

ICOC QUARTERLY STATUS UPDATE

October – December 2012



BACKGROUND

PROP. S

Proposition S is the \$2.1 billion bond measure passed by San Diego voters in 2008. This bond program provides resources to repair, renovate and revitalize 181 San Diego schools, and provides 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 Prop. S funds, and inform the Board and the public concerning Prop. S expenditures. Prop. S 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

DRAFT

Summary

Successful passage of Prop. Z has changed everything. Prop. Z is expected to provide a stable and predictable flow of funds to support a continuing capital building program for the foreseeable future.

Prop. S bond issuances remain uncertain, but this situation will change once property values recover.

The ICOC made recommendations to the Board regarding the two bonds. First, one oversight committee should oversee both bonds. Second, projects should be completed based on a common set of priorities, based on completion of the i21 program and an emphasis on Major Repair and Replacement (MRR). Scheduled work should address neediest schools first.

Previously, the ICOC reported that risk-adjusted estimates predicted there will not be enough funds available to complete all work listed in Prop. S. The passage of Prop. Z removed many of the uncertainties. Updated estimates predict there *will* be enough funds to complete all Prop. S listed work.

Prop. Z will also provide the funds needed to eliminate the current backlog of MRR work, improve the condition of schools, and maintain them through 2029. The long-term challenge of securing an adequate source of annual funding to meet continuing deferred maintenance and MRR needs remains unresolved.

Other ICOC Activities

- ▶ Issued the July – September 2012 Quarterly Status Update
- ▶ The independent auditor presented draft audit reports to district staff; an ICOC representative attended
- ▶ The ICOC has three vacant positions

Financial Status

Received Previously	564,771,295
Received this Quarter	-2,250,957
Received to Date	562,520,338
Expended Previously	388,721,843
Expended this Quarter	47,934,673
Expended to Date	436,656,516
Committed to Date	555,624,895
Uncommitted Balance	6,895,443

Status of Projects

Fourteen construction projects budgeted at over \$89 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
ALBA Phase 3 Improvements	100%
CPMA Kroc Performing Arts	18%
Downtown Charter HS	0%
Serra HS Data Center 2	34%
Encanto ES Classrooms	33%
Euclid ES Classrooms	15%
Hoover HS Restroom Upgrades	100%
i21 Year 3	90%
i21 Year 4	48%
Infrastructure/Connectivity	6%
Knox MS Modernization	32%
Language Academy New Building	25%
Madison HS Weight Room	100%
Marston MS Woodshop Vents	0%
Mira Mesa HS Broadcast	87%
Point Loma HS Concessions	35%
Scripps Ranch HS Technologies	100%
Zamorano ES Classrooms	25%

RECENTLY COMPLETED

- ALBA Phase 3 Site Improvements
- Hoover HS Restroom Upgrades
- Madison HS Weight Room
- Scripps Ranch HS Sustainable Technologies Building

RECENTLY STARTED

- Downtown Charter HS
- Marston MS Woodshop Ventillation

For detailed project status info, please visit:

FPCPROJECTS.SANDI.NET

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Scripps Ranch HS Sustainable Technologies Building



Basketball courts at ALBA Phase 3

Quarterly Spotlight

The Plan to Improve Condition of Schools

One of the objectives of both Prop. S and Prop. Z is addressing the many needed repairs in the district’s schools. It was also a major focus of Prop. MM. One of the ICOC’s duties is to review the the Deferred Maintenance (DM) Plan and the Major Repair and Replacement (MRR) Plan. The DM is a state-defined program; MRR is defined by Board policy. While DM deals with ongoing major maintenance, repair/ replacement projects, MRR deals only with repair/replacement with a useful life in excess of 20-years. Based on DM and MRR reviews, sustainability of the district’s school buildings and facilities has become a principal concern of the ICOC.

While both Prop. S and Prop. Z have a budgeted amount earmarked for specific repair/replacement work, other categories of work will also address needed DM and MRR work. Here are two examples: 1) projects to replace inadequate buildings eliminate the need to do any needed repair work on the buildings being demolished; and 2) accessibility and code compliance projects will either complete incidental repair work as part of the code work or in the case of an outdated fire alarm system being replaced the work is actually repair work that’s been classified as code compliance because if it’s higher safety related priority.

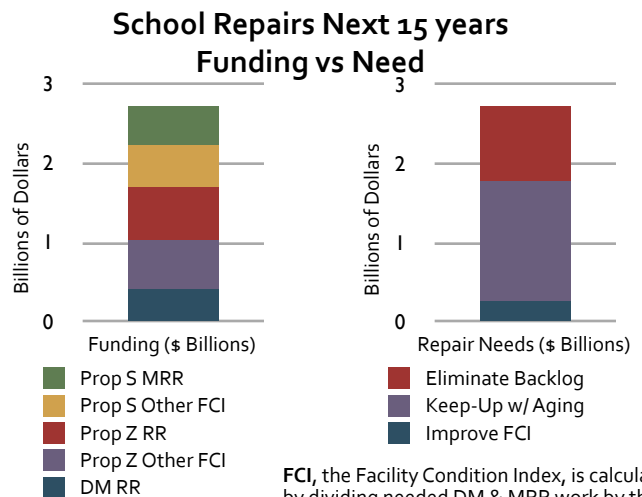
Over \$60.5 million of needed repair has been completed or eliminated by Prop. S when repair items addressed in all categories of work are considered.

Between 2008 and 2011, there was over \$76 million in DM work completed using other funds (predominately state grant funds resulting from Prop. MM projects). As previously reported, this DM work combined with repair work completed

by Prop. S has not been enough to keep-up with repair and replacement of building systems that are aging beyond their useful life.

The AECOM analysis referenced in the last quarterly update projects that \$2.728 billion is needed to eliminate a \$948 million backlog of needed repairs, improve the current condition of school facilities, and to keep-up with the continuing need to repair and replace building systems as they reach the end of their useful life over the next 15 years (through 2029).

According to AECOM analysis, Prop. S will address a total of \$1 billion of needed repair work when all categories of work are considered. Successful passage of Prop. Z will provide another \$1.288 billion of needed repair work. Another \$417 million will be needed from annual DM funds to meet goals laid out in the AECOM analysis.



FCI, the Facility Condition Index, is calculated by dividing needed DM & MRR work by the replacement value of a facility.

Financial Summary

Status

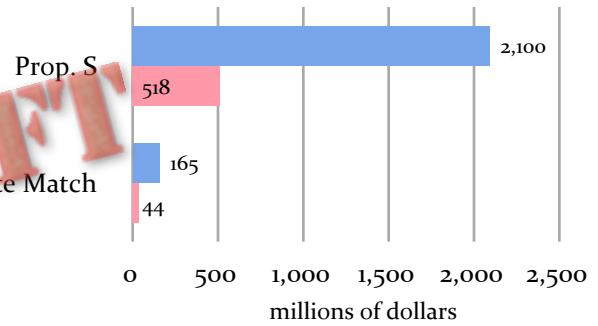
Prop. S authorized the issuance of \$2.1 billion in general obligation bonds. As stated in the bond measure, projects listed in Prop. S depend in part on state grants — the district anticipates receiving \$165 million in state funds.

As of December 31, 2012, 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 \$436,656,516 against total awarded contracts and commitments of \$555,624,895. There is a total of \$6,895,443 in uncommitted available funding.

Ongoing commitments are fully funded. Additional funds are expected to become available in spring of 2013 with the first issue of Prop. Z bonds. The 5-year plan is being revised based on expected Prop. Z bond issues. The size and frequency of future Prop. S bond issues is less certain as they are dependent on how quickly assessed values recover, and they may also be affected by pending legislation restricting the use of capital appreciation bonds.

Funding Status

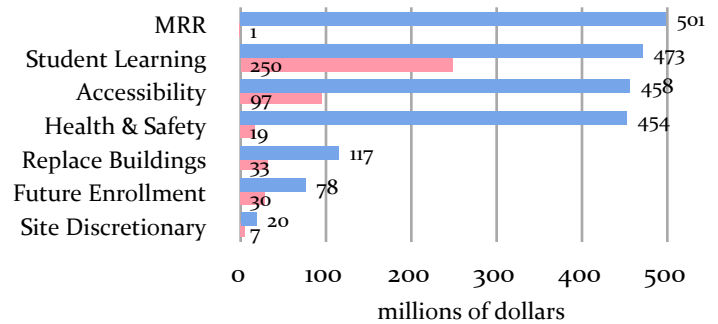
Planned Funding
Received as of 12/12



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

Expenditure Status

Total Bond Expenditures
Expended as of 12/12



[data depicted above]	Expended	Planned
Major Repair & Replacement (MRR)	\$ 0.9 M	\$ 501 M
Student Learning & Instruction	\$ 250 M	\$ 473 M
Accessibility & Code Compliance	\$ 97 M	\$ 458 M
Health, Safety & Security	\$ 19 M	\$ 454 M
Replace Inadequate Buildings	\$ 33 M	\$ 117 M
Accommodate Future Enrollment	\$ 30 M	\$ 78 M
Site Discretionary	\$ 7 M	\$ 20 M

Estimated Total Cost

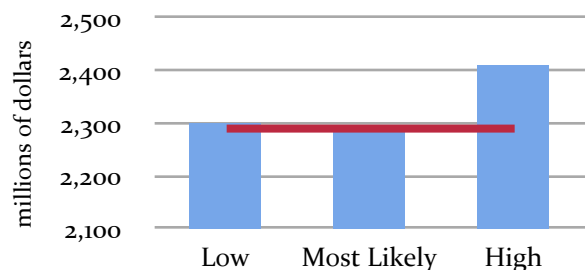
The district's Prop. S management team maintains a risk-adjusted cost estimate to complete all Prop. S listed work. The Estimated Costs to Complete Work on the right shows the available funds v. the cost to complete all work. Previously, they projected funding shortfalls between \$20 and \$240 million. The most significant risk factor in the projection was uncertainties about how quickly authorized bond funds would be available to spend on projects.

The successful passage of Prop. Z removed much of that uncertainty. The impact on the projected costs was dramatic. While recognizing there is some risk of cost overruns that remains, the Estimated Costs to Complete Work now projects that expected funding will be able to finish all work listed in the Prop. S ballot and projects added by the Board.

Between the new bond issue and passage of Prop. Z, new projects will continue at an accelerated and predictable pace for the foreseeable future.

Estimated Costs to Complete Work

Available Funds
Project Costs





Documents Reviewed and Available Online

Document	Reviewed	Oct	Nov	Dec
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 Fourth 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				
No activity this quarter				
Review Efforts to Reduce Costs				
Cost Savings Measure Matrix	ICOC, Con		●	
Receive & Review Annual Performance Audit				
Performance Audit expected Dec 2012		Previous FY 10-11: ●		
Receive & Review Annual Financial Audit				
Financial Audit expected Dec 2012		Previous FY 10-11: ●		
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

DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
 - ▶ October 2012
 - ▶ November 2012

ICOC WEBSITE:

WWW.SANDI.NET/PROPS/ICOC