



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 9.1

Meeting Date: April 18, 2013

Subject: Bond Oversight Committee 2011-12 Annual Report on (Measure I)

- ☐ Information Item Only
- ☐ Approval on Consent Agenda
- ☐ Conference (for discussion only)
- ☐ Conference/First Reading (Action Anticipated: _____)
- ☒ Conference/Action
- ☐ Action
- ☐ Public Hearing

Division: Accountability Office

Recommendation: To approve the 2011-12 Bond Oversight Committee (BOC) Annual Report on Measure I by the Board of Education.

Background/Rationale: Measure I was passed in 2002 for and authorized up to \$225 million in bond spending. The funds generated by this general obligation bond have gone into school construction, modernization, portable classroom replacement, technology upgrades, and heating and air conditioning installation.

The BOC is comprised of community members who are committed to improving the school facilities in which our children learn, and overseeing the District's fiscal oversight duty to the voters. Committee members serve two-year staggered terms.

The BOC oversees the District's expenditure of bond proceeds by reviewing expenditure reports produced by the District to ensure bond proceeds are expended only for the purpose set forth in the ballot measure and that no bond proceeds are used for any teacher or administrative salaries or other operating expenses.

The committee works with an independent auditor, conducts research and conducts site visits to guarantee these duties are fulfilled.

The committee meets four times a year in its role as an advisory board to the SCUSD Board of Education. The 2013 Quarterly Meetings are currently scheduled on the first Tuesday of February, May, August, and November.##

Financial Considerations: N/A

Documents Attached: 2011-12 Annual Report on Measure I

Estimated Time of Presentation: 5 minutes

Submitted by: Teresa Cummings, Chief Accountability Officer, Interim and Cathy Allen,
Assistant Superintendent, Capital Asset Management Services

Approved by: Jonathan P. Raymond, Superintendent

Sacramento City Unified School District Bond Oversight Committee

2011-12 Annual Report on Measure I

The Sacramento City Unified School District (District) Bond Oversight Committee (BOC) is pleased to present the following annual report on Measure I for the 2011-12 fiscal year.

KEY FINDINGS

Article XIII A, Section 1(b)(3) Statement

The BOC affirms the accountability requirements of Article XIII A, Section 1(b)(3) of the constitution (also known as Proposition 39), specifically that:

- A. Proceeds from the sale of the bonds be used only for facilities improvement and real property purchases, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.*
- B. A list of the specific school facilities projects to be funded and certification that the school district board evaluated safety, class size reduction, and information technology needs in developing that list.*
- C. A requirement that the school district board conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.*
- D. A requirement that the school district board conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.*

Annual Financial Audit

According to the official ballot statement, this is the purpose of Measure I:

To alleviate overcrowding, renovate, repair, replace; acquire, and construct school buildings, meet fire/health/safety standards, provide wiring for computers, and provide needed mechanical improvements, shall the Sacramento City Unified School District issue \$225,000,000 in bonds at the lowest interest rates possible and appoint a citizens' oversight committee and an independent auditor to assure that funds are spent only on school and classroom improvements and for no other purposes.

On February 5, 2013, BOC members received copies the 2011-12 annual independent financial and performance audits. At that meeting the committee reviewed the Measure I Financial Statements and Performance Audit. Crowe Horwath, the accounting firm who completed both the statements and audit, presented their findings on the performance audit first and determined that the district had expended bond funds in accordance with Proposition 39. A total of \$22,668,086 in expenditures was identified.

On the financial statements, Crowe Horwath had no findings of concern. The committee inquired about the fund balance and transfers and these questions were answered to the satisfaction of the committee.

Background

Measure I was passed in 2002 for and authorized up to \$225 million in bond spending. The funds generated by this general obligation bond have gone into school construction, modernization, portable classroom replacement, technology upgrades, and heating and air conditioning installation. A previous bond measure overseen by the BOC, Measure E, was previously expended and this report pertains only to Measure I.

The BOC is comprised of community members who are committed to improving the school facilities in which our children learn, and overseeing the District's fiscal oversight duty to the voters. Committee members serve two-year staggered terms.

The BOC currently includes the following individuals:

Name	List Association/Title
John Andrew*	Parent of child in district school
Carol Davydova (Chair)*	Business representative
Cesar Diaz	Parent of child in district school
Maria Haro-Sullivan	Parent of child in district school
Rachel Minnick	Parent of child in district school
Adolfo Mercado (Vice Chair)*	Business representative
Dave O'Toole*	Parent of child in district school
James Price*	Taxpayers group representative
Lawson Stuart	Parent of child in district school
Alex Visaya, Jr.*	Senior citizens' organization representative
Bill Westerfield	Parent of child in district school

*member during 2011-12 fiscal year

BOC Duties

The BOC oversees the District's expenditure of bond proceeds by reviewing expenditure reports produced by the District to ensure bond proceeds are expended only for the purpose set forth in the ballot measure and that no bond proceeds are used for any teacher or administrative salaries or other operating expenses.

The BOC will presents to the SCUSD Board of Education in public session an annual written report containing the following:

- A statement whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and
- A summary of the Committee's proceedings and activities for the preceding year.

The committee works with an independent auditor, conducts research and conducts site visits to guarantee these duties are fulfilled.

The committee meets four times a year in its role as an advisory board to the SCUSD Board of Education.

The 2013 Quarterly Meetings are currently scheduled for February 5, May 2, August 6, and November 5.

Bond Sales

Since its inception, the BOC has overseen and verified the expenditure of over \$210 million dollars of Measure I bond funds and \$157 million worth of matching state funds. During 2012-13 the BOC has reviewed projects with bond expenditures as of December 31, 2012 totaling \$5 million. This includes work at the John Morse Therapeutic Center and C.K. McClatchy High School for \$1,356,881.66.

On June 14, 2012, the District issued \$113,245,000 in General Obligation Refunding Bonds, which included refunding (refinancing) the remaining balance of \$42.5 million of the first series issued of Measure I bonds. This refunding produced a savings to tax payers of 9.9% for this series, or \$4.2 million. The entire refunding produced savings of \$11.8 million.

Summary of the BOC's Proceedings and Activities

The BOC is required to make an annual report to the SCUSD Board of Education. The annual report contains summaries of achievements, planning priorities, subcommittee briefs and recommendations for improvement and success. This report is made to the Board of Education by the end of April during open session.

Additionally, at its quarterly meetings the BOC reviews a project list by school site and receives an update on issues. A list of bond funding by school site is also reviewed and discussed.

Key Proceedings

To personally witness the outcomes of bond projects, the BOC conducts site visits. During 2011-12 the BOC examined and conducted a meeting in the new high-efficiency portable classroom at Phoebe Hearst School.

The BOC also requested and was granted a special bond oversight board training session by Crowe Horwath. The training included the basics of bond financing and an overview of the operations of bond oversight boards.

In early 2013 the BOC updated its pages on the SCUSD website to better explain the purpose and proceedings of the committee. Separate BOC member-only pages were also established, which include information on issues before the committee and BOC background.

The passage of measures Q & R has created a new bond oversight obligation and BOC intends to update its bylaws to reflect technical changes to the purpose and makeup of the BOC.

BOC Recruitment

Applications are available at the SCUSD website, <http://www.scusd.edu/BOCApplication> and are submitted to the Operations Support Services Office c/o Nick Koehler. The application is then reviewed by the CAMS office for completeness, and SCUSD Chief of Staff. In the event of vacancies (a maximum of 11 members serve on the BOC), accepted applications are given to the Board of Education for final approval and appointment. Appointed applicants attend the next scheduled BOC Meeting and receive member training, as needed, within 90 days of appointment.

Recommendations

To improve oversight of the measures Q and R bond expenditures and provide a “back-end” review of what the Bond Steering Committee plans for expenditures, it is recommended that at least one member of the BOC be appointed to the Bond Steering Committee. It is also recommended that meetings of the Bond Steering Committee be timed to immediately follow or precede BOC Committee meetings to facilitate productive interaction and community interest in both.

The BOC meets quarterly in meetings lasting normally no longer than a few hours. As needed for the purpose of recruitment of new Committee members, it is recommended that the District direct schools to include information and applications for the BOC in their newsletters.