

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

**MINUTES AND REPORT OF THE MEETING OF
February 8, 2011**

The Citizens' Oversight Committee met on Tuesday, February 8, 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)
Ben Koontz, Newport Harbor High School Zone
Paul Krikorian, Costa Mesa High School Zone
Guy Olguin, Newport Mesa Administrators Association (NMAA)
Tod Ridgeway, Newport Harbor Chamber of Commerce
Cathie Ropp, Classified, California School Employees Association (CSEA)
Mitch Vance, Corona del Mar High School Zone

Members Absent:

John Beth, Estancia High School Zone
Carol Crane, Corona del Mar High School Zone
Bill Thorpe, Estancia 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

District Auditor:

Royce Townsend, Vavrinek, Trine, Day & Co.

Handouts: Measure F Expenditures-to date Report
 Measure F Budget Allocation Summary Report

WELCOME AND INTRODUCTION

Deputy Superintendent Paul Reed indicated that there was a Quorum and Chair Judith Berry opened the meeting at 7:05 p.m. Introductions and welcome to new members and guests.

ADOPTION OF THE AGENDA AND APPROVAL OF MINUTES

Agenda for February 8, 2011 meeting was adopted and the Minutes from the October 5, 2010 were unanimously approved.

SELECTION OF A NEW CHAIRPERSON

Chair Judith Berry led the discussion regarding the duties of the chairperson and indicated that in her three year term, very little time was involved. It was moved and seconded that Mitch Vance be nominated as the new chairperson. Mr. Vance was unanimously approved as the new chairperson.

MEASURE F, 2005 GENERAL OBLIGATION BONDS FINANCIAL AUDIT

Royce Townsend, representative from Vavrinek, Trine, Day & Co. reviewed the Performance Audit Report with the committee members. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an “audit” as outlined in Section 1 of Article XIII of the California State Constitution.

VTD has agreed that the following procedures be performed when reporting on the bond:

1. Verify that a separate account / fund has been established by the District.
2. Verify that any proceeds from the General Obligation Bonds were deposited correctly into that fund.
3. Review at least 30 percent of total expenditures for the year and verify that the funds expended complied with the purpose of the bond.
4. Ensure that the District complied with the District’s normal purchasing and accounts payable policies and procedures.

Mr. Townsend reported that there were no exceptions noted to the performed procedures as stated above. A review was done on 68 percent of expenditures and no expenditures were out of compliance and there were no issues with the accounting of the bond.

Mr. Townsend responded to the question regarding the one million dollars in construction management fees that these fees are appropriate based on the costs of construction projects.

Mr. Reed explained that the differences in the accreted interest after year 5 is that the principal balance increases from year 16 on when the bonds are no longer current interest bonds but become capital appreciation bonds. Mr. Reed further explained that accreted interest is an account that represents interest that is accrued on deep discount bonds with the accumulation of value until maturity. For example, 10-year, 10% zero-coupon bond with a final maturity of \$100 will have an accreted value of perhaps \$43.60 in year two. If current market interest rates fall, the fair market value of that bond will be higher than its accreted value; if rates rise, the value of the bond will be less than its accreted value. The structure of the bond is to maximize the earnings through accreted interest.

Mr. Reed provided a response to the question regarding the CUSIP numbers indicating that each bond had a unique number. (CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by Standard & Poor's.). The Disclosure Report the District receives each year for the bonds identifies these bonds by CUSIP numbers and information is available online. Information for these CUSIP numbers is available online as of the June 30, 2010 date.

There were no further questions regarding the audit.

Motion was moved and seconded to accept the audit as presented. Motion approved unanimously.

DISTRICT REPORT

Mr. Reed reported on the Refunding Bonds sold in November 2010. The District has restructured the Measure A bonds by paying off one set of bonds and issuing another set of bonds at lower interest to replace the first set. The transaction will ultimately end up saving money over time with an aggregate savings of \$4.7 Million over the remaining life of the bonds. This savings lowers the total tax rate for all bonds to create more room under \$18.87 cap which in turn will enable the District to sell the next set of Measure F bonds in April or May to fund the construction of the theaters and enclaves at Corona del Mar and Costa Mesa High Schools.

The District is working with Stone and Youngberg in San Francisco regarding the bond sale and the District is hoping to sell \$75 Million - \$100 Million in bonds to cover the four projects currently in the design and development phases at the two high schools. Mr. Reed pointed out that with the construction of the next four projects, the next question will be when the District can bring another project into sequence after the three year construction period for the enclaves and theaters. Mr. Reed reported that at this point in time there is no real answer to this question as this may be the last bond sale for a while unless the real estate market, and hence property values, recover significantly in the next few years. Without a stronger property tax base the District will not be able to issue new bonds within the cap of \$18.87 per \$100,000 of assessed valuation. However, dependent upon the actual bids for the four projects there is the possibility of including one more project in the proposed 2011 bond. The Board will determine whether there is room for another project within this bond when the construction projects are close to completion and all costs are known.

Mr. Reed's responded to the question regarding how the \$18.87 shows up on the homeowners' tax bill by explaining that there should be three small items on the homeowners' bill that add up to the \$18.87. He reminded the committee that the amount on the current tax bill is the tax amount before the recent Measure A Refunding Bonds.

In response to how the amounts on the tax bill are determined Mr. Reed explained that the tax assessor takes the total AV (assessed value) for all of the Newport Mesa USD jurisdiction and the total debt for each year and that is how the tax rate comes about. The Board's pledge to the community in 2005 was that new bonds would only be issued as long as the total Measure A and Measure F tax rate was under the cap \$18.87 at the time the bonds are issued.

To explain further Mr. Reed asked the question “What if”. What if fifty percent of the taxpayers decided not to pay their taxes due to some natural disaster? In such an instance, the tax assessor would double the assessment to everyone else in that jurisdiction so that the full interest and principal on the bonds would be paid. This is because the California constitution required that a public entity’s first obligation for payment goes to the bondholder, which means the bondholders are the first to be paid.

Further discussion on the economy and the effects on the tax base for the Newport-Mesa community ensued with Mr. Reed reporting that there was a net one per cent bump in the Newport-Mesa area property base for the current year, in which Costa Mesa has come down in the last year and Newport Beach increasing very slightly. Mr. Reed related that analysts say there is too much property for sale on the market and there are still too many foreclosures but for the most part Newport-Mesa will balance out for the next several years.

Mr. Reed responded to the question regarding who was the bonding authority in the scenario he had described and explained that Newport-Mesa USD itself was that authority.

PROJECT MANAGER REPORT

Ms. Martin reported that the Costa Mesa Aquatics Center had issued the final change orders and the health department had given the approval to open the pool. The Jim Scott Stadium project is closed and budget and expenditures match. In displaying the expenditure report Ms. Martin explained how the contingency account line works for budgeting and that as each project continues to close the remaining funds in the project’s budget lines are brought back into the contingency line. When the next project is approved, contingency is then moved into budget lines for that project. In this fashion all lines are zero’d out and closed.

A report of expenditures to date was given for each of the projects and it was explained that the balance to date which also includes the interest will be moved forward and added to the funds from the next bond sale. These funds will then be used for the construction of the theaters and enclaves at Costa Mesa High School and Corona del Mar High School, which are the next projects in line authorized by Measure F.

Summary Measure F Budget Report:

<u>Total Bond</u> <u>Dollars</u>	<u>Hardship Dollars</u> <u>from the State</u>	<u>Interest from Both</u> <u>Bond Dollars and</u> <u>Hardship Dollars</u>	<u>Total Expenditures</u> <u>to Date</u>
\$70 million	\$14.9 million	\$5.129 million	\$82.7 million

The architects currently under contract for the Corona del Mar High School and Costa Mesa High School enclaves and theaters have been approved for design documents and ultimately construction. These architects have contracts through design development and their budgets as shown are from the first set of bonds. It remains anticipated that the construction contracts will come out of the next set of bonds to be sold in the spring.

The architects involved in the next four projects are:

Corona del Mar High School:

Dougherty and Dougherty Architects - Enclave
LPA, Inc. Architects - Theater

Costa Mesa High School:
HMC Architects - Enclave
MVE Architects - Theater

Response to the question: Why four architects? Ms. Martin responded that originally the concept was to create some artistic variance and dynamic tension between the projects with the architects so as to raise the level of work from the architects. She acknowledged that there are pluses and minuses with the premise that having two architects on the same site may provide challenges but also raise the level of competition for each architect to provide a higher level of work. However, she pointed out that there can also be a cost savings in negotiating with four architects as it can create more competition between the architects in the bidding process for the design work.

Ms. Martin's response to the question regarding the cost differences between the Costa Mesa High School and the Corona del Mar High School was to point out that the Costa Mesa's site is much larger in space which allows for the scope of work to be completed in a different manner than the Corona del Mar's site which is much more compact. The square footage and difference between the campuses were considered in the projects. She and Mr. Reed both reiterated that the designs for each campus were in accordance with the design specifications set by the Board of Education regarding square footage, number of instructional spaces and functional relationships. Consequently, while the theater at Costa Mesa may look different from the theater at Corona del Mar, the two facilities will be equivalent to one another in what they have to offer and how they operate.

Ms. Martin presented the renderings of the Costa Mesa High School Theater and Enclave to the committee. Ms. Martin's response to the question regarding the wrap around structure design element was that the aesthetics of the wrap around tie in with the campus and the sun shade helps with the value of LEED points when going green. The flat panels shown in the renderings are set up to take solar panels at a time when the District is able to go green.

The committee brought up questions regarding the District's plans for the future and going green. Ms. Martin explained that McCarthy was running an analysis of the costs to the District and how long it would take to recoup the cost of going green. This analysis will help in determining which level of LEED certification the District will pursue.

Mr. Marsh provided additional background as to what "going green" means. He explained that projects score points toward the different level of LEED certification based on point system for each project. LEED is the acronym for Leadership in Energy and Environmental Design created by the United States Green Building Council (USGBC). In short, LEED is a rating system for buildings, equivalent to a gas mileage rating for cars. Under LEED, buildings accumulate points for things such as saving energy, having accessible mass transit, and mitigating storm water runoff. Once the points are tallied, the building earns a LEED rating. The higher the tally, the more sustainable the building is in the rating.

Categories for LEED certification are based on the points achieved for the project ranging from certified to platinum levels. The minimum the District is going for is LEED certified keeping in mind the higher the level, the higher the cost to achieve that level.

Points for energy efficiency for into the following categories:

40-49	Certified
50-59	Silver
60-69	Gold
up to 110	Platinum

Mr. Marsh further explained how the District looks at flat costs such as insulation, where there are no ongoing operating costs or air conditioning, where there are ongoing maintenance costs with higher operational costs. Some of these higher maintenance/operational costs would require a higher caliber of employee to manager the project. The question remains, does the cost of the energy saving elements save enough money to recoup the cost of the project?

At this time there are very few incentives from the State to be LEED certified so the District has to ask if it makes sense to spend the money now short term and, long term does it benefit the District.

The renderings for the Corona del Mar High School Theater and Enclave were also presented by Ms. Martin.

Questions came up from the committee regarding the three-story building and how the community will respond to the height. Ms. Martin explained that the site has very little land to work with to accommodate the classrooms and it is important to the community not to lose parking capacity or sports fields.

The three story classroom building is only going to be four feet taller that the theater which is not as tall as one would think as it does not include a full sized loft and the mechanical equipment will be hidden to enhance the look of the building. The District is working with the city and the school to alleviate some of the parking problems associated with the construction site that will take up space that is normally used for parking.

LEED certification is also an element in the planning at Corona del Mar High School in areas such as the installation of rain gardens that will help percolate the run off of rain water. The rain garden will help with the new regulations for rain water run off and also obtaining LEED certification.

Both projects contain elements which are adjunct to the building in order to replace facilities removed due to construction, or improve the workability of the campus. For example, the District plans for Corona del Mar High School at this time include elements to improve the campus with a stronger entrance, replace the weight room and the outdated photo lab will go into a modernized building.

Both campuses will be updated at the front entry to lead the community into the campus, enhancing the front of the school. In accordance with the common educational specifications, both campuses will have 14 new classrooms and a lunch area that provides a separation for the 7th and 8th grade students from the high school students. Each theater will have 350-360 seats. In response to an inquiry Ms. Martin explained that the new theater at Costa Mesa High School will open before the old lyceum is taken down. Additionally, there will be air conditioning in all the buildings included in the theater and enclave projects.

Mr. Lamond's response to the question regarding who interfaced on the design for the theaters and enclaves was that planning committees were formed on each site consisting of staff, parents, elementary school feeder school parents with a different committee for the enclave and different committee for theater at each of the two high schools. There were sixty-one committee members who participated in the process for the four projects.

The planning committees have concluded their meetings and committee members presented the projects to the Board of Education at the January board meeting. The Board thanked all committee members for their service and presented them with certificates.

Construction of the theaters and enclaves will occur over the next two and a half years and will proceed through several phases. The following phases are planned for the projects at Corona del Mar High School Costa Mesa High School:

Corona del Mar High School	
Phase 1:	Interim Housing, demo 400 and 600 buildings and site ready
Phase 2:	Mass grading/utilities
Phase 3:	Weight Room Package
Phase 4:	Construction of Theater / Enclave
Phase 5:	Front Entry
Phase 6:	Modernization – Building 300 and front of the school
Costa Mesa High School	
Phase 1:	Demo, utilities, grading
Phase 2:	Construction of enclave and theater
Phase 3:	Parking lot, front entry, demo shop bldg, hard-courts and parking by enclave/fields
Phase 4:	Modernization

PEOPLE'S CHOICE

Next meeting will be May 17, 2011 at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626.

ADJOURNMENT

Chair Vance adjourned the meeting at 8:17 p.m.

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