

ICOC QUARTERLY STATUS UPDATE

DRAFT October – December 2015



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 annual bond financial and performance audits are reviewed in detail by the Finance/Audit subcommittee in November, and presented to the ICOC in December. The independent auditing firm of Crowe Horwath concluded that financial statements were in order and that all bond funds were spent only on listed bond projects. In addition, the performance audit reviewed a number of performance objectives including but not limited to compliance with contract law, internal controls over payment processing, reducing program costs, fraud risk assessment, and participation of local firms and workers. Auditors concluded that the district met all examined performance objectives.

The Board set a new project priority to air condition all district schools.

ICOC Activities

- ▶ Approved the July – September 2015 Quarterly Status Update
- ▶ Received the 2015 Major Repair and Replacement Plan Quarterly Update
- ▶ Received annual financial and performance audits for Prop. S and Prop. Z.

Status of Projects

During 2015 a total of 52 projects were completed including 28 air-conditioning projects and one modernization project.

HVAC Projects		Status
Crawford HS	87%	Iftin K-8 Charter 100%
Darnall K-8 Charter	91%	Mann MS 100%
Hoover HS	93%	

Financial Status

Received Previously	1,212,339,610
Received this Quarter	151,796,546
Received to Date	1,364,136,156
Expended Previously	1,045,924,990
Expended this Quarter	52,868,154
Expended to Date	1,098,793,144
Committed to Date	1,213,576,201
Uncommitted Balance	150,559,955

Active Projects Status

* <i>Autobon ES Site Modernization</i>	4%
* <i>Dana MS, Lanscape & Scoreboard</i>	70%
* <i>Grant ES New Classroom Bldg / Site Modernization</i>	2%
* <i>Marshall ES Synthetic Turf Field</i>	11%
* <i>Mira Mesa HS Culinary Arts Bldg, Modernization</i>	10%
* <i>O'Farrell Charter Site Modernization</i>	0%
* <i>Oak Park ES, Synthetic Turf Field</i>	15%
* <i>Ocean Discovery Institute Living Laboratory Bldg.</i>	1%
* <i>Public Address Systems: Gage ES, Hearst ES, Juarez ES</i>	50%
* <i>Taft MS site Modernization</i>	0%
Bell MS Modernization	99%
Correia MS Retaining Wall	57%
CPMA Roofing & HVAC Upgrades	27%
Crawford HS Athletic Upgrades	19%
Encanto ES Modernization	68%
Henry HS Theater/Production/Modernization	83%
La Jolla HS Athletic Upgrades	35%
Montgomery MS Restroom ADA Upgrades	Complete
O'Farrell Charter HS Buildings & Gym	92%
Pershing MS Modernization	99%
University City HS Athletic Upgrades/Parking Upgrades	78%

*new projects

RECENTLY COMPLETED

Montgomery MS Restroom ADA Upgrades
HVAC at Iftin K-8 Charter, and Mann MS

RECENTLY STARTED

Autobon ES Site Modernization
Dana MS, Lanscape & Scoreboard
Grant ES New Classroom Bldg / Site Modernization
Marshall ES Synthetic Turf Field
Mira Mesa HS Culinary Arts Bldg, Modernization
O'Farrell Charter Site Modernization
Oak Park ES, Synthetic Turf Field
Ocean Discovery Institute Living Laboratory Bldg.
Public Address Systems: Gage ES, Hearst ES, Juarez ES
Taft MS site Modernization

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

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Quarterly Spotlight

Improving the Condition of School Facilities

The backlog of work needed to improve the condition district school facilities has been increasing since 2006 when Prop MM funds earmarked for this work were exhausted. The Deferred Maintenance (DM) and Major Repair and Replacement (MRR) programs are targeted at maintaining school facilities in a safe and functional condition — a state mandate.

In 2008, based on recommendations from the Prop MM ICOC, the school board revised policies to require annual MRR Plans that would: 1) document the condition of schools based on periodic facility condition assessments of all campuses, 2) address the adequacy of funding available to maintain the condition of schools, 3) review of the amount of debt accumulated to maintain the condition of school facilities, and 4) coordinate planning of MMR work with capital improvement and expansion work in order to leverage any available funding to maintain the condition of schools. The District has, in essence, set a goal that school buildings should be safe, functional, and in good condition — a step above state mandates.

The MRR Plan tracks and reports the condition of schools using a nationally recognized measurement known as the Facility Condition Index (FCI). The FCI is a percentage calculated by dividing the cost of currently needed repair and replacement work, by the replacement value. The lower the FCI percentage is, the better the condition of the facility, or facilities, being measured. The goal is to maintain the FCI around 7%, which is considered 'good' condition. FCI's above 15% are considered 'poor' condition. Currently, the districtwide FCI is 22.7% — poor.

The concept of improving and maintaining the condition of schools is simple. First eliminate backlogged work to improve conditions. Then replace or repair things before they wear-out to maintain conditions.

The latest MRR Plan presented to the ICOC in November reported the District's current need for repair, replacement, and renovation at \$1.25 billion. In total the MRR Plan calls for \$3.79 billion to eliminate backlogged work, and to keep District facilities in a 'good' condition through the end of the Prop S and Prop Z bond programs in 2032.

Where will this money come from? The MRR Plan lays out four sources. First: Prop. S and Prop. Z repair and replacement type projects. Second: Prop. S and Prop. Z capital improvement projects that will complete or eliminate needed repair and replacement work. Third: significant increases in the portion of the annual operating budget dedicated to facility repair and replacement (375% increase between now and 2032). Fourth: from "a proposed future increase in state funding or other local revenue."

The MRR Plan presents information that predicts that Prop. S plus Prop. Z plus expected annual funding are not adequate to improve the condition of district schools to good. If \$688 million in additional funding from the fourth source of money is not obtained, then the condition of school facilities beyond 2028 will be worse than when Prop S began.

Every year a predictable level of spending is required to repair or replace facilities as they wear out. However, annual funding to meet this predictable need is not available.

The long-term challenge of securing an adequate source of annual funding to meet the recurring annual need for repair and replacement of existing facilities remains unresolved.

Financial Summary

Status

Prop. S authorized the 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 \$60,715,245 in state funding; the most recent receipt of grant funds was June 2013.

A total of \$583,191,477 in Prop. S bonds has been received from four bond issuances; the latest bond issue was in April. Expenditures as of December 31 total \$19,627,872 against total awarded contracts and commitments of \$621,168,596 (includes State grant funds). Uncommitted available Prop. S funds and State grants total \$379,180.

A total of \$684,355,000 in Prop. Z bonds has been received. Expenditures as of December 31 total \$479,165,272 against commitments of \$592,407,611 (includes State grant funds). Uncommitted available Prop. Z funds and State grants total \$119,023,526.

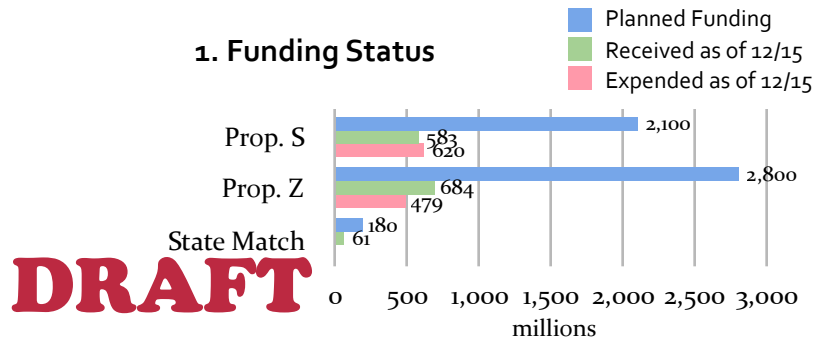
New bond issues for both Prop. S and Prop. Z are expected to occur in January 2016. In addition, financial advisors are reviewing the possibility of refinancing some Prop. MM bond debt to reduce the total cost to taxpayers.

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 projects in both bond programs. The estimates do not yet include a cost analysis of the Board's recent decision to air condition all district schools.

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

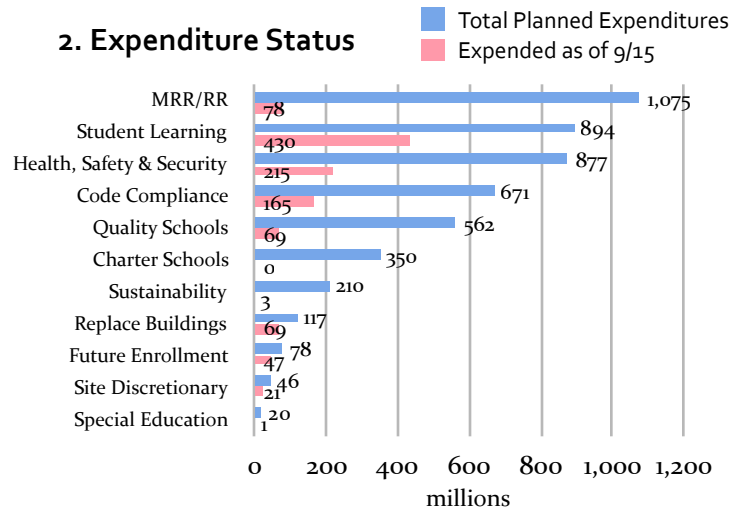
1. Funding Status



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[data depicted above]	Planned	Received	Expended
Prop. S Funds	\$2,100.0 M	\$583.2 M	\$619.6 M
Prop. Z Funds	\$2,800.0 M	\$684.4 M	\$479.2 M
State Matching Funds	\$180.0 M	\$60.7 M	Included above

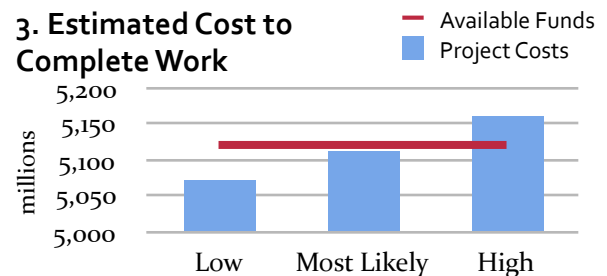
2. Expenditure Status



[data depicted above]	Planned Prop. S	Planned Prop. Z	Total Expended
Major Repair/Replacement (MRR) and Repair/Replacement (RR) Projects	\$501.0 M	\$575.0 M	\$79.7 M
Student Learning & Instruction	\$473.0 M	\$423.0 M	\$430.1 M
Health, Safety & Security	\$454.0 M	\$421.0 M	\$214.8 M
Accessibility & Code Compliance	\$458.0 M	\$214.0 M	\$165.4 M
Quality Neighborhood Schools		\$562.0 M	\$68.7 M
Specific Charter School Projects		\$350.0 M	-
Energy Efficiency & Sustainability		\$210.0 M	\$2.8 M
Replace Inadequate Buildings	\$117.0 M		\$69.1 M
Accommodate Future Enrollment	\$78.0 M		\$46.8 M
Site Discretionary	\$20.0 M	\$30.0 M	\$20.6 M
Special Education		\$20.0 M	803 K

Note: * Charter school expenses included in other categories

3. Estimated Cost to Complete Work





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Documents Reviewed and Available Online

Document	Reviewed	Oct	Nov	Dec
Review Expenditure of Bond Funds				
Monthly Controls Status Report	ICOC, Fin	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Prop. S and Prop. Z 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	Const		<input checked="" type="radio"/>	<input checked="" type="radio"/>
Business Outreach Program Events	Const			
Project Stabilization Agreement (PSA)	Const	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
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 Quarterly Update	ICOC, Const			
HVAC Quarterly Report	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				
2014 Prop. S. Performance Audit	ICOC, Fin			<input checked="" type="radio"/>
Receive & Review Annual Financial Audit				
2014 Prop. S Financial Audit	ICOC, Fin			<input checked="" type="radio"/>
Receive & Review Deferred Maintenance Plan				
MRR Plan Quarterly Update	ICOC, Const		<input checked="" type="radio"/>	

- ▶ 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.

Public Comments (0 new this quarter)

ICOC meetings are open to the public. See our [website](#) for times and locations. To speak, please fill out the [Public Testimony form](#) available online.

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
- ▶ 2014 ICOC Annual Report

QUARTERLY STATUS UPDATES

- ▶ 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
- ▶ April – June 2014
- ▶ July – September 2014
- ▶ October – December 2014
- ▶ January – March 2015
- ▶ April – June 2015
- ▶ July – September 2015

MOST RECENT DISTRICT COMMUNICATIONS

- ▶ Monthly Communications Report
- ▶ September 2015

ICOC WEBSITE:

WWW.SANDI.NET/ICOC