



LOS ANGELES COMMUNITY COLLEGE DISTRICT

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MINUTES

Bond Steering Committee

8:30 a.m. on January 6, 2015

Committee members present:

1. Chief Facilities Executive:
James O'Reilly, LACCD
(committee chair)
2. PMO Director: Terri Mestas,
LACCD PMO
3. Academic Senate: David
Beaulieu, LACCD
4. Academic Senate: Don
Gauthier, LACCD
5. Faculty Guild: Joanne
Waddell, Valley College
6. College President: Nabil Abu-
Ghazaleh, West L.A. College

7. Faculty Guild: Carole
Anderson, Trade-Tech
8. Deputy chancellor:
Dr. Adriana Barrera
9. Chief Financial Officer:
Jeanette Gordon, LACCD

Committee members absent:

1. College President: Dr. Otto
Lee, Harbor College
2. College President: Dr.
Kathleen Burke, Pierce
College

Guests and staff resource persons in attendance: Mona Field (LACCD Board of Trustees), Tom Hall (LACCD), Dan Minkoff (LACCD PMO), Steve Springer (LACCD), Coby King (High Point Strategies), Ray Loving (LACCD PMO), Erika Alvord (KPMG), Tracy Hensley (KPMG).

Meeting began at 8:37 AM.

1) Approval of minutes

- a. December meeting. Action needed: committee vote.**

Ms. Waddell moved to approve the December minutes. Mr. Gauthier seconded the motion. The minutes were approved as amended.

2) Energy oversight committee update

- a. Status report from the Energy Oversight Subcommittee. No committee action required.**

None.

3) KPMG bond program performance audit report
a. Overview of the FY 2013-14 performance audit report. No committee action required.

Mr. O'Reilly introduced Ms. Hensley and Ms. Alvord. Mr. O'Reilly said at any given time, the program has four to six ongoing audits. He said this is the most heavily audited program he has ever been associated with. Mr. O'Reilly said the KPMG audit reports are to June 30, 2014. He said this gives us idea of where we have room for improvement and provides an opportunity take management action to revise our processes.

Ms. Alvord said this year KPMG looked at change orders and the process related to cost estimating for projects in construction. She said they looked at the bond expenditure process, the change order process and for improvements in that area. Finally, she said, KPMG looked at the strategic execution plan.

Ms. Alvord said as a result, there were no findings for the SEP and for bond expenditures. She said there were minor findings for the change order management process. She noted there has been an improvement, but there still are some areas to improve.

Ms. Alvord said a detailed process on how the program derives an estimated cost is needed. She said that relates to the estimated cost to complete, which is compiled by the college teams.

Mr. O'Reilly said you've heard about the importance of processes and procedures. He said we did have a process for cost estimating, but it was not robust enough. Mr. O'Reilly said since the report, we've done a 26-page standard operating procedure for cost estimating or estimates at completion that's more detailed and accounts for new PMIS systems for cost control and training for cost estimating. Ms. Mestas said we have regionalized the estimators and they are now using a template so that the estimate process is standardized.

Ms. Hensley stated that the centralization has improved the results of the audit report. She said we could go from college to college and keep finding the same things, but this year we definitely saw an improvement.

Ms. Waddell asked if anyone connects the dots between the all of the audits done on the program. Ms. Hensley said KPMG performs three audits.

Ms. Waddell asked if changes in one place trigger changes in another place. Mr. O'Reilly said we answer the audits as a whole. He said that if we see a deficiency, we address it from an enterprise perspective.

Mr. Beaulieu said there are faculty concerns that the program is now overly centralized. Mr. Beaulieu asked what KPMG thinks about centralization.

Ms. Hensley said from a college perspective, she understands why they would want local control, but that's not a procedure or process that KPMG audited. She said from an efficiency and administrative process, there is no doubt that centralization has made this audit process more efficient and more accountable.

Mr. Beaulieu asked if the changes have made program made easier to audit.

Ms. Alvord said improvements have more to do with standardization than centralization.

Ms. Gordon said you have to have someone centrally in charge to standardize so that the colleges aren't each doing their own thing.

Ms. Waddell asked if standardization on cost estimating has helped produce more accurate estimating. Ms. Alvord said we didn't have standardized cost estimating procedures, but that didn't mean the estimates were wrong. She said that we didn't redo the cost estimates. Mr. O'Reilly said the finding wasn't about the quality of the cost estimates. Ms. Waddell asked if we know whether the standardization leads to better cost estimating.

Ms. Anderson asked if there is a project that had a cost estimate and now has an estimate using the new standardized cost estimating process. Mr. O'Reilly said we've done that with all projects. Ms. Anderson asked to see a sample cost estimate. Ms. Mestas said she will provide a sample cost estimate workflow.

Ms. Waddell asked when we might know whether that produced better estimates. Mr. O'Reilly said the previous estimates weren't inaccurate, but we have a lot more confidence in the estimates now. Ms. Gordon said the only way to know for sure if an estimate is accurate is when a project is complete.

Ms. Hensley said you measure success by having a process and knowing how you got there.

Ms. Waddell asked if this standardized process means we won't have keep rebaselining. Mr. O'Reilly said we shouldn't have to do that.

Ms. Mestas explained the different layers of estimating. She said with the new process, our senior estimators have discovered that there were some gaps in the estimates. Mr. O'Reilly talked about the risk management process and how that has added some estimated costs that maybe weren't included in the original estimate because the previous estimates tried to keep a project within the available budget.

Ms. Waddell asked if we have quantified if change orders are fewer in number and cost. Ms. Hensley said we found fewer exceptions to change orders.

Ms. Anderson suggested using a few projects to help explain why the standardized process has helped. Ms. Anderson said whenever something needs to go to the board, we need to call an emergency meeting of the BSC so they can hear our concerns. She said that faculty are concerned that reports go to the board before BSC has a chance to receive the presentation.

Trustee Field suggested drafting a one-page bullet-point summary of how standardization has improved our program. She asked how we make sure the building user groups get the information they need.

Trustee Field said current board leadership is focused on process improvements. She said reports to the board should also be provided to the appropriate people here so that they can comment.

Trustee Field said this committee should be aware of presentations to the board and have an opportunity for those who want to be there and speak.

Mr. Beaulieu said the committee has very little communication with the board. He said we are trying to work on better communication, but, for example, there was no communication about the hiring process of the new college project directors.

Mr. Beaulieu asked if KMPG can look at whether centralization/standardization has helped the program. Mr. O'Reilly suggested a performance audit of the program and how it's being run, although that would probably be more subjective than the auditors are comfortable doing.

Ms. Gordon said the performance audit is whatever we want them to look at.

Ms. Anderson said campuses don't trust what's going on. She said the only way that's going to change is to show that the processes put in place are working.

Ms. Hensley said standardization has made auditing the program easier and the trending shows that standardization has led to improvement on the program.

Mr. O'Reilly said all of these issues are something we should work on as a group. Mr. Beaulieu said we're at the point where we need evidence of the benefits of the changes and new processes.

- 4) KPMG bond program financial audit report**
 - a. Overview of the FY 2013-14 financial audit report. No committee action required.**

The committee discussed whether the audit reports should be presented first to Bond Steering Committee before going to the board. Ms. Gordon said the BSC receives a report, but it isn't final until it is accepted by the board.

Ms. Anderson said the BSC members understand that only the board has the authority to accept the audit reports, but she wants the board to first hear comments from BSC members when they are presented.

Ms. Hensley said KPMG has been engaged to perform two audits. She said one is a statement of expenditures and the other is a performance audit to look at the performance and processes of the program.

Ms. Hensley said we looked at \$274 million plus in expenditures and selected more than 1,700 sample items selected randomly. She said if there's something you would like us to focus on, please let Mr. O'Reilly or Ms. Mestas know.

Ms. Hensley noted an adjustment to record payments of previously accrued expenses to the correct bond fund. Ms. Waddell asked if there is a policy regarding accruals. Ms. Hensley reviewed the procedures so that the program knows what's accruing and knows what it is reversing.

Ms. Waddell said one report included a line item about interest accrued. Ms. Hensley said no interest was expended.

5) DCOC annual report

a. Review the DCOC 2013-14 annual report. No committee action required.

Mr. Hall said the DCOC is the author of the report. He said the figures come from the dashboard report, so the numbers are a snapshot in time. Mr. Hall said the report is through June 2014 and DCOC is staffed with volunteers, so it takes a while to complete the draft. Mr. Hall noted that the DCOC members are very supportive of the program. He said the DCOC members are listed on pg. 6 of the report.

The committee discussed the composition of the committee makeup and its meeting schedule.

Ms. Anderson asked about the timeline listed in the report. Mr. Hall said it is from FY 2013-14. Ms. Anderson asked about the purpose of the report. Dr. Barrera said it's a requirement of the law and to provide a report to taxpayers. Ms. Anderson said the project list is misleading.

The committee discussed the project list, the budgets at completion and the timeframe. Mr. Hall said the budget is what the colleges were carrying in their reporting at the time of the report.

Dr. Barrera said our DCOC report provides much more detail than reports issued by other college districts. Trustee Field said the committee provides input and has passed a few resolutions that have been brought to the board.

Mr. O'Reilly said the committee doesn't just want to hear about successes. He said they have asked to hear about the challenges and some of the troubles we're having with projects and how we're mitigating those issues.

Mr. O'Reilly mentioned the litigation settlement report that is delivered to the DCOC.

The committee discussed the LEED™ Gold certified campus.

Mr. O'Reilly added that the total projects closed without DSA certification has been reduced from 50 to 28 in the past six months.

- 6) Current project status report: in progress**
 - a. Per committee request, update on the status of projects in progress. No committee action required.**

Ms. Mestas reviewed the SEP update. She reviewed the forecasted cash flow at each college and the strategic execution plan project list.

The committee discussed the Harbor Theater Drama Speech Building. Ms. Mestas said she will look into Harbor theater issues.

Ms. Waddell said stormwater was listed under the districtwide accounts, but asked about 40J work. Ms. Mestas said 40J projects are listed for reference, but do not come out of the college budgets.

Mr. Hall noted that the Mission Media Arts should be design-bid-build.

Trustee Field said this is the type of report should be given to campus user groups. The committee discussed how to disseminate information at BSC to all colleges.

The committee discussed the Pierce projects.

- 7) Project budget update**
 - a. Per committee request, update on the status of bond project budgets. No committee action required.**

Discussed in agenda item No. 6.

- 8) Committee self-evaluation**
 - a. Annual committee self-evaluation process. Possible committee action: subcommittee formation.**

Not discussed.

- 9) New business**

Mr. Gauthier said there are safety concerns around construction sites and poor lighting. He said there are some issues when transitioning from different surfaces, particularly at East and Valley.

Trustee Field asked if all projects are ADA compliant. Ms. Mestas said they are reviewed for compliance and that an ADA presentation to the board is being planned.

10) Adjourn

Meeting adjourned at 10:36 AM.

The next Bond Steering Committee meeting is scheduled for 8:30 a.m. on Tuesday, February 3, 2015 in the district office first-floor hearing room.