

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SANTEE SCHOOL DISTRICT

Wednesday, May 6, 2009

Minutes

Members Present: Eid Fakhouri, Gina Jackson, Jim Montague, Kai Ramer, Beth Selbe, and Rick Weeks

Attendees Present: Christina Becker, Dr. Lis Johnson, Dianne El-Hajj, Nancy Stasch

- 1) **Call to Order at 6:00:** Presented handouts and their placement into ICOC binders.
- 2) **Established a quorum** with 6 members in attendance to begin the meeting at 6:00 p.m.
- 3) **Reviewed Minutes** of February 4, 2009. A change was recommended to be added to the minutes by Eid Fakhouri. "Did the property assessments drop, and if so, did they affect our debt obligations? That money is coming directly into debt service." Jim Montague motioned to approve minutes, seconded by Beth Selbe, All approved as amended.
- 4) **There were no Public Comments.**
- 5) **ICOC Communications:** Discussion of any community comments –
Rick Weeks: Comments he has heard are "Wow" with regards to Carlton Oaks, and "How far is it all going to go until the construction stops?"
Jim Montague: Will we be able to complete the portion that has already begun?
Beth Selbe: The people I see at Carlton Hills are excited and like watching the progress.
Gina Jackson: A Cajon Park teacher who attended a cancer walk at Lake Murray with me commented that the heavy rains earlier this year caused flooding into her classroom. She also wasn't very positive when commenting about the construction manager, Barnhart, Inc. Christina acknowledged that the schools did not have overflow drains, and that when the modernization was completed, they put piping overflow drains on their future pick-up list. A few should be added by now, but she will check on it. She noted that it was not a Barnhart problem because the District was trying to save money. Maintenance and Operations should be addressing 3 of the schools over spring break.

Eid Fakhouri: Sky lighting is too bright on very bright days.

6) **Organization Meeting:**

- **Vacant Positions** – Taxpayer’s Association, Business Representative, and School Finance Representative are needed to fulfill the requirements set forth in the beginning of our program. Beth and Kai no longer have children in the District, but can still be members at large. Kai said he may consider becoming a member of the taxpayer’s association. Suggestions were to call Maria Lenhoff as a small business representative and to contact member on the School Budget Advisory Committee.
- **Chair/Vice-Chair** – After discussion, Kai motioned that Gina Jackson becomes the new Chair. This was seconded by Rick Weeks. All approved. Gina called a motion to for Vice-Chair. Rick motioned to add Eid as Vice-Chair. Kai seconded. All approved.
- **Newsletter Committee** – Kai & Beth will be the newsletter sub-committee.

7) **Update CIP Program/Board Workshop:** Dr. Johnson commented on the Board workshop that was held on the previous Saturday to bring the ICOC members up-to-date. At the last meeting, there were many comments to stop construction. Dr. Johnson stated that the District has \$5-7 million left to pay on Phase I. These bills are part of the contracts. \$19-20 million are needed for Phase II. There are political commitments. We have 3 title-one schools that are not modernized that are in the most need of it. From an accounting stand point, we are still under obligations to pay on these contracts or we could be sued, which would generate about \$5-7 million in possible lawsuits. So, we have looked for strategies to move our district forward. We are going into this with our eyes open. The community is concerned and wants to know when it all will stop. The buildings are on their way up and are not fully enclosed and secure yet. Stopping construction doesn’t appear to be wise at this time. Fiscal prudence is on the top of the list. The option that the Board is considering is called Bond Anticipation Notes (BAN), which anticipates the selling of our Bond at a later date. With this option, the District does not have to pay any money out at this time. The pooled money from the State that we are waiting on will bring us approximately \$28 – 32 million. We are hoping to be able to pay this money back in about 5 years. This is to be a capital fund repayment. There are a lot of what if’s to consider like “What if the State never pays us the money our district is due?” The State is trying to get money to cover their obligations by selling some of their bonds. We are going to go to the Board on the 19th to share with them the what-if’s. There is a debt service fee which could be 2-3%. The timeline is between June 15th and July 15th. We are advertising with caution that we plan to proceed with Phase II. We may even work with Barnhart to pay them a little later. We do believe that we are on a path to receive funding.

Eric Hall is working with us and attends many meetings in Sacramento and he believes that we should be receiving some of the pooled money in about 18 months. Dr. Johnson would like to have at least \$19 million before she retires on June 30.

Dianne believes that it is critical that we continue with the construction, and that the cost savings will outweigh the negatives.

Jim Montague asked what will happen with the upcoming special election. Dr. Johnson answered that it may cause the State to hold on to the pooled money longer.

Eid noted that the last time the ICOC met, there was a projected shortfall of \$4 million for Phase I. Today's shortfall is \$6-7 million. What has changed? Christina answered that it was because Bill Clark was only looking at hard construction costs which didn't include the IOR's, architectural fees, permits, etc., which account for about 30% of the budget. We are still under budget because of the contingency returns. Eid replied that either the revenues dropped or the budget went up. Christina said that it was because the State funding has been on hold and that we thought the money would be here last February. With the anticipated cash funds that Bill had at the last workshop, and the shortfall, the District started to look into bridge financing. Eid still has concerns about how the District plans to fund the next phases of construction. Dr. Johnson replied that there is a long list of alternates and when the money does come in, they will be brought before the Board. At this time, discussion went back and forth about the particulars of funding the BAN, the interest rates, and re-payment of the loan.

Christina passed around the binders from the CIP Workshop that was held on May 2, which showed the items that the Board addressed. Christina explained how the budget had been updated since the November workshop. She went over the budget school site by school site, including expenditures and total obligations. She explained the funding summary and showed the frozen State funding. She also shared how the hardship applications may help fund the 3-classroom additions at Carlton Oaks, Carlton Hills, and Rio Seco, which will add new money added to the State's share. Christina then explained the State Funding Application Process along with the projects and their funding amounts. Eid asked how we went from \$40 million to \$51 million. Christina answered that they re-evaluated the capacity analysis under the State programs which showed that we are due New Construction Eligibility Funding. Hardship funding applications became applicable when we closed the Santee School Site and lost classroom capacity.

- 8) **ICOC Speaking Points at Future Board Meeting:** Nothing scheduled at this time.

- 9) **Next Annual Report Update:** Tony Fulton gave us a proposal on what may be needed for the ICOC's second year. The proposal this year is a little higher because he has much more to look at now. Eid mentioned that he is happy that Tony will be auditing the new architects. Dianne believes the progress expectation from the 1st meeting was good. Christina has been pleased with what Tony has done for us. Gina and Eid said his proposal looked good.
- 10) **Comments from Committee Members/Topics for Next Meeting:** Since we will not be meeting until August, we may be looking at a completely different plan. Eid wants the \$5-7 million plan to be covered by then. Phase II doesn't have to be done. In reality, we have to finish Phase I, but there is no need to begin Phase II. He would like to meet sooner if things change. Rick Weeks noted that if we stop, start up will be huge in the future. Kai agreed that it is very competitive right now. Eid stated that 5 years is a pretty long time frame. Eid agreed that it is a good time to move forward, but is worried about the time line. Dianne El-Hajj shared some information about financing options. Everyone agreed that continuing the momentum would benefit the community and save construction dollars; however, the budget expectations do not justify the continuation of the projects.
- 11) **Board Actions Since Last Meeting:** The handouts are in the packet of the items that the Board approved since the last ICOC meeting.
- 12) **Information Only:**
 - The next Facilities Committee meeting is Wednesday, May 27, 2009, at 4:00 p.m.
- 13) **Adjourn** at 8:25 p.m. to next ICOC Meeting on August 5, 2009.