

**Hermosa Beach Bond Measure J
Citizens' Oversight Committee ("COC")
Meeting Minutes
October 18, 2006**

1 – Call to order

Chair Sam Abrams called the meeting to order at 5:32PM. Meeting was held at the MPR at Valley School.

2 – Roll call

All members were present (Ms Smet left at 6:08PM during discussion of Item 5). Visitors included School Trustee Lance Widman, PCM3 representatives Ben Menasherov and Amir Birjandi, (PCMS 3 representatives left the meeting at 6:41PM after discussion of Item 7) Hermosa Beach City School District Superintendent McClain and Business Manager Angela Jones and Valley School Principal Sylvia Gluck.

3 – Minutes

Ms Smet moved approval of minutes of July 19, 2006, seconded by Mr. Kinnon. No objections noted.

4 – Old business

Dr. McClain updated the Board regarding the status of the CSRE litigation. She indicated that CSRE asked the Appellate Court to rehear the case, but the request was denied. District outside counsel anticipates that CSRE will appeal the negative ruling to the State Supreme Court. . Dr. McClain reported that legal fees paid by the district to date have exceeded \$138,000, and that if the CSRE did continue to appeal that the district would incur additional substantial fees and costs. Dr. McClain indicated the possibility that other districts might assist with the legal fees incurred as a result of any appeal to the Supreme Court as other districts have identical issues that could be clarified as a result of this litigation

5 – Financial and Construction Update

PCM3 representative Birjandi indicated that the project is about 55-60% complete. Waterproofing should take place before Thanksgiving and the roof in place by late December, which would put them on pace to complete the project in late June 2007 (original estimated date of completion was April 6, 2007). The PCM3 representatives believe that they will be able to make up some of the lost time and that they are trying to be substantially complete by late May 2007. Delays were caused by problems encountered with the south wall (\$92,902 not part of Prop J funds), west wall, and sewer line projects.

Ms Jones issued a financial statement (“Funds Available Report”) outlining balances remaining in various District funds available for construction. As of October 3, 2006, the District had approximately \$5.246 million in the Measure J Fund (Fund 21), available for construction. The developer fee fund (Fund 25) stands at about \$308,000 as of October 3rd while the fund which contains the state matching funds from the Beach Cities Health District agreement (Fund 35) stands at \$565,000. The District’s Special reserve fund (Fund 40) has \$1.151 million as of October 3rd. These four funds accumulate to \$7.270 million at October 3rd.

PCM3 representatives reviewed the October 18, 2006 construction cost summary. Projected soft costs at October 18th are \$2.541 million, down about \$20,000 from our last meeting. Costs declined in the OCIP (insurance) category while increases were noted in the geotechnical, water and architectural line items.

PCM3 representatives then reviewed the Valley construction cost summary. They indicated that of the \$690,000 allowance figure (prior number was understated due to a typo, per PCM3), their current estimate of the amount of allowances (i.e., contingency) that will be needed is \$500,000-\$550,000. Approximately \$400,000 of the allowance line item has been used to date. Mr. Abrams asked that PCM3 bring their allowance tracking log for the next meeting.

Total construction and modernization costs under the review of this committee now are anticipated to total \$18,059,075. Sources of those funds include \$14,664,232 in Measure J funds, \$1,500,000 in state matching joint use money, special reserve funds of \$805,654 and interest income of \$482,070. Chair Abrams indicated that the \$482,070 in interest income was a significant addition to source of funds that had not previously been included.

Overall status of the total Prop J Program:

Estimated cost-at-completion = \$19.1 million.

Total Revenue committed to date = \$18.4 million*

Shortfall = \$0.7 million

*Bond Funds=\$13.6 million; matching State funds=\$2.0 million; State funds for Gym=\$1.5 million; bond premium=\$0.8; interest earned=\$0.5 million.

It was noted that although a “shortfall” is reflected above for the planned work because the estimated cost at completion exceeds the funds committed to date, but, based upon the Funds Available Report, there appears to be sufficient funds available to the Board to complete the project should they elect to so allocate such funds.

6 – Meeting schedule

Our next meeting is scheduled for January 10, 2007 at 5:30PM; District outside auditors will be presenting their annual reports. Our second 2007 meeting date is April 18th. Dr. McClain also provided information regarding the Committee's term. Currently, the Committee is scheduled to terminate at fiscal year end on June 30, 2007, provided that all Measure J proceeds have been spent, our final report has been issued and our auditors have completed and issued an audit report. Should funding not have been spent or the auditor report not completed, a new oversight committee must be appointed according to a strict interpretation of applicable regulations. Staff is meeting with outside auditors to determine if an audit can be completed in that time frame, since it makes no practical sense to appoint a new COC for a month or two.

7 – COC Third Annual Report

A draft of our third annual report has been completed. Mr. Hausle requested that language on page 5 of the annual report be changed, and after discussion he moved to strike "litigation-caused" in the first sentence of paragraph 5, page 5 of the report. Mr. Caldwell seconded the motion. Mr. Hausle's motion was defeated 5-1 (Mr. Hausle voted for the motion, all others voted against the motion, Ms Smet was absent). The report will be presented to the School Board on November 8, 2006.

Mr. Caldwell spoke regarding the need to find avenues to provide summary information regarding our findings to the parents and other community stakeholders. Members agreed that Mr. Abrams will work to prepare an executive summary of our report and a link to the complete report on the District website, and potentially distributed via homeroom parent e-mail lists.

8 – Audience participation

On November 8th, District staff will be invited to tour the construction site. On November 15th, community stakeholders will be invited to tour the site. Committee members were invited to attend either or both of the tours. They are scheduled for 3:30 p.m. each day.

9 – Adjournment

Mr. Wayland moved adjournment at 6:50PM. Motion seconded by Mr. Hausle.