

Bond Oversight Committee Meeting Minutes

March 29, 2010



Pleasant Hill
Recreation & Park District

People, Parks, and Programs Since 1951

The March 29, 2010 Bond Oversight Committee Meeting of the Pleasant Hill Recreation & Park District was called to order by General Manager Bob Berggren at 7:00 p.m. in the Conference Room at the Administration Office.

PLEDGE OF ALLEGIANCE

General Manager Berggren led the Pledge of Allegiance.

ROLL CALL

MEMBERS PRESENT: Ganguet, Hagopian, Jeffrey, Ng, Simons, Vanhole

ABSENT (Teleconference): Vardas

STAFF & BOARD PRESENT: Berggren, Blair, Sterrett, Bonato

PUBLIC COMMENT

There was no public comment.

INTRODUCTIONS OF OVERSIGHT COMMITTEE MEMBERS, STAFF AND CONSULTANTS

General Manager Berggren made some brief comments and then asked each member of the Bond Oversight Committee (BOC) to introduce themselves. Each member took a few minutes to highlight their respective backgrounds and each member expressed their willingness to serve on the committee as a way of giving back to the community.

General Manager Berggren then introduced Mark Blair, the Accounting Supervisor, who would be "crunching" the numbers for the Bond Projects and Craig Hill, the Financial Advisor, who would be presenting an overview of the Bond sale later on the agenda. Berggren noted briefly that the first issuance of bonds was sold successfully last Wednesday. He introduced Ron Johnson who would be the Project Manager for all the bond projects and mentioned that his contract will be on the agenda for approval by the District Board on April 1, 2010 Special Board Meeting.

WELCOME FROM BOARD CHAIR SHERRY STERRETT

The General Manager gave a brief introduction of Board Chair Sterrett. Board Chair Sterrett welcomed and thanked the BOC for their commitment to service and commented briefly to the BOC that hopefully, each member would learn about Measure E and stated their role is to monitor the costs of the Projects. She indicated that bond costs associated with the first phase of the bond sale were lower than expected. During the campaign it was estimated that the cost to the taxpayer would be between \$21 to \$29 per \$100,000 of assessed valuation. For the first go around, due to the success of the financing team and staff, the costs have cleared at \$21 per \$100,000 of assessed valuation.

Board Chair Sterrett announced that the District was accredited by the Special District Leadership Foundation with the District of Distinction Award and the District was the first recreation agency to receive this award in the State. The District had to comply with certain standards that included three years of a clean audit, for all Board members and some staff they completed mandated training and the District implemented appropriate policies and procedures.

Board Chair Sterrett commented more than once that the BOC should feel free to ask staff questions about the Bond measure, process and project costs. The BOC represents the public and just like the Board asks questions of staff on behalf of the community.

Before concluding this discussion item, Board Chair Sterrett introduced Board Member Bonato as the newest and one of the hardest working members of the Board.

REVIEW OF BOND OVERSIGHT COMMITTEE RULES, POLICIES AND PROCEDURES

General Manager Berggren referred to the handout in each member's packet that was titled "District Bond Oversight Committee". He also indicated that Ron Johnson, the Project Manager, also sits on a Bond Oversight Committee for the Walnut Creek School District and would be able to give an overview of their process and responsibilities.

General Manager Berggren read the handout as follows:

Measure E Expenditure Policy

- Measure E funds will be spent in accordance with Measure E as approved by the voters in August 2009.
- Intent by the Board of Directors to use Measure E funds for Design and Construction of the Senior Center, Teen Center, Community Center, Pleasant Oaks Park and Restroom facilities.
- Expenditures shall not include any Administrative Salaries.
- Measure E funds not expended in current fiscal year will be carried over for budgeting in the next fiscal year.

Oversight Committee Composition

- All members will be selected at large from the Pleasant Hill Recreation & Park District based on an application and interview process. The Committee will consist of a seven (7) member body that resides in the Pleasant Hill Recreation & Park District.

Roles and Responsibilities for the District Bond Oversight Committee

1. Review the Capital Improvement Budget Expenditure Plan for the Measure E projects beginning in the fiscal year of 2009/2010 through the end of construction of all the projects.
2. Monitor all plans and expenditures to ensure the funds are spent in accordance with Measure E.
3. Review construction expenditures to ascertain whether the construction expenditures are consistent with the budget.
4. Review any major changes in costs previously approved by the District.
5. Report to the voters and the people of the District quarterly regarding the revenues and expenditures of Measure E funds.
6. Review an annual Measure E financial report to ensure the funds are spent in accordance with Measure E.

The General Manager requested Craig Hill, District's Financial Advisor, to give a brief overview of the role of the BOC. Craig Hill commented the process will last more than a year since the completion of projects is expected to continue over a five year period. Beginning April 1, the role of the BOC is to monitor the bond proceeds are spent in accordance with the voter approved Bond Measure E and that this purpose would continue over a multi-year period. The successful bond sale will deposit \$20 million with the District on April 1 2010. It is estimated that these proceeds will be spent over a five year period on design, engineering and construction. In total, the District will have \$28 million to spend on the projects including interest.

Craig Hill further stated an annual financial report will be prepared that will require the blessing of the BOC. He also said that the frequency of meetings varied with each of his clients. Some met on a quarterly basis and others only met once a year, where some clients only met semi-annually depending on the need.

Committee Member Simons commented that she saw on the internet that the District received a favorable bond rating. Financial Advisor Craig Hill confirmed the favorable rating and gave a summarized overview of the competitive bond sale. He indicated that the District received bids from four firms. However, due to the competitive auction process that allowed the firms to sharpen their pencils, the District received in total seven bids from the four firms.

As a result of the favorable bond rating and competitive bid process, the all inclusive cost to the District for the bonds sold was 4.8% for a 30 year debt. Since the cost was less than expected the District was able to sell more bonds (\$20 million) during the first phase while at the same time keeping the cost to the tax payer at \$21 per \$100,000 of assessed valuation. The estimate at pre-election was that the bond sale would be in the range of \$15 million.

General Manager asked Project Manager Ron Johnson to describe his experience serving on a Citizens Oversight Committee for the Walnut Creek School District. Johnson commented he has served for the past few years on the committee. Johnson said their committee met at first, twice a year, and then once a year due to the process going smoothly. The committee received a financial report and schedule of all the projects. Their bond measure provided for 4 to 5 releases because there were a variety of smaller school improvement projects. In the early years, the project costs were higher than the original estimates but then in the past year, costs were coming in less as much as 30% under estimates that will help offset the early cost overruns.

Project Manager Johnson stated that the role of their committee was to review the project schedules, the budget estimates and actual expenses. The only issues that came out of this review were that the interest earnings had not been reported and the budget estimates were not as reliable. Both issues did get resolved as a result of his participation on the committee.

Johnson stated that the lucky one to be Committee Chair is normally the member charged with making a presentation to the Board on an annual basis.

TO CONSIDER NOMINATIONS FOR OVERSIGHT COMMITTEE CHAIR, VICE CHAIR AND SECRETARY (ACTION)

General Manager opened the discussion for the nominations of Committee Chair, Vice Chair and Secretary. Committee Member Simons asked specifically who would be preparing the minutes and the General Manager responded that staff will prepare the minutes and the Secretary will review and sign the minutes.

Simons asked if the Committee would be responsible for a written or verbal report to the Board on the status of the project expenses. Project Manager Ron Johnson responded his experience was a verbal report once a year to the School District Board that included a statement that the Bond Oversight Committee reviewed the audit, project schedules, budgets and costs and that there were no issues.

Committee Member Jeffrey asked if the School Bond Measure had a requirement for the Citizens Oversight Committee to report to the public and the Board. Project Manager Johnson responded since the report to the Board was presented in an open meeting that was posted in advance this procedure met the requirement.

Committee Member Vanhole presented to the BOC and staff copy of an Annual Report by the Bond Oversight Committee for the Contra Costa College District.

General Manager Berggren asked for nominations from the committee members.

Upon motion of Hagopian/Jeffrey, the Committee approved the nomination of Norman Vanhole as Chair.

Upon motion of Ng/Vanhole, the Committee approved the nomination of Leo Vardas as the Vice Chair.

Upon motion of Ng/Hagopian, the Committee approved the nomination of Marie Simons as the Secretary.

The Bond Oversight Committee members reorganized their seats as a result of the approved nominations.

Committee Chair Vanhole asked if the BOC meetings would be in accordance with the Brown Act. General Manager Berggren responded all meetings would be open to the public and agendas would be posted in advance. Berggren stated that the meetings would be conducted in accordance with the Brown Act and Roberts Rule of Order.

Committee Member Jeffrey asked about clarification on the Brown Act as it pertains to two or more people having discussions on the review of the projects costs especially as the costs start fast tracking with project construction. General Manager Berggren reiterated the importance of following the Brown Act in that a member could not poll each member on a specific issue outside the public meeting format.

Vice Chair Vargas asked that his teleconference call be terminated at this time. General Manager said it would be no problem and they could meet upon his return to review the balance of the agenda.

TO CONSIDER MEETING DATES AND TIMES (ACTION)

Committee Chair Vanhole requested input regarding the date and time of the next meeting. Committee Member Ng asked about the meeting location. General Manager preferred the conference room because all the financial records are maintained in the Administrative office next to the conference room.

There was discussion by various members as others reviewed their calendars.

Upon motion of Ng/Vanhole, the Committee unanimously approved the next meeting date and time as June 30, 2010 at 6:00 p.m.

PRESENTATION FROM FINANCIAL ADVISOR CRAIG HILL WITH NORTHCROSS, HILL AND ACH

Financial Advisor Craig Hill explained State Law requires bond proceeds be spent on design, engineering and real improvement costs of a project that are considered permanent. Bond proceeds may not be used to pay for the costs of furnishings, furniture or improvements that are not attached to the building. For an example a stove, oven range, technology wiring may be funded out of bond proceeds but tables, chairs, or computers cannot be paid out of the bonds.

Financial Advisor Craig Hill expressed the need for the District to maintain within the financial records a clear delineation of costs that are bond eligible and those costs funded by other District funds.

Committee Member Jeffrey asked what the restrictions were related to donations. Financial Advisor Craig Hill responded donations were beautiful in that there are no state legal restrictions. These are the funds that can help to fund the costs that cannot be funded by the bond proceeds. General Manager Berggren further stated each project will have a fundraising aspect to help address the project expenses that cannot be paid for by bond proceeds. Both the Senior and Teen programs have scheduled fundraising events in the next few months and the same is true for the Community Center programming.

Committee Member Simons asked if the \$20 million in funds to be deposited with the District on April 1 will be maintained in a separate cash account with a Trustee. Financial Advisor Craig Hill indicated the bond documents do not require a separate account with an outside Trustee, but that the District will track these funds separately within their financial records.

REVIEW CURRENT BOND EXPENDITURES

Accounting Supervisor Blair gave an overview of the various financial reports that had been included in each Committee Member's agenda packet. General Manager Berggren referred the BOC to the Master Listing that listed each contract expense by vendor, invoice amount, date, check number, description, and project site.

Committee Member Jeffrey asked if permit fees had been included in each project estimate. General Manager Berggren confirmed that the permit fees such as water, City of Pleasant Hill fees had been included in the estimates. He also indicated that the Board was working on a request to the City to waive or reduce the permit fees on these projects that will benefit the community as a whole.

Committee Member Simons asked about the opportunity for a member to assist in a fundraising event that would benefit the projects. General Manager reported that the upcoming Blues & Brews festival will generate funds for the Teen Center and that the members were welcome to participate in this event that will be held at the Pleasant Hill Park.

Committee Chair Vanhole asked about project schedules and requested that the Master Invoice Listing be revised to include a column for total contract amounts including change orders. Committee Member Ng also commented that she would like to see interest earnings tracked and reflected within the financial reports.

The General Manager responded that staff would be working with Project Manager Johnson, once his contract was approved by the Board, on the preparation of timelines and budget estimates for each project. He indicated the intent is to start construction on the Senior Center in March 2011 with the Teen Center next in line. He also mentioned that relocation costs for programs while construction is in progress has been determined as an eligible cost of Measure E but the Board has not yet made a decision on this matter.

ADJOURNMENT

Committee Chair Vanhole adjourned the meeting at 8:23 p.m.

