

TC (5) Work Step

Review and assess the **Master Planning budgeting process** to determine whether appropriate steps have been put into place to adequately budget future school construction/modernization projects. Determine whether detailed budgets are prepared and approved by the Board, are shared with the Board and public where appropriate, and are used to track project performance and results. Perform a test of these internal controls to determine overall effectiveness. Determine whether remaining school projects can be completed with the remaining funding. Determine whether the architect(s) involved in the master planning process have a prior relationship with the District.

Results of Testing**Master Planning Budgeting Process:**

The District has developed a Facilities Long Range Master Plan with the assistance of Darden Architect (Consultant) that was approved by the Board of Education on 4/27/2016. The District presented an Implementation Plan, based on the Facilities Long Range Master Plan, on 5/25/2016, and approved at the 6/15/2016 Board meeting. The current process taken by the District appears appropriate. See TC5-1 recommendation for this area. Additionally, refer to section TC (2) for TC2-1 and TC2-2 recommendations related to this area.

According to the recommended schedule (on page 8 of the Implementation Plan) there are twelve (12) sites that will have bond project related activities (such as planning design, DSA review and approval, and construction) during the 2016/17 fiscal year of which four (4) sites are considered multi-year projects. According to the Executive Director of Bond Finance, the detailed line-by-line item budget for those sites are not yet prepared.

Detailed Budgets Presented to and Approved by Board:

The controls for budgeting practices are tested in TC (6) section.

Assessment of Remaining Funding:

According to the Long Range Facilities Master Plan, the District initially identified an estimated \$200,000,000 in funds available for the twenty (21) priority school sites. VLS was provided with supporting documentation that demonstrated how the District arrived at the \$200,000,000 estimated funds available as of February 2016.³⁰ With the budget increase of \$32,300,000 approved for the Pinole Valley High School Campus project, the District determined that the

³⁰ The available funds include available cash as of 1/1/2016, projected funds from the Office of Public School Construction, and remaining bond issuances for Measures D & E. It excludes state matching funds. The District then deducted from the available funds the estimated costs to complete various projects already in progress (including Pinole Valley High School), the cost of future bond issuances, and bond program overhead costs.

funds available were reduced to approximately \$164,700,000.³¹ According to page 5 of the Implementation Plan, the funds of \$164,700,000 are not immediately available and are subject to the proposed bond issuances in 2018 and 2020. The project costs for the priority school sites are estimated at \$181,800,000; thereby creating a gap of approximately \$17,100,000. The District listed on page 6 of the Implementation Plan several solutions on how to address the gap (obtain state funding, change critical need expenditures, additional savings from revising educational specification/material standards, and change in escalation).

The available funding for future school construction projects is based on estimates; therefore, the District will be required to continually assess available funds as it moves forward with the approved Facilities Master Plan and Implementation Plan. See TC5-2 recommendation for this area.

Master Planning Architects:

Based on interviews conducted and a review of the District’s Bond Fund general ledger, the architect involved in the master planning process does not appear to have a prior relationship with the District. According to Tim Haley, Master Planning Project manager for Darden Architects, neither he nor his firm have performed architectural services for the District in the past. VLS reviewed the Bond Fund general ledger and did not identify any payments to Darden Architects or Mr. Haley.

New Score

Medium

Recommendations

- TC5-1. Establish an annual, internal review of the Long Range Facilities Master Plan and make necessary revisions, based on internal and/or external factors that will affect the Master Plan, subject to the Board of Education approval. This annual review should take place to ensure that the District and Board are considering and addressing whether revisions are needed due to available funding, changes in critical needs, etc.
- TC5-2. Develop and implement written procedures related to the development of detailed, multi-year, line-item budgets for the twenty-one (21) priority schools based on the Implementation Plan. The written procedures should include the process and timing for when detailed budgets will be prepared, approved, and entered into Munis. The written procedures should also include the following:

³¹ \$200,000,000 less \$32,300,000 for Pinole Valley High School New Campus project equals \$167,700,000. The difference of \$3,000,000 appears to be the projected OPSC revenue.

- a. The detailed, line-item budgets for projects should be entered in Munis as the beginning of each fiscal year so that project budgets with a projected construction period of more than one fiscal year can be tracked. Additionally, if estimated budgets are entered at the beginning of each fiscal year, there should be fewer budget revisions and transfers of funds throughout the fiscal year.
- b. The detailed, line-item budgets should be reviewed on a regular basis by management. The review should determine the accuracy and appropriateness of expenditures and if the remaining line-item budgets are sufficient to fund contract proposals and other projected costs related to the projects for the fiscal year.

See TC (6) section for recommendations related to budgeting practices separate from the master planning process.

Response by District

The District agrees with the recommendations TC5-1 and TC5-2 to annually review the Master Plan with the Board of Education Facilities Sub-Committee. The District agrees to use the recommendations in TC14-4 in establishing budgets for the 21 priority schools. The District plans to present budget revisions regarding the new master plan projects in September 2016. The District is currently practicing the procedures outlined in TC5-2 a. and TC5-2 b. for the Pinole Valley High School Project. Line item budget have been entered and multi-year amounts have been established. The District has begun to assemble a binder of procedures and processes per this recommendation.

VLS's Assessment of Response by District

VLS reviewed the District's response and agrees that the response and planned action are appropriate to address the recommendation(s) made by VLS.