

STRONG SCHOOLS BOND CITIZEN'S OVERSIGHT COMMITTEE

PALO ALTO UNIFIED SCHOOL DISTRICT

MINUTES FOR MEETING OF JULY 15, 2009

<u>Opening</u>	<p>The Citizens' Oversight Committee held a meeting in the Staff Lounge at Gunn High School, 780 Arastradero Ave, Palo Alto, California.</p> <p>Members present:</p> <ul style="list-style-type: none">Mr. Ray Bacchetti, Senior Citizen, Taxpayer OrganizationMr. Scott Darling, At Large MemberMr. Gary Hornbeek, Parent, PTA MemberMr. Deepak Kanungo, ParentMs. Carolyn Maser, ParentMr. Jim McFall, Business Organization MemberMr. Steve Shevick, Parent (Absent) <p>Others present:</p> <ul style="list-style-type: none">Mr. Tom Hodges, O'Connor Construction ManagementMr. Alex Morrison, Gilbane Building CompanyMr. Arnold Teter, Gilbane Building CompanyMr. Bob Crowder, Gilbane Building Company <p>District staff present:</p> <ul style="list-style-type: none">Dr. Robert Golton, Chief Business OfficerMr. Ron Smith, Facility Project Manager
<u>Call to Order</u>	<p>The meeting was called to order at 5:06 p.m.</p>
<u>Public Comment</u>	<p>There was no request for public comment.</p>
<u>Approval of Minutes</u>	<p>MOTION: A Committee member suggested including Skelly as being in attendance at the prior meeting. A Committee member moved to approve the minutes of April 15, 2009 with the suggested amendment. The motion was seconded. Motion carried 6-0.</p>
<u>Review of Agenda</u>	<p>There was no discussion.</p>
<u>Monthly Reports</u>	<p>The Chair reviewed the agenda. There were no requested changes.</p> <p>Hodges said the Gunn Aquatic Center opened June 15, and the group would see it later in the day. The Industrial Arts building was moving forward. He then said high school classroom designs for both high schools, as well as the gymnasium plans, for both high schools had been presented to the Board and approved. Schematics would be presented for Board approval in the Fall. Middle school conceptual designs were presented to the Board on June 23, 2009. One more round of community meetings would be held in order to solicit more input before Board approval would be requested. The Garland and Ohlone projects were moving into the design/development phase this summer. Teaching walls were being piloted. The Chair asked how many classrooms the walls would be used in. Hodges said they would be used in all classrooms, except the ones that already had similar solutions, those needing different solutions, and portable classrooms. A Committee member asked the purpose of teaching walls. Hodges said they provided storage and sliding marker boards, as well as power and data connections. The Chair asked if the walls were adjustable so everyone could reach them. Hodges said yes, except possible for the kindergarten classrooms where other options would be considered. The Chair commented on the value of the piloting process. Hodges agreed,</p>

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saying this limited pilot of the teaching walls would give teachers a chance to discuss them. The Chair asked if any COC members had attended community meetings. Hodges said that any time a project required Board approval, at least one community meeting would be held. Golton said a protocol had been established, including press releases, posting on District and school site web sites, and he could also send e-mails to COC members if they wished.

A Committee member asked about the Garland postponement, saying it should have been mentioned in this progress report. Golton said the Board had approved the schematic design, however a huge array of changes has occurred due to financial issues and the economy. Expected enrollment growth was not being experienced at the elementary schools. Also, as a basic aid district, PAUSD would be taking its "fair share" of cuts equal to those of revenue limit districts. This had resulted in a projected deficit of about \$4 million in PAUSD's budget. Reserves would be used to fill in the gap now, and adjustments would be made to programs next year. Golton said Senator Joe Simitian had said in June that each year would get worse fiscally in the state over the next three years. Right now, architects related to Garland have been put on a short term hold, and the Board was considering what to do about the lease connected to that site, with action possible in August. The Chair asked if the \$4 million loss was one time or ongoing. Golton responded that it was ongoing, then explained how reductions were calculated for revenue limit districts. For basic aid districts, a proportionate reduction would have to occur out of categorical funding. He said that in 2003, the state wanted to take away the entire basic aid differential from basic aid districts. A fight occurred, and the result was the agreement to take a "fair share reduction", as would happen again now. The Chair asked why the Garland project would be slowed down. Golton said the need for that additional capacity was now being questioned, as actual enrollments were coming in lower than projected. In addition, taking Garland back from the lessee would mean a loss of about \$3 million per year in lease revenues, in addition to operation costs. This was in discussion and the Board had not yet taken action.

A Committee member asked how many bids were received for the teaching walls. Teton said two bids had been received out of four contractors solicited. Contractors did not have to be prequalified, as this was a relatively small project. The Committee member suggested that for the individual sheets reporting on various projects, a more detailed breakdown of construction contract amounts, services, and budgeted amounts be shown. Another Committee member suggested this information be added in an appendix, in order to keep the summary sheets brief. Golton said a full line item budget could be provided for each project, in addition to expenditure and encumbrance data. Another member suggested that access to this data be provided, possibly on the web. A Committee member said he would like to be able to ensure that budgets match contracted amounts. Hodges said when contract work for projects was bidding, there was an established estimate for comparison. This information on bid work could be provided to the COC. The Chair noted that if bids came in over projections, they would have to go before the Board for approval. Golton said COC members were also welcome to come to the Business Office to see more budget detail. Hodges said this information could also be found when staff brought items to the Board for bid approval, although only contracts over \$100,000 were taken to the Board, so this teaching wall project would not come to the Board.

A Committee member asked if any of the projects were at risk in terms of going over budget, over timeline, or not completing the scope. Hodges said this was discussed in the "Project Overview" section of each project summary. The Committee member also said he preferred that each project be within budget, not within the contingency. Hodges said change orders were within the change order contingency. So when a project was "within budget" it was within the budgeted project including the budgeted contingency. Golton said the chance of a large project having no change orders was virtually zero, because there were so many variables.

A Committee member asked about the El Camino Field delay. Golton said this was due to the Division of the State Architect (DSA) budget woes, which caused approval delays. The Committee member asked if the master schedule was being updated because of this, because this approval was

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listed as complete. Hodges said the DSA approval had occurred and the schedule was being updated. A Committee member noted that DLM appeared to be getting all the jobs. Hodges said a selection process was held, resulting in three finalist firms. The high schools then chose DLM. The OPSC fee schedule was being used.

A Committee member noted that the Board approved the renewal of the contract with O'Connor and Gilbane for another year, then asked if there were any increases in individual hourly rates. Golton said there were some adjustments up and down, but for both firms the contract results remained the same in aggregate. He added that these contracts were very similar to those of Foothill-De Anza, which was also using Gilbane.

Bond Implementation Process

Hodges gave a presentation summarizing the bond implementation process, as found in the meeting packet. The Chair said he had asked that comparisons in various approaches be made. A summary of the presentation and COC member comments (in italics) follows:

- **Planning Phase – Value Goals**

- Minimize cost for interim housing, phasing, and moving through project planning.
- Group similar or competitive projects for efficiency and to reduce design fees.
- Plans shall be adaptable and flexible to meet changes in enrollment, technology, or constructions.
- Develop a budget strategy for high schools, middle schools, and elementary schools.
- Leverage bond funds and strategy for application for state and other funding sources. *A Committee member asked if all this funding would be used for capital projects. Golton said this was required, adding that when DSA approval was received, this did not mean cash had been released for a project. Hodges added that Career Tech grants, which were applied for by the sites, would go directly to them. He said the Gunn fields and El Camino Field projects were done with old money, while other field projects would be done with Measure A funds.*
- Leverage current bid climate with quick start projects.
- Explore joint-use of facilities with community stakeholders.

- **Design Phase – Value Goals**

- Negotiate competitive fees for professional services.
- Manage “scope creep” and implementing project cost controls. *A Committee member asked how change requests were handled. Hodges said a lot of discussion would occur, and the process would depend on the degree of scope change. Golton said it also depended on whether or not the construction contract had already been awarded. He said there was a change order allowance of 10% for each project. Exceeding this violated state law. Golton was responsible for finally signing off change orders, although he wanted Superintendent approval first. Teton said each potential change was tracked until resolved one way or another. There was also an Inspector of Record who might request additional work to meet DSA standards, and this could require a change order.*
- Utilize construction professionals during design.
- Actively manage design teams and their schedule.
- Require quality design services and documents. *A Committee member asked if it was part of Hodges’ responsibility to review these documents. Hodges said it was.*
- Budget contingencies to cover unforeseen costs or changes. *The Chair asked if the change order contingency was standard practice at the project level. Hodges said this was incorporated when he first started to work with the District, and it made it much easier for the District to react quickly to changes. Another Committee member asked how often past projects had used the 10% contingency. Golton said the Gunn fields project had \$164,000 left of the change order contingency. On the Gunn pool, about \$117,000 was left on the change order contingency, which enabled the District to issue additional contracts and remain within budget. Teton said that less than 50% of the change order contingency for the Gunn Industrial Arts building project had been used. The Committee member observed that some changes could be predicted, and others involved discipline. Hodges said that when projects were being developed, the District needed a cushion, so potential alternate aspects*

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of the project could be added to increase the value of the project.

- Emphasize sustainability, high performance, and long term cost benefit of systems and equipment selection. *A Committee member asked if green building efforts were included. Hodges said they were.*
- Establish facility and District standards for efficient construction and maintenance of facilities.
- Utilize pilot projects for review prior to District-wide implementation of standards.
- **Construction Phase – Value Goals**
 - Designate allowable mark up on change orders in contract documents.
 - Require quality control during construction and adherence to contract documents.
 - Proactive management of construction to avoid delays.
 - Process payments in a timely manner to promote productivity during construction.
 - Minimize design changes during construction.
 - Analyze and negotiate change orders to maximize value to the District.
 - Manage projects with goal to avoid claims and litigation.
- **Ongoing review and adjustments**

A Committee member asked if there was a review to make sure plans were still up with current technology before the construction was done. Hodges said monthly meetings with the District's IT staff occurred, where all projects were reviewed along with the design team. He said the Technology Fund would deal with the computers. Smith said discussions included how redundancy would be worked into systems.

Outline of 2009 COC Report

The Chair said this report should be finalized at the October meeting, and his draft report and letter to the community was attached. He hoped to get comments from the COC at this meeting.

A Committee member asked if Prop 39 requirements were included. The Chair said they would be included. The Committee member asked if approved Measure A projects would be included in the report. The Vice Chair said they would, including active projects and the status of each. He provided a draft progress chart. A Committee member said he would like to see this in the COC's monthly reports, with color coding.

A Committee member asked what should happen between now and the October COC meeting. The Chair said Golton was doing most of the work, as some of the report contents items logically went to the District. Other items could be taken on by one or more COC members. Committee members agreed that one section ought to include photos of current projects and plans for future projects. It was suggested that it be noted that some projects were not funded entirely with bond funds. The Chair asked if there was non-bond money in the Gunn pool project. Golton said the design for the pool and the Industrial Arts building were done with non-bond funds, and the construction was being done with Measure A funds. The Chair asked if items funded without Measure A bond funds were then paid back with bond funds. Golton said they were not. A Committee member asked if estimated completion dates should be included. The Chair said that in light of the potential changes to projects, such as at Garland, there could be a lot of changes soon. The Vice Chair suggested adding a mention about the state financial crisis and how the District's bond funds were affected. A Committee member asked if the Industrial Arts building was affected by the state's financial woes. Golton said the state had committed to pay a portion of the project, and the District had budgeted for this. Now that the money has not been received, Measure A money was being used to cover the loss until the state could send the money to the District in the future. A Committee member volunteered to take photos of projects at Gunn. He also suggested using an 8.5" by 11" format for the annual report. Another member asked if this would be mailed, or simply electronic. Committee members said they preferred presenting an electronic version only, then proposed the *Palo Alto Weekly* include a link to the report. The Vice Chair said he would discuss this with the *Weekly* staff.

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Performance Audit and
Financial Audit

Golton said the auditors should be doing their work at the District from August 31st to September 4th. Golton said he would check on how the Committee members could interact during the process of creating the annual report. The Chair said a nearly final draft of the report should be sent out to the COC two weeks prior to the October meeting. Golton said the audit reports should come to the District at about the end of October.

Another Committee member commended Smith and Hodges for their work.

Site Visit

The COC recessed their site visit at 7:05 p.m.

October 21, 2009 Agenda

Next Meeting and Future
Meetings Schedule

Adjournment

The meeting was adjourned at 7:05 p.m.