

MINUTES
October 11, 2006
San Mateo, California

The meeting was called to order at 6:16 p.m.

Board members present: President Mandelkern, Vice President-Clerk Hausman, Trustees Holober, Miljanich and Schwarz, and Student Trustee Young

Others Present: Chancellor Galatolo, Executive Vice Chancellor Keller, and District Academic Senate President Kapp

Pledge of Allegiance

NEW BUSINESS

President Mandelkern reported that an item needing action came to his attention after publication of the agenda. In order to place this item on the agenda, a 3/5 vote of the Board is required. President Mandelkern called for a vote to place item 06-10-4B, Resolution No. 06-15 of the San Mateo County Community College District Opposing Proposition 90, on the agenda; all members voted "Aye."

APPROVAL OF PERSONNEL ACTIONS: CHANGES IN ASSIGNMENT, COMPENSATION, PLACEMENT, LEAVES, STAFF ALLOCATIONS AND CLASSIFICATION OF ACADEMIC AND CLASSIFIED PERSONNEL (06-10-1A)

It was moved by Trustee Hausman and seconded by Trustee Miljanich to approve the actions in Board Report No. 06-10-1A. The motion carried, all members voting "Aye."

ADOPTION OF RESOLUTION NO. 06-13 OF THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT IN SUPPORT OF PROPOSITION 87, THE CLEAN ALTERNATIVE ENERGY INITIATIVE (06-10-1B)

It was moved by Trustee Miljanich and seconded by Trustee Holober to consider adoption of Resolution 06-13 in support of Proposition 87. President Mandelkern complimented Student Trustee Young on an eloquent email she wrote in opposition to this proposition and asked her to recap her position. Student Trustee Young stated that Proposition 87 places a severance tax only on United States oil companies and she does not believe it would make the U.S. less dependent on foreign oil. She believes that the amount of money that would come to community colleges would be insignificant in comparison to the harm it would do to the economy. Trustee Holober said that the proposition would provide funds for vocational training at community colleges and funds would be awarded on the basis of applications and proposed programs submitted. Trustee Schwarz noted that although she has personal reservations about the proposition, she will support it because it provides funds for community colleges. After much discussion, the motion carried, all regular members voting "Aye" and Student Trustee Young casting an advisory "No" vote.

ADOPTION OF RESOLUTION NO. 06-14 OF THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT OPPOSING PROPOSITION 88, THE STATEWIDE PARCEL TAX FOR EDUCATION FUNDING (06-10-2B)

It was moved by Trustee Hausman and seconded by Trustee Miljanich to consider adoption of Resolution 06-14. opposing Proposition 88. Trustee Holober said that although the proponents of this proposition are presenting it as a solution to the school funding problem, it would provide less than a 1% increase in funding. He added that the proposition is written in such a way that most schools would not be eligible for the funds and if they did receive funds, it would reduce their ability to obtain larger grants. After this explanation, the motion carried, all members voting "Aye."

REPORT ON LOCAL BALLOT ISSUES OF INTEREST TO THE DISTRICT AND ADOPTION OF "SUPPORT" POSITION FOR MEASURES A, I, M AND N (06-10-3B)

It was moved by Trustee Schwarz and seconded by Trustee Miljanich to consider adoption of a "support" position for Measures A, I, M and N. Trustee Holober said that some of the funds in Measure A would go to cities for parks and recreation, and that many of the cities are working with local schools for joint use of athletic fields. With this information, the motion carried, all members voting "Aye."

ADOPTION OF RESOLUTION NO. 06-15 OF THE SAN MATEO COUNTY COMMUNITY COLLEGE DISTRICT OPPOSING PROPOSITION 90, GOVERNMENT ACQUISITION, REGULATION OF PRIVATE PROPERTY (06-10-4B)

It was moved by Trustee Holober and seconded by Trustee Miljanich to consider adoption of Resolution No. 06-10-4B opposing Proposition 90. Trustee Holober reported that City and County Associations are strongly opposed to this proposed constitutional amendment. If a public entity rezones land, any landowners would be able to file suit, claiming that the rezoning affected their property values. This could cause cities and counties to lose large amounts of money. Trustee Holober said that passage would affect revenue for basic aid districts and could affect SMCCCD's chance of ever becoming a basic aid district. It could also have implications for land currently owned by the District. Trustees Hausman and Schwarz expressed concern about the misuse of eminent domain and the protection of property owners. President Mandelkern said that there are legal means available to challenge an eminent domain decision. After discussion, the motion carried, 4 members voting "Aye," Trustee Schwarz voting "No," and Student Trustee Young abstaining.

REVIEW OF COLLEGE VISTA BUDGET AND APPROVAL OF BUDGET TRANSFERS (06-10-100B)

It was moved by Trustee Schwarz and seconded by Trustee Hausman to transfer \$150,000 from the "District Costs" category to the "Construction Costs" category within the *College Vista* budget. Director of Community and Government Relations Christensen said that the Board Report for this item is self-explanatory. Chancellor Galatolo commended Director Christensen for her work on the College Vista project, and the Board concurred with the commendation. Director Christensen said that she will bring operating reports to the Board in the near future, along with a study regarding whether there is a need for more housing. Director Christensen suggested having a joint meeting with the Educational Housing Corporation and the Board of Trustees. Following discussion, the motion carried, all members voting "Aye."

Director Christensen reported that Jim Budd, a citizen who became involved with *College Vista* by taking photographs during the entire construction program, passed away recently; she asked that the meeting be adjourned in his memory.

CONSTRUCTION IMPROVEMENT PROGRAM MANAGEMENT CONTRACT AUTHORIZATION (06-10-101B)

It was moved by Trustee Hausman and seconded by Trustee Miljanich to approve the formation of a construction management contract with Swinerton Management and Consulting as outlined in the Board Report. Executive Vice Chancellor Keller said that discussions regarding the structuring of the contract with Swinerton for CIP II have been ongoing for some time. The District will have a better idea of the services needed from Swinerton as the scope of major projects is further identified during meetings with College personnel. He said that the proposed contract provides strong parameters, allowing the District to maximize effectiveness and efficiency.

Trustee Schwarz requested that there be an ending date in the contract; Executive Vice Chancellor Keller said that a date could be specified and, if a change is needed, could come back to the Board for approval. Trustee Schwarz asked who would monitor the hourly structure; EVC Keller responded that the District will monitor the hours. Trustee Schwarz and President Mandelkern both emphasized the importance of monitoring the hours very closely. President Mandelkern questioned why the rates do not differ depending on delivery method, e.g., design/build, etc. EVC Keller responded that a composite rate was used to determine hourly rates depending on staffing, and the type of staffing needed will be determined by the delivery method. The District maintains project by project control because it approves staffing for each project. Chancellor Galatolo added that the objective is to allow the District to control and manage projects so that they are completed efficiently and at less cost. President Mandelkern expressed concern that the "time and materials" nature of the agreement exposes the District to more risk and, if a project does not go well, it could cost the District more. He also expressed concern that, although there is a cap on costs for CIP II, there is no cap for individual projects. Vice Chancellor of Facilities Planning and Operations Nuñez noted that the District's Planning Department gained knowledge and experience during CIP I and is now better equipped to manage projects.

Vice Chancellor Nuñez presented a chart showing projected schedules and personnel needs for construction projects; the chart was prepared by Swinerton in response to information provided to them by the District. He noted that it is a "living document" and that projects may be completed in less or more time than projected.

Trustee Miljanich suggested that the Board or a subcommittee receive periodic progress reports. It was agreed that reports should be presented to the full Board.

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

STUDY SESSION

INFORMATION ON PROGRAM TO ACCELERATE ISSUANCE OF REMAINING GENERAL OBLIGATION BOND PROCEEDS (06-10-1C)

President Mandelkern urged all Board members to fully understand this issue because it will probably come before the Board in the future. Chancellor Galatolo introduced John Sheldon of Morgan Stanley, the District underwriter, and Bill Madison of Jones Hall, the bond and disclosure counsel. Natalie Perkins of Morgan Stanley joined the group later. Mr. Sheldon distributed a report on bond acceleration strategy and the projected results. He explained that because interest rates remain very low relative to historical rates, the District can accelerate its issuance schedule of the Election of 2005 GO Bond authorization, maintaining a tax rate within its original projection and generating additional interest earnings.

The District issued Series A (\$135,429,394.60) in April, 2006, leaving \$332.6 million remaining in its authorization, which originally was scheduled to be issued in three future series. Mr. Sheldon compared what the results would be if the District issued the entire remaining authorization in an accelerated issuance.

	<u>Post Series A Assumptions</u>	<u>Accelerated Issuance</u>
Average Cost of Funds	5.633%	4.729%
Interest Earnings	\$37.3 MM	\$86.4 MM
Average Tax Rate (\$ per \$100,000 AV)	\$12.18	\$12.21
Maximum Tax Rate (\$ per \$100,000 AV)	\$12.19	\$12.51
Final Year of Tax Revenue Leveraged	FY 2038-39	FY 2037-38

Since the issuance of Series A, the District has made plans to accelerate its capital expenditure plan in order to minimize its exposure to inflation in construction costs. Assuming this accelerated capital expenditure timeline, Mr. Sheldon compared the results of issuing four series of bonds and an accelerated issuance.

	<u>Four Series</u>	<u>Accelerated Issuance</u>
Average Cost of Funds	5.592%	4.729%
Interest Earnings	\$13.1 MM	\$48.3 MM
Average Tax Rate (\$ per \$100,000 AV)	\$12.42	\$12.21
Maximum Tax Rate (\$ per \$100,000 AV)	\$12.51	\$12.51
Final Year of Tax Revenue Leveraged	FY 2038-39	FY 2037-38

Board members asked probing and insightful questions regarding the benefits and risks of accelerated issuance, which were answered by Mr. Sheldon and Mr. Madison. President Mandelkern asked what the total cost of bond repayment would be under the two scenarios, citing this as the total cost to the taxpayers. Mr. Sheldon indicated that the total debt service under the four series scenario would be \$1.200 million. Under the accelerated issuance scenario, total debt service is \$1.102 million, which represents a \$98,000,000 savings for taxpayers. After discussion, there was consensus that it would be beneficial to the District to accelerate the issuance of the remaining general obligation bond proceeds.

Responding to a question regarding timing of the issuance, Mr. Sheldon said that the underwriter would need one month for preparation. Chancellor Galatolo said that the request for authorization could be ready for the November 8, 2006 Board meeting and then the underwriter would wait for the best market for the issuance. President Mandelkern said that the Board will take action when the issue next comes before them.

The Board recessed to Closed Session at 9:00 p.m.

The Board reconvened to Open Session at 9:40 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 unanimously approved the actions in Board Report No. 1A and 1B.

ADJOURNMENT

It was moved by Trustee Hausman and seconded by Trustee Miljanich to adjourn meeting in memory of Jim Budd. The motion carried, all members voting "Aye." The meeting was adjourned at 9:42 p.m.

The next Regular Meeting of the Board will be Wednesday, October 25, 2006 beginning at 6:00 p.m. in the District Board Room.

Submitted by

Ron Galatolo
Secretary

Approved and entered into the proceedings of the October 25, 2006 meeting.

Helen Hausman
Vice President-Clerk