STRONG SCHOOLS BOND CITIZEN'S OVERSIGHT COMMITTEE

PALO ALTO UNIFIED SCHOOL DISTRICT

	MINUTES FOR MEETING OF APRIL 15, 2009
Opening	The Citizens' Oversight Committee held a meeting in the Staff Lounge at Gunn High School, 780 Arastradero Ave, Palo Alto, California. Members present: 　　　Mr. Ray Bacchetti, Senior Citizen, Taxpayer Organization 　　　Mr. Scott Darling, At Large Member 　　　Mr. Gary Hornbeek, Parent, PTA Member 　　　Mr. Deepak Kanungo, Parent 　　　Ms. Carolyn Maser, Parent 　　　Mr. Jim McFall, Business Organization Member 　　　Mr. Steve Shevik, Parent Others present: 　　　Ms. Lori Alvarez, O'Connor Construction Management 　　　Ms. Connie Conroy, Gilbane Building Company 　　　Mr. Tom Hodges, O'Connor Construction Management 　　　Mr. Alex Morrison, Gilbane Building Company 　　　Mr. Arnold Teter, Gilbane Building Company District staff present: 　　　Dr. Robert Golton, Chief Business Officer 　　　Mr. Ron Smith, Facility Project Manager
Call to Order	The meeting was called to order at 5:08 p.m.
Public Comment	There was no request for public comment.
Approval of Minutes	MOTION:　　　A Committee member suggested adding "Vice Chair" to the motion to nominate him, then moved to approve the minutes of January 14, 2009. The motion was seconded. Motion carried 6-0.
Review of Agenda	There was no discussion.
Monthly Report	A COC member asked if the individual project reports were part of the monthly report. The Chair said they were. The member said he agreed with the addition of the bond project list, then asked if the group wanted to track which items on the list were covered by a specific project. Golton said these comments were welcome, and that changes could be made to future monthly reports at the Committee's pleasure. He noted the project list was very inclusive, and the projects were now numbered. He said a reverse directory could also be added. Hodges said it was never the intent to do all projects on the bond list during the first ten-year phase of the bond. In addition, certain projects are actually part of two different projects, such as adding classrooms for growth and adding permanent construction at Gunn. Another COC member said she was not sure it was the mandate of the bond for the COC to make sure every project on the list was completed. A COC member asked where on the monthly report it said what percentage of each project had been completed. Hodges said the consolidated expenditure report reflected the percent expended. Once construction actually began, percent complete could be reflected in monthly reports as well. The member said he did not get a sense of what had been accomplished for the money spent. Another member said this would help the COC look for red flags. Hodges said that in construction "work in place" could be reflected, but not in design. A COC member suggested that in the design phase, the amount expended could

be reported, along with progress of the design phase. He said he wanted to get a sense of scope and an indication of effort required to complete project phases. A Gilbane representative said there were estimates for different phases of projects, and general contractors presented bids, which were broken down into monthly bills. Gilbane tracked this as construction progressed, and there was no physical way that 80% of a project could be paid with only 2% of a project complete. The expenditures in the report were based on the schedule of values for each project. Percentage expended was a direct correlation to percentage completed. A COC member asked where cost overruns would be reflected. A Gilbane representative said there was a 10% contingency, and change orders were tracked throughout the process. Any amount above this would have to go to the Board for a budget increase. The Chair said the COC was not asked to track completion and schedule, but rather maximization of value. The COC member said percentage complete was fundamental, because it gave a sense of how money was being expended in relation to how work was being accomplished. Another COC member said he believed the group was responsible for overseeing amount and schedule in order to make sure the bond money was being used for its intended purpose. He did not want details aside from this. The COC member said he wanted staff's professional judgment as to whether each project was on schedule, and possible risks (anything that jeopardizes cost, scope, and schedule) and their mitigations. Hodges noted that the DSA (Division of the State Architect) was causing delays for some projects, requiring schedule changes to be made, which were then reported to the COC. Another COC member suggested that "percent expended" be detailed, such as what the number covered. Other members said this was for staff to tell the COC. A member asked when the Board received updates. Golton responded that the Board received the same updates the COC received. The Chair asked if the reports would be cumulative, showing projects as they were completed. Hodges said a list of completed projects could be included in the Executive Summary, in order to avoid having a full sheet of paper on each completed project. This could accumulate over the years of the bond. A COC member noted that Garland and Ohlone costs had gone up substantially, and asked what caused them to change so much. Golton said that for Garland, the scope had dramatically increased to not only include accommodation of increased enrollment, but to also add a strand of 120 students, which requires additional facilities. He said the bond resolution approved by the Board originally did not include amounts, and it allocated a dollar amount to all the elementary schools to be allocated as needed to the schools. A COC member said he appreciated the addition of the consolidated report, and that all this information was available to the community on the web. He then asked about the remaining $103 million. Golton said the remaining money was for technology, furniture, maintenance, and the middle schools (including new classroom wings at Jordan and JLS). He noted that master plans had been completed for the elementary schools and high schools, but had not yet been completed at the middle school level. The remaining money would continue to be allocated over the next few months.

Review of a State Controller's Office (SCO) Audit of Another COC

The Vice Chair presented a brief report reflecting items a COC should consider, such as court actions. He said what had been seen so far was generally in accordance with the District's bond list. He also discussed the Delta College bond audit performed by the State Controller's Office. The Controller had found fault with the College's reporting, and, through its report, sent a signal to other COCs of the need to take their duties seriously in order to be effective and keep the program in compliance. He said that under Prop 39 bonds, there were supposed to be two audits: a performance audit and a financial audit. The State Controller's Office found that the procedure audit was not adequate, and Golton had contacted some other firms willing to do a more robust audit. A COC member noted that the full COC had not yet seen an engagement letter.

Framework for Tracking Measure A Progress

The Chair said Items 1-4 on the agenda represented a framework, and would include the equivalent to a flowchart, so the COC could understand what occurred during each stage of a project. The core of the framework would be the monthly reports, which would be annually reinforced by the performance and financial audits. Items 5-8 were special amplifications of particular items if needed. Item 5 would consist of a tracking list of Board of Education action items. A COC member asked how the percentage complete was determined. Hodges said the program-specific financial report was being used, and this report was reconciled with the District's accounting reports. Golton, COC

members, or any community member, could request further detail, such as an itemized list or explanations for specific items. The COC member said he did not get much out of the single sheet reports for each project. He wanted to know more about where the money was going and what progress had been made. A COC member said he thought it was useful to have a one-page Executive Summary to save people from having to read entire reports, but he recognized that this was not adequate for the COC. Another member suggested adding information on how much had been spent on each phase of a project and what percent of each phase was complete. Golton said the report could be formatted differently to drill down into further detail. The COC agreed to let staff try a few different models. One COC member observed that very little data changed from month to month, so he preferred a more consolidated summary report, possibly in the form of a spreadsheet. A COC member asked if the audience for this report was the COC or the general community. The answer is both. The Chair said he appreciated having one sheet on each site to review status and refresh his memory for each meeting.

Site Visit	The Chair asked what should be looked for on a site visit. Golton said O'Connor construction managed the overall program, and Gilbane took projects over at schematic design and managed them to completion. Gilbane representatives would lead the site visit. Teten suggested the COC look at the phases of the project, and become familiar with what is involved in each phase. If the dollar amount spent for a project increased dramatically, but the percent completed did not, it could be due to the purchase of a large machine which is not visible at that point. Teten said the rainy season hit at the wrong time for pool construction, delaying the pouring of concrete. In addition, there were DSA delays. This type of question would be good for COC members to ask. A COC member asked about percentage of completion for the projects to be viewed. Teten said the pool would be complete in 45-60 days. The Industrial Arts building was an 11-month project and was started 3 ½ months ago. A COC member asked if there was a cost associated with delays. Teten said there could be, depending on the cause of the delay. The pool had not yet been properly documented, and no additional costs had been charged at this point. Hodges said a planned completion date could be added, possibly under potential risks. He said that COC members would be able to better familiarize themselves with the scope of a project during a site visit. Smith said site visits were part of due diligence, and would help COC members respond to community inquiries. Teten said he was not comfortable stating specific completion dates for projects that were delayed, as this may affect negotiations with contractors.
Performance Audit and Financial Audit	The Chair noted that Golton wanted a more robust audit that included an opinion. Golton said there were five issues with the Delta College audit, including the fact that state law was violated because COC members were allowed to have more than two terms. He noted that some districts, like Delta, had trouble filling vacancies. He also said ineffectiveness of COCs was very hard to measure. Regarding an audit, his plan was to use the District's external auditors because they already knew where everything was. He planned, however, to put this out to proposal to keep the process competitive. One question would be whether the District would contract for an agreed-upon-procedures (AUP) engagement or a Generally Accepted Governmental Auditing Standards (GAGAS) audit. An AUP engagement relies on management to determine the sufficiency of the procedures. The responsibility (liability) of determining the sufficiency procedures performed rests with management and not the auditor. By contrast, a GAGAS audit follows auditing standards, including performance auditing standards, set forth by the federal Governmental Accounting Office (GAO). An opinion is given by the auditor and the auditor determines the standards. Golton would put out an RFP (Request for Proposal) for both the performance audit and the financial audit, then confirm with the Chair and Vice Chair of this COC, then get approval of the full COC. Golton said the District's external auditor would do a performance audit with agreed upon procedures, but would not give an opinion in order to protect its license. He did know of another auditor that would give an opinion. A COC member asked how much more this would cost. Golton said it would depend upon the scope. The Chair suggested the RFP include a request for the auditor to be willing to make a judgment. Another member said he did not know of an auditor that would agree to this, and that it would require very detailed, time-consuming auditing. A COC member said an agreed upon procedure audit did not

conform to GAP standards. Another member said he would like to know what was in the engagement letter before it was sent out. Golton said he would examine the RFPs of other districts as he composed the one for PAUSD, and he would circulate updates among COC members. A COC member said the District was responsible for auditing, not the COC, however the COC wanted the resulting audit report to be useful. Golton noted that the community was entrusting the COC with the responsibility of oversight. The Chair noted that the notion of a more robust audit was Golton's, not the COC's. A COC member asked if the financial audit would be up for bid as well. Golton said it would, and that it was hoped that the performance audit could occur in June or July. The financial audit would have to wait until the District's unaudited financials were available in late August.

Outline of 2009 COC Report	The Chair said that at the next meeting, to be held in July, the COC would need to discuss what it wanted to say in its report, then review a draft report at the October meeting. He asked that members review the draft presented and make any comments, or send them to him later. One member suggested adding an appendix including information on Prop 39, committee guidelines, and the Measure A project list. Golton said the draft report represented good work, acknowledging that there were a tremendous number of examples of these reports on the Web, however the first year's report was difficult. He added that District staff was statutorily required to assist COC members in compiling the report.
Next Meeting and Future Meetings Schedule	It was noted that upcoming meetings were on the third Wednesdays. A COC member asked if he could send e-mail to the entire group. The Chair said he could send to no more than two in order to keep communications to a minority of the seven-member COC. To do otherwise would violate the Brown Act. If it is an information item, it could be sent to Golton, who could then forward it to the entire Committee. Golton agreed, adding that the member submitting the information would be kept anonymous when he forwards the item to the group, however it cannot include opinions. A COC member asked if framework would be discussed at the next meeting. The Chair said that the COC would fine-tune the framework as needed. A COC member clarified that suggestions could be made by members to the Chair, but not to the full group. Another incarnation of the monthly report would come out at the next meeting. A member suggested including the District's process for handling money in the COC report. Golton confirmed that updated reports with the additionally-requested data would be sent out at the end of each month.
Site Visit	The group recessed for its site visit at 6:40 p.m.
Adjournment	The meeting was adjourned at 7:20 p.m.