

SAN MARCOS UNIFIED SCHOOL DISTRICT
CITIZENS' OVERSIGHT COMMITTEE (COC)
255 Pico Avenue, Suite 250
San Marcos, CA 92069

AMENDED MINUTES
July 19, 2012
6:00 p.m.

These minutes are prepared to reflect discussion or action taken by the Citizens' Oversight Committee. All meetings are recorded and available on the website along with the minutes at www.smusd.org

1.0 CALL TO ORDER

Meeting called to order by Bill Effinger

2.0 ROLL CALL

COC Members present: Michael Brock, William Effinger, Darius Khayat, Anthony Martindale Alternate present: Joseph Potts & Tom Kumura

Absent: Mike McDowell, David Barnum, Stephanie Nunez

3.0 PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Kirk Effinger

4.0 Approval of April 19, 2012 Minutes

Moved by Darius Khayat to approve minutes and seconded by Michael Brock and minutes were approved as presented:

AYES: Brock, Effinger, Khayat, Martindale

NONE:

ABSTAIN:

5.0 Public comments:

Guest in attendance: Randy Walton

No public in attendance.

6.0 Staff Reports

- Kathy to start by giving update on project. Provided all members with package with aerial of construction. Tilt up walls are being formed around the areas. First panels to be raised the week of August 13th. Pointed out the where the poured in place walls are done. Project is moving along right on schedule. We are looking at completing the school January, 2014 for the students to come in. We are looking at September, 2014 for use of the fields, because the students will move into the school buildings then we will remove the relos and complete work on the fields. Staff is looking at the possibility of opening the gymnasium by September, 2013. We are working with the Division of the State Architect and that is what moves each increment or building segment forward. Increment 1 approved (underground); Increment 2 approved, which is the gymnasium and building E (maintenance & central plant). Increment 3 will be the last thing to be approved by the end of August. We can arrange a tour so you can see some of the walls going up. Yellow stuff is one of the things we are doing to waterproof the building.
- What is the enrollment at SMHS?
- About 2300-2400.
- This school will be built for how many students?
- It will be built for 3,000 with the ability to go to 3,200 with portables. We anticipate that they will be about 3,000 students in 2017. Staff will be working on school boundaries this year. We have 2500 students at MHHS and we have 8 available building pads for portables to handle more students.

- Updated, project is on budget for expenditures; this is looking at the whole project (interim housing and construction). This is an update through June 30th. Kathy explained the various expenses and the different categories of the budget. Kathy has a contingency for the DSA changes. Kathy pointed out where the contingency was in the budget. DSA is now going over Construction item C (the main buildings. The main construction contract has a built in contingency of \$3.8 million dollars. That is something we will use for unknown conditions. It isn't something that if the District wanted to make a change, for example placing carpeting everywhere, that we would use the District's contingency.
- Bill-Is the contingency you have in there all inclusive in the \$180 million, including the not to exceed contract?
- Kathy, yes that is correct.
- Gary the contract contingency is one we have used before. We have a deal on the \$3.8 million and whatever is not used we get 80% and Lusardi gets 20%. It is an incentive to save.
- It helps with timelines and to be very careful with each item. Lusardi has brought a lot to the table regarding recommendations to reduce costs.
- If we ran into another Indian artifact issue, then that would come out of this contingency.
- Other construction-Knights Realm, which is San Marcos Blvd improvement will be adding a left turn lane and a right turn lane going out of San Marcos High. Kathy has an estimated budget for this.
- Question-The bridge over San Marcos Blvd is it still floating around out there?
- Yes the city would like to do it, but they don't have the funds. They would also like to widen San Marcos Blvd, but don't have the funds for that either.
- One of the reasons that the extra \$4.6 million was added was for the building lease, we didn't put it in the original contract, it was a separate contract budget item.
- Question-Over and above the \$180 million?
- Response-no, over and above the \$136 million. Everything here is in the \$180.
- Question-Have you settled the negotiation with the State Architect on the issue you brought up on the day we met?
- Response-you will hear about it as we continue to go through the increment sections. Some are settled and some are being worked on still. As Kathy mentioned, they are still going through pieces of the plans. They have done two of the buildings and the underground utilities are done. Labor compliance is straight forward.
- Going to have a right turn lane before you get to Knight's Realm? Working with City on that.
- Storm water-we have to have somebody on the site all the time and make sure that we are taking care of anything that might get into the storm water.
- Leasing relocatables and Lusardi is caring the lease on these because they also administered the installation and will administer the demolition and move off of the buildings. That is a \$4.6 million lease for the term of the project. Since we don't have enough parking, \$1.2 million, storage and warehouse for staging.
- Contingency for unknown and additional scope for approximately \$1.5 million increment 1, Increment 2 estimated \$2 million for this change order. A lot of this relates to the steel issue where the architect and their consultant put together a plan. DSA disagreed and wanted more steel which increased the cost over \$3 million. All parties met together and discussed the design issues. We were able to pull a lot of requested \$ changes out of the project on Building E and the gymnasium. This will carry forward increment 3 into the design of building A, building D theater and performing arts center and our stadium and concession building. Good meeting and saved the District and the taxpayers about a million dollars.
- Question-How does something like that happen? Was it a different understanding?
- Response-Interpretation of the regulations and the blueprints were red marked. They all sat down and worked out the issues.
- Question-Kevin had mentioned that Kathy was involved in redesigning the air conditioning system. What was that about?
- Response-We had a consultant look at the design and he said it could be done a little differently to be more efficient over the long haul and save on utility costs.
- Kathy-As part of your design process you want to bring in an extra set of eyes. Looked at design and offered steps that would save in energy costs. She said there were a number of ways to make some changes to help improve our heating and air conditioning. A change order was done and that added some cost, but we are taking out the gym air conditioning and that would be a cost savings.
- The northeast parking lot is going to be completed along with the tribal preserve set a side portion.

- Question-Do you have a timeline, are we on track? Kathy said yes we are.
- Kathy can get you our projected cash and workflow chart at our next meeting.
- Question-Do you have a breakdown of the budget?
- Response-Well the main cost is \$136. We don't break it down with regards to completion.
- Question-But over time you break it down?
- Response-That is the cash flow chart and we can show you that.
- Kathy can break it down and I know the approximate monthly payment.
- Comment-I think what Joseph is talking about, taking all those numbers and putting them into a composite percentage of project completion. So we can look at percentage of project completion.
- Response-You mean how far along we are? We can come up with a report like that.
- Question-How do you establish these budget numbers without taking the pieces and arriving at the final numbers?
- Response-It depends on how much detail you want. We have schedule values. It would have elevators, grading, electrical contact and you would see it and the percent complete.
- Gary-I don't pay the contract costs like that, I pay Lusardi and they pay the sub-contractors.
- Question-In terms of our obligation to see how the funds are spent, whether it is one payment via contract or otherwise.
- Gary-Let me play with it and see what we can come up with.
- Mike B.-Use the CPM chart from Lusardi.
- Gary-We can do that, it is like a cash flow to us.
- Kathy-Just on the construction or breakout on inspection and testing also?
- Mike-The contractor can do it. They can dollar load it no problem.
- Question-Where would you say you are right now with plan vs actual?
- Kathy-About 20% of expenditures completed and on schedule.
- Kathy continued discussion on Technology improvements, computers, and anything related to technology. Also explained the initial expenditures for the interim campus.
- Gary-We will purchase new computers and send what SMHS has been using to the elementary schools. This will help reduce the stress for everyone.
- Kathy-All telephones will go into new school. Testing and inspections, DSA inspector on sight. They make sure that everything is being constructed correctly or manufactured appropriately. Inspectors on site are fulltime observing. We have 2 fulltime inspectors right now. Going to 3 inspectors when we start on the other buildings possibly 4 inspectors. Furniture, equipment and books we have \$6.3 million for that. We also have a moving budget. On the relocatable buildings, all costs on the building are covered. If funds are available the Board has asked if we have funds left to look at a Varsity Baseball field and replace the guest bleachers. Estimated a cost of \$2 million on that. Goal is to pull out of the contingency to accomplish that. Explained the change orders coming up. Went over the project budget for the interim housing and discussion for clarification. Interim campus money had to be carved out from the \$180 million.
- Question-So the \$4.6 million lease costs are-Installing and removing of the portables, is the contract addition right and will be put in afterwards.
- Gary-Doing it this way helps with the warranties.
- Kathy-Somebody has to coordinate the entire process
- Question-How is it that it came after the fact?
- Gary-we were going to pay the costs directly, then decided to add the costs to the construction contract.
- Kathy-Until it was totally designed we didn't have a cost, we had an estimated amount. That is why we did it as an addition and once the lease was signed it became a change order.

7.0 Series B Bond Sales

- Gary-Explained that Series B bonds that were sold. Sold the first set of bonds, "Series A" in July 7th of last year for \$142 million. Sold series B in May, 2012 for \$65 million. Shared the information passed out to the members and the cost of the assessed value. Explained Capital Appreciation Bond to the members. These will be paid out at a later date. Not the desired choice, but it was the only choice we had available to use. We promised the community that we would maintain a \$44 cost per \$100,000 of assessed valuation.

- Bill-I would like to linger on that so everybody understands. There is a compounding interest on CAB's and what happens is when payout comes gross amount is almost double. It is going to cost more for that school because of the Capital Appreciation Bonds. Just want to make sure the committee understands the difference between the two that by using Capital Appreciation Bonds it adds to the cost of the project.
- Question-Why is there a window in the funding plan, why are we stuck with CAB's?
- Gary-We had to sell the B Bonds as CAB's, in order to stay with current low interest and to stay with the promised \$44.00 per \$100,000, we wouldn't have had enough annual tax revenues to sell traditional CIB's.
- Question-This was the only option?
- Gary-yes to get the money and stay within the promise of \$44. If we had to wait to sell, construction costs go up.
- Question-Will there be a time when the District discloses that? Because what happens is that \$287 million isn't really \$287 it would be about \$350 million.
- Gary-Even the regular CIB's bonds won't cost \$287 million. The interest is in the low 5% right now. You can see a gap 2038/2039 that could be used for a Series C.
- Bill-So ultimately the District is saddled with \$713 million
- Gary-The community, yes. It was always going to be more than \$287 million.
- Question-Assessed valuation projections, where do they come from?
- Gary-Financial consultant and the banker/underwriter. They have to sell the bonds so they use historical figures to make projections. Shared various projects for development in our District still available. 9,000 housing units have been identified in the District for development. Pointed out the District boundaries. These will add to the District's assessed valuation.
- Question-Gary on the assessed value, the projected growth rate for 5 years 3.49%? Is that a projection?
- Gary-That is the average that it would grow over the five year period.
- Question-What happens if the growth doesn't come in at 6% as projected in future years?
- Gary-Then the tax rate would be higher than \$44 per \$100,000.
- Question-So then we broke the promise to the taxpayers? CAB are they callable early?
- Gary-No they wouldn't market them and would cost more. Most CIB's have a minimum period of 10 years for recall.
- Question-It seems like huge disparity between Series A and Series B. To add this burden to the community for the next 40 years.
- Bill-It would have been nice to know this up front.
- Question-To go to Series C Bond which is also CAB, would it be prudent for us to do that? Have our financial advisor focus on Series A?
- Bill-The problem is that the District doesn't have the tax revenues to pay the annual interest payments.
- Gary-We would have to wait many years(20 to 25 years) to sell CIB's and the construction costs of current projects would be much higher. These are facts that we have work with.
- Question-The COC committee is going to be brought into this process for the technology right away right?
- Gary-yes. You will know a head of time. Site committees will be formed to determine the project needs. The Technology Audit will be done in October and technology to the report to Board by December.

Prop K Bond Summary

- \$287 million Bond sales authorized in 2010
- Estimated costs prior to bond election=\$951 million
- Projected combination use of CIB's and CAB's
- Series "A" combination CIB's and CAB's=\$146 million
- Series "B" CAB's=\$65 million
- Total Bonds sold to date=\$207 million
- Total costs over 40 years=\$713.7 million
- Pledge-annual cost to taxpayers'\$44 per \$100,000 of assessed property valuation.
- Projected growth in assessed valuation over 40 years @ 5.48%

8.0 Discussion of SMUSD Building Contractor Selection Process Schedule

- Bill discussed the building contractor selection process that the District uses. He wanted to make sure that the COC understood the process and what their parameters and responsibility are as opposed to getting involved in the negotiations with and contractors. He would like to have the opportunity of listening to your approach, are you going to bid this out this time or are you going to do a negotiated contract. If you are going to do a negotiated contract then explain to us why so that we are in on the skinny when it is happening.
- Gary-we will keep the committee apprised

9.0 DISCUSSION ON GOVERNING BOARD RESOLUTION 28-10/11:

- Bill-The resolution spells out responsibilities differently in the District statement than what he believes the State requires. We are charged with the responsibility to do five things according to the State. In the District's statement those five things are things we can't do things Bill pointed out several areas of his concern.
- Bill-Asked if it is possible to put out a mid-year report? He believes we should have more than one.
- Our financial audit would be one item to report on.
- Gary-Auditors are working on audit now and will have it completed in late November or early December.
- Bill read the five points from the District document and pointed out the discrepancy between the State and the District's statement. Read Exhibit A in tab 3.
- State-Tab 4, page 3 Bill read the State code under this tab. That is our charge with the State and should be with the District.
- CALBOC is looking into District's that are using CAB's. You can always as a private citizen raise issues. The sponsor that put Bill on this committee and suggested that I call Chris (head of Taxpayers Association). Per Chris, CALBOC has contacted us and we are looking into all Districts that are using CAB's
- Joseph-Asked if anything is resolved with what the State says and the District says?
- Bill-No, but Kevin made a comment about putting the people involved in the Bond Sale and on the COC committee. He believes there should be some tie between the COC committee and the Bond sale.
- Joseph-Asked is there any liability?
- Gary-No you are an advisory committee and monitoring that we are doing what we are supposed to do with Prop K funds. Your responsibility is making sure the District stay on course. We keep you informed.
- Joseph-Do you feel that we need to reconcile the wording?
- Gary said he does not believe so and that the committee may request or see any information that they would like review.
- Tom-Tab 4 of the resolution 28 -Those five elements that were listed and what they shouldn't do are listed in that same document.
- Bill said it was just confusing to me.

10.0 DISCUSSION ON BOARD/STAFF RESPONSE TO EFFINGER REQUEST OF MARCH 14TH

Bill narrated on 10 above.

11.0 MEMBERS TERMS AND APPOINTMENTS

- Gary-Discussed members two year terms. Per the attorney have everyone do a two term. Then have some do an additional two year term on the COC. Need to determine if they want to continue for another term? Kevin is taking to the Board in February. Some of you have specific community positions. Please let us know if you want to continue by the next meeting so that the Board can have names of all interested parties.

12.0 NEXT MEETING DATE

The next meeting of the Citizens' Oversight Committee will take place on Thursday, October 18, 2012 at 6:00 p.m. in the Business Services Conference Room of the North County Regional Education Center, 255 Pico Avenue, San Marcos, CA 90269

13.0 COMMENTS FROM COMMITTEE MEMBERS

- Joseph- Would like to see cash flow of how it is going.

14.0 ADJOURNMENT

Motion by Joseph Potts and seconded by Darius Khayat to adjourn the meeting at 7:38 p.m. Motion carried.

Date Minutes of July 19, 2012 Adopted:

January 31, 2013

Signature of Assistant Superintendent
Business Services


