Present: Mrs. Amy Covert, Chair; Dr. Herb Bonds; Mr. Ted Ensslin; Ms. Debbie Moreno; Mr. Ken Vaughan

Absent: Mrs. Cathy Prout; Mrs. Joan Smith; Mr. Cal Stead, Vice Chair (One vacancy)

District Staff: Mr. Tom Burke
Mr. Gary Reed
Mrs. Rafaela Cisneros

Guest:

Call to Order

Mrs. Amy Covert, Chair, called the meeting to order at 2:05 p.m., in the California Conference Room, District Office, 2100 Chester Avenue, Bakersfield.

Introductions

The Oversight Committee members introduced themselves.

Mr. Burke advised that Ms. Sandra Serrano, Chancellor, Kern Community College District, expressed regret for not being at the meeting; she was serving as the Chair of the Accreditation Team for the accreditation of the Micronesia Community College District. He indicated that the District is a collection of islands and is part of the Western Association of the Accrediting Commission for Community and Junior Colleges.

Approval of Minutes

It was moved by Dr. Bonds, seconded by Mr. Ensslin, to approve the minutes of the meeting of July 22, 2009; motion carried.

Kern Community College District Proposition 39 General Obligation Bonds Safety, Repair, and Improvement District (SRID) Financial Audit, fiscal year ended June 20, 2009

Mr. Burke advised that the District had pressed the auditors to move swiftly and they were accommodating, providing an audit fairly quickly. He stated that this audit was an unqualified audit. Mr. Burke shared copies of the audit, stating that the District has $68.2 million in unspent cash to date and about $61.4 million in the fund balance and accounts payable.
Mr. Burke pointed out in the asset section the “Due from Other Funds,” calling attention to the fact that at the last meeting, he had announced that an audit had been conducted of the District’s Scheduled Maintenance Projects that were completed with SRID funds. He stated that it was determined that $700,000 of those projects should not have been processed through SRID. He advised that funds were being transferred back into SRID from other funds. He stated that in terms of Schedule 1, Schedule of Project Expenses, it was a breakdown of all expenditures, accumulated expenditures through June 30, 2009, and the addition of the first two quarters of the current fiscal year. He pointed out a series of adjustments for the non-SRID Projects that reflected in the due from and indicated that the cash would be trued up in the current fiscal year.

Mr. Burke pointed out that the $68.2 million is the amount that the District received through the refunding that the Attorney General later found to not be an appropriate refunding mechanism. He reminded the members of the Committee that they had concurred with the recommendation to go ahead and transfer those funds to the debt fund to pay off future debt. He advised that the Board of Trustees agreed with the Committee’s recommendation. He indicated that the cash transfer would be completed this year, and there was a liability to the SRID debt fund.

Mr. Burke highlighted revenues of $2.4 million which was mostly interest income, cash balances, and the expenditures for the year were noted as well as some interfund transfers that had occurred. He called attention to the budget versus actual variance analysis. He stated that he forecast the interest a little high, as the interest came in lower than expected and the expenditures were lagging.

Mr. Burke advised that a matrix had been developed with assistance from legal counsel that helps evaluate every project to be absolutely sure whether it qualifies or not for funding by SRID. The matrix is part of the evaluation process.

Mr. Burke asked the committee members if they had any questions about the audit. He advised that the audit will not be presented to the Board of Trustees until the March 3, 2010, meeting. He asked that if the members had any questions between now and then, to please contact his office.

Project Status Report

Mr. Burke reported that Mr. Chris Addington, who usually provided the project Status Report, decided to go back into semi-retirement. Mr. Burke indicated that the District Facilities Department is adjusting to Mr. Addington’s transition and evaluating the District organization to determine what changes need to be made to accommodate that transition.

Mr. Burke distributed copies of the Safety, Repair, and Improvement District (SRID) Funds Facilities Report for 2009-10. He advised that the original Bond funds were $180 million, and to date, there was bond interest of $14,369,875, for a total of $194,369,875 available. He further reported that total funds spent to date were $88,851,898 and the total funds available for use were $105,517,977.
Mr. Burke provided a breakdown of the SRID spending by site: Bakersfield College $45,287,264; Cerro Coso Community College $18,166,098; Porterville College $18,723,993; and the District Office $6,674,544. He also highlighted projects currently underway and he detailed the SRID funds spent by delivery site for each College.

Mr. Burke reported that there was a lot of activity at the Delano College Center, including the completion of the relocatables project, planning was occurring on the Learning Resource Center and the Multi-purpose Building. He advised that there will be some brainstorming with Paramount who is currently leasing the former Delano College Center on Randolph Street. They remodeled the building at their cost. This site is where their BARD Academy is located. Mr. Burke advised that Paramount had expressed an interest in expanding as a partner with the District at the Timmons property. He commented that this might provide some opportunities for the District, primarily financial opportunities to possibly have some capital funds for projects that the District had not considered.

Mr. Burke indicated that the District is in a partnership with the Delano Joint Union High School District, with a joint venture on the Performing Arts Center and part of the Gymnasium as Bakersfield College is offering College classes on their campus.

Mr. Burke showed slides of current on-going projects that were in progress including the Bakersfield College baseball and softball fields; Security Planning Campus Video Surveillance and Intrusion Alarm System at Delano College Center.

Mr. Burke also shared photographs and/or renderings of projects that were not SRID funded but were exciting. They included the Bakersfield College Thermal Energy Storage System and Mr. Gary Reed indicated that it was 660,000 gallons of a treated liquid that will allow the College to shift the power consumption from daytime peak hours to the middle of the night where it is the lowest possible rate. The water will be cooled down to about 40 degrees and then the water will be pumped through during the day in the summertime through the heat exchangers so the College will not have to run the expensive chillers during peak demand times of the day. Mr. Reed indicated that it would offset the huge amount of the electric load; this does not reduce any electric usage but is reduced by one-third the cost.

Mr. Reed reported that another new project will be in the northeast parking, there will be an installation of a one mega watt solar photo voltaic field which will produce over 2 million kilo watt hours of electricity annually which is about one-third of the electrical use at Bakersfield College. It is a shade structure and it tracks the sun as it moves across the sky. He stated that one of the most exciting companies that he has seen in this industry, SunPower, submitted the best bid and engineering proposal. This project is on target to be completed by the end of summer.

Mr. Burke commented that he wished SRID funds could have been used for both of these projects. He stated that the only solar facility was the one mega watt facility at Cerro Coso Community College.
Photographs and renderings were shared of the Cerro Coso Community College Science Laboratory Modernization, Fine Arts Modernization and Addition, and the Main Building Modernization Projects. Mr. Burke reported that the District acquired sites in California City for a future center; he commented that essentially it had been determined that the base where the current center is located, Edwards Air Force Base, is becoming problematic for having an effective Center. He advised that land prices had plunged in California City and the District was able to take advantages of it.

Mr. Burke shared Porterville College projects which included the new Library, the new Wellness Center, and renderings of the Security Planning Campus Video Surveillance and Intrusion Alarm Systems.

Mr. Burke reported that there is $20 million in contingency funds for costs of inflation.

Dr. Bonds asked if a facility was funded by SRID and then the facility is used for another purpose by a different department and then need repair and/or maintenance, would those funds be SRID funds or District funds. Mr. Burke responded no, as the District cannot use the bond for the ongoing day-to-day maintenance, which must come out of the general funds. He commented that Scheduled Maintenance is an odd name, as it really is the District/College fixing capital items such as HVAC systems, fixing things for safety issues, etc. As long as those fall within the definitions identified in the bond plan, those can go through. Mr. Burke commented that even some of those will not fit the criteria.

Mr. Burke stated that there was $710,000 in maintenance projects that were evaluated in the audit and there was not a number that corresponded with a bond projects on the actual language of the bond.

Mr. Ensslin asked about a rumor that Porterville College would be building a new Gymnasium and a Cultural Center because the current Gymnasium is in such need of repair. He asked if the rumor was true. Mr. Burke responded that in the Capital Outlay funding the Gymnasium Project is listed and he believed that an FPP was submitted to the State Chancellor’s office. He commented that there is a proposed gymnasium; however, there were no SRID funds identified for that project.

Mr. Burke advised that this touched on the next agenda item.

**Strategy for Proposed Projects Funded by State Capital Outlay**

Mr. Burke advised that he wanted to give the members of the Bond Oversight Committee a heads’ up, stating that the District has attempted to use the bond funds to leverage capturing State bond monies and the District has been fairly successful in doing so. He commented that the problem is that the issuance of State bonds has come to a screeching halt. He referred to the fact that on the last general election there was no State bond to vote for and there will probably not be one in November 2010. He commented that in essence, other than a few projects at Bakersfield College, all of the other projects are significantly linked to future State bonds, and since there were two cycles of State bonds that had not gone to a vote, those projects will be frozen in time because there is not enough SRID funding to do the whole projects.
Mr. Burke reported that the District will do what it can with what is not tied to State capital outlay funds or where the District has not been allocated funds. Scheduled Maintenance Projects will continue to be done as they are not tied to SRID funds. He commented that if there is not a new State law in 2012, the District probably at that point will evaluate whether or not there will be one in 2014, and if not, the District will have to take the remaining bond funds and reshuffle the funds to the highest priority projects at each of the sites and pay for those projects at 100% with the bond funds. He stated that with the State economy, and the State Legislatures the way it is, and the reaction by the market of California’s indebtedness, he was not sure if a new State bond will happen very soon.

Dr. Bonds commented that the likelihood that the Community Colleges would be funded for construction out of State bond money is very small, because of Proposition 98 funding. The funding is going to go to elementary and secondary schools because all those splits have to be negotiated before the bonds are placed on the ballot. Mr. Burke predicted that it will be 4 to 6 years before seeing any State bonds, which will most likely force the District to make some decisions about moving away from some of the projects that were leveraged and do them out of the SRID funds. He stated that at this point the District should take a wait and see approach and not make a commitment at this time.

Dr. Bonds stated that he hoped the District realizes how fortunate they were that the Measure G SRID was passed; if it had not been done then, where would the District be now trying to construct anything. He commented that the District and Colleges had tremendously benefitted from Measure G.

Mr. Burke stated that at this point that is the staff’s recommendation to the members of the Oversight Committee and to the Board of Trustees. He stated that in the meantime the District will complete the projects that have been identified as 100% SRID funded and move forward from there.

Dr. Bonds asked Mr. Burke to share the Master Plans for the Northwest Center and the South site. Mr. Burke advised that the Northwest Center is located at the corner of Kratzmeyer and Enos Lane, across from Rio Bravo Greeley Elementary School. He indicated that there had been a little bit of a setback in that the new Global Warming Planning directives that were issued by the State to the Counties has somewhat stranded that property from being included in the next general plan. He reported that County Planning had essentially advised that the District will have to wait another reiteration before that property is included in the General Plan. He indicated at the same time, the District is re-evaluating the decision, a pretty good case that the District does not need to expand on that property for another 10 to 15 years. Mr. Burke indicated that related to the South property, the District was doing some joint planning with Bolthouse on this property and there may be some temporary facilities either with a lease or rental of a facility from Bolthouse temporarily to get started.
Mr. Burke reported that there will not be too many big capital projects in the near future because of the current economic situation; there will probably be a lot of little scheduled maintenance projects at Cerro Coso Community College and Porterville College; and the projects underway will be finished. He commented that the next project at Bakersfield College, which ironically was at the bottom of the list has moved up to the next project, and that will be an agriculture/horticulture laboratory modernization. It was scheduled for 100% SRID funds. The other projects in front of the laboratory modernization are some that are linked to other capital outlay projects.

Mr. Ensslin commented that with Athletics under jeopardy at all of the Colleges, he thought that it would be too long before the learning centers for student athletes. Mr. Burke advised that physical education courses and health courses are under significant pressure at the State level. He stated that the California State Universities and the Universities of California have essentially eliminated the physical education and health as a required course to graduate. It was noted that there is also talk about doing away with athletics period. Mr. Burke advised that the Chancellor has Operations doing some budget planning for a very extreme budget scenario and that extreme is not outside the realm of possibility. He commented that the current California budget situation is horrible and the proposed budget by the Governor has pipe dreams. He stated that the District is getting ready for the worst and the Board of Trustees is trying to determine how to manage utilizing its reserves. He commented that the District has built up reserves and wants to use those reserves in logical and methodical manner so as to not get caught short down the road, as there will be no new revenues to backfill the reserves.

Next Meeting

Mrs. Covert advised that when the Committee met last July, the date of July 14, 2010, was set as the next meeting date for the Annual Meeting. She asked if Cerro Coso Community College might be willing to host the meeting and the Committee members could visit projects at the campus.

Adjournment

The meeting was adjourned at 3:35 p.m.