

**OAK PARK UNIFIED SCHOOL DISTRICT
5801 E. CONIFER STREET
OAK PARK, CALIFORNIA 91377
(818) 735-3206**

ADDENDUM BOARD MEETING – AGENDA #890

DATE: Tuesday, April 8, 2014
TIME: 6:00 p.m., Open Session
PLACE: Oak Park High School
Presentation Room-G9
899 Kanan Road
Oak Park, CA 91377

ACTION

1.5. CITIZENS' OVERSIGHT COMMITTEE

- a. Acceptance of Annual Report of the Oak Park Citizens' Oversight Committee for Bond Measure R
Board will accept Annual Report from Citizens' Oversight Committee

Date: April 4, 2014

Anthony W. Knight, Ed.D.
Superintendent and Secretary to the
Board of Education

TO: MEMBERS, BOARD OF EDUCATION

FROM: DR. ANTHONY W. KNIGHT, SUPERINTENDENT

DATE: APRIL 8, 2014

**SUBJECT: C.1.5.a ACCEPTANCE OF ANNUAL REPORT OF THE OAK PARK
CITIZENS' OVERSIGHT COMMITTEE FOR BOND MEASURE R**

ACTION

ISSUE: Shall the Board receive and accept the annual report of the Oak Park Citizens' Oversight Committee for Bond Measure R?

BACKGROUND: A major provision of Bond Measures C6 and R, and Parcel Tax Measure C, was the establishment of a citizen's oversight committee to monitor the use of monies expended from these sources. As required by its bylaws, the full membership of the Board-appointed committee met three times, and the subcommittee for Measure R meeting on multiple separate occasions. On April 3, 2014, the full Committee met to complete its annual report for Measure R, which is included with this agenda. The Oak Park Citizens' Oversight Committee will present its report to the Board at this evening's meeting.

- ALTERNATIVES:**
1. Review and accept the Measure R annual report from the Oak Park Citizens' Bond Oversight Committee, with thanks for its service.
 2. Do not accept the report.

RECOMMENDATION: Alternative No. 1

Prepared by: Martin Klauss, Assistant Superintendent, Business and Administrative Services

Respectfully submitted,

Anthony W. Knight, Ed.D.
Superintendent

Board Action: On motion of _____, seconded by _____, the Board of Education:

VOTE:	AYES	NOES	ABSTAIN	ABSENT
Laifman	_____	_____	_____	_____
Pallant	_____	_____	_____	_____
Rosen	_____	_____	_____	_____
von Scheidau	_____	_____	_____	_____
Yeoh	_____	_____	_____	_____
Student Rep	_____	_____	_____	_____

Oak Park Citizens' Oversight Committee
2013 Measure R Annual Report
April 2014

Background

On November 4, 2008 voters within 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 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 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 requires the school district Board of Trustees (the "Board") to 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 for school construction. 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 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.
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 savings 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 this Committee shall not perform certain functions such as: participate in the District's actual bond sale and issuance process or 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 calendar year ended December 31, 2013.

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 before 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 fiscal audit of OPUSD Measure R bond expenditures for 2012 – 2013 ending June 30 2013 was conducted by Christy White Accountancy Corporation (CWA), an independent auditing firm. The report is dated January 6, 2014. CWA tested approximately \$1.8 million or 70% of the 2012-2013 expenditures included in 21 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, facilities 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, 2013 they tested three contracts totaling approximately \$1.130 million in contracts and found that the contracts followed the proper bidding procedures.

Note that the COC is reporting on calendar year 2013, of which only the period Jan 1, 2013 – June 30, 2013 is addressed in the CWA audit reports. The Committee relied on unaudited district financial statements for the period July1, 2013 – December 31, 2013 in fulfilling its oversight obligations.

Committee Activities

In order to fulfill the four fold purpose of the committee as described above, the OPCOC engaged in the following activities:

- The Oak Park unified School District’s Citizen’s Oversight Committee met on September 11, 2013, January 28, 2014, and April 3, 2014. The Measure R Subcommittee met on February 11, 2014 and March 26, 2014.
- The OPCOC attended a facilities tour on October 12, 2013.
- One or more of the committee members attended many of the School Board meetings each month.
- One or more of the committee members attended many of the Facilities Planning meetings each month.
- The drafts and final versions of the master plan were reviewed by committee members.
- The committee members met with CWA to review the audit findings for the fiscal year ending June 30, 2013. Both the financial audit and the performance audit were reviewed.
- To understand the expenditures for the unaudited period from July 2013 to December 31, 2013 the committee reviewed Bond Proceeds and Expenditures through December 31, 2013.
- The committee reviewed Balfour Beatty estimated costs and actual invoices for both 2012 and 2013.
- The committee review large payments made during 2013.
- The committee met with School District and Balfour Beatty to review issues and ask questions.

Committee Findings

1. The OPCOC did not find instances of waste or improper expenditures.
2. During 2013, bond expenditures were approximately \$4.9 million or 14% of the total estimated bond expenditures for the life of the bond. As of December 31, 2013, the cumulative total bond expenditures totaled approximately \$21.8 million which represents 63% of total estimated expenditures over the estimated life of the bond. Major projects completed in 2013 included the modernization of building C and the athletic field at OPHS, the modernization of building 200 at BES, parking lot and roof repair at OHE, exterior door

replacement and roof repairs at MCMS and the upgrade of fire alarm systems in all schools, as well as other smaller projects.

3. The Committee found no instances of expenditures other than for the purposes set forth in the bond measure.
4. The Committee found no instances of expenditures for teacher's salaries. The district staff reported to the OPCOC that during 2013 \$84,072.48 of measure R funds were used for certain administrative salaries and benefits allocated to time spend administering the bond program. 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 expenditure.

Report on Facilities Planning Committee ("FPC")

The Community is fortunate to have a hard-working competent volunteer Facilities Planning Committee. The members of this committee continued to save the district money both by taking on the work of planning and by effectively managing costs.

The FPC continued to work well with the District and the project management firm Balfour Beatty. The committee was successful in the past and continued in 2013 to guide the district in a plan for bond expenditures based on appropriate priorities. Based on review of the plans and observation at public meetings the OPCOC agrees that the plans were the result of considerable review, analysis and preparation.

Committee Findings and Concerns

- 1) Last year the Committee commented on the costs associated with Balfour Beatty project management. The concern was that the Construction Management costs were higher than budget for both 2011 and 2012 and further that Construction Management costs as a percent of project costs doubled from a budget of 15% to an estimate of 30%. In reviewing actual costs, Construction Management costs as a percent of project costs were 11%, 38% and 30% in years 2010, 2011 and 2012, respectively. In response to this concern the district agreed to implement new procedures related to Balfour Beatty invoicing and time documentation. 2013 estimates show Construction Management costs of \$603k or 14% of 2013 project costs, verses an estimate in last year's master plan of \$986k or 15% of 2013 project costs. While it appears the new procedures are having a positive impact, the

committee urges the district to be diligent in controlling Balfour Beatty Construction Management costs.

- 2) Last year the FPC added a \$1M litigation reserve against the outcome of a lawsuit between the district and the vendor who performed the fire alarm system upgrades in the various OP schools. The litigation was centered on disputed vendor overages in hours on the project. The dispute was settled in arbitration for \$450,000. The total project costs were \$2.2 million on a revised budget of \$2.5 million. While the OPCOC recognizes that this project did come in under budget, we are concerned by the events that precipitated the lawsuit. The committee urges the district to demand the highest level of management from Balfour Beatty in the future.
- 3) The Committee has reviewed the 2013 Master Plan as approved by the board and made the following observations: The measure R bond proceeds, combined with modernization funds and prop 39 funds have been used over the past 5 years (2009 – 2013) to upgrade, modernize and maintain the Oak Park Schools, as intended by the bond measure. The Master Plan anticipates that 96% of the total measure R funds will be expended by the end of 2015, with minor projects to upgrade HVAC systems and other small projects extending into 2016 and 2017. The current master plan shows \$88k as the 2017 ending balance. The committee is concerned about the long term plans for the continued maintenance and upkeep of the district's facilities. Starting in 2018 the district will begin absorbing all maintenance and facility repair and upkeep into the regular budget. The FPC was thoughtful about performing certain maintenance at the end of useful lives to extend as far as possible the benefits of measure R funds. However, the OPCOC urges the board to consider the years beyond 2017 and to create a plan to deal with the inevitable depletion of Measure R funding. Specifically, the OPCOC urges the Board to leave an appropriately large amount of money in reserve to fund future unforeseen but necessary projects until alternate funding is found to replace measure R funds. This may mean postponing a significant project until later years. The master plan shows projects for 2014 totaling nearly \$8 million including a renovation of the MPR at Brookside, a renovation of the locker rooms at OPHS, and replacement of 6 modular classrooms with permanent modular units at OPHS. The OPCOC urges the District to be conservative in its approach and not spend the entirety of the Measure R funds without a concrete plan for the future.
- 4) In addition, the OPCOC would urge the district to begin to anticipate the cost of normal maintenance and ensure that annual budget money is set aside to cover those anticipated costs.