

**NEWPORT-MESA UNIFIED SCHOOL DISTRICT
MEASURE F CITIZENS OVERSIGHT COMMITTEE**

**MINUTES AND REPORT OF THE MEETING OF
March 6, 2012**

The Citizens' Oversight Committee met on Tuesday, March 6, 2012, at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626

Members Present:

Cynthia Blackwell, Newport-Mesa Federation of Teachers (NMFT)
Cindy Brahs, Corona del Mar High School Zone
Ben Koontz, Newport Harbor High School Zone
Eleanor Rebard, Classified, California School Employees Association (CSEA)
Guy Olguin, Newport Mesa Administrators Association (NMAA)
Mitch Vance, Corona del Mar High School Zone

Members Absent:

Judy Berry, Orange County Taxpayers' Association
Paul Krikorian, Costa Mesa High School Zone

Also Present:

Paul Reed, Deputy Superintendent and Chief Business Official
Patty Dreher, Executive Assistant
Tim Marsh, Administrative Director - Facilities, Maintenance and Operations
Jim Lamond – Director Facilities Development, Planning and Development

Project Management Team:

Bonnie Martin, Project Director
Craig Scaringi, Project Manager, CMHS
Bill Gray, Project Manager, CDHS

Handouts: Measure F, 2005 General Obligation Bonds Financial Audit
Measure F Expenditures-to date Report
Measure F Budget Allocation Summary Report
Conflict of Interest 2011-12 Forms
Timeline graph for Corona del Mar High School and Costa Mesa High School Projects

WELCOME AND INTRODUCTION

Deputy Superintendent and Chief Business Official Paul Reed indicated that there was a Quorum and Chair Mitch Vance opened the meeting at 7:00 p.m. Mr. Vance welcomed the committee and Mr. Reed welcomed Royce Townsend, from Vavrinek, Trine, Day & Co. (VTD), the auditors for the District.

ADOPTION OF THE AGENDA AND APPROVAL OF MINUTES

Agenda for March 6, 2012 meeting was adopted as presented and the minutes from the October 4, 2011 meeting were unanimously approved.

MEASURE F, 2005 GENERAL OBLIGATION BONDS FINANCIAL AUDIT

Mr. Reed stated that one of the conditions in law for a Proposition 39 bond, which allows for a 55 percent voter approval for a general obligation bond program, is to have an annual performance and financial audit on the use of bond proceeds reported to the oversight committee. Mr. Townsend from Vavrinek, Trine, Day & Co. (VTD), auditors for the District, presented the June 30, 2011 Audit Report to the committee members.

Mr. Townsend presented two different forms of information; the “Statement of Standard Auditing 114 Letter” and the Audit Report which identifies the financial statements of the District as well as the performance audit. The “Statement of Standard Auditing 114 Letter” is a required communication due to a change in the law for Governmental Accounting Standards. The 114 Letter highlights information to the committee and advises the committee if the auditors encountered any significant difficulties in the course of the audit or dealing with management in performing and completing the audit. Mr. Townsend reported that in both cases VTD has no conflicts and there were no corrected or uncorrected misstatements of the financial statements. The purpose of the letter is to provide a recap specifically to the oversight committee regarding the audit process.

Mr. Townshend went on to explain that the audit provides a reasonable assurance as to whether the financial statement of the District as well as the performance statement of the District is fairly stated. The highest level of assurance VTD can give to the District is to provide an “unqualified opinion” that the auditors did not find any material weaknesses or deficiencies in internal controls of the District. There were no adjustments and no findings to the financial report and there were no exceptions noted to the performed compliance procedures.

In response to an inquiry as to how much was tested Mr. Townshend replied that VTD uses a sampling methodology which was done on 77 % of the total expenditures for the past year and VTD found that no expenditures were out of compliance and there were no issues with the compliance of the bond.

Mr. Reed offered a layman’s perspective that it might be useful to consider that of the two reports presented by VTD, one report verifies that the numbers the District records are accurate and the second report verifies that the District is spending the money in accordance with the criteria of the bonds which was promised to the voters.

Mr. Reed responded to the question regarding where the bond proceeds are held by replying that the proceeds from the bond itself are held by the Orange County Treasurer as the legally designated defacto treasurer for all county school districts and the Bank of New York is the trustee for liquidity purposes in the expenditure of the money.

Mr. Townsend responded to the question of earned interest that interest earnings for 2011 were based on the \$10 million remaining from the original Measure F bond less the expenditures during the 2010-11 fiscal year; Mr. Reed also stated that the interest earned on the new bond appeared as minimal as the bond was sold in May 2011 and interest was reported as of June 30, 2011. Additionally, money held in the Bank of New York shows very little interest is being earned at this time due to the low income from money market funds. Consequently, Mr. Reed further explained that the \$100 Million reported on the balance sheet looks only at the interest for the short period as of June 30th whereas the income statement shows activity for the entire fiscal year.

Mr. Reed responded to the question pertaining to the stated expected date of completion of the upcoming projects as September 30, 2014 by explaining that this date is an estimate as the District must show intent to complete these projects within a reasonable time period when selling a tax exempt bond and for that purpose these dates are correct.

CONFLICT OF INTEREST

Mr. Reed reported that the District is legally required by California State Law and by the Conflict of Interest Code for Newport-Mesa Unified School District to collect annual filings from members of the Measure F Citizens Oversight Committee. These statements will remain in the superintendent's office and are typically only viewed by the District's auditors to ensure that the District has collected the necessary filings and that reportable conflicts do not exist. Statements of Economic Interests, Form 700 are public documents as required by the Political Reform Act, Government Code Sections 81000, et seq.

DISTRICT REPORT

Mr. Reed reported that the enclave project at Corona del Mar High School, the first of the theater and enclave projects, was approved by the Division of the State Architect (DSA) today, March 6, 2012. The other three projects are waiting for the official stamp of approval from DSA.

Additionally, the replacement of the Corona del Mar weight room, made necessary to clear the way for the larger projects, has started with Board approval to advertise and award having been requested and received on January 10, 2012. The award of Bid #100-12 for the Corona del Mar High School Weight Room Building went to the lowest, responsible, qualified bidder which was KPRS Construction Services Inc. with a project cost of \$1.6 Million. Ratification of the bid will go to the Board on March 27, 2012 as a matter of public disclosure.

Mr. Lamond reported that the work being done on the weight room at this time was the initial removal of sod and clean-up of the area to make the site ready for foundations. Projected completion date for the weight room project is the end of August 2012. The weight room project also includes restrooms and five storage areas.

Temporary gates have been placed and fencing is up in preparation for the construction.

Ms. Martin reported that inside of each theater and enclave project, there will be sub-projects that the District will break out into budget, construction value, etc. for tracking purposes. For example, under the Corona del Mar High School projects the enclave project will also include the front parking area and the theater project will include the weight room.

Ms. Martin responded to the question regarding the timing of the four projects being approved by DSA with the following points:

- There is a built-in systemic delay called bin time - where the architect's plans sit untouched at DSA for 6-8 months
- DSA comments to the architects are sent out and replies must come back and receive scrutiny before DSA approval
- structural drawings are now outsourced to consulting engineers which can add more time to DSA processing
- The District works with the San Diego DSA office for the processing of plans to the State
- The theater and enclave projects have been with DSA for the last 8-9 months.

Once plans and documents are fully approved and returned from DSA the final versions are scanned and sent out to bid by the District; the bid period will run six to eight weeks depending on the quality of the drawings. This June is the anticipated start of construction for these projects.

PROJECT MANAGER REPORT

Mr. Scaringi reported that while waiting for the projects to come out of DSA, the sites were made ready for winter by adding mulch and storm water run-off to protect against the winter rain.

Mr. Scaringi made a presentation which included a PowerPoint set of slides showing the placement of each of the projects and timelines to show where these projects fall in respect to the overall construction timeline. He noted that the timeline will be adjusted as each project is approved by DSA.

Costa Mesa High School - the anticipated timeline for construction of the theater project is 18 months and the enclave project is 20 months from the award of the bid. It is anticipated that both projects will come out of DSA in the next six weeks.

Demo/restoration of the parking lot, front entry, and modernization projects are planned for the summer of 2013.

Ms. Martin responded to the question regarding what is meant by "modernization" of an existing building at Costa Mesa High School that there could be a new use for the building which would then require the clean-up of the classrooms for the new use although use of the classroom is not known at this time. At this time, the modernization of the existing building is more of a clean-up of the building until the District knows what the new use will be. The modernization costs of this classroom are included in the costs for the four projects.

Response to the question regarding the ventilation system in the classrooms being modernized is that the ventilation system will not change as air conditioning is not part of the modernization plans.

Ms. Martin noted that the bidding environment is still favorable for the District because of the slow economy but along with that come a lot of risk because of the number of construction

companies looking for work. She also noted that the District’s prequalification process and documents does help screen out potential unqualified contractors.

There was discussion that the Corona del Mar Aquatics Boosters were advancing a project which would expand the pool locker room. While the school front entry and pool parking lot projects are tentatively set for summer 2012 that could change if the Aquatics Foundation pool/locker-room/restroom project move forward, but that is contingent upon whether the Foundation raises the remainder of the funds necessary to complete the project. Partial funding for the Aquatics project came from the District’s state reimbursement for the shade structure project as well as the city of Newport Beach. Because the Foundation’s project has come out of DSA, construction is contingent on the Foundation raising the remainder of the funds. Sequencing of the District’s project with the Foundation’s project is necessary to allow for the least amount of disruption to the site.

Mr. Scaringi pointed out that the block of rooms in the 300 building that will be modernized during the summer phase of 2013 or 2014 will occur at the end of the project with approximately twenty percent of the building renovated for re-use of these classrooms.

Mr. Reed noted that the term “modernization” is a term the State uses for renovating schools and bringing them up to code. In this case, the District is actually re-purposing the building.

Measure F Budget Summary Report:

Ms. Martin provided an overview of the Measure F funding to date:

<u>Total Bond Dollars</u>	<u>Hardship Dollars</u> <u>from the State</u>	<u>Interest from Bond</u> <u>Dollars</u>	<u>Total Expenditures</u> <u>to Date</u>
\$70 million	\$14.9 million	\$5.234 million	\$90,028 million
\$95 million			

Mr. Scaringi reported on the budget and expenditure reports for the current projects.

Ms. Martin responded to the question regarding why there are dollars remaining in the completed Newport Harbor Robins/Loats project that until this project receives state certification from DSA, a percentage of the contract has been held back from the architect to keep the project open on the architect’s books.

Mr. Reed responded to the question regarding the Information Technology Elementary School project that each of the elementary schools received 30 computers under the project and 30 outdated computers were removed from each of the sites. The District has found that it is more costly to refurbish existing outdated computers than to replace these computers.

PEOPLE’S CHOICE

Next meeting will be June 5, 2012 at the Roderick H. MacMillian Board Room, Education Center, 2985-A Bear Street, Costa Mesa, CA 92626.

Next agenda item: review the process for “At Large” committee members being appointed by the Board of Education.

ADJOURNMENT

Chair Vance adjourned the meeting at 8:12 p.m.

These minutes are distributed to the members of the Measure F Citizens Oversight Committee and the community organizations represented in the District.