CHABOT-LAS POSITAS COMMUNITY COLLEGE DISTRICT
BOARD OF TRUSTEES
REGULAR MEETING

MINUTES
March 6, 2007

PLACE

Chabot-Las Positas Community College District, Chabot College, 25555 Hesperian Blvd., Hayward, California 94545.

CALL TO ORDER

The regular meeting was called to order at 5:30 p.m. Recording Secretary Beverly Bailey called the roll. All Board Members were present at the time of roll.

The Board immediately adjourned to a Closed Session, which ended at 6:25 p.m.

The Board readjourned in Open Session at 6:30 p.m. and adjourned at 7:55 p.m. Recording Secretary Beverly Bailey called the roll. Mr. Nicholls was absent at the time of roll.

ATTENDANCE

Members Present:	Dr. Arnulfo Cedillo Mrs. Isobel F. Dvorsky Mr. Donald L. "Dobie" Gelles Dr. Hal G. Gin Dr. Barbara F. Mertes Dr. Alison Lewis Mr. Carlo Vecchiarelli Mr. Dayne Nicholls (arrived at 6:35 p.m.) Mr. Nathan Cornejo
Members Absent:	None
Managers Present:	Dr. Susan A. Cota, Chancellor Mr. Jeffrey Kingston Dr. Joel Kinnamon Mr. Robert Kratochvil Ms. Melinda Matsuda Mrs. Jeannine Methe Mr. John Nahlen

Dr. Ronald Taylor

Recording Secretary: Mrs. Beverly Bailey

Others Present:
Mr. David Casnocha, Stradling Yocca Carlson and Rauth
Mr. Chad Mark Glen, President, Chabot College Faculty Senate
Mr. Daniel Hinds, ASCC
Ms. Lori Koh, Lehman Brothers
Ms. Melissa Korber, President, Las Positas College Faculty Senate
Mr. Rob Larkin, Lehman Brothers
Mr. Robert Lu, President, ASCC
Mr. Joshua Paul, President, ASLPC
Ms. Barbara Sacks
Mr. Dale Scott, Dale Scott and Company
Ms. Rachel Ugale, President, Chabot College Classified Senate

PUBLIC COMMENTS

Ms. Barbara Sacks, community member, spoke to the Board regarding the lack of support at a recent basketball game which she attended. She felt that there seemed to be little to no connection with the community. She does not see enough about Chabot College in the community. She expressed that she hopes the Board is active in supporting faculty and students. She also hopes the Board is aware of projects that are going on around the college that warrant attention—1) Development of the Cryer property across Depot between the college and Highway 92 (approved); Eastshore Energy plant application before Hayward, the California Energy Commission and Bay Area Air Quality Management District (in progress); and community meetings regarding the South of Route 92 Specific Plan Amendment Study (in progress).

Mr. Robert Lu, President of Associated Students of Chabot College, introduced himself to the Board. He noted that he will be unable to attend Board Meetings as he has a class at that time. He introduced his representative, Daniel Hinds, who will attend Board Meetings on his behalf. He also invited the Board to the student rally advocating students' rights scheduled for March 15, 2007 from 12:00 to 1:00 p.m.

PRESENTATION: GASB 45 COMPLIANCE

Dr. Cota reported that we have long been discussing how we are going to fund these long-term health care costs. Tonight you will hear a presentation and some recommendations on this issue.

Mr. Legaspi noted that GASB 45 requires governmental agencies including community college districts to report their post employment benefits other than pensions starting in 2007-08. For many districts, including this District, the future liability can be significant. For this District our Unfunded Actuarial Accrued Liability is $82 million. Tonight we will hear from several people on GASB 45 covering what is necessary to be compliance, solutions, financing structures to address our obligation as well as the legal structure that many districts will be using to fund GASB 45. Mr. Legaspi introduced the consultants which make up the financing team:

Bond Counsel: David Casnocha, Stradling Yocca Carlson and Rauth
Investment Bankers: Lori Kohn and Rob Larkin, Lehman Brothers
Financial Advisor: Dale Scott, Dale Scott and Company

Mr. Dale Scott gave a PowerPoint Presentation on the Challenges, Recommended Solutions and Reinvestment Strategies of the Unfunded Other Post Employment Benefits. He reported that the Actuarial Report calculates the estimated cost per year, which is the District's current liability payment estimated at less than $3 million today and up to $8 million by 2035. He noted that the budget increases approximately 2.5% per year and the retiree health benefit increases 3.25% (percentage of unrestricted funds). Over the next ten years, the amount the District will need to pay towards this liability will be approximately 5.5% on the Pay As You Go Basis. Mr. Scott reviewed the GASB 45 solution, the Annual Required Contribution (ARC) Funding method with cost of unfunded liability amortized over 30 years, which he does not suggest. Using this model, the District would pay approximately $7 million per year. He reported that the unfunded liability could affect credit. The rating agencies have not picked it up as yet but he believes that it is a matter of time until these agencies begin to make adjustments on credit ratings for those borrowers that do not address this problem.

Mr. Scott outlined a solution to better manage retiree health care costs which is to refinance the debt by selling Bonds to investors and deposited into an OPEB Trust. These bonds would be taxable limited obligation bonds, which means they are a debt of the District but would not have any taxing authority. Funds in the trust are handled by an investment manager and invested in an asset allocation model to try to produce sufficient return. You substitute the debt with the bonds. The trust cannot be used for anything but to pay off the bonds. The debt service structure would rise moderately, keeping pace with the District's budget increases, approximately 2.5%.

In response to a question raised by Mr. Vecchiarelli, "Can we fund only what is needed at a time?" Mr. Scott responded that that is what the District is doing now with the Pay As You Go Basis. Mr. Scott reported that the full amount is borrowed at one time and he confirmed that yes, there is some risk, however, there is also risk with the Pay As You Go Basis. Also in response to a question raised by Mr. Vecchiarelli, Mr. Scott reported that the interest rate would be in the low 5% fixed.

Mr. David Casnocha reported on the legal structure of the OPEB bond. He reported this is converting one form of liability to a bond liability. The Government Code authorizes the District to issue bonds but does not have authority to invest those bond proceeds in stocks and equities and a mixed asset allocation portfolio. A Community College District does not have authority (California Constitution) to invest in the portfolio that was described as an integral part of a successful package of refinancing OPEB liabilities. He reported that for a community college to participate in any investment program, it is recommended that a seven member "retirement board" be established, which would consist of no more than a minority of the Board (3), the CEO, CFO and two at-large members. He noted that the retirement board could not be the full Board of Trustees. This Board would be empowered by the Board of Trustees to assume responsibility for administering the retirement system which would include ordering future actuarial studies and investment decisions with respect to the proceeds of the bond issue. That Board could invest bond proceeds or other cash it might have in the portfolio investment securities critical to the economic success of this program.

He explained that the process would be as follows:

1. Adoption of a resolution establishing "retirement board";
2. Approval of By-laws for Board;
3. Approval of bond indenture;
4. File with Superior Court.

Dr. Mertes questioned if once this is established, if the state comes up with an affordable health system, would there be a way out? Mr. Casnocha reported that there are only two ways to use the bonds: 1) to fund the liability; and 2) to cancel the bond out itself to pay off the bonds (back door exit strategy).

In response to a question raised by Mr. Vecchiarelli, Mr. Scott reported that the bond debt would be over 40 years.

Dr. Gin questioned if this "mortgage" can be paid off sooner? Mr. Scott reported in the affirmative, noting that this stipulation could be written into the contract.

Mr. Vecchiarelli stressed that we need to deal with the "cause" of the debt.

Dr. Kinnamon reported that there have been discussions during negotiations regarding alternative options for retiree health benefits. He reported that the unions do understand the issues.

Dr. Cota stressed that the District will budget the necessary amount each year to cover retiree health care costs.

Mr. Gelles questioned if there was something for all the community colleges. Mr. Casnocha reported that some colleges have cash. He reported that the League has a joint powers authority for colleges who want to invest cash. He noted that the League may take the next step of collective borrowing in a few years.

Mr. Scott reported that the payment now with the Pay as You Go Plan is approximately $3 million. In 2060 you would get to that amount with the bond.

Dr. Cota reported that this is a six month process to implement. She reported that we need to move forward and set aside this money. She noted that she would like to bring the resolution to the next Board Meeting for action.

Dr. Cedillo reported that the resolution can be brought to the next Board Meeting and if at that time the Board feels uncomfortable, it can be tabled. He noted that the Board has agreed to be the fiduciary agent of the District and feels uncomfortable about obligating the District for $86 million.

In response to a question regarding the next steps, Mr. Casnocha reported on the next steps:
1) adopt a resolution establishing the "retirement board" to administer the retirement System; 2) Approve the By-laws of the retirement board; 3) authorize issuance of bonds not to exceed $85 million; 4) authorize attorneys to begin process; and 6) engage three firms of Stradling Yocca Carlson and Rauth, Dale Scott and Company and Lehman Brothers.

He reported that there is three months worth of work converting the existing debt to bonds. He stressed that the District can not reduce this debt, noting that a good question would be "how can the District keep the $82 million from increasing?"

NEXT MEETING

The next Board of Trustees Meeting is scheduled for Tuesday, March 20, 2007 at the District Office at 6:30 p.m.

ADJOURNMENT

There being no further business, the Regular Meeting was adjourned at 7:55 p.m.

Minutes completed by:

Beverly Bailey

Secretary, Board of Trustees
Chabot-Las Positas Community College District