



# Citizens' Oversight Committee 2008 Annual Report to the Community

**May, 2009**

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## Committee Duties

- Review use of bond funds
- Document bond funds are spent appropriately
- Inspecting School Facilities & Grounds
- Report to the community

## Committee Members

- Grier Graff *President*
- Ken Jensen, *Vice President*
- George Childs
- William Drum
- Rob Hendrickson
- Robert Lally
- CheeKeong Lin
- Ward Lindenmayer
- Stephanie Mooers
- Dana Serleth
- Nava Shaham
- Michael Zukerman

## Letter from the Citizens' Oversight Committee

The Citizens' Oversight Committee members for the Seismic Safety Bond Program are pleased to present our 2007-2008 Annual Report to the community. It has been nearly three years since the Citizens' Oversight Committee was formed in June 2006. This is the second of our annual reports, and as required by law, we will continue to provide reports through the completion of Seismic Safety Bond Program construction.

As provided in Education Code Section 15278, the role of the Seismic Safety Bond Program Citizens' Oversight Committee is to ensure that the expenditure of revenues received from \$56 million in bond sales approved by Piedmont voters in March, 2006 are done in accordance with the ballot measure and to inform the public annually of the results of this oversight function. The 12-member Oversight Committee is composed of individuals from local businesses, senior citizen organizations, organizations involved with schools, a bona fide tax payers' organization, legal, technical, and financial advisors, as well as involved parents of children residing in the Piedmont Unified School District.

The Committee has reviewed summaries and reports of all expenditures made as of June 30, 2008 and found the use of Seismic Safety Bond Program funds as reported is appropriate. Additionally, the Committee has reviewed recent revisions to the Program budget, cash-flow projections and project schedules that are based on the unprecedented State budget crisis and the disruption in payment and future uncertainty of State matching funds.

The Committee is a public body which generally meets each quarter. Regular and special meeting locations, dates and times are posted on the District website at [www.pusdbond.org](http://www.pusdbond.org). The public is welcomed and encouraged to attend and participate in our meetings. A copy of the full report is available online and at the District Office.

Thank you for your support.

The Seismic Safety Bond Program Citizens' Oversight Committee

## Seismic Safety Bond Program History

On March 7, 2006, Piedmont voters approved the Seismic Safety Bond Program which authorized the Piedmont Unified School District to sell up to \$56 million in general obligation bonds “to repair, reconstruct, or replace Piedmont public school buildings to reduce dangers from earthquakes and to...provide safe classrooms and facilities” on each of its campus facilities. Together with State matching funds, bond funds will be used to strengthen and meet modern handicapped accessibility requirements.

The bond measure anticipated a series of bond issues, beginning in 2006 and ending in 2010, using a combination of current interest and zero coupon bonds. The goal of this financing structure was to limit the amount of debt service and taxes during the early years of the bond program, until prior bonds (issued in 1994) have been fully paid off. As such, the tax impact of these new bonds was designed to be limited to an increase of \$20 per \$100,000 of assessed valuation until 2010 and then gradually increased to the statutory maximum of \$60 per \$100,000 of assessed valuation. Based on this structure and the projected growth in assessed values, the bonds are expected to be fully paid off around the year 2045.

The actual bonds will be sold in series as needed to fund the bond projects. The first issuance of \$15 million was completed on July 27, 2006. Moody’s Investor Service assigned the bonds an Aa3 rating. A second issuance will take place in late summer of 2009.

## Citizens’ Oversight Committee Responsibilities

To oversee compliance concerning the expenditure of the bond proceeds, the Committee is authorized to engage in the following activities:

- Actively review and report on the proper expenditure of taxpayers’ money for school construction.
- Advise the public as to whether the school district is in compliance with the requirements of Article XIII A, Section (b)(3) of the California Constitution.
- Convene to provide oversight for (without limitation):
  - Ensuring that bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.
  - Ensuring that no funds are used for any teacher or administrator salaries or other school operating expenses.
  - Receiving and reviewing copies of the annual independent Performance Audit required by Article XIII(A).
  - Receiving and reviewing copies of the annual independent Financial Audit required by Article XIII(A).
  - Inspecting school facilities and grounds to ensure bond funds are expended in compliance with Article XIII(A).

- Receiving and reviewing copies of any deferred maintenance proposals or plans developed by the school district.
- Reviewing efforts by the school district to maximize bond revenues by implementing cost saving measures.

Members of the Committee regularly attend school board meetings, and school board workshops to remain apprised of developments between quarterly meetings. Over the last year, the Committee met four times.

## Seismic Safety Bond Program: Developments since June 2006

### Introduction

The Piedmont City Unified School District operates 3 elementary schools, 1 middle school, a traditional high school, and an alternative high school serving a total of 2,550 students. Each of these school campuses contains a mixture of old and new buildings and facilities. For the safety of the District's students, parents, visitors, teachers, and staff, the Board of Education commissioned a comprehensive study of the seismic safety and accessibility of the District's school buildings and facilities. This professional study revealed that many of the District's school buildings and facilities are at risk of damage or collapse in the event of an earthquake, and many do not meet modern requirements for fire safety and handicapped accessibility. As a result of this study, the Board of Education developed a series of projects designed to bring these school buildings and facilities up to current state and federal standards for earthquake safety, fire safety and modern handicapped accessibility.

### Notable Developments:

The following list outlines notable steps taken by PUSD in the Seismic Safety Bond Program Program which resulted in use of public funds from July 1, 2007 through June 30, 2008:

- Approved a preliminary services agreement between the District and Webcor Builders for the Havens Elementary Replacement Project
- Approved an agreement between the District and ATI Architects & Engineers for design services and construction administration services for the Havens Elementary School Replacement Project as designed by Mark Becker
- Approved agreements with murakami/Nelson for architectural and engineering services for Wildwood and Beach Elementary Schools, Ellen Driscoll Theatre, Piedmont Middle School, and the Piedmont High School Student Center and Quad Building
- Approved Vila Construction as construction manager for PUSD Seismic Safety Bond Program projects
- Approved the replacement of the PUSD Maintenance Facility at a cost not to exceed \$2 million.

## The State Budget Crisis: Revisions to the Program Budget and Project Schedules

The District conservatively estimated that it is eligible for \$11 million in State matching funds for facility modernization, and this \$11 million is part of the budget and cash-flow planning for the entire Seismic Safety Bond Program. However, due to the State budget crisis, there is now uncertainty about when State matching funds for facility modernization will be available.

Although District staff and consultants believe the State will pay the matching funds eventually, there is no way to predict when such payments will be received. For this reason, the District staff revised its project budgets, cash-flow projections and project schedules based on the assumption that no State matching funds will be available in the near term.

Under the revised project schedules, the District will proceed with the “near-term” projects only. These projects are: Havens; Piedmont High School; Piedmont Middle School; Ellen Driscoll Auditorium; the Maintenance Building; and development and completion of the design materials for both the Wildwood and Beach projects (although construction of these projects will occur in a later phase). The District will suspend work on the Wildwood and Beach projects after the design phase for each of the schools is completed. However, work on both Wildwood and Beach will be completed when State matching funds do become available and when the final tranche of Seismic Safety bonds are sold.

# Seismic Safety Bond Program Expenditures through 6/30/08<sup>1</sup>

## REVENUE (through June 30, 2008)

- Sale from 2006 Bond Proceeds \$14,999,934

EXPENDITURES (through June, 2007) \$ 2,800,967

## EXPENDITURES (through June, 2008 – figures rounded)

- **Piedmont Middle School** \$ 131,158
  - murakami/Nelson Architects
  - Gallagher Structural Engineer
  
- **PUSD Bond Program Development** \$ 691,707
  - Legal fees \$ 34,994
  - Program Management \$ 350,209
  - Architectural Expenses \$ 164,339
  - Engineering Peer Review \$ 39,800
  - Community Outreach \$ 26,812
  - Remainder of Expenses \$ 75,553
  
- **High School Quad Building/Student Center** \$ 749,355
  - murakami/Nelson Architects
  - Gallagher - Structural Engineer
  - Quad Roof replacement
  
- **Havens Elementary School Program** \$ 795,756
  - ATI Architects & Engineers
  - Portable leases
  - murakami/Nelson Architects (Driscoll)
  
- **Beach Elementary School Program** \$ 304,689
  - murakami/Nelson Architects
  - Gallagher Structural Engineer
  
- **Wildwood Elementary School Program** \$ 578,977
  - murakami/Nelson Architects
  - Gallagher Structural Engineer
  
- **Piedmont Maintenance Facility** \$ 104,968
  - murakami/Nelson Architects
  - Gallagher Structural Engineer

**2007/08 Subtotal \$ 3,356,612**

**Expenses from Inception to 6/30/08 \$ 6,157,578.17**

<sup>1</sup> These figures represent audited financial information. See discussion re Audits.

## Audits

Article XIII of the California Constitution requires the District to complete (i) an annual Performance Audit and (ii) an annual Financial Audit of Seismic Safety Bond Program. These audits were conducted in conjunction with the District's own internal audit and are available for review at the District's Bond Website, (<http://www.pusdbond.org/program/financial.html>).

## Seismic Safety Bond Program

### Board-Approved Project Budgets (March, 2008)

Havens Elementary	<b>2009-10</b>	<b>\$25,500,000</b>
Ellen Driscoll Theatre	<b>2009-10</b>	<b>\$2,900,000</b>
PHS Quad/Student Center	<b>2009-10</b>	<b>\$9,800,000</b>
Wildwood Elementary	<b>2010-11</b>	<b>\$9,400,000</b>
Beach Elementary	<b>2011-12</b>	<b>\$12,200,000</b>
Piedmont Middle School	<b>2009-10</b>	<b>\$400,000</b>
PUSD Maintenance	<b>2008-09</b>	<b>\$2,000,000</b>
District	<b>Program</b>	<b>\$5,600,000</b>
<b>Program Total</b>		<b>\$67,800,000</b>

## For More Information

If you would like additional information regarding the Seismic Safety Bond Program Program, please contact the Office of the Superintendent at (510) 594-2614.