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July 15, 2014

To: President John McCann  
Board Member Mark Anderson  
Board Member Sharon C. Jones  
Board Member Susan Hartley  
Board Member Lyn Neylon

Dear President McCann:

Greetings President McCann, Board Members and Superintendent Glover. This monthly Chair Report will present a brief overview of our Citizen's Bond Oversight Committee (CBOC) discussions and actions since your last June 30, 2014 Board meeting.

Our CBOC met on July 9, 2014. The highlights of the meeting were as follows:

Superintendent Glover appeared at the meeting to introduce himself. He spoke about his listening, problem solving, and transparent approaches as Superintendent. This was the **first time** a Superintendent has appeared before any of the current members of the Bond Oversight Committee. This would include David Butler who has served over three years. Thank you!

This appearance sends the right message of an open approach to this Bond Oversight Committee. While our CBOC's primary task is to hold the District accountable for their past decisions and funding of Proposition O projects, it is hoped that our reporting can shape future decisions and policy.

This is a great Bond Oversight Committee, has active members and truly is an independent group of individuals who may in fact differ among ourselves on particular issues. For instance there was a Member who felt that the Community Member at Large Position should be a resident of the District. What I can assure you, as Chair is there will be an attempt to present all concerns fairly and with transparency.

The current Chair (Nick Marinovich) and Vice Chair (David Butler) were reelected through this December. It was agreed the issue of appointing the Chair and Vice Chair

would be revisited after a new Board was elected and serving.

The need for an adequate Deferred Maintenance Plan was a significant topic for discussion. Deferred maintenance can be paid for out of bond proceeds but of course must compete with other projects such as new school classrooms, labs, and athletic facilities. Projects are not "sexy" or some times even visible. Good governance should entail a program to take care of District assets and having adequate maintenance.

Deferred maintenance is the practice of maintenance activities such as repairs on both real and personal property in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. An example of deferred maintenance would be roof or HVAC replacements. Routine maintenance would consist of tasks such as painting.

In the context of Deferred Maintenance there was a discussion of Government Accounting Standards Board Statement 34 (GASB 34). GASB 34 requires governments to include long term infrastructure assets in their annual financial statements. The rule gives two options for preparing information: a) report the depreciated value of the assets b) report on costs expended to preserve these assets.

The District's annual budget is \$8.2 million for Maintenance. There is \$1.6 million for deferred maintenance with the remaining portion for routine maintenance. The CBOC made a recommendation to have the Chief Financial Officer come before the CBOC to discuss GASB 34 and compliance at our next meeting.

According to the Chief Facility Executive, a rule of thumb is the annual maintenance costs should be 2% of the District's long term assets. This would amount to \$ 24 million annually (2% of \$1.2 billion). About 50% should be for routine maintenance and 50% for deferred maintenance.

There was discussion about a joint workshop with the Board of Trustees. It was felt this could occur with a new Board in January. Our last joint meeting was May 2013. The CBOC would work closely with the Board and Superintendent to set the agenda.

There was a discussion about the relevance of discussing trends in enrollment data and expenditures by school. Paul Woods of Planning and Construction staff will present enrollment data at our next meeting.

Our next Bond Oversight Committee is scheduled for Wednesday August 13 at Castle Park High School @ 6:00. Please feel free to contact me at 619-934-4982 or my email [nickmarinovich52@gmail.com](mailto:nickmarinovich52@gmail.com).

Respectfully,



Nick Marinovich, Chair

Sweetwater Citizens Bond Oversight Committee

Cc: Superintendent Tim Glover