

**APPROVED MINUTES  
MEASURE C BOND OVERSIGHT COMMITTEE MEETING  
UNAPPROVED MINUTES  
JANUARY 29, 2009**

1. **ROLL CALL:**

Members Present: Peter Hughes, David Parrent, Lawrence Pon, Carole Wong,  
Andrew Young  
Members Arriving Late: John Hall (7:54PM)  
Members Absent: none  
District Staff: Nellie Hungerford  
Other: Seven guests.

Meeting called to order at 7:34 PM by Andrew Young, Committee Chair.

Andrew Young offered the audience the opportunity to fill out cards if they have questions, and Carole Wong clarified what sorts of comments and questions can be asked by the audience. Can only engage in conversations regarding items on the agenda, but public can comment or ask questions on any aspect of committee's work.

2. **APPROVAL OF MINUTES:** Tabled because members didn't have copies of minutes available (though it was later determined they'd been sent to committee members via email on December 10).
3. **MEMBER REPORTS/COMMENTS:** None.
4. **PUBLIC COMMENTS/QUESTIONS:** Jeni Benelli says thank you to the committee for our work.

Note: Andrew Young announces that meeting is being recorded.

5/6. **REPORT FROM NELLIE HUNGERFORD, ASSISTANT SUPERINTENDENT, BUSINESS SERVICES AND OPERATIONS - and COMMITTEE DISCUSSION:**

Project status, Financial Reports, and Audit Report, intermixed with Committee Discussion:

- Project moving along well but still waiting for approval from the State Architect on Increment One (I-1)
  - Note: the project is being submitted to the state architect in four increments as this allows it to move along quicker. Increment One is the site plans, Increments Two and Three (I-2, I-3) are dealing with the modular portions of building project, and Increment Four (I-4) is the fire alarm systems and other technology aspects.
- The hold up on I-1 is the geo-tech work, as still waiting on CGS (California Geologic Survey) because they want additional seismic analysis. They are being very cautious, due to soil type (wetlands), in assuring the soil is compacted sufficiently. The length of the delay is not known.
- After that step is complete, then goes to core group of architects at State for approval.
- I-2 & I-3, especially the former, involves redesigning of the foundation.
- Initially said slab thickness would need to be increased (from 18" to 21"), but structural engineers suggested/caused change to a waffle pattern, causing a 4-6 week delay, to March/April instead of a January 1, 2009 start. Earthworks would then start in February, and buildings in March or April 2009. Early February start was necessary for an August 2009 opening of part to the buildings. Ten months to complete from the start, in the most cost-effective way. August 2010 is now the expected opening of new school.

- Now looking at how to handle all the children. Many options are being considered: children slated for new school might stay at Nesbit for 1<sup>st</sup> grade, perhaps AM/PM Kindergarten for all of District schools model. Many factors to consider.
- There is no expectation of recovering any money from the Lehman losses, so it is not likely to further affect the District and the Measure C bond money. If there ever is any recovering of funds, the guess is that it would be used to pay-off bond debt to benefit the taxpayer, and not go into the general fund of the district.
- Carole Wong asked how the delay will affect expenditures. Nellie Hungerford indicated delays have actually worked in our favor with regard to the bid process. Bid results have come in much lower than was expected due to the economic downturn. The District is planning to move forward with building the entire school as designed even though there is \$300-350K over budget. It is believed the contingency dollars that are currently set aside will be released towards the project as the budget items are refined in terms of cost. The combination of the Blach Construction and Meehleis Modular contracts will result in lower performance bond costs. Since the project does not have the time constraints of a partial opening in August, overtime costs can be avoided.
- Bond Funds are earning 2.54% interest, 4<sup>th</sup> quarter 2008, according to Larry Pon.
- A discussion was held regarding the Lehman losses and how it has affected both the bond and the District. Nellie Hungerford indicated if there is a recovery after the project is complete the returned money would go back to payoff a portion of the outstanding principal of the bond debt. Carole Wong asked how the additional \$29K Lehman loss was calculated. Nellie Hungerford indicated that this is calculated by the County Treasury Office with oversight by the County Office of Education. The transaction is a journal entry. Larry Pon indicated additional information can be found on the City website.
- Carole Wong asked how bond funds are segregated from other District funds and how the District avoids co-mingling bond funds with other projects. She asked about the “due to due from” entry of \$77,133 noted in the audit financial statement. Nellie provided an explanation on the Fund 21 Building Fund and how this fund houses the building projects of the District, each project having a unique site code to track revenue and expenditures for each project. The transaction in question relates to another building project (Ralston Music Project – site 500) that is also being accounted for in the Fund 21 Building Fund. The Building Fund can potentially house several building projects, each one with a unique site code. The New Shores Project is Site 800. The \$77,133 transaction, related to the Ralston Music modernization June to August 2008, occurred the last two weeks of June with the anticipation of State revenue of approximately \$400,000 coming in to support the expense (total project cost is approximately \$900,000). The State money did not materialize prior to June 30; therefore, the expense as of June 30 was left without a revenue offset. The auditor identified the transaction as a “due from other funds,” meaning revenue needed to be transferred into the Building Fund to offset the expense. Since the State has notified the District that school modernization funds are frozen until further notice, the expense has been transferred to Fund 25 Capital Facilities. This transaction now shows as an increase in Revenue in Fund 21, site 800. At this point in time, the New Shores Project, site 800, is the only project in Fund 21.
- Carole Wong expressed a concern that she does not have enough detail information available to assure the public that the transactions listed on the monthly financial report are related to the bond project. Carole Wong indicated she will let the group know what she deems appropriate information required for future meetings. Her requests will be filtered through Andrew Young, as Chairman, and Nellie Hungerford will return the information to him for distribution to the Committee. Nellie Hungerford did express

deep concern about unannounced visits to the District Office to secure information and the impact on an already over-worked staff. She made several suggestions which were not decided upon. Carole Wong indicated she would email her requests.

- Carole Wong inquired if the District financial system can generate a Balance Sheet. The response was no because the HP3000 system is a fund accounting system and does not create balance sheets.
- Carole Wong asked for reconciliation of the \$209,000 transfer from Fund 25 to Fund 21. Larry Pon was able to produce old financial statements which listed the transactions that had occurred on behalf of the new school project prior to the sale of the bond. Once the bond was sold and revenue available, these costs were transferred into Fund 21.
- Carole Wong wants to go on the record as saying, "I am not comfortable with a one-page summary telling me that this is the world. I am not comfortable particularly when we are supposed to say in a public way to our other Shores tax payers that we are comfortable with this. All I am saying, I am not comfortable with that. I don't see a level of detail that satisfies me that it is. It has nothing to do with professional trust..." Nellie Hungerford shared that the public auditor looks at all transactions in detail and provides a written report annually disclosing the financial records. The most recent audit had no findings, which should provide the community with some assurances that the District is conducting business appropriately.
- Dave Parrent read the committee's role as outlined by the bond attorney providing an in-service December 12, 2006.
- Peter Hughes asked for clarification of ending balance on audit sheet as compared to November 2008 financial report. Larry Pon shared the following explanation:
  - $1,323,122 + 625,000 + (209,168) = \$1,738,954$
- Peter Hughes asked about the \$675,000 cost of issuing bonds. The Bond issuer receives these funds as a cost of doing business. Note: the bond was sold in one offering, saving the cost if two offerings had been transacted as was originally planned.
- Committee Requests:
  - Future meetings and financial reports be aligned with audit year:
    - Jan 1 to Mar 31
    - Apr 1 to June 30
    - July 1 to Sept 30
    - Oct 1 to Dec 31
  - Copies of HP 3000 general ledger reports listing each transaction for period for all activity within Fund 21 (ALL PROJECTS).
  - Excel financial reports are inadequate in detail.
  - Availability of invoices, contracts, etc. (method to be determined).
- Peter Hughes moved to approve November 25, 2008 financial report, Larry Pon seconded. Vote: 5 yeas and 1 abstention (John Hall).

7. **NEW BUSINESS:**

- Future meetings will be held to align with quarterly district financial reports.

April 21, 2009	6:30 PM
July 14, 2009	6:00 PM
October 20, 2009	6:00 PM
January 19, 2010	6:00 PM

- Larry Pon made a motion that the Committee has reviewed the auditors report of June 30, 2008 financial statements and that it accurately reflects the proper expenditures of the bond proceeds in accordance with the language of Measure C. Dave Parrent seconded the motion. Vote: five yeas and one abstention (Peter Hughes).
- Vacant Committee Member seat needs to be a resident/community member. Peter Hughes will contact the RSCA's Pilot regarding the vacancy. Interested parties can contact Diane Masetti, District Office, 650-637-4800 x1022 to obtain an application.

8. **FUTURE AGENDA ITEMS:**

- What data the Committee needs in order to complete its due diligence.

9. **ADJOURNMENT:** Meeting Adjourned at 10:00 PM.