



# Citizens' Oversight Committee 2012 Annual Report to the Community

February 2013

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## COC Duties

- Review Use of Bond Funds
- Document Appropriate Spending of Funds
- Inspect School Facilities & Grounds
- Report to the Community

## COC Members

- Grier Graff *President*
- Ken Jensen, *Vice President*
- Mark Aikawa
- William Drum
- Rob Hendrickson
- Ward Lindenmayer
- Margaret Ovenden
- Dana Serleth
- Nava Shaham
- Cory Smegal

## Letter from the Citizens' Oversight Committee

The Citizens' Oversight Committee for the Seismic Safety Bond Program (SSBP) is pleased to present our 2012 Annual Report to the community. The Committee, which was formed in June 2006, oversees the expenditure of SSBP funds and ensures that all expenditures are made for the purposes authorized by voters.

The COC is composed of individuals from local businesses, senior citizen organizations, organizations involved with schools, 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, 2011 and June 30, 2012 and determined that the use of SSBP funds as reported is appropriate.

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](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

The Piedmont Unified School District has now (February 2013) completed its comprehensive program for seismically strengthening or replacing school facilities to meet current standards for life safety and access.

Before the Seismic Safety Bond Program (SSBP), the District's facilities were a mix of aging buildings built between 1935 and 1996. Although the buildings were built in compliance with applicable building codes at the time of construction, building codes changed significantly after the 1971 San Fernando earthquake and again after the 1989 Loma Prieta and 1994 Northridge earthquakes. Starting in 2000, two independent structural engineering studies identified District school buildings that would likely pose life safety risks in the event of a major earthquake on the nearby Hayward Fault. Based on the findings, the Board of Education developed plans to mitigate these seismic safety risks.

In March 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 following November, California voters approved Proposition 1D, authorizing the sale of State bonds for seismic strengthening of school facilities.

Following further engineering investigation and analysis, and community workshops, the District embarked on the SSBP: PUSD defined the scope and prioritized each seismic safety project; developed plans for the concept, design and construction of projects and issuance of bonds and applications for State funds; and presented these priorities and plans to the Board of Education and the Piedmont community. The priority for the multi-year SSBP was to address the most structurally deficient buildings first, including Havens, the Piedmont High School Student Center and Library/Quad buildings, and the District Maintenance Facility, with strengthening of the Wildwood and Beach Schools in later phases of the program.

A guiding principle of the SSBP was that, although seismic strengthening may not prevent earthquake damage, it can significantly improve life safety and reduce the risk of harm to students and school personnel, and materially shorten the time for repair after a seismic event.

The budget for the SSBP was set at \$69,156,161, including the local bond funding (up to the maximum of \$56 million), City and community funds (\$1,200,000 toward the cost of the new Havens playfield), and State matching funds for seismic strengthening, accessibility enhancements and facility modernization (initially, conservatively estimated to be roughly \$12 million). The construction phase began in 2009 and ended, on time and on budget, in 2012. The costs incurred and paid between July 1, 2012 and January 1, 2013 are not audited as of this report.

## The Impact of the State Budget Crisis

The District anticipated issuing the \$56 million in capital appreciation bonds over a period of several years, as needed, to meet the cash demands of the multi-phase SSBP. Also, the District anticipated that State funding for each school project would be received within a few months after establishing additional eligibility for the funds.

The unprecedented State economic crisis unsettled the SSBP financing plans just as the construction phase of the SSBP was getting underway. The payment of State funds to all school districts was unexpectedly delayed. In order to keep the construction on schedule and manage cash-demand and cash-flow, the District had to continually adjust to changing conditions.

In 2008, the District determined that there would be sufficient local funding – bond funds plus contributions from the City of Piedmont – to complete new construction of Havens and renovation of Ellen Driscoll Auditorium, the Piedmont High School, the Piedmont Middle School fire alarm system, and the Maintenance Building. (The District issued the first \$14,999,934 million in SSBP bonds in August 2006, and an additional \$19 million in October 2009.) These “Phase One” projects were completed on schedule without receiving any State matching funds. However, some features of these projects were deferred to reduce costs.

The District then used a combination of remaining local funding, plus the availability of bridge financing if needed, to complete both the Wildwood project (“Phase Two”) and the design of the Beach project. During this Phase II, \$4.7 million of State matching funds were received by the District, thus making bridge financing unnecessary. Nonetheless, several features of the Wildwood project (such as roof and HVAC replacement) were deferred to make it possible to continue to the Phase III of the SSBP, the Beach construction.

In January 2011, the District received authorization to issue \$10 million in Qualified School Construction Bonds (QSCBs), a new option available to school districts through the federal American Recovery and Reinvestment Act.

The District then used a combination of the remaining cash on hand and the availability of bridge financing to proceed with the Beach project (“Phase Three”). In proceeding with the Beach project, the Board considered the strong likelihood of receipt of some additional State funding in late 2011 or early 2012.

To date, the District has received \$13.1 million in State funds, more than the \$12 million originally estimated. Although the SSBP budget (\$69.16 million) has remained the same, the aggregate funding received from all sources now totals nearly \$70.3 million, and this sum will increase as the final State payments are received.

# Seismic Safety Bond Program Developments

The significant Bond Program developments from July 1, 2011 through June 30, 2012 are that the District completed the Wildwood construction, relocated the Wildwood school back to Piedmont, relocated the Beach school to Emeryville, and nearly completed the Beach construction. Since June 30, 2012, the District has completed the Beach project and relocated Beach school back to Piedmont.

## 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 use of bond revenues by implementing cost saving measures.*

**The COC reviewed summaries of all expenditures made between July 1, 2011 and June 30, 2012 and determined that the use of bond funds as reported is appropriate.**

The individuals who served on the COC during the time period covered by this report are: Grier Graff, Ken Jensen, Mark Aikawa, William Drum, Rob Hendrickson, Ward Lindenmayer, Margaret Ovenden, Dana Serleth, Nava Shaham, and Cory Smegal.

# Seismic Safety Bond Program

## Revenues and Expenditures through 6/30/12<sup>1</sup>

<u>Revenue</u>	Prior Periods	Current Period	Total
	\$62,903,563	\$8,745,334	\$71,648,897
<u>Expenditures</u>	Prior Periods	Current Period	Total
	\$56,236,509	\$10,899,051	\$67,135,560

## Audits

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

The District's independent auditor, Vavrinek, Trine, Day (VDT) and Company, LLP, conducted its annual review of the Districts' financial statements of the Building Fund and the State School Facilities Fund (Modernization) which captures all expenditures related to the Seismic Safety Bond Program. The audit findings conclude that "consistent with prior year findings, the financial statements are fairly presented and free of material misstatement." The audit findings note that:

1. The funds are kept and accounted for in a segregated fund;
2. Cash is accounted for accurately and according to generally accepted U.S. accounting standards;
3. Strong internal controls are present;
4. District and state bidding processes are being followed; and
5. Funds are spent in accordance with the bond authorization.

## For More Information

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

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<sup>1</sup> These figures represent audited financial information.