

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

**MINUTES AND REPORT OF THE MEETING OF
October 4, 2011**

The Citizens' Oversight Committee met on Tuesday, May 17, 2011, at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626

Members Present:

Judy Berry, Orange County Taxpayers' Association
Cynthia Blackwell, Newport-Mesa Federation of Teachers (NMFT)
Cindy Brahs, Corona del Mar 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:

Ben Koontz, Newport Harbor High School Zone
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 Expenditures-to date Report
 Measure F Budget Allocation Summary Report

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 7:04 p.m. Mr. Vance welcomed everyone and self introductions of new members and guests ensued. Chair Vance reminded the members of the duties of the Citizens Oversight Committee as stated on the District's website: the Citizens' Oversight Committee is chartered by law and its duties are to ensure expenditures are consistent with the voter approved authorization; to review the annual, independent financial audit; to review the annual, independent performance audit; to review the planning, scheduling and budgeting of the projects funded by the Bond proceeds; to represent the interests of the community through participation and advice.

ADOPTION OF THE AGENDA

Agenda for October 4, 2011 meeting was adopted as presented.

APPROVAL OF MINUTES

Chair Vance noted there was a question on the minutes regarding discussion by the committee regarding the safety of the fields in the District Report.

Mr. Reed responded to the question regarding the reference in the minutes for safety at both Davidson Field at Newport Harbor High School and the fields at Corona del Mar High School that only Davidson Field at Newport Harbor High School was included in the approved projects to move forward under the Measure F bond. He and Mr. Marsh clarified that any other safety issues on District fields would be addressed by M&O.

It was moved and seconded that the minutes be amended and brought back to the next meeting for approval.

A paragraph was proposed to be added to the May 17, 2011 minutes clarifying safety issues at the various playing fields in the District as non-Measure F projects and the minutes from the May 17, 2011 were approved with the exception of the amended paragraph which will be brought back to the committee for approval at the next meeting.

Votes:

Passed with 4 votes, 2 abstained

REVIEW OF RESOLUTION 13-10-06

Mr. Reed reviewed the terms of Resolution 13-10-06 stating that members could serve no more than two consecutive terms. He indicated that the language in the resolution was actually enshrined in state law. Discussion had occurred at the May 17, 2011 COC Meeting that the committee was interested in asking the Board to modify Resolution 13-10-06; however, upon further research it was determined that state law requires a minimum of seven members for the Citizen Oversight Committee and that no member may serve more than two consecutive terms. As stated in Resolution 13-10-06 there are 31 possible seats drawn from different organizations within the Newport-Mesa community. Mr. Reed offered that the likely intent of the law was so that no one person could stay in the same seat forever and be the only voice on the committee. The District's interpretation is that the law does not preclude one member moving from representing one organization to another organization within the committee.

Mr. Reed discussed this interpretation with the Superintendent and the District's legal counsel. Legal counsel concluded that there is no absolute constraint in law which governs the time period an individual might serve generically on the COC. Prop 39's intent of the law is to ensure that in return for a 55% majority vote approval that an oversight committee be established to watch over the expenditures of the bond and be assured that these expenditures are appropriate, review the annual audit, and report back to the community and their respective organizations.

Mr. Reed also responded to the question regarding whether a member may volunteer to represent another organization that the member may volunteer, however the organization would still need to appoint them.

Chair Vance stated that in his opinion that continuity is an important in this organization in order to fulfill the mission of the Citizens Oversight Committee. He stated he felt it was also important that the District encourage all organizations to appoint or re-appoint eligible members to serve on the committee.

Question was raised regarding the appointment of a member at large: Mr. Reed responded that the Board of Education does have the ability to appoint members at large and by form would do that at the organizational meeting in December. Because the COC Committee continues to struggle with appointments of members, the Board may consider appointing members at the next organizational meeting December 13, 2011. If any committee members are interested in being appointed as "At Large" members by the Board of Education, they would need to write a letter requesting the appointment. Mr. Reed will forward these letters to the Board of Education.

Question also emerged regarding the requirement that the committee meet four times a year: Mr. Reed responded that when the Resolution was drafted it was anticipated that there would be quarterly meetings but due to summer schedules it has not been possible to meet and it was determined that it was not necessary to have the resolution changed formally but rather to operate on an "exception" basis. Mr. Reed stated that the law requires the committee review the audit and expenditures and report back to the community, and that as long as this legal requirement is fulfilled the COC is doing its job. Chair Vance also stated that the committee is effective with meetings being held three times a year and it is not an issue.

DISTRICT REPORT

Mr. Reed reported on the progress of Measure F that everything is in the project stage now. The District sold a bond in May and putting that in context, the District had a brief window which enabled the District to sell bonds and still be under the tax rate of \$18.87 per \$100,000 of assessed valuation. It will be several years before the District can sell another bond because the way the earlier bonds were structured, when the bonds come due the interest will be reflected on those earlier bonds. Knowing that, the Costa Mesa Theater and Enclave and Corona del Mar Theater and Enclave projects were moved forward. The bonds were sold and the \$95 Million in bonds are structured so that they do not come due until pushing out to 2020 and beyond era which means with the interest rates will be a little more. The bonds did very well on the market and sold at a premium. The District was able to cover the cost of issuance and the cost of the underwriter and still have just over \$95 Million for the projects.

Mr. Reed responded to the question regarding the interest rate for the Bond that the bonds were sold in a set of series by year (there were also three different kinds of bonds being sold) in which the interest rate went from yield of 3.5 percent to 6.8 percent and these are tax-exempt bonds. When the bonds are priced, the District sits in on the pricing call with the County of Orange – Treasurer’s office as they are more experienced in selling bonds. Pricing in the market for the previous week and the previous day is available at that time and the District is negotiating with the underwriter and the underwriter is of course concerned that it has to offload the paper and is very concerned that the pricing be competitive in the general market. The market controls. Because the District has an excellent bond rating with Standard and Poor’s Financial Services and LLC and Moody’s Investors Service this helps the District when negotiating. Newport-Mesa’s credit across the country is incredibly good.

PROJECT MANAGER REPORT

Mr. Scaringi reported on the Costa Mesa High School enclave and theater projects: He explained that they refer to this stage of the project as “make ready.” Make ready site work including disconnecting and removal or Orange County Department of Education (OCDE) relocatables, demo of the site, moving of utilities, fire lines and grading was completed during the summer to avoid disrupting the school activities during the school year,.

The enclave and theater designs have been submitted to Department of State Architects (DSA); as it is hard to predict when the design/construction plans will be approved, the target date to receive the plans back from DSA is January/February. As soon as the plans come out of DSA, the projects will go out to bid.

The parking lot and modernizing of some of the rooms to serve as temporary housing areas for staff while classrooms are under construction are also ongoing projects as well as continuing with designs for the modernization. Aerial views of Costa Mesa High School were shown depicting where the different projects will be on the campus.

Question was raised regarding completion dates for both the enclave and theater: Ms. Martin explained that the theater projects at both Costa Mesa and Corona del Mar will take approximately 20 months for construction and the enclave projects will take approximately 22 months depending on when construction is started.

Mr. Reed responded to the question regarding the contractors coming in at lower rate and whether the overhead costs then become higher. Mr. Reed explained that the overhead costs are slightly higher but on a lower base – the contractor’s cost is the same but the resulting percentage would be a little higher. Overall the costs would be less based on the construction bids. The District cannot go out to bid on the bigger project until they have the plans in hand and stamped out of DSA. The District does not have control of when the plans are approved by DSA.

Question regarding McCarthy’s contract with District: Ms. Martin explained that McCarthy Building Companies is on a fixed price contract based on estimated hours for the total \$95 Million worth of projects in the second bond; if the projects extend beyond what the District has now, McCarthy would be under contract. The McCarthy contract is for the Measure F Program value not the projects.

Bill Gray reported on the Corona del Mar projects: demolition of the 400 building was completed and interim housing placed on the campus over the summer, the weight room project should be out of DSA in mid-November with construction starting in January 2012. The theater and enclave designs are estimated to come out of DSA in February of 2012. Front entry and the modernization of the 300 building will be later on in the project. Demo of the existing shop room and weight room, fire lines were completed, electrical sub station was installed. Interim housing was installed and the back parking lot was re-stripped and reconfigured to allow for a few more cars while the site is under construction. Aerial views of the campus were shown with details shown where each of the projects will be when construction begins.

Question was raised regarding whether the sites have bicycle racks: Mr. Marsh responded that all of the sites in the District had bicycle racks. The bicycle racks are usually towards the interior of the campuses so they are protected. Additionally, 800 lockers were added to Corona del Mar to help during construction due to the restriction of parking during the construction project.

Ms. Martin gave an overview of the budget with descriptions of the various projects established under the Measure F program. Each project is given a budget based on the projected cost of the project and expenditures are tracked using the AccountAbility software. When the architect contracts are finalized and the project is bid out, the dollars come out of program contingency. Interest contingency from the bond is added to the total funds and is also being spent on projects as well. It was the interest contingency dollars from the first bond sale that allowed the District to go into the design process prior to selling the second bond.

Ms. Martin explained that the architect fees are not set at this time because by negotiating with each of the four architects the District chose to lock in with a fixed fee rather than the usual eventual percentage of the project construction costs. The fixed fee applies to the cost established for the project through a negotiation in the mid design process. An estimate of 100% of the construction document submittal by the architects is being compared with the McCarthy estimate of 100% of the construction documents submitted to DSA. After the analysis is done by McCarthy the architects will have a contract for a fixed percentage of the construction costs.

Ms. Martin explained that the current budget as depicted is an estimate through design until construction contracts are completed. Percentage of the architects fees are approximately 6-6 1/2 percent.

The entire remaining budget is just over \$97 Million for the projects underway. (This includes dollars left from the first bond sale and the addition of the second bond dollars.)

Summary Measure F Budget Report:

<u>Total Bond Dollars</u>	<u>Hardship Dollars from the State</u>	<u>Interest from Bond Dollars</u>	<u>Total Expenditures to Date</u>
\$70 million	\$14.9 million	\$5.108 million	\$88 million
\$95 million			

In response to a question from the purchase order listing Mr. Reed explained that the costs related to Colbi Technologies are for the AccountAbility accounting system required to manage and track expenditures and reporting that needs to be done for the Office of Public Schools Construction accounting requirements. Cost reported for Colbi is a one time fee based on a percentage of the bond and the annual maintenance fees.

Ms. Martin responded to the question regarding the architects:

Corona del Mar High School:	Costa Mesa High School:
Dougherty and Dougherty Architects - Enclave	HMC Architects - Enclave
LPA, Inc. Architects - Theater	MVE Architects - Theater

A general question was asked as to the roles regarding the oversight of the projects and expenditures: Mr. Reed and Ms. Martin explained that McCarthy is the project manager for the construction projects and the District oversees all expenditures and McCarthy expenses as well.

There was a question asked regarding what DSA fees referenced in the purchase order list were. Ms. Martin explained that DSA fees are the plan check fees which are based on the estimated cost of each project. At the end of the project, a reconciliation of these fees is done after the construction is completed and can be based on the cost of the project. Mr. Reed pointed out that DSA is a state agency dependent upon the fees it brings in for plan checking, and yet the State keeps cutting its staff.

PEOPLE'S CHOICE

Next meeting will be March 6, 2012 at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626.

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.