

**North Orange County Community College District  
Citizens' Oversight Committee  
March 6, 2019**

**APPROVED MINUTES**

**Members Present:** Chuck Allen, Paul Jewell, Michael Miller, Leroy Mills, Mark Pavlovich, Mark Saucedo, Rhonda Shader, Phil Wendel,

**Members Absent:** Kevin Carr, Michael Cooper, Josh Kazarian, Chris Meyer, Elena Reyes

**Other Employees/Guests Present:** Eduardo Escobedo, Rodrigo Garcia, Cheryl Marshall, Megan Moscol, Oscar Saghieh, Alicia Santos, JoAnna Schilling, Greg Schulz, Leslie Tsubaki, Kashu Vyas, Fred Williams

**Call to Order:** Vice-Chair, Chuck Allen called the meeting to order at 4:05 p.m. and led the group in the Pledge of Allegiance.

**Public Comments:** There were no public comments.

**Approval of Minutes:** The minutes of the December 5<sup>th</sup>, 2018 meeting were amended and approved.

**Audit Report:** Fred Williams and Kashu Vyas introduced audit manager Alicia Herrera from Vavrinek, Trine, Day & Co., LLP to present the findings of the Measure J and Measure X audits performed for the fiscal year ending June 30, 2018.

There are two components to the audit performed, an audit of the financial statements and a compliance audit as required by law.

For Measure X the financial audit is presented with an opinion. For this fiscal year an Unmodified or Clean Opinion was given as the financial statements were materially correctly stated and there are no audit adjustments to the bond fund. The compliance audit tested 45% of the total expenses of Measure X to ensure that the monies were spent in accordance with the voters' wishes at the inception of the bond and that no administrative salaries were paid using bond funds. No exceptions were found, meaning that the District has spent the monies in compliance with the terms of the audit.

For Measure J the financial audit was presented with an Unmodified Opinion. The compliance audit tested 45% of the total expenses of Measure J and noted no exceptions.

A letter is included with each audit for the Board of Trustees and Citizens' Oversight Committee. Any difficulties encountered with management or any materials requested and not presented during the audit would be detailed in that letter. There are no instances recorded. District management presents auditors with the required materials in a timely manner.

Also included in the audits is supplementary information for the District's continuing disclosure requirements and used as evidence in the report to the clearinghouse.

It is anticipated that the audit to be performed for Measure X for the fiscal year ending June 30, 2019 will be the last one.

Questions/Comments:

1. *Is 45% a standard number for testing?* No, the sample for testing is chosen based on the dollar amount and volume of transactions processed by the District.
2. *No significant difficulties were encountered, what insignificant difficulties were encountered?* Audits are based on materiality, in every report a caveat of materiality is included, and cannot give positive assurance. Given that, there were no difficulties encountered with this District significant or not.
3. *This audit as presented is a textbook example of an audit. It is exactly what anyone would hope to see in an audit. The audit was conducted exactly as it was supposed to be conducted.*

**Measures X & J Updates:** Fred Williams expressed to the Committee that the Measure X Bond program is in the final stages. Measure X and J updates will be presented together.

The remaining funds in Measure X should be exhausted upon the completion of the buildout of the 10<sup>th</sup> floor at the Anaheim Campus. The final, formal close-out of the project will also be the conclusion of Measure X.

Measure J is preparing to spend a large sum of funds. There are a number of contracts that have been approved in recent Board of Trustees meetings, including a contract for more than \$92M for the SEM and VRC/SAC at Cypress College. In total, those projects will be about \$115M.

Eduardo Escobedo from MAAS provided the committee with the average increases in wages for skilled trade contractors over the past six years as requested by the committee at the previous meeting. There was a concern that there would not be a sufficient labor force for the upcoming Measure J projects.

Each of the trades involved in the SEM and VRC/SAC projects received multiple bids.

Questions/Comments:

1. *Can the committee members receive copies of the wage escalation table and corresponding charts?* Yes, they will be distributed via email.

**Cypress College Updates:** Fred Williams provided the committee with a detailed facilities update at Cypress College on behalf of Ryan Lippmann.

New Science, Engineering & Mathematics (SEM) Building – The groundbreaking ceremony for the New SEM took place on February 8, 2019. There was a very good turn-out for the festivities, a lot of students were in attendance.

The Notice to Proceed (NTP) was issued on February 6<sup>th</sup>, 2019. Expected construction duration is 24 months. The area has been secured by fencing.

Sundt Construction has bought out all of their subcontractors onto the project. Currently, value engineering is taking place with the subcontractors making recommendations that will retain quality but reduce costs. The target reduction is in the \$550K to \$750K range, with the money to be placed in the project contingency for unforeseen conditions.

New Veterans' Resource Center & Student Activities Center Expansion (VRC/SAC) – The groundbreaking ceremony for the New VRC/SAC Expansion will take place on March 15, 2019, at 9:30 AM. This project is bundled with the New SEM Building.

Sundt Construction will also be serving as the Construction Manager for this project. Expected construction duration is 17 months.

There are multiple funding sources for this project. The New Veterans' Resource Center is being funded through Measure J, the associated Veterans' Memorial Bridge and Tribute Garden will be completed using fundraised funds, and the Pond Refurbishments necessary to complete these projects will be paid for using Campus Scheduled Maintenance funds.

Swing Space Projects – Parking Lot 5 expansion has been completed. Roughly 400 spaces have been added. This will offset the 200 or so spaces lost to the SEM Building. The Student Activities Center move to the Gym II area has been completed. Both projects are in the close-out phase.

Update/Improve Infrastructure and Mass Communication and Security – The New SEM Building and New VRC/SAC Expansion will have an impact on the campus-wide infrastructure. Funding for these types of projects has been segregated out from the funding for the buildings themselves. These projects will still fall under the umbrella that contains the New SEM Building and New VRC/SAC Expansion. This is the method that has been chosen to track the multiple pieces of the larger project.

Questions/Comments:

1. *Are all of the contracts that you've awarded Guaranteed Maximum Price (GMP) contracts?*  
Yes, they are so long as the project stays within the listed parameters. There are multiple allowances that have been predetermined, the GMP is for anything that falls within those allowances. For unforeseen conditions above and beyond what is listed in the contract, that risk is still with the District. Any changes made by the District to the project will need to be paid for by the District. A schedule is in place. It is expected that there will be savings at the end of the project, however, there could be unforeseen conditions.

2. *The New SEM and New VRC/SAC Expansion groundbreakings are very exciting. There is a fundraising campaign for the New VRC that is ongoing. A new video for that campaign has just been completed. It will be previewed at the New VRC/SAC Expansion groundbreaking. Forest Lawn has donated \$100K and a single donor has contributed \$300K. The generosity of the community and the voters is staggering. The New VRC is really resonating with the community and will serve the community at large, not just the veterans at Cypress Campus. The Campus has raised a significant amount for the New Veterans' Resource Center and associated projects. However, more will need to be raised. While the fundraising is ongoing, the District has agreed to front the money so that the project can be completed.*
  
3. *What is the fundraising goal for the New VRC?* The fundraising goal is \$3M, inclusive of student services for veterans and just over \$1M for the infrastructure for the Tribute Garden and Memorial Bridge. The State of California has contributed a grant for \$100K to help provide top class support services for our veterans alongside the campus providing a state of the art building.

**Fullerton College Updates:** Rodrigo Garcia provided the committee with detailed updates of the major projects at Fullerton College.

New Instructional Building – So far, the process has been moving smoothly. The 100% Construction Documents (CD) are nearing completion and will be presented to the Building User Groups by March 22, 2019. A meeting with the Division of the State Architect (DSA) is scheduled for April 4, 2019, for the submittal of the 100% CD. The anticipated groundbreaking is January 2020.

As this is a Design-Build contract, the architect and the contractor are both already on board. This project was awarded to the Design-Build team as one project combined with the expansion of the existing Chiller Plant.

Chilled Water Plant Expansion Phases I & II – The initial budget for the expansion of the central plant was insufficient. At present, the campus has two cooling towers and two chillers. The original intent was to add one more cooling tower and chiller and laying the infrastructure for future replacement of the existing cooling towers and chillers.

The initial study conducted for this project understated the budget and the footprint needed to accomplish this objective. In conjunction with the problems we are having with the current cooling towers and chillers, it became evident that the scope of the project needed to change.

The new scope of the project is to replace the two existing cooling towers and chillers and add the planned third cooling tower and chiller. This will improve the efficiency of the current system and provide enough capacity for future additions to the campus. The Board of Trustees approved this scope change on February 12, 2019, and awarded it to the Design-Build team of RNT Architects and BN Builders.

300 & 500 Buildings – Although the project is still on pace, there have been some setbacks. This project is a renovation funded by the State and that presents some limitations. One of them is the 50% rule; the cost of renovation cannot exceed 50% of the cost of replacing the building. A rough estimate was initially presented to and accepted by DSA. In recent conversations with the architect, DSA has requested a more detailed cost of replacement estimate.

The Board of Trustees approved additional funds for this detailed estimate which was not included in the original scope of work.

Prior to the detailed estimate, the project was assessed to be at 40% of the cost of replacement. The detailed replacement estimate could change that. This has pushed back the DSA submittal timeline to roughly the end of March 2019.

300 & 500 Buildings Sewer Line – The sewer line leading from the 300 and 500 Buildings has been identified for replacement. It is not a part of the renovation of the 300 and 500 Building but will be done to address current issues with the line. The current plan includes re-routing the line so that it no longer runs under the Performing Arts Building and tying it back into the City of Fullerton sewer line. It will be completed before the renovation of the 300 and 500 Buildings.

This is one of the infrastructure type projects outside of the main scope of the project.

The campus is working with the City of Fullerton to obtain all the necessary permits for the replacement work. City permitting, the construction work for this project would take place during Winter Break 2019.

#### Questions/Comments:

1. *The construction cost will increase by \$6M to \$8M but also triple the capacity. That is great. However, why is the existing unit essentially obsolete after ten years? What is the typical lifespan of equipment like that?* The campus has had the chillers and cooling towers for roughly ten to fifteen years. The major issue is that the chiller equipment is meant to be housed indoors, the current central plant is completely outdoors. The elements have taken their toll on the equipment and shortened their lifespan. The new central plant will have indoor space for the new equipment. The cooling towers, which need to be outdoors, will have outdoor space as well.
2. *It seems like equipment like that should have more than a ten-year useful life?* It should be twenty-five years.
3. *How old are the existing pipes that are going to be replaced?* As old as the buildings; the 300 Building was built in the 1930s and the 500 Building in the 1950s.
4. *The sewer line is going to be refurbished during winter break. The Performing Arts Buildings are very busy during that time of the year. Both the theatre arts program and the*

*community at large utilize those buildings. It could be a large loss of revenue for the campus and would leave the theatre arts with few viable options. Will the Performing Arts Buildings still be useable at that time? Yes, the new construction will be in the alleyway near the 1300 Building. The construction should not be major enough to impact either the 1100 Building or 1300 Building. The campus also has Wilshire Auditorium that can be utilized if necessary during that time.*

**Anaheim Campus Updates:** Fred Williams provided the committee with detailed updates of the major projects at the Anaheim Campus and the District-Wide IT Network Refresh.

7<sup>th</sup> and 10<sup>th</sup> Floors Buildout – The 7<sup>th</sup> Floor Buildout has been completed. The 10<sup>th</sup> Floor Construction has been completed and the furniture is being moved in. The commissioning efforts and a few final details are being wrapped up.

The 10<sup>th</sup> Floor is primarily for the Vice Chancellor of Educational Services. They will be moved from the 1<sup>st</sup> Floor to the 10<sup>th</sup> Floor in early April. During the next meeting of the committee, the floor will be ready for a committee walkthrough.

Repurposing the vacant space on the 1<sup>st</sup> Floor left by the Vice Chancellor of Educational Services will be placed on the priority list of projects.

5<sup>th</sup> and 2<sup>nd</sup> Floors – The 5<sup>th</sup> and 2<sup>nd</sup> Floor Notice of Completion was filed on December 11, 2018.

IT Network Refresh (all campuses) – This is to look at the District network and wireless capabilities. A Request for Proposals (RFP) was released. Interviews have been conducted with different respondents. The evaluation of firms is on-going. A recommendation is expected to be presented to the Board of Trustees (BOT) in late March 2019.

A firm has been hired to assist with managing the project.

This project has been in the planning stages for a long time. District IT and the different campus IT teams have come together to ensure this project meets the needs of the District and campuses moving forward.

The infrastructure portion of this project is funded by Measure J and the equipment component is funded by Capital Outlay funds.

Questions/Comments:

1. *When is the anticipated change over from the old IT system to the new system expected? It should be roughly twelve months out. It is a lengthy project. The goal is to minimize disruptions while also ensuring a smooth transition.*

**Financial Review:**

Measure J Financial Summary – Purchase Orders totaling \$26M have already been issued to date. The actual expenditures have been \$16M.

With the recent Board of Trustees approvals, another \$150M is going to be issued. The balance of Series A is not enough to account for the total amount of contracts that have been awarded, but not yet issued. In conjunction with all of the other projects that are known to be coming down the line, another \$129M will be needed.

Series A of the Bond was \$100M, but contracts have already been awarded that exceed that amount.

The total overall budget was \$574M. Interest earnings increase to \$578M. As projects evolve, money moves from project to project within the budget. It is always balanced to the bottom line totals already allocated to the campuses.

The District and campuses are starting the Facilities and Educational Master Planning process. There are projects that have already been awarded contracts, but for the projects that are down the list, they will be evaluated during the Master Planning process. They may or may not come to fruition based on those results.

Questions/Comments:

1. *Cypress College has been allocated \$90M for the Science, Engineering, and Math Building, but the replacement of the Fullerton College Performing Arts Complex has only been allocated \$28M. What is listed there is only the Measure J portion. That project is also seeking state funding. An Initial Plan Proposal (IPP) has been submitted to the state Chancellor's office. If they approve it the plan will move into the Final Plan Proposal (FPP) phase. Currently, it is budgeted as 50% from the State and 50% from Measure J. That might change based on what the State resolves. The results should be released in March 2019.*
2. *Is there a representative of the Division of the State Architect (DSA) on site continuously during the duration of the project? Is that included in the invoices for the review plan check that have been issued? The review plan check is a fee paid to DSA for the review of the plans upfront. The DSA representative/inspector is the Inspector of Record (IOR) that is hired by the District from a private firm. They report directly to DSA to ensure that the approved drawings are being followed. For Cypress College, the New SEM IOR is being recommended to the Board of Trustees at the next meeting.*
3. *What is the typical monthly cost for an IOR? The contract is roughly \$700K for both the New SEM and the New VRC/SAC Expansion for the entire duration of the project. It is a contract based on time and billing, so it varies depending on what is going on in the project and how many inspectors are needed at that point in time.*

**Series B Bond Tentative Timeline:** Fred Williams presented the tentative details for the release of the next series of the bond.

The District intends to go to market on the bond series by the end of this fiscal year, May 2019. A meeting with the County Treasurers Office is pending. Counsel and the financial advisor are determining whether a negotiated sale or a competitive sale is the best way to move forward.

The intent is to issue another \$150M worth of bonds.

Due to the District's excellent bond rating, no problems are anticipated. Market conditions are still good, although that changes daily. A negotiated sale is not subject to the whims of the market. If conditions are not favorable another day can be chosen to sell the bonds. For a competitive sale, the price you get is the price you get. There are pros and cons to each method. The last bond sale was a negotiated sale and it was very successful.

Questions/Comments:

1. *The footnote lists KNN Public Finance as the Municipal Advisor. Is that the District's bond underwriter?* No, that is the District's financial advisor. The underwriter is the bankers that will actually be out selling the bonds. Everything will be put together in what is in the District's best interest as opposed to what is in the bankers' best interest.

**Committee Member Comments:**

1. *Additional information is required in the Citizens' Oversight Committee report to clarify the differences in numbers throughout the report. As the budgets for Measure J are living documents that nearly change on a daily basis, a notice for the readers that there may be discrepancies will be placed in the report.*
2. *Committee member term limits will need to be reevaluated during the next meeting as some members may have reached the end of one of their terms.*

**Future Meeting Dates:** June 5, 2019. September 4, 2019. December 4, 2019.

**Adjournment:** The meeting adjourned at 5:05 p.m.