

ICOC QUARTERLY STATUS UPDATE

January – March 2013



San Diego Unified
SCHOOL DISTRICT

Independent Citizens’ Oversight Committee

BACKGROUND

PROP. S AND PROP. Z

Proposition S is the \$2.1 billion bond measure passed in 2008. Proposition Z is the \$2.8 billion bond measure passed in 2012. These bond programs provide resources to repair, renovate and revitalize San Diego schools, and provide matching funds to construct classrooms and schools to accommodate enrollment growth in Miramar and downtown.

ICOC

The Independent Citizens’ Oversight Committee is the legally required committee appointed by the Board of Education to actively review the proper expenditure of bond funds, and inform the Board and the public concerning bond expenditures. Bond funds must be used for projects specified in the bond and cannot be used for teacher or administrative salaries.

GET INVOLVED

ICOC meetings are open to the public. For times, locations, and past minutes, please visit our website:

WWW.SANDI.NET/PROPS/ICOC

Summary

Following the passage of Prop. Z, the Independent Citizens’ Oversight Committee has expanded its role to cover the oversight of both Prop. S and Prop. Z. In February the Board of Education reconfigured the committee by increasing the number of members from eleven to thirteen. Other changes include:

- ▶ Members may serve up to three consecutive 2-year terms
- ▶ Ten of the thirteen members will be nominated by, and represent, specific community organizations
- ▶ Requirements for quorum were modified to be the majority of seats actually appointed by the Board but never less than five

In March, a decision was reached in a lawsuit regarding new stadium lighting. The CA Fourth District Court of Appeal decided, in part, that Prop. S could not be used "to pay for field lighting at Hoover's stadium and any other high school stadium." This decision could have significant effects on Prop. S development. See the **Quarterly Spotlight** inside for more information.

In March several ICOC members walked two construction sites for the purpose of reviewing and validating work being completed under the Prop. S bond program.

- ▶ ICOC members observed Whole Site Modernization (WSM) project and construction of the new Performing Arts Center (PAC) at the Creative Performing Media Arts (CPMA) middle school
- ▶ ICOC members observed construction of the new 2-Story Classroom Building at Knox Middle School

| Financial Status | |
|-------------------------|--------------------|
| Received Previously | 562,520,338 |
| Received this Quarter | 0 |
| Received to Date | 562,520,338 |
| Expended Previously | 436,656,516 |
| Expended this Quarter | 30,851,186 |
| Expended to Date | 467,507,702 |
| Committed to Date | 561,624,895 |
| Uncommitted Balance | 895,443 |

Other ICOC Activities

- ▶ The independent auditor presented the financial and performance audit reports to the ICOC
- ▶ The ICOC has four vacant positions

Status of Projects

Ten construction projects budgeted at over \$82 million were underway along with two phases of the i21 program, infrastructure improvements at 76 schools, and the Data Center at Serra High School.

| Active Projects | Status |
|-------------------------------|--------|
| CPMA Kroc Performing Arts | 34% |
| Downtown Charter HS | 48% |
| Serra HS Data Center 2 | 78% |
| Encanto ES Classrooms | 61% |
| Euclid ES Classrooms | 15% |
| i21 Year 3 | 100% |
| i21 Year 4 | 59% |
| Infrastructure/Connectivity | 6% |
| Knox MS Modernization | 48% |
| Language Academy New Building | 61% |
| Marston MS Woodshop Vents | 70% |
| Mira Mesa HS Broadcast | 100% |
| Point Loma HS Concessions | 74% |
| Zamorano ES Classrooms | 54% |

*Data from April as March reports were not available.

RECENTLY COMPLETED

Mira Mesa HS Broadcasting
i21 Interactive Suites (year 3)

RECENTLY STARTED

(no new projects started this quarter)

For detailed project status info, please visit:

FPCPROJECTS.SANDI.NET



Broadcasting Center at Mira Mesa HS



Progress at the Language Academy

Quarterly Spotlight

Ribbon Cuttings

Prop. S opened up 2013 by opening up a host of completed projects for student use. They opened up:

- ▶ An athletic field shared by Gompers Preparatory Academy and Millennial Tech Middle School
- ▶ A softball field at Hoover High School
- ▶ Joint-use facilities at ALBA Community Day School
- ▶ The Child Development Center (CDC) at Morse High School
- ▶ A Motion Pictures Industry Program facility opened at Point Loma High School

A Broadcast Journalism Program and Computerized Graphic Design Program facility will open at Mira Mesa High School in May.



Ribbon cutting at Hoover HS
Softball Field

Court Decision

In February 2011, Taxpayers for Accountable School Bond Spending (“Taxpayers”) filed suit against the district regarding the use of Prop. S funds to build new stadium lighting at Hoover High. In October 2011, the trial court decided for the district. Taxpayers appealed the decision.

The California Fourth District Court of Appeal heard the case and issued a ruling on March 26. It was a multiple-part ruling, part of which sided with the plaintiffs. They declared that Prop. S proceeds could not be used “to pay for field lighting at Hoover’s stadium and any other high school stadium.” They based this decision on the fact that stadium lighting was not listed specifically by school in Prop. S, and the court’s opinion that field lighting was not incidental or necessary to listed school projects for accessibility and code compliance upgrades to various sports facilities.

The fact that stadium lighting was listed under additional projects led the ICOC to consider stadium lighting a valid use of Prop. S funds when the ICOC reviewed the Hoover Sports Facilities Upgrade Project in 2010 and 2011.

In light of the court decision and despite the district appealing the court’s decision, the ICOC has recommended that District staff provide the rationale linking projects to bond language when bringing future projects to the Board of Education for approval.

[A copy of the ruling can be found on the California Judicial Branch webpage.](#)

Financial Summary

Status

Prop. S authorized the issuance of \$2.1 billion in general obligation bonds, Prop. Z authorized \$2.8 billion. As stated in the bond measures, projects listed may depend in part on state grants — the district currently anticipates receiving \$165 million in state funds.

As of March 31, 2013, a total of \$518,095,751 in Prop. S bonds has been received from three bond issuances. The district has received \$44,424,587 in state funding to augment Prop. S projects. Expenditures to date total \$467,507,702 against total awarded contracts and commitments of \$561,624,895. There is a total of \$895,443 in uncommitted available funding.

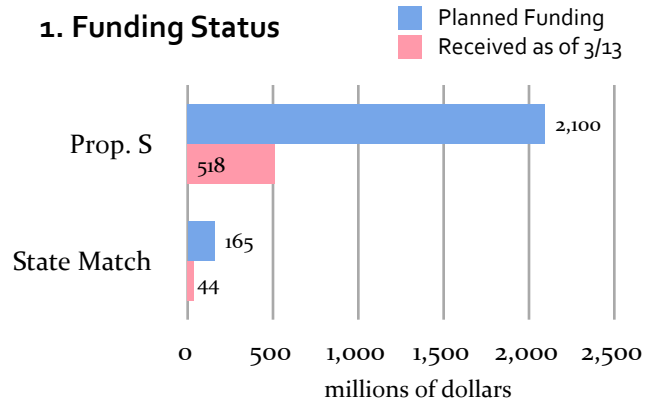
Ongoing commitments are fully funded. Additional funds will become available with the first issue of Prop. Z bonds in May 2013. The first issue is expected to be about \$500 million including about \$100 million in short-term bonds to fund short-life equipment and devices. A revised plan is being developed based on expected Prop. Z revenues. Prop. Z bond issues are expected to occur every 2-years. The size and frequency of future Prop. S bond issues is less certain as they are dependent on how quickly assessed values recover, and may be affected by pending legislation restricting the use of capital appreciation bonds. None of the Prop. Z bonds will be capital appreciation bonds.

Estimated Total Cost

The district’s bond management team maintains a risk-adjusted cost estimate to complete all Prop. S listed work; the ICOC anticipates that this will be updated in the near future to address Prop. Z work. The Estimated Costs to Complete Work on the right (chart 3) shows the available funds v. the cost to complete all work. Previously, they projected funding shortfalls between \$20 and \$240 million. The most significant risk factor in the projection was uncertainties about how quickly bond funds would be available to spend on projects.

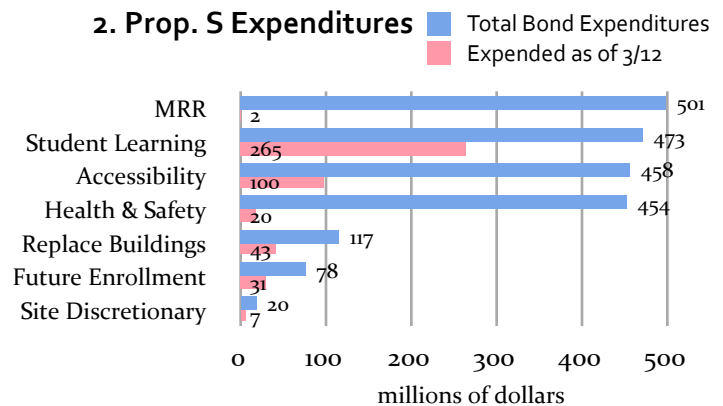
Passage of Prop. Z removed uncertainties on how quickly bond funds would be available. The Estimated Costs to Complete Prop. S Work projects that expected funding will be able to finish all work listed in the ballot and projects added by the Board.

1. Funding Status



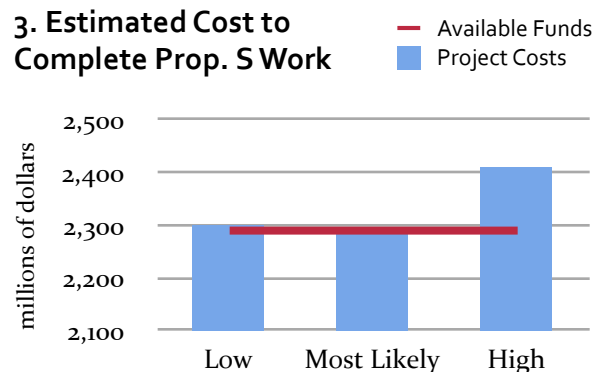
| [data depicted above] | Received | Planned |
|-----------------------|----------|------------|
| Prop. S Funds | \$ 518 M | \$ 2,100 M |
| State Matching Funds | \$ 45 M | \$ 165 M |

2. Prop. S Expenditures



| [data depicted above] | Expended | Planned |
|----------------------------------|----------|----------|
| Major Repair & Replacement (MRR) | \$ 1.8 M | \$ 501 M |
| Student Learning & Instruction | \$ 265 M | \$ 473 M |
| Accessibility & Code Compliance | \$ 99 M | \$ 458 M |
| Health, Safety & Security | \$ 20 M | \$ 454 M |
| Replace Inadequate Buildings | \$ 43 M | \$ 117 M |
| Accommodate Future Enrollment | \$ 31 M | \$ 78 M |
| Site Discretionary | \$ 7 M | \$ 20 M |

3. Estimated Cost to Complete Prop. S Work





Documents Reviewed and Available Online

| Document | Reviewed | Jan | Feb | Mar |
|--|-----------|-----|-----|-----|
| Review Expenditure of Bond Funds | | | | |
| Monthly Controls Status Report | ICOC, Fin | ● | | ● |
| A monthly report of Prop S financial information: planned v. actual, funds v. expenditures | | | | |
| Staffing Plan | ICOC | | | |
| Status updates of staffing changes approved by the Board and designed to lower costs | | | | |
| Business Outreach Narrative | ICOC | | | |
| Business Outreach Program Events | Con | ● | ● | |
| Project Stabilization Agreement (PSA) | Con | | ● | |
| Labor Compliance Program | ICOC | | | |
| Joint-Use Efforts | ICOC | | | |
| Project Management Report | Con | ● | ● | |
| A 5-year implementation plan with scheduled milestones of planned projects | | | | |
| Construction Management Report | ICOC, Con | ● | | |
| Status summary of ongoing construction projects | | | | |
| i21 Program Summary | Con | ● | ● | |
| i21 First Quarter Update | ICOC, Con | ● | | |
| BOE Look Ahead Report | ICOC, Fin | | | |
| A report designed to keep the ICOC informed of items submitted to the Board | | | | |
| Inspect Schools & Grounds | | | | |
| Reports for site-walks of CPMA and Knox MS in March are pending | | | | |
| Review Efforts to Reduce Costs | | | | |
| Cost Savings Measure Matrix | ICOC, Con | | | |
| Receive & Review Annual Performance Audit | | | | |
| 2012 Prop S. Performance Audit | ICOC, Fin | | ● | |
| Receive & Review Annual Financial Audit | | | | |
| 2012 Prop. S Financial Audit | ICOC, Fin | | ● | |
| Receive & Review Deferred Maintenance Plan | | | | |
| FCI Evaluation Update | Con | ● | ● | |

- ▶ Fin: Finance/Audit subcommittee
- ▶ Con: Construction subcommittee
- ▶ Gov: Executive/Governance subcommittee

The ICOC conducts regular oversight to actively review the proper expenditure of bond funds. Documents are typically prepared by district staff and reviewed by the ICOC. Audits are performed by independent auditors. The ICOC prepares school & grounds inspection reports, quarterly status updates and annual reports.

INFORM THE PUBLIC ON BOND FUNDS

ANNUAL REPORTS

- ▶ 2009 ICOC Annual Report
- ▶ 2010 ICOC Annual Report
- ▶ 2011 ICOC Annual Report
- ▶ 2012 ICOC Annual Report

QUARTERLY STATUS UPDATES

- ▶ Start – December 2009
- ▶ January – March 2010
- ▶ April – June 2010
- ▶ July – September 2010
- ▶ October – December 2010
- ▶ January – March 2011
- ▶ April – June 2011
- ▶ July – September 2011
- ▶ October – December 2011
- ▶ January – March 2012
- ▶ April – June 2012
- ▶ July – September 2012
- ▶ October – December 2012

DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
- ▶ Verbal updates only

ICOC WEBSITE:

WWW.SANDI.NET/PROPS/ICOC