

**MINUTES OF THE MEASURE BB OVERSIGHT COMMITTEE
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
325 S. Peck Ave., Manhattan Beach, CA 90266
July 12, 2010
7:00 p.m.**

The Members of the Measure BB Bond Oversight Committee held its regularly scheduled meeting on Monday, July 12, 2010, at 325 S. Peck Avenue, Manhattan Beach, California. The following were present:

Members of the Committee	Ed Lear (absent), George Reppucci, Michael Kling, Tim Lilligren (absent), Kathleen Paralusz, Kimberly Robinson, Noel Palm (absent), Rod Spackman (absent), Tim Flake, Gary Osterhout, Robert Daviduk, & Rachel Vandenberg.
District Personnel	Steve Romines
Board of Trustees	Bernards: Jack Hall, Sebastian Choulton, & Dan Patte Ida VanderPoorte
Call to Order	The meeting was called to order by Mr. Daviduk at 7:06 p.m.
Pledge of Allegiance	The Pledge of Allegiance was led by Mr. Daviduk.
Announcements and Communications	No public comments were made.
Presentation	1. Presentation by Bernards (Construction Management Services)

Mr. Hall presented Status Report #1 (June 2010) for the Mira Costa High School Expansion and Modernization project. Mr. Hall highlighted activities that occurred during this first reporting period, including the May 12 public workshop at completion of schematic design. Two members of the Committee, Mr. Palm and Ms. Robinson, were present at this workshop. The schematic design was adopted by the Board on May 19, 2010. Mr. Osterhout asked how the final schematic design, as approved by the Board, was made available to the public. Mr. Romines responded that the summary action item was included in the Board packet, while the full schematic design was available upon request. Mr. Reppucci noted that he had requested and received a copy of the schematic design.

The construction cost estimate was updated at completion of schematic design. Independent estimates developed by Bernards and by the architect were reconciled to come up with the current total construction cost estimate of \$46.9 million as compared to a construction budget of \$47.7 million. These numbers include contingencies. Mr. Flake requested that the cost categories in Bernards' report be revised to mirror the format presented in the first Committee report. Mr. Romines agreed to provide this information to Mr. Hall for this purpose. Mr. Reppucci, Ms. Robinson, and Ms. Vandenberg echoed the importance of identifying contingency as a separate line item.

A summary project schedule is presented in the status report to reflect

original (baseline) schedule milestones, along with updated activity schedules. Overview schedule will be expanded as construction gets underway. Some design development activities are behind schedule. Mr. Hall reported that the architect has committed to making up this time during the construction documents phase so that the DSA submittal date does not slip. Mr. Kling asked how the architect was assuring that the revised schedule dates would be met. Per Mr. Hall, the architect will be assigning additional resources to the project; a meeting with the architect is scheduled for July 13, 2010 to review their revised staffing plan. The next major schedule milestone will be design development review. The summary schedule includes an "A" for "Actual" where the baseline schedule has been modified. Ms. Vandenberg requested that, for clarity, the "A" be deleted where dates have not yet been achieved.

Committee Business

1. Approval of May 10, 2010 Bond Oversight Committee Meeting Minutes

Ms. Paralusz submitted a motion to approve the minutes of the prior Committee meeting. After some discussion on the contents of the minutes based on concerns expressed by Mr. Reppucci, Ms. Vandenberg suggested that the motion to approve be amended to add "and visit the construction site" to the request by Mr. Reppucci made under Item 4. Mr. Reppucci seconded the motion as amended. The minutes were unanimously approved with the noted amendment.

2. Discussion of Performance Audits and Financial Audits

Mr. Reppucci presented the results of his research into the requirements for performance audits and financial audits, as well as the Committee's responsibility for review of these audits. (See attachment.) Mr. Reppucci noted that these two audits are different in scope. A financial audit of the Bond expenditures may be consolidated with the District's overall financial audit, as performed by a certified public account. The requirements of a performance audit are less defined. As presented by Mr. Reppucci, SB1473 has been introduced to provide clarity and includes extensive direction on the proposed requirements of performance audits. This legislation has not yet been enacted. Mr. Flake and Mr. Kling noted that audits are typically performed by CPA firms or by management consulting firms, who define the audit approach and scope based on regulatory requirements and a standard of due care.

Per Mr. Romines, the District has contracted with Vavrinek Trine Day to conduct both the financial and performance audits. The audits will be conducted concurrent with District financial audit. The performance audit scope is based on the current understanding of requirements for this audit. Mr. Osterhout requested review by the Committee of an excerpt of the Vavrinek Trine Day contract related to the scope of the Measure BB audits.

3. Discussion of Bond Oversight Committee Bylaws

Mr. Reppucci presented excerpts from the California Education Code and the Measure BB Bond Oversight Committee Bylaws, which both authorize the

Committee to inspect school facilities and grounds. (See attachment.) Ms. Paralusz noted that this authority is extended to the Committee, rather than individual members of the Committee. Mr. Daviduk suggested that advance notice of intended Committee visits to the site would be appropriate. Upon Mr. Hall's suggestion that site visits be conducted in conjunction with the regular Committee meetings, the Committee concurred that the site visits be scheduled immediately preceding the regular meetings. Mr. Hall cautioned that appropriate attire and shoes should be worn to the site. Ms. Vandenberg noted that, while the wording in the meeting agenda includes the word "oversee," the Committee's authority is limited to review.

4. California League of Bond Oversight Committees

Mr. Reppucci presented his research into the potential benefits of involvement with the California League of Bond Oversight Committees. (See attachment.) Per Mr. Reppucci's research, CALBOC offers training, training materials, as well as guidance documents on best practices for bond oversight committees. Mr. Reppucci noted that the handbook that was provided to members of this Committee is an example of best practices as cited by CALBOC. The CALBOC guidelines will be distributed to all members of the Committee.

Mr. Anton Jungherr, executive director of CALBOC, has offered to travel to Manhattan Beach on his own accord to make a presentation to the Committee. Mr. Flake proposed that this be added to the end of the next meeting agenda to assure that regular Committee business was handled first. Ms. Robinson suggested that Mr. Jungherr be invited to the next meeting, with the understanding that Mr. Jungherr would be responsible for his own travel costs. Mr. Reppucci agreed to follow up with CALBOC.

5. Quarterly Report

Ms. Vandenberg presented the following highlights for inclusion in the next Committee report:

- Review by Committee of construction management contract
- Review by Committee of DSA consultant contract
- Changes to BOC membership
- Bernards selected as CM consultant
- Proposed budget revisions resulting from detailed discussions with teaching staff, condition assessments, and concept refinements made during schematic design.

The Committee members concurred that these items represent the major activities since that last reporting period.

Mr. Flake will work with Mr. Romines to prepare updated financial information to accompany the next report. A draft report will be presented to the full Committee for review and approval at the next meeting. Mr. Osterhout requested that the report include reference to the Committee's responsibilities relative to bond activities and a statement on the Committee's concurrence with the reported Measure BB progress to date.

Ms. Vandenberg noted that, with the recent redesign of the District website, Committee documents were no longer available on the internet. The Committee's regular reports, along with meeting minutes, bylaws, and other documents identified at Committee meetings should be made available to the public on the Measure BB site. Ms. Robinson offered assistance to work with District staff to upload or verify posting of Committee-related documents. Ms. Robinson will work with Mr. Romines toward this end.

Ms. VanderPoorte reported that the Board had selected a replacement to fill the vacancy on the Committee, but the individual selected has declined. A subsequent selection has been made and the District is awaiting confirmation that this individual is willing to serve.

Public Comments

None

Items for Future Meetings

The following items will be discussed at the next meeting:

1. Review / approval of Quarterly Report.
2. Measure BB Bond Oversight Committee website review.
3. Committee vacancy.
4. Presentation by Anton Jungherr, California League of Bond Oversight Committees.

The next regularly scheduled Committee meeting will be held on September 13, 2010.

Adjournment

Mr. Osterhout moved to adjourn the meeting at 8:27 pm, seconded by Ms. Paralusz and unanimously approved by the Bond Oversight Committee.

George Reppucci

7/12/2010

Measure BB BOC 7/12/10 Meeting-Business Items 2, 3, and 4

**Item 2. Discussion of Performance Audits and Financial Audits
Including Scope, Timing and Committee Review**

The MBUSD is required by law to provide financial and performance audits associated with expenditure of Measure BB Bond Funds.

The two audits differ in content and require separate audits by independent auditors. The BOC requests that copies of these audits be provided to the Committee annually and in a timely manner for review and inclusion in the BOC website folder under the Documents heading.

A. Annual Performance and Financial Audits Are Required By the California Education Code Section 15278-

c) In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:

*(1) Receiving and reviewing copies of the **annual, independent performance audit** required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.*

*(2) Receiving and reviewing copies of **the annual, independent financial audit** required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.*

And, from the MBUSD Board Resolution 2008-12

Per 23 July 2008 MBUSD Board Resolution 2008-12, Section 5

Approval of Project List: Accountability Safeguards:

“To assist the Committee (*the BOC*) in its statutory obligations, the District shall cause to be conducted an annual independent performance audit and an annual independent financial audit on the expenditure of Bond proceeds: the audits shall be performed under contract with appropriate persons or firms as shall be subsequently brought for approval before this Board (*The MBUSD School Board*). The financial audit may be consolidated with the annual

audit of the District's financial statement and may be performed by the same accounting firm, without further approval by this Board.

The results of the annual audits performed hereunder shall be reported to the Board and to the Committee at least annually, and more often, if the Board shall so direct"

B. Performance Audits Performance audit scope and content has been the subject of much debate. To clarify the intent of the State Constitution, SB 1473, Wyland, School Facilities bond proceeds: performance audits is currently before the California Legislature. The Senate passed the bill 34-0 and it is currently being considered by the Assembly.

The SB 1473 text states:

SECTION 1. Section 15286 is added to the Education Code , to read:

15286. The annual, independent financial and performance audits required by subparagraphs (C) and (D) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution shall be conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United States for financial and performance audits, to the extent required by Article XIII A of the California Constitution.

Note: The Generally Accepted Government Auditing Standards (GAGAS), Chapter 7, contains the Standards for performance audits.

Also from Wikipedia,

Performance audit refers to an examination of a program, function, operation or the management systems and procedures of a governmental or non-profit entity to assess whether the entity is achieving economy, efficiency and effectiveness in the employment of available resources. The examination is objective and systematic, generally using structured and professionally adopted methodologies.

Item 3. Discussion of Bylaws authorizing BOC members to oversee construction.

BOC members are allowed by law to inspect school facilities and grounds in performing their oversight duties by:

1) Section 15278 of the Education Code:

The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

(3) **Inspecting school facilities and grounds** to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

And,

2) Section 5.02 (2) of our BOC Bylaws:

In furtherance of its purpose, the Committee may engage in any of the following activities per statute:

2. **Inspect school facilities and grounds** to ensure that Measure BB bond proceeds are expended in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

Item 4. Benefits of Involvement With CALBOC

CALBOC is an all volunteer, non-partisan association of BOC members, current and past, who are interested in helping other BOC members. Our mission is to help other BOC members perform the civic duties they have taken on in the best manner possible.

The purpose of CALBOC is to help Bond Oversight Committee members, required to be appointed under the provisions of Proposition 39 bond elections [Education Code Section 15278 (a)], perform the civic duties they have taken on in the best manner possible through training, providing a forum for discussion and presenting common interest at the statewide level.

CALBOC was founded in 2006 by Michael Day and other bond oversight committee members trying to find better training to help them perform their duties. Their BOC first training session was held in San Jose in 2007. CALBOC was organized as a California Public Benefit Corporation on December 5, 2008 by Michael Day (2701 2nd Avenue, Sacramento, CA 95818, Michael.Day@calboc.org) and Anton Jungherr, (121 Ash Court, Hercules, CA 94547, 510.799.1141, Anton.Jungherr@calboc.org).

Their web site is www.calboc.org. The first annual meeting of the Board of Directors was held on May 15, 2009. On August 27, 2009, the Internal Revenue Service recognized CALBOC as a tax-exempt section 501 (c) (3) organization.

CALBOC's mission is to support BOC and districts to gain the trust and confidence of voters in the expenditure of school bond funds.

Most BOC members step into their position without any training. The lack of knowledge makes the work harder than it needs to be and the members less effective as well.

CALBOC produced Committee Operation Standards document provides a basis for BOC self-assessment of their committee operations and identify training needs. These Standards could also be used as an outline for developing a training program for committee members.

CALBOC believes that these Standards will enhance the effectiveness of the oversight that voters rely upon when making decisions at the ballot box on school bond measures.

CALBOC Support Available:

Provides Committee Training and Operation Standard document (15 pages) based on:

- 1) Standards legally required by Education Code (See page 6 for example)
- 2) Standards based on best practices from CALBOC and those shared with CALBOC by other organizations (see page 7 for example)
- 3) Local district requirements- This section will be developed by each individual district and will list local requirements in board policy, bylaws, or administrative regulations that are not already covered above in Section 1, Legally Required by Education Code or Section 2, Best Practices.

Excerpt from CALBOC Standards, Education Code

Standard	Reference
1. Legally Required by Education Code (EC)	
1. Appointment: Governing board shall establish and appoint members to an independent citizens’ oversight committee within 60 days of the date that the governing board enters the election results on its minutes	EC Section 15278
2.Review Expenditures: The citizens’ oversight committee shall actively review and report on the proper expenditure of taxpayers’ money for school construction	EC Section 15278
3.Advise Public: The citizens’ oversight committee shall advise the public as to whether a district is spending the bond monies for construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.	EC Section 15278
4.Advise Public No School Operating Expenses: The citizens’ oversight committee shall advise the public as to whether a district is spending the bond monies for the purposes specified above and not for any other purpose, including teacher and administrator salaries and other school operating expenses.	EC Section 15278
5.Advise Public Expenditures for Stated Purposes: The citizens’ oversight committee shall advise the public as to whether a district is spending the bond monies for the specific school facilities projects to be funded and certify that the district has evaluated safety, class size reduction, and information technology needs in developing that list.	EC Section 15278
6.Performance Audit: Receive and review copies of the annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.	EC Section 15278

Excerpt fro CALBOC Standards, Best Practices (not legally required) shared by BOCs and other organizations

2. Best Practices	
Recruitment, Selection and Appointment	Source
30.Notice: Inform public of vacancies by all available means for at least 30 days.	SDCTA ¹
31.Announcement: Announcement includes description of the duties and scope of authority.	SDCTA
32.Criteria: Eligibility requirements and selection criteria shall be available.	SDCTA
33.Regular Meeting: Appointment shall be made at a regularly scheduled publicity noticed meeting of the district.	SDCTA
34.Application: Require all applicants to submit a standard oversight committee application form, a resume and a letter of why they want to be a member of the oversight committee.	CALBOC ²
35.Expertise: Balance the expertise of committee members: accounting, financial management, auditing, construction, construction management, school administration, experience with the California Division of State Architect and value engineering.	CALBOC
36.Nomination Document: For the five legally required members obtain nomination documentation from the respective organization.	CALBOC
Orientation	
38.Prior to Start: Comprehensive orientation prior to a new member beginning work.	SDCTA
39.Members Handbook: Prepare a Members Handbook and provide this handbook to new members. This handbook should include the following documents: Key Documents: New members receive key documents: relevant district policy & bylaws, <i>Proposition 39 Best Practices Handbook</i> ³ , bond resolutions, project descriptions, budgets and schedules, financial reports, minutes of prior meetings, <i>A User’s Guide to the Ralph M. Brown Act</i> (open meeting act) ⁴ and Robert’s Rules of Order ⁵ and CALBOC Committee Operation Standards (this document).	CALBOC

¹ San Diego County Taxpayers Association, Oversight Committee Best Practices, April 2007 with some modifications by the author.

² California League of Bond Oversight Committees, based on the experience of its members.

³ Published by the California’s Coalition for Adequate School Housing.

⁴ Published by the League of Women Voters, California.

CALBOC Board Members

Note: In a recent phone conversation with me, Anton Jungherr volunteered to attend our meeting (at his expense) and make a presentation on CALBOC. His offer still stands. I recommend we invite him to our next meeting and make his presentation an agenda item.

- Michael Day, President/Co-Founder of CALBOC, a former member of the Sacramento City Unified District Citizens' Bond Oversight Committee for four years including eighteen months as chair. President BESTCO Division, Beutler Corporation
- Anton Jungherr, Executive Director/Co-Founder of CALBOC, currently a member of the West Contra Costa Unified School District Citizens' Bond Oversight Committee including the position of Secretary and Co-Chair of the Audit subcommittee. Business Manager, Making Waves Academy Charter School (Richmond). Formerly Associate Superintendent (business) Berkeley Unified School District.
- Bob Blymyer, currently a member of the Lois Rios Community College and Sacramento City Unified School District Citizens' Bond Oversight Committees. Executive Director Sacramento County Taxpayers League.
- John W. Stump III, State Bar Commissioner, Legal Services Trust Fund. Chair of the Audit Subcommittee of the San Diego Unified School District Bond Oversight Committee.

⁵ The four page guide, *Parliamentary Procedure*, published by Quickstudy.com is recommended.

- David Ginsborg, previously chair of the Independent Monitoring Committee of the Santa Clara Valley Water District, Deputy to the Assessor for Santa Clara County
- Michael Turnipseed, Vice President, Executive Director Kern County Taxpayers Association
- David Wolfe, Legislative Director, Howard Jarvis Taxpayers Association
- Karl W. Dolk, Partner, JKD Group, Regional Council of Rural Counties. Member, Sacramento School District Bond Oversight Committee.