

Nick Marinovich
8535 Hillcrest Avenue
La Mesa, CA 91941
619-934-4982
nickmarinovich52@gmail.com

August 21, 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 July 27, 2015 Board of Trustees Regular meeting:

A CBOC meeting was held Wednesday August 19, 2015 at Mar Vista High School. Highlights are as follows:

1. Site Tour. A 30 minute Site Tour was conducted by Principal Juan Gonzalez with assistance and input from the Community and District staff. In terms of upkeep, the overall cleanliness appearance of the Campus was acceptable and clearly a challenge given the age of the buildings. The Tour and overall meeting was well attended by the Public. Trustee Paula Hall and Superintendent Karen Janney were in the audience.

The Public's voice was pretty clear...this school needs lots of overall improvements. Its conditions are not unlike some of the other Schools we have visited such as Bonita Vista High, Hilltop Middle, and Castle Park High to name some examples. These schools have also not received significant Proposition O funding when compared to other sites.

Classrooms, the band room, our excellent ROTC Program, and some athletic facilities were viewed along with the modernization project of Building 600 (an old shop building) to Special Education Classrooms. The poor condition of the Swimming Pool was mentioned as a major issue but not viewed due to time constraints. Some members of our CBOC also had a site tour of this School earlier in the Summer.

Roughly half of Building 600 is being done while the other half being virtually untouched due to lack of funding. However most of the overall immediate site is mobilized for construction. Attached is a picture of the building.

Several CBOC members were appalled the whole building was not redone if the entire site is mobilized for construction. This is not efficient and cost effective. Our job as a CBOC is to point out areas for improvement and in this case the priority setting process for Building 600 must be called into question.

Our CBOC has conducted these Site Tours for over a year. It has been an extremely eye opening and productive process in Bond Oversight. It has reinforced one of the several policy and technical challenges that will face the Bond Program as we move forward. There are a number of very old buildings that could be remodeled and refurbished or a brand new building could be constructed.

In some cases because of the condition it may not be cost effective to remodel. It will be important for this Program to have a rigorous cost benefit analysis (eg. maintenance cost savings with a new building, a comparison of the cost of new construction versus remodel). Spending must be viewed in the context of priorities established by the Board of Trustees e.g.. Is it really worth remodeling this old building in terms of being supportive of our educational priorities?

2. Public Testimony. As mentioned above, the meeting was well attended by the Public. The Community is actively engaged in acting as advocates for their school. The entire CBOC really appreciates the Public input. In the future, a voluntary sign in sheet of who attended the meeting and their contact information would be helpful so we can keep these interested citizens informed of our progress.

Mary Doyle the site Librarian testified about drainage problems. She also was an advocate for Library improvements which could also be utilized as a Community Center. It should be noted Education Code Section 15278 states that our Committee is supposed to review “mechanisms regarding the **joint use** (emphasis added) of core facilities”.

Jose Osointe another active Community member made the point again about the poor condition of the facilities. He is the President of the Site Council and talked about the need to review spending money on refurbishment versus new construction given the aging condition of buildings. The Public also mentioned the very poor condition of the softball fields.

Additional specific detailed issues raised during Public Testimony throughout the meeting not covered in this Chair report that will be discussed with staff and reported out at the next CBOC meeting.

3. Old Business/Requests for Information. A new and reformatted Item has been added to our Agenda to go over past requests for information. Summary highlights are

as follows:

Breakdown of Inspection and Testing Costs. A report was received on the aggregate amount of spending by School. The CBOC would like to see more detail on exactly what was required and why. Consultants now handle these testing and inspection functions. A Construction and Deferred Maintenance Committee met to review the information provided by staff. More backup and is needed.

Data on Expenditures by School. Assistant Superintendent Aguirre and Paul Woods discussed the progress on getting information coded on what specific buildings had been remodeled/constructed with Proposition BB and O funds.

The CBOC will be working with staff to get more specific information by campus (classroom, special building, athletic improvements) as well as “drill down” data like square footage/costs, and specific special improvements/requirements. Collection of this information is work in progress but core data essential to our statutory functions.

The CBOC through the Chair and Vice Chair will be mindful of the resources required to generate this information and will try and be as specific as possible on what is requested and work closely with staff in meeting our needs. The CBOC must be as specific as possible up front on the request so collection of information can be focused on our actual requirements.

Charter School Costs with Proposition O. Data was presented on the Charter School Costs. \$1.4 million in Proposition O funds was spent on Stephen Hawkings 2 at Southwest Middle School (see attachment).

The policy issue in which we as a CBOC had a very spirited discussion was on the appropriateness of spending Proposition O funds on an **Elementary** Charter School in the context of the other needs of the District. The CBOC is not against Charter Schools. There is recognition of the important options provided by Charter Schools.

However, the Proposition O Ballot Language has very specific language on what projects are to be funded by School (see attached). Nowhere in this language is an Elementary Charter School envisioned for the Southwest Middle School. The Public also raised the issue of whether some Proposition O funds were spent looking at a Charter School to be located at “L” Street.

The Chair is requesting special site tour(s) of those specific buildings that were remodeled for an elementary function. These Site Tours and review of expenditures is at the core of Bond Oversight in which we are to report to the public whether expenditure were “proper”. The Elementary School Classrooms were not shown to us when we had a tour a few months ago at Southwest Middle School.

Legal Costs for Proposition O. Summary information by Fiscal year was presented. The CBOC would like to see more detail on the breakdown of these costs by major

functions. Most of the costs were for litigation. The Public also raised concerns regarding Martinez & Cutri suit for failed roofs at Rancho Del Rey Middle School, Otay Ranch High School and Olympian High School.

There was also a discussion on whether there were other legal costs such as internal review of contract documents, Request for Proposals, evaluation of procurements (e.g. Lease Leaseback) that could be associated with the Program. In the context of an almost \$300 million Bond Program (includes State Match) the \$1.9 million in identified costs seem low. There will be further discussion on this matter. Staff will report back next meeting.

The Public raised issues regarding the HAR law suit and the use of the Surety Bond to pay for some of the costs. Also inquires were made on the extent to which Proposition O funds are being used to fund the attempt to recover SGI expenses. At the next CBOC meeting there will be an agenda item for us to have an expansive discussion on legal costs.

California Environmental Quality Act (CEQA Review). Staff will provide us with more information next meeting on the internal CEQA review process. Adequate CEQA review is an important cost avoidance (challenges) for Projects.

Cost/Benefit Analysis of Music/700 Building at Southwest Middle School. Several members requested a Cost Benefit of this significant remodel at this site. Information was provided to the CBOC and Karl Bradley elaborated on what was done in term of the District's analysis in the past. His clarifications were well received by CBOC.

Of note in the material provided to the CBOC was the Priority Setting Criteria used back in 2008 for reviewing projects at Southwest Middle School:

Priority	Description
1	Health, Safety, Legal (Access)
2	Building Shell Integrity
3	Infrastructure and Utilities
4	Classroom/Interior Renovations
5	Renovation/New Construction for Educational Programs
6	Support Spaces for Educational Programs
7	Outdoor Spaces
8	Athletic Programs and Support Facilities

3. Bond Project Updates/Financials/Management Update. As is customary, staff presents a financial and project status of the Proposition O Projects. Staff did respond to concerns from our last meeting and we received all the material on line prior to the meeting. There are several take aways from this presentation:

- Whillock Contracting Projects (Mar Vista High School Building 600 and National City Middle School Parking Lot) has been a problematic contractor.

- The overall amount of bond program spending has decreased substantially in 2015 when compared to prior years. For the first seven months of 2015 the average monthly expenses has been \$1,511,478 with some recent months being well below \$1.0 million. The average monthly expenses for the two prior years were \$3,327,238 (2014) and \$2,962,157 (2013).

4. Time Accounting for Proposition O Staff Costs. Moss Adams found the accounting for staff hours was inadequate and contrary to Best Practice. Staff is proposing the hours be sampled two weeks per quarter and then use this to allocate time between Bond and non Bond functions ie a sample interpolated to the entire year. There is a meet and confer labor issue expressed by certain representative groups (clerical) if “timesheets” were required as part of their ongoing responsibilities.

The opinion and consensus of the CBOC is clear on this issue. There should be consistent ongoing time sheet accounting for all staff used to support the Bond Program. Accounting for specific time spent sends the message we are holding the District to accountable for it’s spending.

Weekly or bi-weekly time sheets is Best Practice and consistent with many public agency capital facility programs. Two of the members of this CBOC (Munoz, Marinovich) had to fill out weekly timesheets as County of San Diego Project Managers (Chief Administrative Office-General Services, Public Works). It was simply one of those unpleasant duties that were part of the job.

5. Performance Audit. Staff has indicated their position is a new Request for Proposals will be issued for a Performance Auditor. Thus Moss Adams, who was used to do the last Audit, will not necessarily be retained for another Audit. Our Audit and Finance Subcommittee (Marinovich, Gutowski, Yamane, Butler) met on a number of items on August 17. With respect to the Audit it was recommended:

- The RFP Process should start in September
- A member of the CBOC should be on the committee that drafts the RFP and also rates each proposal
- The CBOC should be able to comment the scope of the RFP before it is presented to the Board

This item will be discussed at our next meeting in time to provide input to staff. It is in everybody’s interest to seek and listen to the input of the CBOC on all aspects about this Performance Audit.

6. Architect Job Position. There was some discussion about this proposed position. The CBOC does feel we have a role in providing input to the Job description. The person among other responsibilities, will have direct line supervision of the bond program. Our committee adopted a recommendation that before the Position is formally advertised the CBOC be forwarded a Position Description for comment.

7. Election of Chair and Vice Chair. The Committee relected Nick Marinovich (myself) as Chair and Dan Gutowski as Vice Chair. Mr. Gutowski lives in Imperial Beach, has extensive governmental and construction experience, and currently is an Administrator at Mesa College. He also volunteered to Chair the Audit and Finance Subcommittee.

As I will attending the quarterly meeting of the California League of Bond Oversight Committee members Monday in Sacramento, I will be not be able to be at the Board meeting. Mr. Gutowski will be there to highlight this Chair Report and answer questions.

I also want to thank the prior Vice Chair Dave Butler. He was frequently consulted by me on a number of matters and has a wealth of governmental experience. He also is the most Senior member of this Committee.

With this Committee this Board is very lucky to have this CBOC to actively get involved as volunteer citizens to do our statutory job of reporting on the proper expenditures we can also broaden our role to look at potential cost savings measures which is also spelled out in the implementing Legislation. A perfect example is the discussion below on Furniture Fixtures and Equipment purchases.

8. Activation of the Ad Hoc Subcommittee Process. There is now an active Ad Hoc Subcommittee process to deal with special issues as they arise. The details of some of the work will be dealt in my frequent dialogue with Mr. Aguirre and others that involve Policy will be brought to the full CBOC for discussion. Here are some of the highlights of the Subcommittee meetings:

Audit and Finance: The District should be encouraged to create a Standardization list and benchmarks for Furniture Fixtures and Equipment (FFE) purchases. Members were supportive of purchasing such equipment in advance of the completion of construction and used in the older facilities until they are needed in the new building(s). This would occur no more than one year prior to construction. The old FFE could in the mean time be reviewed to determine what if any could be refurbished and what should be tossed. There is a tendency to want to discard everything if you wait until the new construction is done and the Furniture is ready only to go into a new building.

We also discussed the Audit (describe above). In addition, there was conversation around Assessed Value. The last Bond Issue was in 2008 and we have now caught up to 2008 Assessed Values. Generating new Debt is going to be a challenge given the current Assessed Value, the outstanding Bond Anticipation Notes, and limit to the tax rate imposed by State Law (\$30 per \$100,000 Assessed Value.)

The Subcommittee suggested the County Assessor be contacted regarding Proposition 8 Resets (Measure that allowed an owner to temporarily adjust downward Assessments until values rise again) and pending subdivisions in the District that could substantially add to Assessed Value.

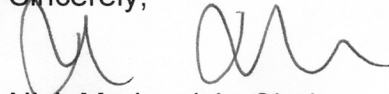
Steering and Planning Subcommittee. There was a discussion on the Broad topic of: "What Should be the Role of the CBOC?" The specific issue is whether we have much a role beyond just reporting on expenditures already made. For instance is there a role in review and comment on the master plan or a proposed project. Our actions to date have been what we would term "expansive" or "proactive". The consensus of the Subcommittee is we should have a proactive role.

This role issue will be further refined and discussed the next few meetings. At the California League of Bond Oversight Committees this Monday there will be a discussion of this issue among all the Board of Directors. Earlier email correspondence from some of the most Senior members of Calboc this January certainly indicate there should be an expansive role which is consistent with the underlying Legislation as well as the Ballot Language and Approve Constitutional Amendment that created Bond Oversight.

Construction and Deferred Maintenance. This Committee reviewed the Cost Benefit Analysis, Legal Costs, and Inspection expenses. The Subcommittee wanted more information as indicated earlier.

Vice Chair Dan Gutowski is available to answer questions at the Board meeting.

Sincerely,



Nick Marinovich, Chair
Sweetwater Bond Oversight Committee

cc. Superintendent Karen Janney