

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
Independent Citizens' Bond Oversight Committee

June 19, 2019

MINUTES

(Approved on 12-9-19)

College of the Canyons

Canyons Hall Room 201

26455 Rockwell Canyon Road, Santa Clarita, California 91355

Members Present: Mr. Nicholas Lentini, Chair
Mr. Calvin Hedman
Mr. Don Kimball
Mr. Michael Lebecki
Mr. Sebastian Cazares, Associated Student Government Representative

Members Absent: Ms. Barbara S. Cochran
Mr. Michael Hogan
Mr. Kevin Holmes
Mr. Spencer Leafdale
Ms. Ruthann Levison

Others Present: **District Administration**
Dr. Dianne Van Hook, Chancellor
Ms. Sharlene Coleal, Asst. Superintendent/VP, Business Services
Mr. Jim Schrage, Asst. Superintendent/VP, Facilities Planning, Operations & Construction
Mr. Joe Gerda, Interim Asst. Superintendent/VP, Instruction
Mr. Eric Harnish, Vice President, Public Information, Advocacy & External Relations
Dr. Ryan Theule, VP, Canyon Country Campus and Grants Development
Mr. Jason Hinkle, Associate Vice President, Business Services
Mr. Omar Torres, Associate Vice President, Academic Services
Ms. Balbir Chandi, Director, Fiscal Services
Mr. Will Karrat, Director, Facilities Projects
District Staff
Ms. Mary Khair, Accountant, Fiscal Services
Ms. Sharlene Nguyen, Accountant Fiscal Services
Mr. Jon Young, Business Services Technician
District Guests
Mr. David Casnocha, Bond Counsel, Stradling, Yocca, Carlson & Rauth
Mr. Jason List, Principal, Isom Advisors – Financial Advisor
Mr. Trennis L. Wright, Senior Vice President, Public Finance, Piper Jaffray – Bond Underwriter

1. PRELIMINARY FUNCTIONS

The meeting called to order by the Chair of the Oversight Committee, Mr. Lentini.

(1.1)

The Committee reviewed the meeting agenda.

**Review of
Agenda
(1.2)**

The Committee reviewed the January 9, 2019 meeting minutes.

**Review of
Minutes
(1.3)**

The Committee Chair, Mr. Lentini, welcomed guests.

**Welcome
Guests
(1.4)**

2. FINANCIAL

Review of Life-to-Date Expenses by Project (Measure M) – As of December 31, 2018 (2.1)

Ms. Coleal presented the following information regarding the Life-to-Date Expenses by Project for Measure M as of December 31, 2018:

- In November 2006, the voters passed a ballot measure authorizing \$160 million in General Obligation Bond funds.
 - Through four issuances, net premiums, interest income, and a reserve fund, the total General Obligation Bond funds available is \$175,301,223.
- The Life-to-Date expenses and Obligated amounts added together totaled \$175,301,223.
- Funds spent on approved projects through December 31, 2018 totaled \$171,310,273.

Review of Life-to-Date Expenses by Project (Measure E) – As of December 31, 2018 (2.2)

Ms. Coleal presented the following information regarding the Life-to-Date Expenses by Project for Measure E as of December 31, 2018:

- The total General Obligation Bond funds available since the first issuance in April of 2017 totaled \$54,680,252.
- The Life-to-Date expenses and Obligated amounts added together totaled \$54,680,252.
- Funds spent on approved projects through December 31, 2018 totaled \$21,465,614 (almost half of the funds available).
- Some of the projects funded by Measure E began with Measure M General Obligation Bond funding.

Review of Life-to-Date Expenses by Project (Measure M) – As of March 31, 2019 (2.3)

Ms. Coleal presented the following information regarding the Life-to-Date Expenses by Project for Measure M as of March 31, 2019:

- The total General Obligation Bond funds available since the first issuance in May of 2007 totaled \$175,301,223.
- The Life-to-Date expenses and Obligated amounts added together totaled \$175,301,223.
- Funds spent on approved projects through March 31, 2019 totaled \$173,632,480 (99% of funds available).
 - The remaining \$1,668,743 was contractually obligated, encumbered, or budgeted to complete continuing projects.
- \$201,347,185 was estimated to come from other funding sources to augment Measure M funds for various projects (this includes the State, COC Foundation Capital Campaigns, Measures C & E).

In the spreadsheet detailing Measure M project expenses, Mr. Hedman asked why there was a difference between the Total Projected Project Cost and the Total Funds Spent/Obligated to Project. Mr. Hinkle clarified that the remaining balance (or the Variance to Total Projected Project Costs) would be covered by Measure E funds.

Ms. Coleal directed the Committees attention to the Detailed Report, Summary, and Other Funding Sources handouts in each of the Measure's packets and explained that they were sorted in order by major category of facility project.

Review of Life-to-Date Expenses by Project (Measure E) – As of March 31, 2019

(2.4)

Ms. Coleal presented the following information regarding the Life-to-Date Expenses by Project for Measure E as of March 31, 2019:

- On June 7, 2016, the voters passed a ballot measure authorizing \$230 million in General Obligation Bond funds.
 - The first issuance in April 2017 generated the total General Obligation Bond funds of \$54,680,252.
 - These funds reside at the Los Angeles County of Education treasury and have a 2% interest rate. The funds cannot be invested elsewhere.
 - There is a Net Premium of \$3,499,569 and Interest Income of \$1,180,683.
- The Life-to-Date expenses and Obligated amounts added together totaled \$54,680,252.
- Funds spent on approved projects through March 31, 2019 totaled \$28,381,896 (52% of funds available).
 - The remaining \$26,298,355 was contractually obligated, encumbered, or budgeted to complete continuing projects.
- \$99,711,023 was estimated to come from other funding sources to augment Measure E funds for various projects (this includes Measure M).
- On the Measure E Expenditures spreadsheet, the Variance to Total Projected Project Costs of \$45,548,527 will come from the second issuance of Measure E.
 - Ms. Coleal directed the Committee's attention to the handouts detailing the projects that will be covered by the second issuance their required funding – a total of \$85,100,000.

Mr. Kimball asked if funds were tracked between both Measures. Mr. Hinkle noted that the Measure M and Measure E Expenditures spreadsheets includes funds from both Measures for projects that used both sources - in the Total Measure Proceeds Committed column and in the Other Funding Sources column. It was suggested there should be an annotation noting this. Mr. Hedman suggested detailing out the Other Funding Sources with each source having its own column.

The question was raised about using State match, Prop 39 funds for projects. Dr. Van Hook explained to the Committee that the State match hasn't been predictable since 2008. Districts don't know if they are going to get the funds. The State match has already been approved by the voters, but the funds haven't been issued by the Governor. The District fully funded the CCC Science Building. There may be State money for the CCC Arts and Lecture Building from the State Bond fund, but the State allocations are not typically known in a timely manner.

It was noted that Santa Monica CCD worked on a new, \$100 million building for many years while waiting for State money.

A question was asked if Districts are reimbursed if they use General Obligation Bond funds on projects approved for State money. The answer is that K-12 gets reimbursed, but not community colleges. If one penny is spent on a project before State funding is approved, the District is no longer eligible for State money.

3. GENERAL

Bond Issuance Overview – Mr. David Casnocha, Bond Counsel, Stradling, Yocca, Carlson & Rauth

(3.1)

Mr. Casnocha gave an overview to the Committee of how bond issuances work.

- A bond issuance starts with a facility plan and a financial plan.
- Once the bond structure is identified, the legal documents are prepared, including a 30-page District Resolution; the security is identified (a general property tax levy); and the bond purchase contract is entered into with the Bond Underwriter, Piper Jaffrey. Piper Jaffrey, then, gathers financial and operating data about the District so investors can make informed decisions as to purchase the bonds or not.
- All documents will be presented to Board of Trustees on July 10, then to the Los Angeles County Board of Supervisors for approval of a Resolution agreeing to levy the tax and facilitate the bond, authorizing all the money. The funds are deposited in the County Treasury and stay there as restricted funds.
- Getting a rating on the bonds is needed even if they are secured by property tax. The financial rating agencies want to know the District's reserves, enrollment numbers, how much money it is making, how much in contribution comes from its Foundation, the strength of the local economy and tax base, etc.
 - There is an obligation for independent validation of the rating. The bond counsel has a duty to give a legal opinion that complies with all security laws, that shows due diligence was followed in the process, that nothing was omitted, etc.
- Securities are offered to the public through an official statement that has to meet federal security law standards.
- The exemption on federal income tax is based on reasonable expectations and the history of issuances to the District: were projects completed within the specified time-period, was the money spent on the specified projects, were the projects within budget, were the projects consistent with ballot measures, was the money used appropriately, did the District get DSA approvals, etc.
- Independent research on the District is done for assurance purposes. The Bond Counsel is interested in the same information as the Independent Oversight Committee. In addition, like the federal securities authorities, the Counsel is interested in what could potentially make headline news –what may come up after the bonds have been sold: lawsuits, threats, is the District exposed to federal security risk, etc.

Mr. Casnocha shared a Credit Rating Surveillance Review handout on the District to give a snap shot of what is shared with bond rating agencies, the Bond Counsel, etc. He noted that ratings for community colleges are going away from being lumped into governmental agencies and towards higher education organization ratings.

Mr. Lentini said he appreciated the reports presented to the Committee; the transparency and redundancy of all the processes; and the independent audits that show everything is being done properly.

Bond Pricing Overview – Mr. Trennis L. Wright, Senior Vice President, Public Finance, Piper Jaffray; Mr. Jason List, Principal, Isom Advisors

(3.2)

Mr. Wright and Mr. List presented a summary of the General Obligation Bond Public Offering process.

- The public offering process engages a number of external parties, each with different standards of care and liability (i.e., Bond Counsel, Disclosure Counsel, Municipal Advisor, Underwriter, rating agencies, and County Treasurer)
- The pricing in the municipal bond market exemplifies transparency:
 - The benchmark rates (municipal market data) by maturity date are published every day;
 - Market participants can view aftermarket trades of similar issues for comparison;

- Electronic order viewing is made available to the working group during the sale; and
- The pricing of each new issuance is published the same day.
- Timeline of Events
 - July 10: Step 1 – Board Authorization
 - A majority vote by the Board is required for the issuance to be approved.
 - The transaction documents (the Bond Resolution, the Form of Purchase Contract, the Form of Preliminary Official Statement, and the Form of Continuing Disclosure Certificate) will be made available for review.
 - July 24: Step 2 – Procedure Credit Ratings
 - The credit rating agencies perform an independent assessment and rate the District’s creditworthiness on a scale. Santa Clarita currently has a AAA rating from Fitch Ratings (highest possible) and a AA from S&P Global Ratings (Fitch and S&P are two of the three major credit rating agencies).
 - The credit review is multi-faceted and takes into consideration: local area wealth, new residential and commercial developments, adopted policies and practices, General Fund health, and liquidity and other financial measures.
 - There is mix of objective and subjective criteria – there is not a formulaic assessment.
 - Ratings are forward looking as much as they consider historical and present conditions and they take into account what is or what could change.
 - Rating agencies know about and take into account the Independent Citizens’ Oversight Committee and their role.
 - July 25: Step 3 – Due Diligence Review
 - Due diligence is performed by the Underwriter’s attorney and incorporate a review of documents (including audits), Board minutes, a questionnaire that addresses finances, cyber security, etc.
 - July 26: Step 4 – Preliminary Official Statement (POS)
 - The POS is the municipal market’s offering circular (or “prosecutes” – a market’s window into the District), which investors use as their primary document to assess the District’s quality as an investment.
 - The information the POS includes is an outline of the security for repayment, tables describing local demographics, lengthy description on how California funds its community college system, cyber security insurance (Information Technology department protection), and the General Fund historical performance (including the most recent financial audit). Cyber security is becoming increasingly important – i.e., Baltimore City was held hostage by malware recently.
 - July 27-August 5: Step 5 – Pre-Marketing
 - Analysts at financial institutions make their own assessments and price the risk accordingly.
 - Investor conference calls may be necessary when marketing difficult credits or when there are elements that warrant discussion.
 - August 5: Step 6 – Pre-Pricing
 - Pre-Pricing is the day before the sale and involves the Underwriter developing an indication of the public offering structure.
 - The structure is developed with consideration given to several information sources: pre-marketing, pre-pricing of competing offerings, and benchmarking against comparable sales (similar Districts and similar Bond amounts)
 - August 6: Step 7 – Price, Sell, and Underwrite
 - Each issuance has multiple maturity dates.

- The Underwriter makes a proposal based on the strength of the market generally, the subscription ratios and the composition of the orders.
- The Municipal Advisor and County Treasurer have the information they need to negotiate and improve yields for the issuer.
- The Pre-Pricing discussions and/or the strength of orders can lead to changes in the structure and pricing that benefit the issuer.
- Public offerings are inherently transparent via the public approval process, regulatory requirements for disclosure, due diligence requirements of participants, the disclosure document, pricing benchmarks being published and the order flow that can be viewed online.
- Benchmarks can be viewed by the public at Emma.org, but they are not as immediate to the public as to the industry.

4. FACILITIES

Construction Update

(4.1)

Mr. Schrage updated the Committee on the status of construction projects. Measure E will fund a lot of modernization for the District. (Modernization is taking an existing space and making it into a new space [changes its functions] to meet current needs.)

- **UCEN 258**: The most used meeting room on campus. It is 10 years old and needed renovation. New acoustic panels, new carpeting, and hard panels were installed.
- **Boykin 105 Lab Lecture Room**: This had not been updated since 1974. The project required complete replacement, which included new flooring, lighting, ceiling, seating, and acoustic panels. It is now the best lecture room on campus. Outside of the lecture room was a noisy gathering space – acoustic ceiling panels were added, and it is now a quiet foyer.
- **The Hub (X-6 - located next to the Campus Safety building)**: This is a place where students can go to job search and get help for questions they may have. It is about 14 years old and needed a new ceiling, floors, lighting, furniture, etc.
- **Phase 2 of the Door and Lock Upgrade**: Upgrades will begin in the next few weeks and includes upgrading lecture halls, labs, and offices to electronic locks that can be locked from the inside. Lecture halls and labs can be locked remotely.
- **Photo Lab Checkout Area**: The District spends hundreds of thousands on photography equipment that used to be stored in an open space. Now the equipment can be locked away and the storage spaced almost doubled.
- **Distance Learning – Library, 2nd Floor**: This was used to check books in and out, and now has been transformed into offices for online Distance Learning with a space for students to use.
- **Valencia Parking Structure**: This has been completed and is open for use.
- **ADA Transition Plan, Phase 1**: This was done in concert with the Boykin Lab improvement. An accessible ramp was added to the space outside of the Lab (this was the single biggest ADA Transition project).
- **PE West Modernization**: This is the largest modernization we have done with a space that has been untouched since 1972. Everything will be replaced. A multi-use room will be added in place of a small gym. The PE 101 room will be transformed into three classrooms. The women’s locker room will be renovated terrazzo (concrete rock floor/wall) – a long wearing surface that will just need refinishing and not replacing moving forward.
- **CCC Science Building**: Construction is ongoing, but rain delayed construction as well as the scheduled opening day.

- **New CCC Central Plant**: This will provide heating/cooling for all of the Canyon Country campus and is consistent with the District’s sustainable goals.
- **Civic Engagement Modernization in SECO Hall**: The current Student Business Office will be moved to a bigger, more modern space in Canyons Hall.
- **New Water Stations**: These are being added to both campuses.

5. COMMENTS FROM THE PUBLIC

Comments by Members of the Audience on Any Item NOT ON THE AGENDA (5.1)

Mr. Lentini asked if anyone had additional comments. There were no comments.

6. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING

Adjournment (6.1)

The meeting was adjourned by Mr. Lentini. The next meeting’s time and place will be determined at a later date.