

ARCADIA UNIFIED SCHOOL DISTRICT
CITIZENS' OVERSIGHT COMMITTEE MEETING
MINUTES

April 16, 2007

5:00 p.m.

Board Room, District Office

COC Members Present: Vern Whitaker, Janet Chew, Aili Gardea, Susan Lawi Ayad,
David Lee, Peter Ulrich, Michael Lattanzio, Bob Hoherd,
Karen Acosta, Felipe Chuang

COC Members Absent: None

Staff Present: Mimi Hennessy, Joel Shawn, Christina Aragon, Connie Trinh

Consultants Present: David Casnocha, Stradling Yocca Carlson & Rauth

I. Welcome

Mimi Hennessy, Superintendent, welcomed and thanked the members of the Citizens' Oversight Committee (COC) for agreeing to commit their time to serve the community. The District received a great number of highly qualified applicants. It wasn't an easy task for the Board of Education, but they made an excellent decision in selecting the members of this Committee. The Committee includes a diverse group of individuals representing the key stakeholders in the community. Dr. Hennessy stated that Vern Whitaker had agreed to Chair the Committee and thanked him for it.

Dr. Hennessy explained that she and Joel Shawn, Deputy Superintendent, will not be attending most of the meetings, but will be available for questions/support. David Casnocha of Stradling Yocca Carlson & Rauth was introduced to the Committee as the District's Bond Counsel. Christina Aragon, Assistant Superintendent of Business Services, and her assistant, Connie Trinh, will be attending most of the meetings.

The Committee was asked to gather for a group picture, taken by Marilyn Daleo, District's Public Relations Consultant.

II. Introduction of Committee Members

The Citizens' Oversight Committee consists of a wide range of community members representing various groups. Dr. Hennessy asked each of the members to introduce themselves and state their representation.

III. Comments from Public

There were no comments from the public.

IV. Roles and Responsibilities

Before discussing the roles and responsibilities of the Committee, Mr. Casnocha explained that Measure I was approved under the authority of Proposition 39. This proposition changed the State Constitution in 2000 to lower the voting requirement for passage of local school bonds. It allows school districts and community colleges to seek only 55% (rather than two-thirds) support of voters for school facilities bond measures.

To qualify under Prop 39, the State Legislature imposed three requirements:

- 1) Develop a specific list of school projects to be funded through bond proceeds;
- 2) Establish a Citizens' Oversight Committee; and
- 3) Obtain Board approval to commission and conduct annual, independent financial and performance audits.

Mr. Casnocha proceeded with reviewing the Bylaws. He said that they are similar to what many other school districts have passed. Mr. Casnocha informed the members that they are serving on an advisory Committee. They are not accountable to the Board or community. The Committee can not initiate a lawsuit. Mr. Casnocha stated that he would be available to answer questions in the form of an email or letter.

The Citizens' Oversight Committee is subject to the Brown Act. Mr. Casnocha briefly reviewed the guidelines:

- 1) Member can only talk about topics on the agenda (members should filter items through the Chair or District to get them on the agenda);
- 2) Must accommodate comments from the public;
- 3) Members are not expected to go into Close Session; and
- 4) Serial meetings are prohibited.

The Committee will be reviewing expenditure reports produced by the District to ensure that bond proceeds are expended only for the purposes set forth in the ballot measure. There will likely be conversations from the staff about planning or projects in the queue. Exhibit A of Resolution No. 1137 stipulates what constitutes a Measure I project. Exhibit B contains the full ballot text of Measure I. The District is not required to complete every project on the list. It would not be a breach of law if not all the projects are completed. The Committee can not claim that something was done wrong.

In November, 2004, the Attorney General rendered an opinion regarding bond proceeds. They can't be used for teacher and school administrator salaries; however, salaries associated with the administration of a bond project can be paid out of bond proceeds.

The Committee is expected to keep the public informed. It is recommended and common practice that the Committee speaks in a united voice (i.e., the Chairman speaks on behalf of the

Committee). The Committee will need to decide on how to get the information out: Website (provided by District), District newsletter, letter to editors, etc. Mr. Casnocha advised the Committee to follow-up regarding questions/concerns with the administration first before going to the Board or public. The Committee is expected to complete a written Annual Report and present it to the Board. The Committee may decide to have a 1½-year or 8-month report and then follow-up on an annual basis. They may choose to follow the same timeline as the District's financial audit.

The Committee may receive and review the District's annual, independent financial and performance audits. They may also review the District's deferred maintenance plan and ask questions as deemed appropriate, at the discretion of the Chairman. The Committee is expected to review the efforts made by the District to maximize bond proceeds by implementing cost-saving measures.

The selection of Committee members was based on the criteria established by Prop 39. Per Ed Code, each member may serve two, two-year terms. For the purpose of continuity, Dr. Hennessy suggested that members serve either one- or two-year terms.

MOTION: A motion was made and seconded to approve the recommended terms for Committee members as set by the Board. Motion carried unanimously.

The Committee will meet quarterly. If information regarding expenditures is limited to report on, meetings may be cancelled from time to time. Members may participate in the meetings via conference call; however, it is required that notices be posted regarding the meeting at the call site. Members should work with staff as needed.

The District will provide public access to Committee records (such as expenditure reports, minutes, handouts, etc.) on an Internet website maintained by the District. Information regarding this website will be provided at the next meeting.

V. Election of Vice Chair

Chairman Whitaker opened the floor for nominations. Peter Ulrich nominated Bob Hoherd as Vice Chair.

MOTION: A motion was made and seconded to elect Mr. Hoherd as Vice Chair. Motion carried unanimously.

VI. Establishment of Meeting Dates

Chairman Whitaker opened the floor for suggestions regarding the meeting schedule. The Committee was asked to identify days/times of the week that would work best. The consensus was to meet on Mondays at 6:00 p.m. Mr. Casnocha informed the Committee that the April 16, 2007 meeting would be considered an orientation meeting; it would not be counted as a quarterly

meeting. Ms. Aragon will check the calendar and get back to the Committee regarding possible dates. The next meeting may possibly be scheduled for May.

VII. Report on Bond Sale

Ms. Aragon reported that the District was given a good bond underlying rating of AA- from Standard & Poor's and an even better rating of Aa3 from Moody's Investors Service. These ratings are considered good for school districts. Because of the cost benefit, insurance is purchased to increase the rating. Starting out with a higher rating reduces the cost of insurance. Only 5% of school districts get into the AA range. Dr. Hennessy pointed out that only one district has received a AAA rating, as they were self-supporting. Ms. Aragon noted that the District was credited for having financial stability and maintaining a steady growth in average daily attendance.

The District received quotes from four different insurance companies. The lowest bid of 9.8 basis points of total debt service came from FSA. Ms. Aragon stated that a similar district received a much higher bid of 12.5 basis points a couple of weeks prior.

Ms. Aragon explained the sources and uses of the funds. On February 21, 2007, the District issued \$162 million in bonds.

The bond arbitrage yield (cost of borrowing on bond) is 4.72%. This percentage is lower than the District's assumptions of 6% for capital appreciation bonds and 5.25% for current interest bonds. The bond proceeds are currently invested in a Guaranteed Investment Contract (GIC) at 4.866%. The District can earn up to 4.72% and keep the interest; the difference (between 4.866% and 4.72%) would have to be returned to the County Treasurer. Ms. Aragon reviewed the estimated tax rates per \$100K of assessed valuation (AV), assuming an annual 2.5% AV increase from 2006-07 through 2008-09 and 5% AV increase thereafter. If the annual AV increase grows faster than 2.5%, the savings would be carried over into the following years continuously until the next issuance.

VIII. Other Business

Dr. Hennessy reminded the Committee that they act as an independent Committee, but the staff will support and work with the Committee to carry out its responsibilities. She expressed that the Board and administration feel a sense of obligation and commitment to the community to deliver what was promised and will work hard to that end. She thanked the Committee for their time and willingness to serve the community in this capacity.

IX. Adjournment

MOTION: A motion was made and seconded to adjourn the Citizens' Oversight Committee meeting at 6:45 p.m.