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December 11, 2015

To: President Frank Tarantino
Board Member Nick Segura
Board Member Kevin J. Pike
Board Member Paula Hall
Board Member Arturo Solis

Dear President Tarantino:

Greetings. Thank you for the opportunity to submit the monthly Bond Oversight Chair Report. Here are the highlights of Citizen's Bond Oversight Committee (CBOC) activities since the Board of Trustees Regular Meeting of October 26, 2015. Since this report is also met for public review, some of the material may be redundant to the information discussed at our Joint Meeting on Monday December 7, 2015.

November 10, 2015 Regular CBOC Meeting at Eastlake High School.

The highlights of the meeting are as follows:

Site Tour. District Planning and Construction Staff conducted a brief site Tour. There were no Eastlake Lake High employees to assist in the Tour, which was a cause of concern to the Chair as I had some operational questions.

We viewed the Observatory, looked at the Portable Classroom areas, and briefly walked some of the grounds. Eastlake High is clearly in superior condition to the older schools. What also stood out was the night lighting was much better than the other older schools.

Project Status Report and Financials. The amount of spending has slowed down significantly. January 2015 had a \$3.7 million in expenses. Between February and October 2015 monthly expenses were between \$1.7 million to a low slightly above \$500,000 in October.

The largest pending projects are the Southwest Middle School Project and Montgomery High Title IX Improvements. There are a few other smaller projects (e.g. design of a concession stand at Sweetwater High). The CBOC has requested information on total Proposition O Expenses by month and Project Management Staff costs charged to the Program during the same month.

Project Labor Agreement Discussion. The bulk of the meeting centered around the Project Labor Agreement (PLA) Issue. Jennifer Carbuccia, General Counsel, presented a PowerPoint Report on the District's first effort at a PLA Timeline and process as summarized below:

- November/December 2015 Internal Working Group (Finance, Planning and Construction, Facilities, Maintenance, Purchasing, Legal) develops questions, issues and do research.
- January/February 2016 Meetings/Input with Stakeholder Groups (CBOC, Contractors, Community Groups)
- March 2016 Begin Negotiations (informational item to Board in February)

Superintendent Janney indicated the Board has not had a meeting yet in which they could discuss what further action if any there would be to the CBOC request for a four month moratorium until the PLA issue could be studied.

There was a spirited discussion among the CBOC regarding the PLA issue. While all members individually have slight differences in specific opinions, there was a theme in the discussion, which can be best highlighted by three questions:

- What issues or concerns with the Bond Program are going to be solved with a PLA when there might be another approach/project delivery method that might be more cost effective?
- How much thought analysis and data was researched before we move forward with the use of a PLA i.e. why is this necessary to do now?
- How much does the Board value the input and observations of the CBOC?

After much discussion and the tabling of a motion to have a Vote of No Confidence, the CBOC directed the Chair write a letter to the Board requesting a response to the following action adopted by the CBOC on October 15, 2015:

In the interest of public trust and transparency the CBOC requests a 4 month moratorium on Resolution No. 4391 to assess data on the pros and cons of Project Labor Agreements. In addition the CBOC would like to assess and recommend; better construction delivery methods, pre qualification requirements for the contractor pool, inspection process, and methods of project management that

would address the totality of the problems impacting projects from being on budget, on time, and with quality work.

The CBOC submitted this letter to the Board on December 2, 2015 (attached). Attached as well is the Informational Report prepared for this November CBOC meeting.

November 23, 2015 California League of Bond Oversight Committees (Calboc) Meeting.

The Chair attended the Calboc Board meeting in Sacramento on Monday November 23, 2015. There was considerable discussion about the nearly finalized and revised Operating Guidelines for Bond Oversight. There was again discussion about the role of the Bond Oversight Committee and confirmation that we are not just a review and report function after expenditures are made but pre expenditure review and comment on issues relating to program such as Project Labor Agreements.

There was also planning on major Annual Event which will be held May 24, 2016 in Sacramento. Proposals for Legislation were reviewed. Calboc's historical legislative efforts have focused on getting more expansive and rigid Performance Audits. The recent Sweetwater Moss Adams Performance Audit is posted on the Calboc Web site as an example of a good and compliant Performance Audit.

Special Joint Meeting of the Board of Trustees and CBOC.

On Monday December 7, 2015 there was our "marathon" five hour joint meeting of the Board of Trustees and the CBOC in which a variety of topics were discussed. Here is a brief summary of what the Chair considers to be the highlights, as our CBOC has not had a follow up meeting to debrief ourselves on what happened and discuss "where we are going":

Long Range Facility Master Plan Update. Extensive meetings between staff and the Community have occurred in the rebooted Master Plan effort. Staff will be preparing the final Long Range Master Plan not the consultant. The District should be commended for realizing there was room for much additional input from Stakeholders.

The Chair attended a School Site Master Plan at Bonita Vista High and was impressed with the listening and perspectives being discussed. For example, there are Districtwide Educational Standards being developed that will reflect input from staff/teachers on such issues as the classroom needs of the "21st Century. In short, I believe we are on the right track for the master plan.

Notwithstanding these positive accomplishments of the Master Plan reboot, there is the unfortunate fact Jacobs Engineering was paid \$399,166 the full amount of their contract titled: "Professional Services for the **Completion** of the Long Range Facility Master Plan Project". This issue has not been discussed at the CBOC but will be on the Agenda for our next meeting January 19, 2016.

Heating and Air Conditioning. Staff is conducting a District wide assessment of Heating, Ventilation, and Air Conditioning (HVAC) needs. The lack of such services has consistently been a concern raised by the Community and staff during the master plan input process. Staff should be commended for taking this proactive approach.

The analysis has focused on classroom needs while it is recognized there are other areas of HVAC requirements such as cafeterias and libraries. The five schools with the greatest level of need are as follows:

| School | Number of Classrooms HVAC Needs |
|-------------------|---------------------------------|
| Hilltop Middle | 36 |
| Mar Vista Academy | 37 |
| Sweetwater High | 40 |
| Chula Vista High | 15 |
| Mar Vista High | 10 |
| Total | 138 |

Based upon recent experience the cost per classroom for adding such HVAC is about \$40,000. So in theory just these five schools could cost around \$5.5 million. Costs could vary depending on the amount of structural or electrical improvements required to accommodate the HVAC needs. Staff plans to conduct such infrastructure analysis to satisfy these support requirements.

Caution should be taken in citing costs until the full expense of other infrastructure needs are identified. What can be inferred from this data is the net bond proceeds from the next bond issue could require a good portion of these funds to take care of Districtwide HVAC needs.

There is a lesson to be learned from this experience for the future of this bond program. We must make sure there is priority given to the basic needs of existing classrooms when we construct brand new facilities at Schools. For Sweetwater High the District has spent \$52.3 million of Proposition O funds and yet 40 classrooms are without Air Conditioning. This is a travesty.

In the opinion of the Chair District wide Standards for Classroom physical standards (HVAC, Fire Life Safety) and instructional requirements are paramount and should be consistently applied at all schools. A classroom first approach has been expressed by the CBOC.

Performance Audit Update. An update was prepared on the status of the recommendations of the Performance Audit. The CBOC expressed our continued frustration with not yet having closure on the accounting for staff time for the Proposition O Bond Program.

Project Labor Agreements. This issue and our concerns have been expressed in other areas of this Chair Report. There clearly is a lot of additional work that will be required on the Project Labor Agreement. Your Board emphasized that no final decision or “template” has been developed for the terms and conditions of the PLA. Our CBOC takes you at your word and will be carefully reviewing and commenting on proposals.

We do recognize that there are two distinct roles each of our individual bodies has on this PLA issue. Your role is to set the policy on the bond program which includes a PLA. Our CBOC role is to comment and report to the Public on all aspects of the Bond Program that could impact bond spending and cost efficiency including implementation of a PLA and other reported cost savings/efficiency measures.

Selection of a Financial Advisor.

The Chair participated in a six person panel (three District staff, Chula Vista Elementary, County Office of Education, myself) to review six proposals for Financial Advisor of the both the Proposition O Bond Program and Community Facility Districts. This included a two hour meeting for scoring the written proposals and nearly a full day of interviews and discussion.

The process was fair, extensive, and thorough. It is strongly believed the District will end up with a good advisor to carry us forward in the future of our debt financings.

Summary and Closing Remarks.

There has been some significant disagreements between the Board and CBOC particularly focused on the process and potential implementation for the PLA. The Joint meeting was productive because it allowed us to communicate to each other our individual reviews and perspectives. I believe we both have a better understand “where we are coming from”.

While we will continue to speak out on issues as a CBOC and transmit our concerns should they arise, I think it is also important to acknowledge there has been progress. Our selection process for CBOC members is impeccable. There was a probing and investigative Performance Audit that identified a number of process improvements. The Master Plan process has taken a positive turn under the leadership of Mr. Aguirre. We have been involved in the input to District decisions such as the selection of the Performance Audit firm and Financial Advisor. We are getting a handle on our Warranty Compliance. The District has received accolades by the San Diego County Taxpayers Association for the Transparency of the Bond Program.

Notwithstanding these accomplishments there is still much work to be done to meet the needs for existing and future student facility needs. Our CBOC is committed to informing the public on making sure we are proceeding in the most cost effective approach and for projects that were promised to the voters. As we proceed and

whether eventually a new or reauthorized bond issue is presented to the voters, the obvious should be pointed out. The best results are achieved if we work together.

Thank you for consideration of my comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nick Marinovich', with a long, sweeping flourish extending to the right.

Nick Marinovich, Chair
Sweetwater Bond Oversight Committee

cc. Superintendent Karen Janney