

Bond Oversight Committee Meeting Minutes

March 20, 2014



Pleasant Hill
Recreation & Park District

People, Parks, and Programs Since 1951

The March 20, 2014 Bond Oversight Committee Meeting of the Pleasant Hill Recreation & Park District (PHR&PD) was called to order by Committee Chair Norman Vanhole at 6:04 p.m. in the Conference Office at the Administration Office.

PLEDGE OF ALLEGIANCE

Committee Chair Norm Vanhole led the Pledge of Allegiance.

ROLL CALL

MEMBERS PRESENT: Gorham, Hagopian, Jeffrey, Simons, Vanhole, Vardas

ABSENT: Hirst

STAFF & BOARD PRESENT: None

PUBLIC COMMENT

Committee Chair Vanhole briefed Wendy Lack, a Pleasant Hill resident in the audience, on the agenda format of the meeting and said public comment could be brought in at any time. There was no public comment under this topic.

REVIEW AND APPROVE MINUTES OF DECEMBER 12, 2013 MEETING (ACTION)

Upon motion of Hagopian/Vardas, the Committee approved the minutes of December 12, 2013.

REVIEW AND APPROVE SEMI-ANNUAL REPORT AS OF December 31, 2013 (ACTION)

Chair Vanhole asked the members if there were additional items to be added to the agenda. After some discussion, Member Gorham asked a specific question about report formatting for the final report. Chair Vanhole responded the format would be different and decided to add the discussion of the Final BOC Mission Accomplish Report including the next meeting date under item #8- New Business. Member Hagopian asked if there would be one or two reports to be prepared by the BOC. Chair Vanhole clarified there would be one more Semi-Annual Report in addition to the Final Report and said the discussion of the Semi-Annual Report as of June 30, 2014 would be under item #7- Old Business.

Member Jeffrey reported the District staff had issued two acceptance resolutions in January 2014 on the final costs for the Pleasant Oaks Park and Community Center projects. He expressed his concern the final costs were higher than the original contract amount including approved change orders. The Pleasant Oaks Park project final cost resolution was higher by about \$1,500 and the Community Center project resolution stated costs higher by over \$50,000. Member Jeffrey stated the Community Center resolution was tabled by the District Board but the Pleasant Oaks Park project acceptance resolution was approved by the District Board. Member Simons commented in her past experience, a final acceptance resolution for the capital project construction would state the final cost to be paid to the contractor and this amount would be actual not an estimated amount.

Member Jeffrey reported he did mention his concern to District staff and they indicated an approved project acceptance resolution for the Community Center was necessary to request the

final reimbursement of Measure WW Funds from East Bay Regional Park District. It was the consensus of the BOC since this resolution had been tabled by the District Board; it would not be necessary to report it in the BOC Semi-Annual Report as of December 31, 2013.

Member Jeffrey pointed out on page 2 of the Semi-Annual Report as of December 31, 2013 the last paragraph under the Budget Committee section had an incomplete summary sentence. Vice Chair Vardas indicated he thought a total budget for all Measure E projects should be included in the summary and he also expressed a concern there was no mention of how expenses over the \$28 million bond issue were being funded. Member Simons responded she agreed a budget total should be included in the summary of the Budget Subcommittee section; however, she said the additional funding sources were explained on page 3 and 4 of the Semi-Annual Report under the Audit Subcommittee section that included a sentence that said "The BOC notes the District has added additional funding sources (including interest earned and WW funds) to complete Measure E project work". Member Simons further responded there was a sentence on page 5 that said "Staff anticipates the use of the District's general fund to cover any remaining deficiencies once final project costs are known."

After discussion, Member Simons recommended the following change to page 2 under the Budget Subcommittee section: "In summary, the revised total budget is \$29.6M for all five Measure E fund projects. (Teen Center \$3.61M, Senior Center \$10.35M, Community Center \$11.44M, Pleasant Oaks Park \$4.2M and Rehabilitation of Park bathrooms \$0.) As of December 31, 2013, there remains budgeted a total overall Measure E project fund deficiency of <\$93,773>.

Upon motion by Hagopian/Vardas, the committee approved the Semi-Annual Report as of December 31, 2013 with the above recommended revision. Chair Vanhole voted "no" with no further discussion or comments.

SUBCOMMITTEE REPORTS

Chair Vanhole opened this item for discussion. Member Jeffrey referred members to page 2 of the Audit Subcommittee Report and page 19 of the Measure E Payments Spreadsheet. Member Jeffrey indicated there were notes about some payments that exceeded approved contract amounts; however, these amounts were under \$5,000 and were deemed proper Measure E expenditures because each invoice had been approved by the District General Manager as a direct invoice. Member Jeffrey also mentioned the cost overruns for CSI and two other vendors that had been mentioned at the last BOC meeting on December 12, 2013 had been covered by approved change orders that were executed soon thereafter. With this consideration, Member Jeffrey said no further comments would be made in the Audit Subcommittee report.

OLD BUSINESS

Chair Vanhole stated under this item there would be one more Semi-Annual Report to be completed for the period of January 1 through June 30, 2014. The report would be prepared in the same format as previous reports. Chair Vanhole mentioned he thought most of the final invoices would be received during the next reporting period and he also mentioned some warranty issues were in the works. Members Jeffrey and Gorham had a discussion on the DL Falk change orders that were processed during December 2013 and January 2014. They also discussed the difference between warranty work items versus change orders.

Chair Vanhole asked if CSI was out of the picture and if Accounting Supervisor Blair would be updating the Master Program Budget report. Member Jeffrey responded he thought a District

staff person would be assuming the role of project manager for the remaining process but did not know if Accounting Supervisor Blair would be updating the Master Program Budget report.

Chair Vanhole stated there appears to be a few loose items that need to be addressed for the next report. Chair Vanhole also mentioned he had noticed recently there was a closed session held by the District Board on potential litigation and wondered if it had to do with the two remaining projects. There was discussion on what project it could be but no determination was made by the members.

After discussion, it was the consensus of the BOC to prepare the Semi-Annual Report as of June 30, 2014 in the same format and to hold the next BOC meeting on July 17, 2014 for review of this report. Member Simons said she would confirm with Accounting Supervisor Blair upon his return from vacation on the availability of the conference room for this date.

NEW BUSINESS

Chair Vanhole opened this topic to discuss the content and format of the Final BOC Report. Chair Vanhole mentioned last year he had brought up the idea of preparing a Final BOC report along the lines of "Mission Accomplished" or showing how the money was distributed among the projects. Chair Vanhole further said he had used the Community College Bond Report as an example but he understood this report was considered too flamboyant by some of the BOC members.

Chair Vanhole proposed several content ideas for the preparation of the Final report to the members that included the following:

1. Include the original bond ballot language,
2. State the main charge of the bond oversight committee,
3. Comment if the bond funds had been used for expenses not allowed under the measure such as administration and/or furniture and fixtures,
4. Include a statement that fund raising efforts were not sufficient to pay all the furniture and fixture costs, and
5. Was the District a good steward of the taxpayers' money?

Chair Vanhole reported he asked some members of the public for their input and specifically said Jack Prosek would like to see a concise summary of all costs by project and funding in a simple chart. Member Simons agreed two simple pie charts could be prepared that indicated total project costs and total funding sources.

Member Simons clarified her email comment that was discussed at the last meeting by the members since she was not there. Member Simons explained the intent of her email was not to comment negatively on projects that were not completed by the District. In fact she was extremely impressed the District was able to build the 4 main projects as promised to the voters. Member Simons further said the bathrooms at the Pleasant Hill Park were in terrible condition and thankfully had been replaced as part of the Teen Center project.

Member Simons stated the District added less than \$2 million of funds from other sources to complete these projects. A 10% cost increase for projects of this scale is not considered out of line. In fact, prior to her employment with the City of Hercules over 25 years ago, the City voters had passed a \$12 million bond issue to cover the construction of a Senior Center, a Community and Swim Center, a Library, three Childcare Facility Enhancements and Park Improvements throughout the City. Since the bond issue was undersized significantly, the

Library project had to be eliminated when true construction costs were determined for each project. As the new Finance Director she spent the next four years finding additional funds to build the other promised projects. Member Simons explained her intent was to suggest the preparation of two pie charts that reflected what was promised to the voters and what was delivered by the District. If the BOC did not want to say more about bathroom renovations in other parks she was fine. However, based on what she thought she heard at other meetings, she did not think the BOC should be preparing detail charts commenting on how the District spent money on each project line item.

Briefly, a few of the members discussed how District staff spent many hours working on the Community Center landscaping to save money for the project. It was the understanding of the BOC members that the material costs not labor costs were charged to the Measure E project. In addition, it was mentioned the accounting and reporting time spent by the Accounting Supervisor is not charged to Measure E.

Chair Vanhole determined based on discussion by the BOC members the District fundraising efforts should not be included in the Final Report. He then asked Wendy Lack, who was in the audience, if she had any comments. Wendy Lack thanked the Chair for giving her this opportunity to speak and she gave her thoughts on what should be included in the final BOC report as follows:

1. State what was promised to the voters and what was delivered,
2. Make the report clear, transparent and understandable to the average person,
3. If technical terms are used; have a glossary with explanations at back of report,
4. If there is bad news or problems with the projects do not hide it from the public,
5. Explain Measure WW so the public has a better understanding of what these funds are,
6. In response to a comment made by Member Jeffrey she thought the public would be interested in knowing there were significant fees in the amount of \$500K paid to other permitting agencies, such as the City of Pleasant Hill, Contra Costa Water District, etc.
7. Provide a statement of the total cost of projects including the interest that will be paid on the bonds over the loan period of 30 years.

Chair Vanhole went over a few more ideas about the report including the fact there were no safety incidents with the construction of Measure E projects and that was good thing. Chair Vanhole also suggested the inclusion of committee bylaws and a "looking ahead" section that could be worked on in conjunction with the District Board. Chair Vanhole also asked if each subcommittee would prepare a concluding statement for their respective sections. Member Simons agreed this would be a good idea as long as the statements were concise and non-technical.

Both Members Gorham and Hagopian mentioned the Final BOC Report should be kept simple. Member Gorham commented the report would include the vision of the bonds, the bond requirements, what was delivered and how were the funds allocated among the projects. Member Hagopian thought the report should be no more than 2 pages.

Member Simons asked what the time frame was for the preparation of the BOC Final report because she was not going to have time to focus on BOC until the end of June and early July. She explained she had other volunteer commitments for another organization, would be out of town in April and June and home repair projects would take up her time for the next few months.

There was discussion by the members on whether final Measure E expenses would be paid by the District as of June 30, 2014 or would there still be expenses after that date. Member Jeffrey reminded everyone the Independent Audit Report would not be completed until the Christmas holidays. This would be an outstanding item that would require BOC review because sometimes there are changes to the numbers.

Wendy Lack asked if capital appreciation bonds had been issued for this bond issue and Member Simons responded no and that the annual debt payments were level each year for the life of the bond issue. Member Simons also said both her and Member Jeffrey reviewed the costs of issuance after the sale of bonds. Wendy Lack also indicated it would be good for the public to know the true costs of the Measure E projects by including the interest to be paid on the bonds.

Chair concluded he would do some more research on the preparation of the BOC Final Report and that he may need input from the other subcommittee members over the next few months.

Before the meeting was adjourned, Member Simons ask the Chair why he voted no on the Semi-Annual Report as of December 31, 2013. The Chair responded he had a concern with the budgeted unfunded deficiency of <\$93,000> that keeps coming forward with each report. His other concern was the fact the bathrooms at Rodgers Smith Park did not get renovated as part of this bond issue. Some of the BOC members noted this specific improvement was never identified in any of the CSI budget reports and the Park Bathroom Rehab project was always stated with a budget of \$0.

ADJOURNMENT

Committee Chair Vanhole adjourned the meeting at 7:30 p.m.

Marie Simons, Committee Secretary