

Oak Park Citizens' Oversight Committee 2014 Measure C6 Annual Report June, 2015

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;
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, 2014.

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 for the 12 month period from January 2013 through December 2014 (calendar year basis). Expenditures for July 2013 through June 2014 have been audited (school fiscal year basis). The Committee report also includes expenditures between July 2014 and December 2014 that have not

as yet been audited. The 6 month period between July 2014 through December 2014 will be included in the Fiscal Year Ended June 30, 2015 audit report.

Committee Findings

The Oak Park Unified School District's Citizens' Oversight Committee met on October 15, 2014, January 22, 2015, March 31, 2015, and May 7, 2015. The Measure C-6 Subcommittee independently met on January 6, 2015 and February 17, 2015. The Committee has reviewed the audits of C6 bond expenditures conducted by Christy White Associates for the Fiscal Year ended June 30, 2014, as well as unaudited expenditures through December 31, 2014, 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 calendar year 2014 reporting period were \$1,885,855. Cumulative C6 bond expenditures total \$11,798,512.08 from inception through December 31, 2014. The Committee finds and notes the following:

1. During 2014, the Bond Proceeds were expended only for the purposes set forth in Measure C6.
2. The Committee recognizes that the Oak Park technology department has implemented an on-line checkout system to manage the checkout of shared mobile carts of iPads, Chromebooks, and MacBook COWs. The C-6 subcommittee recommends the continued monitoring of the use of new technology purchases as an appropriate cost-saving measure in that it would help to:
 - A. measure the effectiveness of C6 funds expended, and avoid the unnecessary-purchasing of new technology when existing technology is not being fully utilized;
 - B. Better match the pace of new technology investments with the adoption of technology in the classroom and availability of training to the instructors;
 - C. Use data compiled from the existing on-line checkout system to guide future decisions related to technology purchases and assist with the formulation of a purchase strategy related to proper use and timing of Measure C6 funds.
 - 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.
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 14 year period. The Oak Park Unified School District did not issue a response to this statement.

For the purposes of the 2015 Annual Report, the Committee wishes to further highlight this concern, noting that of the \$17,500,000 Measure C-6 aggregate principal, 68% of the principal has been 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). The 26 year period is determined based on the difference between year 1 of the 2007 issuance (2007) and the last year of the 2009 Bond issuance (2033).

4. The Technology Committee mission as shown on the District website does not include any explicit consideration of fiscal constraints in making technology decisions. In its mission statement as posted on the District website (www.oakparkusd.org), the Facilities Planning Committee is charged with taking an active role in the review of expenditures of the \$29.5 million of Measure R bond funds, including project prioritization. The Committee repeats its prior recommendations that the District modify the mission statement of the Technology Committee to include, as part of its mission, a similar charge of taking an active role in technology project prioritization in light of availability of C6 bond funds over the life of the bonds (*i.e.*, through at least 2035);
5. Upon review of the Measure C-6 Bond Expenditure summary for 2013/14 and 2014/15, it was noted that approximately \$125,000 of funds were used to purchase furniture, and \$74,000 of funds were used for the purchase of site equipment. Of these purchases, there were numerous items allocated to the Human Resource and Child Services departments, as well as \$14,503 used for the purchase of outdoor tables and umbrellas and approximately \$34,150 for the purchase of janitorial and industrial supplies. Though furniture and site equipment purchases are considered approved purchases per the Measure C Adopted Resolution (the "Resolution") filed on February 26, 2006, the Resolution further explains that:

"The bonds will be used to acquire the following school Equipment"...Classroom furniture and Equipment – including for Visual and Performing Arts Program, Special Education, Culinary and Practical Arts, Athletics (such as training equipment, fitness centers, and technology), and Science Labs, as well general furnishings and equipment, such as desks, tables, bookshelves, maps, globes, major library acquisitions, etc.)."

The Committee accordingly suggests more closely considering the Resolution in connection with such purchases to ensure they are for "***Classroom furniture and equipment***" only.

Citizens' Bond Oversight Committee Members

James Faul
Steve Golove
Ronald Movich
Sherwin Samuels
Michael Schneider
Marc Shapiro
Vance Taylor
Shary Trux
Helene Winston

Respectfully submitted,
OAK PARK CITIZENS' OVERSIGHT COMMITTEE, MEASURE C6
Shary Trux, Committee Chair
Steve Golove, Measure C6 Subcommittee Chair

Oak Park Citizens' Oversight Committee Measure C6 Annual Report

OAK PARK BONDS ISSUED FOR MEASURE C6

Issued	September 2007 for 21 years			April 2009 for 25 years			October 2013 for 14 years			Cumulative				
	\$	5,011,136.80		\$	4,999,686.40		\$	3,655,000.00		\$	13,665,823.20			
	Principle	Interest	% of Debt	Principle	Interest	% of Debt	Principle	Interest	% of Debt	Principle	Interest	Prin+Int	% of Debt	
2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2008	290,000	167,640	6%	-	-	-	-	-	-	290,000	167,640	457,640	2%	-
2009	280,000	191,600	6%	60,000	26,531	1%	-	-	-	340,000	218,131	558,131	2%	-
2010	260,000	180,400	6%	-	100,900	1%	-	-	-	260,000	281,300	541,300	2%	-
2011	250,000	170,000	6%	-	100,900	1%	-	-	-	250,000	270,900	520,900	2%	-
2012	300,000	160,625	6%	-	100,900	1%	-	-	-	300,000	261,525	561,525	2%	-
2013	280,000	148,625	6%	45,000	100,900	1%	-	-	-	325,000	249,525	574,525	2%	-
2014	285,000	137,425	6%	80,000	99,100	1%	-	113,180	2%	365,000	349,705	714,705	3%	-
2015	295,000	126,025	6%	115,000	95,900	2%	-	139,538	3%	410,000	361,463	771,463	3%	-
2016	305,000	114,225	6%	155,000	91,300	2%	-	139,538	3%	460,000	345,063	805,063	3%	-
2017	315,000	98,213	6%	200,000	85,100	2%	-	139,538	3%	515,000	322,850	837,850	3%	-
2018	320,000	81,675	5%	270,000	77,100	3%	-	139,538	3%	590,000	298,313	888,313	3%	-
2019	300,000	68,875	5%	295,000	66,300	3%	80,000	139,538	4%	675,000	274,713	949,713	4%	-
2020	100,000	56,875	2%	365,000	54,500	3%	335,000	137,138	9%	800,000	248,513	1,048,513	4%	-
2021	105,000	52,875	2%	325,000	38,250	3%	365,000	129,600	10%	795,000	220,725	1,015,725	4%	-
2022	110,000	48,675	2%	400,000	20,000	3%	415,000	115,000	10%	925,000	183,675	1,108,675	4%	-
2023	115,000	44,138	2%	192,038	247,962	3%	470,000	98,400	11%	777,038	390,500	1,167,538	4%	-
2024	120,000	39,394	2%	187,000	278,000	3%	520,000	79,600	12%	827,000	396,994	1,223,994	5%	-
2025	120,000	34,444	2%	181,290	308,710	4%	585,000	58,800	13%	886,290	401,954	1,288,244	5%	-
2026	120,000	29,484	2%	174,262	335,738	4%	655,000	35,400	13%	949,262	400,632	1,349,894	5%	-
2027	595,000	24,544	8%	168,760	366,239	4%	230,000	9,200	5%	993,760	399,983	1,393,743	5%	-
2028	146,137	433,863	8%	334,869	815,132	8%	-	-	-	481,005	1,248,995	1,730,000	7%	-
2029	-	-	-	324,627	880,373	9%	-	-	-	324,627	880,373	1,205,000	5%	-
2030	-	-	-	315,455	954,545	9%	-	-	-	315,455	954,545	1,270,000	5%	-
2031	-	-	-	304,783	1,025,217	10%	-	-	-	304,783	1,025,217	1,330,000	5%	-
2032	-	-	-	295,852	1,099,148	10%	-	-	-	295,852	1,099,148	1,395,000	5%	-
2033	-	-	-	210,751	1,249,249	11%	-	-	-	210,751	1,249,249	1,460,000	6%	-
Totals	5,011,137	2,409,629	7,420,765	4,999,686	8,617,994	13,617,680	3,655,000	1,474,005	5,129,005	13,665,823	12,501,628	26,167,451	100%	-