MEASURE J MINUTES

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<tr>
<th>Attendee</th>
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<tr>
<td>Eric Bakke – Committee Member</td>
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<td>Michelle Adams – Committee Member</td>
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<td>Dick Cowan – Committee Member</td>
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<td>Kimberly Sarkovich – Committee Member</td>
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<td>Tony Oddo – Mod. Coordinator</td>
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<td>Jeff Slowey – Committee Member</td>
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<td>Maureen Harris – Bond Secretary</td>
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<td>Kimberley Johnson – Committee Member</td>
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<td>Tom Fante – Construction Manager</td>
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<td>Kip Skidomore – Committee Member</td>
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<td>James Ray – Committee Member</td>
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1. **Call to Order, Roll Call, Quorum Count and Welcome Visitors:**

2. **Approval of Minutes 5/19/13.** Approved unanimously.

3. **Announcements.** Nothing reported.

4. **Staff Announcements – (Kent).**

   The Board will be holding a special meeting on 7/17/13 that will be taking action on bringing in an Interim/Acting Superintendent.

   Introduction of Brett Mitchell, Bond Program Manager.

   Brett Mitchell introduced himself and discussed his background and projects he has worked on in the past.

   Brett has met with the DLR Group. They are nearly finished with the site assessments and have provided a list of things they feel need to be done at the sites. In order to make the prioritization process for the Master Plan more interactive a Facilities Master Plan Meeting is being set up to include Construction Manager, staff, Construction Management firms and DLR to make this a community effort.

   Eric stated that he is happy Brett is here and commented on his favorable impressions of Brett while sitting on the interview panel for the Bond Program Manager.

   Kent stated that he is happy Brett is here too.

5. **Quarterly Report Update – (Cherie).** Postponed to the next meeting as Cherie was unable to attend the meeting. If you have questions, let Eric know and he will pass those questions along to Cherie.

**Measure S:** Projects are pretty much finished save for some in close out in accounting.

**Measure N:** The Board has approved a couple stadium upgrades with Measure N projects but no other projects at this point.

**Measure J - Group 10:** In the final run of construction. We have or have had construction on 24 sites. Finishing up now on some restroom upgrades that were started in December taking advantage of the fact that some of these projects had been delayed but had already been to DSA, approved and then shelved. Going out to bid in the fall was advantageous with regard to costs.

Restroom upgrades were done and/or are being completed at: Salk/Edison, Carmichael, Whitney and Barrett.

Larger summer Landscape & Irrigations projects include: Mira Loma, Arcade and Pasture.

The landscape and irrigation projects end up covering a lot and include infrastructure repair in these older school, slowing down the projects but the good news is that everything is being repaired correctly, with quality products with input from the M&O shops.

Two new General Contractors have turned out to be our some of our top performers. Olympic Land at Churchill has done a great job. Environmental Landscape is working at Mira Loma and Del Campo.

Q: Kimberley asked if Charles Peck is going to be finished in time for the start of school?

Tony - It was an ambitious project and we are negotiating now to bring in extra help. All the contractors know that the kids are coming back August 15th.

Kent – (Over all) It is amazing how much can be done (after preparation) in a short amount of time.

Q: Eric asked if SJUSD is having problems with closing out DSA projects?

Ronny Kagstrom with KMM – KMM is working to close 120 “legacy projects” with DSA.

Brett – He had a conversation with DSA and there is about 17,000 unclosed projects state wide.

Q: Dick asked if Group 11 projects have been identified being that the consensus is that there needs to be an earlier start on the planning of projects.

Tony – 42 projects have been identified. Scopes are being developed and some projects are on track to start this winter.

Tom – Agreed. We are way ahead of the curve this season.
Kent – Responding to this Committee in terms of increased efficiency and having heard the frustrations of the CM’s, we met back in January/February to begin this process by taking a look at the list that had been developed. We made some changes based on information that we were aware of, decided which firms would have which projects and communicated it to the Board in a Board Communication. The list may change based on a number of factors but more specifics will be released in the fall.

7. **School Consolidation and/or Rightsizing the District - (Kent).**

A Board Workshop was held in May to discuss this topic with the Board. It has been a topic that the two Board Appointed Committees, Curriculum and Standards and Facilities, Transportation and Finance, have been discussing for a long time. We shared with the Board the two concepts of School Consolidation/Closing vs. Rightsizing. Rightsizing partners with a Facilities Master Plan and closing a school revolves around low enrollment. However, other factors have to be considered, including the cost of improvements to a campus.

Through the conversations with the Board and the Board appointed committees some questions arose, as well as some requests for additional information. This is the information provided to this committee and the Board.

Kent does not want to come forward with a list of schools to close and then say, we also want community input as people would think that the decisions had already been made.

Kent asked that the COC look at this data and provide input back to staff on ideas of how to present the recommendations to the Board. There will be community forums on this subject in September. The goal being that staff will come back to the Board at the end of October with a recommendation and that the Board will make decision in November.

Kent feels strongly, and has stressed this with the Board and all the concerned committees, that an earlier (November) decision is better than announcing later for the District’s Open Enrollment process.

At the next COC meeting, there should be time for questions or a discussion of the recommendations of the COC members. In between time, please ask staff for any additional information you may need. Whatever information is provided to one committee will be provided to all committees.

Kent wants to make sure we are sensitive toward communities where schools may be closed.

Q. – Eric asked if there is other information other than the information from the Board Workshop?

Kent – The information from the Board Workshop is general rather than specific information and addressed the concepts of school consolidation vs. rightsizing. The key pieces being that with consolidation would because of low enrollment. Rightsizing involves a larger master plan. The District has closed schools in the past without a long term plan. It has possibly hurt us in the past. Kent used the examples of the possibility of the State having additional money coming back to schools and class sizing in K-3 could be reduced again, requiring more classrooms.
Q. – Eric asked if DLR Group is working with this process in mind.

Kent – No. Not specifically.

Q. – Eric asked if the DLR group is creating the Facilities Master Plan with possible schools closure in mind?

Kent – DLR is aware, and there has been a (preliminarily) prioritization of schools that may be closed. However, Kent does not want to go public with that list because there are so many factors that would go into closing a school. Kent made a proposal of a list to the Superintendent last summer but it was put on hold. Kent is very sensitive to making sure work is not going to done on a school that the District will just turn around and close.

Q. – Eric asked what would Kent would like the COC focus on and bring back to the meeting in September.

Kent – Ideology.

Q. – Eric ask if there is specific data regarding population/walk zones, capacity of schools or other kinds of background information?

Sal – Planning (Cynthia Jensen) has a lot of these kinds of reports. Sal asks that committee help present common sense ideas.

Q. – Eric asks for basic background data for sites from Kent before September.

Sal – Ask that the committee be very careful to not review the data with school closer in mind. As discussed before, there are so many considerations that will go into those decisions. Part of The DLR Group’s scope is to give their opinion of the capacity of each school.

Kent – State has set the square foot to student ratio, but teachers and schools will use every classroom for something (i.e. as a music room) to serve the needs of the site. When reporting on classroom utilization we have to be sensitive to those factors as these sites are using every single class room on the site.

Q. – Kimberley Sarkovich asked if the District has total costs for each site for administrative costs, maintenance costs and future maintenance costs to figure total delivery cost per student.

Kent – No. There are averages because it will always vary because of factors such as older teachers vs. younger teachers.

Q. - Kimberley Sarkovich clarified, outside of teacher costs, what about future repairs and maintenance or existing repairs that are already known, so that sites that don’t need as much work can be compared to sites that need more work.

Kent – No. These figures will come out of the Facilities Master Plan. The District will continue to avoid work at schools that need extensive work done, especially in low attendance schools.

Q. - Kimberley Sarkovich asked when The DLR Master Plan should be ready?
Sal/Kent - January 2014. Decisions on closing or rightsizing the District is a longer term discussion.

Q. - Kimberley Sarkovich asked does the District have any ideas of the market values of properties that are on the top of the list for possible closure.

Sal – No, there is a process to closing a school and it comes under a 3280 Committee investigation that will determine the property value.

Kent – The District does have square foot and insurance values for all of the properties and that gives us an idea of the values. This may also be a time to discuss the sale of some properties that are no longer schools but that the District pays to maintain. In the past the values were so low it wasn’t worth selling.

Kimberley Sarkovich - commented that if the District sells property, it creates property tax payer, which helps to support schools.

Q. - Dick asked who in the District has charge to propose “out of the box” ideas that will result in a much lower operating cost per student.

Kent – No one has the charge – many have the permission. He does not feel we are “there” yet with the Board as it is a very tough thing to do. It really would be part of Facilities Master Plan. The hardest school to close will be a high school and while it may make “common sense” to close a high school, for a Board member it is the hardest things to do. Kent does not feel as a District we are ready to jump that far yet.

Sal - The DLR Group has been given very specific instruction to take into account the assed condition of the school and the number of seats.

Eric - commented that the timing is tricky because of getting the Facilities Master Plan after the November decision by the Board.

Dick - commented that it seems like there could be two decisions made; the major decision in November and in maybe another year later there could be a “crazy decision” made for the “ideal” and this will need to be a multi-year project.

Sal - commented that we will close schools slowly instead of all at once.

Q. - Eric - asked how can we help in September.

Kent – Obviously the District needs to take a long term approach on this. Even just questions that need to be answered would be helpful. Do we have enough information (to present to the Board) to make the hard decisions they need to make?

Eric - stated that he will look at LA Unified to see what they used to make their decisions about school closures/building – just as an example.
8. **New Items – Committee Interests.**

Eric set guidelines for this new section. He wants the members to bring issues forward that interest and/or concern them to be agenized. Please take the leadership for your issues. Work through Eric to contact staff for additional information. Then report out to the Committee.

Eric wants to spend a lot of energy making sure Measure N money is spent properly. He used examples in Measure J of the vehicle issue, the deferred maintenance issue and that there has been interest by the Committee to get involved with audit scoping.

Eric wants to make sure that everyone has an opportunity to have input by identifying issue areas and investigating them.

**Kip: Soft Costs:**

Kip presented his findings on Soft Costs.

KMM, Vanir & ICS gave Kip a list of projects that they have done in the recent past. Kip took the three largest and three smallest projects for each - filtered for DSA vs. Non-DSA. He then put together a report that he feels is representative of soft costs. (These projects do not include lease/lease back projects.)

Q. - Kimberley Sarkovich asks what determines a DSA project vs. Non-DSA projects.

Eric - DSA looks primarily at seismic, fire/life/safety and ADA. Generally, except for smaller projects, almost all projects that are related to schools go through DSA.

Q. - Kimberley Sarkovich asks why there are DSA projects that are not closed with DSA.

Eric – In many cases, it is because not all the I’s are dotted and the T’s are crossed on any given document for a project. The projects are completed but the State is saying that there is some piece of the project paperwork that is not complete.

Q. - Kimberley Sarkovich asks what the penalty to the District is for the DSA dragging their feet.

Jeff Scruggs - We may not be able to start a new project at any given site that DSA says we haven’t closed a project. There are fees to pay to have DSA review a project that is not closed. Construction schedules can be delayed.

Kip continues, this report is not comprehensive or 100% accurate. It is intended to be a “snap shot.” In his review, Kip found soft costs ranging anywhere from 39% to 14%. DSA projects will always add to the soft costs. He also found that significant costs are added to a project when they are started and then stopped and then picked up again.

Kip reviewed the CM contracts and looked at the questions of renewal of the contracts. He looked at the question of should they have to go out to bid? Legal says these are “personal services” contracts; therefore they do not have to go to bid. There are no issues there; however, Kip would like to address that question to the committee as to whether or not that is a good idea.

Dick has some more historical information but Kip said that is the end of the “historical stuff” and the committee can move on to what will be done in the future.
Q. - Kimberley Sarkovich asked are there any industry standards for project/soft costs?

Dick reported that the COC for LA USD was asked to do a study and they found (not withstanding legal or management costs) at the program level (only) they were doing a “great job” if the soft costs were 20% or lower. A “not so great job” if they were 30% or higher.

Kip responded that our soft costs are “somewhere in there” and feels like not as much effort needs to be expended on the subject and asked if everyone agrees.

Eric stated that going forward the COC can have input and provide recommendations to Brett on different delivery methods for construction. This will allow the COC to tap into individual’s expertise and enable us to look into issues more deeply. This will also give Brett the opportunity to hear what the COC is concerned about and what they are thinking. The COC is a resource for Brett to be able to make better decisions in the future.

Dick suggests that the District adopt a formal standard of soft costs in line with the industry standards.

**Kip – District Bond Funding Workshop:**

Kip attended the Board Workshop for District Bond Funding; it was something of a Measure N “orientation.” One of the avenues that the Board is looking into for the bond is a very “radical” approach to Measure N. They are looking at a “pay as you go” approach using two year bonds (short term) as they are less expensive than long term bonds because the risk is not as great on the part of the investors. They are looking at being able to do (approx.) $16 Million dollars of work a year and being able to pay $16 million dollars off on an annual basis. Essentially, the District would have $16 million “forever” (through the authority of the bond) because they would pay as they go.

Historically the District has had a $30-$35 million dollar programs, this would require the sale of $350 million dollar bond in 2016 (approx). The idea being that the program would not put the District in debt, as there would be significant saving on interest costs. It is hard to argue with fiscally. The other side of the coin is that about only half of the construction would be done in the first two years (compared to what was done in the past) and will the tax payers who voted on Measure N accept (approx.) half of the building being done every year? Kip assumed that this topic will be debated extensively at the Board level. This is a very interesting discussion that is going to go on and it will have a major impact on this District.

Sal – The rational for the District is that they want to get to the point where they know for sure that they will have $30 million every year to spend on projects for a very long period of time. We could suffer in the first couple of years in selling it to the public as there would only be $16 million for projects for each of the first two years but every year after, there would be $30 million for projects. We will be able to plan projects for a long period of time and will save the tax payers a substantial amount of money.

Q. - Eric asked if the District anticipates there being any one project costing more than $35 million dollars?

Q. - Sal – Aren’t we averaging $30 million a summer Kent?

Kent – Yes.
Dick – The music facility at El Camino would approach that ($30 million).

Kent – We are thinking more $10 or $12 million. There are concerns regarding both sides. One is that you really have to continue the cycle of going out for a bond (almost) every 4 years. The discussion will take place when the next cycle of bonds has to be sold for Measure N - how do they want to sell those bonds? That is how they left it for now; it is not a decision that has to be made right now. They have time to consider the pros and cons.

Q. - Kimberley Sarkovich asked are these five year bonds?

Eric – Two years bonds, paid off in two years.

Kimberley Sarkovich argued both sides - Then why not “pay as you go” if you are going to save up to 50% on the interest? If you are going to be paying it off every two years and then you can construct a financing plan and plug it into your yearly budget. On the flip side – interest rates are going to go up and you can lock in lower interest rates if you sell the $350 million (or in larger chunks like $45 million).

Sal – We are just trying to save money by thinking out of the box.

Q. - Eric asked can he invite Kent Stephens to answer questions at the next COC Meeting.

Kip – This is purely a Board decision. The COC is an oversight committee and we have enough to do. We should leave that.

Eric – Fair enough.

Dick – Historically, because of construction cost inflation, bond money has been spent pretty fast. He believes that construction inflation is coming because the industry capacity is very low. It may be that in offsetting interest costs the escalation costs may be a factor. The other thought, to obtain the ideal state of the District - with what is here now; chipping away at small projects does not fit that model.

Sal – Thinks he is hears Dick saying we need to build new schools. That would be very difficult in this District at this time. We would almost have to go get a bond per school.

Dick – Disagreed. At some point the difference between the cost of new construction and the cost to upgrade a school will even out.

Dan Bashaw (ICS) – From a tax payer perspective – fiscally, this short term bond sounds great. The hard part would be educating the public. Using the community input from meeting like the Facilities Master Plan Community Outreach meeting would be the place to do that.

Sal – The average voter will not understand the numbers but what they will understand is new building (at schools) in their communities. The question is can we do the building fast enough for the voters to continue to support the bonds?
**Dick with Cherie - Tech Costs:**

Cherie was unable to attend this meeting.

Dick explained that there is a fund within Measure J for technical costs. About an $8 million dollar fund. The question is what did we spend that money on and does it pass the test of constitutional restrictions on facilities? Neither Tony nor Cherie is comfortable completely characterizing the fund. We may have to go looking for someone who can answer it, perhaps, Tech Services or former employees.

Most of the dollars were paid to just a few vendors. The rest of the money went to district salaries. Dick is waiting for the scope of work for the five big vendors. The expenditures did not appear to be conduit and wire.

Maureen – read from a message from Cherie:

- Is there any research on a particular vendor you want her to do?
- $4 million was paid to School Maxs with Board approval.
- $2 million was spent in pay roll for employees associated with the work under the bond.
- There is $1.4 million for bond projects, Ronny Kagstrom will have more information and all of which will be in the Quarterly Report (12/13 Q4) to be pulled in early August.
- Cherie is waiting to hear back about vendors.

**Dick - Retirement of past debt:**

There are funds in both Measure J and S that retired some certificate of participation. The bond can repay that. The question is what did we pay the COP money on? Dick asked Kent Stephens, who asked for additional time to answer as he is at Year End. After Year End, Kent S. can supply the cost reports needed.

There were titles on the certificates and one was for the purchase of real estate for district vehicle maintenance and one was on the purchase of portables. Both are legitimate use of bond moneys. The title on the COP does not indicate anything wrong; he just wanted to look at cost reports.

Kimberley Sarkovich – The COP should be based on a lease for an asset. We should just be able to look at the certificate to know what asset it supports.

Dick – That is probably the case, it is just a case of Cherie not having access to those records in her accounting software. Otherwise it would have been asked and answered and we would be finished with this issue.
9. **Eric - Action Log:**

   Dick created the log and reported:

   521.03 – done
   521.04 – done
   521.05 – done
   521.06 – done
   521.08 – done

   521.11 – done but Dick did not report out to the Committee. Dick studied the bond literature and there were no “significant projects” at High Schools promised in writing for Measure N.

   Q. - Eric - Any new action items?

   None.

   Eric will continue to work on closing out the remaining balance of items.

10. **Vacant Seat on the COC:**

    Four applicants.

    Open to Committee for questions and comments.

    Eric – Brian La Pask and I used to work together.

    Brett – Brian was also my Project Manager at Lassen.

    Q. - Michelle Johnson – Is our charter fulfilled?

    Eric – That is a great point. He was not sure.

    Kent – Read from the charter to list the positions to be filled.

    Bronwyn Bateman – applicant. Introduced herself. She is a parent with twin boys at Rio Americano and went on to list her professional accomplishments and reasons why she would like to be a COC member.

    Kip made a motion to have Eric provide recommendations to the Board but that the Board should decide on the next COC Member.

    Eric will take the applications under advisements and will meet with Brett regarding recommendations.

    Q. - Kimberley Sarkovich asked if she can still be on the COC since her children have all graduated?

    Kip – The general guidelines state allowances can be made by the Board.

    Eric – The appointment is for a two year term.
11. **Next Meeting:**

   September 17, 2013 at Del Campo High School at 6:00 p.m.

   November meeting has a conflict with a Board Meeting. We will determine the meeting date at the September meeting.

Meeting adjourned.