

BOARD OF EDUCATION MEASURE A

MINUTES

STRONG SCHOOLS BOND CITIZEN'S OVERSIGHT COMMITTEE

PALO ALTO UNIFIED SCHOOL DISTRICT

MINUTES FOR MEETING OF JANUARY 14, 2009

<u>Opening</u>	<p>The Citizens' Oversight Committee held a meeting in Room A, 25 Churchill Avenue, Palo Alto, California. The meeting was called to order at 5:00 p.m.</p> <p>Members present:</p> <ul style="list-style-type: none"> <li>Mr. Ray Bacchetti, Senior Citizen, Taxpayer Organization</li> <li>Mr. Scott Darling, At Large Member</li> <li>Mr. Gary Hornbeek, Parent, PTA Member</li> <li>Mr. Deepak Kanungo, Parent</li> <li>Ms. Carrie Maser, Parent (absent)</li> <li>Mr. Jim McFall, Business Organization Member</li> <li>Mr. Steve Shevick, Parent</li> </ul> <p>District staff present:</p> <ul style="list-style-type: none"> <li>Dr. Robert Golton, Co-CBO and Bond Program Manager</li> <li>Ms. Cathy Mak, Co-CBO</li> <li>Mr. Ron Smith, Facility Project Manager</li> </ul> <p>Others present:</p> <ul style="list-style-type: none"> <li>Mr. Tom Hodges, O'Connor Construction Management</li> <li>Mr. Bob Crowder, Gilbane Building Company</li> <li>Mr. Rob Mathers, Gilbane Building Company</li> <li>Mr. Leonard Dana, Vavrinek, Trine &amp; Day</li> </ul>
<u>Public Comment</u>	<p>There was no request for public comment.</p>
	<p>It was agreed that the Program and Project Update item would be moved to follow the Financial Update item.</p>
<u>Approval of Minutes</u>	<p>MOTION: A Committee member moved to approve the minutes, with the addition of Shevick's name to the list of members present. The motion was seconded. Motion carried 5-0.</p>
<u>Election of Chair and Vice Chair</u>	<p>Committee members discussed the duties of the Chair and Vice Chair with Golton. Nominations were made and discussed.</p> <p>MOTION: A Committee member moved to nominate Ray Bacchetti for Chair. The motion was seconded. Motion carried 5-0.</p> <p>MOTION: A Committee member moved to nominate Scott Darling. The motion was seconded. Motion carried 5-0.</p>
<u>Annual Requirements</u>	<p>Golton introduced Dana, and described his role as auditor. Dana described his experience, then discussed the requirements of Prop 39 bonds.</p>

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A Committee member asked Dana for an explanation of the difference between performance audits and financial audits. Dana described the differences, then said that if the Committee chose to do so, other aspects outside of the Prop 39 requirement for a performance audit, could be addressed, such as bidding process. A COC member asked Dana for examples of typical procedures performed. Dana gave examples. A COC member asked if VTD reviewed the bond process. Dana said VTD reviewed expenditures at the level requested by the district. A Committee member asked if a draft of procedures was prepared. Dana said a procedure letter outlining procedures to be used was prepared. Golton said the District typically closed its books in August, and audited reports should be available for the Committee's October meeting. In addition, the Committee could participate as much as it chose in compiling its annual report, with staff doing the remainder of the work. A member asked what the timing would be for the engagement letter. Dana said it would likely come out in February or March. Golton said he would give the committee a draft letter for review. A Committee member clarified that there would be a financial audit, a performance audit, and the COC report. The timeline for work was discussed. At the April meeting, a consensus would be reached regarding the scope of the two audits, and the group would discuss the composition of the annual report. In September, the two audits would be completed and distributed to the COC. He also explained that the District was required to support the COC in its work. A COC member asked when the annual report was due to the community. Golton and Dana said there was no specific due date, however it ought to be done as early as possible after the completion of the annual audit reports, which is expected to be in October, then the COC's annual report would be repeated at the same time each year. A COC member asked if the Board expected the COC annual report to follow the presentation of the two audit reports. Dana said there were no specific requirements regarding this in the Prop 39 language, however the audit reports did need to be finalized before the annual report was completed and presented to the Board. A COC member suggested the COC discuss the audits about a month after receipt of audit reports.

### Program and Project Update

Hodges presented and explained the December 2008 Quarterly Progress Report.

A COC member asked if budgeting for specific projects had taken place for high school master planning. Hodges responded that none had yet occurred. A COC member asked for the status of the Gunn Administration Wings. Hodges said the plans had been taken through DSA, and the interior renovation for the main wing was removed from plans, while all the other renovations were done. A COC member asked for elaboration on the Paly bleacher project. Hodges and Smith said addition items included electrical, ADA requirements, etc. A COC member asked what the funding source for the baseball/softball fields was, aside from the bond money. Golton responded that District money would supplement the bond money. A COC member asked how the Committee would consider many small projects lumped under one larger project's line item. Golton said the Board of Education report authorizing the bond election included language describing the bond project list and all the legally required actions pertaining to the use of the bond money. Golton then said the funded elements, and more, from the working draft spreadsheet were included in the bond project list found in the approved Board report from April 2008. The auditor's task was to audit that the projects performed with bond money were on the bond project list. COC members observed that the project list was made very general, so the District would have maximum flexibility when spending bond money, although this made the job of the COC rather difficult. A COC member asked if there was currently a plan to use all the bond money. Golton responded that all the projects would likely cost more than originally projected because the scope was broadened. For example, original plans to renovate some buildings have been changed to replacement. A COC member asked if there was a ranked list of priorities. Golton said the Board committed to spending fixed total amounts on each of the high schools, as found on the working draft spreadsheet, so staff were making sure the total costs of the projects completed would not exceed these amounts. The High School Master Plan would soon be presented to the Board, including a project list in priority order. A COC member observed that about \$50 million of the total bond monies had been allocated thus far. He then asked that a report be presented at each COC meeting that showed how much had been allocated thus far. Another COC member said he also wanted to know how each project met the bond requirements. Another COC member asked for percentage complete of each project, as well as potential risks in meeting the budget and

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schedule for each project. A COC member asked if the high schools would get no more and no less than the amounts the Board approved for each site. Golton said staff projected additional bonds in the future. He said state money would be applied for, although it could not be quantified at this point. A COC member asked when the next phase of bonds would be sold. Golton responded that this would likely occur 3-4 years. A COC member asked if members were receiving the same data the Board was receiving. Golton said some of the reports the Board received were included in financial requests for approval. A COC member discussed oversight functions and suggested the group develop a framework for overseeing program progress. He then asked what the Board's framework was. Golton said that at the next Board meeting, a fixed amount of money would be earmarked for elementary school site projects, as was done at the high school level. Middle school money would be determined later and was on a somewhat slower timeline. At the next COC meeting, it was expected that staff would provide a list of ranked projects for each high school, including projected costs, that would use the dollars allowed per site by the Board. Hodges said a master program schedule, if he created one at the beginning, would be in a constant state of change. A COC member suggested the Chair and Vice Chair work with Golton in creating the next agenda to make sure this information was assembled and that there was continuity in reporting. Other COC members suggested adding budget information to the quarterly report, as well as risks. A COC member asked to what degree the group was to review project budgets. Golton said budgets were there, however they would change over time, and that the real interest was in the projects. A COC member said the group needed framework allowing them to come to the judgment that the bond money was appropriately spent, and that the money was best used. Another member suggested that it was necessary to consider the amount of time spent by members on COC related work. Golton said an iterative process could now begin, based on this first quarterly report. He then asked how he could provide the group with information. A COC member said he would like to see a summary of items approved by the Board after each meeting, so progress on projects could be monitored. Golton said he would provide this following each Board of Education meeting.

### Financial Update

A COC member asked how thoroughly the report should be examined. Another suggested a summary be placed on top of the update, so members could look deeper if they chose. A member suggested the group review the update before the meeting, then ask questions at the quarterly meetings. Hodges noted that amounts budgeted were not necessarily what was being contracted or paid for different line items. He also suggested that specific questions be sent to staff for clarification. One COC member asked for clarification of "expenses" and "encumbrances". Golton confirmed that expenses were monies spent, while encumbrances were monies set aside to be used for specific needs. A COC member observed that the Gunn Aquatic Center was projected to come in \$250,000 under budget. Another member asked about project management fees for architects and how they were projected. Hodges said he usually budgeted about 12% for architectural fees, for example. O'Connor's costs fell under program administration at this point, Gilbane fell under the project management label. COC members requested further clarification on fees, such as construction administration. A COC member asked who addressed disputes. Crowder said Gilbane addressed them initially, then discussed them with the District. A COC member requested a master roster of contractors, so he could keep track of who was working on which project and what they were being paid. Terms used in the report were also clarified. A COC member asked who developed initial project budgets. Hodges said O'Connor was responsible for this. A COC member asked what level of contingency would be for a project like the Gunn IA (Industrial Arts) building, and how the level of uncertainty declined over time. Hodges said O'Connor looked at square foot construction costs and the type of area. This would be budgeted at a certain amount per square foot, then a 10% design contingency and an escalation factor would be added. A COC member asked when the Aquatic Center was bid. Staff said it was bid in May, contingent on the passage of the bond and was awarded the day after the election. A COC member asked for the documentation from the Board approval. A COC member asked about the demographer expense and if this was part of the Measure A funds. Golton said it was not, and that Lapkoff & Gobalet Demographics did a district wide enrollment projection, then for an additional fee, they did projections by school to determine demand. This money came out of the General Fund. A COC member asked if auditing fees were included in the

### Report on Gunn Industrial Arts Building Bid Results and Financing

### Information Flow to COC Members

### Committee Members' Comment

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district wide expenses. Golton said the answer was yes and would fall under "contract services". A COC member asked how legal services were paid. Smith said attorneys were reviewing all contracts and agreements related to the program. Hodges said contracts and agreements were also send to attorney for review before finalizing. Golton said attorney expenses related to overseeing the bond were paid with bond funds.

### Schedule of Future Meetings

It was agreed the next COC meeting would be held on April 15, 2009 and that a future schedule of meetings would be discussed at that time. It was also agreed that after a year, new officers would be chosen.

### Adjournment

The meeting was adjourned at 7:30 p.m.