

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SANTEE SCHOOL DISTRICT

Wednesday, March 24, 2010

Minutes

Members Present: Jason Crowell, Eid Fakhouri, Gina Jackson, Jim Montague, Beth Selbe and Rick Weeks

Excused: Jorge Merino

Attendees Present: Christina Becker, Karl Christensen, and Nancy Stasch

- 1) Call to Order at 6:05. Presented handouts and their placement into ICOC binders.
- 2) Established a quorum of six (6) members in attendance to begin the meeting.
- 3) Reviewed Minutes of February 3, 2010. The minutes were motioned to be approved by Jim. Seconded by Eid. All approved.
- 4) There were no public comments.
- 5) Our newest member, Jason Crowell, San Diego County Taxpayers' Representative, was introduced and he shared his qualifications. He is an attorney who has practiced in finance matters for about 7 years. He wants to make a difference in his community through volunteering in different areas.
- 6) Fiscal Audit Status Update: Karl Christensen was on hand to answer any questions members may have concerning the financial audit which was prepared by Vavrinek, Trine, Day & co., LLP. Jason questioned the audit report on sampling. He wanted to understand the methodology. Sampling is done by pulling random invoices, some large and some small, and thoroughly checking them to make sure the data is not misstated per standard State Government Education Audit Practices. If they find any discrepancies, they would increase sampling to seek out more information. Jason commented that the committee must rely on the auditor, but the committee is responsible to the public. Christina replied that everything is public record and at any time, anyone can come in to look at our files, invoices, and accounting. Eid added that there are two audits that the committee relies upon. The broader audit is the compliance audit, which look at the expenditures and check on scope and procedures along with the financial audit. The ICOC committee looks at both to insure that the public funds are being spent in accordance to the Bond Language voted on by the taxpayer's in November 2006. Jason was also concerned with some of the language in the closing letter of the fiscal audit. The part in question referred to the compliance audit and that the fiscal audit team did not have an opinion on that. Karl said that some of the items that were presented to the Board from the compliance audit have been taken care of already. Gina said that the first part is the testing by accounting principals, and the second part is referring to agreed procedures of the compliance audit. Eid said that the ICOC's work is part of the Bond program. The requirements of the committee directed by the State and

adopted by the Board of Education are that we have to give an opinion. Our primary purpose is to give oversight that the Bond funds committed to the modernization program are only used in accordance to the Bond Language which the voters approved them for. Eid moved that the committee accept the financial audit and the agreed upon procedures audit of the Bond fund to submit to the Board. Seconded by Rick Weeks. All approved.

- 7) ICOC Communications: The committee has not received any comments from the community at this time.
- 8) Performance Audit – Status Update: Beth said that she presented the Performance Audit to the Board after Tony Fulton went over the findings of the report. It was received well by the Board. Christina commented on some of the findings and that the District has initiated the recommendations that were presented. We also have a lot of good data to draw from the first 5 modernization projects to use to update the budgets for the remaining work.

Rick asked if our construction manager has given us any indication of material costs over the next two years. Christina answered that if we could do construction right now, because everyone needs work, we could get it for cost, just so they can keep their employees working and their business afloat; however, if the State releases a lot of money all at once, prices will go up because everyone will be in the mix again. Barnhart is eager to find out when we can expect to receive our funding so they can get ahead of the competition. We had a lock-in for pricing from the awarded contract last summer though April 2010. When we start up again, we will be going out to re-bid the projects. We may not be able to start up the modernization program until summer of 2011 or 2012. The State funding may just trickle in, which will make getting combined bids harder, because we won't be doing all the projects at the same time. Also, we will run into construction inflation if we have to compete with other school district's bidding. Right now, Christina is still trying to get in line to get the money from the Prop 1D program. Jason asked how our construction contracts were set up with our program. Christina said that Barnhart and the District set up a Lease Leaseback contract with a guaranteed maximum price (GMP) awarded as each project was a phased amendment. We also set up a shared contingency with a 1/3 to 2/3 ratio so that the contractor would search out and find value added savings throughout the program to curb construction costs. In the beginning, we selected the most qualified construction manager, who then goes out to bid each project.

- 9) Draft Annual Report: Discussion occurred over the amount that should be in the report as due from the State. Eid questioned the spread sheet regarding the State Allocation Board's unfunded amounts. Christina explained why the SAB approved funding for less than the applied for amounts. Since Prospect Avenue School changed their name, we will be using PRIDE Academy at Prospect Avenue from this point on. Eid noted that the \$52 million remaining balance should be enough to complete the program. Christina said that it will be close, due to the increases in inflation and labor/competition in the future. Eid asked about the district selling their surplus property. Christina answered that she believes that a long-term lease program may be more beneficial in the long run. Jason spoke about a CPI adjustment to procure work. Trane is willing to hold their pricing unless there is a jump in copper prices. Eid moved to approve the ICOC

Second Annual Report for 2008-2009 letter from the chair with noted changes. Jason seconded. All approved.

- 10) ICOC Speaking Points at Future Board Meeting: Gina and Beth will present the Fiscal Audit and the ICOC Second Annual Report for 2008-2009 at the next Board meeting scheduled for April 20, 2010.
- 11) Comments from Committee Members/Topics for Next Meeting:
 - Update on SAB Funding
 - Summer 2010 Work, if any
 - Newsletter for end of year
- 12) Board Actions Since Last Meeting: Handouts were presented.
- 13) **Adjourned at 7:52** to Next ICOC meeting: May 5, 2010, from 6:00 to 8:00 p.m.