

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

**MINUTES AND REPORT OF THE MEETING OF  
October 5, 2010**

The Citizens' Oversight Committee met on Tuesday, October 5, 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  
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  
Mitch Vance, Corona del Mar High School Zone

**Members Absent:**

John Beth, Estancia High School Zone  
Cynthia Blackwell, Newport-Mesa Federation of Teachers (NMFT)  
Jennifer Blanchfield, Newport Harbor High School Zone  
Rick Kapko, Costa Mesa Chamber of Commerce

**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

**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 5:07 p.m. Introductions and welcome to new members and guests.

## **ADOPTION OF THE AGENDA AND APPROVAL OF MINUTES**

Agenda for October 5, 2010 meeting was adopted and the Minutes from the June 15, 2010 were unanimously approved.

## **DISTRICT REPORT**

Mr. Reed reported that the Costa Mesa High School Mustang Aquatic Center was officially opened by the District today, October 5, 2010. Both the swim and water polo teams were a part of the ribbon cutting ceremony and the first to be allowed into the pool. The pool project itself will be completed by the October 12, 2010 board meeting, thirteen months earlier than originally anticipated with total project costs for the pool at \$6.6 Million. Various other projects within the District that are not a part of Measure F are also going well.

The Theaters - As originally adopted by the Board, the “Ed Specs” (educational specifications) for the theaters were to be built under Measure F were described by Mr. Reed as having adhered to a strategy based on a macro view of offering different performing arts facilities throughout the district, calling for the larger theaters to be traditional proscenium arch facilities a minimum of 500 seats and the smaller theaters to be designed as “thrust” stages of a minimum of 350 seats. It was reasoned that a variety of performing arts facilities available throughout the community would create greater opportunity for all students. However, after meeting with the communities of Corona del Mar High School and Costa Mesa High School and listening to their concerns regarding a thrust theater design, the District had recognized that the communities preferred a strategy which did not rely on them having to set programs beyond their own site theaters. Accordingly, revised “Ed Specs” were drawn up that changed the Costa Mesa and Corona del Mar theaters from “thrust” theaters to the more traditional proscenium stages and that change was adopted by the Board on August 24, 2010.

The Enclaves – Preliminary designs for the middle school enclaves at Costa Mesa High School and Corona del Mar High School, are expected to be done by winter break.

Mr. Reed indicated that both the theaters and the enclaves are likely to be funded from a bond sale which he hoped would occur in 2011.

Summary of the Bond Program to date:

Measure A (2000) - \$110 Million  
2001 - sold \$40 Million  
2003 - sold \$70 Million

Measure F (2005) - \$282 Million  
2006 - sold \$70 Million

Which leaves \$212 Million in the Measure  
F Authorization

Mr. Reed explained that one of the key considerations in selling a new set of bonds is the “rate cap” promise included in Measure F. In 2005 the tax rate was \$18.87 per \$100,000 of Assessed Valuation (AV) and NMUSD voters approved a new bond. \$18.87/\$100,000 became the “Cap” and the Board of Education pledged that they would not sell new bonds above the rate.

Everything was moving smoothly until the Recession hit and the N-M AV fell significantly below the growth rate of an average 6% which had been enjoyed over the previous 20 years.

The current situation is that the existing principal and interest from the total Measure A and Measure F bonds already sold comes very close to the \$18.87 cap creating a challenge for selling new bonds at a tax rate less than the cap. Plans are underway, however, to re-finance (technically called a refunding) the more expensive Measure A bonds at today’s more competitive rates, which should help pave the way for a new bond sale.

The Measure A Projects are now completely finished and the 2006 Bond Measure F Projects still in construction are coming to a finish.

Still in progress are:

- CdM Planning – Theater & Enclaves
- CMHS Planning – Theater & Enclaves

Construction Funding – Dependant on a recovering AV. Mr. Reed said it was unknown at this time whether all four of the next round of projects would be funded for construction at once. Construction funding will be dependent upon the size of a bond the District will be able to sell, which in turn is dependent on recovering AV and the “rate cap” as explained earlier. Plans for the new facilities will not be complete and stamped out of DSA until late Spring or Summer of 2011.

Hopefully....

- The effects of the Recession on the AV in Newport Mesa will be in recovery mode.
- Design drawings for the enclaves and theater in the next couple months.
- Measure F can continue to improve school facilities in Newport and Costa Mesa.
- 2011 for the Bond, sale is there and the investment market cooperates.

As to the re-financing of Measure A bonds, Mr. Reed reported that at the October 26, 2010 board meeting, the Board will be asked to approve a resolution authorizing the issuance of a new bond which would refinance the remaining aggregate principal amount of the Measure A Bonds. Mr. Reed explained that under the provisions of Measure A, Newport-Mesa sold General Obligation Bonds in 2001 in the amount of \$40 Million, and again in 2003 in the amount of \$70 Million, for a total of \$110 Million as authorized by the voters in June of 2000. Currently, some of the bonds have been paid off on schedule, and there remains approximately \$95 Million in outstanding bonds and interest. Under the current schedule, the last of the bonds will be paid off in 2028. The refinancing would have the same pay-off date, just a lower rate.

Mr. Reed noted that bonds can be refinanced when the economic climate is such that the taxpayers will benefit by a savings over time. In the instance of Newport-Mesa's Measure A bonds, the form of the refinancing is actually a new series of bonds and the process is called a "refunding". In practice, the district borrows the needed sum of money in the public finance market sufficient to pay off the holders of the old bonds. Since the new bonds are issued at a time when competitive rates are lower, the overall cost of paying off the bonds is less, resulting in a savings to the taxpayers. Given the current low rates for bonded indebtedness, it is estimated that the savings to the taxpayers of Newport-Mesa will be approximately \$3 Million over the remaining eighteen year life of the original Measure A bonds, after which the entire Measure A debt will be paid off.

Mr. Reed's response to the question regarding the cost of a thrust stage versus a traditional stage was that the difference in the cost to build the theaters would be \$1.5 Million versus \$1.7 Million.

Question regarding the solar panels at Cost Mesa Aquatic Center: Mr. Reed indicated that the solar panel project was on hold for now but the project will move forward after more research has been completed.

Response to questions regarding the maintenance of structures within the District: A full assessment of the District's facilities was done by PJHM before Measure A to prepare a Master Plan or "district standard" before projects were created. Interest was good during Measure A. While deferred maintenance is being cut in surrounding districts, Newport Mesa has committed under the Measure A Covenant to expend 4% of its total annual expenditures on facilities maintenance so that facilities built with bond money are not allowed to deteriorate due to tight budgets.

When the next bond is sold, the Superintendent's recommendation for the next set of projects is then brought to the Board by members of the Equity Advisory Committee for approval.

## **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:

Mr. Scaringi reported that with the completion of the Costa Mesa High School Aquatics Center the water polo team is able to hold its first tournament in the new pool on October 27, 2010. The Newport Harbor High School Field Restoration project is also completed and the fields are once again fully functional.

Mr. Scaringi reviewed the Budget Summary Report provided to the Committee for expenditures from June 1, 2010 through August 31, 2010. As the balance of checks clear, projects are closed out and dollars not used are then moved back into Program Contingency. Ms. Martin reiterated that when a project is given a budget, the budget is distributed within the contracts and remaining budget dollars for the project are then placed in Program Contingency to be used as needed. As a project closes remaining dollars are placed back into the Program Contingency to be used on another project.

Summary Measure F Budget Report:

| <u>Total Bond</u><br><u>Dollars</u> | <u>Hardship Dollars</u><br><u>from the State</u> | <u>Interest from Both</u><br><u>Bond Dollars and</u><br><u>Hardship Dollars</u> | <u>Total Expenditures</u><br><u>to Date</u> |
|-------------------------------------|--|---|---|
| \$70 million                        | \$14.9 million                                   | \$5.129 million   | \$81 million                                |

**PEOPLE’S CHOICE**

Ms. Berry discussed the possibility of another member becoming chairperson for the committee as she has been the chairperson for her term of three years. Ms. Berry outlined the duties of the chairperson and opened the floor for discussion. It was decided that the committee will nominate and elect a new chairperson at the next meeting in February.

Next meeting will tentatively be February 8, 2011 at the Roderick H. MacMillian Board Room, Education Center, 2985 A Bear Street, Costa Mesa, CA 92626.

**ADJOURNMENT**

Chairperson Berry adjourned the meeting at 5:50 p.m.