SANTA CLARITA COMMUNITY COLLEGE DISTRICT
Measure "M" Citizens' Oversight Committee

MARCH 31st, 2016
MINUTES
(Approved November, 1 2016)

The Santa Clarita Community College District Measure "M" Citizens' Oversight Committee Meeting was held on March 31st, 2016
in
Canyons Hall Room 211
College of the Canyons
26455 Rockwell Canyon Road, Santa Clarita, California 91355

Members Present: Mr. Nicholas Lentini, Chair
Ms. Barbara Cochran
Mr. Alan Difatta
Mr. Michael Hogan
Mr. Don Kimball
Ms. Katherine Martinez
Ms. Jill Mellady

Members Absent: Mr. Calvin Hedman
Mr. Kevin Holmes

Others Present: Dr. Dianne Van Hook, Chancellor
Mr. Jeff Baratta, Piper Jaffray
Dr. Jerry Buckley, Educational Administrator/VP, Instruction
Ms. Sharlene Coleal, Asst. Superintendent/VP, Business Services
Ms. Cindy Grandgeorge, Controller
Mr. John Green, Director, District Publications and Reprographics
Mr. Barry Gribbons, Asst. Superintendent/VP, IDTOS
Mr. Jim Schrage, Asst. Superintendent/VP, Facilities Planning, Operations and Construction
Dr. Ryan Theule, Dean, Canyon Country Campus

Quorum Established (1.1)

A quorum was declared and the meeting called to order at 2:07 p.m. by the Chair of the Oversight Committee, Mr. Lentini.

Approval of Agenda (1.2)

The Committee moved approval of meeting agenda.
Motion: Mr. Lentini Second: Mr. Kimball Record of Vote: 7-0

All members and guests were asked to introduce themselves. **Welcome Guests (1.3)**

The Committee moved approval of the January 19, 2016 meeting minutes. **Approval of Minutes (1.4)**
Motion: Mr. Lentini Second: Ms. Mellady Record of Vote: 7-0

REVIEW OF LIFE TO DATE EXPENSES BY PROJECT AS OF DECEMBER 31, 2015 (2.1)

Ms. Coleal reviewed the life to date expenditure reports reflecting $128 million in expenses from May 2007 through December 2015. An additional $24 million in bond proceeds are contractually obligated or budgeted for projects, for a total of $152 million in Measure M funds to date.

- $140.0 million in general obligation bonds have been issued to fund projects.
- $ 6.3 million in net premium bonds have been issued to fund costs of issuance and provide debt service contributions to the LA County.
- $ 5.7 million in interest income on project funds is also available to fund projects.
- $152.0 million total in bond proceeds and interest is reflected in the December 2015 financial reports.

Ms. Coleal reminded the committee that there is still $20 million in voter authorization to issue under Measure M, which will be done in the next 3-4 months. This issuance will include funding for the Canyon Country Campus Science Building. Over 7 years the District has completed numerous buildings with the first 3 issuances and, over the next 2 years, will be continuing construction with the proceeds of the upcoming 4th issuance.

The committee asked what the overall borrowing cost was for the 2007 issuance. Mr. Baratta, Bond Underwriter, indicated the all-in borrowing cost was 4.82%.

Ms. Coleal explained that the Measure M bond funds were used to leverage another $89 million from other sources, such as capital campaigns and Hart District funds for Academy of the Canyons. She reviewed the Measure M Expenditures chart reflecting the total estimated project costs. This summary illustrates how COC leveraged $140 million into $241 million!

- $128 million expenses to date
- $ 24 million encumbered or contractually obligated
- $ 89 million from other funding sources
- $241 million estimated to be available from the first 3 issuances of Measure M GO Bonds

Ms. Coleal reviewed the Life-to-Date Expenses by Project Summary report, reviewing with the committee that these reports are prepared using the list of voter approved bond categories of projects. This report lists the Measure M expenditures only, but as previously discussed, these project funds are augmented by other funding sources obtained by the District.

Mr. Lentini noted that the District has a lot going on and it may be looking at another bond measure soon. At the last meeting, Mr. Lentini was excited about looking down the road and seeing the visionary path the District was taking to keep up with the times.

GENERAL OBLIGATION BOND REFUNDING TO PROVIDE TAXPAYER SAVINGS (2.2)

Mr. Lentini indicated that the District was taking advantage of great timing with regard to interest rates to refund some of the outstanding bonds.

Ms. Coleal introduced Mr. Jeff Baratta from Piper Jaffray, the District's bond underwriting firm. Mr. Baratta has been with the District since 2001, assisting with both Measure C and Measure M. Mr. Baratta reviewed the packet of materials prepared by KNN and Piper Jaffray to give an overview of the General Obligation Bonds for the Santa Clarita Community College District. He explained that refunding bonds is like refinancing a loan. When it is time to refinance your mortgage, it is probably time to refinance General Obligation Bonds. The District is proposing to refund high cost bonds with current interest bonds to save the taxpayers money on future debt service payments.

Presentation by Mr. Baratta – Bond Underwriter and Managing Director, Piper Jaffray

Mr. Baratta's presentation included an overview of outstanding Measure C and Measure M Bonds, which Piper Jaffray reviewed to see if they were available to refund and if it was a cost effective option. The historical tax rates for the bonds were reviewed, and Mr. Baratta indicated that for 2015-16 the tax rates were as follows:

- $13.60 per $100,000 assessed, not market, value – Measure C
- $14.53 per $100,000 assessed, not market, value – Measure M
- $28.13 – Total Combined Tax Rate

Historical assessed valuations were reviewed and it was explained that an assessed value is not what you can sell your home for, it is the amount on your tax bill. The average for our community is just below to just over $400,000. This is larger than some communities but not as large as others. No one thought there would be a decline in 2012-13, but after that slight decline, the values increased and exceeded the decline for a total of $38 billion in assessed valuation. Going forward, 4% growth is anticipated (as a conservative estimate). Dr. Van Hook pointed out that past estimates have also been very conservative, and actual growth in assessed valuation has exceeded past estimates. The advantage of keeping estimates conservative is that tax rates stay low.

All outstanding bonds were reviewed, and five issues have par amounts outstanding that are eligible to be redeemed prior to maturity. The 2005 General Obligation Refunding Bonds and the 2007 Measure M Bonds may be economically advantageous to refinance.

- The 2005 Refunding Bonds included $2,830,909 in Capital Appreciation Bonds that were not callable and have since matured.
- The 2007 Bonds were issued with $22,461,717 in callable Capital Appreciation Bonds, all of which will be included in the refunding transaction.

The other issuances (2012, 2013, and 2014) were issued with a 10-year call protection. Because of where interest rates are, it is not economically advantageous to set up an escrow account until the bonds can be called.

The Capital Appreciation Bonds proposed to be refunded (approximately $24.2 million) only pay interest at maturity and are more expensive bonds to maintain. The bond issuances were structured with these Capital Appreciation Bonds in order to obtain $80 million for projects in 2007. It is about 2 years before the call date, so it is economically feasible to refund these bonds.

Unlike a mortgage refinance, the District will not be extending the term. As a result, the savings to taxpayers, an aggregate of approximately $27.7 million in debt service payments, is true savings with no extension of the bond terms.

The present value of savings of the refunding is estimated at $16.7 million, a 17% savings to the taxpayers. The standard rule of thumb is that 3-4% minimum of savings would make refunding feasible. Refunding to replace Capital Appreciation Bonds with Current Interest Bonds is a prudent move. There will be a short escrow into 2017.

Mr. Kimball asked why this opportunity was just coming up now and speculated it was the call period. Mr. Baratta indicated it was the short call period remaining that made this refunding feasible at this time.

Mr. Baratta addressed the issue of negative arbitrage. This is a theoretically calculated number. The IRS allows a District to put funds into escrow up to the bond yield. We know the escrow will earn less than 3%. The negative arbitrage is not a loss, it is an opportunity cost. The District should compare savings against negative arbitrage. The negative arbitrage needs to be minimal.

Ms. Mellady asked if the savings go back to the taxpayers. Mr. Baratta confirmed all savings go to the taxpayers. The savings go to the debt service fund. The savings are estimated at a $16.8 million present value. The average of annual savings is $895,000, or $4 on an average taxpayer's bill.

Mr. Difatta asked how the refunding works. Mr. Baratta explained that the District establishes a legal escrow, and the bond counsel opines that when funds are transferred into the escrow they cannot be used. The escrow funds are invested in Treasury backed securities, and the old bonds are paid from the escrow account every 6 months. Then, when they are called, the bonds are paid off.

Mr. Baratta reviewed the Tentative Bond Refunding Calendar:

- 4/13/16 – Tentative Board of Trustees Approval
- 4/20/16 – Rating Agency Presentations – by phone
- 5/11/16 – Ratings due from Rating Agencies
- 5/12/16 – Post Preliminary Official Statement
- 5/19/16 – Pricing of Bonds
- 6/09/16 – Closing of bonds

Mr. Kimball asked what the College's rating is. Mr. Baratta responded that both S&P and Fitch ratings are AA. Dr. Van Hook added that it is not possible to get a AAA rating because we are funded by the state, even though we have good audits, no deficit spending, and a stable fund balance. The State Legislature appropriates the money and they are not as fiscally sound as the District. The rating agencies take this into account when issuing their ratings. Even though the debt is paid by the taxpayers and there is a zero default rate on K-14 General Obligation Bonds, the rating agencies will not rate K-14 bonds AAA. They contend that in a bankruptcy the District or the County could raid the debt fund, which has never happened.

On January 1, 2016, a new provision became available to possibly obtain a AAA rating with a special opinion letter from the bond counsel. Only two districts have tried it so far, and COC will be looking into it.

<u>BOND EDUCATION</u> **(3.1)**

Dr. Van Hook gave a presentation on "The State of the College," reviewing a 46-page PowerPoint of detailed information with the committee.

Dr. Van Hook provided the following additional context to the presentation:

The college has many opportunities as demand continues to grow. We offer 83 degree programs and 71 certificates. We have come a long way from an open space in the canyons to 2 thriving campuses.

<u>Canyon Country Campus</u>:
The state will not fund facilities until a college reaches 3,500 students. We had 3,532 students the day the doors opened at Canyon Country Campus, but the state still has not provided facilities funding for the campus because the last state facilities bond was in 2006.

<u>University Center</u>:
This building was partially funded by Measure M. The project started as a way for night students to attend university courses. The building is now used for full-time students, as well. This semester, the University Center started offering a Bachelor's degree program in Accounting, and the program is full. There are many students still living at home with mom and dad, and the demand is high for these types of programs.

The District also gives high school students a start on college with the Academy of the Canyons (AOC), located in the University Center. This program started out in modular buildings but moved to the University Center after a partnership with the Hart District saw a contribution of $6 million for the University Center building to provide AOC a permanent home. There are 800 high school students concurrently enrolled in AOC and COC.

New legislation, AB288- the Dual Enrollment Bill, will allow a student to take up to 15 units of college while enrolled in high school. This provides new opportunities for high school students. Prior legislation set a maximum of 5% of high school students in each grade level that could enroll, but there was demand for much more than that. The new bill sets a statewide maximum of 10%. With few colleges in the state having the kind of partnership we have with their high school districts, we should be able to serve more than 10% because other colleges will not use their 10%. This new bill will be particularly helpful in the area of Career Technical Education (CTE). Courses in Auto Technology, Water Science, Construction Management, and Cyber Security will lead to employment upon certification.

The District has been focusing on acceleration programs in English and Math. 80% of students who transfer need Statistics and Algebra 1 & 2, which are each 5-unit courses. By combining Algebra 1 & 2 into one course, we have reduced the time needed to complete remedial math.

When you tell students they need 1-year of remedial math, it is not encouraging. Condensing the Algebra 1 & 2 class into 8-weeks helps a number of students move forward faster, and this intense, accelerated course has better results. Math used to deter students from attending college. Now we have a program where students can complete their math in their first semester.

In addition to accelerated courses, COC has redone the placement process. Because there was a large number of high school students who were not placing into college level work when they came to COC, we are now including more factors such as the students' overall GPA and grades from high school Algebra 1 & 2. With the additional factors, more students can place in college level math right away. 5,000 students are affected each year, and some second year students are asking to go under the new placement, as well. This is another example of how we are trendsetters and making a difference!

With high quality education at a cost lower than Cal State or the University of California, COC is the best option for students. Comparing the cost of the first 2 years of college:

- UC = $67,200
- CSU = $35,364
- COC = $ 3,494

This is an amazing difference and can impact the student loan debt crisis in our country. Concurrently enrolled students (high school and COC) do not pay any enrollment fees.

Several examples of high demand for COC classes and services were provided:

- COC has one of the highest populations of veterans, and we want to help them use their eligible military education benefits.

- 10% of Hart students attend COC. 75% come to COC after graduation.

- The demand for access at COC will also increase due to workforce needs. The workforce needs a quick response, and COC is currently preparing students for jobs that do not yet exist. The Top 10 in demand jobs in 2010 did not even exist in 2004. In 1970, 20% of jobs required post-secondary education. In 2020, 655 jobs will require post-secondary education.

- Nursing is a great example of an in-demand career. There is a critical nursing shortage, and California recently received a grade of "D" and ranked 48th in nurse/patient ratio in the nation. At COC, there is a bottleneck for nursing due to the lack of science labs and access to science courses.

- Parking at the Valencia campus is another area where demand is high. Students are parking in the Summit area, and Dr. Van Hook has asked the community to support a 1,000-space parking structure.

The Science Building at Canyon Country Campus has gone to the Division of the State Architect (DSA). The groundbreaking should happen within less than a year, and a move-in date is estimated to be the fall of 2018. The building will be 3-stories and will allow entry from any floor. We have enough funding, using the last of the Measure M money, to build the building if we do not get the state to match funds. If we get the $13 million match, then we can move on to other projects. This new facility will transform the campus!

The 2016-2021 Educational and Facilities Master Plan is in progress. Over 230 faculty, staff, and community members have been interviewed. 6-year goals are set, and then the plan will address what facilities are needed to meet these goals:

- Valencia Campus needs:
    - New lecture and lab space is needed
        - 35 classrooms/computer classrooms
        - 32 labs
        - 44% increase in space
- Canyon Country needs:
    - Currently in temporary modular buildings with a 10-year life—and we are at year 9!
    - New lecture and lab space is needed
        - 28 classrooms/computer classrooms
        - 23 labs (as of now)
        - 145% increase in space
- Other Space Needs:
    - Public Safety
    - High Tech Careers
    - Counseling Offices
    - Parking
    - Remodel/update 350,000 sq. ft. of space in buildings built in the 1970's

Canyon Country Campus was supposed to be built out by 2018, but without state matching funds, this was not possible. With current enrollment levels at Canyon Country, we qualify for an 85% match on the 3 permanent buildings. If the state passes a bond, we will get funds (if we have not already built the facilities).

At the March 9, 2016 Board Meeting, the board unanimously approved a resolution to place a new General Obligation Bond authorization on the ballot in June 2016. Measure E will:

- Generate $230 million to improve our local College of the Canyons
    - Estimated cost is $15 per $100,000 of assessed (not market) value
- Provide eligibility for $40 million in state matching funding in the next 8 years

The District approached the decision to request voter authorization based on demand and the facilities' needs to meet those demands, then calculated the required dollars. If there were not General Obligation Bonds available for facilities, then the District would need to take out Certificates of Participation (COP's). A $20 million COP would require the District to pay $1.8 million a year in debt service, taking these resources away from the students.

In summary, Dr. Van Hook indicated:

- COC is a quality institution
- COC offers education and training at the most affordable cost in the nation
- COC is continuously innovative
- COC is overcrowded (especially in the parking lots!)
- The demand for classes and training will quickly outpace the resources

Mr. Lentini congratulated the college staff on the excellent independent audits with no findings. He said it is exciting to our community that the college is going forward with a new Bond Measure to increase access. He talks to people in the community and his clients, and he hears that people are unable to get classes. He is familiar with the nursing shortage and knows that this Measure will move COC forward to fill the current and future needs of our community.

Dr. Van Hook agreed that time is money and we need to increase the number of Physical and Biological Science labs to meet student demand. Timely completion is essential.

If Measure E passes, the cost of bonds for COC will be approximately $43 per $100,000 assessed valuation. This is compared to $56.12 per $100,000 assessed valuation for the Hart District. Dr. Van Hook projects that COC will be able to build 80-85% of the Canyon Country Campus, all but the last permanent classroom building, and everything on the Valencia Campus. Measure E Headquarters will be in the Town Center Mall and will open next Wednesday.

COMMENTS BY MEMBERS OF THE AUDIENCE ON ANY ITEM NOT ON THE AGENDA (3.2)

No comments.

ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING (4.1)

Mr. Lentini adjourned the meeting at 3:30 PM and indicated to the committee that an announcement of the next meeting's date and time will be sent out by the District.