

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

**MINUTES AND REPORT OF THE MEETING OF
March 2, 2010**

The Citizens' Oversight Committee met on Monday, March 2, 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
John Beth, Estancia High School Zone
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)
Bill Thorpe, Estancia High School Zone

Members Absent:

Jennifer Blanchfield, Newport Harbor High School Zone
Tommie Griffon, Harbor Council Parent Teachers Association (PTA)
Rick Kapko, Costa Mesa Chamber of Commerce
Mitch Vance, Corona del Mar 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
Royce Townsend – Vavrinek, Trine, Day & Co., LLP, District Auditor

Project Management Team:

Bonnie Martin, Project Director
Craig Scaringi, Project Manager

Handouts: General Obligation Bonds Financial and Performance Audits
 Conflict of Interest Forms
 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 7:04 p.m. Introductions and welcome to new members and guests.

ADOPTION OF THE AGENDA AND APPROVAL OF MINUTES

Agenda for March 2, 2010 meeting was adopted and the Minutes from the September 29, 2009 were unanimously approved.

GENERAL OBLIGATION BONDS FINANCIAL AND PERFORMANCE AUDITS

Mr. Reed introduced Mr. Royce Townsend from Vavrinek, Trine, Day & Co., LLP. (VTD) Mr. Townsend reported that under the California Constitution Article 13A (Tax Limitation), Section 1 (3)(C) pertaining to bond indebtedness for school districts it is a requirement that the school district board conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific purposes listed in the authorizing documents which were approved by the voters.. Additionally, Section 1 (3)(D) requires that the school district board conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

Other bond financial reporting statements include:

- The Disclosure Certificate, which is a typical requirement of the bond, and is in compliance with Securities and Exchange Commission Rule 15c2-12(b)(5).
- A summary of significant accounting procedures that conform to accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).
- Fund account for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Further explanation from Mr. Townsend regarding the audit process for expenditures was given showing the balance sheet and income statement through June 30, 2009.

The second part of the audit relates to performance of the agreed-upon procedures between the District and VTD. Mr. Townsend pointed out that the auditors select all materially significant expenditures and at least 30 percent of the total expenditures for the year and stratify these expenditures to look for odd transactions that potentially would not be in adherence to bond measures. Mr. Royce stated that the expenditures which VTD observed satisfactorily complied with guidelines defined in the ballot measure for the bond. Based on VTD's examination of actual invoices and purchase orders, there were no exceptions noted in the District's procedures related to the disbursement of Measure F Bond Funds.

There was a question regarding the actual and budget numbers being so close with very little variance. Mr. Townsend explained that the figures used as of June 30, 2009 are not from the District's adopted budget but rather that the adjusted budget which goes up with expenditures within the bond. The issue is matching authorization to expenditure.

Also, in response to a question asking what kind of interest the District is paying on the bonds issued thus far, Mr. Townsend stated that the interest is reported and referred to page 10 of the audit report wherein interest yields 3.30 to 4.48 percent were shown. He stated that such rates were within the norm for bonds issued during the same period.

Mr. Reed added that one of the main functions of the Citizens Oversight Committee is to review the information presented by the independent auditor and to report back to the community that an independent outside source is affirming that the District is handling the money within the bond properly.

A motion was received and seconded to receive the audit file. Motion passed.

CONFLICT OF INTEREST FORMS

Mr. Reed explained that as a member of the Measure F Citizens Oversight Committee (COC) the District is legally required by the Conflict of Interest Code for Newport-Mesa Unified School District to collect annual filings from members. 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. 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 District will be filing a Notice of Completion (NOC) at the March 9, 2010 board meeting for the Robins/Loats project which will release the final hold on the retention monies for this project. Mr. Reed was pleased to report that he attended the first performance in the new theater and with just a few very minor exceptions the theater is completed and functioning properly.

A tour of the Costa Mesa High School Aquatics Center project was taken by members of the Board and Cabinet on Friday, February 26, 2010. The project is on schedule and within budget.

The next four projects envisioned for Measure F will be the design up to the point of working drawings for the middle school enclaves and performing arts theaters at Costa Mesa High School and Corona del Mar High School. The District is still in the negotiation process with the architects and Glenn Hickman from McCarthy Building Companies, Inc. is assisting the District with compiling contract information. Mr. Hickman was similarly involved in helping to negotiate the architect contracts in Measure A.

As to the timing of the next bond – Mr. Reed remains hopeful for an issuance during fall / winter 2010, but he pointed out the District must be careful not to sell if the tax base doesn't grow sufficiently. To sell before the tax base starts re-growing would drive up the rate levied on existing property owners beyond the "cap" promised to the community, which the Board of Education covenanted not to do. Therefore the District needs to know

the growth of the tax base is more solid before it ventures into the bond market. Additionally, by Federal law, the District must be able to reasonably anticipate that it can utilize the majority of the borrowed money within a three year time frame. Consequently, it makes no sense to borrow money significantly in advance of construction.

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 Power Point report:

Mr. Scaringi reported that the Robins/Loats project is substantially completed and the Costa Mesa High School Aquatics Center is approximately 65 percent completed.

Photos taken by a professional photographer of the completed Robins/Loats building were shown with details of the theater and the clouds/stars depicting Starry Night and the reading room of the Library now that it is furnished and in use by the students.

Costa Mesa High School aerial photos of the project included:

- pool area
- parking and signage location
- walkway to the pool complex
- team area outside of the pool area
- completed painted logo
- breezeway
- locker area, coaches office, shower area
- concession service area with service to the field area and the pool area

Question regarding whether hot food would be sold from the concession building were asked. Mr. Scaringi indicated that the District's intention was to sell only packaged items such as chips, candy, sodas, etc. that do not require a health permit and the inspection services of the Health Department. However, the concession function will operate similar to that at Jim Scott (Estancia) Stadium when operated by volunteer or booster groups under permit.

Question arose as to whether the facility was to be lighted for night use. Description was given of the lighting over the pool and deck area which focuses only on the pool and deck so that there is little ambient lighting to the neighborhood. This lighting process is similar to that installed at the Jim Scott Stadium.

Mr. Scaringi responded to the question regarding the impact of the rain on the project that there is a 2-3 day delay after it rains. He stated the contractor's contract allows for 10 rain days and the project has currently logged 15 rain days to date. Mr. Scaringi noted that as the building envelopes were completed that work could be completed within the structures, and so rain would not be as large a potential problem. The project goal is to pour the pool deck in mid to late March.

Ms. Martin reviewed the Budget Summary Report provided to the COC in a revised format for expenditures from August 31, 2009 to January 31, 2010.

Details of the column headings and what they mean were as follows:

- The Delta is the change of the budget dollars as money is moved in and out of contingency. Positive dollars go into the budget and negative dollars go into contingency. Remaining dollars are the unspent dollars.
- First page of the report represent hard numbers
- Second page of the report shows the Administrative Support Costs and Program Contingency (the dollars that are there in case the District needs to use them).
- Budget is put together at the beginning of the project with contingency in place in case it is needed
- Interest dollars are broken out to account for the \$14.9 Million received from the State for Robins/Loats. By law all money received from the State has to be spent on Robins/Loats.

Mr. Reed responded to the question concerning what administrative costs were. He indicated that payments made to the auditors, arbitrage reports, bank fees, attorney fees, etc. are charged to administrative costs. In other words, the administrative costs are for the necessary outside consultants to service the project, not internal district salaries.

Ms. Martin response to questions in the “Remaining” column:

The remaining balance in the TeWinkle Gym project is a percentage of the dollars being held until the architect completes the project and files all necessary closing documents with the Division of the State Architect.

Dollars remaining in the All Elementaries Equipment and Multi-Purpose line are placeholders until the District is able to start these projects

Question whether Costa Mesa High School could be a venue for income. Mr. Reed responded that it is illegal for districts make money on a tax provided district facility. In essence, public school facilities can off-set costs for non-school use, but they cannot compete with facilities in the private sector. The District’s Use of Facility agreements may cover maintenance, staff or utilities costs.

Summary Measure F Budget Report :

<u>Total Bond Dollars</u>	<u>Hardship Dollars from the State</u>	<u>Interest from Both Bond Dollars and Hardship Dollars</u>	<u>Total Expenditures to Date</u>
\$70 million	\$14.9 million	\$5 million	\$77 million

PEOPLE’S CHOICE

Question was asked as to whether the COC Committee goes away when the bond money is gone? Under the laws which pertain to Measure F, as long as there are bond payments

outstanding there is an audit report for the bond, the COC Committee would need to meet. Measure A was under a different section of California law, and it stopped meeting when all of the Measure A projects were complete.

Next meeting will be on June 15, 2010 at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626.

ADJOURNMENT

Chairperson Berry adjourned the meeting at 7:50 p.m.