

San Diego Unified School District



Independent Citizens' Oversight Committee (ICOC)

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Quarterly Status Update July-September 2010

Prop. S ICOC Quarterly Status Update: July - September 2010

Summary	Page 1 of 12
Financial Status	Page 2 of 12
Status of Projects	Page 5 of 12
ICOC Activity Summary	Page 6 of 12
ICOC Activity Detail	Page 7 of 12

Proposition S

Independent Citizens' Oversight Committee

Quarterly Status Update

July-September 2010

Summary

This quarterly report provides a summary of the information prepared for and reviewed by the ICOC, and actions taken by the ICOC. The ICOC anticipates providing quarterly reports throughout the life of the program, with an annual report in March of each year. Additional reports to the public and Board of Education (BOE) may be issued if appropriate.

On July 13, 2010 the Board authorized the issue of up to \$200 million in Prop S general obligation bonds and the second Prop. S bond issue was completed in August resulting in \$199 million in proceeds. This amount is double what was anticipated, the larger amount was enabled by issuing bonds with a 40-year maturity rate. This approach is beneficial because it provides for a larger amount of construction to be completed during a time when construction costs are at a historical low. However, it also increases the total tax burden passed on to taxpayers. Additional information was presented to the ICOC in October.

To date \$383 million is available for Prop S projects including received state grants and 2 bond issues. Nearly \$9 million in construction has been completed. Currently there are 17 construction projects valued at \$52.9 million underway, and design is underway for projects according to a 5-year implementation plan for construction. In addition, i21 projects valued over \$80 million are underway to install digital technology systems in district classrooms; i21 technology is currently in use in 1,309 classrooms including over 35,000 netbook computers. A total of \$121 million has been expended to date.

The ICOC Construction subcommittee completed on-site walk-throughs of construction sites on four campuses, Auto Repair & Multi-Media projects at Madison HS, new classroom building at Hoover HS, Culinary Arts at Garfield HS, and Culinary Arts and Business Management projects at San Diego HS. In August the [ICOC Review of the 2010 MRR plan](#) was issued. In September ICOC issued the [ICOC Quarterly Report for January-March 2010](#). In addition the ICOC issued guidelines for reporting [Proposed Changes to the Prop. S Implementation Plan](#), the [ICOC Review of proposed new CTE Projects](#), and the [ICOC Charitable Gifting Review](#).

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.

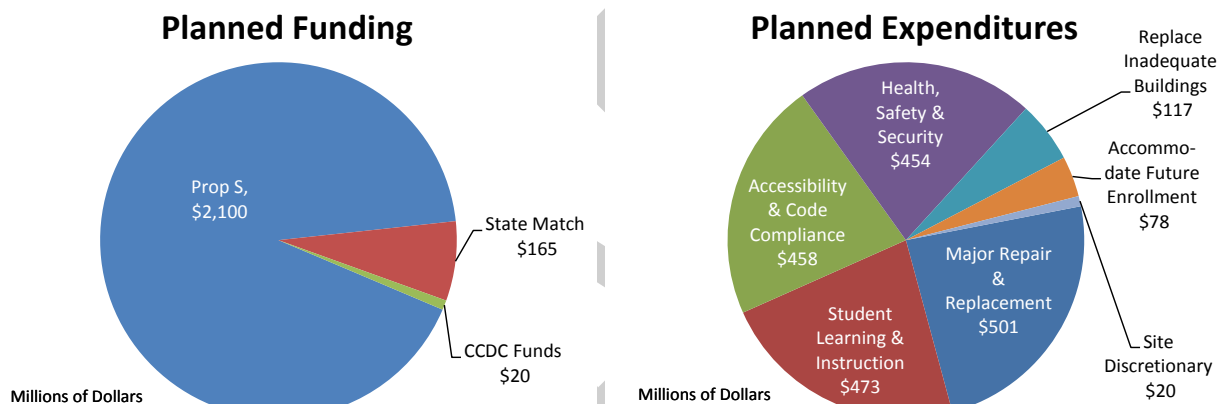
ICOC

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 can not be used for teacher or administrative salaries.

Financial Status

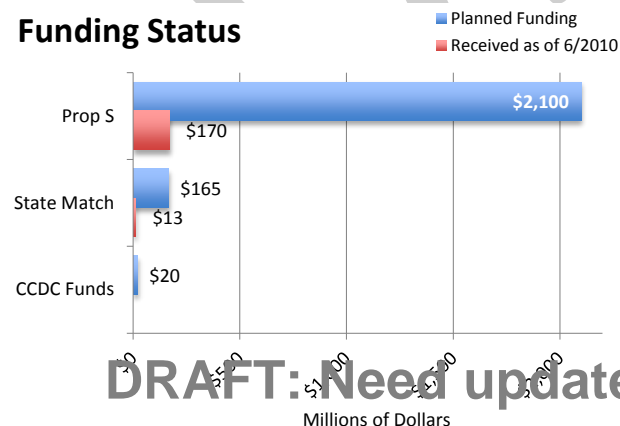
Prop. S authorized the issue of \$2.1 billion in general obligation bonds. Completion of projects listed in the Prop. S ballot language is dependent on the receipt of \$165 million in matching state funds. In addition, \$20 million of CCDC funds have been added to the Prop. S program budget. There is a potential for additional state funds through the Career Technical Education program; however, receipt of these funds is uncertain and they are not included in the total planned funding for the Prop. S program shown below.

For tracking purposes planned expenditures were grouped into 7 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), 5) student learning and instruction, 5) accessibility and code compliance, 6) student health, safety and security, and 7) replace inadequate buildings.

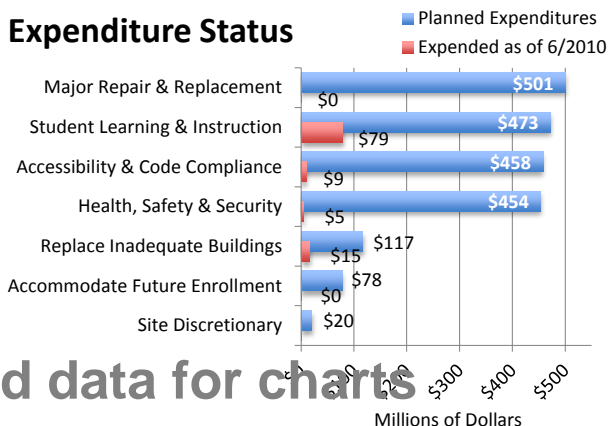


To date a total of \$369,997,581 in Prop. S bonds have been received from 2 bond issues. Completion of Prop. S projects is dependent on the receipt of state school building grants. The district has received \$12,571,346 in state grants for Prop. S projects to date, which has not changed since last status report. Expenditures to date total \$120,598,532. When compared to the 5-year plan, the program is on budget but slightly behind schedule.

Funding Status



Expenditure Status



DRAFT: Need updated data for charts

NOTE: Major Repair & Replacements has expended \$8k as of 6/2010

On July 13, 2010 the Board authorized the issue of up to \$200 million in Prop S general obligation bonds. Previously it had been anticipated that only \$100 million could be issued due to decreased assessed property values within the district and promised tax rates. The larger amount was enabled by issuing bonds with a 40-year maturity rate, the longer period of payback enabled a larger bond issue to be paid for with the depressed property tax revenue. This approach is beneficial because it provides for a larger amount of construction to be completed during a time when construction costs are at a historical low.

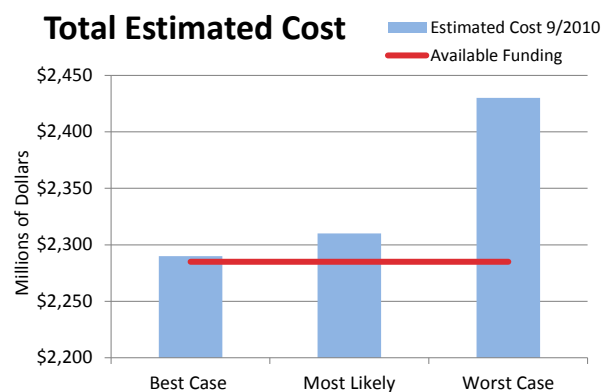
The larger bond issue will accelerate the entire Prop S program and provide for continued future savings against the current elongated program schedule by completing construction earlier and incurring a smaller amount of anticipated construction cost increases in the future. However, it also increases the total tax burden passed on to taxpayers. No formal cost benefit analysis was presented to the Board prior to the decision. Total estimated cost to taxpayers based on 25-year bonds is \$5.9 billion, while the estimated final cost to taxpayers based on 40-year bonds is \$15.8 billion.

NOTE: A presentation from the district bond financial advisor was presented to the ICOC in October and will be reported in the next ICOC Quarterly Status update; you can also refer to the ICOC Meeting Minutes for October for more info.

The second bond issue, as approved by the Board, was completed in August. A total of \$199 million in bonds were sold. The \$88 million in capital appreciation bonds are 40-year bonds. The convertible bonds begin incurring interest in 2030 and will be paid off between 2047 and 2050 and are also 40-year bonds. Qualified School Construction Bonds are zero interest bonds.

Proceeds	Bond Type
\$88 million	Capital Appreciation Bonds 6.1% - 6.8%
\$74 million	Capital Appreciation Convertible Bonds
\$16 million	Qualified School Construction Bonds
\$21 million	Qualified School Construction Bonds
=====	
\$199 million	Total

The Prop S management team maintains a risk adjusted cost estimate to complete all Prop. S listed work. There was a significant change in the projections since the last quarterly report due to the increased amount of the next bond issue. The updated estimates are depicted on the right. They show the Best Case and Most Likely case have decreased; however, the updated estimates still predict there will not be enough funding available to complete all listed work items.

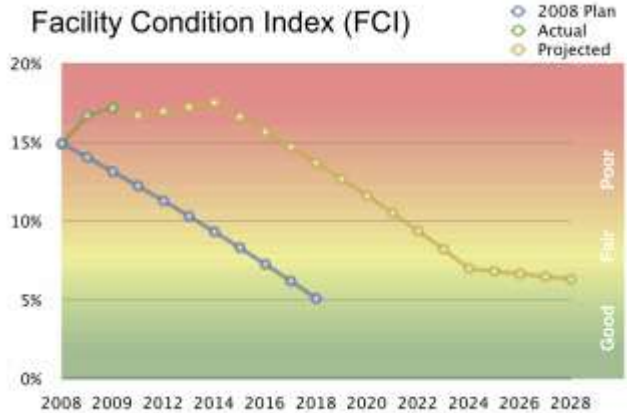


The primary factor in driving these risk adjusted cost estimates is the still the change from a 10-year program. Based on the revised bond issues the program is expected to complete in as few as 13-years, the project schedule will be reworked as result of the larger bond issue amount.

The Facility Condition Index (FCI) is a meaningful measurement of school facility condition; the FCI is calculated by dividing the cost of known needed repair and maintenance work by the replacement value and is expressed by a percentage, the lower the percentage is the better the condition of facilities.

The chart to the right tracks the impact of \$501 million in Prop. S planned Major Repair and Replacement (MRR) work on the FCI.

Planned Prop. S MRR work is targeted at improving the condition of schools to a FCI between 5% and 7% which is considered a "Good" condition.



This chart has been updated to reflect the latest calculation of FCI presented in the 2011 MRR Plan and as reported in the ICOC Review of the 2011 MRR Plan. However, this chart has not been updated to reflect the potentially positive impact that larger bond issues may have on reducing the FCI sooner than shown. As reported to the Board in the ICOC Review of the 2011 MRR Plan, recurring funds available for MRR in the near future are projected to be inadequate to prevent a degradation of the condition of existing school facilities prior to the start of planned Prop. S MRR work.

Status of Projects

During this quarter, 17 active construction projects valued at over \$52 million were underway. In addition two phases of the i21 program valued over \$80 million and \$78 million in infrastructure improvements needed to support the i21 program are underway.

Project	Construction Cost	% Complete
Accessibility & Code Compliance		
Replace Inadequate Buildings		
Hoover HS ORG - Classrooms	5,414,000	99.0% 1)
Point Loma HS ORG - Classrooms	3,775,600	78.0%
San Diego HS ORG - New Classrooms	5,378,900	28.0%
Health, Safety & Security		
Cherokee Point ES Furnish & Install Chiller	1,042,355	17.0% 2)
Ibarra ES Furnish & Install Chiller	603,129	22.0% 2)
Student Learning & Instruction		
A.L.B.A. School Classroom Conversion	994,775	10.0% 2)
Clairemont HS Autoshop	2,605,500	17.0%
Yr-1: i21 Interactive Suite @ 1,309 CR's	46,213,245	80.6% *
Yr-2: i21 Interactive Suite @ 1,235 CR's	40,298,963	5.9% *
Infrastructure/Connectivity @ 76 sites	78,188,691	3.9% *
Hoover HS Green Workshops	3,854,000	1.0% 2)
Madison HS Automotive Program	3,314,000	89.0%
Madison HS Multi-Media Center	2,625,820	12.0%
Morse HS Autobody Program	3,291,000	43.0%
Morse HS Culinary Program	3,091,000	43.0%
San Diego HS Culinary Arts Program	1,143,400	98.0% 1)
San Diego HS Multi-Media Studio	1,550,000	99.0% 1)
San Diego HS Business Mgt. & OW	442,950	99.0% 1)
Multiple Categories of Work		
Madison HS Upgrade Stadium Complex	5,998,000	8.0% 2)
Morse HS Upgrade Stadium Complex	7,790,000	1.0% 2)

NOTE: * The listed dollar amount for i21 and related projects reflect the full budget amount, rather than the construction cost shown in other projects.

1) Projects completed this quarter include:

- Hoover HS ORG – Classrooms
- San Diego HS Multi-Media Studio
- San Diego Culinary Arts Program
- San Diego HS Business Mgt. & OW

2) Projects started this quarter include:

- Cherokee ES Point Chiller
- Ibarra ES Chiller
- A.L.B.A. School Classrooms
- Hoover HS Green Workshops
- Madison HS Upgrade Stadium
- Morse HS Upgrade Complex



ICOC Activity Summary

The ICOC meets monthly and subcommittees meet monthly as needed. The ICOC has worked with District staff to develop and refine routine reporting on bond expenditures and program status in order to meet the Proposition 39 requirements for California bond accountability, Prop. S requirements as defined by the ballot measure approved by the voters in November 2008, and San Diego Unified School District policy. Subcommittees review recurring reports in detail and forward appropriate materials to the full ICOC either as information or action items.

During the June meeting of the ICOC, Gil Johnson was installed as the Chair of the ICOC, and Lenard Pinson was installed as the ICOC Secretary/Vice Chair.

The ICOC received and reviewed revisions to the scope of work for the annual performance audit. The performance audit work was expanded to include effectiveness, internal control, and compliance audit objectives in several areas.

The Ad Hoc subcommittee to review the 2011 Major Repair and Replacement (MRR) plan completed its work and presented it to the Finance, Planning and Controls ([FPC subcommittee](#)), and the [Construction subcommittee](#). In August the [ICOC Review of the 2011 MRR plan](#) was issued.

The ICOC Construction subcommittee completed on-site walk-throughs of construction sites on four campuses:

- July 27, 2010 – [Auto Repair & Multi-Media projects at Madison HS](#),
- August 3, 2010 – [New classroom building at Hoover HS](#),
- August 4, 2010 – [Culinary Arts at Garfield HS](#), and
- August 11, 2010 – [Culinary Arts and Business Management projects at San Diego HS](#).

During this quarter the ICOC reviewed and considered a number of issues regarding planning and scheduling of Prop. S projects.

- The FPC established an Ad Hoc committee to review the Charitable Gifting. In September the ICOC issued its observations and recommendations: [ICOC Charitable Gifting Review](#)
- In September the ICOC issued guidelines for reporting [Proposed Changes to the Prop. S Implementation Plan](#)
- A July 7, 2010 letter regarding possible Career Technical Education (CTE) grants was reviewed by the [FPC subcommittee](#) regarding addition of 12 CTE projects to the Prop. S program. In September the [ICOC Review of proposed new CTE Projects](#) was issued; which included observations/conclusions, and recommendations that an analysis of impact that added CTE projects would have on other Prop. S work and that Prop. S funds used for designs that did not result in execution of a capital project should be replenished.

In September ICOC issued the [ICOC Quarterly Report for January-March 2010](#).

ICOC Activity Details

The description of ICOC activities in the following pages of this report are organized by areas of oversight as required by state law for bonds issued under the provisions of Proposition 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

Review Expenditure of Bond Funds	Page 8 of 12
Inspect Schools & Grounds	Page 10 of 12
Review Efforts to Reduce Costs	Page 10 of 12
Receive & Review Annual Performance Audit	Page 10 of 12
Receive & Review Annual Financial Audit	Page 10 of 12
Receive & Review Deferred Maintenance Plan	Page 11 of 12

Inform Public Concerning Expenditure of Bond Funds

ICOC Web Site	Page 12 of 12
ICOC Quarterly Status Update	Page 12 of 12
ICOC Annual Report	Page 12 of 12

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.

- Monthly Controls Status Report is received/reviewed first by the FCP Subcommittee (that meets on the 4th Thursday of the month) and then by the ICOC (that meets on the 3rd 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: [July 2010](#), [August 2010](#), and [September 2010](#)
 - ICOC: [July 2010](#), [August 2010](#), and [September 2010](#)

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. Below provides a listing and description of activities during this quarter.

- **Staffing Plan** The ICOC received status updates of staffing changes approved by the Board and designed to lower management costs.
 - FPC Subcommittee: [September 2010](#)
 - Construction Subcommittee: Organization Chart: [August 2010](#), [Current Organization Chart September 2010](#), [Future Organization Chart September 2010](#)
- **Business Outreach Program** This program is routinely reviewed and monitored by the ICOC.
 - Community & Business Outreach & Engagement Plan: No specific activity this quarter
 - Small Business Achievement status reports were reviewed monthly by the Construction Subcommittee and the ICOC
 - Construction Subcommittee: [September 2010](#)
 - Business Outreach Activity Report provides are reviewed periodically
 - Construction Subcommittee: [August 2010](#)
- **Project Stabilization Agreement (PSA)**
 - ICOC: No specific activity this quarter
- **Labor Compliance Program**
 - No specific activity this quarter
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- **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: [July 2010](#), [August 2010](#), and [September 2010](#)
 - ICOC: [August 2010](#)
 - Construction Subcommittee and ICOC review the Construction Management report monthly, it provides a status summary of ongoing construction projects.
 - Construction Subcommittee: [July 2010](#), [August 2010](#), and [September 2010](#)
 - ICOC: [July 2010](#), [August 2010](#), and [September 2010](#)
 - I21 Program Summary is reviewed by the Construction Subcommittee and ICOC on a monthly basis.
 - Construction Subcommittee: [July 2010](#), [August 2010](#), and [September 2010](#)
 - ICOC: [September 2010](#)
 - Special Reports
 - Facilities Planning & Construction presented proposed changes to the Prop. S schedule based on an anticipated change in the bond issue schedule.
 - ICOC: [August 2010 – Proposed Prop. S Schedule](#), [September 2010 – Proposed Prop. S Schedule](#)
- 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: [July 2010](#), [August 2010](#), [September 2010](#)
 - ICOC: [August 2010](#), [September 2010](#)

Special Reviews

- An IT Update provided a comprehensive look at progress to date regarding the i21 program
 - Construction Subcommittee: September 2010 – IT Update
 - ICOC: [September 2010 – IT Update](#)

Actively Review Proper Expenditure of Bond Funds (continued)

Inspect Schools and Grounds

On-Site Project Reviews The Construction subcommittee completed a number of on-site reviews during this quarter.

- July 27, 2010 – [Auto Repair & Multi-Media projects at Madison HS](#),
- August 3, 2010 – [New classroom building at Hoover HS](#),
- August 4, 2010 – [Culinary Arts at Garfield HS](#), and
- August r, 2010 – [Culinary Arts and Business Management projects at San Diego HS](#).

Review Efforts to Reduce Costs

Review Efforts to Reduce Costs

- Cost savings Matrix Report – The Construction Subcommittee receives this periodic report that tracks efforts to save costs and to enhance revenues, it is also periodically reviewed by the ICOC.
 - Construction Subcommittee: [July 2010 – Cost Savings Matrix](#)
 - ICOC: [July 2010 – Cost Savings Matrix](#)

Receive & Review Annual Performance Audit

Receive & Review Annual Performance Audit The ICOC received and reviewed revisions to the scope of work for the annual performance audit. The performance audit work was expanded to include effectiveness¹, internal control², and compliance³ audit objectives in several areas.

- Recommendations regarding Performance Audit Scope
 - Audit subcommittee: July 2010 – [District Proposed Audit Scopes – Exhibit 2.3](#)
 - ICOC: July 2010 – [District Proposed Audit Scopes – Exhibit 6.2.1](#)

Receive & Review Annual Financial Audit

Receive & Review Annual Financial Audit No specific activity this quarter.

□

¹ Refer to GAO-07-731G Government Auditing Standards (GAGAS) paragraph 1.29

² Refer to GAGAS paragraph 1.30

³ Refer to GAGAS paragraph 1.31

Actively Review Proper Expenditure of Bond Funds (continued)

Receive & Review Deferred Maintenance (DM) Plan

Annual MRR Plan The ICOC has a responsibility to review Deferred Maintenance (DM) plans of the District. The annual Major Repair and Replacement (MRR) Plan addresses the global issue of maintaining the condition of District school facilities in a safe and functional condition. Per District policy the annual MRR Plan assesses the adequacy of DM and other programs and funding sources used in maintaining the condition of District capital facilities. In addition District policy the MRR Plan is to be received/reviewed by the standing ICOC who is to report review recommendations to the BOE at a public meeting.

- Annual MRR Plan for fiscal year 2011: The FPC formed an Ad Hoc committee to review the MRR plan and draft a report of that review for consideration by the ICOC. The Ad Hoc committee presented its draft report to the FPC and Construction subcommittees prior to submission to the ICOC
 - FPC subcommittee: July 2010 – [Draft ICOC Review of the 2011 MRR Plan](#)
 - Construction subcommittee: August 2010 – [Construction subcommittee](#)
 - ICOC: August 2010 – [ICOC Review of the 2011 MRR plan](#)

Inform Public Concerning Expenditure of Bond Funds

ICOC Web Site

ICOC Web Site The ICOC internet website contains minutes of all ICOC proceedings and 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 - 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, they 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](#)
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ICOC Annual Report

ICOC Annual Report The ICOC issued its first Annual Report in May 2010, it was presented to the BOE at a public meeting on [June 29, 2010](#). 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 ~ FINAL 2009](#)
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District Communications

Monthly Communications Report District public communications regarding Prop. S

- ICOC: [August 2010](#), and [September 2010](#)