

ICOC QUARTERLY STATUS UPDATE

April – June 2013

DRAFT



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

Welcome to new members David Akers, Miles Durfee, Barbara Flannery, Matt Kriz, and Mike Magallanes. The Quarterly Spotlight inside discusses the reconfiguration of the committee to oversee both bond programs.

The first Prop. Z bonds were issued in this quarter in the amount of \$530 million, see **Table 1** on page 3 for a breakdown. Current depressed property values and the promised Prop. S tax rate will not currently allow the issue of more Prop. S bonds. In addition, pending legislation restricting the use of Capital Appreciation Bonds is expected to further constrain the issue of more Prop. S bonds.

In May, an updated plan was presented to the Board and ICOC. The majority of Prop. S funds received to date are spent or committed. As a result, the plan uses Prop. Z proceeds over the next two years to initiate new projects and to fund new commitments needed to keep on-going projects moving. The plan also listed projects that were slated to be funded out of the next Prop. Z and Prop. S bond issues in 2015. The ICOC will be actively engaged in reviewing projects receiving funding from both propositions to ensure that expenditures for each project are an appropriately authorized use for each bond.

The ICOC Ad Hoc committee for Major Repair and Replacement (MRR) met with staff in May to review efforts to assemble the annual MRR Plan. This plan reports the condition of facilities, MRR funding needs, adequacy of annual funding for maintenance and repairs, and status of debt used to finance MRR work. The largest portion of both Prop. S and Prop. Z is earmarked for repair and replacement of building systems.

Financial Status

Received Previously	562,520,338
Received this Quarter	531,973,636
Received to Date	1,094,493,974
Expended Previously	467,507,702
Expended this Quarter	30,813,473
Expended to Date	498,321,175
Committed to Date	560,104,895
Uncommitted Balance	534,389,079

Status of Projects

Twelve construction projects budgeted at over \$81 million were underway along with one phase of the i21 program, infrastructure improvements at 76 schools, and the Data Center at Serra High School.

Active Projects	Status
Balboa/Miramar Ranch/Vista Grande Exiting Improvements	2%
Boone/Washington Exiting	4%
Chavez/Jefferson Rosa Parks Exiting Improvements	0%
CPMA Kroc Performing Arts	39%
Downtown Charter HS	70%
Serra HS Data Center 2	94%
Encanto ES Classrooms	68%
Euclid ES Classrooms	54%
i21 Year 4	64%
Infrastructure/Connectivity	6%
Knox MS Modernization	56%
Language Academy New Building	69%
Marston MS Woodshop Vents	88%
Point Loma HS Concessions	85%
Zamorano ES Classrooms	66%

RECENTLY COMPLETED

(no projects completed this quarter)

RECENTLY STARTED

Exiting improvements at:

- ▶ Balboa
- ▶ Boone
- ▶ Chavez
- ▶ Jefferson Rosa Parks
- ▶ Miramar Ranch
- ▶ Vista Grande
- ▶ Washington

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For detailed project status info, please visit:

FPCPROJECTS.SANDI.NET

Performing Arts Center at CMPA



2-Story Classroom Building at Knox MS

Quarterly Spotlight

The New ICOC

With passage and implementation of Prop. Z, the Board reconfigured the ICOC to oversee two bond programs. Membership was expanded to thirteen members. In addition, the manner in which members were appointed was changed. The Board named ten organizations representing parent, community, business and labor that were asked to nominate a candidate for ICOC membership*. All ICOC members are appointed through a vote of the Board.

ICOC members are volunteers. They receive no payment, must abide by provisions of state law forbidding conflict of interests, and must conduct their meetings in accord with the Brown Act public meeting requirements.

Andy Berg, Chair

- ▶ Representing: Construction Industry (National Electrical Contractors Association)

William Ponder, Vice Chair (Construction Subcommittee Chair)

- ▶ Representing: the community at large

David Akers

- ▶ Representing: American Society of Civil Engineers

Miles Durfee

- ▶ Representing: San Diego Unified School District Charter School Facility Committee

Barbara Flannery

- ▶ Representing: San Diego Unified Council of Parent Teacher Associations (PTAs)
- ▶ Ed. Code mandate: Parent/guardian of child enrolled in the District and active in a PTA

Matt Kriz

- ▶ Representing: San Diego Building and Construction Trades Council

Mike Magallanes

- ▶ Representing: Middleclass Taxpayers' Association
- ▶ Ed. Code mandate: Active member of a bona fide taxpayers' organization

Brian Pollard

- ▶ Representing: the community at large
- ▶ Ed. Code mandate: Active member of a senior citizen organization

Kim Schoettle (Finance/ Audit Subcommittee Chair)

- ▶ Representing: SDUSD Cluster Governance Committee
- ▶ Ed. Code mandate: Parent/guardian of a child enrolled in the district (Mission Bay High School)

Open Seat

- ▶ Representing: the community at large

Open Seat

- ▶ Representing: Construction Financial Management Association San Diego Chapter

Open Seat

- ▶ Representing: American Institute of Architects San Diego Chapter

Open Seat

- ▶ Representing: To be determined*.
- ▶ Ed. Code mandate: Active member of a business organization representing the business community located in the district

NOTE: * The San Diego Regional Economic Development Corporation has refused the invitation to nominate an ICOC candidate. The Board is expected to choose another organization.

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 \$46,398,223 in state funding.

A total of \$518,095,751 in Prop. S bonds has been received from three bond issuances. Expenditures to date total \$497,817,923 against total awarded contracts and commitments of \$560,104,895 (includes State grants). Uncommitted available Prop. S funds and State grants total \$4,389,079.

A total of \$530,000,000 in Prop. Z bonds has been received from one bond issuance. Expenditures as of June 30th total \$503,252.

As depicted below, the initial Prop. Z issue consisted of \$16 million in short-term bonds (series A, A-1, and B) for short-life equipment and \$414 million in long-term current interest bonds (series C).

1. Prop. Z 2013 Bond Issuance

Bond Series	Proceeds	Paid Off	Total Cost	Cost per Dollar
A	\$52.5 M	2014	\$52.7 M	\$1.004
A-1	\$3.0 M	2014	\$3.0 M	\$1.005
B	\$60.5 M	2015	\$62.1 M	\$1.026
C	\$414.0 M	2042	\$823.5 M	\$1.989
Total	\$530.0 M		\$941.3 M	\$1.776

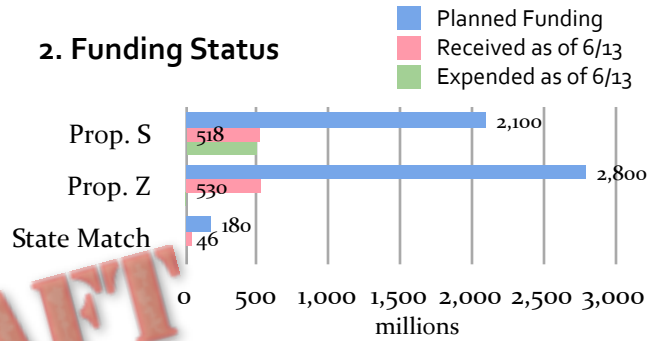
It's expected that about \$500 million in Prop. Z bonds can be issued every two years. Future issues of Prop. S bonds are dependent on how quickly assessed values increase and pending legislation expected to limit use of capital appreciation bonds — best estimate is annual issuances of \$20 to \$40 million.

Estimated Total Cost

The risk-adjusted cost estimate to complete listed work was last updated in 2012. The most significant risk factor in the projections are uncertainties about how quickly bond funds will be available — Prop. Z removed many uncertainties.

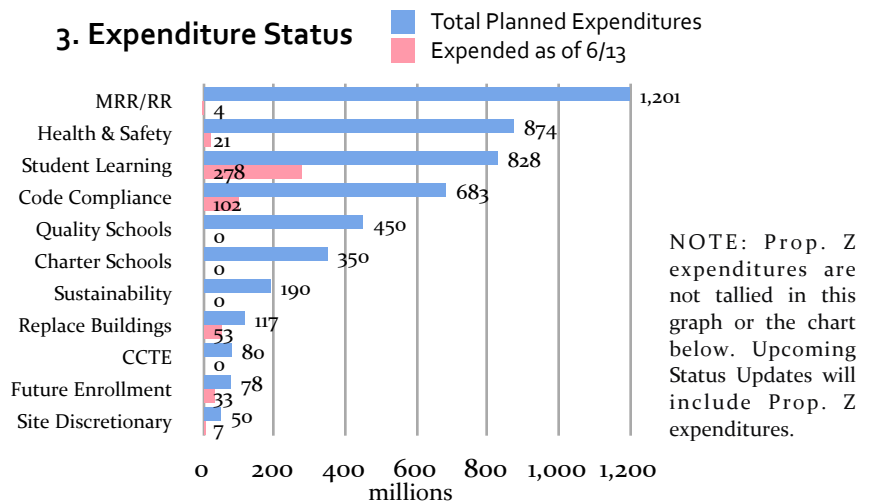
Projects started by Prop. S may be finished using Prop. Z funds. This is consistent with ICOC recommendations and is supported by the similarity of projects listed in each bond. It's anticipated that the next update to the estimated total cost will take this cross use of funding into account.

2. Funding Status



[data depicted above]	Planned	Received	Expended
Prop. S Funds	\$ 2,100 M	\$ 518 M	\$ 498 M
Prop. Z Funds	\$ 2,800 M	\$ 530 M	\$ 5 M
State Matching Funds	\$ 180 M	\$ 46 M	To be updated

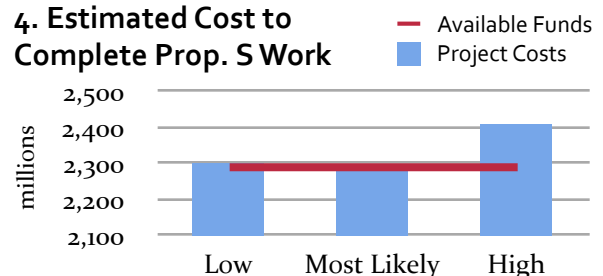
3. Expenditure Status



NOTE: Prop. Z expenditures are not tallied in this graph or the chart below. Upcoming Status Updates will include Prop. Z expenditures.

[data depicted above]	Planned Prop. S	Planned Prop. Z	Total Expended
Major Repair/Replacement (MRR) and Repair/Replacement (RR) Projects	\$ 501 M	\$ 700 M	\$ 3.6 M
Health, Safety & Security	\$ 454 M	\$ 420 M	\$ 21 M
Student Learning & Instruction	\$ 473 M	\$ 355 M	\$ 278 M
Accessibility & Code Compliance	\$ 458 M	\$ 225 M	\$ 102 M
Quality Neighborhood Schools	—	\$ 450 M	—
Specific Charter School Projects	—	\$ 350 M	—
Energy Efficiency & Sustainability	—	\$ 190 M	—
Replace Inadequate Buildings	\$ 117 M	—	\$ 53 M
College/Career & Technical Education (CTTE)	—	\$ 80 M	—
Accommodate Future Enrollment	\$ 78 M	—	\$ 33 M
Site Discretionary	\$ 20 M	\$ 30 M	\$ 7 M

4. Estimated Cost to Complete Prop. S Work





Documents Reviewed and Available Online

Document	Reviewed	Apr	May	Jun
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				
Knox MS Walk-through Report	Con			●
Creative Performing Media Arts (CPMA) Walk-through Report	Con			●
Review Efforts to Reduce Costs				
Cost Savings Measure Matrix	ICOC, Con		●	
Receive & Review Annual Performance Audit				
2012 Prop S. Performance Audit	ICOC, Fin	●	From Mar. '13	
Receive & Review Annual Financial Audit				
2012 Prop. S Financial Audit	ICOC, Fin	●	From Mar. '13	
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
- ▶ January – March 2013

DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
- ▶ Verbal updates only

ICOC WEBSITE:

WWW.SANDI.NET/PROPS/ICOC