

SANTA CLARITA COMMUNITY COLLEGE DISTRICT
Independent Citizens' Bond Oversight Committee

January 16, 2020
MINUTES

College of the Canyons
Canyons Hall Room 201
26455 Rockwell Canyon Road, Santa Clarita, California 91355

Members Present: Mr. Nicholas Lentini, Chair
Ms. Barbara S. Cochran
Mr. Calvin Hedman
Mr. Michael Hogan
Mr. Don Kimball
Ms. Ruthann Levison
Mr. Sebastian Cazares, Associated Student Government Representative

Members Absent: Mr. Kevin Holmes
Mr. Spencer Leafdale
Mr. Michael Lebecki

Others Present: **District Administration**

Dr. Diane Fiero, Interim Deputy Chancellor, Asst. Superintendent/VP, Human Resources
Ms. Sharlene Coleal, Asst. Superintendent/VP, Business Services
Mr. Jim Schrage, Asst. Superintendent/VP, Facilities Planning, Operations & Construction
Mr. Eric Harnish, Vice President, Public Information, Advocacy & External Relations
Mr. Jeffrey Forrest, Vice President, Economic & Workforce Development
Dr. Ryan Theule, Vice President, Canyon Country Campus and Grants Development
Mr. Jason Hinkle, Associate Vice President, Business Services
Ms. Balbir Chandi, Director, Fiscal Services
Mr. Will Karrat, Director, Facilities Projects

District Staff

Ms. Mary Khair, Accountant, Fiscal Services
Ms. Cher Weiss, Interim Business Services Coordinator
Mr. Jon Young, Business Services Analyst

District Guests

Ms. Chris Chitlik, Auditor, Eide Bailly, LLP
Mr. Bill Rauch, Auditor, Eide Bailly, LLP

1. PRELIMINARY FUNCTIONS

A quorum was declared and the meeting called to order by the Chair of the Oversight Committee,
Mr. Nicholas Lentini.

Quorum
Established
(1.1)

The Committee moved approval of meeting agenda. **Approval of
Agenda
(1.2)**
Motion: Mr. Michael Hogan Second: Ms. Ruthann Levison Record of Vote: 6 – 0
(3 Members Absent; 1 Member
Late)

The Committee moved approval of the December 9, 2019 meeting minutes. **Approval of
Minutes
(1.3)**
Motion: Mr. Calvin Hedman Second: Mr. Don Kimball Record of Vote: 6 – 0
(3 Members Absent; 1 Member
Late)

The Committee Chair, Mr. Nicholas Lentini, welcomed guests. **Welcome
Guests
(1.4)**

2. FINANCIAL

Acceptance of Measure M General Obligation Bond Financial Audit and Performance Audit for the Fiscal Year ending June 30, 2019 – Bill Rauch, Eide Bailly, LLP (2.1)

Mr. Bill Rauch, auditor from Eide Bailly, presented an overview of the Measure M General Obligation Bonds Financial and Performance Audits to the Committee. He informed the Committee that his previous company, Vavrinek, Trine, Day and Co., merged with (and is now known as) Eide Bailly, LLP. Eide Bailly was represented across 17 states but did not have a presence in California. Vavrinek, Trine, Day and Co. was chosen to merge with Eide Bailly as it had over 70 years of experience and strong presence in California.

Financial Audit:

- Independent Auditor’s Report: Eide Bailly issued an unmodified opinion for the Measure M General Obligation Bond Financial Audit, which is the highest opinion possible and means there were no exceptions found.
- At June 30, 2019, Measure M General Obligation Bonds had \$326,565 in total assets and \$326,565 in liabilities which represented the activity that was finalized for Measure M in FY 2018-19.
- At June 30, 2019, the excess of expenditures over revenues for Measure M General Obligation Bonds was \$(10,442,171) and the beginning fund balance was \$10,442,171, leaving a \$0 ending balance.
- The 2018-2019 Measure M General Obligation Bonds Audit is the last audit report for Measure M as all funds have been expended.
- There were no areas of non-compliance.

Performance Audit:

- The Independent Auditor’s Report on Performance: “The results of our tests indicated that the District's Measure M General Obligation Bond Fund (Measure M) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.”
- Auditors tested 42% of \$10 million in expenditures (which included bid documents, invoices, etc.) incurred in 2018-2019 and found no areas of non-compliance.
- Under the Schedule of Findings and Questioned Costs, “None Reported” was listed, which means there were no findings.

Ms. Sharlene Coleal described the District’s checks and balances and oversight of the General Obligation Bonds to the Committee. She explained how Ms. Balbir Chandi and Ms. Mary Khair in Fiscal Services oversee accounting and make sure everything is appropriate, how Mr. Will Karrat and Mr. Jim Schrage in Facilities preside over contracts and bidding, and how the Committee reviews and accepts the audits. She added that LACOE provides additional oversight as the District’s fiscal agent. Mr. Schrage told the Committee that the Fiscal and Construction departments work together throughout all processes (planning, budgeting, etc.) as a single team, not just separate groups working independent of each other.

Mr. Rauch talked to the Committee about how he, Ms. Chris Chitlik, Mr. Mike Berger, President of the Board of Trustees, reviewed the audits. Mr. Berger asked pertinent questions, including how 100% of expenditures tested did not result in any findings. Mr. Rauch shared that the District has a good team that implement strong checks and balances. Mr. Rauch shared that the District has a strong team that ensures proper checks and balances are in place. The Audit firm has a partnership with the District and, if a problem is found, the District will bring it to their attention and auditors will recommend policies/procedures to follow. Longevity in Ms. Coleal’s position (19 years) and an infrastructure of employees (including managers and directors) that work together and pay attention to details exists Districtwide and adds stability to internal controls. Eide Bailly (previously Vavrinek, Trine, Day and Co.) is an experienced audit firm and handles about half of the Community Colleges in California.

Mr. Nicholas Lentini said, from a public point of view, it was comforting to have an independent auditor come in, to see how much is tested, and to see the multi-level approval process throughout all levels in keeping checks and balances, including from the District’s Financial Advisor and Bond Underwriter (Mr. Jason List and Mr. Trennis Wright, respectively).

Mr. Lentini asked the Committee if they had any questions. There were none.

The Committee moved approval of the Measure M General Obligation Bond Financial Audit and Performance Audit for the Fiscal Year ending June 30, 2019:

Motion: Mr. Calvin Hedman

Second: Mr. Sebastian Cazares

Record of Vote: 7 – 0
(3 Members Absent)

Acceptance of Measure E General Obligation Bond Financial Audit and Performance Audit for the Fiscal Year ending June 30, 2019 – Bill Rauch, Eide Bailly, LLP (2.2)

Mr. Rauch, auditor from Eide Bailly, presented an overview of the Measure E General Obligation Bonds Financial and Performance Audits to the Committee.

Financial Audit:

- Independent Auditor’s Report: Eide Bailly issued an unmodified/clean opinion for the Measure E General Obligation Bond Financial Audit, which is the highest opinion possible and means there were no exceptions found.
- At June 30, 2019, Measure E General Obligation Bonds had \$21,388,040 in total assets and \$21,388,040 in liabilities (including the fund balance).
- At June 30, 2019, the excess of expenditures over revenues for Measure E General Obligation Bonds was \$(30,368,888) and the beginning fund balance was \$48,991,674, leaving an \$18,622,786 ending balance for future expenditures. This amount does not include the \$85 million added to Measure E from the Second Issuance that occurred in August 2019.
- Under the Financial Statement Findings, “None Reported” was listed, which means there were no findings.

Performance Audit:

- The Independent Auditor’s Report on Performance: “The results of our tests indicated that the District's Measure E General Obligation Bond Fund (Measure E) funds are in compliance with Proposition 39 as outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.”
 - There were no areas found where money was spent inappropriately.
- Auditors tested 63% of \$31 million in expenditures (which included bid documents, invoices, etc.) incurred in 2018-2019 and found no areas of non-compliance.
 - Mr. Rauch said there is more coverage during the beginning of a project, adding that auditors test more when there are larger amounts of expenditures involved.
- Under the Schedule of Findings and Questioned Costs, “None Reported” was listed, which means there were no findings.

Mr. Rauch told the Committee that if there was a question regarding bond expenditures he would ask the District to request for a legal opinion from the District’s Bond Counsel. He added that the auditors cannot rely on other Districts’ counsels’ opinions as language in one Districts’ Bond could be completely different than another District.

Mr. Eric Harnish added that questions/concerns go to our Bond Counsel instead of another district’s because our bonds might be written differently than another District’s. More recent bonds are not written as specific as previously written bonds to allow for changes that may take place over time (i.e., in the construction of buildings, etc.). Measure C had a specific list of projects allowed. Measure M allowed funding to be used for various projects, excluding only the purchase of land, which permitted more flexibility. Measure E bond language was also written with less specificity, allowing the funds to be used on various projects as well and allowing flexibility.

Mr. Lentini thanked Mr. Rauch, Ms. Coleal, and the District’s staff.

Mr. Rauch thanked the Committee for their oversight. He added this would be his last audit for the District as the law only permits an auditor to work with a district for six years. He, however, will still be available to answer questions.

Mr. Nicholas Lentini asked the Committee if they had any questions. There were none.

The Committee moved approval of the Measure M General Obligation Bond Financial Audit and Performance Audit for the Fiscal Year ending June 30, 2019:

Motion: Mr. Michael Hogan	Second: Mr. Don Kimball	Record of Vote: 7 – 0 (3 Members Absent)
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Approval of Resolution 2019/20-01 Affirming the Santa Clarita Community College District’s Compliance with Requirements as Stated in the Law (Section 15278-15282) (2.3)

Ms. Coleal explained to the Committee that this resolution is required every year after the Committee receives the audits. Once approved, the resolution will go to the Board of Trustees on January 22, 2020 along with a letter from Mr. Lentini.

Mr. Lentini asked the Committee if they had any questions. There were none.

The Committee moved approval of Resolution 2019/20-01 Affirming the Santa Clarita Community College District’s Compliance with Requirements as Stated in the Law (Section 15278-15282):

Motion: Mr. Sebastian Cazares	Second: Ms. Ruthann Levison	Record of Vote: 7 – 0 (3 Members Absent)
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3. GENERAL

Approval of the 2018-2019 Independent Citizens' Bond Oversight Committee Annual Report

(3.1)

The Annual Report was sent to Committee members in advance to look over prior to the meeting. In addition, Ms. Coleal gave an overview of the Report to the Committee. She mentioned that this is the first time the District has done an Annual Report as the information used to be disseminated to the public through the District's Public Information Office newsletter, *Breaking News*. The District made the choice to create an Annual Report, which would include more information, a narrative of numbers, a background on the Measures, and a summary of the audits. The Annual Report will provide context to citizens in the community as to what the role of the Committee as well as what projects the bonds are funding. Ms. Coleal also informed the Committee that the Report will be posted, once approved, on the Committee's website for the public to view.

The Committee liked the detail of the Report. Mr. Hedman noted in the audit summary sections that "expenses" should be changed to "expenditures" as "expenditures" include funds uses for capital outlay whereas "expenses" do not. This change would be made

Mr. Lentini asked the Committee if they had any questions. There were none.

The Committee moved approval of the 2018-2019 Independent Citizens' Bond Oversight Committee Annual Report (with corrections):

Motion: Mr. Michael Hogan

Second: Mr. Don Kimball

Record of Vote: 7 – 0
(3 Members Absent)

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

(3.2)

Mr. Lentini commented on the Committee's uninvolved members and recommended looking at the process to replace them, which could free up issues with obtaining a quorum (to have a quorum the Committee needs 50% plus 1 of the total members in attendance). If there is not a quorum established, then business cannot get done. He added he appreciates the time of the people that do attend and said he would like to build a strong Committee. He pointed out that the Annual Report could serve as an orientation packet for new Committee members and welcomed comments from the other members.

Mr. Michael Hogan asked if there was a process for removal (i.e., if a member misses a certain amount of meetings, could they be removed; Can the member resign?).

Ms. Coleal said she would look into the process for removal stated in the Committee's bylaws. She stated the process of adding members to the Committee includes vetting applications and approval by the Board of Trustees.

Mr. Jason Hinkle noted that it would be the end of the members' term after the Committee's next meeting, where members could commit to another term and the Committee could bring on more members. He added, the more members on the Committee, the more members needed for a quorum.

Mr. Lentini asked there were any additional comments or questions. There were none.

4. ADJOURNMENT AND ANNOUNCEMENT OF NEXT MEETING

Adjournment

(4.1)

The meeting was adjourned by Mr. Nicholas Lentini. The next meeting will be scheduled at another time and with advance notice.