

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

**MINUTES AND REPORT OF THE MEETING OF
November 6, 2017**

The Citizens Oversight Committee met on Monday, November 6, 2017, at the Roderick H. MacMillian Board Room, Education Center, 2985-A Bear Street, Costa Mesa, CA 92626

Members Present:

Robert Ooten, Member at Large
Lee Ramos, City of Costa Mesa Senior Commission
Richard Rutledge, Estancia Parent & PTA Member
Mitch Vance, TGV Partners
Julio Zunzunegui, Mariners Parent

Members Absent:

Suzanne Gauntlett, HCPTA Vice President of Legislation
Tom Johnson, Costa Mesa Chamber of Commerce Vice President

Also Present:

Spencer Covert, Partner, Parker & Covert LLP
Tim Marsh, Administrative Director, Facilities Support Services
Tim Holcomb, Assistant Superintendent and Chief Operating Officer, Business Services
Jeff Trader, Executive Director, Chief Financial Officer
Ara Zareczny, Director, Facilities Development, Planning & Design
Lori Horrell, Administrative Assistant to Tim Marsh

Project Management Team:

Sammi Shepherd, Project Manager

Handouts:

Meeting Agenda for 11-6-17

WELCOME AND INTRODUCTION

Administrative Director Tim Marsh opened the meeting at 6:05 pm and welcomed the committee. Introductions were made for the benefit of new members and staff in attendance. Mr. Marsh and Mr. Holcomb thanked everyone for being on the COC. Mr. Marsh explained that in November of 2016 the Board of Education passed a new resolution to change the structure and went to the State's legal minimum number, which is seven members in hopes to keep four people on board on a regular basis. Tonight we will be talking about structure and role of group. Next meeting is February 6, 2018. Prior to that date, we will be emailing expenditures from the May 2016 meeting through end of Measure F dollars for the Davidson project, which was funded partially by Measure F, and partially by district funds. We will also be emailing the 2015-16 audit (which was not be previously presented to a group because we could not get a quorum), and the 2016-17 most recent audit, which we will have in February for the group.

The chairperson sits on this committee for the calendar year. Mr. Marsh and Mr. Holcomb both explained the role and responsibilities of the chairperson. Mr. Ooten volunteered for the chairperson position for 2017. The chairperson for 2018 will be selected at the February 6, 2018 meeting.

ADOPTION OF THE AGENDA

Agenda for the November 6, 2017 meeting was adopted as presented.

DISTRICT REPORT

Tim Marsh explained the role of the Citizens Oversight Committee. The committee is for financial oversight, to make sure the district is spending the money that voters have given us in the appropriate ways on the appropriate things that were in the bond language, and that we are expending it in the proper way.

We have one project for \$25 million dollars that has been earmarked for the theater complex at Estancia HS. The project is to match what we have at the other schools. We are very early in on the project. We are going through the RFP's now. The bond dollars are one-time money and so we spend them to build things and do not pay district administrators. If there is equipment for the building that we pay for but we typically bring in an outside construction management firm because it is legally appropriate. By adding these facilities, we are requiring the district to spend more money on an annual basis to maintain and operate those facilities.

In Measure A and restated in Measure F, the school board required themselves to spend 4% of their annual budget on maintenance. The state at the time of Measure A was 3%. During the recession we had, it actually went down to 1%. This is part of the impact for building the facilities. There is a debate on what the impact is on student learning in new facilities.

Mr. Marsh addressed the 700 Form and asked the members to submit these forms as soon as possible.

The previous committee was 32 members and with our new guidelines, the quorum for our seven-member committee is four. Mr. Holcomb talked about contacting us as soon as possible if you should have a scheduling conflict, in order to avoid the issue of not having a quorum.

He also clarified that there are law firms who will say that you can charge district staff to a project. The district is presently using McCarthy Building Company for construction management. In the event this changes in the future, we would get legal counsel and would keep the members informed.

Spencer Covert gave a brief summary of the Brown Act and went through the outline that was distributed to the members. Any legal questions, please contact Tim Marsh and he will contact me if he does not know the answer.

Mr. Covert was asked by Mr. Vance to give advice as to how this committee could be effective as a fiduciary representative of the county. Mr. Covert advised to be true to your role with respect to the expenses and make sure the money is being properly spent and therefore, your role is not to get involved in the plans and specs of the project.

Mr. Holcomb added that historically prop 39, previously was 2/3 majority to pass a local General Obligation (GO) bond measure and with prop 39, a deal was brokered at the state level that said we will reduce the level from 66% to 55%. The concern from tax advocates was that people would be approving everything and who would be making sure that everyone is following the rules? Can we really trust the school boards that they are looking out for us? The law is very clear that says you cannot use bond monies to pay administrators salaries. It means we are not paying principal's salaries or textbook adoptions out of bond dollars. Those things are illegal. Most recently with current rules, the state does not want their money going to furniture. There has always been a taxpayer concern where the monies are going. It is absolutely an expectation that you are here on behalf of the local taxpayer to make sure the Board of Education doesn't put pressure on anyone that would try to use the funds for anything other than what they were legally intended for, which is to pay for facilities improvements that were included in the bond measure.

Question by Mr. Rutledge regarding large governance bodies and small bodies. Since the quorum is four, does three constitute something passing out of four, since typically you would want an odd number of people so you always have a majority? Answer by Spencer Covert was that the majority of the quorum passes the vote.

Mr. Vance commented on the importance of clarifying exactly what the committee's role is and what it is not.

Mr. Holcomb stated that local committee's double check and have local committee and a tax advocate, seniors, PTA, etc. Oversight Committees can now become a member of the California Association of Citizens Bond Oversight Committees, or conferences regarding these committees. The school board are elected and it is their job to communicate to the community that you are performing your role correctly.

Since this is such a limited committee, be advised that when there is a public information request, they can ask for text messages, email, etc. Keep this in mind on how you communicate with the committee. To streamline, try to keep all your requests or communication in one place.

PROJECT MANAGER REPORT

Mr. Marsh stated that Mr. Holcomb and Mr. Trader worked on restructuring our debt and we were able to lower the interest rate so the taxpayers will be able to pay less for the money that we borrowed. It made some room to be able to sell \$28.1 million dollars in bonds--of which \$25 million would be for funding the Theater complex at Estancia High School. This also means there is about \$88.5 million in authorization from the Measure F Bond being approved by the taxpayers, but it will probably be decades before that money can be accessed. When the board moved forward with Measure F, they self-capped. That number is \$18.87 per \$100,000 in accessed value. That put a hard cap on what the district can do and that is part of the reason why that limitation for accessing the other \$88 million is there.

Mr. Trader did a presentation to the Board about where the interest rates were and the cap, and why it is unlikely we will be able to use the \$88 million. We will send you a link to the board presentation. If you would like it to get this on the agenda after that, we can do that. There is the PowerPoint and a link to video presentation.

Mr. Marsh said at the February 6 meeting we will provide you with the information on all the expenditures from the May 2016 meeting through the last expenditures related to the Davidson Field project along with the 2015/16 and 2016/17 audits. We will send those out to the committee as early as possible so you have plenty of time to look over them before the February 6, 2018 meeting.

Question regarding when the last committee approved expenditures on Davidson Field Project? Mr. Marsh answered that it was at the May 2016 meeting. Ms. Zareczny added that it was design fees only of approximately \$150,000. The remainder will be looked at by this new committee.

Question regarding if there were any other expenditures other than the Davidson Field project that will need to be reviewed. Mr. Marsh stated that Davidson was the only project funded with Measure F dollars. The district is funding other projects by district money. Some are funded by dissolution by re-development areas, also out of district funds (i.e., EHS pool, adding HVAC to schools, and two CDM sports fields).

Ms. Shepherd presented a slide presentation on the Davidson Field project:

- Architect: LPA
- Contractor: RC Construction
- Project Manager: McCarthy

Project started March 14, 2016. Construction was scheduled for 365 days, with a projected completion date of March 14, 2017. Due to weather delays, construction was completed and ready for graduation on June 20, 2017. Ms. Shepherd, Ms. Zareczny and Mr. Marsh fielded general questions regarding the project.

Question was asked why the project bids were so difficult and expensive on this project. Ms. Shepherd explained that it is much easier to bid on a new project, than an existing one. Ms. Zareczny touched on the bid process and State funding. Total expenditures were approximately \$15 million, some funds coming from the redevelopment funds and some from Measure F.

Mr. Marsh commented on the money saved from having existing buildings that today would have not been approved by DSA, like the bleachers near the street. He also spoke on today's seismic codes required and the changes to meet ADA.

Question was asked if other areas were included in the scope of the work. Mr. Marsh talked about the small area to the left of the stadium for shotput and discus that were part of the track & field facilities included in the scope of work. Another question was raised regarding bleacher capacity, and Mr. Marsh talked about approximately 112 seats being removed due to ADA requirements.

Question was asked how much revenue the stadium brings in, and Mr. Marsh explained that it is used for district uses only. Ticket sales are ASB monies.

Question was raised on the type of fields planned for CDMHS in comparison to other HS fields. Mr. Marsh talked about the community process on the fields. It was agreed to build one track and turf field, and one additional turf field, with lights on both fields.

Ms. Zareczny spoke on the EHS pool and theater project. A RFP was issued for any architects to participate in theater project. Proposals for the project have been received this week. Interviews will be scheduled with architects by the end of this month. Theater tech support will be included in the interview process.

Question was asked what the cost was for the Costa Mesa High School Theater. Ms. Zareczny responded that the theater was close to \$18 million, for a 350-seat theater. Newport Harbor High School is 500 seats, Corona del Mar and Costa Mesa High Schools are 350 seats.

Mr. Holcomb discussed the challenge of EHS budget of \$25 million, with the bond sale about 1-1/2 million more than we expected. We will be working with the architects to see what the estimated budget should be. Ms. Zareczny talked on repurposing the existing small theater at EHS for possibly a lecture hall. This might trigger new path of travel, restrooms, etc. that may cause a scope creep.

Mr. Marsh reminded members that the bond dollars could only be spent on projects that were listed in the bond when it went out. At that time, there was an expectation that there was going to be a pool at Costa Mesa and it would support both Costa Mesa and Estancia High Schools. Jim Scott Stadium was also going to support both schools. Now that we are a little farther down that road, everyone would like their own, but if it was not listed they cannot take that money for their own project, because it is not on the list.

PEOPLE'S CHOICE

Next meeting date is tentatively scheduled for Tuesday, February 6, 2018, 6 pm.

It was discussed that the 2015-16 and 2016-17 expenditures be reviewed, discussed and approved at the February 6 meeting. Materials will be emailed well in advance of the meeting for member review.

There was a question raised regarding preparation for budget review--can we get a sense of the scope and budget summary? Ms. Zareczny and Mr. Marsh explained there would be a spreadsheet with all transactions and a summary. Members will be walked through data at the meeting.

Mr. Holcomb spoke on considering a financial audit sub-committee and a performance audit sub-committee of three. This would be an efficient way to digest the information. You can also make decisions of presentations at the future meetings.

Question was asked when the subcommittees would occur. Mr. Marsh talked about discussions at the February meeting and going to the Board in March or April. It was discussed that there may be a need for a subcommittee, but we would also get all the information necessary beforehand. The subcommittees were discussed in order to be legal within the Brown Act.

Mr. Marsh explained that the auditor would be here to explain and respond to any questions. If you have questions in advance you would like discussed, please let us know. If you want it presented in a different way, or if we can help you understand it better, we will try to do that. More of a narrative report was requested for clarity. Since the last committee was not a quorum, the expenditures start from March 2015.

Mr. Ramos was interested in being on a financial audit committee. Mr. Vance does not feel the audit committee will be necessary. He feels the information that will be issued should be enough to discuss at the meeting if given to members in advance.

Mr. Rutledge felt that there is plenty of governance already in place on these expenditures. Mr. Holcomb explained that in the past the taxpayers were not comfortable with just the auditors. That is why this committee is here. To be able to stand up to the harshest critics in the district and be confident in the process. Mr. Rutledge respectfully asked for a complete detailed report on expenditures. Ms. Zareczny explained the approval process and what it takes to get a check produced in the process.

Mr. Trader explained that the audit follows a certain format. There is a letter in the front that tells you that they found no material weaknesses, that we cooperated with them. In the back they would state their findings and any recommendations.

ADJOURNMENT

Mr. Ooten adjourned the meeting at 8:01.

These minutes are distributed to the members of the Measure F Citizens Oversight Committee and the community organizations they represent in the district.