

ICOC QUARTERLY STATUS UPDATE

April – June 2014

DRAFT



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.

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/ICOC

Summary

The final MRR Plan was presented to the Board on June 4th as part of an update to Prop. S and Prop. Z. The Quarterly Spotlight on page 2 summarizes the plan, particularly the \$3.764 billion price tag.

The District has requested proposals for developing joint-use swimming pools. Andy Berg and Bill Ponder met with the District General Counsel regarding the use of bond funds for such projects. The ICOC will review responses against bond language.

Air conditioning projects should cool 29 schools by the end of summer.

Finally, the ICOC would like to fill vacancies. Nominations are being sought from local chapters of the American Institute of Architects, Construction Financial Management Association, and the San Diego Regional Chamber of Commerce.

ICOC Activities

- ▶ In June, the ICOC re-elected Andy Berg as chair and elected David Akers as vice chair.
- ▶ Approved the January – March 2014 Quarterly Status Update

Status of Projects

Thirty-eight construction projects budgeted at \$234 million were underway along with the i21 program and infrastructure upgrades at 76 schools.

HVAC Projects Status

HVAC Projects	Status
Audubon ES HVAC	0%
Gage ES HVAC	0%
Language Academy HVAC	0%
Marshall ES HVAC	0%
Mason ES HVAC	0%
Miramar Ranch ES HVAC	0%
Nye ES HVAC	0%
Scripps Ranch HS HVAC	22%
Valencia Park ES HVAC	40%
Zamorano ES HVAC	40%

Financial Status

Received Previously	1,095,876,524
Received this Quarter	65,095,726
Received to Date	1,160,972,250
Expended Previously	603,233,549
Expended this Quarter	?
Expended to Date	unknown
Committed to Date	795,614,027
Uncommitted Balance	430,453,949

Active Projects Status

Audubon ES Slope Repair	32%
Balboa/Miramar Ranch/Vista Grande Exiting Improvements	87%
Bell MS Modernization	0%
Chollas ES Modernization	62%
Chavez/Jefferson/Rosa Parks Exiting Improvements	100%
Clairemont HS Academy of Business Technology	8%
Cubberly ES Drain Repair	100%
CPMA Kroc Performing Arts	89%
Euclid ES Classrooms	100%
Hamilton ES Modernization/New Classroom	42%
Henry HS Theater/Production/Modernization	9%
Hoover HS Tech Academy	100%
i21 Year 4	93%
i21 Year 5	54%
Infrastructure/Connectivity	7%
Kearny HS Athletic Facilities	23%
Kearny HS Slope Repair	0%
Kearny HS Track & Football	25%
Knox MS Modernization	100%
Millennial MS 3-story Classrooms	47%
Mission Bay HS Athletic Facilities	12%
Pershing MS Modernization	0%
Salk ES New School	56%
San Diego HS Electrical Upgrades	65%
San Diego HS Tech Classrooms	0%
SCPA Theater Upgrade	67%
Standley MS Elect. Upgrades	0%
Webster ES HVAC	100%

RECENTLY COMPLETED

Chavez/Jefferson/Rosa Parks Exiting Improvements
 Cubberly ES Storm Drain Repair
 Euclid ES Classrooms
 Hoover HS Tech Academy
 Knox MS Modernization
 Webster ES HVAC

RECENTLY STARTED

Audubon ES Slope Repair
 Bell MS Modernization
 Clairemont HS Academy of Business Technology
 Kearny HS Track & Football Field
 Pershing MS Modernization
 San Diego HS Science Tech Classrooms
 Standley HS Electrical Upgrades
 HVAC Installations at 10 school sites

For detailed project status info, please visit:
FPCPROJECTS.SANDI.NET

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Quarterly Spotlight

FCI and Facility Repair Needs

The Facility Condition Index (FCI) is a nationally recognized measurement of the condition of capital assets, or facilities. It is calculated by dividing the cost of needed repair and maintenance by the facility's current replacement value, and is expressed as a percentage. The lower the percentage, the better the condition of the facilities.

Conditions have been deteriorating faster than they're being repaired since completion of Prop. MM in 2008. The District-wide FCI is currently 21.7%, and categorized as "poor."

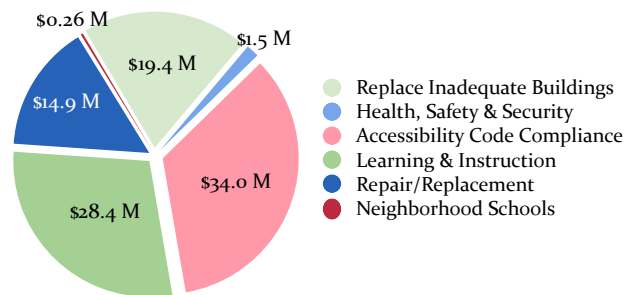
The Draft 2014 Annual Update to the Major Repair and Replacement Plan (Draft MRR Plan), presented to the ICOC in May, estimates that a staggering \$3.764 billion is needed to reverse this trend, improve conditions, and keep District facilities in a good condition through 2032.

The Draft MRR Plan lays out a funding plan, most of which is already underway. The \$3.764 billion in needed funding is broken down into six pieces: four supported by Prop. S and Prop. Z, one that needs to come from the District's annual budget, and the last still to be determined.

Other work that improves FCI includes work that either eliminates needed repair and replacement work or completes it as a part of work needed for other reasons. For instance, improvements to achieve Accessibility and Code Compliance complete repair/replacements in restrooms, kitchens, stadiums and hardscape areas. Replacing inadequate buildings also eliminates needed repair/replacements (in those buildings).

Each month, bond expenditures that improve the FCI are presented to the ICOC. As of May 2014, a total of \$98 million of Prop. S and Prop. Z funds have been spent to improve facility conditions; about \$15 million was specific repair/replacement work.

2. Work To-Date to Improve Facility Condition Index (FCI)



1. Major Repair and Replacement Work	Cost
Prop. S specific repair/replacements	\$501.0 M
Prop. S other work that improves FCI	\$521.9 M
Prop. Z specific repair/replacements	\$672.0 M
Prop. Z other work that improves FCI	\$616.4 M
Non-bond funded repair/replacements	\$783.9 M
To be determined	\$668.4 M
Total	\$3,763.6 M

The review of the District's Deferred Maintenance and MRR programs is a task assigned to the ICOC by the state's Education Code and by policies adopted by the Board of Education.

Financial Summary

Status

Prop. S authorized issue of \$2.1 billion in general obligation bonds, Prop. Z authorized \$2.8 billion. Some projects listed in the propositions depend in part on state grants — the district currently anticipates receiving a total of \$180 million in state grants. The district has received \$47,780,773 in state funding; most recent receipt of grant funds was June 2013.

A total of \$583,191,577 in Prop. S bonds has been received from four bond issuances; latest bond issue was in April. Expenditures to date total \$543,576,492 against total awarded contracts and commitments of \$561,473,859 (includes State grants). Uncommitted available Prop. S funds and State grants total \$2,520,115.

A total of \$530,000,000 in Prop. Z bonds has been received from one bond issuance in 2013. Expenditures as of March 30 total \$91,330,489 against commitments of \$228,140,168. Uncommitted available Prop. Z funds and State grants total \$303,242,382.

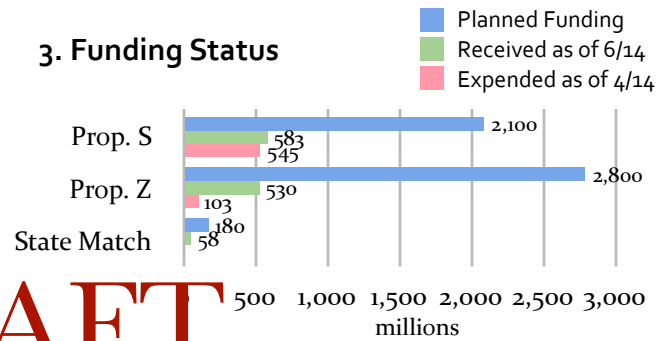
Additional Prop. S bonds were issued in April, a total of \$65,095,726. Consisting of multiple issues, \$15,095,000 were short-term current interest bonds (CIBs) and \$50,000,726 were long-term capital appreciation bonds (CABs). As part of the bond issue transaction there were also long-term CIBs issued to refinance \$199,285,000 in Proposition MM bond debt. The ICOC will receive a full briefing on the bond issue transactions from the District's bond financial advisor in September.

Estimated Total Cost

There has been no change in the risk-adjusted cost estimate to complete listed work in Prop. S and Prop. Z. The estimates project that there will be enough funding to complete all listed project in both bond programs.

The graph to the right (Graph 5) shows the combined estimates for Prop. S and Prop. Z.

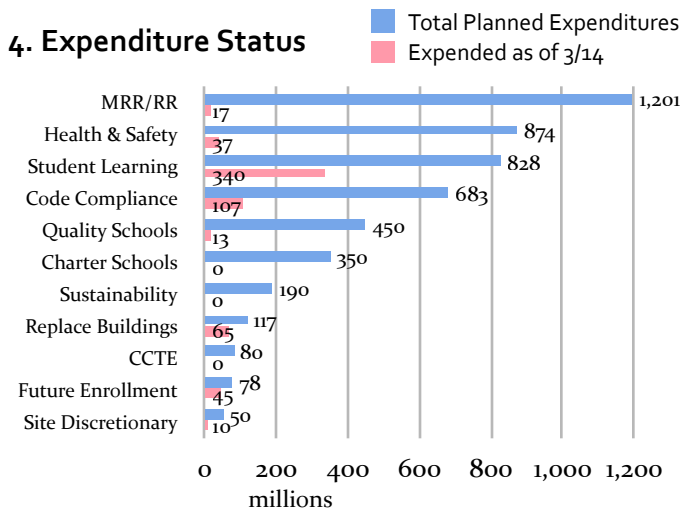
3. Funding Status



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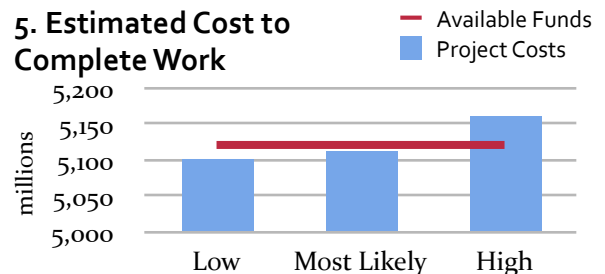
[data depicted above]	Planned	Received	Expended
Prop. S Funds	\$2,100.0 M	\$583.2 M	\$545.0 M
Prop. Z Funds	\$2,800.0 M	\$530.0 M	\$102.8 M
State Matching Funds	\$180.0 M	\$47.0 M	included above

4. Expenditure Status



[data depicted above]	Planned Prop. S	Planned Prop. Z	Total Expended
Major Repair/Replacement (MRR) and Repair/Replacement (RR) Projects	\$501.0 M	\$700.0 M	\$16.7 M
Health, Safety & Security	\$454.0 M	\$420.0 M	\$37.2 M
Student Learning & Instruction	\$473.0 M	\$355.0 M	\$340.3 M
Accessibility & Code Compliance	\$458.0 M	\$225.0 M	\$106.5 M
Quality Neighborhood Schools	—	\$450.0 M	\$13.4 M
Specific Charter School Projects	—	\$350.0 M	—
Energy Efficiency & Sustainability	—	\$190.0 M	\$0.19 M
Replace Inadequate Buildings	\$117.0 M	—	\$65.4 M
College/Career & Technical Education (CCTE)	—	\$80.0 M	—
Accommodate Future Enrollment	\$78.0 M	—	\$45.4 M
Site Discretionary	\$20.0 M	\$30.0 M	\$9.7 M

5. Estimated Cost to Complete Work





Documents Reviewed and Available Online

Document	Reviewed	Apr	May	Jun
Review Expenditure of Bond Funds				
Monthly Controls Status Report	ICOC, Fin	<input checked="" type="radio"/>	<input checked="" type="radio"/>	
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	<input checked="" type="radio"/>		
Business Outreach Program Events	Const			<input checked="" type="radio"/>
Project Stabilization Agreement (PSA)	Const	<input checked="" type="radio"/>		
Labor Compliance Program	ICOC			
Joint-Use Efforts	ICOC			
Project Management Report	Const	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
PPO Project Management Report	Const	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
5-year implementation plans for large (reg) and in-house (PPO) planned projects				
Construction Management Report	ICOC, Const	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Status summary of ongoing construction projects				
i21 Program Summary	Const	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
i21 Third Quarter Update	ICOC, Const	<input checked="" type="radio"/>		
BOE Look Ahead Report	ICOC, Fin			
A report designed to keep the ICOC informed of items submitted to the Board				
CTE Project List	Fin			
HVAC Spending Plan	ICOC, Const		<input checked="" type="radio"/>	
Inspect Schools & Grounds				
No activity this quarter				
Review Efforts to Reduce Costs				
Cost Savings Measure Matrix	ICOC, Const		<input checked="" type="radio"/>	
Receive & Review Annual Performance Audit				
2013 Prop. S. Performance Audit	ICOC, Fin	<input checked="" type="radio"/>	From Mar. '14	
Receive & Review Annual Financial Audit				
2013 Prop. S Financial Audit	ICOC, Fin	<input checked="" type="radio"/>	From Mar. '14	
Receive & Review Deferred Maintenance Plan				
Annual MRR Plan	ICOC, Const	<input checked="" type="radio"/>	From May '14	

- ▶ Fin: Finance/Audit subcommittee
- ▶ Const: 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
- ▶ 2013 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
- ▶ January – March 2013
- ▶ April – June 2013
- ▶ July – September 2013
- ▶ October – December 2013
- ▶ January – March 2014

DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
- ▶ May 2014

ICOC WEBSITE:

WWW.SANDI.NET/ICOC