



City College of San Francisco

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DRAFT MINUTES

SAN FRANCISCO COMMUNITY COLLEGE DISTRICT CITIZENS' BOND OVERSIGHT COMMITTEE PROP A 2005 / PROP A 2020

March 21, 2024
4:00 PM – 6:00 PM

City College of San Francisco
Ocean Campus, Multi-Use Building (MUB) Room 340

1. Call to Order - Chair Fadeke Richardson - 4:09 p.m.
 - a. Attendance Roll Call:
 - i. Christine Hanson – present
 - ii. Thomas Havey – present
 - iii. Linda Fadeke Richardson – present
 - iv. Chineseaman Lai – present

 - Presenters: Jeff Scogin, A Kennedy Group
Mike Chegini, A Kennedy Group
Alicia Herrera, Eide Bailly
Rick Alonso, Eide Bailly
Alberto Vasquez, Associate Vice-Chancellor – Construction & Planning, CCSF

 - Support Staff: Marian Lam, Administrative Analyst, Office of Facilities & Capital Planning, CCSF
Eric Birnbaum, Sr. Management Asst., Office of Facilities & Capital Planning, CCSF

2. Approval of the Agenda
 - a. There was no formal motion to approve the agenda prior to the voice vote.
 - b. Discussion
 - i. Chair Fadeke Richardson stated that there will be no working group presentation due to the timing of the release of the report. The working group presentation will be deferred to next meeting.

 - c. Voice Vote to approve the agenda:
 - i. No nay votes.
 - ii. No abstentions.
 - iii. Motion passed.

3. Approval of the Minutes – 2/13/2024
 - a. Motion to approve the minutes by Member Hanson, seconded by Member Havey.
 - b. Discussion - none
 - c. Voice vote:
 - i. No nay votes.
 - ii. No abstentions.
 - iii. Motion passed.

4. Updates from the Chair – Chair Fadeke Richardson
 - a. Member Hanson provided an email communication regarding Prop 39 which will be provided to the members of the committee for individual review on their own time.

5. Public Comments on items not on the agenda
 - a. None

6. Updates from the last meeting
 - a. Website links and archive updates – AVC Vasquez said that there is no presentation on this item, but the website links that referenced the old archive are being transferred over to the current active website. A lot of them are up, but many must still go through ADA screening prior to posting on the new website. Member Hanson mentioned that it is now easier to get to the CBOC reports.
 - b. Clarifications Internal Controls – Jeff Scogin
 - i. Page 8 of packet has the definition of internal controls by the Institute of Internal Auditors. An example would be the project list that has gone to the board for approval. Another example would be that for all invoices the staff has a cover sheet that ties the invoices back to requisitions and who has signature authority.
 - ii. Member Hanson requested an organizational chart of the auditors and external consultants (Cummings, Kitchell)
 - iii. Member Havey stated that the item in the Auditor's Report that indicates "preparation and fair presentation of the financial statements is the responsibility of management" is a flag for him because it qualifies the opinion they are providing, and he is concerned with legal liability of those who are volunteers (committee members) and are not covered by the insurance of the district. As a matter of principle, he wants to look beyond nice-looking financial reports and is concerned what the committee members legal exposure might be. Chair Fadeke Richardson replied that Proposition 39 clearly states the role and obligations of City College of San Francisco regarding the expenditures. The role of the committee is to review the documents and ask questions, and to ensure that the questions are noted. The obligations are different from, for example, a non-profit, where the board members are making the decisions and are responsible. Any issues the CBOC have can be posed to the bond counsel, but Proposition 39 clearly states the role of the committee. Member Hanson stated that former committee member Rafael Musni had this question many years ago and was provided an answer. We can look to the history to find what that was.
 - c. Clarification of Online Portal – Member Hanson stated that she could not find her notes and is hoping to get the recording of the meeting to review. She requested to carry this item over to the next meeting.
 - d. Clarification on Financial Reports – AVC Vasquez stated that there was a request for a hard cost vs. soft cost breakdown. We are looking at ways to provide this; it is a work in progress. Jeff Scogin stated that the report that was presented showed types by category which tie to the district financial system in Banner. That is how the expenditures were grouped. If we gave it as hard/soft costs it would be less detailed. Member Hanson asked if a glossary of the definitions in Banner could be provided. Mr. Scogin replied that we can show the codes at the next meeting and if they are hard or soft costs. This would only be for codes relevant to this program.

7. Financial and Performance Audit – Alicia Herrera and Rick Alonso
 - a. Mr. Alonso presented the Financial Audit. He stated that both the financial and performance audits are included in the report.
 - b. The financial audit report gives the auditors' opinion on the financial statements.
 - c. There are 4 major areas of the report: the audit opinion, the financial statements, notes to the financial statements and the findings and recommendations.

- d. The most important page is the Audit Opinion, particularly the second paragraph that states that, in the auditors' opinion, the financial statements present fairly. This is called an "unmodified opinion", which is the cleanest opinion that they can give.
- e. As the auditors, they look at the financial statements and if they know of any errors they suggest "audit adjustments" to the management. If Management makes those audit adjustments, then we receive a clean opinion.
- f. There were some errors that were noted, mostly in accounts payable. Since we had audit adjustments, professional standards require that they give a "material weakness" finding which is on page 12.
- g. In the financial statements on page 4, Mr. Alonso pointed out that the district has about \$200.2 million unspent in 2005 and 2020 combined, so there are still a lot of funds to be spent by the district.
- h. Ms. Herrera noted that the audit findings were related to timing differences, so some items that were paid close to year end were not included in the correct fiscal year. They did not note any audit adjustments through their testing for items that should not have been charged or were charged incorrectly.
- i. Chair Fadeke Richardson asked for confirmation that there are no questioned costs. Ms. Herrera responded that was correct, all the findings were due to timing. There were no findings of expenditures that were not appropriate. All expenditures were appropriate to the bond fund; the only issues were that some were not in the correct fiscal year. This was true for the district as a whole and is not specific to the bond fund.
- j. Chair Fadeke Richardson asked for clarification on revenues vs. expenditures as shown on page 5. Ms. Herrera explained that the relation of revenue and expenditures for a bond is different from other entities. In the current year the district brought in about 4.5 million in interest revenues but spent 60 million over that. For a bond fund that is expected. It is acceptable that expenditures are greater than revenues. The only time that there will be more revenues than expenditures are the year you issue the bond. What is paying for the expenditures is the issuance of the bonds, not the revenues from interest.
- k. Member Havey asked for clarification of the letter on page 3 of the packet. Ms. Herrera explained that this is the associated letter that is required to be provided to the Board of Trustees. In this letter the auditors disclose if they have any issues with the audit, any disagreements with management, and the recommended audit adjustments. These are the actual adjustments. The finding gives more context into background. Member Havey asked about the indicated reversal of some payments. Ms. Herrera replied that these were the timing issues she mentioned previously; the corrections were only for the fiscal year. This affects only the 2023 items moved to the 2024 year, not retroactively to 2022.
- l. Member Hanson asked if the college had recently issued bonds. AVC Vasques responded that there had not been recently issued bonds, but the board approved a sale for later this spring.
- m. Member Hanson asked about the amount of time between the Accounts Payable payments and the end of the year. Ms. Herrera replied that they tested through the end of October, so it represents a robust period after year end. Mr. Alonso added that they look at when the services were performed, more so than when the payments were made. Member Hanson asked what percentage of the items were tested. Ms. Herrera responded that she didn't have that exact figure at hand, but they test all items relevant plus some lower dollar-amount items.
- n. Chair Fadeke Richardson asked what the amount of the bonds that have been issued is. Mr. Scogin responded that it was \$300 million dollars. Chair Fadeke Richardson said she would like to have a running total of what has been spent relative to what has been issued. Ms. Herrera responded that would be something management could provide; the audit follows the state-mandated format. Member Hanson offered that she thinks that is what people really want to know, what has come in and what has been spent. Mr. Scogin responded that information is in the Quarterly Report, rather than the Performance Audit.
- o. Chair Fadeke Richardson asked what the risks are with the current high interest rates on bonds. Ms. Herrera replied that they look at the general obligation bonds as part of the district audit. They verify the district is accurately reporting the interest in the disclosures, but they don't provide financial guidance. The district has bond underwriters and other resources that help with that. Ms. Herrera noted that many other districts are having the same experience with interest rates.
- p. Member Lai asked if when a bond is authorized the school gets the published amount, and what the effects of interest rates are on how much the college has available to spend. Ms. Herrera replied that it is principal only; it wouldn't factor in interest payments. Member Lai asked a series of technical and theoretical questions regarding the interest on the bonds. Mr. Scogin responded that for each bond sold, there is an official statement of amount, premium and cost of issuance. The premium goes to paying down the bonds. Mr. Scogin stated what the official statement says and suggested that the committee could request a

member of the bond-sale team to address the specific questions they might have regarding the issuance of the bonds.

- q. Ms. Herrera presented the performance audit (also known as the compliance audit). The auditors look at the California state requirements for what is allowed under prop 39 and whether the district used the bonds in accordance with the ballot measure and the state requirements. They pull a sample and look at the invoices, contracts, and underlying support for the items. For the year-end of 6/30/2023, there were \$64.5 million in bond expenses. They audited approximately \$47.9 million of these expenses, which represents about 74 percent. They noted no non-compliance items and that the district was using funds in accordance with the ballot measure. That is what is required by the state. They also perform a couple of other procedures at the request of the district. One of these is looking at the bids to make sure they were in accordance with California public contract code and district policy. They noted no exceptions in their testing. They also look at change orders and contract modifications. They noted no exceptions there. They review the project budget to actuals schedule to make sure they were put into the right project. They noted no instances of non-compliance.
- r. Ms. Herrera offered a summary: they issued another clean, unmodified opinion of the district's compliance with Proposition 39 and noted no instances of non-compliance and do not have any findings recommendations for the performance compliance audit.
- s. Chair Fadeke Richardson asked AVC Vasquez, regarding information on page 19 of the packet, why there were such large change orders for Rudolf and Sletten and XL Construction. AVC Vasquez explained these represent the contractors buying out their subcontractors for the project. These are not actually change orders but are expenditures that go towards the total Original Encumbrance amount in the first column. Chair Fadeke Richardson said that there should be a notation that it is not a change order, but that is part of the total expenses.
- t. Member Hanson asked, in reference to pages 18 and 20 of the performance audit, of the \$64 million how much was 2005 Bond and how much was 2020 Bond, because the project lists are very different. Ms. Herrera responded that the information is broken out on pg. 18. Member Hanson also asked if the Ocean Campus-Wide Improvements item on page 20, was one of the items that was tested. Ms. Herrera couldn't say off the top of her head if that specific item was tested. Member Hanson stated has asked for specific items to be tested against the 2005 language in the past and has not gotten sufficient response.
- u. Member Havey commented that on the cover letter page 15 it is missing the word "Bond" in the title of the committee. He also noted on the page 20 spreadsheet there is a title "variance"; the top numbers are all 0 which doesn't seem realistic to him. Ms. Herrera replied that what typically what happens is that there is a certain amount attributed from the bond, and overages are attributed to other sources and are not reflected here. The projects with variances are projects that are not completed and still have expenses that have not yet been incurred. Overages would be applied to other projects. Mr. Alonso said that there are also the expected future expenditures.
- v. Member Havey commented that if everything shows 0 you can't tell what has done well. AVC Vasquez responded that these are the projects where we are no longer doing work. Chair Fadeke Richardson said this should be noted so we understand that. Mr. Scogin said that the budget is amended, that is why the expenses are identical.
- w. Chair Fadeke Richardson stated that some of these projects span years, so they accumulate expenses vs. the original budget.
- x. Member Hanson asked that on page 18, if possible, she would like a list of which projects in the 78 were tested for the project list for the 2005 Bond. Ms. Herrera responded that she would have to check if that is allowed; the audit report is what is released to the public. AVC Vasquez noted that the projects shown on the report from the Diego Rivera Theater down are 2020; items above that are 2001/2005.
- y. Chair Fadeke Richardson asked about the program administration costs shown on page 9. Ms. Herrera stated that trying to compare the annual report vs. this data table it is not going to work, because this information is cumulative and not just one year. Mr. Scogin asked for verification that the page 20 through 24 items are above and beyond the normal scope of what is required. Ms. Herrera responded that the only item required by state standards is the expenditure testing piece on page 31. Every other item was developed based on the wishes of the district. If the committee wishes for the procedures to be something different, they can request that of the management.
- z. Chair Fadeke Richardson asked if the staff could work with the auditors to help clarify the questions they have of the disparity of the cumulative figures vs. the annual information.

- aa. Chair Fadeke Richardson suggested that the working group meeting in the next couple of weeks to go through the questions raised today.
 - bb. Ms. Herrera addressed the item of Governance Letter page 40. This letter is required under audit standards. They are required to disclose if we had any disagreements with the management, etc. There is nothing to disclose here that would be considered alarming; it is boiler plate language. Mr. Alonso commented that they note the audit adjustments, but the rest is boiler plate.
8. Annual Report – Chair Fadeke Richardson
- a. The committee should have a working session so that by the next meeting in April we can complete and finalize this. She requested that Marian Lam reach out to the committee members to set up a meeting.
9. Review of Member Chart
- a. AVC Vasquez stated that the end dates of terms were addressed as requested in the last meeting. The staff is actively working on outreach for the 3 positions that are vacant.
10. Next meetings topics
- a. The main and only subject of the next meeting will be to finalize and approve the Annual Report.
11. Adjournment
- a. Meeting adjourned by the Chair at 6:00 PM.