

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

MINUTES  
October 18, 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](http://www.smusd.org)

**1.0 CALL TO ORDER**

Meeting called to order by Bill Effinger at 6:02 p.m.

**2.0 ROLL CALL**

COC Members present: David Barnum, Michael Brock, William Effinger, Darius Khayat, Anthony Martindale, Stephanie Nunez, Gary Hamels and Kathy Tanner, and Nancy Dolcemascolo.  
Alternate present: Tom Kumura and Joseph Potts

Absent: Mike McDowell & Cecilia Aguirre

Guests: Diane DeBruyn and Bill Simpson

**3.0 PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was led by Tom Kumura

**4.0 Approval of July 19, 2012 Minutes**

Members would like to see the minutes two weeks after the meeting. Want the minutes to be sequential, very difficult to follow and a lot of important information was left out. Bill felt that some of the numbers were left out that were important to the discussion. One of the members brought up the issue of the CAB's and that discussion was left out. Several members expressed their concern that the detail was missing. These were important points and need to be reflected in the minutes. Staff will work on trying to get the minutes out sooner. Gary reminded the committee that this is more detail than we normally give out and that the audio is on the web which has all the details. When we do our regular Board meeting it is just actions taken and very summarized because we have recordings of those meetings just like we do for this meeting. Recommendation was made to have the minutes in bullet form. Bill wanted to make sure that the discussion on the CAB's was in the minutes, especially since three of the Board members of the Board independently indicated that the CAB's were a mystery to them. Bill felt that abbreviated minutes aren't the greatest thing in the world when you are talking about \$300 million growing to \$700 million and that people didn't realize it was a 40 year obligation. It seems that the concern was the missing content. Gary stated that he would be happy to rewrite the minutes in some format. There is nothing to hide here and we have made sure by making the tape available to the public. A suggestion was made to clarify that these are summary minutes and that the audio is available on the website. Gary noted that the comment was at the end of section 9 but he would move it up to the top.

**5.0 Public Comments**

Bill Effinger opened public comments. No public in attendance. Chair Effinger Public Comments closed.

**6.0 Staff Reports**

- Gary-Financial Reports: Went over the items in the packet provided to members. Highlight the total Bond package of income we are working with. We sold \$270 million in bonds, we have earned \$617,000 in interest to date. This money is with the County Treasurer not a trustee so it is invested with a treasury pool.

I think he is getting 40 basis points which is 4/10 of one percent. It ranges between that and ½ percent. Assigned \$180 million to the high school. Technology upgrades, which we will talk about in a little bit, I have assigned \$17 million, but we don't know the need based figure yet. We did an early swag in 2008-09 when we started talking about remodeling the District and the schools, it was just a swag of what we might need ( I want to say that was about \$10 million for the various schools). As you can see that leaves \$10,600,000 yet to use. Bill Simpson will explain what we are going to do to develop what kind of budget we will need for technology. That is just a holding place and you can see we spent \$42 million on the SMHS project to date. The purple is just cash based on the bond. It does include the interest.

- Member question-So is the \$42 million on plan? I thought we were going to see the plan.
- Response-Yes, we are going to share that with you. This is just cash out the door as of September 30<sup>th</sup>.
- Member question-I think I ask this question every time, the \$180 million is all inclusive of the \$4.6 of the temporary classrooms.
- Gary responded, yes, which you will see on the next page. This is the budget for the high school only project. You have the current revised budget as of 6/30/12. It is broken into sections. You can see how the \$180 million is broken out. The percentage of the budget that is left. Kathy has provided her best swag of percentage of completion. As of October 1, 2012.
- Question, can we talk about plans budget for a moment? Apparently we are still in a state of flux with some of the plans?
- Kathy responded, no, what this means is that we have the architect fees in here. Fees include a schematic design, preparing the plans that go to the Division of State Architect and then their construction administration. So the architect costs will be from the beginning of design to the closeout of the project with DSA. So we are about 70% complete. All the plans are completed at this point
- Gary-They won't be done for a couple of years after we are already in the school as far as the close out of the school with DSA
- Question-wanted to know where are we with the issue with the State on the redlines required changes?
- Gary responded, we are going to discuss that when I turn it over to Kathy when we get to that point about the three design review increments, the changes they have made and how it is going to affect us. The back page strictly deals with the construction contract. It has the contracts and change orders to date and includes the lease. I am going to have Kathy explain how these change orders will affect the project, the timing and so forth.
- Kathy-We have 3 increments. Increment 1 was the site plans, Increment 2 was the plans for the gym, maintenance, and central plant. Increment 3 was just approved and included the rest of the buildings (September 28, 2012). Review DSA completed is that their main core responsibility is structural. They looked very closely at the steel in the building. Those costs went up because of the additional steel that they required us to put into the building. This included rebar in the footings, in the walls, it was in the steel members that support the roof and we had additional requirements. The tilt up walls have so much steel that we weren't sure where the concrete would go. It was a significant cost to the project. It wasn't that the structural engineer had done something wrong. It was a difference of interpretation in many cases. In our San Eljio project we also had some changes. We have had meetings with DSA and got some things turned around. We were able to come to a decision that we could all agree upon.
- Bill asked, it appears like it is \$3,400,000 extra in change orders.
- Kathy explained the construction portion item C we have incorporated in there change orders #2 for \$409,000 on site changes (storm water related). Change order #3 \$2.4 million for increment #2. That included a lot of steel costs that were involved in the design of the gymnasium, maintenance and central plant. The \$3 million that you are looking at is the estimated amount that we have placed in contingency for Increment 3. That is building A, theater arts building, into stadium and concessions.
- Question-why did this end up being a surprise? Were the plans not submitted to DSA early enough for them to make these changes? Somebody should have been looking at this stuff and saying you need to have more steel in here. That should happen before you get the shovel stuck in the garden. I am trying to figure out how we got so far down the line and out jumps the devil.
- Gary responded, we did this project with time constraints. I asked our architect if he still stands by his plans and he said yes. We think we are right on our engineering for probably 95% of the design. But as Kathy said they don't set the rules. DSA can overrule and they did. We designed this project and had to get it going quickly, otherwise we would just be starting the interim campus now. Costs creep up at a higher level, trying to get steel ahead of time, labor and sub-contracts signed and agree to so that we could hit the ground running to have the high school done as quickly as possible. So we put the blueprints in for the

ground work first and we have done that before on other projects. Then we started issuing the other designs to DSA, the Gymnasium and the maintenance building and other parts of buildings in the back and that is when DSA came back with changes and that is why we have a contingency. We couldn't wait to get everything done because we had a need to get the school done. We asked the architects to design to the code and no in excess of it; this is why we built in a contingency

- Member asked, so change order #3 is \$2.438 million? Kathy responded, and that is increment #2 with changes from DSA. Gary added that it wasn't interim housing. It was the actual construction
- Member question-Is the \$2.438 million the same as the \$3 million
- Kathy responded that no it is not. That was for increment #2, increment #3 that was just approved by DSA has a \$3 million contingency
- Question-I see, so you have potential for a 4<sup>th</sup> change order and you have budgeted for it here so on this schedule you are still at \$180 million and \$3 million is drawn from other contingency lines?
- Kathy-The original budget spent the \$180 million in various categories and as we tighten down the different areas, testing, inspection, or storm water. We then move money into the contingency or out of the contingency. I establish a contingency at the beginning of the project.
- Question-Is there any way to know looking at this schedule, where the money was drawn from? Ultimately you had \$180 and now you have \$180 and \$3 million additional liability, so something has changed. Is there any way to highlight what that is? It would be educational for the Board to know the impact of what happens when these things occur.
- Kathy responded, I can go back to the original budget and then share with you where I had made changes. Gary added that you can look at the original budget and you can see it there and it was sitting down in contingency
- Question-How close are we to eating up the contingency?
- Gary-It is going to be gone. We will probably have to cut some things out of the buildings. There is also a contingency in the \$136 million construction project contract. We have a contingency built in of 3%. David stated that goes back to my original point, if you can see where the money came from then ultimately you would know as a committee that possibly we have utilized all of the available contingency and possibly the project is still intact or intact. But at some point in time you have reached the point of no return. Then you have to start reducing the expectations of the community of what you are going to get in future change orders. Gary responded that we expect to have the final change order costs done on December 1<sup>st</sup>.
- Bill-So along the lines of -It seems to me that it would be very beneficial to show us and the community all the things you have taken out with the cost you saved taking it out. Show us where you applied it. David stated, I think what I am hearing is that there are some contingencies built into the project. I think you have utilized most of the contingencies. I don't think I heard that anything is going to be substantially different. It would be good to know if that is the case. Just add a column to the schedule. It will eventually be an important topic. I am not 100 percent clear in my mind by what is meant by changes due to code interpretations and building modifications. It would be hard for me to explain a \$3 million change based on code interpretations and building modifications. Does the rest of the committee understand better than I do what essentially happen there. Was this an issue of post design, there was a review, was there a specification changes or changes in the laws that caused something an issue other than miscommunication?
- Kathy responded, I don't think it was a miscommunication. What it was were the structural engineers looking at the design of the building and discussing how it was designed. Looking at the floors connecting to the walls, these members that hold up the roof were designed and the loads that they were carrying. As they went through, they took each others points into considered. There was a code change in 2010 and that some affect potentially. There are different interpretations of how loads are carried in the buildings and in some cases they did not agree. Bill commented, As I said from the very beginning this thing is foreign to what I am used to doing. It seems to me that we should have, the District should have, a professional who really understands every aspect of building a project of this size. That can be that go to person who can make sure that this doesn't happen. I am not saying that mistakes don't happen. We are looking at a situation here where the rules have been in place, apparently for the State and our engineer interpreted one way and that the State interpreted another way. David responded, Mr. Chairman if I may you know I would agree with you 100% but this is a little out of our scope of what our committee is. We are here to communicate to the public the financial impact of the bond offering. Possibly some more explanation. Look at it from the perspective of the committee members while we are supposed to communicate to the public, we also get asked questions on this type of thing. From my perspective I would like to have something a

little easier to comprehend and communicate other than code interpretation and building modifications. I certainly don't need to talk to a structural engineer to satisfy me. How would you explain it to Omar that is putting on a room addition. Those types of things. Possibly that could be provided to the committee at a later date. Can you explain it a little better now? What is the best way to proceed?

- Michael offered to help explain this process. He stated that he goes through this change order process everyday. You have an engineer who designs your buildings. All depends on who the engineer is; and if they are familiar with DSA, you will have less issues. If you have an engineer that is not familiar with DSA, you will always have differences of opinions. Usually if the job is bid before approvals, there usually are some changes. Usually it is a small percentage. I don't know what the steel is versus the percentage. I think it is a large amount, but the District you would have paid for it anyway. If XYZ engineer would have put all that steel in there you would have had a higher G&P up front. Now we are putting it in there so now you may pay higher premium because it is a change order. It is always a game with DSA. If you try to over design it you wouldn't have had any issues. If you try to design it to building codes that is what this engineer did to save or not waste money. You would have paid either way.
- David responded, that this is sort of the information that the committee would need to have.
- Gary offered to have the architect write it up Michael, what are the changes? Just a little explanation. Kathy commented that it is not all steel either.
- Gary responded to the example of over design. If you over design, DSA loves over design. So our architects and engineers are reading the law and interpreting it and they designed SMHS accordingly.. These are tilt up buildings, DSA doesn't like tilt up buildings. Every time they put up tilt up buildings, DSA adds something to the next guy coming along because they think it may fall like a house of cards. We have tilt up buildings all around us. We didn't want to over design the building because we would have been throwing money away. They made their best effort to get it right on the button. You have people at DSA that want over designed the gold plated projects and they push it right to the edge.
- Michael-They look at a 1.5 factor does that make sense. They want it designed 1 1/2 times what the code is. So if you know that going in up front and put it in there you won't be having these discussions but you would pay for it up front. Question-Did you go to the law? Gary responded, Yes, we didn't want to over design. We didn't want to throw money away. Our architects believe that it meets the code as designed.
- Question-If you went to the law, then I don't understand why, if you designed originally to the law there shouldn't be any extra. Gary stated that he agreed.
- Bill-Well, then in the construction of the contract, you have more experience with public work because mine has been private. Surprises rarely gets eaten by the guy that cuts the deal. It is the sub-contractor at least in my world. If there is an extra charge, if I have a cost as a builder then whoever that particular sub is he eats it.
- Gary responded, you in most cases you walk in to the city with your blueprints right up front. If the City says to add something then you add it. You go back and add it and possibly cut something out; then you lock in a price with your contractor. DSA is the last say in the discussion just like the City would be. It is the process to get this done on this timeframe. They want to add more steel and so we have to cut some things. That is why we had a planned contingency. We are going to makes some cuts as well.
- Member-When I was at the school board meeting, I believe one of the things that was going to be cut was the air conditioning in the gym. I don't see that reflected here in these numbers. So something that is material should be pointed out to the oversight committee
- Question-If they could see a list of everything to be cut. Unless I misinterpreted it that the gym is not going to have air conditioning? Gary responded that, No high school gym dies bit gave air conditioning. We can't afford to air condition the gym. We are putting in fans like the other high school. We can put together a list of things we have cut, that is simple to do. You will see everything at the next meeting because we just got the final DSA approval.
- David-Mr. Chairman it sounds very reasonable and I am pretty satisfied. We designed it to a standard, the standard that we thought was appropriate and at the end of the day someone else has control on how that standard is applied. There is a very high standard for the schools. You have planned with contingencies it is perfectly reasonable that you keep a running tally just for the big ticket items. So when we have to communicate these items we have a running total.
- Kathy stated that we could put that together. I would like to point out that we have another contingency available still, which is in section B, we have \$1 million contingency there. In the first line of construction we have \$3.8 million, which is carried by Lusardi per their contract under the Lease Lease Back Agreement. Then we have a contingency for unknowns and additional scope of \$976,000 and then of course the \$3

million for increment 3. Altogether we had over \$10 million for contingency for the project. We had to get the project to \$136 million in the beginning. We had to determine what was needed for the project. Making sure the needs of the educational program are met. If we are over budget, then we can start cutting items that are not needed for the educational program. Examples: Texture on a wall, floor treatment or staining concrete. Those types of things.

- Question-This may be a naïve question-Sounds like the architect or engineers are the ones that have been overridden by DSA and cost you so far \$3 million dollars or more. Back here you've only paid the architectural firm and you still have \$3,785,000 left. So why not withhold future payments? Response-We would be sued for breach of contract.
- Michael-I am going to make one more point so that we can put this to bed and everybody is comfortable. We would have paid \$2-3 million anyway if we would have had the luxury of having the plans approved by DSA before bid time. You would have never known. The architect got it done to what code is. But DSA is stricter. The code is the code but you can interpret it to a stronger degree.
- Bill-Only because it was a negotiated contract? Michael responded, No the plans take whatever it is. It wouldn't have made any difference. You could have bid the job without DSA approved plans. It could have been even more.
- Gary wanted to clarify that we did bid this project. We sent out close to 4,200 bids. We had 530 bids come back for the sub contracts for a little over 100 contracts. So it was bid. Our target was \$136 million. Our contractor we negotiated his contract. Bill commented that of course they were bid by the general. Gary responded to Bill that they don't see eye to eye on this.
- Member asked question, Mr. Chairman, I was comparing the project budget from June to October. Why did new construction go from \$136.7 million to \$139.1 million? Is it because we allocated some of the contingencies? Kathy responded because we included the change orders in that number this time. The \$2,438,000. Tom responded that it is hard to follow? On the July 19<sup>th</sup> budget for the line item other construction Knight Realm \$1 million. It changed for the \$1.4 million for that same time period. You should have had an asterisk. In addition the expenditures to date through October is \$62,000 in July it was \$139,000. So how did it go down?
- Gary stated that we will look into that. Maybe some expenses were put into another line.
- Member-I find that the work percent complete column in July and find that to be helpful. There is a new line item in October called Utilities Service and Fees. I don't know where that came from but I am assuming from contingencies. That is \$534,000 expenditure to date is \$533,000 almost 100% is spent on that. Gary responded, that is what we pay the utility company for hook up. That is what they finally determined and they have asked for. These are things that we have negotiated to hook up to the utility company.
- Member-While we are looking at the site prep. I want to make sure I understand this. You are saying the percent work complete. What is that? That means that 98% of the work is complete but you have 20% of the money left. So you are going to under spend all that. Kathy responded, no the site prep what that was to prepare environmental documents, site engineering studies, geotechnical analysis and legal costs. We are about 98% complete. Member asked, but you have spent 80% of the money. Gary stated that there may be bills that have not been paid yet. Question- Is this a cash balance? Is this what that reflects? Response-Yes. Kathy gave the best swag on each one of these on how far we are along at this point. Joseph-It doesn't tell me if we are on schedule or not. Response-It is showing a budgeted amount and expenditures to date. Then I start adding all the numbers up, looking at an area that maybe be done and start pulling them out and move dollars into contingency. The next budget update will be January 1, 2013 and then we will pull the expenditures. Member-So you may not spend the \$125,000 that is left there? Kathy-I may not. I will have to see what is needed and see by the end of December if it is certain that we are not going to spend these dollars, then you will see a budget number equaling the expenditure number and that essentially will close out the money from that area and then the balance would be put into the contingency. Project costs-Presented the schedule of values and explained. These are all the areas involved in the project. To date we have billed 25% when you look at the whole project. Reconstruction project is billed at 15-17%. We are approximately 30% done with the project. This breaks out for you the various costs.
- Cash Flow-This will be updated on January 2013. This cash flow was based upon our knowledge approximately of July/August and we will be updating this along with our construction schedule and project on how we will be building it between now and 2014 to open up the main classroom buildings, gym and theater. So can see that January, February and March we are going to be spending \$10 million a month. That is a significant sum and we have a lot of people out there on the project. Will have more

superintendents and inspectors in order to get the school completed. You will see the construction line in the blue for the cash flow.

- Timeline for construction-Looking at increment 1,2, and 3, the durations. You see the start date and end date. This was prior to getting the increment 3 plans out.
- Member-The question I get asked most often,"is the project on budget and is it on time?" After hearing this tonight, we are on budget, yes? Yes we are on time. We will continually update the timeline at our meetings. Timeline-January 2014 students into classrooms, then remove portables to work on that area and that area will be complete by the Fall 2014. Shared aerial in packet, showed roads for rain so that we will have full access while it is raining. Pointed out the footings. In the back the walls are in place for the Gym. The goal will be to occupy the Gym by 2013.
- Member-So if Proposition 30 is successful it will not change the school year and if it is not successful it will reduce the school year by 10 days? Gary-No more than that. Right now we are looking at 3-4 days and if it doesn't pass we are going to add 12 more days. David-Well that is not good from a school perspective but from a construction perspective it is good? Kathy-Yes, you can keep everyone going faster.
- Kathy continued discussion of timelines. We are right on track to meet those dates. Gary-Knights Realm involves the City. That is why the number may change a little, because it is negotiations with the City.
- Gary-A couple of issues that we will be looking into. Parking-we lost 80 parking spaces when we had to give up land for the dig site and lost about an acre of property. Do we put it off site, do we do a parking garage (very expensive)? We are brainstorming a few things. There will be some discussion and we are working on it.

## **7.0 School Site Technology Infrastructure-Bill Simpson**

Bill Simpson

We want to give you an idea of what we are thinking about. We are looking at a multi-site project. There needs to be a much greater diversity of technology on campuses now. How we deal with attendance, audiovisual, phone communications, paging, bells, heating and air conditioning. Technology is more critical than ever before on a daily basis. The volume of technology flowing and data flowing through the organization is much greater than before. We need to update our systems. Many are way under capacity. Use the Bond money to add wireless systems to our schools, we need to have security, we need to increase the wired networks at our schools. Gary shared with the committee that Bill has been instrumental in getting E-Rate grants. For SME he got \$400,000 and for Alvin Dunn as well. Explained the benefits of the E-Rate grant. It is a Federal grant. Bill Shared the volume of the technology project. First part is discovery, then analysis of what we have in place based on what our goals are instructionally and programmatically. We will pull outside people to help us with the analogy. Once the analysis is done we will have a better idea of the cost and the scope of the project at each of the schools. Then we will work with agency to develop the bid specifications and put the package together. We will be able to break the schools into different segments once we know what the needs are. That will all be part of the bid specifications. Once that is done we can go out to bid. Bill-Is your approach going to be your initial design going to be everything you could ever dream of? Scale back once you get the budget? Response-Yes that is pretty much the approach. We want to get as far as we can. Cloud based access in place. Teacher training and software will be critical for this project. Want to have wireless everywhere on campus. Learning takes place 24/7. Infrastructure would go in first. Electrical is a big issue at our schools. Computer access, wireless access and audiovisual for the classrooms. We will be starting the next couple of months. Looking for companies at the cutting edge to make sure we are compatible for the next few years. Quite a few people involved in this process. Now that we have this rolling, we are working with them to make sure that any investment that they make will tie into to what we will be doing.

## **8.0 Discussion on Preparation of COC 2012 Annual Report to the District Board**

Discussion: Get input from staff to prepare the report to the Board and to the Public. When we will we have information that we can sit down with and working on. Response-It depends on what you want to include in your report. This will be the first year that you will have an audit. Audit should be done by the end of November and we will get it out to you as soon as we get it. Then you have budget information. We will get you lists of cuts and contingencies out to you. Discussion on goal to get everything ready by the end of the year. Complete the reports by March. We can email the audit once we have.

**9.0 Set Date for Committee Review and Approval for Presentation and Publication**

January 31, 2013

**10.0 Next Meeting:**

The next meeting of the Citizens' Oversight Committee will take place on Thursday, January 31, 2013 at 6:00 p.m. in the Human Resources Conference Room of the North County Regional Education Center, 255 Pico Ave., Ste. 250 San Marcos, CA 90269

**11.0 Comments from Committee Members**

Tom-Appreciate receiving the CALBOC newsletters and it would be beneficial for the community. Place on agenda for discussion on CALBOC newsletter to be added to our webpage. Motion by Joseph Potts for discussion of items to add to website enhancement. Seconded by David Barnum. Motion carried.

Gary reminded the members that we are starting the process of selecting a new committee to please let him know if you are interested in continuing.

**12.0 ADJOURNMENT**

Meeting adjourned at 8:00 p.m.

Date Minutes of October 18, 2012 Adopted:

January 31, 2013

Signature of Assistant Superintendent  
Business Services

  
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