

# San Diego Unified School District



## Independent Citizens' Oversight Committee (ICOC)

### Quarterly Status Update April – June 2011

#### Prop. S ICOC Quarterly Status Update: April – June 2011

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## **Proposition S Independent Citizens' Oversight Committee Quarterly Status Update April – June 2011**

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### **Summary**

This quarterly report is a summary of the information that has been reviewed by the ICOC and activities of the ICOC during the period of April 1<sup>st</sup> through June 30<sup>th</sup>, 2011.

As of May 30, 2011, nearly \$404 million is available for Prop. S projects from two bond issuances plus \$33.9 million in state matching funds. \$216 million has been expended as of June 30, 2011, leaving a cash balance of about \$187 million.

The ICOC 2010 Annual Report was approved by the ICOC on April 21, 2011. Five thousand copies of the report (in English and in Spanish) were provided to the District for distribution. Electronic copies were also made available and posters were given to schools for display in their lobbies.

ICOC Subcommittees reviewed the annual Major Repair and Replacement (MRR) plan prepared by Physical Plant & Operations (PPO). Review comments were forwarded to the ICOC for consideration at their July meeting.

The ICOC also received a requested report on the District's schedule of accelerated projects for whole site modernizations. Review results were forwarded for consideration by the ICOC in July.

Other ICOC activities during this quarter include the following (more details on page 6):

- The ICOC welcomed new member Jaime Barton.
- The ICOC toured Kearny High Educational Complex as part of their monthly meeting and received two student presentations on May 19, 2011.
- The Executive/Governance Subcommittee review ICOC member attendance.
- The Construction Subcommittee reviewed the District Business Outreach and Engagement Plan.

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### **Background**

#### **Prop. S**

Proposition S (Prop. S) is the \$2.1 billion general obligation bond measure passed by over 68% of San Diego voters on November 4, 2008. This bond program will provide resources for the San Diego Unified School District (District) to repair, renovate and revitalize 181 neighborhood schools, and provide matching funds to construct classrooms and schools to accommodate enrollment growth in the Miramar and downtown areas.

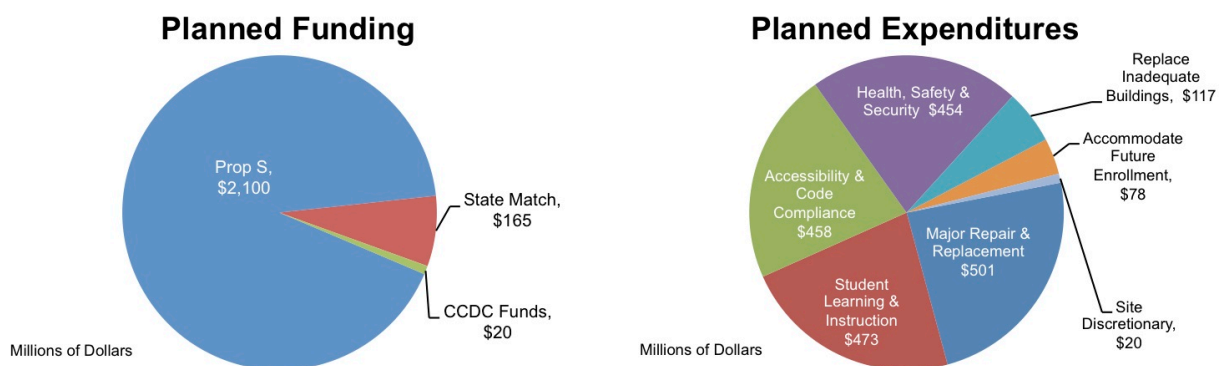
#### **ICOC**

The Independent Citizens' Oversight Committee (ICOC) is the legally required committee appointed by the Board of Education (Board) 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 language and cannot be used for teacher or administrative salaries.

## Financial Status

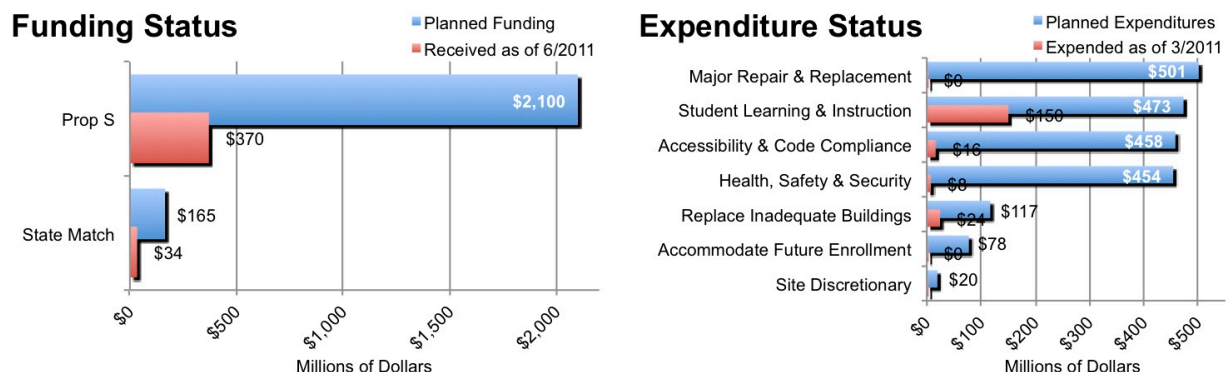
Prop. S authorized the issuance of \$2.1 billion in general obligation bonds. Completion of projects listed in the Prop. S ballot language is dependent on the receipt of \$188 million in state matching funds. In March 2011, the Board redirected \$20 million of Centre City Development Corporation (CCDC) funds that had been previously added to the Prop. S program budget.

For tracking purposes planned expenditures have been grouped into seven categories of work referenced in Prop. S: 1) discretionary projects at each site, 2) new construction to accommodate future enrollment, 3) major repair and replacement (MRR), 4) student learning and instruction, 5) accessibility and code compliance, 6) student health, safety, and security, and 7) replacement of inadequate buildings.

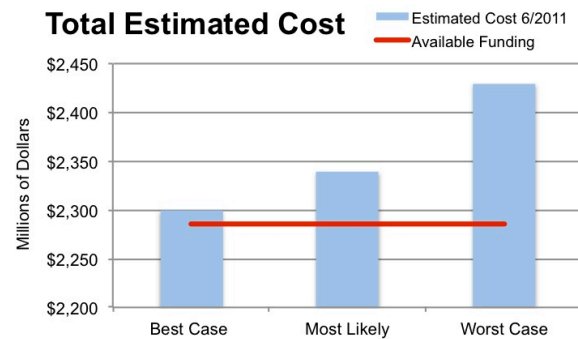


As of the end of May 2011, a total of \$369,997,581 in Prop. S bonds have been received from two bond issuances. No bonds have been sold since the July – September 2010 Quarterly Report. Since Prop. S passed, the District has received \$33,867,347 in state funding to augment Prop. S projects; \$10 million in received grants were returned to the state due to completion of work under budget. Expenditures to date total \$207,003,697. When compared to the 5-year plan, the program is on budget but slightly behind schedule. Cash on hand, as of May 30, 2011, is \$196,861,231.

NOTE: State matching funds for CTE and Overcrowded Relief Grant (ORG) projects are based on specific projects. Any unspent state matching funds for completed CTE and ORG projects must be returned to the state. Therefore, received state matching funds are subject to change and may decrease if CTE or ORG projects are completed under budget.



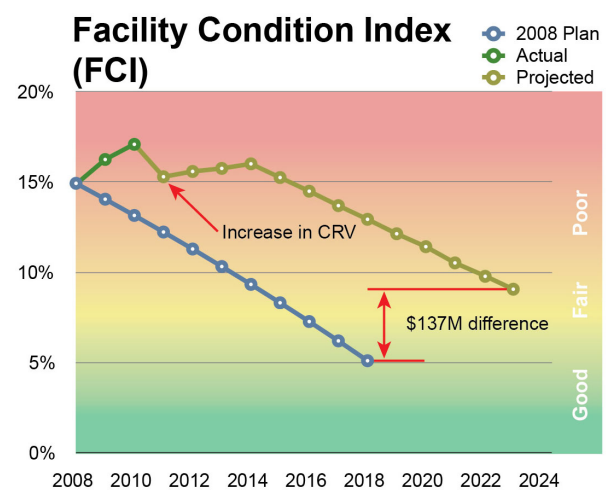
The District's Prop. S management team maintains a risk-adjusted cost estimate to complete all Prop. S listed work. The Total Estimated Cost (TIC) was adjusted this quarter due to a March 2011 Board decision to redirect \$20 million in Centre City Development Corporation (CCDC) funds that were earmarked for the downtown School-Library project in August 2010. In addition, adjustments were made for \$10 million in tenant improvement costs associated to with the downtown School-Library; this \$10 million related to the new school represents additional work that was not previously included or planned for in the Prop. S program.



There is an anticipated \$2.29 billion in total available funding in Prop. S and expected State matching funds referenced in the bond. The best case scenario assumes all construction is completed by 2019 and estimates a total cost of \$2.30 billion; representing a projected \$10 million shortfall in the best case. The worst case scenario assumes all construction is completed by 2024 and estimates a total cost of \$2.43 billion; representing a \$140 million shortfall in the worst case. It should be noted that as reported in the October – December 2010 Quarterly Status Update, Mark Young, the District's bond advisor, projected that if only 25-year maturities were used for future bond issuances, the last bond issue will not occur until 2028; four years after the TIC's worst case scenario cost estimate.

Regarding the status of funding related to deferred maintenance (DM) and major repair and replacement (MRR), it is helpful to use the Facility Condition Index (FCI) to measure the current condition of existing school facilities. The FCI is calculated by dividing the cost of needed repair and maintenance work by the facility's replacement value, and is expressed by a percentage. The lower the percentage is, the better the condition of the facilities being measured.

Physical Plant & Operations (PPO) has been using the FCI index to track the condition of District schools. In previous years, Prop. MM used just \$301 million for MRR work to bring the FCI of District schools from 25% to 15%; which is still considered to be a poor condition. The Prop. MM bonds used for this past MRR work will be paid-off by taxpayers in 2029. Prop. S has earmarked \$501 million in MRR work targeted to improve the condition of District schools; the goal established in 2008 was to improve the FCI to 5% which is considered to be a good condition.

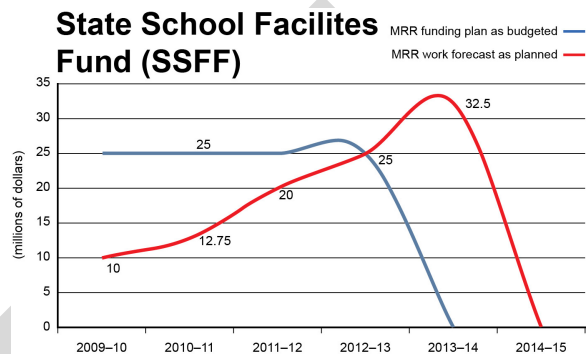


As reported previously, the start of Prop. S-funded MRR work was pushed back to 2014, and the length of the program was extended from 10 to 15 years. Also as reported, annual budgets

between 2008 and 2014 are not sufficient to maintain the condition of District schools and a degradation of condition is expected until Prop. S-funded MRR work begins.

During this quarter, PPO presented the 2012 MRR plan to the ICOC in accord with board policy. The FCI chart was updated by PPO to reflect revised estimates of replacement values of school facilities and repairs. As depicted in the chart it is expected that it will take until 2016 to recover lost ground due to inadequate annual funding of MRR work. The 2008 goal of reaching a good condition of 5% FCI will not be achieved; estimated shortfall is \$137 million.

In recent years annual budgets for MRR have been maintained at \$25 million, funded primarily from capital money in the State School Facilities Fund (SSFF). While annual budgets for MRR have been maintained, actual expenditures of these budgeted monies has been constrained over the last 3 years — an apparent effort to hang-on to cash, preserving the District's credit rating and ability for short-term borrowing as other operating funds are depleted due to budget cuts and funding deferrals by the state. The 2012 MRR plan expects to spend all SSFF monies by 2014. This is depicted in the chart to the right.



The long-term challenge of identifying adequate annual funding of DM and MRR programs to preserve capital assets of the District remains unresolved.

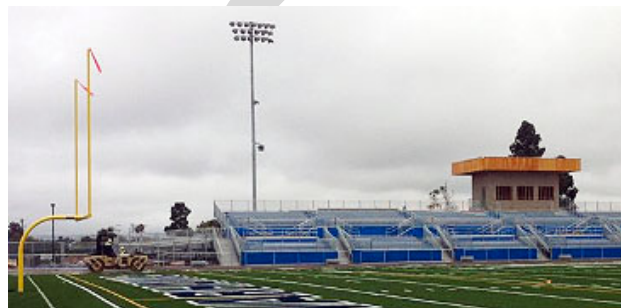


## Status of Projects

During this quarter, 19 active construction projects budgeted at over \$83 million were underway along with three phases of the i21 program valued at over \$120 million. In addition, \$78 million in infrastructure improvements at 76 schools to support the i21 program are underway and design for the new data center was approved for construction. The currently awarded construction work totaling \$65 million is 22% under budget and the current change order rate is 2.5%. The Infrastructure/Connectivity project is \$20 million over budget; as a whole, the i21 Program is 6% over budget.

Active projects are shown to the right:

- 1) The following projects were completed this quarter:
  - Air-conditioning at Cherokee Point Elementary School
  - Multi-Media Center at Madison High School
  - Football Stadium Improvements at Madison High School
- 2) The following projects were started this quarter:
  - HVAC system at Normal Heights Elementary School
  - Parking Lot and Drop-Off/Pick-Up Upgrades at Sessions Elementary School
  - Data Center at Serra High School for the i21 Program
  - Athletic Facilities at Hoover High School
  - Teacher's Lounge Upgrades at the Language Academy
  - Weight Room Building at Point Loma High School



Football Stadium at Madison High

Project	Construction Budget	% Complete
<b>Accessibility &amp; Code Compliance</b>		
Clairemont HS Stadium ADA Improvements	7,832,371	53.0%
<b>Replace Inadequate Buildings</b>		
San Diego HS ORG - New Classrooms	9,289,999	98.0%
<b>Health, Safety &amp; Security</b>		
Cherokee Point ES Furnish & Install Chiller	1,000,000	99.0% 1)
Normal Heights ES HVAC	800,000	23.0% 2)
Sessions ES Parking Lot & Drop/Pick-Up Upgr	1,944,272	0.0% 2)
<b>Student Learning &amp; Instruction</b>		
Clairemont HS Autoshop	4,027,900	78.0%
Data Center 2 at Serra HS	18,883,489	5.3% * 2)
Yr-1: i21 Interactive Suite @ 1,309 CR's	46,213,245	100.0% *
Yr-2: i21 Interactive Suite @ 1,235 CR's	40,298,963	45.7% *
Yr-3: i21 Interactive Suite @ 881 CR's	40,436,247	0.1% *
Infrastructure/Connectivity @ 76 sites	78,188,691	1.9% *
Hoover HS Athletic Facilities	9,683,346	8.0% 2)
Hoover HS Green Workshops	4,662,181	63.0%
Language Academy Teacher's Lounge Upgrade:	167,179	10.0% 2)
Madison HS Multi-Media Center	4,894,000	99.0% 1)
Morse HS Autobody Program	5,464,858	88.0%
Morse HS Child Development Program	3,286,457	11.0%
Morse HS Culinary Program	4,130,061	88.0%
Point Loma HS Motion Picture Facility	3,784,510	24.0%
Point Loma HS Music Room	1,988,189	24.0%
Point Loma HS Weight Room Building	931,989	1.0% 2)
<b>Multiple Categories of Work</b>		
Jefferson ES Playground Exp & CDC Add	4,339,327	27.0%
Madison HS Upgrade Stadium Complex	7,477,916	100.0% 1)
Morse HS Upgrade Stadium Complex	7,708,289	60.0%

NOTE: \*The listed dollar amount for i21 and related projects reflect the full bond budget amount, rather than the construction budget shown in other projects, (related work directly paid by the E-rate program is not included).

## ICOC Activity Summary

The ICOC meets monthly and subcommittees meet as needed, usually monthly. The ICOC has worked with District staff to develop and refine routine reporting on bond expenditures and program status in order to meet the requirements imposed by Prop. 39 California bond accountability, Prop. S language in the ballot measure, and District policy. Subcommittees review recurring reports in detail and forward appropriate materials to the full ICOC either as information or action items.

The Executive/Governance Subcommittee reviewed and helped craft the 2010 Annual Report. The ICOC approved the report at the April 21, 2011 ICOC meeting. To save on printing costs, the ICOC elected to print only 5,000 copies, including Spanish translations. The report is available online (in both English and Spanish). A 25" x 22" poster was also prepared for distribution in the front lobbies of schools.

On May 19, the ICOC met at Kearny High Educational Complex. The ICOC received two presentations from local students and then toured the facility before conducting their monthly meeting.



ICOC members and staff tour Kearny High Educational Complex with students

The Construction Subcommittee and the Finance, Planning, and Controls Subcommittee reviewed the MRR plan presented by Physical Plant & Operations. The MRR plan was forwarded for consideration by the ICOC at the July meeting.

The Construction and the Finance, Planning, and Controls Subcommittees reviewed a plan from District staff on the accelerated schedule for whole site modernizations. Eleven whole site modernization (WSM) projects and three running track and artificial fields are to be accelerated. The Subcommittee forwarded the report to the ICOC in June. A response with ICOC recommendations is being drafted and is expected to be delivered to the Board in August, 2011.

Jaime Barton joined the ICOC as a member-at-large. He was introduced at the April 21 ICOC meeting. He was appointed to the Audit Subcommittee.

The Audit Subcommittee did not meet during this quarter. The ICOC did not meet in June.

## ICOC Activity Details

ICOC activities included in this report are organized by areas of oversight as required by state law for bonds issued under the provisions of Prop. 39, Prop. S requirements, and/or District policy. Descriptions below also provide a reference to documents received, reviewed, and/or issued by the ICOC during a public meeting and posted on the ICOC website (<http://www.sandi.net/props/icoc>).

### Actively Review Proper Expenditure of Bond Funds

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## Actively Review Proper Expenditure of Bond Funds

### Review Expenditure of Bond Funds

**Review of Recurring Financial Reports** The Monthly Controls Status Report serves as the primary recurring financial report.

- The Monthly Controls Status Report is reviewed first by the Finance, Planning, and Controls Subcommittee that meets on the 4<sup>th</sup> Thursday of the month, and then by the full ICOC that meets on the 3<sup>rd</sup> Thursday of the month. Reports include financial planning data, planned versus actual status charts, expenditure summaries, and other progress and trend monitoring data.
  - FPC Subcommittee: [April 2011](#)
  - ICOC: [April 2011](#)

**Review of Bond Related Programs** The ICOC reviews and monitors District programs funded by Prop. S proceeds and/or designed to contribute to the successful execution of the Prop. S program.

- Staffing Plan: The ICOC received status updates of staffing changes approved by the Board and designed to lower management costs.
  - Construction Subcommittee: [April 2011](#)
- Business Outreach Program This program is routinely reviewed and monitored by the ICOC.
  - Community & Business Outreach & Engagement Plan:
    - Construction Subcommittee: [May 2011](#)
  - Business Outreach Activity and Achievement Report are reviewed periodically
    - Construction Subcommittee: [April 2011](#), [May 2011](#), and [June 2011](#)
    - ICOC: [April 2011](#)
- Project Stabilization Agreement (PSA)
  - Construction Subcommittee: [April 2011](#), [May 2011](#), and [June 2011](#)
- Labor Compliance Program
  - No specific activity this quarter
- Joint-Use Efforts
  - No specific activity this quarter

## Actively Review Proper Expenditure of Bond Funds (continued)

### Review Expenditure of Bond Funds (continued)

- Review of Project Planning and Execution
  - The multi-year Project Management Report is monitored monthly by the Construction Subcommittee and reviewed as needed by the ICOC. It is a 5-year implementation plan that documents and tracks scheduled milestones of planned construction projects.
    - Construction Subcommittee: [April 2011](#), [May 2011](#), and [June 2011](#)
  - Construction Subcommittee and ICOC review the Construction Management report monthly; it provides a status summary of ongoing construction projects.
    - Construction Subcommittee: [April 2011](#), [May 2011](#), and [June 2011](#)
    - ICOC: [April 2011](#) and [May 2011](#)
  - i21 Program Summary is reviewed by the Construction Subcommittee and ICOC on a monthly basis.
    - Construction Subcommittee: [April 2011](#), [May 2011](#), and [June 2011](#)
  - Special Reports
    - The Construction Subcommittee received a report of the Prop. S Schedule
      - By sub-district: [May 2011](#)
      - By high school cluster: [May 2011](#)
    - The Finance, Planning, and Controls Subcommittee and the Construction Subcommittee received a report of the Project Acceleration Schedule
      - FPC Subcommittee: [May 2011](#)
      - Construction Subcommittee: [June 2011](#)
- Board of Education (BOE) Look Ahead Report: The BOE Look Ahead is a report designed to keep the ICOC informed of items that have been submitted to the Board. It is reviewed by the FPC Subcommittee and the ICOC on a monthly basis.
  - FPC Subcommittee: [April 2011](#) and [May 2011](#)
  - ICOC: [April 2011](#)

### Special Reviews

- No specific activity this quarter.

## **Actively Review Proper Expenditure of Bond Funds (continued)**

### **Inspect Schools and Grounds**

#### **On-Site Project Reviews**

- The ICOC did a walkthrough of Kearny High Educational Complex on May 19, 2011 in conjunction with that day's ICOC meeting.

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### **Review Efforts to Reduce Costs**

#### **Review Efforts to Reduce Costs**

- Cost Saving Measures Matrix: Cost savings are monitored by the Construction Subcommittee on a monthly basis.
  - Construction Subcommittee: [April 2011](#) and [May 2011](#)

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### **Receive & Review Annual Performance Audit**

#### **Receive & Review Annual Performance Audit**

- No specific activity this quarter.

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### **Receive & Review Annual Financial Audit**

#### **Receive & Review Annual Financial Audit**

- No specific activity this quarter.

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### **Receive & Review Deferred Maintenance (DM) Plan**

**Annual MRR Plan:** The ICOC is tasked with review the District's annual MRR Plan.

- FPC Subcommittee: [May 2011](#)
- Construction Subcommittee: [June 2011](#)

## Inform Public Concerning Expenditure of Bond Funds

### ICOC Web Site

**ICOC Web Site:** The ICOC website contains minutes of all ICOC and subcommittee meetings as well as all documents received and reports issued by the ICOC. The ICOC website is open to the public and can be accessed directly, or through other District websites:

- <http://www.sandi.net/props/icoc> (ICOC website, direct access)
- <http://www.sandi.net> (District website)
  - Click on “Proposition S” in the Site Shortcuts navigation panel
  - Click on “Proposition S” in the Facilities Planning and Construction navigation panel
  - Click on “Proposition S – Independent Citizens Oversight Committee” in the Proposition S Program navigation panel
- <http://www.sandi.net/boe> (Board of Education website)
  - Hover over “Committees” in the navigation bar
  - Select “ICOC – Prop. S” from the Committees drop-down menu

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### ICOC Quarterly Status Update

**ICOC Quarterly Status Update:** The ICOC issues Quarterly Status Updates that are posted on the [Library](#) page of the ICOC Website.

- [Quarterly Status Update for Period ending December 31, 2009](#)
- [Quarterly Status Update for January – March 2010](#)
- [Quarterly Status Update for April – June 2010](#)
- [Quarterly Status Update for October – December 2010](#)
- [Quarterly Status Update for January – March 2011](#)

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### ICOC Annual Report

**ICOC Annual Report:** The ICOC issued its first Annual Report in May 2010; the second Annual Report was issued in April 2011. It is the ICOC’s intent that Annual Reports are presented to the Board at a public meeting, are posted on the ICOC website, and are available in print for distribution to community organizations and individuals as required.

- [Prop. S – ICOC Annual Report – 2009](#)
- [Prop. S – ICOC Annual Report – 2010](#)

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### District Communications

**Monthly Communications Report:** District public communications regarding Prop. S

- ICOC: [April 2011](#) and [May 2011](#)