



City College of San Francisco

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SAN FRANCISCO COMMUNITY COLLEGE DISTRICTCITIZENS BOND OVERSIGHT COMMITTEE PROP A 2001 / PROP A 2005 / PROP A 2020

MINUTES

MONDAY, August 2, 2021

Via Zoom Video Conference

- 1. Call to Order:** Mr. Vasquez, called to order the meeting of the Citizens' Bond Oversight Committee (CBOC) at 2:04 PM on August 2, 2021. In response to the COVID-19 shelter-in-place order, the meeting was held via video conference.
- 2. Meeting Etiquette:** Ms. Lam, explained the Zoom protocols for the meeting.
- 3. Roll Call:** Roll call was conducted. Members present:
A.J. Thomas (Chair), Dennis Kelly (Vice-Chair), Peter Gallegos, Christine Hanson, Shanon Lampkins-Jones (by Proxy), Rafael Musni, Linda Fadeke Richardson, Steven Tang, Han Zou.
Members not present: Thomas Havey.
- 4. Introductions:** All who were in attendance introduced themselves.
- 5. Election of Chair & Vice Chair:** Ms. Richardson nominated A.J. Thomas for Chair; Ms. Hanson seconded. Mr. Thomas was voted Chair without objection. Ms. Richardson nominated Dennis Kelly for Vice-Chair; Mr. Gallegos seconded. Mr. Kelly was voted Vice-Chair without objections. Mr. Vasquez handed over the meeting to Chair Mr. Thomas.
- 6. Approval of August 2, 2021 Agenda:** Ms. Hanson requested the agenda to be moved around to hear about the audit before the Bylaws. Chair Thomas asked if the agenda was crafted with intent and was inclined to continue forward with the original presentation. Chair also recognized Ms. Hanson's requests and stated that if items were not covered, that at the next meeting they would address what was not covered fully.
(Tang/Richardson)
- 7. Review and Acceptance of July 1, 2020 Meeting Minutes:** Ms. Richardson asked if the minutes could be amended to state specifics on the disruption/zoom hijacking of the previous meeting for reason of the brief recess. Chair Thomas asked Ms. Richardson to type in the chat the specific language she would like stated due to audio issues. Ms. Hanson asked that the meeting minutes be amended to reflect that she had requested in 2 places (7 and 7b at the previous meeting) that each individual fiscal year audit be analyzed separately instead of 3 years as a whole. Chair Thomas suggested that Ms. Hanson work with Ms. Lam to work on the wording. Chair also recommended tabling the approval of the meeting minutes till the next meeting to get the exact language properly worded from Ms. Hanson and Ms. Richardson. A motion was made to table the minutes until the next meeting. (Kelly/Hanson)

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8. Public Comment on Non-Agenda items:

- a. Member of the public, Dr. Edward Simon Hanson thanked the committee for their work. Dr. Hanson stated that the College has had eleven Chief Financial Officers in the past five year, there have been multiple votes of no confidence by staff on the budgeting process. He went on to state that the District's annual audits for the past two years have had material witnesses to them, and that the current audit on the agenda for review explicitly shows \$142k of illegally spent Bond funds on administrative salaries. Dr. Hansen concluded by asking the committee to insert their independence and be active members of the oversight function.
- b. Member of the public, Mr. Harry Bernstein brought concerns with Prop 39 Section 3, Purpose and Intent, Part C. Mr. Bernstein feels the original language didn't specifically address the specific projects on the Prop A 2020 Bond and asked how that could be dealt with. He also stated that there are no statutory restrictions of the formation of subcommittees, even though subcommittees were prohibited in the Bylaws in 2015. They were put back in by the Board in 2017, then taken out again in January 2021. Mr. Bernstein stated that an associate of David Casnocha, admitted the law does not require the CBOC to have Bylaws. Mr. Bernstein thinks there should be subcommittees and stated that Mr. Casnocha's associate also said that the CBOC doesn't need subcommittees because the staff should prepare the report and the committee review it as a whole.

9. Communications from Staff: Mr. Vasquez said that this item was for Vice-Chancellor Al-Amin to speak. Mr. Al-Amin was not available at that time. Mr. Vasquez thanked the committee for their time and effort as CBOC members and that staff will continue to support the process.

10. Review of Bylaws: Mr. Casnocha gave a brief history of general obligation bonds, provided an overview of what a CBOC is legally obligated to do, and reviewed the Committee's bylaws in detail. He discussed the notion of "independence" as it relates to the committee. He explained that an "independent" committee means that committee members cannot have conflicts of interest, can't be vendors to the District or an employee of the District. Additionally, an "independent" committee operates free from interference from members of the Board of Trustees. Mr. Casnocha touched on Section 5.4 of the Bylaws regarding member term limits. Mr. Casnocha recommended that Section 5.4 be changed and remove the references to 3-year terms and stick with 2-year terms with two of the members being appointed 1-year terms for staggering. Mr. Casnocha pointed out section 7d in regard to the Bond website which retains all of the records and provides the public with access to the records. He suggested to the committee to review the website and assess if the website is doing a good job informing the community and stating the committees' activities and opinions and conclusions. Suggested enhancements to the website should be communicated to the District and the District should accommodate.

Vice-Chair Kelly thanked Mr. Casnocha for the information he provided and asked if the Bylaws are essentially his preference and ratified by the Board. Mr. Casnocha touched on 5.8c of the Bylaws, commenting of the prohibition of subcommittees. Mr. Kelly referenced an example of a possible subcommittee would be needed for and felt that the Bylaw section was restrictive. Mr. Casnocha suggested that section 5.4 should be brought to the Board for an amendment along with having section 5.8c removed. Mr. Kelly questioned a statement made about the committee being able to see change orders, but not all the change orders per the committee's authority. Mr. Casnocha said that once a project has been determined to be authorized by Article 13a of the constitution and consistent with the ballot language, asking for change order information on a summary basis adequately informs the committee as to the financial consequences of in-process changes without the need for the staff to produce paperwork representing each change. Talking about projects is connected to maximizing Bond proceeds by implementing cost saving measures and goes to the notion of waste, which is a legitimate concern in a Bond program.

Ms. Richardson thanked Mr. Casnocha for the detailed refresher course of the Bylaws. She asked Mr. Casnocha about clarification on the Bond project list that the voters approved, that there is no obligation to actually completing the projects on that list by the district. Mr. Casnocha stated that there is no obligation to complete the projects on that list and gave an example of the district being able to spend the whole Bond fund on one specific project legally; but, that choice may not address the community challenges of the college. Ms.

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Richardson then asked how to get specific information on a specific project without violating the committees' lawful obligations. Mr. Casnocha stated 5.8d which states "the Committee shall have the right to request and receive copies of any public records relating to projects funded by the Propositions.", allowing the committees right to ask for and view those documents. Mr. Casnocha also informed the committee that if there are projects that the committee feels are pertinent to be on the priority list for the Board, but are not on the Board's list, to ask how the priority list is established and what factors go into projects being on the list or not.

Ms. Hanson stated that the restrictive wording about subcommittees in the Bylaws did generate interest at the Board level and, as she recalled, there was one trustee who stated that they were in favor of subcommittees. Ms. Hanson said that creating the outline for the omnibus three-year annual report was done in a subcommittee and that subcommittee did bring it back to the main committee for their input. She also brought up concerns on her initial challenge accessing the Bond website and how the public could find it and asked if this is something that could be brought to administration to check. She commented on the legal counsel representation, that per the Board policy, the Chancellor would ensure legal representation be provided to the CBOC at District's expense. Mr. Casnocha stated that he is not familiar with the Board policy per legal representation. He stated that he is the District's Bond Counsel offering free legal advice to the oversight committee. The district staff is fulfilling policies that the Board has established to provide the committee with legal advice, on the topics relating to the Bonds, and its behavior within the statutory framework. Ms. Hanson asked about the updating of the Bylaws in the meeting prior to the report approval process and said that Mr. Casnocha stated that the Bylaws were not going to change and only going to update it for 2020, asking who called for those additional changes such as the prohibiting of subcommittees. Mr. Casnocha stated that he drafted the Bylaws and circulated them to a group of people at the district for comments and feedback. A couple of comments were received by him, and some comments were provided by the trustees to the staff and provided to him. The efforts were to incorporate whatever comments from those sources into the Bylaws before they were brought back to the Board for approval. This would explain that in 5.4 looks like it has reflected some of the comments but are at odds with what the original draft stated. Ms. Hanson asked because of the high turnover rate in staff, did Mr. Casnocha mention that the conversation with the CBOC had been that there wouldn't be any changes to the Bylaws. Mr. Casnocha stated that the changes were largely insignificant as he recalled.

Mr. Musni asked if Bond funds could be used for development of Facilities Master Plan. Mr. Casnocha stated that the Prop A 2020 Bond project list explicitly included authorization to finance Facility Master Plan preparation and updates, along with assessment reviews, facility studies and environmental studies.

Member of the public, Mr. Bernstein expressed that under the current Bylaws in section 5.4, that members should be entitled to serve the three-year terms, even if the committee changes it for the future to two-year terms. CBOC reviews expenditures only after they are audited, but sometimes problems show up earlier. One example he gave was from May of 2020, the Board approved the termination of lease at Ft. Mason and the relocation of programs not to exceed \$300,000. He is waiting on a full report but believes the costs have surpassed \$450,000. Two other factors, the cost of relocation was unbudgeted, there was also a footnote in a presentation to the Board that the cost of relocation between campuses can be charged to the Bond, thus an unbudgeted expense became a Bond cost which was not the original intention. The Bylaws of 2017 removed the limitation of formation of subcommittees, it was brought to the Board's attention that the new Bylaws would remove that prohibition, but they passed it anyway. Mr. Bernstein said that Mr. Casnocha's advice to the CBOC was to follow the common practice of having staff prepare the report and presented to the committee as a whole for edits and commentary. He responded that the annual report is the committee's chief responsibility and a subcommittee of interested persons is a more efficient and effective way to develop a report as they must stand behind it, then the staff creating it.

Member of the public, Jason Hunter initially stated concern about the zoom protocols in hand raising and the 30 min submission of ahead of time for public comment and not on the actual individual items. Mr. Hunter stated Mr. Casnocha is the district's legal counsel and not the committees', so it's inappropriate that he is giving this presentation. He also wrote the Bylaws in the most favorable light for the district and is in violation of 4.3 as he is supposed to give a warning before he begins talking, he feels that there is a conflict of interest

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here. Mr. Hunter stated that the committee is a state mandated oversight committee, not a trustee created advisory committee that reports to the public, not the Board of Education and thinks that the committee needs to understand the state education code section 15.264 – 15.288 Article 13a Section 1 of the California Constitution and the Bond language itself and not taking his advice. The things in your Bylaws that just undermines the credibility of the committee itself and the public is watching how you're safeguarding our money. When you see things in there that say the Board of Trustees can remove you at any time for any reason, that the appointments are safeguarded and the gatekeeper on those are staff itself, the people you are charged with oversight, then you can't even change the Bylaws and only the Board of Trustees can do that, that's rubbish and there's nothing in the Statute that supports that.

Chair Thomas asked Mr. Casnocha if he cared to respond before Chair asks his questions. Mr. Casnocha responded to Mr. Bernstein's comment on how the committee doesn't review expenditures until after they're audited, that is not true if things are being done correctly. Each quarter when the committee meets, the committee should be receiving updated information on the expenditures of Bond funds that have been made in that quarter, so the committee is able to see the expenditures in real time. As the audit comes much later and is auditing expenditures long after the committee had reviewed them. Mr. Casnocha responded to Mr. Hunter's comments by initially informing the committee that Mr. Hunter lives in Riverside and was a former member of the Riverside Unified School District and the Riverside Community College District Bond Oversight Committees. In both of those Jurisdictions he was not reappointed to a second term. The comments he made he disagrees with. Both Riverside Unified and Riverside Community College did not take his suggestions regarding the role of the Oversight Committee or the content of the Bylaws to heart and didn't follow through on the same suggestions he made to them as he made to the committee here.

Chair Thomas opened the floor to any member of the committee if they wanted to speak to this item. He thanked Mr. Casnocha for coming and presenting and the committee for the thoughtful comments and questions.

Mr. Casnocha said that Mr. Hunter made a point about advisory committees and this committee is not subject to the filing of FPPC form 700 because this committee is an oversight committee and not an advisory committee. If anyone here is told to fill out that form, that should be followed up on as he doesn't think that it's legally required to do so.

Chair Thomas asked for any members if they have any questions regarding that form or are asked to fill one out to reach out to him and he will follow up to make sure that things are handled correctly.

Chair Thomas asked Mr. Casnocha about the amendments that need to be made to 5.4 and 5.8 if these changes would take place in the next three months and be approved by the Board. Mr. Casnocha said that most likely in the next week. After receiving direction from staff those changes would be made within a day and submitted back to staff to be put on the agenda. Chair Thomas stated that in the interest of time he will be refraining from asking the remainder of his questions and moving on to the next agenda item if there are no objections.

11. **Staggering of Committee Terms:** Chair Thomas suggested that due to the current amending of the Bylaws that this is something to be discussed at the next meeting and tabling it for now if there are no objections. (Richardson/Kelly)
12. **2001/2005 Financial & Performance Audits Fiscal Year 2019-2020:** Chair Thomas stated that the committee may ask for them to return at the next meeting for have a more robust discussion.

Ms. Alicia Herrera of Eide Bailly LLP stated that she will briefly go over the report focusing on what she thinks that the committee would like to understand, which is the audit findings. She reminded the committee that when an audit is performed, it is done in two pieces. An audit over the financial statements of the bond fund and a compliance audit in accordance with Prop 39. An unmodified opinion was given, which means the financial statements were fairly stated with no material misstatements and no non-compliance that would distort the

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numbers in the financial statements. From the samples chosen of expenditures pulled as part of the Performance audit, there was one finding associated with the payroll costs and identified \$142,104 of salaries believed to be associated with administrator or individuals whose positions are not substantially supporting the bond projects themselves. On page 26 of the audit report are the questioned costs, context, effect, cause, recommendations, and a corrective action plan. As District is closing the 2021 fiscal year, they will be coming back to do the audit again in November and will specifically follow up to see if the corrective action plan was put into place.

Chair Thomas asked the auditors if they would be willing to come back before getting to the questions. They said that they would and then opened the floor to the committee for questions.

Ms. Hanson called out that a letter was included with the audit to the Board and thinks that the committee might be very interested in reading that. She said that she will hold a comment to that letter for when the auditors return next meeting. Ms. Hanson inquired to the questions of costs stating ‘other individuals’ and if that can be expanded upon. Ms. Herrera believes that they were individuals in the finance department and Vice-Chancellor could give more specifics on that. Per the auxiliary letter that was mentioned that went to the Board, that is a letter required to issue a governance with any type of audit report issued. The letter includes what the responsibilities are of the auditors, whether we have any difficulties or disagreements with management and whether we had any past audit adjustments. Ms. Hanson asked about the structure of gauging expenses, current expenses, past expenses and projected expenses and you couldn’t find a system that did those things, per the final communications letter submitted to the Budget Committee and the Board of Trustees. Chair Thomas asked in the interest of time if Ms. Lam could obtain this letter with Ms. Hanson’s help and attach it to the agenda for next meeting. Chair asked if Ms. Hanson could hold her questions till the next meeting. Ms. Hanson agreed.

Mr. Zou asked about the \$142,000 amount that was coded to the Bond program inadvertently, in that money was already spent and in the future those salaries will not be coming out of the Bond. Mr. Harrison replied that Vice-Chancellor can speak to what their plans are for the future for those salaries that were paid inadvertently. For the monies that were already spent in non-compliance, would need to be replenished back to the Bond and will be followed up on in the new fiscal year to verify that correction has been made.

Ms. Richardson asked for the ratio of total expenditures on the report and what is the process on how to make sure the CBOC gets the same information that the Board of Trustees so the committee can properly address questions. Mr. Harrison stated that \$142,000 is about 14% of the \$1.1mil. Per the letter that went with the audit Board of Trustees, this is something that goes to management, the Board and to the CBOC, so not sure why the letter was not with the audit packet to the CBOC.

Vice-Chair Kelly read the motion for changes to the Bylaws; “CBOC requests the CCSF Board of Trustees that specific changes to the Bylaws of the CBOC regarding term limitation and the authorization to create subcommittees Section 5, items 5.4 and 5.8 be reviewed by Bond counsel for the purpose of proposing amendments, pursuant to the discussions at the CBOC meeting of 2 August 2021”. (Kelly/Richardson)

Chair Thomas stated that he would work with Ms. Lam and ensure that the request goes through the proper channels. He thanked Ms. Herrera and Mr. Harrison for their time and presentation and asked them to come back so a more robust discussion can be had.

- 13. Prop A-2020 Bond Sale & Refunding:** Vice-Chancellor Al-Amin briefly went over the report and stated that it was a successful refunding and bond sale. He informed there has been some changes in costs and will bring that info to the committee to show how it may impact future projects, along with keeping up on cost containment and fulfilling as many projects as possible.

Ms. Hanson inquired if there was a competitive RFP process along with hiring the escrow agents for the bond refunding, the escrow verification agent and any others involved with this process. Vice-Chancellor Al-Amin replied that the required RFP process is associated with the selection of underwriters. Other individuals involved

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in this process come from the city and county treasurer's office, as required by law. The competitive process for selection of underwriters and anyone involved in the financial transactions is presented to the Board. Mr. Casnocha stated that the city and county of San Francisco has been the paying agent on the bonds, they have a relationship with a financial institution. They are the ones who informed the group as to who would be the escrow agent.

Chair Thomas stated in the interest of time to direct the Chair in cooperation of staff to find an ideal future meeting date and craft an agenda. (Richardson/Kelly)

This motion was rescinded as there was a member of the public that needed to speak on item #12.

Mr. Bernstein stated that he is also concerned about the 14% of improper administrative costs and thinks it will be addressed further in the next meeting. He also stated that in January 2021 the Board voted on the amended Bylaws which allowed for CBOC meetings to be held once a month and that approved version of the Bylaws are what is current, regardless of what the printed version states. He expressed concern over the committee members having access to the auditors outside of the CBOC meetings. He also stated that there were inconsistencies with the public chat function as he was able to see some of what the committee was chatting about and then not able.

- 14. Adjournment** – Chair Thomas thanked everyone for the work put into the agenda, Mr. Casnocha for the detailed briefing and everyone at Eide Bailly LLP for the presentation of the audit. He made a motion to adjourn. (Kelly/Tang) Meeting adjourned at 4:29 PM

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