

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

**MINUTES AND REPORT OF THE MEETING OF
June 15, 2010**

The Citizens' Oversight Committee met on Tuesday, June 15, 2010, 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)
Jean Cook, Newport-Mesa Administrators' Association (NMAA)
Carol Crane, Corona del Mar High School Zone
Ben Koontz, Newport Harbor High School Zone
Paul Krikorian, Costa Mesa High School Zone
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
Jennifer Blanchfield, Newport Harbor High School Zone
Rick Kapko, Costa Mesa Chamber of Commerce
Bill Thorpe, Estancia High School Zone

Also Present:

Paul Reed, Deputy Superintendent and Chief Business Official
Patty Dreher, Executive Assistant

Project Management Team:

Bonnie Martin, Project Director
Craig Scaringi, Project Manager

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 7:02 p.m. Introductions and welcome to new members and guests.

ADOPTION OF THE AGENDA AND APPROVAL OF MINUTES

Agenda for June 15, 2010 meeting was adopted and the Minutes from the March 2, 2010 were unanimously approved.

THREE-YEAR TERMS EXPIRATION

Mr. Reed explained that the three-year terms will expire on June 30, 2010. Letters will be going out those whose terms have expired and also to the agencies that they represent for new or renewed nominations for the Measure F Citizens' Oversight Committee. Members may notify their appointing agency should they wish to continue to serve on the committee.

Members whose three-year term will expire on June 30, 2010 are: Judith Berry, Cynthia Blackwell, Jennifer Blanchfield and Paul Krikorian.

DISTRICT REPORT

Mr. Reed reported things overall are going just fine. The enclaves and theaters are in the planning stages and the District anticipates that planning will continue into the fall. After the District gets through the schematic or basic design phase on those projects then the board will approve and the District will have to wait for the next bond for the next phase which will be construction.

Mr. Reed explained that the sale of the next bond is dependent upon the growth of the Assessed Valuation (AV) in Newport-Mesa. While there had been a steady growth of the AV on an average of almost 8% a year over twenty years, the Recession has changed that profile for the present and AV growth has gone flat if not slightly negative. The Board of Education promised the community that no new bonds would be sold to add to the tax burden unless they could be sold within the 2005 tax rate of \$18.87 per \$100,000 of AV. With the AV growth stalled that may be a problem, as the rate increases to gather in the money needed for principal and interest payments as the AV falls. The principal and interest which has to be paid is set when bonds are sold.

Since the last time this committee met Mr. Reed reported that the District has had an analysis done. The cap is \$18.87 per \$100,000 of aggregate assessed valuation (AV) and a couple of years ago the District was in the \$15.00 range based on what was being levied. With the down turn in property values, the levied rate has gone up which bring the rate above the \$17.00 range now. Further weakness in the AV brings the rate closer to the cap and makes it difficult to sell a new set of bonds, not impossible but if the AV doesn't continue to grow and any new bonds are structured in such a way that most of the payments are delayed for several years then that stalls future bond sales for a number of years afterwards.

Mr. Reed responded to the question regarding how often the levy on taxes is done in answering that the OC Tax Collector's Office performs the calculations and that the levy is done annually. The Tax Collector looks at the amount of the debt the District has and whether the District has any other general obligation debt. The total of principal and interest which has to be paid to bond holders, when divided into the AV determines the rate. The Tax Collector is not bound by the cap of \$18.87 per \$100,000 but will levy whatever is necessary to pay the principal and interest.

PROJECT MANAGER'S REPORT

Ms. Berry turned the meeting over to Craig Scaringi and Bonnie Martin of McCarthy Building Companies, Inc. who provided the following updates and attached PowerPoint report:

Mr. Scaringi reported that the Costa Mesa High School Aquatics Center is on schedule and presented a PowerPoint presentation of the current projects including the Newport Harbor High School Field Restoration. Architectural design as drawn up and the athletic directors and principals signed off on the fields. Asphalt was torn out and graded after the relos were taken out and new sod has been laid. The new fields will not be ready for use until the new grass is established.

Mr. Reed's response to the question regarding whether the field restoration was within the budget: The District always knew that when Robins/Loats was completed and Relo Village removed it would be part of Measure F funding to restore the fields back to their original use. The original softball field was taken out as it had several problems and a new softball field will replace it.

Question regarding artificial turf vs. real grass: Mr. Reed explained that an artificial field has to be in a controlled space such as the stadium, which is fenced, as the field can be damaged by things one would never consider in a real grass field, such as sunflower seed shells. Newport Harbor stadium is natural grass and at some point that stadium will be rehabbed. That field had new sod three years ago funded by the boosters at the school.

Mr. Scaringi reported on the CMHS Aquatics Center showing an aerial view taken a month ago which shows the progress of the project. Due to the extensive rain, wet soil had to be taken off site and stabilized with rock and drains in the fire lane.

Mr. Scaringi's response to the question whether there was a concern with the concrete with regards to cracking: there should not be a problem with the concrete as the soil is certified by the soil laboratory per code and there is a 6" base with a 5" slab that includes a lot of rebar.

Mr. Scaringi also provided description regarding additional steps taken to ensure the life of the pool complex. For example, the epoxy coating that was installed on the rebar to protect the pool deck edge from decay. Hand brushed epoxy is applied to the rebar after

the fabrication of the rebar. All part of the bonding system that ties in to the deck system. With the concrete deck being done in panels, the deck will be completed soon.

The accompanying solar project is just getting started and there will be approximately 5600 sq ft of solar panels installed for a thermal system of heating the water in the pool. It is estimated that it will take approximately seven years before the District will see the pay back on the cost of solar heating. Saving power to heat the water will be a major cost savings for the District as one of the major operating costs of a pool is heating the water.

Mr. Scaringi responded to the question regarding the general contractor that KPRS is the general contractor with Performance Concrete and California Pools as the subcontractors.

Also, Mr. Scaringi responded to the question regarding whether the existing locker rooms were part of the project, that they were not part of the project as there are specific locker rooms for the pool.

Anticipated date of turning the pool over to the school is November 1, 2010.

Ms. Martin reviewed the Budget Summary Report provided to the Committee for expenditures from February 1, 2010 through May 31, 2010. Very little activity on the budget dollars; however, there were a number of issues related to change orders because of the condition of the soil and rain related issues. \$606,000 was taken from contingency to Costa Mesa Aquatic's budget to cover the shortfall due to the many change orders.

Ms. Martin explained that periodically a late invoice comes in for a project that has been completed such as the science invoice at Rea over the summer of 2009. From time to time these late invoices will pop up on the current expenditures for reporting.

Last period interest was \$50,994.00 and the program contingency still holds the 4.9M interest of the entire bond amount.

Question regarding where the money is being held: Mr. Reed responded that the Bank of New York has the money in a money market type of account. Interest remains low due to the current state of the economy.

Mr. Reed's response to the question regarding who made the decision to install solar panels (\$200,000) for heating the pool was that the Superintendent makes a recommendation to the equity committee and they approve the project. The COC Committee's job is to monitor that the money is spent appropriately relatively to the purposes stated in the bond. The projects for Measure F were recommended by the Superintendent and the Equity Committee approved the expenditures for the Costa Mesa High School Aquatics Center in February 2009. The solar heating project was in the original design plans but to be implemented contingent on the funding it was not necessary to have it re-approved.

Mr. Reed reported that as the District gets to the end of the projects, the District will need to decide what to do with the extra money, will it be carried over to the next set of bonds or left in the program. It is not until long after the program is finished that you close out the funding for the program. Regardless, the bond money can only be used for the purposes the voters approved.

Further question focused on how the existing design projects for the Enclaves and the Theaters would be affected by any delay in the ability to sell new bonds. Mr. Reed said that he expected there to be sufficient funding within the remaining bond monies from the 2006 bond to cover the full design costs and DSA fees for the existing projects. However, there is not sufficient funding remaining to advance construction of the projects. Construction will require the funding from a new bond sale. The District will need to make a determination about filing with DSA based on the likelihood of being able to go to construction soon afterward, since DSA approval has a shelf life on only sixteen months. At the same time, full design with complete working drawings and DSA approval could take until the summer of 2011.

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 million	\$79 million

PEOPLE'S CHOICE

Budget dollars will go to the next projects; however, the money will sit in the bank until the next bond is sold which may not be until summer 2011 dependent on the assessed valuation rate as explained earlier in the meeting.

Next meeting will be on October 5, 2010 at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626 or Costa Mesa High School with a tour of the new aquatics center after the meeting.

ADJOURNMENT

Chairperson Berry adjourned the meeting at 7:32 p.m.