

AGENDA
SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES STUDY SESSION
September 11, 2013, 6:00 p.m.
District Office Board Room
3401 CSM Drive, San Mateo, CA 94402

NOTICE ABOUT PUBLIC PARTICIPATION AT BOARD MEETINGS

The Board welcomes public discussion.

- *The public's comments on agenda items will be taken at the time the item is discussed by the Board.*
 - *To comment on items not on the agenda, a member of the public may address the Board under "Statements from the Public on Non-Agenda Items;" at this time, there can be discussion on any matter related to the Colleges or the District, except for personnel items and potential or existing litigation. No more than 20 minutes will be allocated for this section of the agenda. No Board response will be made nor is Board action permitted on matters presented under this agenda topic.*
 - *If a member of the public wishes to present a proposal to be included on a future Board agenda, arrangements should be made through the Chancellor's Office at least seven days in advance of the meeting. These matters will be heard under the agenda item "Presentations to the Board by Persons or Delegations." A member of the public may also write to the Board regarding District business; letters can be addressed to 3401CSM Drive, San Mateo, CA 94402.*
 - *Persons with disabilities who require auxiliary aids or services will be provided such aids with a three day notice. For further information, contact the Executive Assistant to the Board at (650) 358-6753.*
 - *Regular Board meetings are recorded; recordings are kept for one month.*
 - *Government Code §54957.5 states that public records relating to any item on the open session agenda for a regular board meeting should be made available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to the members of the Board. The Board has designated the Chancellor's Office at 3401 CSM Drive for the purpose of making those public records available for later inspection; members of the public should call 650-358-6753 to arrange a time for such inspection.*
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6:00 p.m. ROLL CALL

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

MINUTES

13-9-1 [Approval of the Minutes of the Regular Meeting of August 14, 2013](#)

STATEMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS

NEW BUSINESS

13-9-1A [Approval of Personnel Actions: Changes in Assignment, Compensation, Placement, Leaves, Staff Allocations and Classification of Academic and Classified Personnel](#)

Other Recommendations

13-9-1B [Approval of Response to Grand Jury Report, "Capital Appreciation Bonds: Ticking Time Bombs"](#)

STUDY SESSION

13-9-1C

Districtwide Sustainable Practices

RECESS TO CLOSED SESSION

1. Closed Session Personnel Items

A. Public Employment

1. Employment:

Cañada College – TRiO Counselor/Coordinator, Vice President of Student Services;
College of San Mateo – Cosmetology Aide, Business & Technology; **District Office** –
Supervisor of Custodial Operations (Skyline), Facilities/Public Safety; Payroll Clerk II,
Administrative Services; **Skyline College** – Visual Communications Coordinator,
Marketing, Communications & Public Relations

2. Re-Employment:

Cañada College – Instructor, Medical Administrative Assisting, Science & Technology

B. Public Employee Discipline, Dismissal, Release

2. Conference with Labor Negotiator

Agency Negotiator: Harry Joel

Employee Organizations: AFT, AFSCME and CSEA

CLOSED SESSION ACTIONS TAKEN

ADJOURNMENT

**Minutes of the Regular Meeting of the Board of Trustees
San Mateo County Community College District
August 14, 2013, San Mateo, CA**

The meeting was called to order at 6:10 p.m.

Board Members Present: President Karen Schwarz, Vice President Patricia Miljanich, Trustees Richard Holober and Dave Mandelkern, Student Trustee David Latt

Others Present: Chancellor Ron Galatolo, Deputy Chancellor Jim Keller, Skyline College President Regina Stanback Stroud, College of San Mateo President Michael Claire, Cañada College President Larry Buckley, District Academic Senate President Diana Bennett

Pledge of Allegiance

DISCUSSION OF THE ORDER OF THE AGENDA

None

MINUTES

It was moved by Trustee Mandelkern and seconded by Vice President Miljanich to approve the minutes of the regular meeting of July 24, 2013. The motion carried, all members voting "Aye."

STATEMENTS FROM EXECUTIVES

Chancellor Galatolo said he attended the orientation for new full-time faculty at College of San Mateo. He said he looks forward to the District Opening Day event tomorrow.

Chancellor Galatolo called on Rob Dean, Chief Public Safety Officer at Skyline College, to report on the lockdown of the campus last Thursday. Chief Dean said Lt. Paul Barbosa initially received information that a male had gone into the wooded area near Sweeney Ridge in back of the San Bruno jail carrying what looked like a gun case, and that the County Sheriff's Office was deploying armed deputies to the exterior of the jail. Subsequently, Lt. Barbosa received information from the San Bruno Police Department that a man with a gun was in the area and a shot was heard. Later information indicated that a man was seen exiting the wooded area with a rifle. Lt. Barbosa informed Skyline College Acting President Sarah Perkins and he and Officer Thomasito Reyes began lockdown procedures. Buildings with the Access Control and Alarm Monitoring System (ACAMS) automatically locked down successfully; Lt. Barbosa and Officer Reyes manually locked down portions of other buildings. An announcement was made via the Emergency Announcement System. At the same time, the San Bruno Police set up a command post and Dr. Perkins set up a crisis action center in President Stanback Stroud's office. Chief Dean was stationed at the crisis action center and Chief Brian Tupper, responding from College of San Mateo, was stationed at the police command post. Officers were stationed at the north and east entrances to the campus to prevent people from coming onto the campus. Chief Dean said communications among the crisis actions team and police command post allowed Dr. Perkins to make appropriate decisions with real-time information. Within ten minutes, the campus was secured and locked down.

Chief Dean said that Ed Barbarini, County Sheriff's Officer and Millbrae Police Bureau Chief of Police, contacted Public Safety Department Director Mike Celeste to say that the Public Safety Department and Skyline College staff did an excellent job. Chief Dean noted that Public Safety staff attended training in March which included a lockdown situation. Vice Chancellor José Nuñez thanked the Board and Chancellor Galatolo for investing in training and equipment for emergency response.

Skyline College President Stanback Stroud said that long-time faculty member Don Biederman passed away and she asked that the meeting tonight be adjourned in his memory. President Stanback Stroud said the President's Council will sponsor the Success Summit to be held at Skyline College on September 21. The Summit will bring together community leaders from all sectors to discuss issues that affect San Mateo County. Breakout topics will include transportation, communication and jobs. Keynote speakers are Angela Batanovich, CEO of the San Francisco Bulls Hockey Team and Marlene Jackson, a scientist at Genentech and founder of NexGeneGirls. The speaker at Skyline College's Opening Day ceremonies will be Dr. Jeff Duncan-Andrade. The College will hold "X-Treme Saturday" on August 17. The event is designed to streamline the matriculation process and will offer assessment testing, orientation, meetings with a counselor, and registration for classes. President Stanback Stroud said Skyline College welcomed fourteen new faculty members.

College of San Mateo President Claire said the College has become a place for meetings and events because of its beautiful facilities. Upcoming events include a major fundraising dinner for Kimochi House, a senior housing facility; the Housing Leadership Conference; and the San Mateo Forward Conference. President Claire said former College of San Mateo football player Rahsaan Vaughn has signed as a free agent with the New York Jets. *Pathway to College*, College of San Mateo's summer bridge program, was recently held. In keeping with the College's focus on the achievement gap with regard to age, the program connects with incoming students from the high schools and continues through their completion of the first year of college. One component of the program is peer mentoring. President Claire said the College's accreditation report will be sent to the Accrediting Commission for Community and Junior Colleges (ACCJC) on Monday. The College will hold a series of in-service trainings, particularly for those who will meet with site members of the site visit team.

Cañada College President Buckley acknowledged Facilities Manager John Hashizume and his staff for preparing the campus for the new academic year. He said Mr. Hashizume redesigned the bus stop area and made changes to the entrance at Farm Hill Blvd. to make the areas safer. President Buckley said there has been a rich pool of highly qualified people applying for jobs with the District. New hires at Cañada College include instructors originally from Hungary and Hong Kong; a new Dean of Planning, Research and Institutional Effectiveness originally from Taiwan; and new basketball coach Mike Reynoso who grew up locally. President Buckley said the College is working on revitalizing the University Center and one way has been to connect with partners in a slightly different way. A joint cabinet meeting and luncheon was held with the President of Notre Dame de Namur University. President Buckley met with Dr. David López, President of National Hispanic University, to discuss further partnerships. National Hispanic University is part of Laureate International Universities, which is partly funded by the Clinton Global Initiative (CGI). Dr. López invited Dr. Buckley to host a CGI event at the University Center in the spring. The President of Columbia University is expected to attend the event.

Deputy Chancellor Keller said the books were closed one day earlier than last year. He said the District is in the midst of an audit of mandated costs. He said the California economy is improving and the District will receive more funds for categorical programs such as special education, matriculation and instructional equipment. Deputy Chancellor Keller said he looks forward to a prosperous year.

District Academic Senate President Bennett said she attended the International Education Retreat on August 1. The Retreat was attended by faculty, administrators and classified staff. Guest speaker Kelley Brayton provided input on the District's international education program and commended the District on the strength of the work completed. President Bennett said flex activities for faculty will be held tomorrow after the opening day program; activities include discussion and input on the evaluation tools developed by the Performance Evaluation Task Force and Districtwide curriculum meetings. President Bennett invited those present to visit the Academic Senate website which she updated over the summer.

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 (13-8-1A)

President Schwarz said there was a minor change to the report; Item D, Changes in Staff Allocation for Cañada College, states that the staff assistant position is a part-time, 10-month position. It should state that it is a part-time, 12-month position. It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the actions in Board Report No. 13-8-1A as amended. The motion carried, all members voting "Aye."

APPROVAL OF CONSENT AGENDA

President Schwarz said the consent agenda consists Board Report No. 13-8-1CA, Approval of Community College League of California (CCLC) and California Community College Athletic Association (CCCAA) Membership Dues, 2013-14. It was moved by Vice President Miljanich and seconded by Trustee Mandelkern to approve the item on the consent agenda. The motion carried, all members voting "Aye."

Other Recommendations

APPROVAL OF ADDITIONAL FUNDING FOR THE EMPLOYEE SECOND LOAN PROGRAM (13-8-100B)

It was moved by Vice President Miljanich and seconded by Student Trustee Latt to approve the funding as detailed in the report. Trustee Holober asked if there currently are any non-performing loans. Barbara Christensen, Director of Community/Government Relations, said there are none. Trustee Mandelkern asked if there have been any foreclosures. Ms. Christensen said there have not been any foreclosures. Chancellor Galatolo said there were some loans that were “under water” but all have recovered. After this discussion, the motion carried, all members voting “Aye.”

APPROVAL OF REVISIONS TO BOARD POLICIES, CHAPTER 7 (13-8-101B)

It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the revisions as detailed in the report. Student Trustee Latt asked if the requirement in Policy 7.62 that any student seeking election as an officer in the Associated Students must maintain “the minimum grade point average (2.00 minimum GPA) and the satisfactory completion rate (50% or more of all units completed with grades of A, A-, B+, B, B-, C+, C, D or P)” would apply if there was a medical reason for not meeting the 50% completion rate. Robin Richards, Vice President of Student Services at Cañada College, said the requirements would still apply.

Regarding the statement in Policy 7.41 that “DSPS services shall be available to students with verified disabilities,” Vice President Miljanich asked who is responsible for verifying the disabilities. Jennifer Hughes, Vice President of Student Services at College of San Mateo, said the student signs a release allowing the College to receive information from a physician, psychiatrist, etc. From that information, DSPS staff make appropriate accommodations.

Student Trustee Latt asked for clarification regarding residence determination for military personnel and dependents as described in Procedure 7.01.4. Vice Chancellor José Nuñez said all active duty personnel stationed in California and their dependents are by law considered residents of the State.

Trustee Mandelkern asked if all of the revisions are based on standards from the Community College League of California or other sources. Vice President Hughes said the League’s Policy and Procedure Service provides information on legal changes, primarily in Title 5.

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

APPROVAL OF LETTER FROM THE BOARD OF TRUSTEES REGARDING ADVANCED PLACEMENT TEST SCORES AT MILLS HIGH SCHOOL (13-8-102B)

It was moved by Vice President Miljanich and seconded by Student Trustee Latt to approve the letter as presented in the report. Trustee Holober said he was approached by parents of Mills High School students regarding their concern that approximately 280 students had Advanced Placement tests voided and are required to go through the ordeal of re-testing because seating for the test takers was not done in exactly the way specified in the manual. Trustee Holober said there was no evidence of any wrongdoing by students. He said the voiding of the tests affects students’ placement and their beginning of college experience. He said some of the students are about to become students at the District’s colleges. He said the letter from the Board shows support for the students. Student Trustee Latt said one member of the Associated Students of College of San Mateo was affected by the decision to void the test scores. He said some students took more than one test and a total of 600 tests were invalidated. President Schwarz noted that a lawsuit has been filed on behalf of the students. After this discussion, the motion carried, all members voting “Aye.” Trustee Holober asked that a copy of the letter be sent to the Parent-Teacher Organization at Mills High School and others; staff will do so.

APPROVAL OF CONSTRUCTION CONSULTANTS (13-8-103B)

It was moved by Vice President Miljanich and seconded by Trustee Holober to approve the construction consultants as detailed in the report. The motion carried, all members voting “Aye.”

COMMUNICATIONS

None

STATEMENTS FROM BOARD MEMBERS

Student Trustee Latt said students at Skyline College were shocked and nervous on the day of the lockdown. He said he received a message immediately regarding the incident and he is thankful for the way the Public Safety Department handled the situation. Student Trustee Latt said the Chancellor’s Office provided recommendations on the proposed

bylaws for the District Student Council. The bylaws will be voted on at the next Student Council meeting and Student Trustee Latt will send copies to all Board members after they are approved.

Trustee Mandelkern commended the Skyline College Public Safety Department and administration for a job well done during the fluid situation that led to the lockdown last week. Trustee Mandelkern said he attended the new faculty orientation luncheon at College of San Mateo and said he is pleased that there are new faculty at all three Colleges. He said he looks forward to the Opening Day event.

Trustee Holober said he agrees with the remarks about the response to the Skyline College emergency and asked that the Board's appreciation be shared with the Public Safety staff. Trustee Holober said the news that the Accrediting Commission for Community and Junior Colleges (ACCJC) is being scrutinized by the Department of Education is very interesting. He said countless hours have been spent at the District and Colleges in meticulous preparation for the upcoming accreditation. He said the letter from the Department of Education would indicate that the ACCJC does not take the same approach. Trustee Holober said the expectation should be that everyone plays by the same rules. President Schwarz said several articles regarding the Department of Education letter were reprinted in the State Chancellor's Office's *Today's News* publication which is sent via email. She asked that copies of this publication be sent to all Board members in the future.

President Schwarz said she attended the new faculty orientation at College of San Mateo and said there was a positive atmosphere. She said the Board will adjourn in memory of Don Biederman and asked that President Stanback Stroud forward information to the Board on any services. President Stanback Stroud said the family said there will be no services but said contributions can be made to Phi Beta Kappa in his honor.

President Schwarz said she previously asked the Board to consider holding a retreat to discuss issues among Board members. She said she had a telephone discussion with Dr. Jerome Hunter who conducts workshops and is recommended by the Community College League of California. Dr. Hunter is a Distinguished Lecturer at California State University, Fullerton and is also a consultant with the College Brain Trust. President Schwarz distributed copies of Dr. Hunter's biography and encouraged Board members to visit the College Brain Trust's website to get further information. She said Dr. Hunter has worked with community colleges throughout the state. President Schwarz said that if the Board decides to follow through with holding a retreat, they will need to decide whether to use of the services of Dr. Hunter and consider how long the retreat should be, i.e. one-half day or a full day.

During discussion, all Board members agreed that they are in favor of holding a retreat. They discussed the issue of whether it would be better to hold the retreat before or after the November election. They also discussed the possibility of individual Board members speaking with Dr. Hunter before the retreat about what each believes the issues to be. All Board members agreed with this suggestion and President Schwarz will ask Dr. Hunter to call each Trustee. It was suggested that the Board could decide whether to move forward with Dr. Hunter conducting the retreat after individual discussions were held. Trustee Holober suggested that the Board follow its practice of holding retreats on Saturdays. Trustee Mandelkern said he believes he has no Saturdays available until after October 22. Board members agreed to discuss the timing of the retreat after their discussions with Dr. Hunter, who might have suggestions regarding the scheduling. Student Trustee Latt asked if all Board members should attend the retreat. President Schwarz said it will be an open meeting and anyone is free to attend.

RECESS TO CLOSED SESSION

President Schwarz announced that during Closed Session, the Board will (1) consider the personnel items listed as 1A, 1B, 1C and 1D on the printed agenda, and (2) hold a conference with agency labor negotiator Harry Joel; the employee organizations are AFSCME, AFT and CSEA.

President Schwarz said the next meeting of the Board will be a Study Session on September 11 at 6:00 p.m. in the District Board Room.

The Board recessed to Closed Session at 7:42 p.m. and reconvened to Open Session at 8:42 p.m.

CLOSED SESSION ACTIONS TAKEN

President Mandelkern reported that at the Closed Session just concluded, the Board considered the personnel items listed on the printed agenda and voted 4-0 to approve the items listed as 1A, 1B, 1C and 1D.

ADJOURNMENT

It was moved by Vice President Miljanich and seconded by Trustee Holober to adjourn the meeting. The motion carried, all members voting "Aye." The meeting was adjourned at 8:47 p.m. in memory of Don Biederman.

Submitted by

Ron Galatolo, Secretary

Approved and entered into the proceedings of the September 11, 2013 meeting.

Patricia Miljanich, Vice President-Clerk

BOARD REPORT 13-9-1A

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor-Superintendent

PREPARED BY: Harry W. Joel, Vice Chancellor, Human Resources and Employee Relations
(650) 358-6767

APPROVAL OF PERSONNEL ITEMS

Changes in assignment, compensation, placement, leaves, staff allocations and classification of academic and classified personnel:

A. REASSIGNMENTS

Skyline College

Bryan Besnyi Administrative Secretary Vice President of Instruction

Reassigned through the hiring process from a full-time Office Assistant II position (Grade 18 of Salary Schedule 60) into this full-time, 12-month position at Grade 27 of the same salary schedule, effective August 21, 2013.

District Office

Hyunsook Choi Accounting Technician Administrative Services

Reassigned through the hiring process from a part-time Staff Assistant position (Grade 21 of Salary Schedule 60) into this full-time, 12-month position at Grade 24 of the same salary schedule, effective September 1, 2013.

B. CHANGES IN STAFF ALLOCATION

Districtwide

1. Recommend a change in title for all Administrative Assistant positions to “Executive Assistant” at the same level (Grade 180S of the Classified Professional/Supervisory Salary Schedule 40). It is also recommended that the titles be changed for the current incumbents, Yanelly Pulido, Roxanne Brewer, Carina Warne, Theresa Tentes, Golda Margate, Sherrie Prasad, Jo’an Tanaka, Maggie Souza, Deborah Joy, Dennis Tordesillas, Robin Lee, and Jane Wong, effective September 1, 2013.
2. Recommend a change in title for all Administrative Secretary positions to “Administrative Assistant” at the same level (Grade 27 of the Classified Salary Schedule 60). It is also recommended that the titles be changed for the current incumbents, Bryan Besnyi and Deborah Laulusa, effective September 1, 2013.

Cañada College

1. Recommend a change in staff allocation to add one full-time, 12-month Program Services Coordinator position (Grade 27 of the Classified Salary Schedule 60) in the Student Services Division, effective September 12, 2013. The position will be assigned to work with the following programs: TRiO, Beating the Odds, Veterans, and Financial Literacy.
2. Recommend a change in staff allocation to add one full-time, 12-month Program Supervisor position (Grade 180S of the Classified Professional/Supervisory Salary Schedule 40) in the Student Services Division, effective September 12, 2013. The position will have leadership responsibilities for the grant-funded Associates to Bachelors (A2B) Program.
3. Recommend a change in staff allocation to add one full-time, 12-month Program Services Coordinator position (Grade 27 of the Classified Salary Schedule 60) in the Student Services Division, effective September 12, 2013. The position will have overall program coordination responsibilities for the transfer component of the grant-funded Associates to Bachelors (A2B) Program.
4. Recommend a change in staff allocation to add one full-time, 12-month Program Services Coordinator position (Grade 27 of the Classified Salary Schedule 60) in the Student Services Division, effective September 12, 2013. The position will have overall program coordination responsibilities for the university center component of the grant-funded Associates to Bachelors (A2B) Program.
5. Recommend a change in staff allocation to increase one part-time (48%) Office Assistant II position (3CC005) on Grade 18 of the Classified Salary Schedule (60) in the Student Services Division to a full-time, 12-month position, effective September 12, 2013. The position will support the Associate to Bachelors (A2B) Program and the TRiO Program.

Skyline College

1. Recommend a change in staff allocation to add one full-time, 12-month Program Services Coordinator position (Grade 27 of the Classified Salary Schedule 60) in the Center for International Trade Development and to delete one full-time Office Assistant II (2CC013) position at Grade 18 of the same salary schedule, effective July 1, 2013. Also recommend the reclassification of Pcyeta Jackson into the Program Services Coordinator position, effective July 1, 2013.

District Office

1. Recommend creation of a new classification titled, "Senior Executive Assistant" at new level Grade 197S of the Classified Professional/Supervisory Salary Schedule (40), effective September 1, 2013. In addition, recommend a change in staff allocation to add one full-time, 12-month Senior Executive Assistant position and to delete one Administrative Assistant position (1C0285) at the District Office, effective September 1, 2013. Also recommend the reclassification of Virginia Brooks from Administrative Assistant into this new position, effective September 1, 2013.

C. LEAVE OF ABSENCE

College of San Mateo

Gisel Martin

Office Assistant II

Creative Arts/Social Science

Recommend approval of a pregnancy disability leave of absence, effective August 21, 2013, pursuant to provisions of the Family and Medical Leave Act. Pursuant to District policy, employee is entitled to a maximum of 12 calendar months of leave.

D. SHORT-TERM, NON-CONTINUING POSITIONS

The following is a list of requested classified short-term, non-continuing services that require Board approval prior to the employment of temporary individuals to perform these services, pursuant to Assembly Bill 500 and its revisions to Education Code 88003:

<i>Location</i>	<i>Division/Department</i>	<i>No. of Pos.</i>	<i>Start and End Date</i>		<i>Services to be performed</i>
Skyline	Language Arts/The Learning Center	1	9/12/2013	12/31/2013	Program Services Coordinator: Assist in planning, implementation and evaluation of tutoring and academic support programs related to the Supplemental Instruction program.
Skyline	Vice President of Instruction/Center for Workforce Development	3	9/12/2013	6/30/2014	Office Assistant II: Provide assistance at required three-day trainings under the California Corporate College Contract throughout the academic year. The same person is required for each three-day session so multiple positions are needed to accommodate the schedule.

San Mateo County Community College District

September 11, 2013

BOARD REPORT NO. 13-9-1B

TO: Members of the Board of Trustees

FROM: Ron Galatolo, Chancellor

PREPARED BY: Barbara Christensen, Director of Community/Government Relations, 574-6510

APPROVAL OF RESPONSE TO GRAND JURY REPORT

The San Mateo County Civil Grand Jury issued a report titled "Capital Appreciation Bonds: Ticking Time Bombs." Pursuant to Penal Code Section 933.05, the Grand Jury requested that the Boards of Trustees of each school district in San Mateo County respond to its Findings and Recommendations. The District's response is attached to this report.

RECOMMENDATION

It is recommended that the Board approve the attached response to the San Mateo County Civil Grand Jury report.



**SAN MATEO COUNTY
COMMUNITY
COLLEGE DISTRICT**

Board of Trustees

3401 CSM Drive, San Mateo, CA 94402

P: (650) 574-6550 F: (650) 574-6566

www.smccd.edu

September 12, 2013

Honorable Richard Livermore
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center, 2nd Floor
Redwood City, CA 94063-1655

To the Honorable Judge Livermore,

In response to the Grand Jury report titled “Capital Appreciation Bonds: Ticking Time Bombs,” there are several statements in the Report on which the San Mateo County Community College District (SMCCCD) would like to comment. First, the report states that “CABs [Capital Appreciation Bonds] had been around for years, but because of their high debt service cost, they were not typically used. Instead, standard CIBs [Current Interest Bonds] were more common.” While CIBs were and are a more common financing tool used by tax-exempt debt issuers, CABs have been used routinely for many years by all types of issuers.

In fact, an issuer that needs to finance a bond payback with a defined revenue stream (like projected property taxes based upon an assumed constant tax rate levy and assessed valuation that is estimated to grow over a long period of time) may need to use CABs if it cannot leverage the revenue stream solely with CIBs. For example, many school districts, including SMCCCD, prefer to use a constant property tax levy and assume some level of annual assessed valuation (AV) growth that will drive the property tax revenue stream to repay general obligation bonds over time. Because CIBs have a fixed coupon payment that is typically paid semi-annually, at some level of escalation (assuming a reasonable coupon) an issuer will not be able to structure debt service to match an escalating revenue stream because the interest required to be paid on the CIBs will utilize all of the revenue projected to be available. For example assuming, over a 30 year period, that a revenue stream grows by only 2.3% annually, an issuer would not be able to efficiently structure debt service to escalate at the same rate without the use of CABs. In the case of GO Bonds, where most issuers prefer to assume a conservatively estimated constant tax rate over time (and use that figure on a tax rate statement provided to voters), without CABs, an issuer may have to assume a changing tax rate over time if a reasonable assessed value escalation rate is assumed, which is nearly impossible to do accurately.

While some school district issuers may have turned to CABs because steep property value declines pushed their tax rates to levels at or above their tax rate statement or statutory limits, and hence used CABs (back loaded after other debt service) to continue funding projects, SMCCCD has never been in that position. Rather, SMCCCD has used CABs simply as a structuring mechanism to achieve a certain debt service escalation rate (e.g., 4% annual growth) and thus achieve a more level tax rate, which is beneficial, in our view, to tax payers.

The report states that financing projects with CABs is similar to making payments only at or near the end of a project's useful life. This statement fails to recognize that CABs are typically used to fund only a portion of a project or projects. CIBs and CABS are most typically used together to achieve some specific finance structuring result, and while CABs may be sold in certain maturities, an issuer may be making CIB payments prior to or after a CAB matures. A GO Bond authorization is more accurately viewed in its entirety, and typically an issuer sells multiple GO bond series during the course of an authorization. By isolating only the CABs sold to fund a portion of an authorization, or one issue for that matter, the report ignores the overall financing efficiency of a financing program that includes CABs.

Finally, the report discusses San Mateo County school district GO bonds issues and states that "Three of the twenty CABs fall outside of prudent loan parameters, where the debt service is greater than four times the amount borrowed," citing reports by Santa Clara and San Diego grand juries that used that metric. In the current interest rate environment, debt service that is greater than four times the amount borrowed would not be prudent; however, this result could also be generated in high interest rate environments for long-dated CIBs. Similarly in an inverted yield curve environment, CABs could theoretically produce a lower ratio than CIBs.

Recommendations:

R3: The San Mateo County Community College District agrees with this recommendation. The District is adding the following to its policy on Bond Oversight Committee and Accountability Measures:

"When issuing or refinancing general obligation bonds, staff will evaluate multiple financing options, review them with the Board and make decisions based upon the District's specific financing objectives."

R4: The District agrees with this recommendation. Information about SMCCCD's bonds is available as part of the District's annual audit and is posted publicly at:
<http://www.smccd.edu/accounts/smccd/financialservices/auditreports.php>.

This response was approved by the Board of Trustees of the San Mateo County Community College District at its public meeting on September 11, 2013.

Sincerely,

Karen Schwarz
President, Board of Trustees

BOARD REPORT NO. 13-9-1C

DISTRICTWIDE SUSTAINABLE PRACTICES

There is no printed board report for this agenda item.