

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SANTEE SCHOOL DISTRICT

Wednesday, February 4, 2009

Adopted Minutes

Members Present: Chris Cate, Eid Fakhouri, Stacey LoMedico, Jim Montague, , Beth Selbe, Rick Weeks

Excused: Gina Jackson, Rob McNelis, Kai Ramer

Attendees Present: Christina Becker, Bill Clark, Dianne El-Hajj, Nancy Stasch

- 1) **Call to Order at 6:05:** Presented handouts and their placement into ICOC binders.
- 2) **Established a quorum** with 5 members in attendance to begin the meeting at 6:05 p.m.
- 3) **Reviewed Minutes** of November 5, 2008. Jim Montague motioned to approve minutes, seconded by Rick Weeks, Chris Cate abstained.
- 4) **There were no Public Comments.**
- 5) **ICOC Communications:** Discussion of any community comments – Jim has heard how nice the new building at Cajon Park is throughout the community. Beth said that Carlton Hills is thrilled with their new office. Rick said he overheard at a soccer event that the lights at Cajon Park are very bright at night.
- 6) **Cajon Park New Building Completion** – Invitations have been sent out. Please share with the community. All are welcome to attend. RSVP if you plan on attending.
- 7) **Financial Audit:** Eid commented that the financial audit is pretty self explanatory. It shows a statement of position. Eid explained how the auditors went through the items that the ICOC requested. He stated that the ICOC requirements are to report to the public and, based on the results, asked the ICOC members if they had any questions or concerns. Eid will add an item to the quarterly newsletter and re-title it “Newsletter and Annual Report Update”. Eid would like to add the financial audit to the website.
- 8) **Construction Costs & Progress:** Cash Flow and Timing – Bill updated the ICOC members on the budget that was presented to the Board on January 20, 2009. The State is planning to go cash negative this week. It will amount to \$4 billion by the end

of February. He explained that going negative never really comes back and will effect the next school year. Bill shared the graph of negative income. Eid asked for the source of slide 3, and Bill said it came from the Governor's budget, which was in the December/January time period. Stacey asked where we came up with the \$2 million anticipated mid-year State budget reductions. Bill said it was an estimate based on previous data. He also shared his cash solutions. Eid asked about general fund deferred maintenance funding source for capital projects. Stacey said that is a restricted fund. Deferred maintenance is a separate fund and part of the proposed cut to not match at the State level which amounts to about \$500,000. Bill said he has met with Barnhart and explained the shortfall and the possibilities of not being able to fund the construction that we have in place at this time. Stacey wanted to know if we have any notifications from the State to not send funding at this time. Christina answered that we received forms and filled them out and sent them back to the State and included the worst-case scenario. Stacey asked if we have received a cease and desist letter from the State. Christina answered that we have not. There have been no legal letters received. We have only received letters from the OPSC regarding State matching funds. Bill explained how the school district is working on things to get funding. QZAB funding was approved this week, which represents a form of bridge financing so we do not have to stop construction. The Board knows that by March, if we don't have the cash in place, we will need to stop construction. We should have commitments in two to four weeks. Eid wants to know what steps have been taken to prioritize the construction work. Where is Phase 2 in this scenario? Eid suggested that an analysis should be done that compares the scope of work with the available funding so that we can identify where if possible a clean break can be made. Things will get worse and not better at this time, and we should be prepared to make hard decisions and identify where we can break cleanly. Bill answered that the Board will not make commitments without securing funding. The clean breaks are that we have a legal commitment to complete what we have started. In April, we have an interim prior to a new construction contract. If we do not have funding by then, we will not start any new projects. Once these projects are closed out, the remaining balance we have in the budget will be figured into the picture and we can make decisions as to where that money goes. Stacey questioned if we are proceeding with advertising for the Phase 2 construction. Stacey suggests that advertising with no obligations is fine; however, she does not think that we should proceed with Phase 2 at this time because of the expense. The State is foreclosing on Bonds and we may not get any Bond money for 2-5 years. Christina said that bidding costs are approximately \$45,000. The last time we awarded bids we received \$7 million off the cost estimate. We can have the bid price held for a longer period to see if we can come up with the money. Christina is willing to risk that minimal amount to see what exactly is the funding needed to go ahead with each project in Phase 2. Eid asked how useful the bids will be 120 days out. Christina said we are working with the Bright School Grant Program

which will give \$3.5 million per school per project. SDG&E costs are down, and they have a program that will loan us up to \$250,000 per meter, which means some schools will get up to \$1 million per site. We can pay this loan back with the money we save with the energy savings. If we are approved and unfunded, we can take that to the bank and get some funding. We cannot get the next phase of Prop R Bond funding until the property values go back up which is projected to by the year 2014. Eid is concerned about starting Phase 2 and thinks we should concentrate on just finishing up all of Phase 1 with the remaining money. We plan on going to bid on February 17, and need to open bids on March 26, to meet construction deadlines. Bill said we will have to present a funding strategy for the long-term debt to be paid back. Chris Cate asked if eventually we will be upside down because of the interest. Bill answered that we are dealing with the State commitments which is different than Prop R funding. Stacey and Eid insist that we do not have any obligations to Phase 2 yet and they recommend to not start any Phase 2 construction at this time until funding is found. Christina explained how we can go green and the blueprints can be sent out on a CD instead of paper. She doesn't want to say it's over until it's really over. She wants to give hope to the other four schools, even if it means to just do modernization and not additions. Dianne wants to be clear that the new additions may be delayed but are not gone. Chris said it is down to prioritization. Dianne commented that modernization is the #1 purpose for the other schools, except for Pepper Drive, because it really does change the teaching environment. She understands what you are all saying and it is noted, but she wants to make the effort as does Christina. Stacey asked how long the permits are good for. Christina said 18 months; however, we can get 6-month extensions. Eid asked where are we with the new additions. Bill answered that the true cash shortfall is about \$4 million. Christina said we are in the process of closeout and at Sycamore Canyon we are getting back about \$200,000, and that is the smallest project. Eid asked if the QZAB loan would be used for 100% of modernization along with the savings would make it financially sound. Bill said that it would. Between the contingency and such, we should be able to continue and complete at least Phase 1. Christina said an original lease-leaseback format is a long-term payment schedule. We already have the contract set-up. This may be a benefit to them to change their schedule of payments to keep the momentum going. Chris asked if we still need to find a revenue source. Bill said payback will be 13-15 years. Stacey asked if we have deferred maintenance commitments to Phase 1 – 2 as part of the package. Eid asked if the payment on COPS are fully issued and funded by deferred maintenance. Answer: Yes. Eid said we have debt service obligation for Prop R bonds, but our assessments have dropped significantly. That money is coming directly into paying debt service. Bill said the share of contribution will be picked up elsewhere. Stacey said the earmarks for education, for construction, have we had conversations with our representatives about this yet? Dianne answered that we have met with Duncan Hunter. Christina added that we are really good for Federal Stimulus Funds

everywhere except that we don't have a lot of Title I and may only get \$500,000. Bill summed up points well taken regarding Phase 1 and Phase 2. The energy savings/funding stream is something we are still looking at. In fact, we had SDG&E call us to ask why Rio Seco's bill was so low. The modernization implementation is working. Eid asked if Phase 1 schools are still within budget. Answer: Yes. Stacey asked if anything in Phase 2 is with turf. Dianne answered that the only one is the big one which is the moving of Pioneer Little League to Chet F. Harritt, which is outside the Capital Improvement Funding. Chris asked about the lease of the Santee School site. Dianne answered that we are still moving ahead with it. The revenue from that can go into the operating budget, but we need it for the turf move. We can Bond against it if we choose. We met with the broker and have another meeting with the developer soon. Everyone is being pretty conservative about expansion at this time. We are not expecting anything to come of this until about 2011.

- 9) **ICOC Speaking Points at Future Board Meeting:** Discussion – Someone from the ICOC should be at the next Board meeting to present the Annual Report.
- 10) **Annual Report Update:** We are ahead of schedule and under budget and we anticipate being on-time. Stacey suggests that we put the budget item in context as presented at the January 20 Board meeting regarding the State's uncertainty and how the shortfall for Phase 2 will severely impact Santee's program. There will be a future Board meeting in April or May regarding the Phase 2 future. Eid will send a letter to add under the "history" area and put the pictures on the back if we need them. Rick said to take off the pictures because some schools may not get the new buildings. Take off Phase 2 on the back and do bullet items.
- 11) **Quarterly Newsletter Draft:** (See above)
- 12) **Comments from Committee Members/Topics for Next Meeting:**
 - Organizational Meeting – May 6, 2009: Chris wants to know what the construction awards are prior to the Board approval. Discussion followed as to when to hold an additional ICOC meeting prior to May 6. Eid proposed to calendar an ICOC meeting prior to any Board action. Dianne anticipates having a special CIP workshop probably on Monday night or Saturday, April 25th or 27th.
 - Stacey cannot continue in the next phase of the ICOC and will need to be replaced. Eid suggests that we need to replace Stacey in her level of expertise.
 - Discussion – May 13th is the annual Golden Watchdog and Golden Fleece awards. Chris would like to have us nominate this ICOC Board.
- 13) **Board Actions Since Last Meeting:** The handouts are in the packet of the items that the Board approved since the last ICOC meeting.

14) **Information Only:**

- The dedication of Cajon Park School addition/Modernization is Thursday, February 12, 2009, at 3:00 p.m.
- The next Facilities Committee meeting is Wednesday, February, 2009, at 4:00 p.m.

15) **Adjourn** at 8:02 p.m. to next ICOC Organizational Meeting on May 6, 2009.