

Oak Park Citizens' Oversight Committee

2016 Measure C-6 Annual Report

May, 2017

Background

On June 6, 2006 the Oak Park Unified School District (the "District") was authorized to issue and sell bonds up to \$17,500,000 in aggregate principal to provide financing for the following school facilities projects and equipment:

- Educational technology;
- Classroom furniture and equipment;
- Playground equipment;
- District vehicles;
- Food preparation and kitchen equipment;
- Equipment replacement

Measure C6 was approved by at least 55% of the voters of the District pursuant to the provisions of the Strict Accountability in Local School Construction Bonds Act of 2000, codified under Sections 15264 et seq. of the Education Code (Proposition 39). The Act requires the Board of Trustees (the "Board") to appoint a Citizens' Oversight Committee (the "Committee") after the successful bond election. Legal authority for formation and duties of the Committee is found in Sections 15264 and 15278 to 15282 of the Education Code.

Committee Purpose

The Committee is charged by statute with the following purposes:

1. To promptly alert the public to any waste or improper expenditure of school construction bond money. *Educ. Code §15264(c)*;
2. To inform the public concerning the expenditure of bond revenues. *Educ. Code §15278(b)*;
3. To ensure that bond revenues are expended only for the purposes described in the Constitution; that is, for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities. *Calif. Const. art. XIII A, §1(b)(3)*; *Educ. Code §15278(b)(1)*;
4. To ensure that no funds are used for any teacher or administrative salaries or other school operating expenses. *Calif. Const. art. XIII A, §1(b)(3)(A)*; *Educ. Code §15278(b)(2)*.

Committee Jurisdiction and Authorized Activities

In furtherance of its purposes, the Committee is authorized by statute to engage in the following activities:

1. Receive and review copies of the annual, independent *performance* audit required by the California Constitution;
2. Receive and review copies of the annual, independent *financial* audit required by the California Constitution;

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3. Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution;
4. Review efforts by the District to maximize bond revenues by implementing cost saving measures, including, but not limited to, all of the following:
 - a. Mechanisms designed to reduce the costs of professional fees;
 - b. Mechanisms designed to reduce the cost of site preparation;
 - c. Recommendations regarding the joint use of core facilities;
 - d. Mechanisms designed to reduce costs by incorporating efficiencies in school site design;
 - e. Recommendations regarding the use of cost-effective and efficient reusable facility plans.

It is also important to note that this Committee is specifically not responsible for, and has no jurisdiction over, the approval of contracts, the approval of change orders, the appropriation of funds, the handling of any legal matters, the approval of any plans or schedules, the approval of deferred maintenance plans, or the approval of the sale of bonds. The Committee is also not responsible for the creation or approval of technology plans or the recommendation or approval of any specific technologies.

It is within these parameters that the Committee performed its functions during the calendar year ended December 31, 2016.

Audits

California State law requires that the sponsoring school district of an approved measure conduct an annual independent *performance* audit to ensure that bond funds have been expended only on the specific projects included on the list of projects the district presented to voters prior to approval of Measure C6.

Proposition 39 requires that the school district conduct an annual independent *financial audit* of the proceeds from the sale of the bonds until all of the proceeds have been expended for approved projects.

The annual financial and performance audits of OPUSD Measure C6 bond expenditures were conducted by Christy White Associates, A Professional Accountancy Corporation, an independent CPA firm. In the firm's report of the audits, they note: "We found the expenditures and transfers tested to be in compliance with the terms of the Measure C6 ballot measure, Facilities Plan, and applicable state laws and regulations without exception."

Special note: The Committee report includes expenditures from July 2015 through June 2016 (school fiscal year basis – subject of the independent auditors report). The Committee report also includes expenditures between July 2016 and December 2017 that have not as yet been audited.

The 6 month period between July 2016 through December 2016 will be included in the Fiscal Year Ended June 30, 2017 independent audit report.

Committee Findings

The Oak Park Unified School District's Citizens' Oversight Committee met on January 24th, 2017, April 4th, 2017, and May 2nd, 2017. The Measure C-6 Subcommittee independently met on April 20th, 2017. The Committee has reviewed the audits of C6 bond expenditures conducted by Christy White Associates for the Fiscal Year ended on June 30, 2016 as well as unaudited expenditures through December 31, 2016, as reported by District staff. This report and more information regarding the Citizens' Oversight Committee can be found on the Oak Park School District's website (www.oakparkusd.org). C6 expenditures during the fiscal year ending June 30th, 2016 reporting period were \$2,306,311. Cumulative C6 bond expenditures total \$15,406,692.59 from inception through June 30, 2016. An additional \$591,752.35 of bond expenditures were made from July 1, 2016 to December 31, 2016 (unaudited - a component of subsequent fiscal reporting periods). The Committee finds and notes the following:

1. During 2016, the Bond Proceeds appear to have been expended for the purposes set forth in Measure C6.
2. In its annual report for 2016, the Committee recommended the ***continued monitoring of the use of new technology purchases*** as an appropriate cost-saving measure. Specifically, it was noted that continued monitoring would enable the district to (A) Measure the effectiveness of C6 funds expended, and avoid the unnecessary-purchasing of new technology when existing technology is not fully utilized; (B) Better match the pace of new technology investments with the adoption of technology in the classroom; (C) Use data compiled from the existing on-line checkout system to guide future purchase decisions; and (D) Provide transparency related to the actual use of technology in the classroom, and ensure that technology is being used to supplement instruction and not replace it.

For the benefit of the 2017 report, the Committee wishes to re-affirm these observations and recommendations.

3. In its Annual Report for 2013, the Committee noted its concern regarding the rate at which the bonds were being spent and the bond payback periods. The Oak Park Unified School District issued a response to the Committee on October 15, 2013.

The Committee reaffirmed this concern in the 2014 Annual Report, noting that at the current pace of expenditures, the District is paying for technology that lasts, conservatively 5-10 years, with bond proceeds that will be paid back over a 21, 24 or

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14 year period. The Oak Park Unified School District did not issue a response to this statement. In the 2015 report, the Committee again noted that of the \$17,500,000 Measure C-6 aggregate principal, 68% of the principal was spent during years 1-8 (averaging \$1.5 million per year), with only 32% of the aggregate principal remaining available for years 9-26 (averaging \$330,000 per year).

Upon review of the expenditures for the 2016 report, the Committee further re-affirms our concern related to the rate of expenditures. With respect to future bond measures, the committee recommends the implementation of a financial strategy or roadmap, *where the pace of individual bond issuances ties closely with the needs of the district at that time in efforts to ensure that adequate bond proceeds are available for use during the whole term of the bond measure.*

4. The committee recommends the enhancement of transparency where vendor selection is concerned, including an explanation of procurement methodology for all purchases.

Citizens' Bond Oversight Committee Members

Keith Caruso
Daniel Cohen
James Faul
Adam Findley
Steve Golove
Audrey Israel
Grant Meikle
Ronald Movich
Michael Schneider
Marc Shapiro
Shary Trux
Bin Xu

Respectfully submitted,
OAK PARK CITIZENS' OVERSIGHT COMMITTEE, MEASURE C6
Jim Faul, Committee Chair
Audrey Israel, Measure C6 Subcommittee Chair

**Oak Park Citizens' Oversight Committee
2016 Measure R Annual Report
May 2017**

Summary

- The District's auditor reported that the District spent \$1,445,461 of Measure R bond funds on facilities acquisition and maintenance during the *fiscal* year July 1, 2015 through June 30, 2016.
- The District's auditor found that the District's expenditures from, and accounting for, Measure R bond funds was in compliance with Generally Accepted Accounting Principles and the relevant statutes and regulations.
- The District reported to the Citizens' Oversight Committee that projected spending for Measure R bond funds on facilities acquisition and maintenance during *calendar* year 2016 was \$1,679,005.
- The Citizens' Oversight Committee finds that the District's expenditures from Measure R bond funds was in compliance with Measure R.
- The Citizens' Oversight Committee finds that the District delivered good value to the taxpayers with regard to the costs and benefits of the projects funded by Measure R bond funds.
- The Citizens' Oversight Committee finds that there were no irregularities regarding the bond monies (bond issuance, expenditures, audits).
- **The Citizens' Oversight Committee continues to believe, and wishes to emphasize, that the District should use operating funds, rather than bond funds, for physical plant maintenance and repair.**

Background

On November 4, 2008 voters in the Oak Park Unified School District (the "District") authorized \$29,445,000 in general obligation bonds for school projects as listed in the 2008 Bond Resolution Project List (included in the ballot measure passed by the voters). Specific construction and modernization projects include repairing, renovating and improving aging facilities; repairing water damage and failing roofs; removing hazardous materials; making schools earthquake safe; replacing outdated fire and security systems; and improving classrooms to meet modern safety and instructional standards.

Measure R is also referred to as the "School Improvement Bond of 2008". Measure R was approved by at least 55% of the voters of Oak Park pursuant to the provisions of the Strict Accountability in Local School Construction Bonds Act of 2000, codified under Sections

15264 et seq. of the Educational Code (Proposition 39). The Act required that the school district Board of Trustees (the “Board”) appoint a Citizens’ Oversight Committee (the “COC” or “Committee”) after the successful bond election.

The COC is required by state law to actively review and report on the proper expenditure of the taxpayers’ money. The COC provides oversight and advises the public whether the District is spending the Measure R bond funds for school improvements within the scope of projects outlined in the Measure R project list.

Committee Purpose

The committee is charged by statute with the following purposes:

1. To promptly alert the public to any waste or improper expenditure of school construction bond money.
2. To inform the public concerning the expenditure of bond revenues.
3. To ensure that bond revenues are expended only for the purposes described in the California Constitution; that is, for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.
4. To ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Committee Jurisdiction and Authorized Activities

In furtherance of its purposes, The Committee is authorized by statute to engage in the following activities:

1. Receive and review the annual independent performance audit required by the California Constitution.
2. Receive and review the annual independent financial audit required by the California Constitution.
3. Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
4. Review efforts by the District to maximize the impact of bond expenditures by implementing cost-saving measures, including, but not limited to, all of the following mechanisms:
 - a. Mechanisms designed to reduce the costs of professional fees.
 - b. Mechanisms designed to reduce the costs of site preparation.
 - c. Recommendations regarding the joint use of core facilities.
 - d. Mechanisms designed to reduce costs by incorporating efficiencies in school design.

- e. Recommendations regarding the use of cost-effective and efficient reusable facility plans.

It is also important to note that the Committee does not perform certain functions such as: participate in the District's actual bond sale and issuance process nor participate in the bid process for contractors or consultants (Proposition 39 Roles and Responsibilities, III. I.). It is within these parameters that the Committee performed its functions during the period from August, 2016 through May, 2017.

Audits

Proposition 39 requires that the sponsoring school district of an approved measure conduct an annual independent performance audit to ensure that the bond funds have been expended only on the specific projects included on the list of projects the district was required to provide when Measure R was presented to the voters.

Proposition 39 also requires that the school district conduct an annual independent financial audit of the proceeds from the sales of the bonds until all the proceeds have been expended for the school facilities projects.

The annual audits of OPUSD Measure R bond expenditures for the fiscal year ended June 30, 2016 were conducted by Christy White Accountancy Corporation (CWA), an independent auditing firm. The report is dated January 13, 2017. CWA tested approximately \$686 thousand or 47% of the 2016-2016 expenditures included in 11 separate payments to contractors, consultants and other vendors for "validity, allow-ability and accuracy". CWA reported that they found the expenditures and transactions tested to be in compliance with the terms of the Measure R Ballot measure, the facilities master plan, and applicable state laws and regulations without exception.

Additionally, CWA performed testing on contract and bid procedures. For the fiscal year ended June 30, 2016 there were no projects the went for bid for Bond Measure R.

Note that the Committee is reporting on calendar year 2016, of which only the period Jan 1, 2016–June 30, 2016 is addressed in the CWA audit reports. The Committee relied on unaudited district financial statements for the period July1, 2016–December 31, 2016 in fulfilling its oversight obligations.

Committee Activities

In order to fulfill the committee's purpose as described above, the OPCOC engaged in the following activities:

- The Oak Park Unified School District's Citizen's Oversight Committee met on September 13, 2016, January 24, 2017, and April 4, 2017. Additionally, the Measure R Subcommittee met on March 2, 2017 and March 23, 2017.
- The OPCOC attended a facilities tour on December 3, 2016.
- One or more of the committee members attended School Board meetings.
- The committee members met with CWA to review the audit findings for the fiscal year ending June 30, 2016. Both the financial audit and the performance audit were reviewed.
- To understand the expenditures for the unaudited period from July 1, 2016 to December 31, 2016 the committee reviewed Bond Proceeds and Expenditures through December 31, 2016.
- The committee met with District staff and Balfour Beatty staff to review issues and ask questions.

Committee Findings

1. The OPCOC did not find instances of waste or improper expenditures.
2. The Committee found no instances of expenditures other than for the purposes set forth in the bond measure.
3. The Committee found no instances of expenditures for teacher's salaries from Measure R bond funds. The district staff reported to the OPCOC that the projections for 2016 use of Measure R funds for certain and specific administrative salaries and benefits allocated to time spent administering the bond program were \$41,300. In prior years, in connection with its review of expenditures for Measure R funds, the Committee requested from the District a copy of the opinion rendered by district bond counsel (Orrick, Herrington and Sutcliffe LLP) regarding the legality of such expenditures. In its written opinion, counsel opined that necessary and incidental costs of the bond program, which may include portions of certain administrative expenses allocated to time spent working on the bond, would be an appropriate bond expenditure.
4. According to the most recent version of the Measure R master plan, total projected expenditures during calendar 2016 totaled approximately \$1.7 million or 5% of total projected Measure R expenditures. The majority of the work in 2016 centered around parking lot, gym restroom and library improvements at OPHS, roof improvements at MCMS, shade structure and outdoor Kindergarten classroom at Brookside, and shade structures, outdoor lighting and carpet at Brookside

Elementary, Oak Hills Elementary, and Red Oak Elementary, and LED lighting at all locations.

The Facilities Planning Committee (“FPC”)

During the majority of the years during which Measure R expenditures were made, the Community was fortunate to have a Facilities Planning Committee composed of various stakeholder members (staff, teachers, parents). The members of this committee succeeded in saving the district money both by taking on the work of planning and by effectively managing costs.

The FPC continued to work with the District and the project management firm Balfour Beatty. In 2014, the FPC continued to advise and guide the district with a plan for bond expenditures based on appropriate priorities. Based on review of the master plan and observation at public meetings the OPCOC believes that the master plan was the result of considerable review, analysis and preparation. Beginning with the 2015-16 school year, the FPC ceased meeting and a subcommittee assumed the role of the full committee and continued to meet by telephone. This was deemed appropriate by the district due to the status of the bond expenditures, that is, nearly 90 % expended and the remaining projects agreed upon. The OPCOC found this to be a reasonable decision.

In November 2016 Oak Park voters approved Measure S for \$60 million in new facilities bonds. The OPCOC is pleased that the District has engaged a planning committee, similar to the one utilized for Measure R funds, to help ensure the effective planning and expenditure of these new bond funds. The OPCOC hopes that the new planning committee meets regularly and has significant participation by parents and teachers, who are by nature closest to the needs of students and the instructional program.

Citizens’ Oversight Committee Findings and Concerns

- 1) The Committee noted that according to the most recent version of the master plan Construction Management costs as a percent of project costs were 11%, 30% and 24% in years 2014, 2015 and 2016, respectively. The Committee is concerned that project management costs as a percentage of total costs have increased so much. Although the costs as a percentage of total project costs are estimated to be 17% for the entire project, the level of project management costs seem high for 2015 and 2016.

Respectfully submitted,

OAK PARK CITIZENS' OVERSIGHT COMMITTEE

Committee Members

Keith Caruso

Daniel Cohen

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Adam Findley

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Oak Park Citizens' Oversight Committee

2015-16 Fiscal Year Annual Report on Measure C (Parcel Tax)

Background

On June 3, 2008 Oak Park voters approved Measure C by more than the required two-thirds majority. Measure C authorized, for eight years commencing July 1, 2009, an annual \$197 parcel tax to raise funds for the Oak Park Unified School District (the "District"). Measure C was a renewal of a previous, five-year, \$197 annual per parcel tax originally approved by the voters in 2004. Per Measure C, proceeds of the 2008 parcel tax are to be specifically used to provide financial support to school programs as follows:

- To protect neighborhood schools' academic excellence
- To enhance student success
- To reduce impacts of State budget cuts
- To help retain qualified teachers
- To limit class size increases
- To preserve academic programs
- To provide up-to-date instructional materials (although allowed, no funds in this period were used for this purpose)

In order to provide tax relief for senior citizens, any parcel owned and occupied by a person 65 years of age or older is exempt from the parcel tax upon proper application to the District.

An accountability provision in the ballot measure requires the School Board of Trustees to establish an independent Citizens' Oversight Committee (the "Committee") to ensure that proceeds of the parcel tax are spent wisely and only for the purposes named in the Measure.

Oversight Committee Purpose

The Committee is charged with the following purposes:

1. To promptly alert the public to any waste or improper expenditure of parcel tax money.
2. To inform the public concerning the expenditure of parcel tax revenues.
3. To ensure that parcel tax revenues are expended only for the purposes described in Resolution Number 08-01 which authorized the June, 2008 Measure C Parcel Tax election.

During the period August 2016 through May 2017 and within these parameters the Committee performed its functions for the Fiscal Year ending June 30, 2016.

Annual Audits

The Superintendent of the District shall cause a report to be filed with the Board of Trustees no later than December 31 of each year stating (1) the amount of parcel tax revenues received and expended in such year, and (2) the status of any projects or description of any programs funded from proceeds of the tax.

Committee Findings

In 2017, the Oak Park Unified School District's Citizens' Oversight Committee met on January 24, 2017, April 4, 2017, and May 2, 2017.

The Committee received a review of the annual audit conducted by Christy White Accountancy Corporation, an independent CPA firm. The firm found no irregularities in the District's

financial audit of which the parcel tax is part. The Committee finds the District to be in compliance with the requirements of the Parcel Tax Resolution for the Fiscal Year 2015-2016. The Committee's findings are as follows:

According to The Oak Park Unified School District, The District received **\$874,034.31** in parcel tax funds for Fiscal Year 2015-16. An ending balance brought forward from the 2014-15 Fiscal Year totaled \$14,743.71, and funds from the General Fund added to Parcel Tax funds totaled \$34,850.67. This resulted in a total Parcel Tax "funds available" amount of **\$923,358.69**. Permissible expenditures totaled **\$923,358.69** for a June 30, 2016 ending balance of zero.

The 2015-16 funds were expended as follows:

\$379,803.50 for elementary school teacher salaries and **\$106,993.75** for elementary school teacher benefits. This translated into **4.5** Full-Time-Equivalent (**FTE**) teachers. Average total salary and benefits per elementary FTE were **\$108,177.17**.

\$155,401.60 for middle school teacher salaries and **\$45,651.63** for middle school teacher benefits. This translated into **2.2** Full-Time-Equivalent (**FTE**) teachers. Average total salary and benefits per middle school FTE were **\$91,387.83**.

\$185,577.20 for high school teacher salaries and **\$49,931.01** for high school teacher benefits. This translated into **2.0** Full-Time-Equivalent (**FTE**) teachers. Average salary and benefits per high school FTE were **\$117,754.11**.

Benefits include statutory benefits (Medicare, STRS retirement, Unemployment & Workers Compensation) in addition to health insurance costs (approx. \$11,000 per teacher).

Reports related to the Citizens' Oversight Committee are within the website for the Oak Park Unified School District: www.oakparkusd.org.

Respectfully submitted,

OAK PARK CITIZENS' OVERSIGHT COMMITTEE

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