

Minutes for the Bond Oversight Committee Meeting North

February 28, 2005

Aptos High School Career Center
100 Mariner Street
Aptos, CA 95003

5:00 PM – 7:00 PM

Attending Members:

Michael Barsi - Nancy Bensen –Tere Carrubba - Fred Fischer - Marc Kirby
Doug Maher – Vic Marani - Bruce Mathias - T. James Miller - Barbara Palmer - Mary Reed

Absentee Members:

Christine Quinn - Michael Theriot

South/Central Bond Committee Liaison:

Non-committee members attending:

Terry McHenry – Gary Woods - Rhea DeHart – Sharon Gray
Diane Burbank – Brian Rasmussen – Kathy Fuentes

Chair Member Barbara Palmer called the meeting to order at 5:15 noting there was a quorum. She introduced herself and asked the Committee members and visitors to introduce themselves. It was mentioned that Christine Quinn would not be able to make the meeting.

Barbara asked if there were any questions or discussion on the minutes of the prior meeting. It was noted, on page two, paragraph one, it **did not** show that David Cromb Associates was \$400,000 **higher** than the architect and the Committee wanted this fact duly noted in the current minutes; so noted. The minutes were seconded and approved.

Review of the Project Status: Brian Rasmussen explained there were two contracts with construction; the base with Granite Construction, with the only item left on the contract was the bleachers which was delayed due to a Division of State Architect Office (DSA) approval and will be starting the footing and foundation work on site shortly. The bleachers are due to arrive from Texas in April. The Tennis Court contract was separately bid and awarded to Granite Rock/Pavex, the two major items left are putting the nets up and the colored surfacing scheduled for the last week of March, weather permitting. Both items are near completion.

Our other package, with Bunton Clifford Associates, (BCA) of the building, was submitted to (DSA) last Friday. The drawings are now with the estimator for an update estimate of the final set of plans. BCA said we should receive the estimate for review the third week of March, for review and to see them from an estimator's point of view. They are hoping for a

three month turn around with (DSA) getting them back by May and to go out to bid. This has been the schedule in the past.

A brief discussion regarding the \$104,000 building plan check fee paid to the State was brought up at this time, along with the possibility that if anyone had contacts that could help move the projects through (DSA) a little faster, now may be the time to contact them.

A discussion regarding the field at the bottom of campus came up. It was thought to have been prepared as a practice field. It was explained that it was never in the original plan. However, the idea was considered while the equipment was still on grounds, but never worked out. Brian added that enough of the hill was pulled back to get approximately a 2% slope for a playfield so it can drain towards Freedom Blvd.; It's a lot closer to being feasible than it was. Getting water and power to the area is still an issue. Brian was asked to check on the cost of developing the field with water provisions only.

Brian then explained the procedure of the cost estimate and the timeline of getting the plan, what BCA will do with it from there and what projects* were submitted to (DSA) Once we receive the cost estimate from BCA, he will schedule his partner, Kent Munro to do a review of the estimate and have comments on it the end of March. *New building, site work adjacent to the new building, site work around the locker-room including around the swimming pool.

A brief discussion regarding the notification of the Committee and how the Committee wanted to be notified was brought up. Nothing was decided. The Committee wanted to meet in the spring, after the budget is determined.

Another discussion regarding plants that had been cut from the original landscape plans due to budget. A list was requested.

Terry McHenry explained interest; that we sold our original \$40 million in Bonds in April of '03 that have been deposited in the County Treasury, which by law we are obligated to do and due to the poor interest rates, received a very low return. He went on to say, one of the committees he was on was the Treasury Oversight Committee. He represents School Districts on this Committee and they have been talking to the County about its investment process. The County uses an "Investment Person", which is a local county employee to invest funds. In comparison is LAIF, Local Agency Investment Fund, run by the State Controller. Funds invested for local agencies, which is basically a Money Market Fund, used as a guide and the investments with some of our JPAs consistently *beats* LAIF by at least 1%, where as the County has been under LAIF by 1% to 1½% for the last several years. Terry continued, saying that in the meeting with our new County Treasurer, Fred Keely a couple of weeks ago; Fred stated he is willing to look at other approaches that might optimize what we get out of the Treasury. Terry said, "When you have \$35 million over a couple of years, the percentage points make a significant difference."

Terry then brought up the audit and told the Committee as of the end of June/July '03 we had \$400,000 and due to the increase in interest rates '04, we will have close to that again, which should bring us up to \$700,000 or \$800,000 by this June. Regarding the amount of money we have, we sold the Bonds for \$40 million in April of '03 and immediately spent \$11 million on the buy back of the COPS leaving us with \$29 million. The largest sum we have spent recently, at \$5 million, was on the Aptos grading project leaving about \$24 million **just sitting** for long periods of time. We will go to bid this summer for the Aptos project, which

will be about \$13 million to \$15 million and the Watsonville project will be \$15 million. Most of the funds will be encumbered and used over the next twelve to fifteen months. We are looking at \$800,000 to 1 million worth of interest.

Terry explained we are proposing to take advantage of the current interest rates and refinancing the current General Obligation Bonds we have out. Due to today's interest rates we are going to the Board next week with a refunding plan, which is to refinance the current series of Bonds at a lower interest rate to generate additional dollars. The underwriter will guarantee that we will get at least \$800,000 net increase in revenue on the refunding plan. We are also proposing to issue the last \$18 million in Bonds that were authorized in the 2002 election. We are asking the Board to authorize the sale of the last \$18 million of Bonds at the same time we do the refunding, which means we combine the closing costs, so as not to be double charged on closing costs. Then by putting the \$18 million in the bank and with the interest made until we fully encumber it throughout the year; we would be looking at a potential of \$2 million in interest and refunding revenue.

The District is proposing a distribution plan for these funds that will be allocated on the way the Bonds were originally authorized. Which means the Aptos projects would get an additional \$1million above the \$24 million from the original Bond application. The Watsonville projects would get the next largest sum and the other projects would divide the rest.

A question whether to pay off the remaining COPS with the refinance was asked. Terry stated the intent was to put the money back into the projects and give the community what they wanted.

A discussion regarding COPS, interest rates, refinancing, possible re-zoning concern, and allocation of the Bond money occurred. The discussion ended in congratulations and support to Terry for finding more money for the projects.

Financial Report: Terry began this item on the agenda when LPA was brought up regarding concerns on payment and duplicate services being provided by the two architects.

It was stated that LPA has been paid nothing in '05 and negotiations were being made on the close out. LPA is still performing work, sending paperwork to (DSA) and showing up at meetings to complete phase 1 of the project. The only money the District felt that is owed to them at this time is about \$20,000 in reimbursables. Last September or October it was suggested to LPA that a third party is needed to evaluate the plans and come up with a figure for everyone to agree upon. However, LPA has not responded to this offer as yet. LPA did say they would finish their part of the project.

Financial Audit: A cost of \$2,800 came out of General Funds to pay Vavrinek, Trine, Day & Co. for this independent audit. The summary included:

Expenditures:	(1,554,865)
Beginning of Year Balance:	<u>28,894,810</u>
End of Year Balance:	\$27,339,945

Terry then addressed the subject of the Performance Audit, explaining about the firm that Long Beach Community College recommended from Vancouver WA. The first year they

wanted to take a *look* for \$15,000, the second year for \$50,000 and go up from there. Terry went on to say he found the other Construction Manager/Auditor and he started two weeks ago, his name is Tony Buettner from Scotts Valley. He has met with Brian twice collecting data and should have the report ready within 3 to 4 weeks. The cost will be \$6,000 and he will be answering two questions,

1. Was the money spent on a valid Bond Project?
2. Is the expense reasonable for this type of project and within the realm of what you expect it to cost?

These questions are being done by vendor for all of the Bond Projects.

Barbara asked if there were any more questions. No one responded.

There was a discussion on the date of the next meeting.

Next meeting will be May 16, 2005.

The time will be from 5:00 pm to 7:00 pm.

In the Aptos Career Center

The meeting was adjourned at 6:45