

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

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Citizens' Bond Oversight Committee

Regular Meeting

333 S. Beaudry Avenue

Los Angeles, CA 90017

Wednesday, November 18, 2009

Committee Members Present: D. Crippens, J. Naimo; C. Espinosa; S. Cunningham, L. Levitan; A. Medina

Committee Members Absent: E. Bar-El; C. Rice; S. Folsom; D. Jenkins; R. Slawson

Agenda Item 1. Call to Order

Mr. Crippens called the meeting to order at 12:30 p.m.

Agenda Item 2. Chair's Remarks

Mr. Crippens welcomed everyone to the November 18, 2009 BOC meeting.

Mr. Crippens reported that the Facilities Services Division (FSD) is at a critical point in the Bond Program. FSD has completed 95% of the 20,000 planned modernization projects and 80 of 131 new schools. As the program enters its final stages there will be changes in the organization that will include department consolidation as well as staffing reductions.

Mr. Crippens stated that the BOC will continue its push to make sure that bond funds are spent wisely, efficiently, and as the voters intended. The BOC will also continue to push for highly qualified individuals to run the construction program. To attract this talent, Mr. Crippens stated that compensation must be set at competitive levels. Mr. Crippens talked about the construction program seven or eight years ago and the Belmont LC investigation. The result of the investigation was the creation of the BOC. Another result was the FSD operating as a semi-autonomous unit. At the request of the BOC, language was added to Measures Y and Q requiring that the District perform compensation surveys of comparable positions in both the public and the private sectors and that the BOE find that compensation is in line with the market every two years. Over the years, the BOC has worked tirelessly with District administration to bring this requirement into compliance. As of July 2008, the District was found out of compliance. Over the last few months the BOC has been working with the District to bring it into compliance. To date, the BOE has taken no action to certify compliance with the requirements. It appears the District will again fail to meet the requirements laid down by the voters. The BOC fully

understands the dire financial position of the District and realizes that some of the most highly paid positions in this program may be given increases, while others are being asked for a 12 percent cut in pay. Mr. Crippens stated that most of the positions being discussed are paid for by bond funds. If this requirement is not met the District may not be able to keep and/or attract the best talent for the largest construction program in the United States. One of the strengths of the FSD has been its ability to deliver on schedule and on budget. Mr. Crippens will speak to the BOE at their December 8th meeting and make the requirements to comply clear with the BOE. If no action is taken by the BOE, Mr. Crippens will bring a resolution to the BOC at its January meeting demanding that the District take action. Compliance with FSD management compensation for Measures Y and Q is one of the highest priorities for the BOC. If the Superintendent and the BOE continue to ignore the laws passed by the voters, the BOC will pursue compliance by all means available to it.

Mr. Crippens stated that after the current program is completed, planning for Measure Q must begin. The BOC wants to make sure that the FSD has key personnel in place to perform the planning function so that when funding becomes available the FSD can hit the ground running. It is very costly to stop and start a program.

Mr. Crippens commented on the use of bond funds. The school building program is funded through voter approved bonds, which by State law, can only be used for capital improvements and not operating expenses.

Mr. Crippens provided an overview of the current bond funded joint use program. He also provided an update on the BOE/BOC Taskforce on BOC membership and provided an update on recent BOC member reappointments.

Agenda Items 11A. Facilities Services Division Organization Update & 11B. Clean Renewable Energy Bonds
Presenter: James Sohn, Interim Chief Facilities Executive

Mr. Sohn also included in his presentation **Agenda Items 4. Monthly Program Status Report-New Construction, 5. Monthly Program Status Report-Modernization, and 6. Monthly Program Status Report-Planning and Development.**

Mr. Sohn reported that the ribbon cutting ceremony at 450 N. Grand was held last week. He also reported that two 17406 projects (contractor financing) were awarded for Central Region HS #7 and Central Region K-8 Span School. Request for Qualifications (RFQs) were recently received for modular buildings that are anticipated to be used to replace some portable units on District campuses. Mr. Sohn announced that the District qualified for over \$120 million of clean renewable energy bonds.

Mr. Sohn reported that Central Region ES #17 received a substantial completion designation, which brings the completed school count to 81. Fifty-one schools are remaining and of those, 34 are currently in construction. Mr. Sohn reported that last quarter the FSD has been averaging 650,000-700,000 labor hours per month, which is near an all time high.

Mr. Sohn reported that less than 1,000 modernization projects remain of the 20,000 that were planned. Mr. Sohn reported that more than 80 applications were received for Proposition 39 seats. Two years ago 20 applications were received for 20,000 seats. Last year 50 applications were received for 22,000. This year 80 applications were received for 30,000-40,000 seats.

Mr. Sohn reported that over the last several weeks managers and staff have gone through a bottom up workload analysis. Last week a revised staffing plan was compiled. In aggregate, it does not differ substantially from the version that was approved in April 2009. Specific information was provided to contract professionals regarding their position, assignment, and end date. Advanced notice has been provided to staff regarding staffing reductions. The largest reductions will occur between now and July of next year. The bond funded positions will be reduced from 1,750 to 900.

In response to the BOC's guidance on beginning the planning process for future work, FSD is putting together a plan for pre-planning for both Measure Q and projects that may be residual in the current bond program. The plan will be brought forward in the near future. Mr. Sohn anticipates that this plan will address two of the key challenges, which include, retaining key staff and retaining key capabilities.

Additional challenges are centered around funding. The general fund has been dramatically cut for FSD over the last two fiscal years. Over the next two fiscal years if the FSD receives its share of reductions, the sum total of the three fiscal years will be in excess of \$100 million. This could translate into as many as 800 layoffs for District personnel funded by the general fund, which will cause a great deal of stress to the maintenance and operations functions of FSD.

Mr. Sohn reported that the State Match Funds continue to be delayed. There is no anticipated date on when the funds will be released.

Ms. Levitan expressed concern about the District's ability to maintain new and existing schools. She asked what the cut back percentage would be. Mr. Sohn responded that the real effect of the past two fiscal years and the next two fiscal years is that approximately one-third of the staff will no longer be in the maintenance and operations group. He added that this type of reduction will have an impact on the upkeep of District campuses.

Mr. Espinosa asked Mr. Sohn for help on some issues with Central Region HS #13. He requested to sit down with Mr. Sohn. Mr. Sohn responded that he would be delighted to meet.

Regarding the maintenance and operation cuts, Mr. Naimo asked if any type of impact statement had been prepared that outlined the type of service reductions that will occur. Mr. Sohn replied that he would prepare the information.

Regarding the facilities for mobile clinics, Mr. Medina asked if the partners will be able to provide their services given the state of the economy and that they are non-profit organizations. Mr. Sohn invited Ms. Ana Lasso, Interim Director, Joint Use, to speak. Ms. Lasso responded that FSD is working with three organizations, Asthma Allergy Foundation of America, Queens Care Dental, and USC County Hospital. She added that all these organizations have mobile health care vans in existence and that the vans rotate through the District campuses.

Mr. Crippens stated that the BOC is deeply committed to the planning for Measure Q. He noted that most of the work for Measure Q will likely be for modernization, maintenance, and upkeep. Mr. Crippens stated that a strong case could be made for continuity from the time that the current five bonds are expended to Measure Q. Mr. Crippens asked what things should be done to create more environmentally friendly schools. Mr. Sohn responded briefly about current efforts on environmental and sustainability for District campuses. He framed the discussion around how the District could use the environmental funds to relieve the general fund. For example, dollars not spent on utilities goes directly to the general fund. He also noted that the \$120 million clean renewal energy bonds can translate into as many as 24 megawatts of solar power generation, which generates around \$6 million per fiscal year. This translates to 200 building and grounds workers.

With the facilities drawdown, Mr. Crippens asked Mr. Sohn to talk about some of the negative consequences. Mr. Sohn responded that the human factor is very important. He noted that resources were distributed to employees about retraining and other employment positions in the area. For contract professionals, outreach is also being done so that they have access to jobs in the area. Mr. Sohn noted that one of the largest impacts of a big reduction in force is morale. Transparency, communication, empowerment, advance notice, answering questions are all efforts management can take to increase morale and to decrease the stress level of the skilled workforce. Mr. Crippens asked Mr. Sohn to assess the impact to the contract/vendor community. Mr. Sohn responded that the larger contractor/vendor will have some reserves and ability to withstand the downturn. He added that many of the smaller contractors/vendors will suffer disproportionately. Mr. Sohn has scheduled outreach meetings with small vendors in the architectural field and professional services side to give them projections so that they can plan their cash flow for the next several years and also so they could network and look at other opportunities in the area.

Mr. Espinosa asked how the downturn was affecting Owner's Authorized Representative (OAR) positions. Mr. Sohn responded that in the past, OARs were largely contract professionals. He reported that a large number of OARs are now District employees. These positions will remain in place through completion of their project as well as through the close-out phase of their project.

Agenda Item 3. Consent Calendar

Mr. Crippens introduced the consent calendar consisting of the following:

- September 16, 2009 Minutes
- September 30, 2009 Minutes
- October 21, 2009 Minutes
- BOC Quarterly Report (July-September 2009)

There was a Motion, Second, and vote.

Aye: 6
Nay: 0
Absent: 5
Abstain: 0

The Consent Calendar Passed Unanimously.

Agenda Item 7. Existing Facilities SEP Amendment – A&I and Board Member Funded Projects
Presenter: Terry Dillon, Deputy Chief Facilities Executive, Existing Facilities

Resolution 2009-42

This SEP amendment is for 27 projects valued at \$1,007,005.

There was a Motion, Second, and vote.

Aye: 6
Nay: 0
Absent: 5
Abstain: 0

Resolution 2009-42 Passed Unanimously

Agenda Item 8. Existing Facilities SEP Amendment – SLC Projects at Crenshaw HS and Gardena HS
Presenter: Terry Dillon, Deputy Chief Facilities Executive, Existing Facilities

Resolution 2009-43

This SEP amendment is for two small learning community conversion projects valued at \$3,798,136. Mr. Dillon provided an overview of the current status of the program.

There was a Motion, Second, and vote.

Aye: 6
Nay: 0
Absent: 5
Abstain: 0

Resolution 2009-43 Passed Unanimously

Agenda Item 9. Existing Facilities SEP Amendment – M&O Asbestos Abatement Projects
Presenter: Mark Hovatter, Director, Maintenance and Operations

Resolution 2009-44

This SEP amendment is 59 asbestos abatement projects valued at \$24,852,000.

There was a Motion, Second, and vote.

Aye: 6
Nay: 0
Absent: 5
Abstain: 0

Resolution 2009-44 Passed Unanimously

Agenda Item 10. Planning and Development Branch SEP Amendments

10A. Aquatics Facilities at South Region HS No. 15

10B. University HS Cultural Center

10C. Calvert ES Community School Park

10D. Mobile Health Clinic: Phase III

10E. Audobon MS Youth Center

Presenter: Ana Lasso, Interim Director, Joint Use

10A. Resolution 2009-45

10B. Resolution 2009-46

10C. Resolution 2009-47

10D. Resolution 2009-48

10E. Resolution 2009-49

Ms. Lasso presented all SEP amendments together.

Regarding the University HS Cultural Center project, Mr. Medina asked if any outreach had been done to the local Indian casinos to see if they were interested in contributing to the project. Ms. Lasso responded that she would follow-up with the Gabrielino Tribe.

Mr. Medina stated that he is sensitive to the needs of school children that have asthma. He noted that these needs have not been addressed adequately. Mr. Medina would like to see continued outreach to bring partners into the schools to assist in addressing the needs of asthmatic children. Ms. Lasso thanked Mr. Medina for his comments. She added that LAUSD Student Health and Human Services Division lead the charge of creating a master plan to determine where services are needed. Mr. Medina stated that diabetes also needs to be addressed.

Regarding mobile health clinics, Ms. Levitan asked what services they would provide. Ms. Lasso responded that services will include allergy and asthma testing as well as other free services and referrals.

Mr. Crippens requested motion to approve all SEP amendments in one vote.

There was a Motion, Second, and vote.

Aye: 6

Nay: 0

Absent: 5

Abstain: 0

Resolution 2009-45 Passed Unanimously

Resolution 2009-46 Passed Unanimously

Resolution 2009-47 Passed Unanimously

Resolution 2009-48 Passed Unanimously

Resolution 2009-49 Passed Unanimously

Agenda Item 11C. CAFR and Bond Audit Report for FY2008

Presenter: Erik Blum, Director, Program Management

Mr. Blum reported on two audits that were recently completed. The first audit was the Comprehensive Annual Financial Report (CAFR) for fiscal year 2007-2008. There were no FSD items in the audit to note. The second audit was the Agreed-Upon Procedures (AUP) Audit for fiscal year 2007-2008. Mr. Blum reported that there were some findings related to the AUP. Generally speaking, Mr. Blum reported that the findings were related to change orders, lack of documentation, and/or lack of architect of record stamps. FSD concurred with some of the findings. In other cases, FSD felt there was not requirement to stamp documents.

With all the changes in FSD, Ms. Levitan expressed concern that FSD would not be able to maintain how they operated in the past. She asked Mr. Blum to comment. Mr. Blum responded that the goal is to maintain the same timeframes that

have currently been set. The staff reduction will require a sharper and more refined approach. Mr. Blum reported that the decline in staffing is consistent with the decline in workload.

Mr. Naimo acknowledged the improved timeliness of the audit. He asked when the 2009 CAFR and AUP would be available. Mr. Blum responded that the CAFR would be available in April and a month later the AUP would be available. Mr. Timothy Rosnick, Controller, noted that February is the target to have the CAFR completed. The AUP will lag 45 days.

Mr. Naimo stated that the few findings are very technical and somewhat difficult to appreciate the relative risk of the findings. He asked for further comment. Mr. Blum responded that the risk is relatively minor. Mr. Naimo asked if Mr. Blum could comment on whether the personnel that are involved in the different processes and procedures are subjected to any budget cuts. Mr. Blum responded that all staff is subject to bond program reductions. Mr. Naimo recommended acceptance of the report with the caveat that the OIG review the exceptions, provide comment, and report back to the BOC. He also recommended having the OIG along with BOC staff review the AUP in the context of the changing environment in terms of the FSD and the transition to a different type of program.

There was a Motion to accept the CAFR and Bond Audit report for fiscal year 2008 with Mr. Naimo's recommendations.

There was a Motion, Second, and vote.

The CAFR and Bond Audit Report for Fiscal Year 2008 were Accepted Unanimously

Agenda Item 11D. Update on General Obligation Bond Issue

Presenter: Timothy Rosnick, Controller

Mr. Rosnick provided an update on the recent General Obligation Bond issuance. The District sold \$1.97 billion of general obligation bonds.

Given that interest rates are at near historic lows, Mr. Naimo asked if potential interest rate increase were factored into the modeling schedule. Mr. Rosnick responded that the models would use an average historical interest rate and not forecast the low rates that are seen today.

Mr. Espinosa requested a copy of the PowerPoint presentation.

Mr. Crippens asked Mr. Rosnick what challenges he sees coming up in the next bond sale. Mr. Rosnick responded that the last bond sale was not a slam dunk. The State was selling right behind the District and paying a much higher interest rate because they have a lower debt rating. There was feedback on the lines of why buy District bonds at 3 percent when we could get 5 percent from the State. The District is trying to pick a time in the market where they may try to separate away from the State. Even though general obligation bonds are secured by the tax base and not the District's finances, the noise in the State and the cuts that are hitting the District do affect the District's debt rating.

Mr. Crippens adjourned the meeting at 1:55 p.m.

Minutes of November 18, 2009 Approved per Bond Oversight Committee on December 16, 2009

John Naimo

John Naimo, Secretary