



MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
Citizens' Bond Oversight Committee

Monday, November 5, 2012
3:00 PM – Regular Meeting
Sam Karas Room, Library and Technology Center
Monterey Peninsula College

Meeting Minutes

MEMBERS PRESENT: Mr. Daniel Cervantes
Mr. Wayne Cruzan
Dr. Sophal Ear
Mr. J. Fagan, Vice Chair
Mr. Rick Heuer
Mr. Birt Johnson, Jr.
Mr. Bob Mulford, Chair
Mr. James Panetta
Mr. Niels Reimers

ABSENT: Mr. Stewart Fuller
Ms. Patty Rossi

STAFF PRESENT: Ms. Rosemary Barrios, Controller
Dr. Douglas Garrison, Superintendent/President
Mr. Stephen Ma, Vice President for Administrative Services
Ms. Vicki Nakamura, Assistant to the President

OTHERS PRESENT: Mr. Joe Demko, Kitchell

1. Call to Order

The regular meeting of the Citizens' Bond Oversight Committee of Monterey Peninsula College was called to order at 3:00 PM by Chair Mulford.

2. Public Comment

There were no public comments.

3. Approval of August 6, 2012 Minutes

Revised minutes were distributed to correct the omission of Mr. Heuer's name from the list of members in attendance. In addition, the committee received a handout providing responses to questions in the minutes regarding expenditures on the bills and warrants report. Motion to approve the minutes as amended was made by Vice Chair Fagan and seconded by Mr. Cruzan. Motion carried unanimously.

4. Use of Bond Funds for Equipment and Related Repair Agreements

At the August meeting, committee members expressed concerns about the use of long-term bond funds for purchase of minor equipment and service contracts for Apple computers. It was noted that similar concerns had been expressed by previous committee members in the past. The agenda documents included minute excerpts from committee meetings in 2004 and a past opinion from bond counsel regarding the use of bond funds for training and maintenance contracts related to equipment purchases. Mr. Ma reported the District again contacted bond counsel, David Casnocha, to review this issue. Mr. Casnocha advised the federal tax code allows a small amount, up to 5% of the funds, to be used on non-capital expenses without adversely affecting the tax exempt status of the bond. Staff researched and determined that \$21,702 has been expended on these types of purchases. The phone equipment training expense was not included in the amount as the records have been archived; however, the total expense would be \$55,000 or less. Mr. Ma said this matter was also brought to the Board of Trustees in October 2012 to confirm the practice.

Chair Mulford asked if it was necessary to track the 5% for audit purposes. Mr. Ma responded yes and stated staff will be tracking the amount going forward. He assured the committee that maintenance contracts were being purchased on a limited basis, primarily for computer network hardware and computer equipment. Dr. Garrison added this was an example of how the CBOC has helped the District refine its practices in regards to the bond.

Mr. Heuer said he appreciated staff's research of the matter; however, legal and appropriate use of bonds were two different things. He stated his philosophical difference with using long-term bond funds for these purposes rather than operational funds. Mr. Heuer indicated his lack of support if these items are included in the future.

Vice Chair Fagan acknowledged District budget constraints and asked if there were operational funds available to make these purchases, provide classrooms with small equipment, or support online programs to serve students, instead of the bond. Mr. Ma responded no and explained the District has lost \$6 million in operational funds in the last two years.

5. Accept Bills and Warrants Report

Mr. Ma presented the September 30, 2012 report and asked for questions.

Mr. Reimers questioned how construction management charges are calculated. Mr. Demko stated that a formula is used, with 5.5% of the project construction bid amount plus change orders being calculated and then divided by 24 months to arrive at the monthly expense. Mr. Demko added Kitchell has a separate agreement with the college to provide for construction management services apart from bond program management. Mr. Reimers asked if this formula was consistent, and Mr. Demko responded the state uses the same formula.

Mr. Heuer asked about commissioning services cited on page 2. Mr. Demko explained these services are provided by an independent mechanical engineer to test the heating systems to ensure the temperature and balancing are correct.

Chair Mulford asked about the substantial difference between two charges on page 2 from PARC Environmental for paint preparation and noted no dates of service were included. Mr. Demko said this firm was used to abate lead paint and asbestos found on the upper

floor of the gym. He said PARC is paid on a time and materials basis and he will report back with the dates.

Chair Mulford followed with a question regarding furniture and equipment purchases and the inventory process used. Mr. Ma stated asset tag numbers are placed on items above \$5,000 and descriptions provided for tracking and depreciation purposes. He explained that Ms. Barrios has to report capital assets to the auditor. Ms. Barrios added that items under \$5,000 are also tracked by the purchasing coordinator. Mr. Mulford asked if a physical count is made each year to determine if anything is missing. Mr. Ma responded no annual physical inventory is conducted; missing items would need to be reported by the department. Noting that a significant amount of bond funds have been spent on computers and other equipment, concern was expressed about the inventory process. Chair Mulford requested information be provided at the next meeting regarding the methodology used by the purchasing coordinator to track small equipment items.

Dr. Ear noted a CalCard purchase on page 5 from Amazon for a Kensington wireless presenter for \$326. He asked if the cost was an error as he researched the item and found the cost was \$52. Staff will check and report back. Dr. Ear also asked if the petri dish inserts listed on page 6 were a permanent or disposable item. Mr. Ma said he was informed the items were reusable.

Citing the reimbursement to staff on page 7, Mr. Heuer asked if the employee would be issued a CalCard. Ms. Barrios indicated purchases by the employee were infrequent. Dr. Garrison explained these purchases related to a unique situation in the Life Science building where a seawater lab was installed by staff. The work was substantially cheaper as a result. He added the District is currently trying to reduce the number of CalCards due to concerns raised by the committee.

Mr. Panetta questioned the plumbing services for \$40,000 on page 8. Mr. Demko explained trailers were converted into labs to provide swing space for physical science classes. Considerable plumbing work was required. This expense represents a progress billing and a bid process was used.

Mr. Johnson asked about the moving expenses on page 9, if Cardinale Moving and Storage was paid on an hourly basis. Mr. Demko confirmed the moving firm was paid on a time and materials basis. He said it was less expensive and some employees also prefer to do their own moves. Mr. Johnson followed with questions about the negative payments listed on pages 12-13 to the Division of the State Architect (DSA) and to Otto Construction. Ms. Barrios said the payment to DSA for a plan check fee was cancelled after it was determined the fee was also paid by the project architect. She clarified the payments to Otto Construction were for a state funded project. Those charges were moved from the bond fund to the Capital Outlay Fund and will be reimbursed by the state.

Mr. Panetta asked about an expense of \$7,754 for installation of soap and paper towel dispensers on page 16. Mr. Demko explained the work was not in the construction contract and was paid directly.

Chair Mulford noted \$117 million of bond funds have been spent to date on projects. He praised staff on the report, noting the questions are fewer than in the past. Mr. Heuer added his compliments. He serves on other oversight boards and he holds up MPC as an example to follow.

It was moved by Mr. Reimers, and seconded by Mr. Fagan to accept the September 30, 2012 bills and warrants report. Motion carried unanimously.

6. Bond Expenditure Status Report and Cost Control Report

The reports were reviewed with the committee. Mr. Reimers asked if the competitive bid climate was continuing. Mr. Demko said many subcontractors have gone out of business and fewer bids are being received.

7. Annual Report for 2011-12

Dr. Garrison stated a responsibility of the committee is to provide an annual report to the Board of Trustees per the bylaws. Ms. Nakamura has prepared a draft report for review by the committee. Chair Mulford will present the report to the Board at the November meeting.

Dr. Garrison noted page 7 of the draft has a notation that further explanation will be provided regarding interest earnings. Mr. Ma clarified the negative interest figure of \$8,347 should be corrected to a minus \$3,173, based on the information received to date. Staff asked the County Treasurer for an explanation of the interest figures and the responses have been unclear. Half of the bond funds have been deposited in LAIF (Local Agency Investment Fund). The District also has a custom portfolio of corporate bonds where the interest is calculated separately. Mr. Ma said the negative interest figure of \$3,173 does not represent the total interest earned for 2011-12. Mr. Heuer commented there is no such thing as negative interest. Mr. Ma said the negative figure may represent management fees rather than negative interest. Further explanation has been requested and Mr. Ma said he expects to get the issue clarified by the November Board meeting. Dr. Garrison advised the committee that a correction will be made to the report. If the committee is comfortable with the Chair Mulford's review, the report can still be presented to the Board in November. Vice Chair Fagan stated he views the notation in the report as a placeholder that will be filled in and sufficient information has been provided to the committee to approve. Mr. Heuer also asked for clarification of the interest write-off and recovery figures.

Additional items were noted. Mr. Reimers advised the Brown Act tutorial should be added to the description of the committee's meeting and activities on page 6. Staff will add. He also suggested adding two more columns, one for estimated final cost and one for priority, to the In Process projects listed on page 8. Chair Mulford stated there was so much information already provided that the additional columns may not be helpful. Dr. Ear commented the membership terms were incorrect for Mr. Panetta and Ms. Rossi on page 6. Chair Mulford requested a note of appreciation from the committee to the staff be added to the report. He stated the project narratives in the report were clear and descriptive.

Motion was made by Mr. Heuer and seconded by Mr. Cruzan to approve the report with the corrections discussed. Motion carried unanimously.

8. 2014-18 Five Year Capital Outlay Plan

Ms. Nakamura stated that since approval of the bond in November 2002, efforts have been undertaken to leverage local bond funds with other funding. One of the main sources the District has sought is state funding. Ms. Nakamura described the plans that must be prepared and submitted to the Chancellor's Office to qualify for state funding, including the annual five year construction plan and initial project proposals (IPP) and final project proposals (FPP) for each project.

Ms. Nakamura reported the District's 2014-18 Five-Year Construction Plan was approved by the Governing Board in September. She stated the plan continued to reflect the revised facilities construction plan which reduced the reliance on state funding through scope modifications and lower project cost estimates. As a result, the plan shows 4 of 11 projects in the plan being submitted for a state funding match.

In addition to the five year plan, the District also submitted an IPP for the music facilities project. Mr. Ma reviewed the background of the project. He reported a year ago the decision was made to renovate the theater as a spoken word space rather than for a performing arts facility. Most of the bond funds reserved for the theater and music facilities was allocated to the theater renovation. To augment the remaining dollars for the music project, the District developed a plan to renovate the existing recital hall and music lab facilities and submit an IPP for state matching funds of \$1.2 million for a total project cost of \$2.4 million. In addition, a further phase of the plan includes construction of a new music recital hall funded by private donations. The music facilities have been designed by an architect from the Los Angeles area who has extensive experience with music performance facilities.

Mr. Heuer asked about the priority order of the projects in the plan. It was explained projects are required to be prioritized for the state. The priority order was determined based on which projects were currently under construction, those approved or to be submitted for state funding, and the projects necessary to complete before others could proceed.

9. Update on Facilities Projects, Timelines, and Schedules

Mr. Demko reviewed the status of active facility projects.

Humanities/Business Humanities/Student Services - Mr. Demko said the Humanities building renovation will begin in January, 2013 due to swing space needs.

Theater – The project is proceeding well. The orchestra lift is being installed. The next big task will be installation of the elevator. The rigging and sound system will also be installed.

Life Science/Physical Science Buildings – Mr. Demko reported the Physical Science building renovation has started and completion is expected by June 2013.

Gym 1st Floor – The renovation has been completed and move-in will occur over the next month.

Swing Space - Mr. Demko noted the biggest demand for space this year was for Humanities. In June, some of the portables will be removed.

Mr. Demko said there were three major projects remaining on the Monterey campus, the Pool/Tennis Courts, the Student Center, and the Arts Complex. Savings from earlier projects will be used to support these projects. A revised funding plan will be taken to the Board for approval. He reported the three projects will be bid in the spring while the favorable bidding climate continues.

10. Committee Membership Update

A revised membership handout was distributed to the committee with corrected terms. Dr. Garrison reported four members, Mr. Fagan, Mr. Fuller, Mr. Mulford, and Mr. Reimers,

completed their first terms and were reappointed for a second term. He thanked them for their willingness to continue their service.

11. Officers

Dr. Garrison stated the superintendent/president has the responsibility to appoint the Chair. He reported he asked J. Fagan to serve as Chair for the next year and Mr. Fagan has accepted. Dr. Garrison asked if any members were interested in serving as Vice Chair. Mr. Mulford nominated Mr. Johnson for the Vice Chair, seconded by Mr. Reimers. Mr. Johnson was elected unanimously.

12. Meeting Schedule

The meeting dates of March 4, June 10, August 5, and November 4 (annual organizational meeting) were proposed for 2013 and accepted without changes.

13. Suggestions for Future Agenda Topics and Announcements

There were no suggestions for future topics. Dr. Garrison discussed the presidential leadership transition at the college. He stated the new superintendent/president, Walter Tribley, was from Washington state. His anticipated start date is December 17, allowing for some overlap with Dr. Garrison. Chair Mulford, on behalf of the committee, expressed gratitude to Dr. Garrison for his collaborative leadership.

14. Adjournment

Chair Mulford adjourned the meeting at 4:30 p.m.

vn

MONTEREY PENINSULA COMMUNITY COLLEGE DISTRICT
CITIZENS' BOND OVERSIGHT COMMITTEE
Monday, March 4, 2013

Follow-up Items from November 5, 2012 CBOC Meeting

Per the Meeting Minutes, #5 Accept Bills and Warrants Report:

1. Chair Mulford asked about the substantial difference between two charges on page 2 from PARC Environmental for paint preparation and noted no dates of service were included. Mr. Demko said this firm was used to abate lead paint and asbestos found on the upper floor of the gym. He said PARC is paid on a time and materials basis and he will report back with the dates.

Per Kitchell and Fiscal Services staff:

These charges represent two different jobs. The first entry, in the amount of \$2,239.20, is for lead paint abatement at the doors. The invoice, dated 6/29/12, states the description of the job as "plaster removal." The second charge is for abatement of the exterior walls at the Gym, in the amount of \$9,231.40. The invoice, also dated 6/29/12, states the description as "prep paint." Both jobs were completed at the same time, but the invoicing was separate to allow for analysis of square footage costs for specific types of work.

2. Chair Mulford followed with a question regarding furniture and equipment purchases and the inventory process used. Mr. Ma stated asset tag numbers are placed on items above \$5,000 and descriptions provided for tracking and depreciation purposes. He explained that Ms. Barrios has to report capital assets to the auditor. Ms. Barrios added that items under \$5,000 are also tracked by the purchasing coordinator. Mr. Mulford asked if a physical count is made each year to determine if anything is missing. Mr. Ma responded no annual physical inventory is conducted; missing items would need to be reported by the department. Noting that a significant amount of bond funds have been spent on computers and other equipment, concern was expressed about the inventory process. Chair Mulford requested information be provided at the next meeting regarding the methodology used by the purchasing coordinator to track small equipment items.

See attachment for Inventory Control and the Annual Inventory Procedure.

3. Mr. Heuer noted a CalCard purchase on page 5 from Amazon for a Kensington wireless presenter for \$326. He asked if the cost was an error as he researched the item and found the cost was \$52. Staff will check and report back.

Per staff:

The purchase from Amazon was for 7 Kensington wireless presenters, not 1 as listed on the warrant report. After reviewing the invoice in detail, 7 were purchased at \$46.68 each.

Inventory Control

Value Levels: Any item of value between \$500 to \$4999 must be received into the college inventory and labeled before being put into use. This label will have the words "Monterey Peninsula College" printed in **Black**. Any item of \$5000 or more value will receive a label with "Monterey Peninsula College" printed in **Red**. These must also be affixed in place before using the newly purchased item.

Label Location: The label shall be located in plain view but not in such a manner as to interfere with the use or the appearance of the item.

Inventory data Sheet: A data sheet must be completed in full for all items of value in excess of \$500. The form can be found on the MPC intranet or if you are technologically impaired it is available through the warehouse. The data sheet must be turned into purchasing within ten days of the arrival of the new piece of equipment.

Inventory Removal Form: Equally as important as the data sheet is the removal form. It can be found on the MPC intranet or obtained from the purchasing office. This takes any asset-tagged equipment off the inventory once it is declared excess inventory.

Excess Inventory: The vice president of Administration can declare any inventory as excess with cause. His decision will require board approval before final disposition can be secured.

Inventory Maintenance: The inventory shall be maintained through the co-ordination of the warehouse manager, information services personnel and directed through purchasing. Purchasing has the responsibility for maintaining a current and accurate inventory.

Perpetual inventory: Purchasing shall direct a perpetual inventory in order to assure the accuracy of the college's data base. Particular attention shall be paid to all items valued at \$5000 or more (Red tag items).

Disposal of Excess Inventory: All inventory directed to be excess by the board of MPC shall be disposed in accordance with the Education Code directing such manners.

Annual Inventory Procedure

1. An annual inventory shall be conducted every year, inclusive of one third of the college's assets. This inventory shall account for all college property valued at \$5000 or greater. The inventory will be conducted under the auspices of the Vice President of Administrative Services and through the Purchasing department of Monterey Peninsula College.
2. The college shall be divided into three sections as shown below.
 - a. Section One includes: the Library Technology Center; Family and Consumer Science; Computer Science; Business Humanities; Humanities; Child Development Center (all three buildings); Student Services and Physical Science building.
 - b. Section Two includes: Life Science; Lecture Forum; Administration; Social Science; Nursing; International Center; Art Directional; Marina Campus and Public Safety Training Center.
 - c. Section Three includes: Building 24 (PE); The Gym; Facilities; Theatre (to include Fort Ord Storage), Music. Art buildings not included in two; College Center; Facilities(includes yard and Fort Ord storage); Adaptive PE and Auto Tech.
3. In FY 07/08 all sections shall be inventoried.
4. Starting in Fiscal Year 08/09 only section one will be inventoried. In the following year section two shall be inventoried and in 10/11 section three shall be counted. The rotation shall remain in effect with each succeeding year.
5. **Conduct of the inventory**
 - a. **A list of the qualifying assets in each building shall be printed out and carried into the building to determine if the assets remain in place.**
 - b. **The aide of a qualified and experienced person working in the building shall be required to determine the status of the assets. Note: any asset moved, lost or retired or upgraded must be noted. It should also be checked at this time if there is any asset in the building which is not listed but seems obviously of a value that would require it be inventoried.**
 - c. **All adjustments discovered shall be made to the inventory. The loss, destruction or retirement of any inventoried item must be reported to the Board of Trustees.**
6. In the event that a new building is added to the campus landscape the building shall be included in the section which it resides geographically. Section one is Eastern, section two is northwestern and section three is southwestern. All new off site locations will be included in section two.
7. Since 2004 all received items of \$5000 or greater value have been tagged with a red inventory tag. Prior to 2004 all items regardless of value were marked with a black inventory tag.

8. The College shall continue to maintain an inventory of items with a value greater than \$1000. These items will not be subject to a physical inventory. They will be tagged with a black inventory tag.
9. There will be an inventory log book maintained and when the annual inventory is completed the log shall be initialed by the Purchasing Agent.

Inventory check sheet Section One

<u>Building</u>	<u>Date Inventoried</u>	<u>Date Inventoried</u>
<u>Library Tech Center</u>		
<u>Family & Consumer Science</u>		
<u>Computer Science</u>		
<u>Business & Humanities</u>		
<u>Humanities</u>		
<u>Student Services</u>		
<u>Child Development #1</u>		
<u>Child Development #2</u>		
<u>Child Development #3</u>		
<u>Physical Science Building</u>		