

# **Bond Case Briefs**

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## **CA Bond Watchdogs Don't Have Much Bite, Says New Report.**

Since 2000, local bond measures that pay for school construction require only 55 percent local voter approval, instead of two-thirds. With that change came a new requirement that a citizen watchdog group monitor bond expenses to ensure projects promised were built.

Other governments also turn to citizen groups to police voter-approved bonds that pay for things like roads and transit.

In 2016 alone, Californians approved local school bond measures totaling \$28 billion, plus another \$7.2 billion in local government debt for other public projects, according to a [report](#) released Tuesday by the Little Hoover Commission, a state entity that provides independent government oversight. The commission suggests Gov. Jerry Brown and the Legislature “should update and overhaul” the state law that created the bond oversight groups to clarify their authority.

The oversight groups, “By and large ... have proven ineffective and some committee members have told the Commission that is at least in part, by design,” wrote the Little Hoover Commission. “Most of the concerns revolved around bond oversight committee members who lack training, have conflicts of interest, either real or perceived, and the difficulty committee members have receiving required documents from the districts.”

Those same issues have surfaced in San Diego County, where some appointees represent workers building bond projects and others get paid to lobby the very government officials they oversee.

Among other things, the Little Hoover panel proposed county treasurers review and comment on bond sales before they occur to help prevent poor debt financing decisions by local government agencies.

The commission also recommended changing the oversight committee appointment process, currently handled by district officials the group oversees. The report also recommends committee members play a larger role in selecting bond auditors, and that audits measure effectiveness and results, as well as compliance.

The commission also believes oversight groups should receive a minimal budget to hire independent counsel when needed. Such requests by the oversight committee watching San Diego Unified's \$4.9 billion bond program have been denied.

In addition, the commission called on the state Treasurer's office to provide online trainings about bond sales to elected officials, and suggested state leaders allocate one-time funding for the state's school business advisory group, known as the Fiscal Crisis & Management Assistance Team, to put together online training for bond oversight committee members.

Former San Diego Unified school board member Scott Barnett was appointed to the 13-person Little Hoover Commission last year by then-Assemblywoman Toni Atkins. Nick Marinovich, chair of

Sweetwater Union High School District's bond oversight committee, recently testified before the commission about improved oversight following the criminal convictions of district leaders accused of pay-to-play contracting.

Voice of San Diego has examined several issues and potential conflicts facing local bond oversight committees in recent years.

Contractors can't legally serve on bond committees, but public agencies are interpreting the word "contractor" as they see fit and have repeatedly appointed contracted union chiefs and contractor lobbyists to the group.

Union leaders contracted with San Diego Unified to supply workers through a project labor agreement have served on the district's independent bond oversight committee for years. Similar decisions were made at Southwestern College and Los Angeles Unified School District:

Mike Magallanes, business representative of the Southwest Regional Council of Carpenters, signed San Diego Unified's project labor agreement on behalf of the union group in 2009. He was appointed to the oversight committee in 2012 and his term doesn't expire until 2017.

Matt Kriz, trustee of the San Diego Building & Construction Trades Council - another major party to the PLA - joined the oversight committee in 2013. His oversight term also doesn't expire until 2017, according to the district's website.

San Diego Unified's bond oversight group was also chaired for years by Andy Berg, chief executive of the San Diego chapter of the National Electrical Contractors Association. Here's how we described that conflict:

Berg lobbies public and private agencies for electrician jobs by day, and by night he chairs the bond oversight committee, a group tasked with ensuring the district's \$4.9 billion in bond dollars are spent as promised to voters without waste.

Berg has held these dual roles - advocating for contractors and taxpayers alike - for years, and not just at San Diego Unified. He's also served on school bond oversight committees at Poway Unified, the Sweetwater Union High School District and the San Diego Community College District over the last decade.

Regional planning agency SANDAG has also appointed contractor lobbyists to its committee overseeing TransNet, a 40-year sales tax bond that's supposed to pay for \$14 billion in transportation and infrastructure projects countywide, we reported last year:

Brad Barnum heads the TransNet Independent Taxpayer Oversight Committee, a role that involves receiving staff reports, hiring and overseeing an auditor, advising public officials periodically - and, as needed - about the program's efficiency and project costs, schedule and bond debt.

He's also a registered lobbyist with the city and county in his role as government relations director for the San Diego chapter of the Associated General Contractors of

America.

Barnum lobbies for 1,100 contractors, who he says perform 85 percent of the region's commercial, industrial, general engineering and heavy highway construction.

A decent chunk of that work comes from SANDAG, and millions from the TransNet bond measure specifically, public records show.

AGC San Diego contributed \$500,000 to help pass TransNet in 2004, and Barnum recently met with officials to discuss campaign strategy for a new tax hike and bond measure that may go on the ballot as early as this year.

That same committee recently expressed no concern when Voice of San Diego revealed TransNet's revenues are expected to come up billions of dollars short, which could result in fewer projects being built. In fact, the chair said monitoring revenues is not the oversight group's job:

The chair of the committee, Stewart Halpern, says the group's responsibilities don't include monitoring the growing disparity between the projected revenue and the actual revenue it's brought in so far.

He said he was not aware of the discrepancy between the revenue SANDAG anticipated and the revenue it's actually collected.

"To put it succinctly, the concept of comparing current revenues to the revenues that were forecast in 2004, that actually isn't really our mandate," said Halpern, whose expertise is in municipal finance.

He said the group is primarily focused on making sure the money collected is spent expeditiously and responsibly and on the projects promised to voters.

What exactly bond oversight committees are supposed to monitor and where the job stops is interpreted differently from group to group, resulting in varying levels of oversight.

The Little Hoover Commission is calling on state officials to provide training and legislative fixes to clear up these issues left ambiguous in state law.

## **Voice of San Diego**

By Ashly McGlone | February 15, 2017