

ICOC QUARTERLY STATUS UPDATE

October – December 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.

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

The ICOC is still looking to fill 4 vacancies: an at-large member, a member of the American Institute of Architects, a member of the Construction Financial Management Association, and an active member of an organization representing business communities in the district.

The October meeting of the ICOC was held at e3 Civil High School, a recently completed Prop. S project referred to as the "Downtown Charter High School" or the "Downtown School/Library". Executive Director, Dr Hellen Griffith took the ICOC on a walking tour of the new charter high school.

Staff's annual update of the Prop. S and Prop. Z bond programs was presented to the Board of Education and the ICOC. In total 64 projects have been completed for about \$242 million. Over 96% of these projects were completed under budget. In addition to active projects (projects in construction as shown on the right) there are 41 projects in design and bid phases.

The annual update highlighted progress in community outreach, emerging business outreach, and the Project Stabilization Agreement.

ICOC Activities

- ▶ Reviewed the MRR Update Annual Plan, see more detail in the Quarterly Spotlight section of this report.
- ▶ Approved the August–October 2013 Quarterly Status Update.
- ▶ Reviewed Prop. Z projects currently scheduled for the next 2-years against scopes against bond language
- ▶ Quarterly Status Updates, Annual Report, and other ICOC activities will be included in the Superintendent's Friday Notes (60,000 subscribers).

Financial Status

Received Previously	1,094,493,974
Received this Quarter	1,382,550
Received to Date	1,095,876,524
Expended Previously	550,159,230
Expended this Quarter	25,973,098
Expended to Date	576,133,328
Committed to Date	780,614,027
Uncommitted Balance	315,262,497

Status of Projects

Eighteen construction projects budgeted at over \$108 million were underway along with one phase of the i21 program and infrastructure improvements at 76 schools.

Active Projects	Status
Balboa/Miramar Ranch/Vista Grande Exiting Improvements	42%
Boone/Washington Exiting	75%
Chollas ES Modernization	16%
Chavez/Jefferson/Rosa Parks Exiting Improvements	57%
CPMA Kroc Performing Arts	74%
Euclid ES Classrooms	90%
Hoover HS Tech Academy	5%
i21 Year 4	91%
Infrastructure/Connectivity	7%
Jefferson ES Entrance	68%
Kearny HS Slope Repair	0%
Knox MS Modernization	90%
Language Academy New Building	99%
Millennial MS 3-story Classrooms	8%
Salk ES New School	12%
San Diego HS Electrical Upgrades	0%
SCPA Theater Upgrade	13%
Webster ES HVAC	0%

RECENTLY COMPLETED

Language Academy K-8: New Building and Building Addition

RECENTLY STARTED

Kearny HS Slope Repair
Webster ES HVAC Upgrade

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

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Dr. Helen Griffith takes the ICOC on a walking tour of the newly opened e3 Civic High School



ICOC October meeting was held at the e3 Civic High School

Quarterly Spotlight

Changes Deferred Maintenance Funding

In July 2013, the State repealed the State Allocation Board's (SAB) apportionment authority for Deferred Maintenance (DM) funding. School district governing boards now have full local control over DM annual funding through the new Local Control Funding Formula (LCFF). Under the LCFF DM must be addressed as a state priority in the Local Control Accountability Plan (LCAP). The 2013 MRR Plan estimates a \$107 million annual need for DM and MRR to maintain the current condition of district school facilities. This funding need is currently being met using long term debt.

2013 MRR Plan

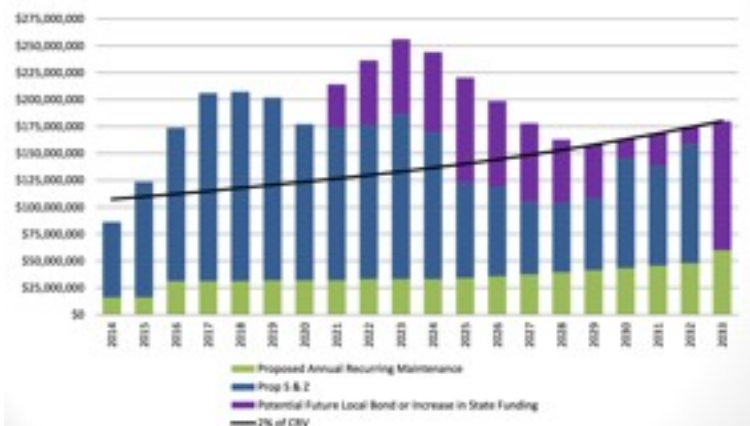
Last quarter presented a general background about the District's Major Maintenance (DM) and Repair (MRR) program. Review of the District's DM and MRR programs (together referred to as DM/MRR) is a specific task assigned to the ICOC. DM refers to any major recurring maintenance, repair or replacement work, while MRR refers to recurring repair or replacement work with an expected useful life exceeding 20 years.

The 2013 MRR Plan was presented in November. The plan addressed: (1) current condition assessment of facilities, (2) long-term funding needs; (3) adequacy of annual funding for DM/MRR; and (4) status of debt mechanisms used to finance MRR work.

- (1) The Facilities Condition Index (FCI) is a nationally recognized measurement calculated by dividing the current need for DM/MRR by current replacement value (lower FCI values are better). The current FCI is 21.7% (poor condition) based on \$1.1 billion of currently needed DM/MRR, and a facilities replacement value of \$5.3 billion. The FCI has been increasing in recent years.

- (2) A total of \$3.8 billion is needed over the next 18 years to address current needs and improve condition of District schools to a FCI of 6% (good condition). The plan calls for \$1.2 billion for specific repair and replacement work called for in the ballot language of Prop. S and Prop. Z. Other project work called for in the bond language will address or eliminate another \$1.1 billion in needed DM/MRR work. In addition, the plan calls for \$688 million from annual District funds and another \$784 million in to-be-determined added long-term debt or state funding.
- (3) Recommended annual funding is \$107 million based on 2% of current replacement value (CRV). Annual funding is about \$16 million, only 15% of the recommended level.
- (4) Approximately 24% of long term debt incurred by Prop MM, Prop S, and Prop Z is, or will be, needed to address DM/MRR needs. To date, \$1.3 billion in long term debt has been incurred to address MRR. Over the next 19 years another \$1.7 billion in Prop. S and Prop. U long-term debt will be incurred to address this recurring need.

Proposed Annual Recurring Maintenance Funding Plan:



Financial Summary Status

Draft

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 \$57,780,773 in state funding to date.

A total of \$518,095,751 in Prop. S bonds has been received from three bond issuances. Expenditures to date total \$538,785,906 against total awarded contracts and commitments of \$560,473,859 (includes State grants). Uncommitted available Prop. S funds and State grants total \$4,020,115.

A total of \$530,000,000 in Prop. Z bonds has been received from one bond issuance. Expenditures as of December 31 total \$37,347,422 against commitments of \$220,140,168. Uncommitted available Prop. Z funds and State grants total \$311,242,382.

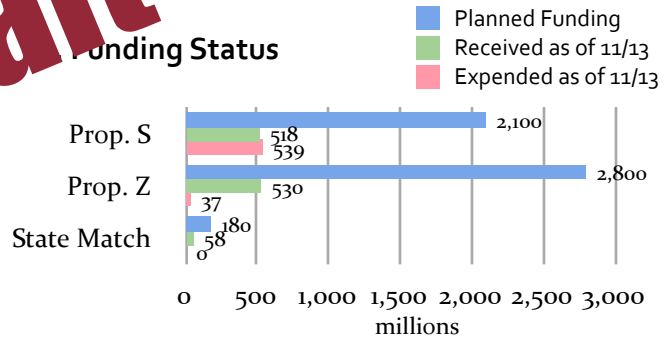
It's expected that about \$500 million in Prop. Z bonds can be issued every two years. Future issues of Prop. S bonds are dependent on how quickly assessed values increase and pending legislation expected to limit use of capital appreciation bonds — final determination will be made by the Board.

The annual financial audit and performance audit for the District's fiscal year period of July 1, 2012 through June 30, 2013 have been completed. Both audits were performed by Christy White Associates and completed in December 2013. In accordance with changes in state law, they will be presented at the same time to the ICOC and the Board in January 2014.

Estimated Total Cost

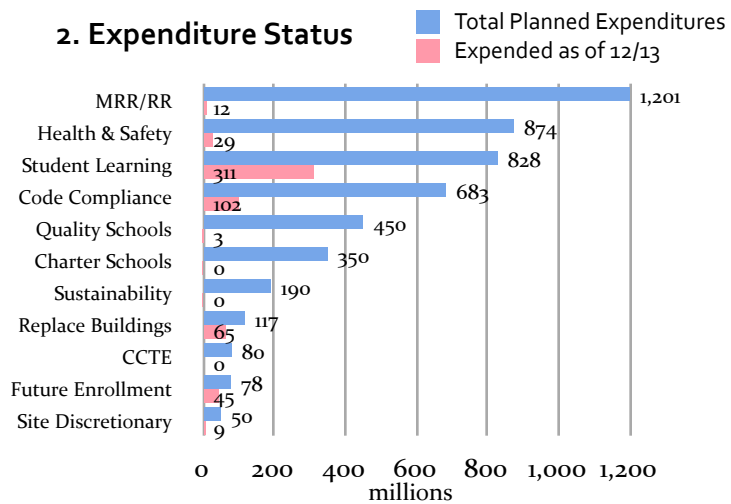
The risk-adjusted cost estimate to complete listed work in Prop. S and Prop. Z was completed recently. The most significant risk factor in the projections are uncertainties about how quickly bond funds will be available — Prop. Z removed many uncertainties regarding projects listed in both the Prop. S and Prop. Z.

The graph to the right (Graph 3) shows the combined estimates for Prop. S and Prop. Z.



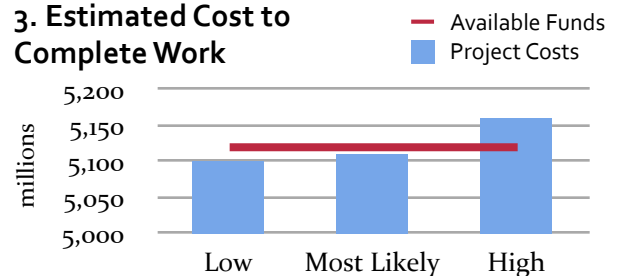
[data depicted above]	Planned	Received	Expended
Prop. S Funds	\$ 2,100 M	\$ 518 M	\$ 539 M
Prop. Z Funds	\$ 2,800 M	\$ 530 M	\$ 37 M
State Matching Funds	\$ 180 M	\$ 58 M	included above

2. Expenditure Status



[data depicted above]	Planned Prop. S	Planned Prop. Z	Total Expended
Major Repair/Replacement (MRR) and Repair/Replacement (RR) Projects	\$ 501 M	\$ 700 M	\$ 12 M
Health, Safety & Security	\$ 454 M	\$ 420 M	\$ 29 M
Student Learning & Instruction	\$ 473 M	\$ 355 M	\$ 311 M
Accessibility & Code Compliance	\$ 458 M	\$ 225 M	\$ 102 M
Quality Neighborhood Schools	—	\$ 450 M	\$ 03.30 M
Specific Charter School Projects	—	\$ 350 M	\$ 0 M
Energy Efficiency & Sustainability	—	\$ 190 M	\$ 0.10 M
Replace Inadequate Buildings	\$ 117 M	—	\$ 65 M
College/Career & Technical Education (CCTE)	—	\$ 80 M	—
Accommodate Future Enrollment	\$ 78 M	—	\$ 45 M
Site Discretionary	\$ 20 M	\$ 30 M	\$ 9 M

3. Estimated Cost to Complete Work





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	Const	●	●	●
Project Stabilization Agreement (PSA)	Const		●	●
Labor Compliance Program	ICOC			
Joint-Use Efforts	ICOC			
Project Management Report	Const	●	●	●
A 5-year implementation plan with scheduled milestones of planned projects				
Construction Management Report	ICOC, Const	●	●	●
Status summary of ongoing construction projects				
i21 Program Summary	Const	●	●	●
i21 Third Quarter Update	ICOC, Const		●	
BOE Look Ahead Report	ICOC, Fin			
A report designed to keep the ICOC informed of items submitted to the Board				
Prop. Z Two Year Plan	ICOC			●
Inspect Schools & Grounds				
No activity this quarter				
Review Efforts to Reduce Costs				
Cost Savings Measure Matrix	ICOC, Const		●	
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				
HVAC Spending Plan	Const			●
MRR Report	ICOC, Const	●		

- ▶ 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

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

DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
 - ▶ October 2013
 - ▶ November 2013
 - ▶ December 2013

ICOC WEBSITE:

WWW.SANDI.NET/PROPS/ICOC

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