

**MINUTES TO BE APPROVED OF THE MEASURE BB OVERSIGHT COMMITTEE
MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
325 S. Peck Ave., Manhattan Beach, CA 90266
March 14, 2011
7:00 p.m.**

The Members of the Measure BB Bond Oversight Committee held its regularly scheduled meeting on Monday, March 14, 2011, at 325 S. Peck Avenue, Manhattan Beach, California. The following were present:

Members of the Committee Ed Lear, George Reppucci, Michael Kling, Tim Lilligren, Kathleen Paralusz, Noel Palm, Rod Spackman (absent), Tim Flake, Gary Osterhout, Robert Daviduk, Kimberly Robinson, Jim Sepanek, and Rachel Vandenberg.

District Personnel Steve Romines, Mike Matthews
Sam Santana, legal counsel from Dannis, Wolliver, Kelley

Board of Trustees Ida VanderPoorte

Call to Order The meeting was called to order by Mr. Lear at 7:04 p.m.

Pledge of Allegiance The Pledge of Allegiance was led by Mr. Lear.

Announcements and Communications No public comments were made.

Presentation 1. Presentation of Budget to Actuals and Timelines

The Bernards monthly report was presented by Steve Romines. Latest cost estimate, as developed by the Construction Manager based on working drawings, is approximately \$300,000 higher than current budget. The Architect is preparing its own independent estimate of likely construction cost.

Design drawings are in review by the Department of the State Architect (DSA). Remaining comments and discussions with DSA focus on resolving path of travel (ADA accessibility issues) for overall campus.

The District is working with the Architect to examine certain wall finishes (interior and exterior) to reduce costs back to within budget. Science building as now designed includes an acrylic finish that is more expensive than standard plaster. The trade-offs of aesthetics, durability, and cost will be evaluated.

Mr. Flake expressed concern that total estimated cost since last Bernard's report reflects an estimated total project cost of \$1.1 million higher than previous estimate. Changes in estimate are not clearly documented. The BOC discussed and concurred that greater rigor is needed in financial reporting by Bernards.

Mr. Reppucci stressed that a change control process, and evidence of good

controls, should be put into place now to avoid overruns.

In order to address this and other issues, Ms. Robinson suggested that now is the time for the BOC to revisit the set-up of subcommittees. In this way, the specialized expertise of BOC members can be used to provide focused review and recommendations to the District.

2. Lease, Leaseback Presentation

Mr. Sam Santana of Dannis, Wolliver, Kelley presented an overview of the structure, benefits, and potential risks of a Lease, Leaseback arrangement to deliver the Measure BB projects. (The presentation has been posted to the Measure BB Bond Oversight Committee site at <http://www.mbusd.org/uploads/filecontent/597253322.PPT>).

Requests for proposals (RFPs) for Lease-Leaseback delivery of the Measure BB projects were issued to three potential proposers. Two proposals (qualifications only, no pricing) have been received from McCarthy and Bernards.

Mr. Santana informed the BOC that Lease-Leaseback arrangements are commonly used for school bond measure projects because they allow school districts to select the most qualified bidder rather than requiring districts to accept the lowest responsive and responsible bidder. El Segundo, Redondo Beach, and Palm Springs are each using this contracting method to deliver their programs. Major benefits of Lease-Leaseback are budget certainty and construction quality.

R. Vandenberg expressed concern that Bernards' Lease-Leaseback proposal was a potential conflict with their ongoing role as Construction Manager. She elaborated that adequate support from Construction Manager was critical to support the District in managing the program, even before construction begins.

Committee Business

1. Preparation of Next Quarterly Report

Tim Flake reported on status of quarterly report. Financials have not yet been received from the District for the period ending December 31, 2010 so these could not be included in the report. After BOC discussion, it was agreed that the December 31, 2010 report would be finalized without financials. December 31, 2010 and March 31, 2011 financials will be included in the March 31, 2011 report.

2. Review of Core Assignment, in Particular BOC Protocol to Review Cash Expenditures

Mr. Lear requested input from BOC members on understanding of the committee's responsibility and expectations for receiving reports and reviewing details of District expenditures related to Measure BB. Mr. Osterhout noted that the BOC responsibilities include verification that Measure BB monies expended are used for the purposes intended. To

accomplish that, he suggested that the monthly report by Bernards should include an attachment that details vendor payments and purposed. Ms. Vandenberg concurred and suggested that the District could provide a standard General Ledger report for this purpose.

3. General Obligation Bonds Financial and Performance Audit for Year Ending June 30, 2010

The BOC received the Financial and Financial and Performance Audits for information and review. Mr. Flake notes that the auditor's report identified approximately \$500,000 in Architect and Construction Manager costs that were not captured in the BOC June 30, 2010 financials. This difference is based on earned services that the auditor identified to be accrued, but were not yet paid as of that date.

Mr. Reppucci noted some lack of clarity and typographic errors in the reports.

4. Agreement for Construction Management Services

The committee received a copy of the Construction Management Services contract, as executed by the District and Bernards, for information and review.

5. Approval of January 10, 2011 Bond Oversight Committee Meeting Minutes

Mr. Flake submitted a motion to approve the minutes of the prior Committee meeting. The motion was seconded by Ms. Robinson. After discussion, the minutes were unanimously approved as submitted.

Public Comments

None

Items for Future Meetings

The following items will be discussed at the next meeting:

1. BOC Report for Activities through December 31, 2010
2. BOC Report for Activities through March 31, 2011
3. Report by District of Detailed Measure BB Expenditures Bond Oversight December 31, 2010

The next regularly scheduled Committee meeting will be held on April 11, 2011.

Adjournment

Ms. Vandenberg moved to adjourn the meeting at 9:15 pm, seconded by Ms. Robinson and unanimously approved by the Bond Oversight Committee.