minorities involved is a worthy goal, the outside group which brought this forward does not know San Mateo County. Trustee Hausman said there are many affected groups and it is a very complex issue to study, and she is not sure about putting it on the agenda for a study session. President Miljanich said this discussion is being held to determine the opinions of the Board. She added that it is a reality that the Board does not reflect the diversity of the community.

Trustee Schwarz said she read an article regarding the Board of Supervisors issue which concluded that changing the method of voting probably would not make much difference. Trustee Schwarz said she believes that money spent on campaigns is a more important factor and she would prefer to see a cap put on what can be spent. Trustee Schwarz said she sees no reason to talk about this further.

Vice President Mandelkern said he would like to consider the issue in terms of being ahead of the curve, as the financial impact of losing a case in litigation could be substantial. Trustee Hausman said she would question a group that would put any district in a position of having to spend money on legal fees.

President Miljanich said the scope of the conversation could be expanded to include examining other ways to assist in diversifying the Board of the future. Trustee Holoher agreed that if the Board continues to examine the issue, it should also discuss the financing of races. Trustee Schwarz said she believes the motivation for some of the people bringing this issue forward might be to advance their position for future elections. Trustee Hausman agreed that there is a group that might be already determined on their point of view. Chief Financial Officer Kathy Blackwood said she heard at a meeting of the Association of Chief Business Officials that a group of attorneys is bringing these potential lawsuits forward as a way to make a living.

Lacking consensus to consider the issue further, President Miljanich suggested that the Board table the topic for the time being, monitor what happens with the Board of Supervisors issue, and bring the topic up again if needed. There were no objections from the Board to this suggestion.

STATEMENTS FROM BOARD MEMBERS

Vice President Mandelkern congratulated Trustee Hausman on her 20 years of service and on being honored this coming weekend. He also congratulated Doug Williams on his 50th win as College of San Mateo's head baseball coach. Vice President Mandelkern attended the Skyline President's Council meeting which is hosting the 40th Anniversary Celebration on May 6, to which everyone is invited.

COMMUNICATIONS

None

ADJOURNMENT

It was moved by Trustee Hausman and seconded by Vice President Mandelkern to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 8:04 p.m.

Submitted by

Ron Galatolo
Secretary

Approved and entered into the proceedings of the May 12, 2010 meeting.

Dave Mandelkern
Vice President-Clerk