



TO: Board of Education
Susan E. Miller, Interim Superintendent

FROM: Bond Oversight Committee Members

SUBJECT: 2008 Annual Report

Site Visit Report – 2008

Sub-Committee Chair: Bob Blymyer

Kennedy High School – This school was visited on May 21, 2008. Kennedy is an old school, built in the late 1960's, and needed a lot of work to bring it up to District standards. The project began on November 26, 2007, with the major emphasis on the 3-story classroom building and restrooms. During the construction, classes were moved in and out of interim locations, to allow work to proceed. Most of the scheduled work had been completed by the time of the Bond Oversight Committee (BOC) visit; including flooring, painting, paving, gym plumbing, water fountains, and some special outside bird netting.

Overall, the work performed appeared well done, and offered a sharp contrast to areas still needing refurbishing. Next up for Kennedy will be the 485 seat Performing Arts Center.

George Washington Carver High School (Americas Choice High School) – Visited on August 28, 2008, this new high school was completed earlier in 2008. On October 16, 2008, the Board approved a new name for the Social Justice and America's Choice High Schools site: George Washington Carver School of Arts and Science. SCOE added a program of special needs high school students at George Washington Carver facility. This is a lease agreement with Sacramento County Office of Education which includes a maintenance agreement. Much smaller than a traditional large comprehensive high school campus, at 13.4 acres George Washington Carver appears very functional given the small area utilized. Because it is a new school, it has very 'clean' feel to it, plus there are open grass areas available for students in warm weather months. Attendance is approximately 300 students. In addition, the George Washington Carver High School is also located on an Regional Transit bus route.

Rosemont High School – This school was also visited on August 28, 2008. It is the Districts newest full size high school, opening just four years ago. It has an attendance of

approximately 1800 students. The school is really impressive in layout and design, particularly when compared to several of the much older campuses the District maintains. Even though the school is large, it still seemed to not take a long time to walk from one point to another.

Rosemont High School is certainly an outstanding addition to the east city neighborhoods it serves.

Sacramento Charter High School – The former Sacramento High School campus was visited on October 15, 2008. Although originally built on the site of the old State Fairgrounds in 1856, more modern buildings were first constructed at the current site in 1939, with some new structures added in 1976. Currently, the school is getting a major remodel, with modernization of HVAC, lighting, floors, wall finishes and in some cases, brand new walls. The end result is an old school that has a 'new' feel to it, both in design and materials. One of the highlights is the use of soft purple (one of the school's colors) for trim work inside and out. Half the work site is complete, the other half in mid-construction phases.

Sacramento Charter High School has just under 270,000 sq. ft. of buildings space, on 26.12 acres of campus. In addition, there are two permanent portable buildings, 4-5 other units available if needed.

Deferred Maintenance Report – 2008

Sub-Committee Chair: Dan McKechnie

The Deferred Maintenance (DM) program is a dollar for dollar state match program which contributes to projects for major repair or replacement of existing school building components such as Paving, Paint, Flooring, Roofing and HVAC and various other building system components. The current budget for the DM program is 4 million dollars ½ of which is funded from the District's general fund. Past BOC committees have recommended that the districts state match component be funded via the bond. If the bond were to fund the DM state match it would leave more funding in the general maintenance fund for general everyday repairs. If the funding source remained the same more funding would remain in the bond program. The fact that the DM program is fully funded, regardless of the source, is a positive fact. As stated above the DM program is for major repairs necessary for building integrity and safety that potentially may go unfunded if not for the additional state funds.

The DM program is required to maintain a 5 year plan which outlines projects and budgets in order to receive state funding. The plan can be updated yearly if desired but is required to be updated once every 5 years at a minimum. Site surveys are completed using in-house staff to help determine project scope and priority. This plan is then coordinated against the District's master plan for overlap and conflict. The plan is adjusted as needed. Not all needs are shown on the 5 year plan and it was clear that the DM need far outweighs the funding. This is of concern because as buildings fall into disrepair, the cost of maintenance grows as does the cost to eventually repair or replace damage via future bond measures.

Once again the DM priorities are focused on Paving, Paint, Flooring, Roofing and HVAC projects. The concept behind addressing these project areas is that they focus on building Integrity (Roofing, Paint), Safety (Paving) and Site Appeal/Student Comfort (Flooring, HVAC). This approach has been coordinated with ongoing bond projects which have addressed site improvements, HVAC, alarm and fire systems, classroom improvements, computer wiring and state mandated upgrades. The Deferred Maintenance projects over the last year are categorized as follows:

School	Number of Projects	Approx. Budget
Asphalt and Concrete Repair	30	\$2,089,586
Paint	30	\$574,285
Flooring Repairs	16	\$263,616
Roofing	13	\$244,367
HVAC	14	\$196,251
Miscellaneous	111	\$1,068,260

Deferred Maintenance projects currently run through the same process as bond projects. Need is identified and project management responsibilities are assigned to staff in the planning and construction department. District standards are used to ensure that consistency is maintained and efficiencies created. The Maintenance department is kept in the loop via updates from project staff.

To summarize, the DM program is funded to the maximum level allowed to receive matching funds from the state but unfortunately the funding doesn't meet the needs of the district. There seems to be a logical process in place to complete DM projects with quality and efficiency. In general it is my belief that the DM program is administered appropriately and is a critical component of successful facilities throughout the district. Below are several recommendations related to the DM program.

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RECOMMENDATIONS

1. Continue to maximize outside funding sources such as the Williams Act and search out other sources of funds that complement the DM program
2. As both "one time" funds and bond funds shrink, place a priority on developing a fiscally responsible alternative to funding the DM program to achieve the maximum State contribution.

3. Update district standards continually in an attempt to create standardization across systems which should allow for increased maintenance efficiencies, ideally reducing DM needs in the future.
4. Create a “lessons learned” process that combines the experience of the Maintenance personnel with the experience of the Planning and Construction Department; the goal being improved projects, both bond and DM.
5. In future bonds consider including funds for the Deferred Maintenance match along with funding for maintenance projects into the overall Bond program.

Audit/Finance Subcommittee Report

Year Ending: June 30, 2007

Sub-Committee Chair: Karin Shine

Attached Perry Smith Auditor Report to Annual Report

Perry Smith, LLP completed the audit and provided an Independent Accountant’s Report, reporting separately on Measures E and I. SCUSD staff provided copies of the audit reports at the request of the Bond Oversight Committee Audit/Finance Subcommittee. The reports are attached to this Subcommittee report.

The auditor verified the following:

- That the costs expended were for valid expenditures under Measures E and I;
- That the costs expended were properly charged to the locations indicated;
- That the costs expended were properly coded; and
- That all expenditures represented school improvements, rather than District salaries or administrative expenses.

Recommendations

1. District staff should make financial reports available to the Audit/Finance Subcommittee Chair prior to the regular BOC meetings in order to allow more time for a complete review of the material.
2. The Audit/Finance Subcommittee should submit financial information for articles in *The Connection* at least four times per year, one of which should include a year-end review.

Value Assessment Subcommittee (Amended 12/19/08)

Sub-Committee Chair: Mike Rockenstein

The Value Assessment Sub-Committee would like to commend the activities of district staff with continuing to improve the process for reviewing and approving bond expenditures over the last year.

As happened in 2007, there was an area of concern which continues to be addressed which the contracting procedure was known as “lease-lease back”. The original lease-lease back contracts that the District entered into had limited numbers of firms participating and no public bid opening. While this met the letter of the law it also raised concerns as to whether the District was getting the most value for its dollar. Led by Jim Dobson and Bill West, the latest version of the process is nothing short of remarkable. Where previously there was a

negotiated project with a small number or even a single team, there is now a much larger pool of candidate partners for the District to work with. Going beyond what was required, District staff put out a request for qualifications that drew in over a dozen respondents. From this list a rather healthy eight qualified bidders were invited to submit proposals. This significant increase in competition should be enough to calm any fears that the benefits offered by guaranteed maximum price (GMP) do not come at the expense of an inflated contract value.

A second area where staff continues to improve from 2007 is the area of single source specifications. As noted in previous reports, the Bond Oversight Committee had questions regarding the value to the District of certain types of single source specifications. In response the District has taken steps which must be publicly commended. Specifications often tend to “fossilize” over time: once they are put in they are rarely reviewed or questioned later. Like most institutions this was the case several years ago when the Bond Oversight Committee looked into SCUSD specification processes.

Since that time, District staff and management have looked into many different sole source specifications and subjected them to review. In some cases the specifications are found to be outdated. When this is the case, and the specifications have been opened, considerable savings for the District have been realized without compromising the long term needs of the District. In other cases the District has found that the current sole source specifications are appropriate and in the District’s interest.

The area which continues to concern the oversight committee is the Project Stabilization Agreement (PSA). When approved in 2005, the PSA was designed to be enacted for two years prior to allowing an evaluation of its performance. Over the last year, the Bond Oversight Committee has not had an opportunity to meet with district staff to obtain information on the performance of the PSA. The Bond Oversight Committee calls on District staff to conduct an evaluation of these agreements and review the performance of those agreements.

The 2007 report asked several of the below questions regarding the performance of the PSA. As of the date of this report’s submittal, the following questions are answers provided to the Bond Oversight Committee by the district and PCM3 on the performance of the PSA. The last question will continue to be addressed during Bond Oversight Committee meetings and other updates.

- **How many additional SCUSD students have entered into apprenticeship training due to the PSA?** There are approximately 37 to 40 students in this training, which is double from the number of 2007.
- **Did the number of subcontracting bidders increase, decrease, or remain the same after the enactment of the PSA?** The number of bidders has increased.
- **Is there a way to gauge whether the quality of the work performed under the PSA was better than it was previously?** According to the district, the work quality has improved and/or remained the same since the enactment of the PSA. The Bond Oversight Committee continues to recommend monitoring and measuring the quality of work performed under the PSA.
- **Comparing actual costs with estimated costs, did the work on SCUSD projects increase more, less, or about equally to the construction cost increases at K-12 districts that did not adopt a PSA?**

The Bond Oversight Committee continues to recommend monitoring the performance of the PSA. Given the downturn in the economy, it might also be necessary to measure the cost of the work performed given any cost reductions in materials, supplies or labor with the impact from the PSA. The Bond Oversight Committee should be tasked with continuing to monitor these areas.

The value assessment sub-committee again wishes to thank SCUSD staff for continuing to acknowledge our concerns and to improve the processes by which bond dollars are spent.

Summary

The Bond Oversight Committee wishes to thank district staff, PCM3 and other stakeholders in the bond oversight process for their continued work in providing updates as well as continuing to be responsive to the requests by the Bond Oversight Committee for information related to the committee, as well as the bond projects. The Bond Oversight Committee wishes to recommend this spirit of cooperation continue into 2009, and also in the future, should another Bond Oversight Committee in the SCUSD be enacted for a future bond program. The Bond Oversight Committee is committed to ensuring continuous improvement occurs on bond projects in the future. The Bond Oversight Committee will also continue to ensure the taxpayers of the SCUSD are having bond funds properly authorized and spent for bond projects, consistent with the language of Measures E and I.