



Citizens' Oversight Committee 2009 Annual Report to the Community

March 2010

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COC Duties

- Review Use of Bond Funds
- Document Bond Funds are Spent Appropriately
- Inspecting School Facilities & Grounds
- Report to the Community

2008-09 COC 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 for the Seismic Safety Bond Program is pleased to present our 2008-2009 Annual Report to the community. The Committee, which was formed in June 2006, oversees the expenditure of Seismic Safety Bond Program funds and ensures that all expenditures are made for the purposes authorized by voters.

The 12-member COC 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 COC reviewed summaries and reports of all expenditures made between July 1, 2008 and June 30, 2009 and determined that the use of Bond Program funds as reported is appropriate. Additionally, the COC 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 COC 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. 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

The Piedmont School District's facilities are a mixture of aging one-story and two-story buildings built between 1935 and 1996. All buildings are Field Act-approved, which means that they were built in compliance with the applicable building codes at the time of construction but do not comply with contemporary code requirements. Building codes changed dramatically after the 1971 San Fernando earthquake and again after the Loma Prieta and Northridge earthquakes, when structural engineers studied how buildings performed during these major earthquakes and improved the building codes accordingly.

Between 2000 and 2005 two independent structural engineering reports identified Piedmont school buildings that would likely pose life safety risks as defined by code in the event of a major earthquake on the nearby Hayward Fault. On March 7, 2006, Piedmont voters authorized the District to sell up to \$56 million in general obligation bonds to finance the repair, strengthening, and renovation of school buildings. The District sought voter approval for \$56 million based on comprehensive cost estimates developed by Vila Construction, the District's construction manager, and estimates concerning eligibility for State matching funds.

The District is eligible for State matching funds to help pay for the seismic strengthening and modernization of the school facilities. Eligibility is based on the age of buildings, student population, and past receipt of State modernization funds. At the start of the bond program, it was conservatively estimated that the District would be eligible to receive roughly \$11 million in State modernization funds. District consultants believe the amount of eligibility is actually close to \$13.5 million. Nonetheless, due to the unprecedented State budget crisis, the timing and the receipt of the State funds remains uncertain.

The total budget for the Seismic Safety Bond Program projects is \$69,156,161, including bond funding (up to the maximum amount of \$56 million), State matching funds for facility modernization (estimated to be \$11 million to \$13.5 million), and City funds (\$1,200,000). The mix of funds will also be used to strengthen and meet accessibility standards under federal requirements of the Americans with Disabilities Act. The estimated time to complete the construction phase (separate from the design and engineering phase) is three years. The construction phase started in 2009.

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) were 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 Proposition 39 statutory maximum of \$60 per \$100,000 of assessed valuation. Based on this structure and 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 District issued the first \$14,999,934 million in bonds in August 2006, and an additional \$19 million in bonds in October 2009. Changes in assessed property values are an important factor in the timing of bond sales because these values determine the amount of property taxes available to repay the bonds.

The Impact of the State Budget Crisis

The Piedmont Unified School District has reached a critical point in the Seismic Safety Bond Program. The State budget crisis has slowed the payment of matching funds to local school districts for facility modernization, including an estimated \$11 to \$13.5 million to PUSD. As a result, the Board of Education has had to consider whether and how to proceed with each phase of the Seismic Safety Bond Program without receiving any State matching funds.

In 2009, the District revised its cash flow analysis and implementation plans based on the assumption that no State funds would be available in the near term. Relying only on its bonding capacity, and \$1,200,000 in contributions from the City of Piedmont, the District proceeded with the following “Year One” projects: Havens; Piedmont High School; Piedmont Middle School; Ellen Driscoll Auditorium; development and completion of design and construction documents for Wildwood; and development and completion of design documents for Beach (actual construction of both the Wildwood and Beach projects would occur in later years). The Maintenance Building was completed in the Spring of 2009. The order of work was determined primarily based on the safety risks associated with each of the buildings, and the District will complete this Year One work without receiving any State money.

In 2010, the Board will need to determine whether it is possible to complete construction of the Wildwood project during the 2010/2011 academic year as originally planned, relying on a combination of bond sales and bridge financing. This, in turn, will determine whether to renew the lease of the Ralph Hawley Elementary School in Emeryville or to begin the process of selecting a contractor for the Wildwood project.

A separate but closely related issue was whether to spend, in the near term, the necessary amount to complete “design development” for the Beach project. The cost of completing design development for Beach is estimated to be \$538,000, and includes architectural services, structural engineering and administrative fees. By completing design development, the District will establish eligibility for approximately \$2 million in State matching funds for the Beach project. Establishing eligibility now is important because, when and if State funding does become available, it will be paid out on a first-come, first-served basis. However, the District’s commitment of \$538,000 to complete design development for Beach reduces the cash on hand to pay for construction of the Wildwood project.

If the District completes the Wildwood project in 2010/2011, and if no State matching funds are received, the District will not be able to proceed with construction of the Beach project. State matching funds for all Seismic Safety Bond Program projects must be received in full in order to complete Beach Elementary School seismic work. When, and if ultimately received, the State funds are estimated to cover the cost of the Beach project.

Seismic Safety Bond Program Developments

The following is a partial list of developments in the Seismic Safety Bond Program, from July 1, 2008 through June 30, 2009, which resulted in the expenditure of public funds.

The District:

- Approved contracts with murakami/Nelson Architects for:
 - Construction Documents for Maintenance Facility Replacement;
 - Design Development and Construction Documents for Ellen Driscoll Theater, Piedmont High School Quad and Student Center Buildings, Replacement of the Fire Alarm Systems at Piedmont High School and Piedmont Middle School, and Wildwood Elementary School;
 - Design Development for Beach Elementary School;
 - Construction Administrative Services;
 - Documentation Supporting the District's Application for State Proposition 1D Funding; and
 - Design of three portables at Beach Elementary School for the temporary relocation of Havens and Wildwood kindergarten students.

- Approved Lease/Lease-Back Agreement with Seward L. Schreder Construction, Inc. for construction of the Maintenance Facility.

- Approved contracts with Bollo Construction Inc. (David Burke) for Facilities Planning, Consulting Services and Program Management Services.

- Approved Contract with ATI Architects & Engineers for Architectural and Engineering Services for Interim Housing at Havens Elementary School for Use by PHS students.

- Approved Lease Agreement with Emery Unified School District for interim housing of students.

- Approved Joint Powers Agreement with the Lamorinda School Bus Program to develop and administer school bus transportation to and from the temporary school site in Emeryville.

- Approved Contract with VBN Architects for the design of the Beach SchoolMates portable facilities.

- Approved Contract for hazardous materials abatement and removal for Havens Elementary School and Ellen Driscoll Theater.

- Approved Contract with Fehr & Peers Transportation Consultants to conduct traffic analysis for bus stops.
- Approved Lease-Leaseback Agreement with Webcor Builders for the construction of Havens Elementary School.

Oversight of Seismic Safety Bond Program

To oversee and ensure proper expenditure of bond funds, the COC is authorized to do the following:

- 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.

The COC reviewed summaries and reports of all expenditures made between July 1, 2008 and June 30, 2009 and determined that the use of bond funds as reported is appropriate.

In addition, the COC 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 COC members have diverse viewpoints, and have had robust discussions about these and other issues. In particular, members of the committee disagree as to whether the District should have modified its level of contingency funds for the Havens Elementary project; they also have questioned

the process and timeline for negotiating construction projects; and they have voiced concern over whether the District should have assumed full responsibility for costs associated with the relocation of the City-owned Schoolmates portable to Beach Elementary School. Nonetheless, the members are in agreement that the expenditure of bond funds has been appropriate.

Seismic Safety Bond Program Expenditures through 6/30/09¹

REVENUE (through June 30, 2008)

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

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

EXPENDITURES (through June, 2008) **\$ 3,356,612**

EXPENDITURES (through June, 2009) **\$ 6,774,369**

- **Piedmont Middle School** **\$ 90,269**
 - murakami/Nelson Architects
 - Gallagher Structural Engineer
- **PUSD Bond Program Development** **\$ 702,097**
- **High School Quad Building /Student Center** **\$ 1,104,949**
 - murakami/Nelson Architects
 - Gallagher - Structural Engineer
 - Overaa Construction
- **Havens Elementary School Program** **\$ 1,721,858**
 - ATI Architects & Engineers
 - Portable leases
 - Webcor Builders
- **Ellen Driscoll Theatre Program** **\$ 373,971**
 - murakami/Nelson Architects
 - Overaa Construction
- **Beach Elementary School Program** **\$ 230,037**
 - murakami/Nelson Architects
 - Gallagher Structural Engineer
- **Wildwood Elementary School Program** **\$ 390,120**
 - murakami/Nelson Architects
 - Gallagher Structural Engineer

¹ These figures represent audited financial information. See discussion re Audits.

- **Piedmont Maintenance Facility** **\$ 1,748,814**
 - **Seward L. Schreder Construction**

- **Emeryville Interim Housing Program** **\$ 412,267**

- Expenses from Inception to 6/30/09** **\$12,931,948**

Audits

and	<table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Havens Elementary</td> <td style="width: 10%; text-align: center;">2009-10</td> <td style="width: 30%; text-align: right;">\$25,500,000</td> </tr> <tr> <td>Ellen Driscoll Theatre</td> <td style="text-align: center;">2009-10</td> <td style="text-align: right;">\$2,900,000</td> </tr> </table>	Havens Elementary	2009-10	\$25,500,000	Ellen Driscoll Theatre	2009-10	\$2,900,000	Performance Audit (ii) an annual Financial Audit of Seismic Safety Bond Program. These audits were conducted in conjunction with the District's own internal audit and available for review the District's Bond Website,
Havens Elementary	2009-10	\$25,500,000						
Ellen Driscoll Theatre	2009-10	\$2,900,000						

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(<http://www.pusdbond.org/program/financial.html>).

Seismic Safety Bond Program

Board-Approved Project Budgets (December, 2009)

PHS Quad/Student Center	2009-10	\$9,800,000
Wildwood Elementary	2010-11	\$9,400,000
Beach Elementary	2011-12	\$12,200,000
Piedmont Middle School	2009-10	\$1,752,575
PUSD Maintenance	2008-09	\$2,000,000
District	Program	\$5,600,000
Program Total		\$69,152,575

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.