

City of Piedmont
COUNCIL AGENDA REPORT

DATE: April 17, 2023

TO: Mayor and Council

FROM: Patricia Leicher, Chair of Bond Oversight Committee

SUBJECT: Bond Oversight Committee Annual Report

BACKGROUND:

The formation of a Bond Oversight Committee (“Committee”) was approved by the Piedmont City Council on October 4, 2021. Per Bond Measure UU (Ordinance 754 N.S.) and Ordinance 762 N.S., which was the formal authorization to issue bonds to fund the rebuilding of the Piedmont Community Pool, the formation of a Bond Oversight Committee was required. The Committee’s focus is on reviewing and reporting on the expenditure of the proceeds of the bonds, specifically:

1. Informing the public how the City is expending the bond proceeds.
2. Reviewing expenditure reports produced by the City to verify that bond proceeds were expended only for the purposes set forth in Measure UU.
3. Producing an annual report which includes the following information:
 - a. A statement indicating whether the bond proceeds used by the City have been expended only for the purposes set forth in Measure UU; and
 - b. A summary of the Committee’s proceedings and activities for the preceding year.

While the Committee serves in an advisory role and is not responsible for managing or directing project activities, it will leverage the experience, expertise, and insight of its members to ensure the bond proceeds are spent in accordance with Measure UU and Ordinance 762 N.S. Meetings of the Bond Oversight Committee are open to the public and will serve to educate the community on how bond funds are being expended.

The members of the Bond Oversight Committee are:

- Patricia Leicher, Chair
- John Chiang
- Dirk ten Grotenhuis
- Margaret Hiller
- Al Lee

BOND OVERSIGHT COMMITTEE PROCEEDINGS AND ACTIVITIES

The Committee met four times during the past 12 months:

- March 17, 2022
- October 13, 2022
- January 19, 2023
- March 16, 2023

The first three meetings were held virtually on Zoom and the fourth meeting was held in person. Members of the public were invited to attend and informed of the meeting dates and times. There were no members of the public present at any of the meetings.

For the meetings, Michael Szczech, the City of Piedmont's Finance Director, served as the liaison between the City and the Committee.

At each meeting Mr. Szczech provided detailed summary reports showing the total Measure UU bond proceeds available, including other funding sources, comparisons to the total budget, expenditures to date, and remaining funds available, by category. There were also summaries of commitments to date with the various vendors and contract amounts, amendments, and revised maximum's, including respective expenditures to date and remaining contract amounts. The vendors with contracts include:

- Wickman Construction – construction contract
- ELS Architecture & Urban Design – architecture and engineering design services
- Griffin Structures – project management
- Isaac Sports Group – community pool operational analysis
- Rincon Consultants Inc. – California Environmental Quality Act (CEQA) report
- Forensic Analytical – environmental health services

The total community pool budget is \$28,981,000.

Measure UU bond proceeds deposited were \$24,418,577, which is net of capitalized interest, costs of issuance, and underwriters' discount. The funding sources for the community pool budget are comprised of the following:

- Measure UU - \$24,718,577 (includes \$300,000 of estimated interest earnings on funds not yet expended)
- Contributions - \$3,054,177
- Loan/Grant - \$748,106
- Facilities Capital Reserves - \$460,140

Details were provided of the hard and soft costs, by category, and the respective funding sources. As of 2-28-2023, \$2,993,972 was spent using Measure UU funds, leaving a balance

of \$21,724,605 in Measure UU funds (including estimated interest earnings). Interest earnings as of 2-28-2023 are \$138,232. Soft costs are limited to 20% of Measure UU funds and are budgeted at 16% or within the limit.

At our last meeting, there was a discussion of the construction progress to date led by Dan Gonzales, City of Piedmont's Public Works Director. Demolition has started, but both the rainy weather and lack of PG&E availability, have put the project a little behind schedule. Mr. Gonzales was hopeful that the time can be made up and the new pool facility will open as scheduled for the summer of 2024.

Questions were posed by the Committee and answered at each meeting. A copy of the most recent presentation to the Committee, as of 2-28-2023, is attached as Exhibit A.

Following each meeting and presentation, the Committee was satisfied that the City is keeping complete records of expenditures and charging them to the proper funding accounts. The Committee's focus was specifically on the expenditure of Measure UU proceeds.

Committee members did not review invoices or check copies, nor verify that they were posted to the proper funding sources. Mr. Szczech facilitated a Zoom call among Committee members Pat Leicher and John Chiang, and Erica Pastor, the Partner from MUN CPAs responsible for the City of Piedmont financial statements audit for the fiscal year ended June 30, 2022. Erica considered the City's internal controls in establishing the scope of their testing, which included the random selection of various invoices and payments, including some from the pool project, and found no exceptions as to the propriety of the payments and they were being charged to the appropriate accounts and funds. Beyond the sample transactions that were selected for testing, they did not specifically audit the transactions funded by the Measure UU bond proceeds, nor was that within the scope of their audit.

CONCLUSION FOR FIRST ANNUAL REPORT

The Committee is satisfied that the bond proceeds used by the City as of 2-28-2023 have been expended only for the purposes set forth in Measure UU.