

Berkeley Unified School District

FACILITIES PLANNING DEPARTMENT

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Draft Minutes of the Meeting of January 3, 2013

Members Present: Stephanie Allan Susi Marzuola Eric Weaver Allen Nudel
Nicolie Bolster-Ott David Goldin

Staff Present: Lew Jones, Director of Facilities
Chanita Stevenson, Administrative Coordinator

1. *Call to Order:* The meeting was called to order at 6:00 PM. A motion was made to amend the agenda to include a presentation from Board Director Daniels about the Board's bond issuance plan.

Approval of Meeting Minutes: There was a change made to the final sentence of Item 5 Discussion regarding Capital Appreciation Bonds versus Current Interest Bonds. The Committee had a lively discussion about CABS and CIBS, and how to better explain the decisions on the types of bonds utilized to the citizens of Berkeley. It will be amended to state: The Committee had a lively discussion about CABS and CIBS about when and why to use either and how to best explain the decision. The discussion will continue at the January 3rd Meeting. Another line was added to the Staff report section regarding West Campus. The District plans to contract directly with the subcontractors to finish the remaining work. Secretary Weaver moved to accept the minutes as amended. Member Bolster-Ott seconded the motion. The minutes were approved unanimously.

2. *Public Comments:* There were no public comments.

3. *Staff Report*

Project Updates

- **BHS:** The project is moving along. All concrete footings were poured before the rain began. Steel is being erected at the site. The total project is not behind schedule. The new building is behind schedule. The next BHS Site Committee meeting is January 9th. Staff plans to communicate that there will be no storage containers on the site.
- **Derby Field:** The project schedule has been impacted by weather. Co-Superintendent Cleveland and City Manager Daniel are currently discussing a Memo of Understanding regarding fixing the City drainage problem.
- **LeConte Grounds:** This project is going to the Board on January 9th. The plan will focus on the area where the portables were removed.

Proposed Changes to the Facilities Plan

On a yearly basis there are changes made to the Facilities Plan. The Board added an item (number 12) which would accelerate projects at Willard. Staff discussed the proposal which includes increasing the amount of the CIBs issued in 2013 from \$33M to \$40M, reserving money for inflation, additional furniture purchases, consolidating budget items, accelerating projects, reducing reliance on state funds, adding funds to various projects, reducing program management costs and recalculating the risk pool budget. There is a net increase of \$600,000 in the fund balance. Staff discussed the

remainder of the document, which includes budget sheets for both Measure I and Measure AA, project schedules and information from the financial advisor that details the plans for the bond issuance. Secretary Weaver asked if some projects would be delayed if the additional \$7M in CIBs were not issued. Staff responded yes, but he did not develop that plan so cannot identify specific project impacts. He also noted that Board Director Daniels stated that issuing a smaller CIB in 2013 could reduce the amount of CABS that would be needed in the future. Co-Chair Allan asked if the Board made a decision to issue CABS. Staff explained that the proposed model is based on issuing CABS in 2015. The Board has to authorize issuing each bond issuance and the type of issuance separately. Secretary Weaver asked if there were substantial savings if projects were accelerated. Staff noted yes that he believes over \$1M would be saved. Staff recommended accelerating projects based on the increased flexibility estimated by the financial advisor. Co-Chair Marzola asked if there were there will be an impact on the quality of project management. Staff said there was not a large implication on project management. Co-Chair Allan asked if the Board is approving issuing CABS in 2015 based on approving the plan. Staff explained that the proposed program is based on issuing CABS in 2015 and if that changes some projects will be delayed. Staff provided a scenario where no CABS were issued and explained the potential impacts. The financial changes would include reserving more for inflation (\$5.3M) and risk pool (\$270K) budgets, would need funds from OPSC (\$850K) and decelerating all projects. The Committee drafted a statement based on the proposed plan to provide to the Board.

The District is doing its annual evaluation on whether to modify the bond plan. Capital Appreciation Bonds (CABS) are part of the current plan for 2015. All other bond issuances are Current Interest Bonds (CIBs). With CIBs, the taxpayer pays off interest and principal in more conventional way. CABS defer all payments until a future date and therefore the taxpayer pays more in total interest. Evaluating the wisdom of issuing CABS should be a part of that annual evaluation. To evaluate CABS, we created a basic formula to give a very rough idea of the additional cost of CABS. The entries in the formula were finalized a few days later after additional information was received from the financial advisor. The final formula is:

$$X = \text{Increased interest on CABS vs. CIBS} = 73,690,000 - 67,018,237.50 = \$ 6,671,762.50$$

$$Y = \text{Savings (in inflation) realized by accelerating the projects} = \$ 6,500,000$$

$$Z = \text{Estimated cost resulting in using CABS vs. CIBs} = \$ 171,762.50$$

The Committee then reviewed the potential benefits the increased costs versus the real and intangible values of finishing the projects earlier.

The Committee came to the conclusion that the projected issuance of CABS in 2015 is worth the increased cost because:

1. It permits the district to stays below the targeted tax rate while raising more money sooner;
2. It avoids the deceleration of capital improvement projects;
3. It expands learning opportunities sooner by providing facility improvements available to more students;
4. It achieves savings in program operating expenses due decreased maintenance costs, energy savings, etc., from new and renovated facilities; and,
5. It reduces the amount of money that must be reserved for inflation.

4. Discussion of Reappointments
 - Committee members in attendance requested reappointment. Staff will confirm the status of Member Bridgers separately.
5. Consideration of Sub-committee to review project design as it relates to cost, efficiency and facility planning
 - Co-Chair Allan requested that members review the proposal from Co-Chair Marzuola. The intent of the sub-committee will be to provide additional insight on projects. This item will be placed on next meeting's agenda as an action item.
6. Monthly Report from the Audit Committee
 - Member Goldin requested that the auditor provide a presentation once the audit is complete. This item will be added to the next agenda.
7. Committee Member Comments:
 - Secretary Weaver stated that he is happy about the progress of both the BHS project and the Derby project.
8. Next Meeting Dates:
 - The next meeting is scheduled for February 7, 2013.
9. Adjournment.
 - The meeting adjourned at 7:47 PM.