Meeting Minutes

Planning and Operations
1130 Fifth Avenue
Chula Vista, CA 91911

Project # 572-8100.00
Tel: Fax:

SUHSD Program Management\SGI

Bond Oversight Committee Meeting 22

Date	Start	End	Next Meeting	Next Time	Prepared By	Company
3/22/2011	09:00 AM	09:45 AM	4/16/2011	09:00 AM	Monica McGovern	SUHSD Program Management\SGI

Location	Next Location	General Notes

Attended By	Non-Attendees
SUHSD Program Management\SGI - Jaime Ortiz	SUHSD Program Management\SGI - Jeff Scogin
Citizens' Bond Oversight Committee - Cynthia Melcher	
Citizens' Bond Oversight Committee - Jane McGill	
Citizens' Bond Oversight Committee - Yolanda Hernandez	
Citizens' Bond Oversight Committee - Debra Discar-Espe	
Citizens' Bond Oversight Committee - Lourdes Valdez	
Sweetwater Union High School District - Paul Woods	
SUHSD Program Management\SGI - Monica McGovern	
SUHSD Program Management\SGI - Bradley Johnson	
Citizens' Bond Oversight Committee - Bernardo Vasquez	
SUHSD Program Management\SGI - Justin Devers	
SUHSD Program Management\SGI - Bryan Ehm	
SUHSD Program Management\SGI - Devonna Almagro	

Item	Meeting Item Description	Resp	Status	Due Date	Compl'd	Cls'd
1. Call to Order						
003-001	Attendance: Cynthia Melcher - Present Jane McGill - Present Debra Discar-Espe - Present Lourdes Valdez - Present Yolanda Hernandez - Absent Bernardo Vasquez - Present Dency Souval - Present	Monica McGovern (GSGI)				No

Item	Meeting Item Description	Resp	Status	Due Date	Compl'd	Cls'd
2. Approval of Meeting Minutes						

Minutes

003-003	A. The Committee discussed the meeting minutes of February 9, 2011 . The Minutes were adopted unanimously.					

Item	Meeting Item Description	Resp	Status	Due Date	Compl'd	Cls'd
		Debra Discar-Espe (CBOC)				No

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3. Public Comment

Public comments

003-006   A. Glenda Golobay, the Principal of Mar Vista High thanked the CBOC for their work and progress at MVH on behalf of the 2000 kids that attend the school for the improvements to the school.

Ms. Catherine Cheers expressed her thanks to Jane McGill, Lourdes Valdez and Cynthia Melcher for serving on the Committee.

She expressed her dissatisfaction with the fact that 8 District employees are being partially funded by Prop O money. She took issue with the fact that Prop O is funding both a management company and partially funding District employees for overseeing the project.

She expressed her concern that the 3 upcoming seats on the CBOC were not posted in a timely manner; she felt they should have been posted in January.

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		Debra Discar-Espe (CBOC)				No

4. Report from CBOC Chair

Report from the CBOC Chair

003-008   4. Report from CBOC Chair

A. Debbie Espe stated that she attended the ribbon cutting ceremony at Mar Vista High; she could tell that the students were happy with the school. She thanked Bernardo Vasquez for filling in for her at the last SUHSD Board of Trustees meeting.

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		Debra Discar-Espe (CBOC)				No

5. Committee Updates

1. Discussion on Sweetwater Union High School District Audit Report - FY 2010

021-001   A. J. Ortiz introduced Christie White from the firm of Christie White, the District's independent bond auditors.

B. Christie White explained that the audit covers both financial statements and performance measures, as required by Prop 39. They make sure that the District is accounting for these bonds separate from any other funds in the District, so they are not comingled. They track revenues and expenses, the cash on hand, and any interfund borrowing. In doing the audit, they found that they properly accounted for all the funds, the financial statements are fairly presented in all materials respects.

The only revenue was the earnings on the investments. They did test to make sure that Prop O was apportioned its fair share of the interest, because the District has borrowed from this fund. There was $77.8M in expenditures during the year. They did extensive testing on expenditures, to make sure monies were only spent on on what is allowed in the ballot measure.

D.E. asked Christie White how they do the testing?

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C.W. stated that they use sampling methodology; they take large samples to insure they are getting a good representation of the population they they're testing. They get expenditure details from the District, and they pick various expenditures to examine the processes. On the payroll side, the District does charge certain employees who work on the bond which they believe is allowable under State law. They look at how the work is being allocated.

Jane McGill asked what kind of documentation they require?

C.W. stated that the District has implemented tracking measures to track the time spent between bond and non-bond activities. She said they had time sheet documentation that they examined.

Dency Souval asked what "plant services" was?

C.W. stated that it is a functional category that includes maintenance and grounds, custodial services, repairs, the expenditures are going to be in in the facilities, acquisitions and construction category.

D.E. asked if the 25% random testing percentage that they used is a governmental standard?

C.W. told her that that is a component of the performance audit portion of the audit. The audit is always done in accordance to governmental standards. For the report, they conducted interviews with staff, the construction management company, performed site walks, and looked at internal controls. They felt that the District has good internal controls when it comes to the processes.

Bernardo Vasquez asked if they looked at the actual change orders?

C.W. told him that they pull a sample of change orders, and they make sure that if the District is going over 10% of the original contract, then there are requirements in the contract code about considering re-bidding, although sometimes that is not practical (it can cost more money). They did find that the change orders are in compliance with the requirements in that area.

They do a facilities site walk - they physically go out, accompanied by a site supervisor, and look at what has been accomplished over the course of the year.

D.E. asked her if the sites were randomly selected, or if they visited what was most complete?

C.W. told her they use their judgement; the District does not direct them at all. They like to look at sites where more work has occurred. They rotate sites from the previous years.

In determining Prop O's compliance with public contract code, they are looking to make sure that the contracts are there to support the payments and that that the nature of the expenditure meets the allowable cost definitions in the ballot measure, as well as what is required by Prop 39.

Jane McGill asked how they determine that somebody is a "responsible bidder"?

C.W. told her that they leave that determination up to the Facilities; but they make sure they have a process in place for doing that. They make sure they have a means of evaluating bidders to make sure they meet their specifications.

D.E. asked when they reviewed the salaries, whose salaries were they?

C.W. told her that they are individuals that are directly working on the bond program, for example in management or accounting. They are not administrators. The Attorney General has looked at the issue and in their opinion, they recognized that there are times when it may be more efficient to utilize District staff. Typically, in many Districts there is a mix of both District staff and management firms.

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The auditors feel it provides good controls in the form of checks and balances. They think it is a good thing to have District staff involved directly. This is not an unusual arrangement; it is typical.

Overall, the auditors found the program to be in compliance; there were no unallowable expenditures. They had one recommendation regarding the borrowing of the bond funds; they should maintain strict compliance with the law, and pay it back in the prescribed time period. Since then, the District has repaid all of the borrowed funds with interest to the bond fund.

B.V. asked what happens when a District is out of compliance re: the repayment of funds?

C.W. stated that there are no penalties, according to the law. They are just out of compliance.

C.M. asked for clarification re: page 19 says we are in compliance but why is the finding based on the Ed Code and not the bond language?

C.W. told her because when they are doing a temporary borrowing of cash, it is not an expenditure.

C.W. told her it is considered a temporary borrowing of cash, not an expenditure, as long as it is repaid.

D.E. asked what was the allocation of the PERS reduction charges from the general fund?

C.W. told her that the general fund pays the salaries and benefits of the employees working on Prop O, so there was a reimbursement that needed to be made for people being charged to the bond.

D.E. clarified that it was for the salaries of people managing the fund, and not teachers or administrative staff.
J.M. asked when you say classified salaries, that is all that is going into salaries?

C.W. Yes, but they are not all charged 100%.

J.M. asked what are "services and other operating expenditures"?

C.W. explained that it is supplies, utilities, smaller dollar items.

D.E. asked if J.O. could go over staffing at the next meeting. He said he would.

B.V. asked how an auditor is selected and how regularly new auditors are brought on board?

J.O. told him that we don't participate in the selection of the auditor; that is handled by the Finance Dept.

B.V. asked if he could get information about the selection process.

D.E. asked C.W. how long she had been the District's auditor?

C.W. told her she has been the auditor for 3 years; 2 with the firm of Nigro, Nigro & White and one under her own firm. The selection process is through competitive bids.

D.E. thanked C.W. for presenting the audit information.

| | | CBOC Members | | | | No |

3. Approval of DRAFT Prop O Annual report

New Business

| 022-002 | A. J.O. stated that the Annual Report Subcommittee had met previously and approved the content of |

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the report with the exception of the financial, which would be added after the audit was complete.

D.E. asked if the Annual Report Subcommittee members would get a chance to review the report again before it was finalized. J.O. told her that they would.

B. D.E. made a motion to approve the draft annual report after it has been reviewed by the subcommittee to look at the financial; the motion was seconded and approved unanimously.

C. J.O. clarified that the CBOC had approved at the last meeting the distribution of the Annual Report in the Union Tribune. They agreed.

<div style="text-align:center">CBOC
Members</div>

No

4. Report on Construction Delivery Methods

New Business

022-003 A. Jaime Ortiz explained 4 different delivery methods for construction projects: they include Design/bid/build, Design build, CM Multi-prime and Lease/Leaseback. He outlined the pros and cons involved with each delivery method.

B. Bernardo Vasquez asked how it was decided which delivery method was best? J.O. told him that there was an aggressive bid climate when the projects began, so they chose a design/bid/build delivery method in order to take advantage of that. Paul Woods explained the concept of "best value" to the CBOC.

<div style="text-align:center">Jaime Ortiz</div>

No

5. Report on term limits for CBOC members

New Business

022-004 A. Jaime Ortiz presented an opinion paper from the bond counsel for Prop O re: the term limits for the CBOC members. Their conclusion was that the term end date for Cynthia Melcher, Jane McGill and Yolanda Hernandez is end of March 2011. We have been advertising for the 3 open positions and plan to bring our recommendations to the Board of Trustees meeting in April.

<div style="text-align:center">Jaime Ortiz</div>

No

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6. Status Update on Bond Implementation

2. Board Items report

016-003 A. A list of the items that the Board of Trustees have approved since the last meeting was presented. There were no questions.

<div style="text-align:center">Jaime Ortiz
(GSGI)</div>

No

3. Project Status Reports

003-012 A. Jaime Ortiz asked if there were any questions on the project status report that was sent out ahead of time to the CBOC. Bernardo Vasquez inquired as to what some of the project codes represented. J.O. explained that "Equipment greater than $500" and "FF&E" stand for respectively equipment purchased that has to be barcoded by the IT dept., and is retained after the completion of the project (i.e. computers, servers, etc.) and furniture, fixtures and equipment is furniture over $500. D.E. asked about the "furniture and equipment" line separate from the FF&E line. J.O. explained that this line is for furniture and equipment that does not have to be barcoded and is under $500. Paul Woods told the CBOC that the codes the District uses are part of a statewide coding system.

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B. Bernardo Vasquez asked for clarification of the difference between "Program Management Fees & reimbursables" vs. "Project Management Fees & reimbursables". J.O. explained that program management fees are fees for managing the entire program; project management fees are for specific projects. B.V. asked if the project management was a separate entity from the program management? J.O. explained that it depends on what point in time it is; previously, prior to Prop O, the District had a program manager and 5 or 6 companies managing individual projects, and then the contractors below them - there were several levels of management. When Prop O began, the District hired SGI and Gilbane to manage the program. As we started the individual projects, the District amended the contract so the same team can manage individual projects. Since program and construction management were 2 different contracts, they kept the invoicing separate. About a year ago, the District decided to consolidate the management to one company (SGI). Before this last year, we were charging to both program and project fees. Now we are only charging to "program". B.V. asked if they will continue to see the "project management fees"? J.O. said yes, because we have historical costs here. Paul Woods told the CBOC that all those charges were 100%. B.V. asked what types of costs were going under "support costs"? J.O. told him that category includes printing and reproduction services, advertising, and various possible fees charged by the USGBC, the County, the City or the Health Dept. for the projects. B.V. asked what the "contingency construction" and "contingency project" line items meant? J.O. told him that "contingency construction" is 10% of the construction budget and is for change orders. If the construction budget is maxed, we would pull up money from the contingency. Paul Woods stated that "contingency project" is for additional DSA fees, additional inspection fees, soft costs.

C. Jane McGill asked when we would begin construction on Montgomery Middle school? J.O. told her that it depends on prioritization of the Board, savings, and when we receive funds from the State for the money that they've assigned to us. He said it is starting to come in.

D. B.V. asked how the budget went from original budget to current budget to committed costs? J.O. explained that The Board of Trustees authorized a specific dollar amount per school. In order to establish a baseline budget, we looked at the District's average historic spending on line items and worked backwards from the overall project budget. When we were formulating the budget, we had no idea what the scope was. B.V. asked how did we determine the construction scope per school? J.O. explained that we went to the site committees, the committees gave us a list of needs for their sites, and the architects came back and gave us rough estimates for what each of the needs costs. Then we came up with a priority list based on the needs that fit within the budget they had. The original budgets were established based on historic averages in the past. The current budget is reflection of the current scope. The committed costs are the actual contracts we have.

E. B.V. asked what happens to any leftover funds? J.O. told him the Board can spend the savings at the same school or they can choose to use it to improve other schools. Prop O allows money to be spent on every school in the District. The Board is the only authority in determining if money can be moved to another school site.

| | | Jaime Ortiz
(GSGI) | | | | No |

Accomplishments to date

New Business

| 022-006 | A. Jaime Ortiz reviewed project progress for each of the projects under construction. | | | | | |
| | | Jaime Ortiz | | | | No |

Design progress

New Business

022-005 A. Montgomery Middle is currently in DSA for review and approval.

B. The CBOC reviewed the provided schedule update. Jaime ortiz stated that in the next several months, there will be a significant number of project completions.

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		Jaime Ortiz				No

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7. Committee Member Reports						

Committee Member Reports

019-001	A. Debbie Espe asked if there were any Committee member reports. There were no reports. B. Bernardo Vasquez asked the CBOC to consider answering some of the emails from the public. Debbie Espe stated that when she receives emails, she calls Jaime and asks him to respond. B.V. stated that he doesn't want there to be a perception that there is a lack of response on their part if it falls under their purview. Lourdes Valdez stated that it is her understanding that Debbie Espe is already doing that, and if it is not addressed to them, it goes to the Board and they take the appropriate action. D.E. said if there is something they want to follow up on, please bring it up so it is on record that staff will follow up on it. C. Bernardo Vasquez encouraged the CBOC members to attend a Board of Trustees meeting. Paul Woods informed them that the next Board meeting is Tuesday, April 12, 2011. Jaime Ortiz told the CBOC that at the Board meeting Cynthia Melcher, Jane McGill and Yolanda Hernandez would be recognized by the Board for their service. Cynthia Melcher asked for the address of the Board of Trustees meetings. P.W. told her that it is at 1130 Fifth Avenue.	CBOC Members				No

Item	Meeting Item Description	Resp	Status	Due Date	Compl'd	Cls'd
9. Meeting Adjourned						

Adjourn

008-010	Meeting adjourned at 7:35pm.	Debra Discar-Espe (CBOC)				No

Cc:	Company Name	Contact Name	Copies	Notes	