

**Oak Park Citizens' Oversight Committee
2014 Measure R Annual Report
May 2015**

Summary

- The District's auditor reported that the District spent \$4,252,009 of Measure R bond funds on facilities acquisition and maintenance during the *fiscal* year July 1, 2013 and June 30, 2014.
- 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 Citizen's Oversight Committee finds that the district spent approximately \$7,300,000 of Measure R bond funds on facilities acquisition and maintenance during *calendar* year 2014.
- 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 Committed finds that there were no irregularities regarding the bond monies (bond issuance, expenditures, audits).
- **Notwithstanding the foregoing, and noting the near-exhaustion of Measure R funds, the Citizens' Oversight Committee believes that the District should use operating funds, rather than bond funds, for physical plant maintenance and repair.**
- **Notwithstanding the foregoing, the Citizens' Oversight Committee believes that the District should be more specific, at the time of any future bond election, regarding the capital improvement projects for which any new bond funds will be spent.**
- **Notwithstanding the foregoing, the Citizens' Oversight Committee believes that going forward, the District should hold operating funds in reserve to deal with unanticipated/unbudgeted repairs and maintenance so that the District's physical plant remains in serviceable condition, regardless of any future bond funds being available (or not) for such repairs and maintenance.**

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, 2014 through May, 2015.

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, 2014 were conducted by Christy White Accountancy Corporation (CWA), an independent auditing firm. The report is dated January 6, 2015. CWA tested approximately \$2.3 million or 55% of the 2013-2014 expenditures included in 27 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, 2014 they tested four contracts totaling approximately \$526,000 and found that the contracts followed the proper bidding procedures.

Note that the Committee is reporting on calendar year 2014, of which only the period Jan 1, 2014–June 30, 2014 is addressed in the CWA audit reports. The Committee relied on unaudited

district financial statements for the period July 1, 2014–December 31, 2014 in fulfilling its oversight obligations.

Committee Activities

In order to fulfill 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 October 15, 2014, January 22, 2015, March 31, 2015 and May 7, 2015. Additionally, the Measure R Subcommittee met on February 17, 2015.
- The OPCOC attended a facilities tour on November 8, 2014.
- One or more of the committee members attended School Board meetings.
- One or more of the committee members attended Facilities Planning Committee meetings.
- One or more of the committee members attended the District’s newly-formed Needs Assessment Committee meetings.
- The committee members reviewed and discussed the District’s construction master plan and its revisions.
- The committee members met with CWA to review the audit findings for the fiscal year ending June 30, 2014. Both the financial audit and the performance audit were reviewed.
- To understand the expenditures for the unaudited period from July 1, 2014 to December 31, 2014 the committee reviewed Bond Proceeds and Expenditures through December 31, 2014.
- 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. During 2014, bond expenditures were approximately \$7.3 million or about 25% of the total estimated bond expenditures for the life of the bond. As of December 31, 2014, the cumulative total bond expenditures totaled approximately \$21.8 million, which represents 87% of the total Measure R bond expenditures. Major projects completed in 2014 included the replacement of temporary classrooms at OPHS with innovative energy-efficient new classrooms made from recycled ocean shipping containers, remodeling and refurbishment of the locker rooms at OPHS, security camera installations, complete remodeling and refurbishment of Building 100 and the Multi-purpose room at Brookside Elementary, as well as other smaller projects. Approximately \$150,000 was spent on emergency gas line repairs at OPHS (see Committee comments regarding emergency reserves below).

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 from Measure R bond funds. The district staff reported to the OPCOC that during 2014 approximately \$84,000 of measure R funds were used for certain and specific administrative salaries and benefits allocated to time spent administering the bond program. 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 expenditure.

The Facilities Planning Committee ("FPC")

The Community is fortunate to have a Facilities Planning Committee composed of various stakeholder members (staff, teachers, parents). 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 with the District and the project management firm Balfour Beatty. The FPC continued in 2014 to 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. However, as noted below, the OPCOC is concerned about the lack of funding for future maintenance and repair of the District's physical plant.

Citizens' Oversight Committee Findings and Concerns

- 1) In previous years the Committee has commented on the costs associated with Balfour Beatty project management. The concern was that Construction Management costs were higher than budgeted for and that Construction Management costs as a proportion of the overall construction budget had doubled from 15% to an estimate of 30% for 2011 and 2012. 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 implemented new procedures related to Balfour Beatty invoicing and time documentation. 2013 actual expenditures show Construction Management costs of \$603,320 or 14% of 2013 project costs, versus an estimate in last year's master plan of \$986,000 or 15% of 2013 estimated project costs. 2014 estimated expenditures indicate that Construction Management costs are approximately \$740,000, or about 11% of 2014 project costs. The

Committee is pleased that the District has maintained a reasonable level of project management costs (less than 15% of overall project costs) for the past two years.

- 2) The Committee has reviewed the 2015 Master Plan as approved by the board and made the following observations: The measure R bond proceeds, combined with modernization funds and Proposition 39 (Energy Conservation) funds have been used over the past six years (2009–2014) to upgrade, modernize and maintain the Oak Park Schools, as intended by the bond measure. The Master Plan anticipates that over 90% of the total measure R funds will be expended by the end of 2015, with various small projects extending into 2016 and 2017. The current master plan shows \$102,000 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 need to absorb all maintenance and facility repair and upkeep into the operating budget. The FPC was thoughtful about planning 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 end of Measure R funding. Specifically, the OPCOC urges the Board to leave an appropriate amount of money in reserve to fund future unforeseen but necessary projects. This may mean postponing some remaining Measure R projects until later years. The master plan shows projects for 2015-2017 totaling approximately \$4.7 million. 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.
- 3) In addition, the OPCOC urges the district to begin to anticipate the cost of normal maintenance and ensure that annual budget money is set aside to cover these predictable, recurring costs.

Respectfully submitted,

OAK PARK CITIZENS’ OVERSIGHT COMMITTEE

Committee Members

Keith Caruso
Jim Faul
Steven Golove
Ronald Movich
Sherwin Samuels

Michael Schneider
Marc Shapiro
Vance Taylor
Shary Trux, Chair
Helene Winston