

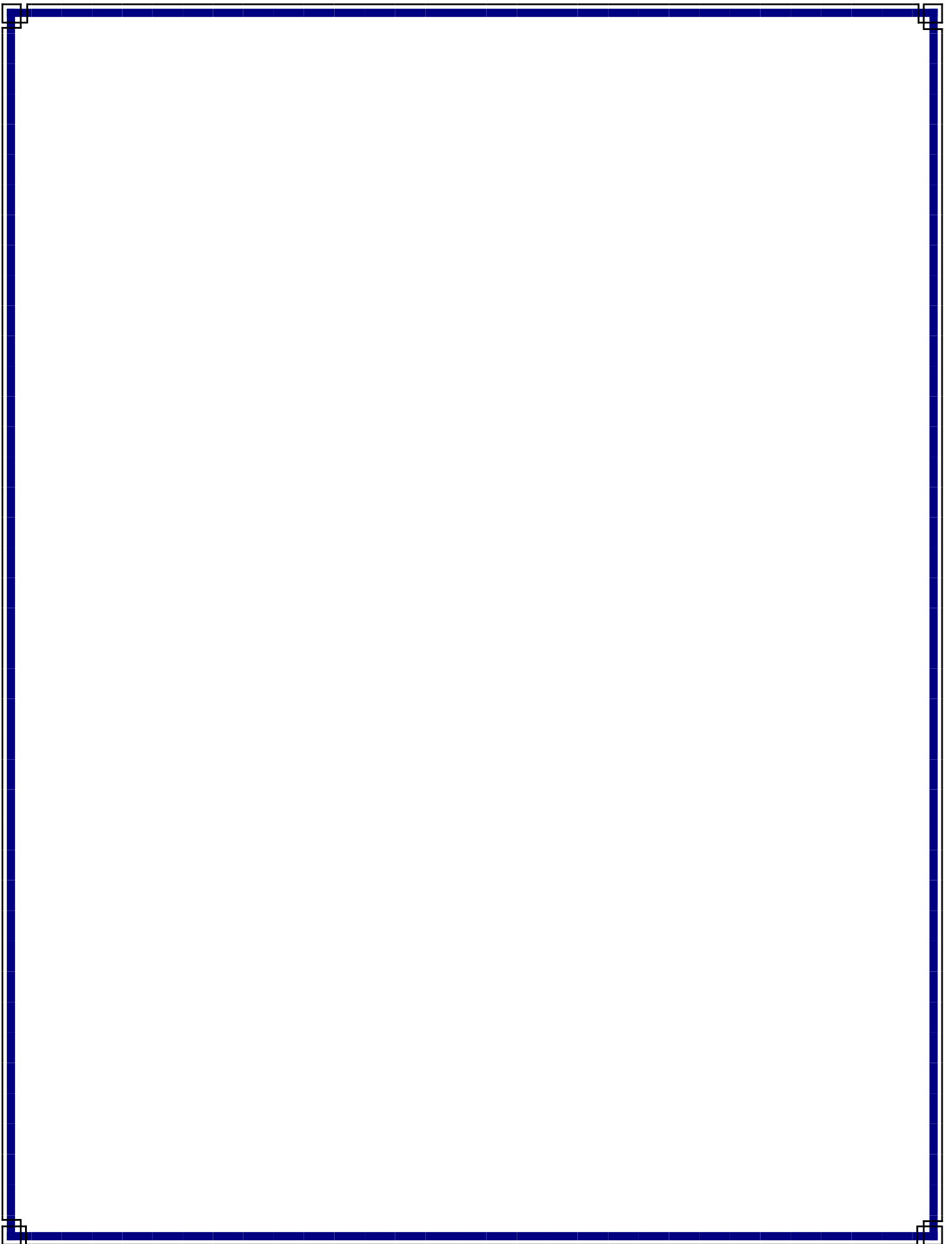
West Contra Costa Unified School District

**MEASURES J (2005) AND D (2010)
PERFORMANCE AUDIT**

JUNE 30, 2013

February 11, 2014

**TOTAL SCHOOL SOLUTIONS
4751 MANGELS BOULEVARD
FAIRFIELD, CA 94534**



West Contra Costa Unified School District

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June 30, 2013

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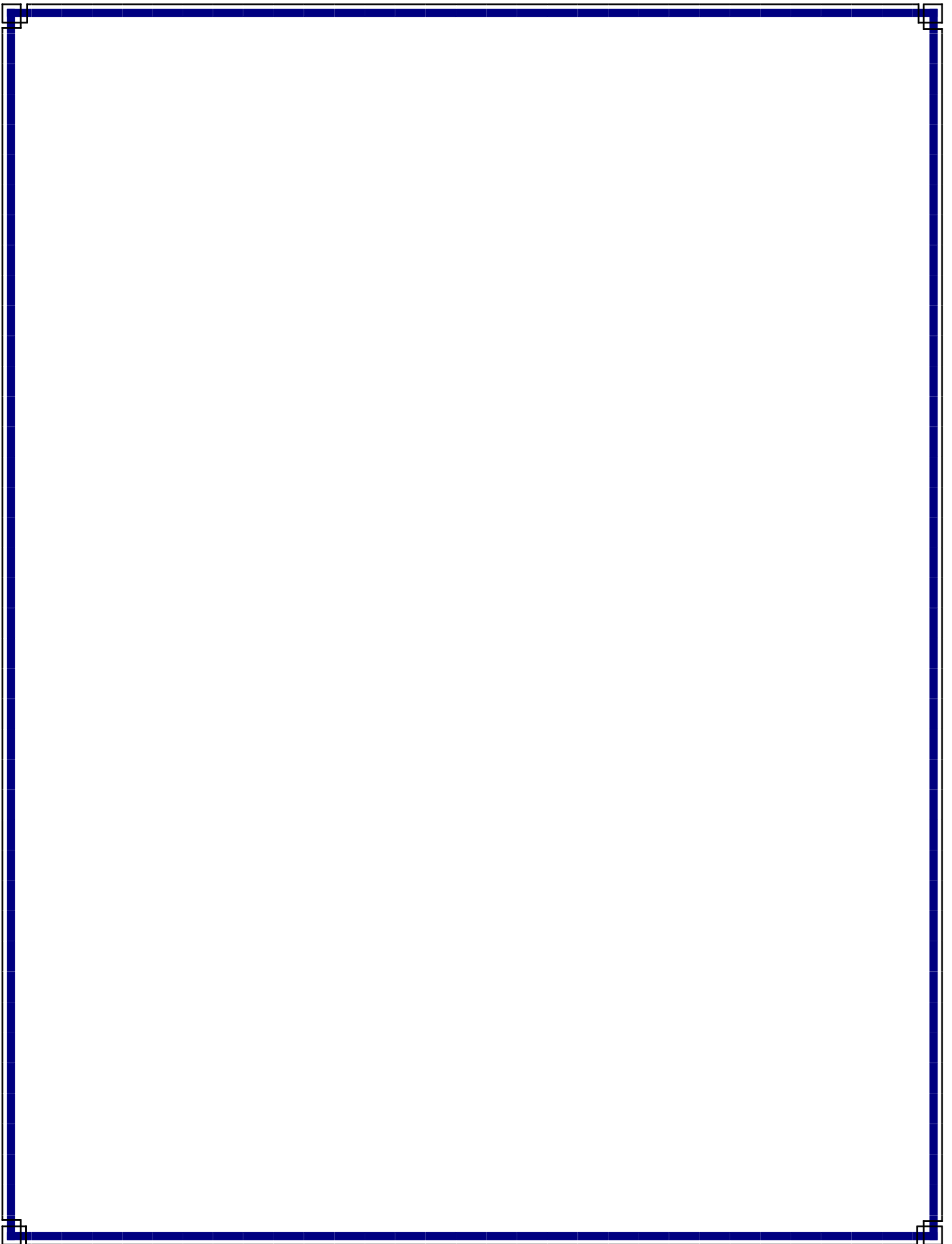


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INTRODUCTION

On November 8, 2005, the District submitted for voter approval Measure J to authorize the sale of \$400 million in bonds to improve school facilities. Measure J was approved by 56.85 percent of the vote. Because the bond measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

On June 8, 2010, the District submitted for voter approval Measure D to authorize the sale of \$380 million in bonds to improve school facilities. Measure D was approved by 62.62 percent of the vote. Because the bond measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

On November 6, 2012, the District submitted for voter approval Measure E to authorize the sale of \$360 million in bonds to improve school facilities. Measure E was approved by 63.48 percent of the vote. Because the bond measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

Because the bond measures were passed pursuant to Proposition 39, the District was required to establish a citizens' oversight committee and conduct two independent audits. The first audit is a financial audit similar to a district's annual financial audit. The second audit is a performance audit, which evaluates the effectiveness, economy and efficiencies of the bond facilities program. An evaluation of effectiveness (doing the right thing) pertains to how well the District carries out and adheres to the language of the bond, including diligence in pursuing all other available funding to augment the bond proceeds. An evaluation of economy and efficiency pertains to the degree to which the District utilized cost-effective actions and strategies related to bond sales, investments and expenditures. These evaluations are not typically included in a financial audit.

The District engaged Total School Solutions (TSS) to conduct this independent performance audit of Measures J (2005) and D (2010) for fiscal year 2012-13 and to report its findings to the Board of Education and the independent Citizens' Bond Oversight Committee. Because Measure E (2012) had no revenues or expenditures during 2012-13, it was not audited in this performance audit.

Besides ensuring that the District uses bond proceeds in conformance with the provisions of bond language, the scope of the examination includes a review of design and construction schedules and cost budgets; change orders and claim avoidance procedures; compliance with state law and funding formulas; District policies and guidelines for facilities and procurement; and the effectiveness of communication channels among stakeholders, among other facilities-related issues.

The District intends to have a performance audit completed annually until all bond funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; inform the community of the appropriate use of funds generated through the sale of bonds and to help the District improve its overall bond program.

EXECUTIVE SUMMARY

This performance audit, conducted by Total School Solutions (TSS), is the annual audit of the \$400 million Measure J and \$380 million Measure D (2010) bond programs.

In conducting the audit, TSS reviewed and examined documentation and processes within the facilities program for the period from July 1, 2012, through June 30, 2013, and interviewed persons involved in the bond program. Representations made by District staff and consultants were used, where appropriate, to make assessments, observations and formalize conclusions and recommendations documented in this report. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program. For purposes of this performance audit, an observation is defined as an item of evidence found during the audit that relates to the quality of the product, process, or system. Observations may or may not require corrective action and do not rise to the level of a finding.

Some of the commendations, observations, findings, conclusions and recommendations included in this report are presented in this Executive Summary, but the contents of the entire report should be reviewed to obtain a more complete understanding of the bond program.

The District took positive action during 2012-13 to enhance its ability to obtain revenues to continue its bond program without interruption. The Board was commended for adopting new policies on bond refunding and investor relations to pursue cost-effective measures to benefit the bond program, investors and taxpayers. By refunding prior bonds, the District reduced future taxpayer interest obligations and, by reducing the tax rate, enhanced its future ability to sell bonds. When the District was unable to sell additional Measures J (2005) and D (2010) bonds, it had a new, \$360,000,000 Measure E (2012) bond measure approved by the voters. Obtaining a State waiver that increased the bonding capacity limit to 5 percent, enables future Measure E bonds to be sold. The District also supplemented its revenues with interest earnings, the receipt of \$19 million of state funds during the year and \$1.4 million from a combination of developer fees and a one-time Sun Power rebate.

An inefficiency was reported with the bond program staffing, along with a recommendation that the staffing issue be addressed. District staff increased from 10.33 FTE to 15.63 FTE – an increase of 58.7 percent. SGI staff increased from 33.2 FTE to 49 FTE – an increase of 47.6 percent. These increases appear to be excessive when compared to the amount of projected expenditures in the current and future years. TSS recommends that District and SGI staffing responsibilities and tasks be reviewed to ensure proper staffing levels and the legal use of bond funds for all positions.

The District has implemented the use of new software for its bond program and District accounting activities. Previous CAMP software provided by SGI has been discontinued as the bond program has moved to Primavera Project Planner and Primavera Expedition, which is reported to be compatible with the new District financial system, Munis, which replaced Bi-Tech. However, some problems with the transition have been reported, which are scheduled to be fixed in 2013-14. One area of concern is the cash flow document prepared for the bond program. This concern is highlighted by the inclusion of revenues that may not be realized in the future, and the recent experience with project bids. The 24 bids reviewed by TSS during 2012-13 had a total awarded bid amount of \$107.1 million, \$30.2 million over the \$76.9 million budget, which has implications in establishing budgets for future projects.

In the 2011-12 performance audit report, there was a finding that approval signatures were missing on some invoice payments. In this current, 2012-13, performance audit, out of a sample of 81 invoices reviewed, all invoices include all required signatures, an improvement in the payment approval process. A review of SGI invoices revealed personnel charges for vacation and sick hours, not considered to be a normal practice, and TSS recommends a review of that practice. TSS also noted that legal fees of \$2.8 million were incurred for one litigation issue, and recommends that the District closely monitor and control legal costs.

The Citizens' Bond Oversight Committee functions legally and effectively, but it continues with a problem of maintaining full membership. Out of 19 designated membership categories, in spite of the appointment of 10 members during the 2012-13 year, the Committee had only 14 members as of June 30, 2013, and three of the vacancies were in "mandatory" categories.

This report is intended solely for the use of the management, the Board of Education, and the independent Citizens' Bond Oversight Committee of the West Contra Costa Unified School District, which have taken responsibility for the sufficiency of the scope of work deemed appropriate for this performance audit. The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

It should be noted that this audit has been performed to meet the requirements of a performance audit in accordance with Article XIII of the Constitution of the State of California and the performance audit standards presented in the Generally Accepted Government Auditing Standards (GAGAS) which govern performance audit requirements. Further, TSS notes for the District's information the following new legislation that will be in effect for future performance audits.

- On August 12, 2013, Governor Brown signed Senate Bill 581, effective January 1, 2014, relating to school bonds and accountability. SB 581 requires that the governing board of a school district provide its Citizens' Oversight Committee with responses, within three months, to any finding, recommendation, or concern addressed in the annual independent performance audit and financial audit. Additionally, SB 581 requires that performance and financial audits be submitted to the Citizens' Oversight Committee at the same time as they are submitted to the school district, which is not later than March 31 each year.

- On August 27, 2013, Governor Brown signed Senate Bill 584, effective January 1, 2015, requiring the State Controller, in consultation with the State Allocation Board (SAB), the Department of Finance, and the State Department of Education (CDE), to submit content to be included in the audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies*, beginning in the 2015-16 fiscal year, that is related to specific content for financial and performance audits required for school facility projects.
- On October 2, 2013, Governor Brown signed Assembly Bill 182, effective January 1, 2014, that places legal limitations on a Capital Appreciation Bond (CAB). Those limitations include: 1) the ratio of total debt service to principle may not exceed 4:1; 2) payback cannot exceed 25 years; 3) there must be a provision to allow redemption after 10 years; and 4) a proposed CAB must be made public before being issued. There are also provisions that may affect a CAB that was issued before December 31, 2013.

Any known significant weaknesses and substantial noncompliance items have been reported to the District's management. This performance audit is not a fraud audit, which would be much wider in scope and more significant in nature than this examination. The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

INDEPENDENT PERFORMANCE AUDITOR'S REPORT

Board of Education
West Contra Costa Unified School District
Richmond, CA 94804

We have conducted a performance audit of Measures J (2005) and D (2010) of the West Contra Costa Unified School District (the "District") as of and for the year ended June 30, 2013. The information provided herein is the responsibility of the District management. Our responsibility is to express an opinion on the pertinent issues included in the scope of our work.

In our opinion, the Measure J (2005) funds are being expensed in accordance with Resolution No. 25-0506 passed by the Board of Education on July 13, 2005. It is also our opinion, for the period ending June 30, 2013, the expenditures of the funds generated through Measure J (2005) bonds were only for projects included in Resolution No. 25-0506 establishing the scope of work to be completed with Measure J (2005) funds.

In our opinion, the Measure D (2010) funds are being expensed in accordance with Resolution No. 76-0910 passed by the Board of Education on March 3, 2010. It is also our opinion, for the period ending June 30, 2013, the expenditures of funds generated through Measure D (2010) bonds were only for projects included in Resolution No. 76-0910 establishing the scope of work to be completed with Measure D (2010) funds.

In compliance with the requirements of GAGAS 8.30, the following unmodified GAGAS compliance statement is included in this section of the auditor's report to attest that the performance audit was performed in accordance with GAGAS:

"We conducted this performance audit in accordance with the generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives".

The GAGAS standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets those standards.

The District is required to request and obtain an independent financial audit of Measure J (2005) and Measure D (2010) bond funds. The financial auditor is responsible for evaluating conformance with generally accepted accounting principles and auditing standards pertinent to the financial statement. The financial auditor also evaluates and expresses an opinion on such matters as the District's internal controls, controls over financial reporting, and its compliance with laws and regulations. Our opinion and accompanying report should be read in conjunction with the independent financial auditor's report when considering the results of this performance audit and forming opinions about the District's bond program.

Total School Solutions

Total School Solutions

January 27, 2014

COMPOSITE BOND MEASURES FINANCIAL REPORT

Objective

The objective of this section is to report on the financial activities of the District's bond program, incorporating in one report Measures J (2005) and D (2010). The objective includes analyses of the District's compliance with bond language and legal limitations regarding the issuance of bonds under the terms of the various voter-approved measures and monitoring the bond proceeds after issuance regarding investments and arbitrage regulations.

Scope and Methodology

To meet the above objective, the following aspects of the bonds were analyzed and documented:

- Accounting of Bond Funds
- Capital Debt
- Refunding Prior Bonds
- Qualified School Construction Bonds (QSCB)
- Proposition 39 Bond Sale Limitations
- Investment of Bond Proceeds
- Deferred Capital Project Fund
- Arbitrage

The methodology applied included collecting data and evidence from various District sources and outside sources to compile financial data for each of the aspects of the bonds identified above, including:

- District Board Meeting Agendas and Minutes
- District Financial Audits
- District Bond Measures Audits
- District Financial Reports
- Financial Analyst Reports
- Bond Counsel Reports
- Arbitrage Analyses Reports

Background

The District's bond program effectively began with passage of Measure E on June 2, 1988, a \$40 million 2/3 vote bond measure. Measure E was followed by the passage of Measure M (\$150 million, 2/3 vote) on November 7, 2000, Measure D (\$300 million, 55 percent vote) on March 5, 2002, Measure J (\$400 million, 55 percent vote) on November 8, 2005, Measure D (\$380 million, 55 percent vote) on June 8, 2010 and Measure M (\$360 million, 55 percent vote) on November 6, 2012. Collectively, these bond measures, along with other local funds and state funds, comprise a single District Bond Program.

Accounting of Bond Funds

The District's Building Fund (Fund 21) is used to account for all bond program revenues and expenditures, including Measures E, M, D (2002), J (2005), D (2010) and E (2012). Financial data for the past five fiscal years is presented in the following table.

BUILDING FUND (FUND 21)

Category	Fund 21 June 30, 2009 (Audited)	Fund 21 June 30, 2010 (Audited)	Fund 21 June 30, 2011 (Audited)	Fund 21 June 30, 2012 (Audited)	Fund 21 June 30, 2013 (Audited)
Beginning Balance	\$66,850,137	\$130,815,884	\$192,385,790	\$110,660,126	\$105,967,989
Revenues	1,864,009	4,963,061	679,831	1,523,794	1,405,144
Expenditures	46,129,743	131,664,441	79,817,301	102,445,971	51,929,765
Transfers Net	(13,268,519)	(1,998,422)	(2,588,194)	(5,700,000)	0
Sources/Uses	121,500,000	190,269,708	0	101,930,040	0
Net Change	63,965,747	61,569,906	2,634,382	(4,692,137)	(50,524,621)
Ending Balance	\$130,815,884	\$192,385,790	\$110,660,126	\$105,967,989	\$55,443,368

2008-09

The "Transfers Net" figure of (\$13,268,519) was a transfer from the Building Fund (Fund 21) to the County School Facilities Fund (Fund 35) to provide the District's match for state-approved modernization projects. The \$121,500,000 source of funds in 2008-09 was the sale of Measure J bonds.

2009-10

The Measures M, D and J audit report for 2009-10 presented the following combined financial data, which differs from the Fund 21 financial data due to other financial activity in Fund 21, including earlier bonds, interest earnings and refunding prior Measures M and J bonds. (See Capital Debt discussion.)

Category	Fund 21 (Audited)	M, D & J (Audited)
Beginning Balance	\$130,815,884	\$106,452,776
Revenues	4,963,061	313,713
Expenditures	74,879,441	74,879,440
Debt Service	56,785,000	
Transfers Net	(1,998,422)	(1,998,422)
Sources – J Bonds	137,547,032	137,547,032
Sources – Refund Prior Bonds	52,722,676	
Net Change	61,569,906	60,982,883
Ending Balance	\$192,385,790	\$167,435,659

Sources – J Bonds that total \$137,547,032 include \$104,909,759.30 received from the sale of Measure J 2009 Series C bonds, \$5,137,322.65 bond premium for Series C bonds and \$27,499,949.20 from the sale of Measure J 2010 Series D bonds. During the 2009-10 fiscal year, prior bonds were refunded, which impacted outstanding debt.

2010-11

The Measures M, D and J audit report for 2010-11 presented the following combined financial data, which differs from the Fund 21 financial data due to other financial activity in Fund 21, including earlier bonds, interest earnings and refunding prior bonds (See Capital Debt discussion.)

Category	Fund 21 (Audited)	M, D & J (Audited)
Beginning Balance	\$192,385,790	\$167,435,659
Revenues	679,831	383,836
Expenditures	79,817,301	79,793,987
Transfers In	750,138	9,112,437 ¹
Transfers Out	(3,338,332)	(2,894,713) ²
Net Change	(81,725,664)	(73,192,427)
Ending Balance	\$110,660,126	\$94,243,232

¹ Includes a transfer of \$1,740,710 of remaining RDA funds from Fund 40 (Special Reserve for Capital Outlay) to Measure J, a transfer of \$6,077,014 Measure E funds to Measure J and a transfer of \$1,294,713 Measure M funds to Measure J.

² Includes the transfer of \$1,294,713 Measure M funds to Measure J and a transfer of \$1,600,000 Measure J funds to the Bond Interest and Redemption Fund to reimburse Measure D principal payments.

2011-12

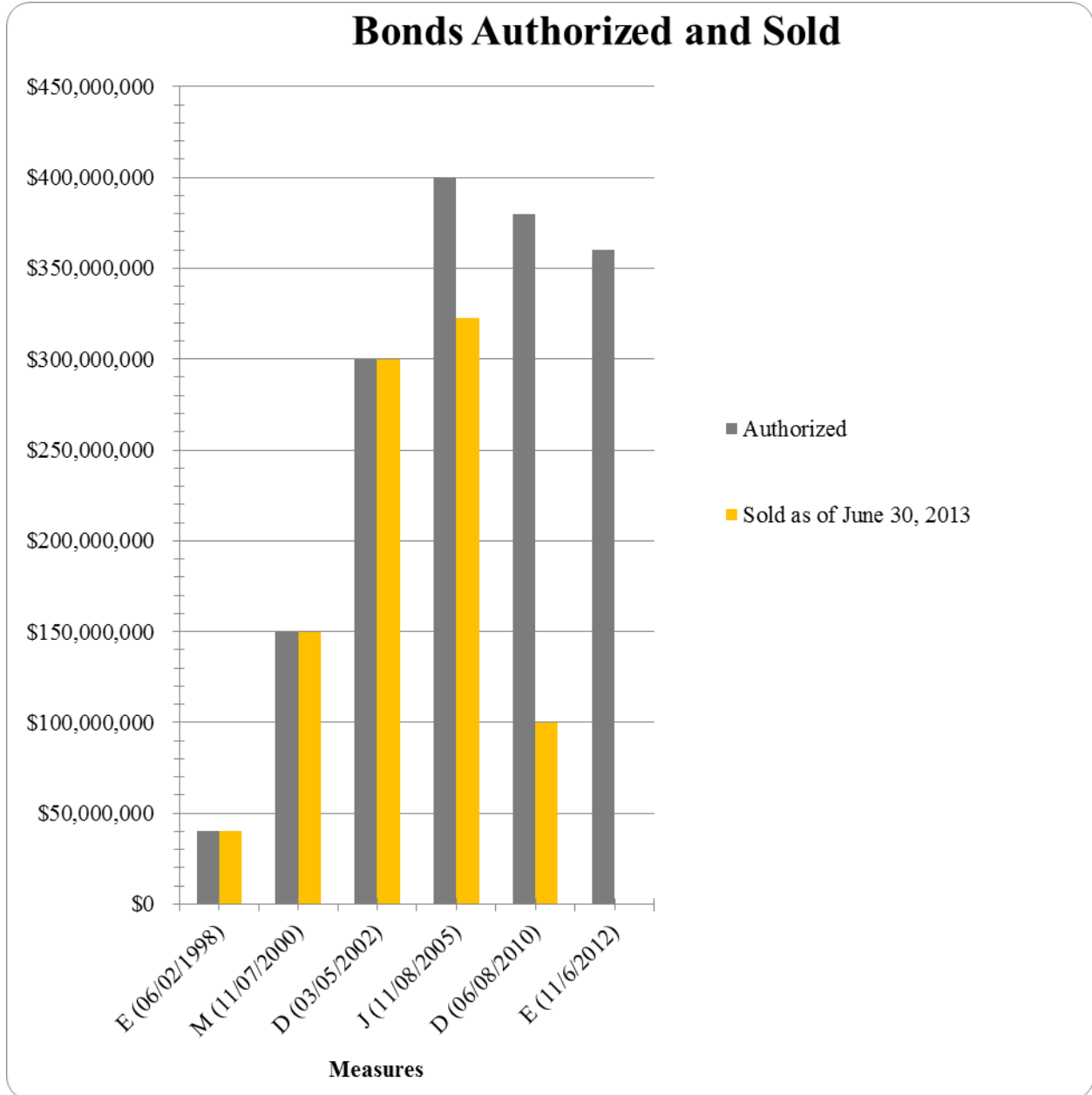
The \$101,930,040 source of funds consisted of the sale of \$100 million Measure D (2010) bonds and a \$1,930,040 bond premium.

Category	Fund 21 (Audited)	D & J (Audited)
Beginning Balance	\$110,660,126	\$94,243,232
Revenues	1,523,794	296,700
Expenditures	102,445,971	100,515,931
Transfers In	0	0
Transfers Out	(5,700,000)	(5,700,000)
Sources	101,930,040	100,000,000 ¹
Net Change	(4,692,137)	(5,919,231)
Ending Balance	\$105,967,989	\$88,324,001

¹ Measure D (2010) bond sales: Series A, \$79,000,000 and Series A-1, \$21,000,000.

Capital Debt

The District passed six bond measures as of June 30, 2013, beginning with Measure E in 1998. The amounts of bonds authorized and sold as of June 30, 2013 were as follows:



Authorized Total: \$1,630 million
Sold as of June 30, 2013: \$912.5 million

2011-12 Refunding of Prior Bonds

At the July 27, 2011 Board meeting, information was presented indicating that Measure M (2000) and Measure D (2002) bonds could be refunded to lower tax rates and reduce taxpayer interest obligations, and the Board authorized refunding bonds not-to-exceed \$205,000,000. At a January 18, 2012 Board meeting, the refunding authorization was reduced to \$140,000,000. In June 2012, an \$85,565,000 refunding was completed, consisting of \$33,960,000 of Measure M (2000) bonds and \$51,605,000 of Measure D (2002) bonds.

2012-13 Refunding of Prior Bonds

In addition to the 2011-12 refunding issue, the Board authorized that Measure M (2000), Series C and Measure D (2002), Series A, B and C bonds be refunded to lower tax rates and reduce taxpayer interest obligations. During 2012-13, a \$98,200,000 refunding was completed. The District's financial advisor estimated that interest savings of \$12.5 million will be realized over the next twenty-one years by this refunding.

Qualified School Construction Bonds (QSCB)

An April 13, 2011 Board item stated that a QSCB allocation had been approved. Separate sources reveal that approval was granted for \$21 million of QSCB bonds for charter school construction by the California School Finance Authority. As noted above, a \$100 million Measure D (2010) bond sale was completed in November 2011, consisting of the \$21 million QSCB bonds and \$79 of general obligation bonds.

The District's outstanding debt is presented in the tables below, which include General Obligation (GO) bonds and Certificates of Participation (COPs). Several prior bond issues were refunded, which are included in the original issuance column and outstanding debt columns, but refunding does not reduce the total bond authorization amounts.

Outstanding Debt¹

Capital Debt	Original Issuance	Fiscal Year Ending June 30, 2010	Fiscal Year Ending June 30, 2011	Fiscal Year Ending June 30, 2012	Fiscal Year Ending June 30, 2013
GO Bonds					
<u>Measure E (June 2, 1998)</u>					
2001 Refunding Series A ²	\$28,610,000	\$20,645,000	\$19,605,000	\$18,495,000	\$17,335,000
2001 Refunding Series B ²	10,255,000	7,550,000	7,190,000	6,810,000	6,415,000
Total Measure E	\$38,865,000	\$28,195,000	\$26,795,000	\$25,305,000	\$23,750,000
<u>Measure M (Nov. 7, 2000)</u>					
2001 Series A	\$15,000,000	\$0	\$0	\$0	\$0
2002 Series B	40,000,000	885,000	0	0	0
2003 Series C	95,000,000	84,665,000	82,345,000	43,115,000	0
2009 Refunding Series A & B ³	47,215,000	47,215,000	43,225,000	39,310,000	35,710,000
2011A Refunding Bonds ⁴	33,960,000		0	33,960,000	33,960,000
Total Measure M	\$231,175,000	\$132,765,000	\$125,570,000	\$116,385,000	\$69,670,000
<u>Measure D (March 5, 2002)</u>					
2002 Series A	\$30,000,000	\$26,325,000	\$24,850,000	\$11,515,000	\$0
2003 Series B	100,000,000	87,420,000	84,260,000	40,460,000	0
2004 Series C, Current Interest	40,000,000	37,225,000	36,445,000	35,625,000	25,545,000
2004 Series C, Capital Apprec.	29,999,377	29,217,456	28,746,812	28,179,129	27,523,014
2006 Series D, Capital Apprec.	99,998,106	96,670,658	95,250,742	93,145,012	90,817,414
2011A Refunding Bonds ⁴	51,605,000		0	51,605,000	47,180,000
Total Measure D (2002)	\$351,602,483	\$276,858,114	\$269,552,284	\$260,529,141	\$191,065,428
<u>Measure J (Nov. 8, 2005)</u>					
2006 Series A	\$70,000,000	\$62,325,000	\$61,280,000	\$61,280,000	\$61,280,000
2009 Series B	120,000,000	115,025,000	115,025,000	115,025,000	115,025,000
2009 Refunding Bonds ³	10,645,000	10,645,000	10,645,000	10,645,000	10,645,000
2010 Series C1	52,084,759	52,084,759	52,084,759	52,084,759	52,084,759
2010 Series C2	52,825,000	52,825,000	52,825,000	52,825,000	52,825,000
2010 Series D1	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
2010 Series D2	2,499,949	2,499,949	2,499,949	2,499,949	2,499,949
Total Measure J	\$333,054,708	\$320,404,708	\$319,359,708	\$319,359,708	\$319,359,708
<u>Measure D (June 8, 2010)</u>					
2010 Series A	\$79,000,000			\$79,000,000	\$72,385,000
2010 Series A-1	21,000,000			21,000,000	21,000,000
Total Measure D (2010)	\$100,000,000			\$100,000,000	\$93,385,000
2012 Refunding ⁵	\$98,200,000				\$98,200,000
Total G. O. Bonds Principal		\$758,222,822	\$741,276,992	\$821,578,849	\$795,430,136
<u>Bond Premium & Accreted Int.</u>					
G. O. Bonds Premium		\$16,645,903	\$15,857,512	\$25,353,204	\$33,586,371
Accreted Interest		39,182,929	50,779,461	60,762,662	76,031,953
Total Bonded Debt		\$814,051,654	\$807,913,965	\$907,694,715	\$905,048,460
Certificates of Participation ⁶					
2005 Refund 1994 COP		\$9,345,000	\$8,890,000	\$8,415,000	\$7,915,000
Total Debt		\$823,396,654	\$816,803,000	\$916,109,715	\$912,963,460

¹Data from District financial audit reports.

²The 2001 Refunding Bonds, Series A and B, were issued to refund four series of bonds in the initial aggregate of \$40 million issued under the Measure E authorization.

³The 2009 Refunding Bonds were issued to refund and partially refund four series of bonds issued under Measures M and J authorizations totaling \$49,955,000. Principal reduction in 2012-13 was \$3,600,000.

⁴The 2011A Refunding Bonds were issued to provide funds to redeem a portion of each of the Measure M and Measure D (2002) authorizations totaling \$85,565,000. Principal reduction in 2012-13 was \$4,425,000.

⁵The 2012 Refunding Bonds were issued to provide funds to redeem Measure M, Series C and Measure D (2002), Series A, B and C authorizations totaling \$98,200,000. This refunding resulted in an estimated reduction in interest payments totaling \$12.5 million over the next twenty-one years.

⁶Certificates of Participation (COPs) are loans, not a source of revenues. COPs are repaid over time from various sources, such as the Capital Facilities Fund (developer fees) and the General Fund.

Proposition 39 Bond Sale Limitations

Proposition 39, passed by California voters on November 7, 2000; Assembly Bill 1908, which became law on June 27, 2000; and Assembly Bill 2659, which became law on September 22, 2000, established limitations on bonds that may be issued. The first limitation is the bonding capacity of the District, which is based on 2.5 percent of assessed valuation (A/V), which may be increased through a waiver request to the State Board of Education. The second limitation is a maximum tax rate of \$60.00 per \$100,000 of A/V for each bond measure, which may not be increased by filing a waiver request. These two provisions are more fully described in Education Code Section 15106:

Any unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located.

However, as noted above, the 2.5 percent limitation may be waived by the California Board of Education if a school district demonstrates sufficient justification for a waiver.

The District's recent assessed valuation and bonding capacity data are as follows:

Fiscal Year	Total A/V	Annual % Change	Bonding Capacity@ 2.5%	Bonding Capacity @ 5.0%*
2007-08	\$26,971,665,616	10.43	\$674.3 million	
2008-09	\$27,062,460,076	0.34	\$676.6 million	
2009-10	\$23,745,753,348	(12.26)	\$593.6 million	
2010-11	\$21,927,157,161	(7.66)	\$548.2 million	
2011-12	\$22,170,563,072	1.11	\$554.3 million	\$1,108.5 million
2012-13	\$23,632,927,039	6.60	\$590.8 million	\$1,181.6 million

Source: District Measure E (2012) waiver request, Resolution No. 55-1213, January 9, 2013.

*The SBE approved waivers in 2002, 2009, 2010 and 2012 which resulted in gradual increases in the District's bonding capacity from 2.5 percent to 3.0 percent to 3.5 percent to the current 5.0 percent.

Education Code Section 15270 further adds:

The tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, shall not exceed sixty dollars (\$60) per one hundred thousand dollars (\$100,000) of taxable property.

On July 10, 2002, the Board of Education of the West Contra Costa Unified School District authorized the administration to submit a waiver request to the California State Board of Education (SBE) to increase the District's bonding limit from 2.5 percent to 3.0 percent of assessed valuation (A/V). At the SBE meeting of November 13-14, 2002, the SBE approved the waiver request for Measures E, M, and D only.

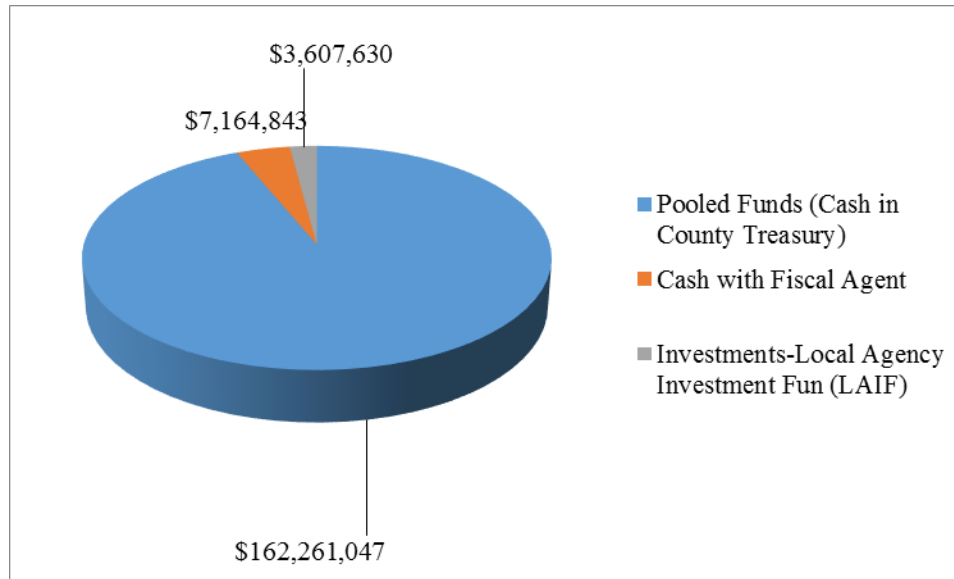
Resolution No. 25-0506 ordering the Measure J bond election stated that “no series of bonds may be issued unless the District shall have received a waiver from the California State Board of Education of the District’s statutory debt limit, if required.” At its meeting of January 21, 2009, the Board authorized the administration to submit a waiver request to the SBE to increase the District’s Measure J bonding limit to 3.5 percent of A/V for the five year period from May 2009 through May 2014. The SBE approved the District’s waiver request at its meeting of May 6-7, 2009, which enabled the District to issue \$105 million of its remaining authorization of \$210 million Measure J bonds. During the 2009-10 fiscal year, the District issued \$132.5 million of Measure J bonds, bringing the remaining authorization to \$77.5 million. Because Measure J was at its \$60 limit, thereby delaying the ability to sell the remaining \$77.5 million of Measure J bonds, the District authorized an election for \$380 million of new bonds (Measure D), with a tax rate of \$48 per \$100,000 of A/V, well below the \$60 limit, which was approved by voters on June 8, 2010.

On November 17, 2010, after passage of Measure D (2010), the Board authorized the administration to file a waiver request with the SBE to waive Education Code Sections 15106 (2/3 bonds) and 15270(a) (55 percent bonds) to raise the bond indebtedness limit for Measure D (2010) from 2.5 percent of assessed value to 5.0 percent until December 31, 2020. Approval was granted with the following conditions: (1) debt may not exceed 5.0 percent of assessed value for the period March 1, 2011 to December 31, 2020; (2) the 5.0 percent limit applies to Measure D (2010) only; and (3) the tax levy may not exceed \$60 per \$100,000 of assessed value.

On January 9, 2013, after passage of Measure E (2012), the Board authorized the administration to file a waiver request with the SBE to waive Education Code Sections 15106 (2/3 bonds) and 15270(a) (55 percent bonds) to raise the bond indebtedness limit for Measure E (2012) from 2.5 percent of assessed value to 5.0 percent until December 31, 2025. Approval was granted with the following conditions: (1) debt may not exceed 5.0 percent of assessed value for the period May 9, 2013 to December 31, 2025; (2) the 5.0 percent limit applies to Measure E (2012) only; and (3) the tax levy may not exceed \$60 per \$100,000 of assessed value.

Investment of Bond Proceeds

The proceeds from bond sales are invested in various instruments and earn interest until expenditures are made. The District's financial audit¹ for the fiscal year ended June 30, 2013, reports the following cash investments:



Totaling: \$173, 033, 520

¹ West Contra Costa Unified School District, Financial Statements with Supplementary Information for the Year Ended June 30, 2013, Crowe Horwath, LLP, Accountants, December 12, 2013.

Pooled Funds are short-term investments made by Contra Costa County, and the District's interest earnings are credited quarterly. The District has no control over the investments, and its risk/return is based on the investment decisions of the County Treasurer. The financial auditor reported that, as of June 30, 2013, the pooled fund "contained no derivatives or other investments with similar risk profiles."

Cash with Fiscal Agent represents contract retentions carried in the contractor's name with an independent third party, and the contractor carries all investment risk. As contract payments are made, ten percent is retained until released by the District. The contractor may request to deposit the retention amount with a Fiscal Agent in an interest-bearing account. After a Notice of Completion is filed and all claims resolved, the remaining retention including any earned interest is released to the contractor.

LAIF investments are under the oversight of the Treasurer of the State of California, and consist of pooled funds of governmental agencies. LAIF investments generally have a higher risk/return than local pooled funds and are generally longer-term investments.

By utilizing County and State pooled funds, the bond proceeds earn low-risk interest from the time the bonds are sold until proceeds are expended. Pooled funds with the County are immediately accessible by the District to meet its cash-flow needs. Funds in the LAIF require District action to withdraw. The combination of local and State pooled funds is a sound investment approach to maximize interest earnings between the time the bonds are sold and the funds are expended.

Deferred Capital Project Fund

On February 20, 2009, SBX3 4 was signed into law, providing school districts budgeting flexibility. One of the provisions of SBX3 4 impacted the Deferred Maintenance Program by eliminating the local matching contribution for the years 2008-09 through 2012-13 and by making funding for deferred maintenance flexible by allowing such funds to be used for educational purposes.

The West Contra Costa Unified School District utilized the above provisions of SBX3 4 related to the Deferred Maintenance Program. On March 24, 2010, the Board took action to use the “Tier III State Flexibility for Deferred Maintenance Fund,” allocating some of the funds previously set aside in reserve within the Deferred Maintenance Fund to the District’s K-3 Class Size Reduction Program. As of June 30, 2010, \$4.0 million of Deferred Maintenance Fund reserves were transferred to the General Fund, Tier III, leaving a \$1.1 million reserve in the Fund. For each year thereafter, the Fund had income of \$1.1 million and a transfer of \$1.0 million to the General Fund, resulting in a reserve as of June 30, 2013 of \$1.3 million.

Arbitrage

When a school district issues general obligation bonds, the investments are subject to arbitrage regulations set forth by the United States Department of the Treasury. The bonds are subject to an allowable yield on investments which, if exceeded, results in a rebate liability that would be owed to the U.S. Department of the Treasury. For 2012-13, the District’s financial auditor reported no incidence of any arbitrage problems.

Risk Assessment

GAGAS 7.30 stipulates that the auditor should gather and assess information to identify risks of fraud. To meet this standard, TSS reviewed District documentation and interviewed key personnel, including Board members, Citizens’ Oversight Committee members, and District staff. In response to questions regarding knowledge of any actual occurrence of fraud, awareness of allegations of fraud, and awareness of any suspected occurrence of fraud, all responses were in the negative. Further, in the course of the examination of documents, TSS identified no evidence of fraud.

Observation

- The District successfully obtained an increase from the SBE in its bonding capacity from 2.5 percent to 5.0 percent to enable Measure E (2012) bonds to be sold.

Conclusion

- By restructuring debt and increasing bonding the legal capacity limit, the District has been able to continue with its Bond Program without delay in spite of a decline in its assessed valuation.

COMPLIANCE WITH BALLOT LANGUAGE

Objective

The objective of this section is to report on the financial activities of the District's bond program, including analyses of the District's compliance with bond language and legal limitations regarding the issuance of bonds under the terms of the voter-approved measure and monitoring the bond proceeds after issuance.

Scope and Methodology

To meet the above objective, the following aspects of the bonds were analyzed and documented:

- Use of Measures J (2005) and D (2010) Bond Funds
- Proposition 39 Bond Sale Limitations

The methodology applied included collecting data and evidence from various District and outside sources to compile financial data for each of the aspects of the bonds identified above, including:

- District Board Meeting Agendas and Minutes
- District Financial Audits
- District Financial Reports

Background

The District's bond program effectively began with passage of Measure E on June 2, 1988, a \$40 million two-thirds vote bond measure. Measure E was followed by the passage of Measure M (\$150 million), also a two-thirds vote measure on November 7, 2000, Measure D (\$300 million) a 55 percent vote measure passed on March 5, 2002, Measure J (\$400 million) a 55 percent vote measure passed on November 8, 2005, Measure D (\$380 million) a 55 percent vote bond measure passed on June 8, 2010 and Measure E (\$360 million) a 55 percent vote bond measure passed on November 6, 2012. Collectively, these bond measures, along with other local funds and state funds, comprise a single District Bond Program.

Measure J (2005) -- On July 13, 2005, the Board of Education of the West Contra Costa Unified School District approved the placement of a \$400 million bond measure (Measure J) on the ballot with the adoption of Resolution No. 25-0506. Measure J, a Proposition 39 bond measure requiring a 55 percent affirmative vote, passed with 56.85 percent of the vote on November 8, 2005.

As a Proposition 39 bond measure, Measure J (2005) is subject to the requirements of California State Constitution, Article XIII which states "every district that passes a 'Proposition 39' bond measure must obtain an annual independent performance audit."

The complete ballot language contained in Measure J is included as Appendix C. The following appeared as the summary ballot language:

To continue repairing all school facilities, improve classroom safety and technology, and relieve overcrowding shall the West Contra Costa Unified School District issue \$400 million in bonds at legal interest rates, with annual audits and a citizens' oversight committee to monitor that funds are spent accordingly, and upon receipt of a waiver of the District's statutory debt limit from the State Board of Education, if required?

The Measure J ballot language focused on the continued repair, modernization, and reconstruction of District school facilities in the following broad categories:

I. All School Sites

- Security and Health/Safety Improvements
- Major Facilities Improvements
- Special Education Facilities
- Property
- Sitework

II. School Projects

- Complete Remaining Elementary School Projects
- Complete Remaining Secondary School Projects
- Reconstruction Projects
 - a. Health and Life Safety Improvements
 - b. Systems Upgrades
 - c. Technology Improvements
 - d. Instructional Technology Improvements
- Specific Sites Listed for Reconstruction or New Construction
 - De Anza High School
 - Kennedy High School
 - Pinole Valley High School
 - Richmond High School
 - Castro Elementary School
 - Coronado Elementary School
 - Dover Elementary School
 - Fairmont Elementary School
 - Ford Elementary School
 - Grant Elementary School
 - Highland Elementary School
 - King Elementary School
 - Lake Elementary School
 - Nystrom Elementary School
 - Ohlone Elementary School
 - Valley View Elementary School
 - Wilson Elementary School

As required by Proposition 39, the West Contra Costa Unified School District certified the results of the November 8, 2005, bond (Measure J) election at the school board meeting of January 4, 2006. At the same meeting, the school board established the required Citizens' Bond Oversight Committee for Measure J fund expenditures. The Measure D (2002) committee therefore served as the Measure J committee as well.

All of the expenditures of Measure J funds were for projects within the scope of the ballot language. The West Contra Costa Unified School District is in compliance with all requirements for Measure J as set forth in Resolution 25-0506.

Measure D (2010) – On March 3, 2010, the Board of Education of the West Contra Costa Unified School District approved the placement of a \$380 million bond measure (Measure D) on the ballot with the adoption of Resolution No. 76-0910. Measure D, a Proposition 39 bond measure requiring a 55 percent affirmative vote, passed with 62.62 percent of the vote on June 8, 2010.

As a Proposition 39 bond measure, Measure D (2010) is subject to the requirements of California State Constitution, Article XIII which states “every district that passes a ‘Proposition 39’ bond measure must obtain an annual independent performance audit.”

The complete ballot language contained in Measure D is included as Appendix D. The following appeared as the summary ballot language:

To make schools safe, complete essential health/safety repairs, qualify for State matching grants, shall West Contra Costa Unified School District upgrade schools for earthquake safety/handicap accessibility, remove asbestos, upgrade restrooms, vocational classrooms/technology/energy systems to reduce costs, install lighting and security systems, acquire repair, construct, equipment/sites/facilities, by issuing \$380,000,000 in bonds within legal rates and bonding capacity limits with independent audits, citizen oversight, and no money administrators' salaries?

The Measure D (2010) ballot language focused on the continued repair, modernization, and reconstruction of District school facilities in the following broad categories:

PRIORITY SCHOOL PROJECTS LIST

- School Renovation, Repair and Upgrade Projects
- School Health, Safety and Security, Earthquake Safety and Energy Efficiency School Projects
- District-Wide Wiring and Instructional Technology For Effective Learning Environment and Job Training Projects
- New Construction Education Enhancement/Class Size Reduction Projects at School Sites

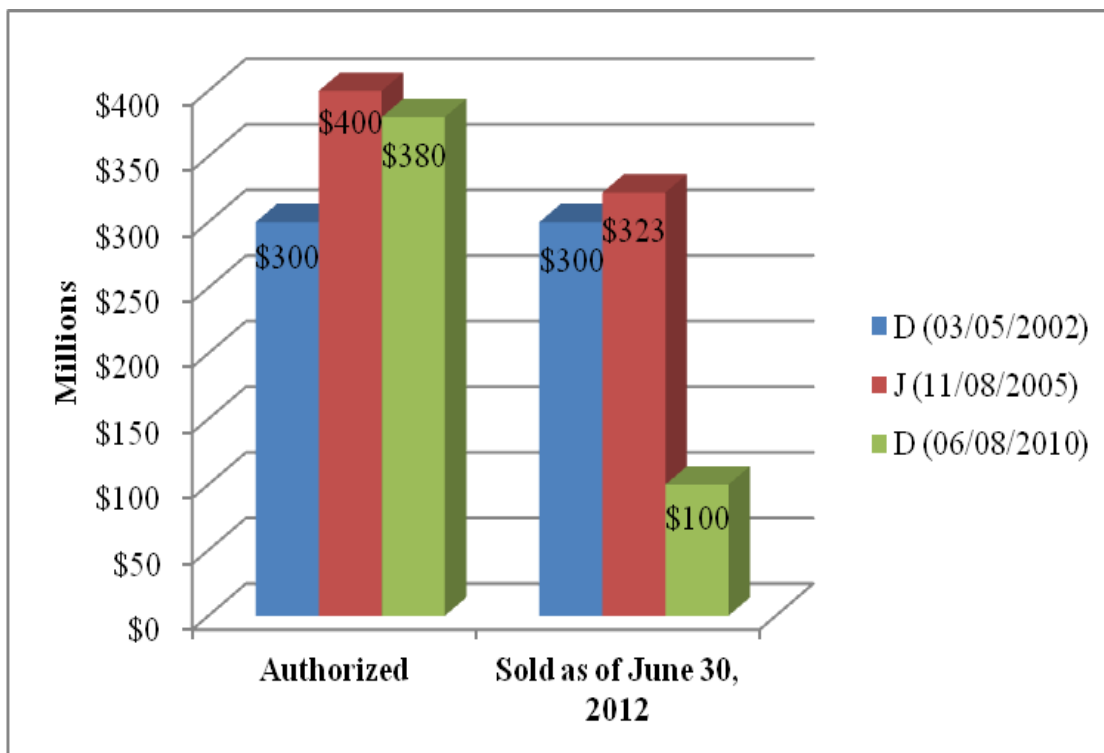
As required by Proposition 39, the West Contra Costa Unified School District certified the results of the June 8, 2010, bond (Measure D) election at the school board meeting of July 28, 2010. At the same meeting, the Board assigned Measure D (2010) oversight to the existing Citizens' Bond Oversight Committee. The Measure D (2002) and J (2005) committee now serves as the Measure D (2010) committee as well.

As of June 30, 2012, the District had issued \$100 million of its \$380 million. (No additional bonds were sold in 2012-13.) All of the expenditures of Measure D (2010) funds were for projects within the scope of the ballot language. The West Contra Costa Unified School District is in compliance with all requirements for Measure D (2010) as set forth in Resolution 76-0910.

Use of Measures D (2002), J (2005) and D (2010) Bond Funds

A question regarding the use of general obligation bond funds for program managers and other internal staff is often a concern for school districts and oversight committees. In legal opinion No. 04-110 dated November 9, 2004, the California Attorney General opined that: “A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.” The District is in compliance with the Attorney General opinion.

As of June 30, 2012, the District had issued the following bonds. There were no new bond issues during 2012-13.



Authorized Total: \$1,080 billion
Sold as of June 30, 2012: \$722.5 million

Total Measure D (2002), J (2005) and D (2010) expenditures totaling approximately \$604 million as of June 30, 2013, are 56 percent of the \$1,080 billion authorization. All of the expenditures of bond funds were for projects within the scope of the ballot language.

Proposition 39 Bond Sale Limitations

Proposition 39, passed by California voters on November 7, 2000; Assembly Bill 1908, which became law on June 27, 2000; and Assembly Bill 2659, which became law on September 22, 2000, established limitations on bonds that may be issued. The first limitation is the bonding capacity of the District, which is based on 2.5 percent of assessed valuation (A/V), which may be increased through a waiver request to the State Board of Education. The second limitation is a maximum tax rate of \$60.00 per \$100,000 of A/V for each bond measure, which may not be increased by filing a waiver request. These two provisions are more fully described in Education Code Section 15106:

Any unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located.

However, as noted above, the 2.5 percent limitation may be waived by the California Board of Education if a school district demonstrates sufficient justification for a waiver.

The District's 2012-13 assessed valuation and bonding capacity data were as follows:

Fiscal Year	Total A/V	Annual % Change	Bonding Capacity@ 2.5%	Bonding Capacity @ 5.0%
2012-13	\$23,632,927,039	6.60	\$590.8 million	\$1,181.6 billion

Source: District Measure E (2012) waiver request, Resolution No. 55-1213, January 9, 2013.

Education Code Section 15270 further adds:

The tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, shall not exceed sixty dollars (\$60) per one hundred thousand dollars (\$100,000) of taxable property.

On July 10, 2002, the Board of Education of the West Contra Costa Unified School District authorized the administration to submit a waiver request to the California State Board of Education (SBE) to increase the District's bonding limit from 2.5 percent to 3.0 percent of assessed valuation (A/V). At the SBE meeting of November 13-14, 2002, the SBE approved the waiver request for Measures E, M, and D only.

Resolution No. 25-0506 ordering the Measure J bond election stated that “no series of bonds may be issued unless the District shall have received a waiver from the California State Board of Education of the District’s statutory debt limit, if required.” At its meeting of January 21, 2009, the Board authorized the administration to submit a waiver request to the SBE to increase the District’s Measure J bonding limit to 3.5 percent of A/V for the five year period from May 2009 through May 2014. The SBE approved the District’s waiver request at its meeting of May 6-7, 2009, which enabled the District to issue \$105 million of its remaining authorization of \$210 million Measure J bonds. During the 2009-10 fiscal year the District issued \$132.5 million of Measure J bonds, bringing the remaining authorization to \$77.5 million. Because Measure J was at its \$60 limit, thereby delaying the ability to sell the remaining \$77.5 million of Measure J bonds, the District authorized an election for \$380 million of new bonds (Measure D), with a tax rate of \$48 per \$100,000 of A/V, well below the \$60 limit, which was approved by voters on June 8, 2010.

On November 17, 2010, after passage of Measure D (2010), the Board authorized the administration to file a waiver request with the SBE to waive Education Code Sections 15106 (2/3 bonds) and 15270(a) (55 percent bonds) to raise the bond indebtedness limit for Measure D (2010) from 2.5 percent of assessed value to 5.0 percent until December 31, 2020. Approval was granted with the following conditions: (1) debt may not exceed 5.0 percent of assessed value for the period March 1, 2011 to December 31, 2020; (2) the 5.0 percent limit applies to Measure D (2010) only; and (3) the tax levy may not exceed \$60 per \$100,000 of assessed value.

Commendations

- The District is commended for refunding prior bonds, thereby reducing future taxpayer interest obligations and reducing the tax rate.
- The District, being unable to sell additional Measures J (2005) and D (2010) bonds, is commended for its actions to pass a \$360,000,000 Measure E (2012) bond measure to enable the bond program to continue without delay.

Conclusions

- The Building Fund which accounts for all bond measures had a combined balance of \$55.4 million as of June 30, 2013, thereby enabling the District to continue implementing its bond program, and the District authorized the sale of Measure E (2012) bonds.
- TSS finds the West Contra Costa Unified School District in compliance with the ballot language in both Measures J (2005) and D (2010).

Recommendation

- It is recommended that the cash flow requirements of the facilities program be carefully monitored to ensure that adequate funds are available to meet project commitments and schedules.

COMPLIANCE WITH STATE LAW AND REGULATIONS

Objective

The objective of this section is to assess compliance with some of the legal and regulatory requirements governing a school district facilities program. TSS has developed this assessment of compliance to analyze the District's bond facilities program. It should not be viewed or relied upon as a legal opinion or a complete analysis of all State law and regulations.

Scope and Methodology

To meet the objective, the following aspects of State law and regulations were analyzed and documented:

- State School Facility Program
- State Law Regarding Construction Bidding and Contracting
- Prevailing Wage Law/Labor Compliance Program
- Project Labor Agreement
- State Apprenticeship Program
- State Seismic Mitigation Program

In addition to the compliance issues addressed in this section, other sections in this performance audit report further address specific State law and regulations. TSS examined standard bid documents, project manuals, applicable State of California laws and regulations, District policies, reports and other relevant documentation related to the District's bond program. Interviews with key District staff were also held to obtain additional information on District practices.

Background

There are numerous legal and regulatory requirements associated with Proposition 39 bond measures, a school district facilities program and the delivery of California public school construction projects. Various codes and regulations govern these processes.

State School Facility Program

Filing applications for funding with the State Allocation Board (SAB) is not legally mandatory; however, the District included language in the Measures J (2005) and D (2010) resolutions calling for the bond elections that, as a supplement to the local bonds, the District would file for State funding. Accordingly, the District has filed facilities applications under the following programs:

50	-	New Construction
52	-	Joint Use
54	-	Charter School
56	-	Overcrowding Relief
57	-	Modernization
58	-	Rehabilitation
61	-	Emergency Repair Program

As of July 2013, the District received State grant amounts summarized in the tables below, which includes funds received since 2003. Financial data are from the OPSC website, which maintains a record of the current project status for all school districts in California. For a more complete understanding of the District's status regarding the California School Facility Program, refer to the District Provided Information section in this report.

State Facilities Funding

State Program	SAB#	State Grant Amount	District Match
New Construction	50/05-001 ¹	\$12,841,930	\$12,841,930
Modernization	57/001-009 ²	3,863,449	2,609,434
Modernization	57/010-017 and 57/019 ³	9,943,161	6,801,923
Modernization	57/018 and 57/020-/026 ⁴	12,282,748	8,320,619
Modernization	57/027 ⁵	4,834,933	3,223,289
Modernization	57/029 ⁶	3,781,072	2,520,715
Modernization	57/030 ⁷	10,985,587	7,524,515
Facility Hardship	58/001 ⁸	654,579	0
Joint Use	52/001 ⁹	1,500,000	1,500,000
Emergency Repair	61/0001-015/0155	7,379,342	0
Emergency Repair	61/0152-0/154	4,349,029	0
New Construction	50/02-001 ¹⁰	570,548	570,548
Overcrowding Relief	56/001-002 ¹¹	7,092,482	0
Modernization	57/031-034 ¹²	13,294,970	7,175,549
Charter	54/03-001 ¹³	2,479,636	0
Modernization	57/035-037 ¹⁴	24,946,405	16,630,936
Totals		\$120,799,871	\$69,719,458

¹ Lovonya DeJean Middle School was approved for state funding on December 18, 2002, with a 50/50 match. The major funding for the project came from the District's \$40 million Measure E bonds.

² These nine projects were Quick-Start projects funded with 60 percent State Funding (60/40) and 40 percent Measure M bonds.

³ These nine projects were Measure M-1A projects funded with 60/40 matches and Measure M bonds.

⁴ These eight projects were Measure M-1B projects funded with 60/40 matches and Measure M bonds.

⁵ The Downer Elementary School modernization project is a 60/40 match with Measure D bonds.

⁶ The Helms Middle School modernization project is a 60/40 match with Measure D bonds.

⁷ The El Cerrito High School modernization project is a 60/40 match with Measure D bonds.

⁸ This was a 100 percent state-funded project (facility hardship grant program) for work at Lincoln Elementary School to correct structural problems.

⁹ This is a joint-use project at Pinole Middle School.

¹⁰ Two Special Day Classrooms (SDC) for 18 pupils at El Cerrito High School.

¹¹ Dover Elementary and Ford Elementary schools.

¹² Dover, Ford and King Elementary schools and Pinole Middle School.

¹³ Leadership Public Schools

¹⁴ DeAnza Senior High School and Richmond High School.

State Facilities Funding – 2012-13 and July 2013

State Program	SAB#	State Grant Amount	District Match
Modernization	57/036-040 ¹⁵	18,962,946	12,641,964
Facility Hardship	51/02-001 ¹⁶	13,902,896	0
Modernization	57/042-043,046 ¹⁷	8,884,225	5,922,812
Totals		\$41,750,067	\$18,564,776

¹⁵ Richmond High, Nystrom Elementary and Kennedy High School funds received in 2012-13.

¹⁶ Portola Middle School Hardship Application funds received in July 2013.

¹⁷ Portola Middle, Ohlone Elementary and Castro Elementary School funds received in July 2013.

The District is in compliance with SAB regulations for all applications it has filed to receive State funding.

State Law Regarding Construction Bidding and Contracting

Many requirements for the construction of public schools appear in different California codes accompanied by regulations from various agencies. The West Contra Costa Unified School District complies with these requirements through the District’s bidding and contract documents. The District also provides Notice to Bidders by referencing and detailing the section requirements, as appropriate.

By State law, a number of items are required to appear in bid documents. To verify that these items were included in the District’s bid documents bid packages were randomly selected and analyzed, as presented in the “Bidding and Procurement Procedures” section of this report.

All sections listed below, including Section 00805.6, Labor Compliance Program, were included in the bid documents.

All of the bid documents reviewed included Section 00700, General Conditions, Articles I-XXVII. The District periodically reviews and revises the General Conditions section included in the District’s bid documents, which are then reviewed and approved by legal counsel. According to SGI program managers, the most recent review and approvals by legal counsel were in April and July 2010.

Required State items to be included in the bid documents, and District section numbers, included the following:

<u>Section</u>	<u>Description</u>
N/A	<i>Certification Page: Division of the State Architect (DSA) approval</i> for individual project/plans and specifications.
00100	<i>Notice To Bidders:</i> The Notice To Bidders includes the required notification for project identity; date, time, and place of bid opening; contractor’s license requirements for the type of construction and the validity of that license; bid bond and certified bid security check requirements; payment bond requirements; performance bond requirements; substitution of securities information; definition of prevailing wage requirements; statement establishing blind bid process; and a reservation of the right to reject all bids.

- 00150 *Bid Bond:* A bid bond is present in the package and demanded of the contractor on a form prepared by the District, as required.
- 00330 *Non-collusion Affidavit:* A non-collusion affidavit form is provided and demanded of the contractor.
- 00550 *Escrow Agreement for Security Deposits in Lieu of Retention:* This item is included as an option, as required.
- 00610 *Performance Bond:* A performance bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- 00620 *Payment Bond:* A payment bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- 00905 *Workers' Compensation:* The contractor is required to certify compliance with state workers' compensation regulations.
- 00910 *Prevailing Wage and Related Labor Requirements Certification:* The contractor is required to certify compliance with the State Public Works Contract requirements.
- 00911 *Apprenticeship Resolution Compliance:* The contractor is required to meet the requirements of Labor Code 1777.5.
- 00915 *Drug-Free Workplace Certification:* The contractor is required to provide a drug-free workplace certification.
- 00920 *Tobacco-Free Environment Certification:* The contractor is required to provide a tobacco-free environment certification.
- 00925 *Hazardous Materials Certification:* The contractor is obligated to provide certification that no hazardous materials were to be furnished, installed, or incorporated in any way into the project.
- 00930 *Lead-Based Materials Certification:* The contractor is required to certify compliance with lead-based materials regulations.
- 00935 *Imported Materials Certification:* The contractor is required to certify compliance with imported materials regulations.
- 00940 *Criminal Background Investigation/Fingerprinting Certification:* The contractor is required to select a method of compliance and to certify compliance with criminal background investigation/fingerprinting requirements.

In addition to the State requirements listed above, the contractor is required to meet the following District requirements:

- 00808 *Project Labor Agreement:* The contractor is required to meet the PLA requirements, as identified in a list of 36 projects subject to PLA, as amended August 18, 2004. The District's PLA states: "All employees...shall be paid in accordance with the classification and wage scales contained in the appropriate local agreements which have been negotiated by the historically recognized bargaining parties and in compliance with the applicable general prevailing wage determination...."
- 00810 *Hazardous Materials Procedures & Requirements:* The contractor is obligated to meet the requirements of hazardous materials regulations that were prepared by the District's Hazardous Materials Consultant.
- 00900 *Local Hiring and Local Business Utilization Program:* The contractor is required to comply with the District's Local Capacity Building Program (LCBP) to ensure equal opportunity and equitable treatment to local and small business owners and District residents in awarding and managing its public contracts, including District requirements regarding apprenticeship workers.

State law does not require the items listed below; however, they are required for State funding and are included in the District bids.

- 00805.6 *Labor Compliance Certification Form, Prevailing Wage and Related Labor Requirements Certification:* The contractors are required to certify compliance with the State Public Works Contract requirements.
- 00912 *Disabled Veteran Business Enterprise (DVBE) Participation Certification:* The contractor is required to certify compliance with the DVBE requirements as set forth in the State's School Facilities Program.

The items below are best practices, which are included in the District's contract documents. They are not required by State law or for State funding.

- 00110 *Instructions to Bidders*
- 00510 *Notice of Award*
- 00520 *Notice to Proceed*
- 00530 *Agreement*
- 00540 *Escrow of Bid Documentation*

Prevailing Wage Law/Labor Compliance Program

In California, contractors and subcontractors on public works projects must comply with the California Prevailing Wage Law (Labor Code 1720 et seq. This law stipulates that workers must be paid the prevailing hourly wages and fringe benefits, as specified by the State Department of Industrial Relations, for the region where a construction project is located.

Traditionally, a school district ensures that the Prevailing Wage Law is complied with by requiring contractors and subcontractors to maintain certified payroll records for each worker. If required by the District or if requested by other agencies or labor groups, these payroll records are provided for verification and documentation of compliance with the law.

In 2002, enactment of AB 1506 created the Labor Compliance Program (LCP), which added an additional requirement for school district construction projects that received State funding from Proposition 47 (2002) and Proposition 55 (2004). AB 1506 was intended to ensure that contractors and subcontractors complied with the prevailing wage law. Under AB 1506, a school district must provide assurances in writing that it or a third-party contractor will enforce the required LCP, transmit that information to the State Allocation Board (SAB), and take all appropriate measures throughout the construction project to verify compliance.

In November 2007, Proposition 1D passed without the requirement of a LCP. Subsequent legislation that would have reinstated LCP (SB 18, 2007) for Proposition 1D funding was vetoed by the Governor.

On February 20, 2009, SBX2 9 was signed into law. It reestablished the LCP for school district facility construction projects that receive State bond funds. The previous LCP program required school districts to provide LCP services directly or through third-party providers. SBX2 9 requires the Department of Industrial Relations (DIR) to directly enforce prevailing wage requirements. Funding for this process would be provided by a fee from the School Facilities Program equal to 0.25 percent of the State funding. This fee would be provided directly to the DIR for enforcement of labor compliance. School districts that have an approved in-house LCP at the time the new regulations are established may apply for an exemption from the new fee. If a school district contracts with a third-party LCP provider, such services may not be eligible for this exemption.

In 2011, AB 436 was signed into law which created a Compliance Monitoring Unit (CMU) within the Department of Industrial Relations (DIR). On January 1, 2012, the CMU began operations to monitor and enforce prevailing wage requirements on public works projects for contracts awarded after January 1, 2012, that receive State bond funding and on other projects that are legally required to use the CMU. Contracts awarded prior to January 1, 2012 remain subject to prior monitoring and enforcement rules. Compliance with the SMU requirements also puts the District in compliance with the requirements of the Division of Apprenticeship Standards and the Division of Labor Standards Enforcement.

Regardless of whether a school district is required to have a LCP for State-funded projects, it must fully comply with the prevailing wage law. To ensure compliance with the law, a school district should develop and implement policies and procedures to be applied to all construction projects, regardless of the source of funding and the party that bears responsibility for LCP enforcement.

The District currently contracts with a third-party provider for labor compliance services to review contractor certified payrolls and ensure that construction projects comply with the District's Labor Compliance Program, the prevailing wage law, and, if required, the SAB Labor Compliance Program. In light of enactment of SBX2 9, the District reviewed its options for meeting legal requirements on new projects and concluded that it would continue with its practice of using a third-party for labor compliance. The District has a contract with Davillier Sloan, Inc. to provide services related to labor compliance, the District's Local Capacity Building Program, informal bidding and DVBE.

Project Labor Agreement (PLA)

The District has had a local Project Labor Agreement in effect since 2003. (See Compliance with District Policies and Regulations section). However, Senate Bill 922 was signed into law on October 2, 2011, authorizing public agencies to enter into project labor agreements under the provisions of the new law. The new law places certain restrictions and requirements on the terms of the agreements going forward.

State Apprenticeship Program

California's Labor Code Sections 1777.5-7 defines the apprenticeship program to which contractors and subcontractors on public works projects must comply. The Chief of the Division of Apprenticeship Standards approves apprenticeship training standards and the California Apprenticeship Council develops rules and regulations. As noted above in District bid documents, Section 00900 also includes local apprenticeship requirements by the Board's adoption of Resolution 80-0203.

State Seismic Mitigation Program

In 2000, AB 300 was passed which directed the Division of State Architect (DSA) to compile a list of buildings in the State which would be subject to failure in a seismic event. The result of that study was a list of projects estimated to cost over \$4 billion to mitigate. In 2006, Proposition 1D was passed by the California voters which included \$199.5 million to mitigate the projects defined as "most vulnerable". That definition is based on the type of construction, the proximity to known faults and the potential for ground movement that would cause potential failure in these types of buildings.

Funding for seismic mitigation provides for the minimum work necessary to gain DSA approval and includes costs of structural reports on affected buildings. Implementation of seismic mitigation plans includes upgrades as part of modernization projects, school closures, demolitions and replacements of classrooms or buildings. Replacement funding is a cost-share program (50 percent district/50 percent state) while modernizations that include seismic upgrades will incur adjustments to the school's baseline modernization eligibility to account for classrooms demolished or replaced as a result of seismic mitigation. The current status of the 12 school sites included in the AB300 mitigation list for the District is discussed in the Design and Construction Costs and Budgets section of this report.

Commendation

- The District is commended for utilizing all available State funding programs to maximize revenues to meet its facilities needs.

Conclusion

- The District is in compliance with those State laws and regulations analyzed in this section.

COMPLIANCE WITH DISTRICT POLICIES AND REGULATIONS

Objective

The objective of this section is to assess compliance with some of the pertinent District policies and regulations governing the District's facilities program.

Scope and Methodology

To meet the objective, select Board Policies (BPs) and Administrative Regulations (ARs) from the following series were analyzed and documented: Series 0000 -- Philosophy, Goals, Objectives and Comprehensive Plans, Series 1000 -- Community Relations, Series 3000 -- Business & Non-Instructional Operations and Series 7000 -- Facilities.

In addition to the above BPs and ARs, compliance with the District's Board-approved Option 1C Standard, Project Labor Agreement and Mandatory Local Business Capacity Utilization Program were addressed in this section. Also, other sections in this performance audit report further address specific District regulations.

TSS examined District policies and regulations, reports and other relevant documentation related to the District's bond program. Interviews with key District staff were also held to obtain additional information on District practices.

Background

The Board of Education has adopted BPs and ARs that are organized into various series, ranging from Series 0000 through Series 9000, as follows:

<u>Series</u>	<u>Description</u>
0000	Philosophy, Goals, Objectives and Comprehensive Plans
1000	Community Relations
2000	Administration
3000	Business & Non-Instructional Operations
4000	Personnel
5000	Students
6000	Instruction
7000	Facilities
9000	Board Bylaws

The BPs and ARs represent typical school district policies and regulations and conform to the standard templates recommended by the California School Boards Association (CSBA). The BPs and ARs are maintained on the CSBA's Governance and Management Using Technology (GAMUT) website and are available for review via a link from the District's Board of Education website. Most of the BPs and ARs include references to other authorities, such as the California Constitution, Education Code, Government Code, Labor Code, Public Contract Code, Code of Regulations (Titles 2, 5, 14 and 24), Court Decisions, Attorney General Opinions and State and Federal websites. By reference, other authorities cited become part of the BPs and ARs.

Series 0000 – Philosophy, Goals, Objectives and Comprehensive Plans (Select Item)

BP/AR	Description	Date of Adoption
BP 0420.4	Charter Schools	08/02/2000
	Revised	01/17/2007

The District complies with BP 0420.4 by evaluating petitions to establish a charter school, with the ultimate decision to grant or deny a charter being made by the Governing Board. A number of charter schools have been approved by the Board, including making operational agreements and providing facilities, as required by law. Subsequent to a charter school's approval, the Board monitors the charter to ensure compliance with the agreement and State and federal law.

Series 1000 – Community Relations (Select Items)

BP/AR	Description	Date of Adoption
BP 1100	Communication With the Public	11/07/2007
BP 1112	Media Relations	11/07/2007
BP 1113	District and School Web Sites	11/07/2007
BP 1220	Citizen Advisory Committees	11/07/2007
BP 1400	Relations Between Other Governmental Agencies and the Schools	11/07/2007
BP 1431	Waivers	11/07/2007
BP 1600	Relations Between Non-Public and Other Educational Organizations and the Schools	11/07/2007
BP 1700	Relations Between Private Industry and the Schools	11/07/2007

To ensure that the District is in compliance with its Community Relations BPs, Total School Solutions interviewed staff in the District's facilities program, members of the Citizens' Bond Oversight Committee (CBOC), Board members, and personnel on the bond management team. To facilitate communication of the District's bond program to the community, the District provides information on separate websites, as follows:

- West Contra Costa Unified School District: www.wccusd.net
- Bond Oversight Committee: www.wccusd-bond-oversight.com
- Bond Program: www.wccusdbondprogram.com

The District's website provides a link to the Bond Oversight Committee. The Operations Division provides access to the Facilities and Bond Program, the Bond Program website and the Bond Oversight Committee website.

The District is in compliance with its Series 1000 BPs.

Series 3000 – Business & Non-Instructional Operations (Select Items)

BP/AR	Description	Date of Adoption	Most Recent Date of Revision
BP 3111	Deferred Maintenance Funds	02/06/2008	
BP 3280	Sale, Lease, Rental of District-owned Real Property	02/06/2008	05/09/2012
AR 3280	Sale, Lease, Rental of District-owned Real Property	10/06/2008	
BP 3300	Expenditures and Purchases	02/06/2008	
BP 3311	Bids	02/06/2008	
AR 3311	Bids	10/06/2008	
BP 3312	Contracts	02/06/2008	
BP 3314	Payment for Goods and Services	02/06/2008	
AR 3314	Payment for Goods and Services	10/06/2008	
BP 3320	Claims and Actions Against the District	02/06/2008	
AR 3320	Claims and Actions Against the District	10/06/2008	
BP 3400	Management of District Assets/Accounts	02/06/2008	
AR 3400	Management of District Assets/Accounts	10/06/2008	
BP 3430	Investing	02/06/2008	
AR 3430	Investing	10/06/2008	
BP 3460	Financial Reports and Accountability	02/06/2008	
AR 3460	Financial Reports and Accountability	10/06/2008	
AR 3515.6	Criminal Background Checks for Contractors	10/06/2008	
BP 3517	Facilities Inspection	02/06/2008	
BP 3600	Consultants	02/06/2008	

To ensure that the District is in compliance with its Series 3000 BPs and ARs, select aspects of the bond program were reviewed. For example, BP 3111, BP/AR 3400, BP/AR 2430 and BP/AR 3460 were considered in the Composite Bond Measures Financial Report section. BP/AR 3311, BP3312 and AR 3515.6 were considered in the Compliance with State Law and Regulations section. BP 3300, BP/AR 3311, BP 3312 and BP/AR 3314 were considered in the payments and expenditure sections. BP/AR 3320 was considered in the claim avoidance procedures section. BP/AR 3400 was considered in the cash flow section.

Series 7000 – Facilities

BP	Description	Date of Adoption	Most Recent Date of Revision
BP 7000	Concepts and Roles in New Construction	10/2007	01/09/2008
BP 7100	Facilities Master Plan	08/2007	01/09/2008
BP 7115	Educational Facilities Design Standards	08/2007	01/09/2008
BP 7125	Assembling and Preserving Important Documents	08/2007	01/09/2008
BP 7131	Relations with Local Agencies	08/2007	01/09/2008
BP 7140	Architectural and Engineering Services	08/2007	01/09/2008
BP 7150	Site Selection and Development	08/2007	01/09/2008
BP 7210	Methods of Financing	08/2007	01/09/2008
BP 7214	General Obligation Bonds	08/2007	01/09/2008
BP 7214.2	Citizens Bond Oversight Committee (CBOC)	08/2007	11/16/2011
BP 7214.3	Bond Refunding	04/2013	
BP 7214.4	Investor Relations	04/2013	
BP 7310	Naming of Facility	08/2007	01/09/2008
BP 7470	Inspection of Completed Project	08/2007	01/09/2008

A number of the Series 7000 BPs and ARs have been written to incorporate local considerations. For example, Board Policy 7214.2 and the related Administrative Regulations provide specific language on the role of the Citizens’ Bond Oversight Committee (CBOC), including the purpose of the committee, the committee’s duties, the committee composition, and the selection process for the committee. These policies and regulations provide the necessary guidelines for appointments to the CBOC and provide committee members with a clear scope of their duties and authority. On November 16, 2011, the Board adopted a revised BP 7214.2 that allows the CBOC to establish its own bylaws and operational rules and to eliminate the Citizens Advisory Committee for Special Education position. BP 7214.2 stipulates that the CBOC membership shall consist of between fifteen and twenty-one members, as determined by the Board.

On April 24, 2013, the Board adopted BP 7214.3, Bond Refunding, stating that the District’s “primary objective of proceeding with a refunding shall be to benefit the District by: 1) Providing net present value debt service savings, and/or 2) To aid with tax rate management, and/or 3) Adjusting the debt service structure to meet identified objectives (such as to maintain tax rates).” Subsequent to the adoption of BP 7214.3, at the May 15, 2013 meeting, the Board was presented “with information on the current outstanding bonds with an analysis of potential refunding opportunities.”

On April 24, 2013, the Board also adopted BP 7214.4, Investor Relations, stating that the “District shall endeavor to maintain a positive relationship with the investment community. The District’s investment relations policy shall provide for (i) the orderly dissemination of material information to the marketplace and (ii) establish a means for responding to requests for information from investors.”

Another example of local considerations is Board Policy 7115, *Educational Facilities Design Standards*, which includes the Collaborative for High Performance Schools (CHPS), 2006 criteria, as a standard for all schools. According to the CHPS website:

The mission of the Collaborative for High Performance Schools is to facilitate the design, construction and operation of high performance schools: environments that are not only energy and resource efficient, but also healthy, comfortable, well lit, and containing the amenities for a quality education.

In addition, these standards form the basis for the High Performance Grant Program in the State's School Facilities Program. This program provides additional funding for the high performance elements in the projects.

District Standards

On May 15, 2002, the Board of Education selected "Option 1C" from among six quality standard options presented by staff. Option 1C was a dollar per square foot standard (\$145 per square foot in 2002 dollars) that was determined at the time to deliver future school projects that were comparable to the design and quality standards of Lovonya De Jean Middle School. The Board provided direction that Measure M projects and subsequent bond projects would be designed in accordance with Option 1C standards. While Option 1C is not referenced in BPs or ARs, it was informally considered to be practice to be followed, however subjectively.

During the years following Board action regarding Option 1C, a number of variables have influenced construction costs. Those variables include, but are not limited to, the following items that are beyond the control of the District.

- Passage of Proposition 39 (November 2000) and the 55 percent threshold for local bonds and resulting construction;
- Passage of Proposition 1A (November 1998), \$9.2 billion bonds and resulting construction;
- Passage of Proposition 47 (November 2002), \$13.05 billion bonds and resulting construction;
- Passage of Proposition 55 (March 2004), \$10.0 billion bonds and resulting construction;
- Passage of Proposition 1D (November 2006), \$10.4 billion bonds and resulting construction;
- Acceleration of construction costs at a rate higher than projected (e.g., Katrina impact);
- Reduction in construction costs due to the recession (aka, a favorable bidding climate);
- Labor compliance law requirements; and
- Inadequate State School Facility Program funding.

To demonstrate the impact of construction costs during the past few years, the Class B Construction Cost Index, from the OPSC website, is presented below:

Class B Construction Cost Index¹	10 Western States Percent Increase	8 CA Cities Percent Increase
January 2002 – January 2003	2.10	1.85
January 2003 – January 2004	3.42	5.45
January 2004 – January 2005	11.263	12.07
January 2005 – January 2006	3.657	4.62
January 2006 – January 2007	8.05	6.62
January 2007 – January 2008	3.219	2.07
January 2008 – January 2009	7.73	6.00
January 2009 – January 2010	(6.22)	(6.74)
January 2010 – January 2011	3.06	4.28
January 2011 – January 2012	3.09	3.76
January 2012 – January 2013	2.69	3.13

¹ **Source:** Office of Public School Construction website.

The cumulative impact of external and internal factors on project budgets made adherence to the Option 1C cost per foot standard impossible to achieve. Furthermore, the District established a goal to deliver high quality projects to the community for the benefit of all students in the District. To meet this goal, it became necessary for the Board to make decisions that resulted in adjustments to the standards to fit the situation as the program progressed. Some of these decisions include the following:

- Addition of kitchens (subsequent to planning and, in some cases, construction);
- Seismic problems at various sites resulting in major construction costs;
- Project Labor Agreement and local hiring program;
- Addition of playgrounds (subsequent to planning and, in some cases, construction);
- Migration from a modernization program to a full replacement program;
- Key decisions that were often scope driven and not budget driven;
- Comparatively high quality construction standards; and
- Priority given to long-term sustainability over initial cost.

After taking all the factors that have influenced the costs of design and construction into consideration, the District has exceeded the original design and quality standards set by Option 1C. More recently, the District developed new standards for renovation and reconstruction projects, thereby replacing the previous subjective Option 1C standards. On October 4, 2011, the Board adopted “District Standards for High School Renovations and Reconstructions” based on experiences with the El Cerrito High School and DeAnza High School projects. Also, because the District has adopted the Collaborative for High Performance Schools (CHPS) Standards, these “green building standards” have been incorporated into the new District standards. On October 19, 2011, the Board adopted “District Standards for Middle School Renovations and Reconstructions” based on experiences with the Helms Middle School and Pinole Middle School projects, including “green building standards” referenced above.

Project Labor Agreement (PLA)

The Board of Education initially approved a Project Labor Agreement on April 9, 2003. The PLA of April 9, 2003, includes the following stated purpose:

The purposes of this Agreement are to promote efficient construction operations on the Project, to ensure an adequate supply of skilled craftspeople and to provide for peaceful, efficient and binding procedure for settling labor disputes. In so doing, the parties to this Agreement establish the foundation to promote the public interest, to provide a safe work place, to assure high quality construction, to ensure an uninterrupted construction project, and to secure optimum productivity, on-schedule performance and District satisfaction.

It is the intent of the parties to set out uniform and fair working conditions for the efficient completion of the Project, maintain harmonious labor/management relations and eliminate strikes, lockouts and other delays.

To the extent permitted by law, it is in the interest of the parties to this Agreement to utilize resources available in the local area, including those provided by minority-owned, women-owned, small, disadvantaged and other businesses.

The twenty-six articles in the PLA set forth the requirements for contractors and subcontractors and the District's rights and responsibilities.

It is pointed out that, in keeping with the intent of the third paragraph of the excerpt above, the District developed a Local Capacity Building Program (LCBP) discussed below and in the "Scope, Process, and Monitoring of Participation by Local Firms" section of this audit report.

Subsequent amendments to add additional projects were approved by the Board. As of June 30, 2013, a total of thirty-six projects were covered by the PLA. Note: Measure E projects have not yet been added to the PLA list of covered projects.

Senate Bill 922, which authorizes public agencies to enter into project labor agreements, was signed into law on October 2, 2011. The new law places certain restrictions and requirements on the terms of the agreements.

Mandatory Local Business Capacity Utilization Program

On September 15, 2010, the Board adopted an enhanced local capacity building program. The enhanced program was an outgrowth of the initial voluntary program implemented at Helms Middle School. This adopted program mandates that contractors who bid on construction projects must comply with local business participation goals and requirements. For more information and analysis of this program, see the Scope, Process and Monitoring of Participation by Local Firms section of this report.

Commendation

- The District is commended for adopting BP 7214.3, Bond Refunding, and BP 7214.4, Investor Relations, thereby stating the District's intent to implement cost-effective measures that benefit the bond program, investors and taxpayers.

Conclusion

- The District is in compliance with those Board policies and regulations analyzed in this section.

DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN FOR THE BOND PROGRAM

Objective

To gain an understanding of the District's policies and approach to in-house staffing and consultant staffing for managing Measures J, D (2010), and E projects and the effectiveness of the staffing related to the number of bond program projects.

Scope and Methodology

The governance and management of the District's bond program have evolved over time to address the changing needs, functions, and funding of the District's facilities program. This section provides information on the changes in the administration of the facilities program between July 1, 2012, and June 30, 2013. The following documents were obtained from the District and reviewed in the preparation of this section:

- Position Control Document, July 1, 2012 - June 30, 2013
- Projected Program & Construction Management (staffing, 2012-13)
- WCCUSD FOC Organizational Chart, 2013-10-14

Background

As has been reported in previous audits, there have been significant changes in the bond program staffing since the organizational restructuring in 2009-10. This trend continues during the 2012-13 audit year. The District staffing has increased from a total of 10.33 Full Time Equivalents (FTE) to a total of 15.63. These increases include the addition of the following positions now charged to the program:

- A Senior Administrative Secretary has been added to the bond-funded staff and charged as a .75 FTE to the bond program;
- An additional Senior School Facilities Specialist has been added and charged as a 1.0 FTE to the program;
- The addition of 2 Bond Regional Facilities Facility Project Managers. There are now 4 positions, one remains unfilled. These positions are each charged as .95 FTE to the program;
- A Purchasing Technician has been added and charged as a 1.0 FTE to the program;
- The Custodial position, charged to the program as a .53 FTE, has been filled;
- The Network Planner position remains vacant.

The table below shows the current staff and the percentage of time that is charged to the bond program:

2012-13 DISTRICT STAFFING FOR THE FACILITIES BOND PROGRAM¹

District Staff Position	Other Funds Percent	Bond Fund Percent
Bond Finance Office		
Executive Director of Business Services	10	90
Principal Accountant	10	90
Senior Budget Control Clerk	0	100
Fiscal/Project Account Analyst	0	100
Bond Finance Office Subtotal	0.20 FTE²	3.80 FTE²
Bond Management Office		
Associate Superintendent of Operations	25	75
District Engineering Officer	10	90
Senior Administrative Secretary	25	75
Senior School Facilities Specialist	0	100
Senior School Facilities Specialist	0	100
Director of Facilities and Construction	10	90
Bond Regional Facility Project Manager	5	95
Bond Regional Facility Project Manager	5	95
Bond Regional Facility Project Manager	5	95
Bond Regional Facility Project Manager ³	5	95
Purchasing Technician	0	100
Senior Network Engineer	70	30
Network Planner ³	10	90
Custodian	47	53
Bond Management Office Subtotal	2.17 FTE²	11.83 FTE²
Total for Management and Finance	2.37 FTE²	15.63 FTE²

¹Source: Position Control Report, Fund 21, July 1, 2012 – June 30, 2013

²FTE means full-time equivalent (i.e., a full-time employee who is exempt or works 40 hours per week)

³Position currently vacant

Program/Construction Management

Significant increases were also observed in the Program/Construction Management (SGI) staffing levels. The total number of Program Management staff has increased from 6.2 to 15. Changes in staffing include:

- The Deputy Program Manager position in charge of construction was decreased from two positions to one.
- One Technical Design Engineer has been added.

- There has been an increase in staffing in the Controls unit which has increased from five positions to seven positions with one additional position vacant.
- The Design Management unit has increased from three to four positions.
- The staff in the Estimating unit has increased from one position to three positions.
- On-site construction management staff has increased from eleven to twenty-four positions with six of those positions currently vacant.
- The facilities-related personnel assigned to the program as of June 30, 2013, including the internal staff and project and construction management personnel, are presented in the table below. These numbers exclude the architects/engineers of record, project specialty consultants, inspectors, the communication consultant, the outreach consultant, and the labor compliance consultant.

BOND PROGRAM STAFFING

Category	FTE¹
District Staff	
Bond Finance Office	3.80
Bond Management Office	11.83
Subtotal	15.63
<hr/>	
Bond Program Manager (SGI)	
Program/Project Management	15.00
Design Management	4.00
Construction Management	24.00
Other (Network Admin., PS2 Coordinator, Master Scheduler, Scheduler, Cost Estimator, Receptionist)	6.00
Subtotal	49.0
<hr/>	
Other Construction Managers ⁴	0.00
<hr/>	
TOTAL Full-Time Equivalent Positions	----

¹Full-time equivalent (1.0 FTE is a full-time 8 hours per day/12 month employee.)

²Three Construction Manager and three Project Engineer positions are vacant.

Observations

- The District staffing funded by the bond program has increased by 58.7 percent over the previous year. It was reported in the 2011-12 performance audit that a custodial position had been added to the staff, however, that position was not filled. During 2012-13, that position was filled. California Attorney General Opinion No. 04-110, November 9, 2004, states: “A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.” The custodian position does not appear to meet the criteria of this AG opinion.
- In the 2011-12 performance audit, it was reported that the Program and Construction Management staff had increased significantly. Increases were observed again in the 2012-13 audit year. These increases do not appear to correlate to the workload as indicated by the Program Expenditure Report. Total expenditures are projected to increase from \$109,156,873 in 2011-12 to \$122,217,670 in 2012-13, an increase of 11.9 percent. Whereas, the Program Management staff has increased from 6.2 to 15 FTE, an increase of 142 percent from 2011-12 to 2012-13. Total PM/CM staff which includes all categories of staff providing program management, construction management, design management, etc. has increased from 33.2 FTE in 2011-12 to 49 FTE in 2012-13, a 47.6 percent increase.

Further, the Program Cashflow document indicates that expenditures will peak in fiscal year 2013-14 at \$139,933,262 and drop steadily to \$57,185,000 in 2019-20; therefore, these increased staffing levels may not be supported in the future. The peak expenditures in 2013-14 represent an increase of 28.2 percent over the 2011-12 levels but staffing increased by 47.6 percent.

- In previous years, on-site construction management was performed by a combination of SGI staff and other CM consultants. All CM work is now being performed by SGI.

Recommendations

- The District should request a legal counsel opinion on the use of bond program funds to fund the position of custodian to ensure compliance with the 2004 Attorney General opinion.
- The District should review the responsibilities and tasks assigned to all District and PM/CM staff charged to the program to ensure that all staffing is necessary. The significant increases in staffing do not correlate with the program workload as reflected in the projected expenditures.

PROGRAM MANAGEMENT

Objective

To gather data and verify the efficiency and effectiveness of the District's approach to program management in the delivery and construction of bond funded projects.

Scope and Methodology

In the process of developing this section TSS staff interviewed District staff and consultants to review the process of managing the bond programs and the projects within each program. The following documents were obtained from the District staff or through the District's website and were reviewed for this section:

- Agreement for Program, Project and Construction Management Services, Seville Group, October 1, 2013;
- Sixty-three amendments to agreements for architectural services for bond projects;
- Thirty-one original agreements for architectural or consulting services for bond projects;
- Board Item, approval of the Agreement for Program, Project and Construction Management Services, July 24, 2013;
- Bond Program Financial Update, PowerPoint Presentation, June 19, 2013.

Background

In the past, the District's structure for managing the bond programs and program projects combined the tasks of program, project and construction management services and placed these tasks within the scope of the primary Program Manager for the District. The District also engaged the services of a Master Architect to define the scope and standards for projects. The District additionally engaged the services of a Design Manager to oversee the process of the design teams hired for individual projects. In a review of the scope of services for these consultants in the 2009-10 Performance Audit it was noted that there were significant overlaps of services and duplication of work.

The District has made significant progress toward correcting the problem of duplication of effort. The role of the Master Architect has been eliminated, removing one layer of redundancy. The Program Manager (SGI) has been instructed to assume responsibility for more of the tasks within the bond program. The Program Manager has assumed the responsibility for scheduling and added a Master Scheduler and a Project Scheduler. The Program Manager has also absorbed the duties of the Design Manager, creating a design management division within their structure.

It was noted in the 2011-12 Performance Audit that, although scheduling was included in the scope of the Program Manager's agreement, the cost of the scheduling services assumed by the PM was passed on to the District. This was also the practice with the design management services.

In the 2011-12 Performance Audit it was noted that, when requested by the audit team, a valid agreement for services with the Program Manager and the District was not made available for review. The Program Manager had been working on a time and materials basis without a valid agreement. This practice continued throughout the 2012-13 audit year. During this period, the District issued a Request for Proposals (RFP) for Program, Project and Construction Management services. The District received six proposals and interviewed the top four firms on March 25, 2013, and, based on qualifications and interviews, the selection committee recommended that SGI be retained as the Program Manager.

The Agreement for Program, Project and Construction Management Services with SGI was approved by the Board on July 24, 2013. The date of this contract award is not within the timeframe of this 2012-13 audit and therefore this agreement will be addressed in greater detail in the 2013-14 performance audit. However, it is noted that the new agreement, includes a fee for services that is based on an hourly fee structure with no limit. It appears that there is not a mechanism established in the agreement to verify that the time spent on a task is appropriate to the task or if the task is necessary to the scope of the project. With programs of this complexity, agreements for PM/CM services would typically include some controls set on the scope of services and the associated fees. The services indicated in the approved agreement should be more clearly delineated, with the cost and/or hours associated with each task included.

It was reported in previous audits that a key function of the Master Scheduler and two other members of the consultant team have been to transition all projects and past project data to the Primavera Project Planner software. This process has been underway for more than two years and is reported to be significantly behind schedule. It was reported by District staff that the intent of the transition to the Primavera program is to link the project information to the District's financial software. An added element of complexity in this transition is that the District is currently converting their financial software from the Bi-Tech system to the Munis system. As of the 2012-13 audit period, the transition to the Primavera systems has been completed, however, the link to the District's Munis financial system is not yet complete.

In previous audits it was reported by District staff that inaccuracies have been noted in the Capital Assets Management Plan (CAMP) Reports. Prior to the transition to the Primavera systems, the CAMP was one of the key tools used by the Program Manager to track and report the revenues and expenditures of the measures M, D, J and D-2010 bond programs. The CAMP reports have been used as a reference in previous performance audits and inaccuracies were identified in the CAMP reports. With the implementation of the new Primavera software the CAMP process and reports have been discontinued. Although it was anticipated that the new software and the integration with the District's financial system would eliminate these issues, it appears that problems still exist. In a review of the Program Cashflow document dated July 1, 2012, a number of errors were identified. For example, in the 2012-13 expenditures section errors were noted in the sub-category totals for the Large Ongoing Projects, the District-Wide Costs, and the Large Series A Project categories as well as in the Total Expenditures listed. When these errors were reported to the District it was reported that they have been identified and corrected in the December 13, 2013 draft report of the Program Cashflow. A review of that draft did not note the corrections; however a number of additional errors were noted and will be addressed in the 2013-14 Performance Audit.

In past performance audits prepared for the District a significant number of agreements for Architectural Services and amendments to those agreements have been reported for each project. A review of the agreements and amendments from the 2012-13 audit period indicates that this practice continues to occur. There were thirty-one new agreements during the audit period. These agreements ranged in cost from \$2,900 for the design of the replacement of the gymnasium floor at Crespi Middle School to \$129,620 for the Site Master Planning at the Riverside Elementary School project. Of the thirty-one new agreements, seven were with Grossman Design Group to address potential water intrusion issues at various sites. Four agreements were for updates to District standards.

Thirty projects were impacted by contract amendments during the audit period and sixty-three contract amendments were made to these projects. The cost of the amendments ranged from \$495 to assist with changes due to contractor error at the Ohlone Elementary School project to \$225,000 for providing full time construction administration services for the Portola Middle School project. In one case, twelve additional contract amendments were added to a project, bringing the total number of amendments to twenty-four for that single project.

Reasons indicated for these contract amendments varied, however, many of the issues appear to involve a lack of planning prior to the commencement of design services. A significant number of changes were due to a change in District standards after the documents were completed or during the construction of the project.

Changes of this nature and of this extent are directly related to inefficiencies and result in increased costs. Work that is caused to be changed after it is completed is always more costly. In a program update presentation on June 19, 2013, it was reported that 20 percent of the total bond costs were for architectural and engineering services. Typically, architect's fees for modernization projects are a maximum of 12 percent and for new construction projects are a maximum of 9 percent. There is a correlation between the costs associated with changes and the higher overall costs for the architectural and engineering services. If changes to the documents are required after the work has been started, due to no fault of the architect, there is an additional cost to make that change. If changes are made during construction, some work may need to be modified, repaired and replaced with new products. This requires additional work by the design team, as well as the contractor, the inspector, the CM and the PM.

Additionally, in the June 19, 2013 presentation it was reported that 30 percent of the total bond expenditures have been spent on construction. Typically, hard construction costs are approximately 65 percent to 75 percent of the total project cost. When asked for more information District staff reported the following "The chart is not a traditional hard/soft cost model as temporary construction is categorized as a hard cost, but for our purposes in this presentation it's not ...we calculated the ratio between the primary construction contract versus all other costs (closeout, PM/CM fee, design/engineering fees, etc.). As such, when you apply 0.7 to the construction contract, you will result in the standard project ratio."

Observations

- In past performance audits it has been reported that the District's Program Management consultant is in the process of transitioning to Primavera Project Planner (P3) software for costs control and Primavera Expedition for schedule control. It was reported that these two systems are compatible with the District's new financial system, Munis, and will allow the District to create cost-loaded schedules for cost management and for more accurate schedule monitoring. At the time of the 2010-11 performance audit, the transition to Primavera Expedition was reported to be 90 percent complete. At the time of the writing of this 2012-13 performance audit the transition to the Primavera software packages was complete; however, the integration with the District's Munis system was not yet complete. This transition had been expected to be fully integrated with the District's budgeting software by September, 2012.
- Problems still exist with the accuracy of the information from the Primavera software packages. This may improve when the Primavera systems are fully integrated with the District's Munis system.
- The District consistently has a significant number of amendments made to their agreements for architectural services. In addition to adding higher overall costs for architects and other consultants to the projects excessive amendments can cause confusion and may lead to problems with invoicing and payments.
- The newly established agreement for Program, Project and Construction Management Services indicates a fee based on hourly charges. This type of agreement lacks the controls necessary to ensure that the time spent on activities and charged to the District is appropriate.

Conclusions

- It is anticipated that the full integration of the Primavera software and the District's Munis system will improve the accuracy of data and provide more effective tools for planning and monitoring the District's bond program projects, although ongoing issues with accuracy of the data will need to be rectified.
- While it is not uncommon for projects on existing sites to encounter unforeseen conditions or changes in scope warranting additional services, the number of amendments to the agreements for architectural services for these circumstances seems excessive. This indicates a lack of sufficient investigation of existing conditions and a lack of planning to adequately define the scope of the projects prior to the commencement of design services. In addition to the increased cost of design services, the significant number of amendments may lead to additional project costs and may increase the probability of inaccuracies in the invoicing and payment of the design services.
- The percentage of bond money being expended for actual construction of the District's projects is considerably lower than has been experienced by other districts.

Recommendations

- The District should increase efforts to properly develop the program and budget for each project and investigate the existing conditions at all sites prior to commencing the design process.
- It is recommended that the number of changes made due to updated District standards be minimized after the documents have been completed and during the construction phase of all projects. The District should develop and implement a plan to reduce design costs by establishing project requirements early in the design process and limiting deviations from that program.

District Response

- The slide the audit refers to is labeled “Supporting Cost in Relation to Construction Expenses”, it was intended to address the total overall project budget. Information that followed addressed the construction cost in relation to the total project budget and it varies from elementary, middle and high schools and it shows much different number between 58 to 60 percent.

DESIGN AND CONSTRUCTION SCHEDULES – [CASH FLOW ONLY]

Objective

The objective of this section is to gather and verify the adequacy of the District's efforts to establish and meet the approved design and construction schedules for bond funded projects.

Scope and Methodology

In this process TSS reviewed the documentation provided by the District and interviewed District and consultant staff to determine what the methods were for tracking revenues and expenditures and the effectiveness of those methods as a planning tool for each project. The following documents were provided by the District and used in this review:

- Program Cashflow, July 1, 2012;
- WCCUSD Master Program Schedule, October 11, 2011;
- Revised Facilities Budgets for Entire Facilities Program for Each Program, Printed October 22, 2013.

Background

TSS has reported in previous performance audits on the complexity of the WCCUSD bond program and the need for accurate tracking of the expenditures and anticipated revenues. Matching the timing of the revenues with expenditures is one of the basic elements of program planning, yet details can easily be overlooked leading to the inability of the District to meet contractual obligations. The most significant factors that impact the schedule of availability of various funding sources are:

- The availability of bond funds is dependent upon the ability of the District to sell the bonds that have been authorized by the voters. The sale of Proposition 39 bonds is most typically dependent upon the assessed value (AV) of residential and commercial property within the District. See the "Composite Bond Measures Financial Report" section of this report for a more detailed discussion of the District's AV. Additionally, District's typically do not want to sell bonds until the funds are needed.
- The availability of Developer Fees is dependent upon the overall economy; specifically on the ability of local developers to build and sell residential units.
- The availability of State funding is dependent upon the District's eligibility in the multiple funding programs that exist and the ability of the State to sell bonds authorized by California voters. During the current audit year, the State funds were limited and the funding programs were under review for potential revisions. See the "Compliance with State Law and Regulations" and District Provided Information sections of this report for details on the State funding received by the District.

A typical instrument used to match the revenues with project expenditures in a bond program is a cash flow analysis document or a bond draw-down schedule. The TSS auditors were provided with a copy of the “Program Cashflow” document prepared by the District’s consultant, SGI and used by the District to manage revenues and expenditures.

The “Program Cashflow” document reviewed for this audit is a comprehensive instrument indicating revenues from the different District bond measures; anticipated State funding; developer fee income; and anticipated interest income from the accounts holding these revenues. The document includes the anticipated timing of bond issuances and the projected revenue from the State funding programs. Expenditures include actual expenditures which have been incurred and projected expenditures for each project. Expenditures are estimated for each year through fiscal year 2023-24. This document can be a useful planning tool for the District if updated on a regular basis and when major events occur which impact either revenues and/or expenditures.

Observations

- A review of the Program Cashflow document indicated that the 2012-13 total anticipated expenditures for this period was more than \$2 million under the actual total of the expenditures shown in the table. A review of the fiscal year 2013-14 projects showed a \$13.6 million understatement of the project expenditures. Such inaccuracies may lead to an overage of expenditures on projects that may lead to delays and/or potential cancelation or downsizing of future projects.
- As noted in previous performance audits, the Capital Assets Management Plan (CAMP) report has been utilized to provide information to the staff and the CBOC on the progress of the projects and the financial status of the program. However, errors and inaccuracies in those reports were problematic and the District has discontinued the use of the CAMP report as a separate document and consolidated all information in the Primavera documentation. It is anticipated that the transition to the Primavera software and the integration with the District’s Munis financial system would limit these errors.
- As reported in previous performance audits, the cash flow project documents do not consistently include a project contingency. The cash flow document supplied for the 2012-13 audit did include a program contingency in fiscal years 2015-16 through 2021-22. However, the amount of the contingency was very low.
- The revenues section of the cash flow documents includes a number of potential funding sources. These revenues include funding anticipated from the State in fiscal years 2013-14, 2014-15 and 2018-19. These anticipated revenues have increased significantly over previous years projections. The State funding program is currently in transition with future State bonds in question. Inclusion of these potential funds in the planning process without a sufficient contingency may lead to scheduling issues and possible issues with the scope of future projects. It would be prudent for the District to wait until further State programs and the District’s eligibility in those programs are more well-defined before including those funds in the planning process.

- The anticipated availability of the remaining Measure J revenue has shifted from 2019-20 fiscal year to 2020-21 fiscal year according to the cash flow document.
- Interest income in the Program cash flow document supplied by the District has not been projected past the 2013-14 fiscal year.
- Developer fee income has been deleted from the revenue projections through the 2019-20 fiscal year.
- At the end of the 2017-18 fiscal year the Program cash flow indicated a balance of only \$10,383,041. During fiscal year 2013-14 two major projects are scheduled to be under construction: The Pinole Valley High School Reconstruction, with an estimated construction cost of \$84.5 million, and the Fairmont Elementary School Reconstruction, with an estimated construction cost of \$26.5 million. For fiscal year 2017-18 only \$1.8 million is budgeted for Program Contingency. If cost overruns develop or if the anticipated 2018-19 revenues are delayed, the District could experience difficulties in meeting their contractual commitments.

Conclusion

- During 2012-13, the District has continued to make progress in tracking the cash flow of the bond projects and matching the expenditures with the revenues. However, the accuracy of the projections should be evaluated to prevent cost overruns and difficulties in completing projects.

It was anticipated that the transition from the Bi-Tech financial system to the Munis system and the linking of the Primavera Project Planning system to the financial software will increase the accuracy of the cash flow projections and provide the District and the CBOC with a more accurate picture of project budgets and expenditures.

Recommendations

- The District should continue the use of the Program cash flow document to track and scheduled expenditures in coordination with the availability of revenues.
- The District should review and update the cash flow document on a monthly basis or when major events occur that would have an impact on revenues, expenditures or schedules.
- The District should increase the Program Contingency in the program to plan for unforeseen events that could delay high priority projects.

- The District should discontinue the use of State funding in the planning process until more is known about the future of the State funding program and the potential availability of those funds. The cash flow document indicates a total of \$33,889,702 in anticipated revenues from the State in fiscal year 2013-14 through 2018-19. If these funds are not realized, the shortfall could significantly impact the program schedules.
- The District should review and update the Program cash flow on a regular basis and, most critically, before committing to major construction contracts. Multi-year projects with significant construction costs that experience any delays in the anticipated revenues or cost over runs during may make it difficult for the District to meet contractual obligations.

DESIGN AND CONSTRUCTION COSTS AND BUDGETS

Objective

The objective of this section is to gather data and verify the adequacy of the District's efforts to establish and adhere to approved design and construction budgets for bond funded projects.

Scope and Methodology

In the process of preparing this audit section TSS staff interviewed District and consultant staff and reviewed relevant documents supplied by the District. These documents included:

- WCCUSD Projected and Available Funds, 2012;
- Board agenda documents on construction project bid approvals for contract amounts;
- Bid tabulations from the Bond Program website;
- Architectural agreements and amendments for the audit year;
- Revised "Facilities Budgets for Entire Facilities Program for Each Program", Primavera reports printed October 22, 2013; and
- Monthly Bond Program Budget Report, August 2013 (marked Draft).

Background

Previous TSS performance audits have discussed the background on State and District standards for size and quality in the projects. These standards form the basis for the project budgets on the District's projects. Through actions of the Board of Education, the District originally established standards known as "Option 1C Standards" to guide the bond program projects. In May, 2013, the District Board approved an updated Master Product List indicating those products or systems which are sole sourced, preferred or an approved equal. The products or systems which have been determined by the Board to have no equal (sole source) were approved by the Board on September 20, 2006 with Resolution 17-0607. These items have not changed.

The Architect of Record for each project is required to update the cost estimate for projects periodically during the course of the design and documentation. The estimates are reconciled with the budgets and modifications are made to the budget, the scope or both. These changes are then approved by the District. In addition to the estimates provided by the Architect, the District's Program Manager has three estimators who are responsible for verifying this information.

Construction Budgets

During the years 2008-2011, the construction industry experienced a steep decline in construction costs due to an economic recession that began in 2007. This trend of declining costs is evidenced in projects bid by the District during the 2008-09 period that resulted in bids that were generally lower in cost than the construction estimates. It also resulted in high bidder participation for District projects since there were substantially fewer public works and private construction projects available in the market. In the past year, construction costs have started to increase again. In January 2012, the State Allocation Board (SAB) approved an increase in the construction cost index of 3.76 percent, indicating that the construction costs for 2011 year (the construction cost index reflects construction costs for the previous year) had increased by that amount. In January 2013, the SAB again increased the construction cost index by 3.13 percent.

It may be some time before costs return to the levels experienced prior to the economic downturn; however, it is advisable to maintain contingencies at levels that take these increased costs into account. Although the industry has experienced only slight increases in construction costs since the start of the economic recovery, in the 2012-13 audit year, bids on major District projects were significantly over budget. Bids for smaller project tended to trend below budget.

Of the twenty-four bids reviewed for 2012-13, eight projects included acceptable bids in excess of the construction budget, thirteen projects included acceptable bids under the construction budget and three bids were rejected. The total of the construction budgets for these projects was \$76,923,614. The total of the lowest acceptable bids for these projects was \$107,121,608 or 39.26 percent over budget.

The two major projects bid during this timeframe, the Gompers Continuation High School and Leadership Public School (LPS) Replacement Campus and the Portola Middle School Replacement Campus project both included acceptable bids which were significantly in excess of the construction budget. The Gompers and LPS project was 46.7 percent over budget representing an increase in the construction cost at bid of \$15,581,599. The Portola Middle School project was 57.36 percent in excess of the construction budget representing an increase of \$15,652,461 in the construction cost at bid.

The following table, "Construction Budgets vs. Actual Bids, 2012-13", shows examples of projects bid and awarded during the period from July 1, 2012 through June 30, 2013. During this period, bidder participation ranged from 2 to 9 bidders and was slightly less than the previous year.

CONSTRUCTION BUDGETS VS. ACTUAL BIDS 2012-13

Site	Project Description	Bid Number	No. Of Bids	Construction Budget	Contract Amount	Variance
Gompers & LPS Replacement Schools	New Construction	3581366	6	\$38,305,751	\$53,887,350	(\$15,581,599)
Downer Elementary School ¹	CCS	2141103-08	3	\$76,000		
Harding Elementary School Foundation	Ventilation Repairs	1271223-01	3	\$61,700	\$59,000	\$2,700
Coronado Elementary School	Demolition	1121341-04	9	\$675,000	\$403,955	\$271,045
Pinole Middle School	Security Raceway Infrastructure	2121102-09	4	\$108,000	\$96,900	\$11,100
Downer Elementary School	CCS	2141103-08	4	\$76,000	\$83,600	(\$7,600)
Vista High School	Portable Technology Lab 1 & 2	37310019-00	4	\$110,000	\$89,000	\$21,000
Helms Middle School	Sports Fields & Landscaping	2101101-16	10	\$6,964,624 ²	\$5,951,048	\$1,013,576
King Elementary School	Site Drainage	1321204-02	5	\$85,000	\$57,100	\$27,900
Vista High School	Portable Technology Lab 1 & 2 - Civil Work	37310019-01	5	\$95,000	\$84,490	\$10,510
Harding Elementary School Foundation	Ventilation Repairs	1271223-01	3	\$81,000	\$99,850	(\$18,850)
Kennedy High School ¹	Temporary Science Classroom	3601211-19	6	\$92,000		
Portola Middle School	New Construction at Castro	2141103-06	6	\$27,289,539 ²	\$42,942,000	(\$15,652,461)
Kensington Elementary School	Restroom Renovations	1301223-17	3	\$118,000	\$156,900	(\$38,900)
Nystrom Elementary School	Abatement and Selective Demolition	1441205-11	2	\$595,000	\$977,766	(\$382,766)
Downer Elementary School	Restroom Renovations	1161223-02	5	\$239,000	\$192,000	\$47,000
Coronado & Stege Elementary Schools	Storm Drain Extension	1121341-05	4	\$60,000	\$56,000	\$4,000
Bayview Elementary School	Exterior Repairs – Roof	1041223-11R1	4	\$326,000	\$567,000	(\$241,000)
Collins Elementary School ¹	Restroom Renovation	1101612-06	7			
Kensington Elementary School	Moisture Abatement	1301223-18	3	\$185,000	\$175,000	\$10,000
Verde Elementary School	Restroom Renovation	1621223-14	5	\$49,000	\$56,960	(\$7,960)
Grant & Lake Elementary Schools	Fire Alarm Modernization	1251612-04 1341612-04	1	\$660,000	\$567,089	\$92,911
Grant & Lake Elementary Schools	Restroom Renovation	1251612-14 1341612-08	6	\$187,000	\$149,600	\$37,400

Site	Project Description	Bid Number	No. Of Bids	Construction Budget	Contract Amount	Variance
Vista Hills & Bayview Elementary Schools	Restroom Renovation	1631223-09 1041223-16	3	\$485,000	\$469,000	\$16,000
De Anza High School	Move, Furniture & Equipment		2		\$99,438	(\$99,438)

¹Bid rejected.

²Construction budget based on Architect's estimate at DSA submittal.

New Construction Accounting Software

The District is in the process of transitioning to new project planning and scheduling software. Since 2009, SGI has been using Primavera Project Planner (P3) for scheduling and cost accounting. In the 2011-12 performance audit it was reported that the District had recently adopted Primavera Expedition for more accurate cost accounting. The transition to P3 is complete and the transition to Primavera Expedition was reported in 2011-12 to be 90 percent complete. It was reported by staff that the transition to the new Primavera software is now complete; however, the integration with the District's Munis financial system is still in process.

One of the primary purposes for incorporating the Primavera software and integrating that software with the District's Munis system was to improve the accuracy of the information reported. In the review process for this audit errors were noted in one of the primary planning tools, the Program cash flow document. These issues will need to be resolved so that those receiving and using these reports can be confident in the information provided.

Observations

- The recent trend of declining construction costs has stabilized and as the overall economy continues to improve, construction costs have begun to rise. However, costs still remain at levels lower than in the early 2000s. Of the twenty-four project bids reviewed for this audit, thirteen were below budget and eight were in excess of the budget, three bids were rejected by the Board and two projects had insufficient data to evaluate.
- Bidder participation has continued at the high levels seen during the previous year. The number of bidders for the projects reviewed averaged between three and seven with one project receiving ten bids and one receiving only one bid. Both large projects reviewed received six bids each. This represents solid and consistent interest in the District's projects within the contracting community.
- The overall budget-to-bid comparison indicates that projects which received bids lower than estimated were significantly out-weighted in dollar value by those projects receiving bids in excess of the construction estimates. In total, the bids reviewed for 2012-13 were \$30,197,994 or 39.26 percent over budget.

- The transition to the Primavera software and the integration of that software into the District's financial system is taking significantly more time and resources than originally anticipated. The District's transition from the Bi-Tech financial software system to the Munis software system appears to have added greater complexity to this integration process.
- The District has engaged in a continuous process of updating the standards for products, systems and design. While these updates will provide the District with the most up-to-date elements for their projects, revising the projects to include the most recent standards after the design and construction documents have been completed or during the construction process has led to increased costs to the program.

Recommendations

- It is recommended that the District closely track and update the cash flow projections to reflect the bid results for all projects. Projects bid during this audit period were \$30,197,994 over the budgeted construction cost, which may impact the schedule of future projects.
- It is recommended that the District minimize changes to standards for projects for which construction has already begun to limit the increases in cost to the program.

BIDDING AND PROCUREMENT PROCEDURES

Objective

To gather data and verify that District bidding and awarding of bond funded construction projects comply with the requirements of the Public Contracting Code, State and other relevant laws and regulations.

Scope and Methodology

The scope of this section covers the activities of the District relating to the bidding and awarding of construction contracts for projects funded under the Measure J and D-2010 bond program for the period from July 1, 2012 through June 30, 2013. TSS conducted interviews with District staff and Program Management staff. In the process of this examination, TSS also reviewed Board agenda items, bid documents and contract documents for the following:

- Verification that bids were advertised in accordance with public contract code;
- Verification of bid results and board approval;
- Verification that contract documents, notices of award, notices to proceed, and other pertinent documentation was processed for the construction projects.

Background

Formal Public Bid Process. Public Contract Code, Section 20111, known as the formal public bid process, requires competitive bidding for public projects, subject to the limits imposed by the California State Controller's Office, through official advertisement in a newspaper of general circulation. Section 20111 likewise requires competitive bidding on purchases or lease of equipment, materials or supplies; services, not including construction services, or special services and advice in accounting, financial, legal or administrative matters; and repairs, including maintenance work that is not a public project. In the formal bid process, contracts shall be let to the lowest responsible bidder who shall give such security as the Board of Education requires, or else all bids shall be rejected.

District's Board Policy 3311 on bids (adopted February 6, 2008) states the following:

The District shall purchase equipment, supplies and services using competitive bidding when required by law and in accordance with statutory requirements for bidding and bidding procedures. In those circumstances where the law does not require competitive bidding, the Governing Board may request that a contract be competitively bid if the Board determines that it is in the best interest of the district to do so. To assist the District in determining whether bidders are responsible, the Board may require prequalification procedures as allowed by law and specified in administrative regulation.

Administrative Regulation 3311 on advertised and competitive bids (adopted October 6, 2008) notes that the District will seek competitive bids through advertisement for contracts involving an expenditure of \$15,000 or more for a public project (Public Contract Code 20111, 22002).

The District also shall seek competitive bids through advertisements for purchases of equipment, materials, or supplies to be furnished, sold or leased to the District that exceed the amount specified in PCC Section 20111a; Government Code 53060. (In 2013, this bid threshold was increased to \$83,000). The administrative regulation specifically addresses the following issues:

- Instructions and Procedures for Advertised Bids
- Bids Not Required
- Sole Sourcing
- Pre-qualification Procedure
- Protests by Bidders

Bids are received at the Facilities, Operation and Construction (FOC) office. After the bids are opened and reviewed, staff prepares the board agenda to award a contract to the successful bidder. When the Board approves the contract, a notice of award is issued. The contractor then has seven days to submit all the required documents. District staff issues a notice to proceed upon receipt of all signed contract documents.

For all District construction projects, the Program Manager provides for “Bid Marketing” by faxing bid announcements to contractors. The District also publishes advertisement for notice to bidders in the *West County Times*. Project plans are distributed at Ford Graphics in Oakland. Construction managers also follow up directly with various contractors in an effort to increase participation. These processes provide maximum exposure and awareness within the construction community and help ensure a competitive bidding process and pricing.

The District uses three different sets of front-end documents. (The District’s legal counsel updated the documents in February 2009.) The District also has a Project Labor Agreement (PLA) with various construction unions. The PLA was designed to promote efficient construction operations, ensure adequate supply of skilled craftspeople, and provide procedures for settling labor disputes. The PLA is applied to bond projects more than \$1 million in value.

Pre-qualification of Contractors/Bidders: As a condition of bidding construction work on certain District facilities or projects and in accordance with California Public Contract Code 20111.5 (e), the District requires prospective bidders to complete a pre-qualification questionnaire on District-supplied forms. Bids for certain construction projects are not accepted unless the District has pre-qualified a contractor. The pre-qualification process was designed to recruit established, responsible, and experienced public school construction contractors. (The notice of the required pre-qualification is also included in individual project bid advertisements, with instructions on obtaining forms and with a due date of five days prior to the bid deadline. Contractors without pre-qualification are allowed the opportunity to seek pre-qualification within seven days before bid opening.)

District facilities staff prepares the pre-qualification documents. General Building Contractors are required to complete the pre-qualification statement, including a financial statement. Program Management staff (SGI) is responsible for reviewing the pre-qualification statements, checking references, and scoring. Contractors are pre-qualified for one calendar year following the initial date of the pre-qualification. Pre-qualified contractors are posted on the updated list, together

with the dates of their pre-qualification for the Measure “J” Program Projects. In 2008-09, the District expanded its pre-qualification process into three categories:

1. Major projects between \$3 million and \$85 million
2. Small projects up to \$1 million, and
3. Small specialty projects up to \$3 million.

California Uniform Public Construction Cost Accounting Act (CUPCCAA).

On May 20, 2009, the Board of Education approved Resolution # 90-0809) to elect that the District become subject to the California Uniform Public Construction Cost Accounting Act (CUPCCAA) or the “Act”, promulgated by the California State Controller, under Public Contract Code 22030–22045, which allows public agencies who elect by resolution to become subject to the specified uniform construction cost accounting standards to increase the threshold for projects that may be performed without competitive bidding to \$45,000 or less, and to use informal bidding procedures for projects \$175,000 (\$187,500 in special circumstances) or less..

Under the Act, the District is required to create and maintain a list of qualified contractors for various categories of work. In November of each year, the District is required to publicly invite licensed contractors to submit their names for inclusion on the list.

- a) To contract for projects under \$45,000, the District may select a contractor from the list of pre-qualified contractors and negotiate a contract or issue a purchase order without going through a bid process.
- b) To informally bid public projects ranging from \$45,000 to \$175,000, the District must mail bid notices, at least ten days before bids are due, to all pre-qualified contractors listed on the appropriate trade category and to specified trade journals. The notices must provide the contractors and trade journals with general information on the type of services sought for the project, as well as the time and place of bid submission.
- c) To formally bid public projects above \$175,000, the District must mail a notice inviting formal bids, at least thirty calendar days before bids are due, to all construction trade journals specified in the Cost Accounting Policies and Procedures Manual of the California Uniform Public Construction Cost Accounting Commission. The notice to bidders must be published at least weekly for a period of two weeks in a general circulation newspaper.

The Act also allows the District’s governing board to delegate authority to award informal contracts under the program to specific staff members. On April 28, 2010, the Board of Education approved the delegation of authority to award contracts of \$100,000 or less to the Superintendent and the Assistant Superintendent of Operations. According to staff, projects that are formally and informally bid and awarded under the Act are submitted to the Board of Education for ratification.

Bidding Practices for Roofing Projects

On August 30, 2009, the State legislature passed AB 635, which added an “urgency basis” provision to the Public Contracting Code. AB 635 is the result of a lengthy investigation by the Assembly Committee on Accountability and Administrative Review and the June 30, 2010, hearing that uncovered evidence of consistent overcharging on school roofing projects despite Public Contract Code provisions that require competitive bidding in publicly funded construction. According to the report, the investigation confirmed that proprietary specifications were used in bidding documents on school roofing projects to force contractors to use a specific manufacturer’s products even though there were other roofing manufacturers supplying similar products. Some contractors also could not bid on certain jobs because they did not have manufacturer approval for the proprietary specifications in the project. It was concluded that this process often leads to inflated project costs and overcharging on school roofing projects.

To help promote competition, AB 635 requires that the specifications for any roofing project name at least three separate manufacturers with the ability to supply the product or comply with the required performance standards of the specified material or system. The measure also provides several enhancements, including a process of evaluating “equal” products and verifying that specifications are designed to conform to state codes. The intent of the measure is to avoid inflated prices and concomitant problems that arise from specification of one “propriety” roofing product for roofing projects.

According to staff, the District has, in the past, specified proprietary product roofing systems as its standard product for roofing replacement and repairs projects. The specified roof type was a built-up roofing system comprised of multiple layers of asphalt roofing material and a cap sheet. This product or system was specified and used on construction projects funded under Measure M and in earlier projects funded with Measure D (2002) bonds. However, after experiencing problems with product quality issues on the specified roofing system, the District commissioned a roofing consultant to review the District’s standard roofing specifications and to develop recommended roofing system specifications and product quality standards for future projects.

The District roofing consultant developed new specifications for modified bitumen roofing systems that do not require proprietary materials or products, thereby allowing several manufacturers and bidders to participate in the bid process while providing materials, products, or services compliant with the District’s specifications.

Review of Projects Bid and Awarded

The following table details all of the Measure J and D-2010 projects bid and awarded during fiscal year 2012-13. The table provides the bid opening date, the number of bidders, results, and variances between bids.

**Bid Results and Contract Awards
July 1, 2012 – June 30, 2013**

Site	Project Description	Bid Number	Bid Opening	No. Of Bids	High Bid	Low Bid	Variance	Board Approval Date	Awardee/ Contractor	Contract Amount
Peres Elementary School	Modernization	1471390-00	6/27/12	3	\$1,493,000	\$1,235,000	(\$258,000)	7/06/12	Cal Pacific	\$1,490,000
Richmond High School	Emergency Lighting Replacement	3641612-02	6/28/12	2	\$285,000	\$282,000	(\$3,000)	7/23/12	ERA Construction	\$285,000
Ellerhorst Elementary School	Re-roof	1171223-12	6/28/12	3	\$1,865,000	\$1,077,100	(\$787,900)	7/23/12	Alcal Specialty Contracting	\$1,576,270
Gompers & LPS Schools	New Construction	3581366	7/10/12	6	\$58,712,000	\$53,365,000	(\$5,347,000)	7/23/12	Lathrop Construction ¹	\$53,887,350
Downer Elementary School	California Children Services (CCS)	2141103-08	7/11/12	3	\$115,000	\$93,200	(\$21,800)		No Board action ²	
Harding Elementary School	Foundation Ventilation Repairs	1271223-01	7/13/12	3	\$82,800	\$59,000	(\$23,800)	7/23/12	Saboo, Inc. ³	\$59,000
Coronado Elementary School	Demolition	1121341-04	10/23/12	9	\$917,000	\$563,475	(\$353,525)	11/14/12	Wreck Age Demolition ⁴	\$403,955
Pinole Middle School	Security Raceway Infrastructure	2121102-09	10/25/12	4	\$110,000	\$96,900	(\$13,100)	11/14/12	Am Woo Construction	\$96,900
Downer Elementary School	CCS	2141103-08	11/01/12	4	\$103,000	\$83,600	(\$19,400)	11/28/12	Arthulia, Inc.	\$83,600
Vista High School	Portable Technology Lab 1 & 2	37310019-00	11/01/12	4	\$130,000	\$89,000	(\$41,000)	11/28/12	ERA Construction	\$89,000
Helms Middle School	Sports Fields & Landscaping	2101101-16	11/27/12	10	\$7,182,119	\$6,029,348	(\$1,152,771)	1/09/13	Robert A. Bothman ⁵	\$5,951,048
King Elementary School	Site Drainage	1321204-02	11/27/12	5	\$97,777	\$57,100	(\$40,677)	1/09/13	Breneman, Inc.	\$57,100
Vista High School	Portable Technology Lab 1 & 2 - Civil Work	37310019-01	11/28/12	5	\$139,000	\$84,490	(\$54,510)	3/06/13	American Asphalt	\$84,490
Harding Elementary School	Foundation Ventilation Repairs	1271223-01	11/29/12	3	\$122,700	\$99,850	(\$22,850)	1/09/13	HM Construction ⁶	\$99,850

Site	Project Description	Bid Number	Bid Opening	No. Of Bids	High Bid	Low Bid	Variance	Board Approval Date	Awardee/ Contractor	Contract Amount
Portola Middle School	New Construction at Castro	2141103-06	3/21/13	6	\$44,977,000	\$42,942,000	(\$2,035,000)	4/10/13	Arntz Builders, Inc.	\$42,942,000 ⁷
Kensington Elementary School	Restroom Renovations	1301223-17	3/27/13	3	\$242,051	\$156,900	(\$85,151)	4/24/13	AM Woo Construction	\$156,900
Nystrom Elementary School	Abatement and Selective Demolition	1441205-11	3/28/13	2	\$1,762,085	\$977,766	(\$784,319)	4/10/13	Performance Abatement	\$977,766
Downer Elementary School	Restroom Renovations	1161223-02	4/02/13	5	\$354,000	\$192,000	(\$162,000)	4/24/13	Streamline Builders	\$192,000
Coronado & Stege Elementary Schools	Storm Drain Extension	1121341-05	4/04/13	4	\$68,900	\$56,000	(\$63,300)	4/24/13	Trinet Construction	\$56,000
Bayview Elementary School	Exterior Repairs - Roof	1041223-11R1	4/30/13	4	\$978,350	\$290,000	(\$688,350)		No Board action ⁸	
Collins Elementary School	Restroom Renovation	1101612-06	5/02/13	7	\$450,000	\$169,000	(\$281,000)		No Board action ⁹	
Kensington Elementary School	Moisture Abatement	1301223-18	5/09/13	3	\$327,000	\$175,000	(\$152,000)	6/12/13	Arthulia, Inc.	\$175,000
Verde Elementary School	Restroom Renovation	1621223-14	5/23/13	5	\$59,820	\$56,960	(\$2,860)	6/12/13	Streamline Builders	\$56,960
Grant & Lake Elementary Schools	Fire Alarm Modernization	1251612-04 1341612-04	5/28/13	1	\$0	\$567,089	\$0	6/12/13	BBJ Electric, Inc.	\$567,089
Grant & Lake Elementary Schools	Restroom Renovation	1251612-14 1341612-08	6/04/13	6	\$207,250	\$155,600	(\$51,650)	6/26/13	AM Woo Construction	\$149,600
Vista Hills & Bayview Elementary Schools	Restroom Renovation	1631223-09 1041223-16	6/27/13	3	\$495,000	\$469,000	(\$26,000)			
De Anza High School	Move, Furniture & Equipment		4/25/13	2	\$131,960	\$99,438	\$32,522	5/15/13	Crown WMS	\$99,438

¹ The apparent low bidder, McCarthy Building Co., Inc., withdrew its bid due to clerical and mathematical errors. The bid was awarded to the second lowest bidder.

² TSS could not find Board action taken to award or reject the bid.

³ Project was bid and the Board approved the award to the lowest bidder, Saboo, Inc., on July 23, 2012. However, it appears that the same project was again bid on January 1, 2013 and awarded to HM Construction.

⁴ The award of bid was based on Base Bid only (unit prices not included), in the amount of \$403,955, to Wreck Age Demolition.

⁵ The award of bid was based on Base Bid only (unit prices and alternates 1 & 2 not included), in the amount of \$5,951,048, to Robert A. Bothman, Inc.

⁶ Project was bid and the Board approved the award to the lowest bidder, HM Construction, on January 1, 2013. However, it appears that the same project was previously bid and awarded to Saboo Inc., on July 23, 2012.

⁷ The apparent low bidder, Affordable Painting Services, withdrew its bid due to clerical and mathematical errors. The Board awarded the bid to the second lowest bidder, US Matrix Construction.

⁸ TSS could not find Board action taken to ratify staff awarded contract.

⁹ TSS could not find Board action taken to award or reject the bid.

Bid Samples

For the current year, 2012-13, the following bids were reviewed and analyzed for completeness and compliance with the formal public bid process:

Ellerhorst Elementary School Re-roofing - #1171223-12

The Bid Advertisement for the project was published on June 3 and 10, 2012, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart, and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Three sealed bids were received and opened in public view on June 28, 2012. The table below summarizes the outcome of these bids.

Contractor	Base Bid
Best Contracting Services	\$1,077,100
Alcal Specialty Contracting	\$1,576,270
Enterprise Roofing Service	\$1,865,000
<i>Budget = \$750,000</i>	
<i>No allowances included in the base bids</i>	

After reviewing the bid documents, the District deemed the apparent low bidder, Best Contracting Inc., non-responsive. Therefore, the District reviewed the remaining bids and determined that the second lowest bidder, Alcal Specialty Construction, was the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 110 percent or \$826,270 higher than the estimated budget of \$750,000. Award of contract was approved by the Board of Education on July 23, 2012. Staff issued the Notice of Award (NOA) to the successful bidder, Alcal Specialty Construction, on July 5, 2012, in the amount of \$1,576,270 (based on Base Bid only). Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond, and certificates of insurance, staff issued the Notice to Proceed (NTP) on August 1, 2012. The NTP specified that the contract commenced on August 1, 2012, and that the anticipated date of completion would be August 17, 2013.

Gompers/ Leadership Public High School (LPS) New Construction – #3581336

The Bid Advertisement for the project was published on May 20 and 27, 2012, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Six sealed bids were received and opened in public view on July 10, 2012. The table below summarizes the outcome of these bids.

Contractor	Base Bid
McCarthy Building Co.	\$53,365,000
Lathrop Construction, Inc.	\$53,887,350
Arntz Builders, Inc.	\$54,852,764
Roebbelen Contracting, Inc.	\$57,192,913
Alten Construction, Inc.	\$58,416,669
S.J. Amoroso Construction, Inc.	\$58,712,000
<i>Budget = \$34,000,000</i>	
<i>No allowances included in the base bids</i>	

The apparent low bidder, McCarthy Building Company, Inc., withdrew its bid due to clerical and mathematical errors. Therefore, the District reviewed the remaining bids and determined that the second lowest bidder, Lathrop Construction Associates, Inc., was the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 58.5 percent or \$19,887,350 higher than the estimated budget of \$34,000,000. Award of contract was approved by the Board of Education on July 23, 2012. Staff issued the Notice of Award (NOA) to the successful bidder, Lathrop Construction Associates, on July 24, 2012 in the amount of \$53,887,350 (based on Base Bid only). Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond and certificates of insurance, staff issued the Notice to Proceed (NTP) on August 10, 2012. The NTP specified that the contract commenced on August 20, 2012, and that the anticipated date of completion would be on August 15, 2015.

Coronado Elementary School Demolition - #1121341-04

The Bid Advertisement for this project was published on September 9 and 16, 2012, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart, and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Nine sealed bids were received and opened in public view on October 23, 2012. The table below summarizes the outcome of these bids.

Contractor	Base Bid	Unit Price	Total Bid
Wreck Age Demolition	\$403,955	\$159,520	\$563,475
Cleveland Wrecking Co.	\$453,500	\$144,205	\$597,705
Applied Water Resources	\$464,500	\$138,335	\$602,835
Joseph J. Albanese	\$462,710	\$177,910	\$640,620
S & H Construction	\$552,300	\$110,730	\$663,030
Evans Brothers	\$493,700	\$205,336	\$699,036
Vila Construction	\$505,261	\$205,416	\$710,677
PARC Services	\$526,668	\$220,530	\$747,198
Cal-Pacific Construction	\$703,390	\$213,610	\$917,000
<i>Budget = \$675,000</i>			
<i>No allowances included in the base bids</i>			

After reviewing the bid documents, the District declared the apparent low bidder, Wreck Age Demolition, the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 40 percent or \$271,045 lower than the estimated budget of \$675,000. Award of contract was approved by the Superintendent's designee on October 30, 2012 and ratified by the Board of Education on November 14, 2012. Staff issued the Notice of Award (NOA) to the successful bidder, Wreck Age Demolition, on October 30, 2012 in the amount of \$403,955 (based on Base Bid only). Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond, and certificates of insurance, staff issued the Notice to Proceed (NTP) on November 16, 2012. The NTP specified that the contract commenced on November 26, 2012, and that the anticipated date of completion would be on March 26, 2013.

Helms Middle School Sports Fields and Landscaping – #2101101-16

The Bid Advertisement for the project was published on October 14, and 21, 2012, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions seven days apart and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Ten sealed bids were received and opened in public view on November 27, 2012. The table below summarizes the outcome of these bids.

Contractor	Base Bid	Unit Price	Alt. # 1 & 2	Total Bid
R. A. Bothman, Inc.	\$5,617,348	\$78,300	\$333,700	\$6,029,348
Lathrop Construction	\$5,531,548	\$75,802	\$483,650	\$6,091,000
O.C. Jones & Sons, Inc.	\$5,800,000	\$115,300	\$395,000	\$6,310,300
Ghilotti Brothers	\$5,944,300	\$58,700	\$395,000	\$6,398,000
Interstate Grading & Paving	\$5,729,800	\$104,100	\$681,000	\$6,514,900
S.J. Amoroso Construction	\$6,111,000	\$81,000	\$455,000	\$6,647,000
Vila Construction	\$6,093,836	\$84,026	\$510,225	\$6,688,086
F & H Construction	\$6,198,000	\$78,000	\$447,000	\$6,723,000
Roebbelen Contracting	\$6,328,000	\$78,300	\$566,000	\$6,972,300
Granite Rock Company	\$6,629,510	\$79,700	\$472,909	\$7,182,119
<i>Budget = \$6,900,000</i>				
<i>No allowances included in the base bids</i>				

After reviewing the bid documents, the District declared the apparent low bidder, Robert A. Bothman, Inc., the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 13.75 percent or \$948,952 lower than the estimated budget of \$6,900,000. The estimated budget for this project was \$6,900,000. Award of contract was approved by the Superintendent's designee on December 6, 2012 and ratified by the Board of Education on January 9, 2013. Staff issued the Notice of Award (NOA) to the successful bidder, Robert A. Bothman, Inc., on December 6, 2012 in the amount of \$5,951,048 (based on Base Bid plus Alternates 1 & 2 only). Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond, and certificates of insurance, staff issued the Notice to Proceed (NTP) on December 21, 2012. The NTP specified that the contract commenced on January 7, 2013, and that the anticipated date of completion would be February 1, 2014.

Portola Middle School New Construction – Bid #2141103-06

The Bid Advertisement for this project was published on January 27 and February 3, 2013, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart, and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Six sealed bids were received and opened in public view on March 21, 2013. The table below summarizes the outcome of these bids.

Contractor	Base Bid	Unit Price	Total Bid
Arntz Builders	\$42,762,406	\$180,112	\$42,942,000
Lathrop Construction	\$43,582,580	\$211,134	\$43,793,714
Alten Construction, Inc.	\$43,881,859	\$241,163	\$44,123,022
Roebbelen Contracting	\$44,134,000	\$209,281	\$44,343,281
Wright Contracting	\$44,244,000	\$206,065	\$44,450,365
S.J. Amoroso Construction	\$44,784,200	\$192,800	\$44,977,000
<i>Budget = \$34,000,000</i>			
<i>No allowances included in the base bids</i>			

After reviewing the bid documents, the District declared the apparent low bidder, Arntz Builders, the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 27 percent or \$8,942,000 higher than the estimated budget of \$34,000,000. Award of contract was approved by the Board of Education on April 10, 2013 in the amount of \$42,942,000. On April 2, 2013, staff issued the Notice of Award (NOA) to the successful bidder, Arntz Builders, in the amount of \$42,762,406. Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond, and certificates of insurance, staff issued the Notice to Proceed (NTP) on April 30, 2013. The NTP specified that the contract commenced on May 13, 2013, and that the anticipated date of completion would be after 960 calendar days.

Bayview Elementary School Exterior Repairs (Roof) – Bid #1041223-11R1

The Bid Advertisement for the project was published on May 10 and 17, 2013, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart, and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Four sealed bids were received and opened in public view on May 30, 2013. The table below summarizes the outcome of these bids.

Contractor	Base Bid
Affordable Painting Services	\$290,000
U.S. Matrix Construction	\$567,000
AM Woo Construction	\$646,000
B Bros Construction	\$978,350
<i>Budget = \$326,000</i>	
<i>No allowances included in the base bids</i>	

The apparent low bidder, Affordable Painting Services withdrew its bid due to clerical and mathematical error. Therefore, the District reviewed the remaining bids to determine the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 98.2 percent or \$320,000 higher than the estimated budget of \$326,000. Award of contract to the successful bidder, AM Woo Construction, was approved by the Superintendent's designee on June 17, 2013. As of June 30, 2013, the award has not been submitted to the Board for ratification. Staff issued the Notice of Award (NOA) to AM Woo Construction, on June 17, 2013, in the amount of \$646,000. Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond and certificates of insurance, staff issued the Notice to Proceed on June 26, 2013. The Notice to Proceed specified that the contract commenced on July 8, 2013 and that the anticipated date of completion would be November 5, 2013.

Grant and Lake Elementary Schools Restroom Renovations - #1251612-04/1341612-04

The Bid Advertisement for this project was published on May 10, and 17, 2013, in the *West County Times*. The Notice to Bidders was advertised on two separate occasions, seven days apart and there were at least fourteen days between the first bid publication and the opening of bids as required by law. Six sealed bids were received and opened in public view on June 4, 2013. The table below summarizes the outcome of these bids.

Contractor	Base Bid	Unit Price	Total Bid
AM Woo Construction	\$149,600	\$6,000	\$155,600
Streamline Builders	\$162,600	\$1,000	\$163,000
Hung Construction	\$170,000	\$2,500	\$172,500
Affordable Painting Services	\$180,000	\$3,290	\$183,290
ERA Construction	\$180,000	\$4,550	\$184,550
World Priority Construction	\$205,000	\$2,250	\$207,250
<i>Budget = \$187,000</i>			
<i>No allowances included in the base bids</i>			

After reviewing the bid documents, the District declared AM Woo Construction the lowest responsible bidder with a responsive bid for the project. The lowest responsive bid came in at 20 percent or \$37,400 lower than the estimated budget of \$187,000. Award of contract was approved by the Superintendent's designee on June 6, 2013 and ratified by the Board of Education on June 26, 2013. Staff issued the Notice of Award (NOA) to the successful bidder, AM Woo Construction, on June 7, 2013 in the amount of \$149,600 (based on Base Bid only). Upon receipt of the required bid securities which include the signed copies of the contract agreement, performance bond, payment bond, and certificates of insurance, staff issued the Notice to Proceed (NTP) on June 21, 2013. The NTP specified that the contract commenced on June 24, 2013 and that the anticipated date of completion would be on October 23, 2013.

Observations

- District staff has incorporated into the Board approval process a bid award log which is coordinated with the scheduled Board meetings. The purpose of the document is to ensure that all bids, accepted or rejected, are taken to the Board of Education for approval or ratification.
- During fiscal year 2012-13, the District conducted twenty-six competitive formal public bids for construction contracts funded under the Measure J-2005 and D-2010 bonds. Based on the review and verification of bids, contracts were awarded to the lowest responsive responsible bidders in accordance with the requirements of the public contracting code.
- The District has consistently implemented the pre-qualification process and maintained and updated the list of pre-qualified contractors to perform work on Measure J and D-2010 bond program projects in compliance with the Public Contract Code and the CUPCCAA informal bidding requirements. The October 10, 2013 updated posting, on the District's Bond Program website, listed fifteen general contractors for the Pre-Qualified General Contractors list, and one hundred-thirty four trade/sub-contractors for the Pre-Qualified Trade/Sub-Contractors list for Measure J and D 2010 Bond Program Projects.
- Sixty-two percent or sixteen bids out of twenty-six projects bid during the current audit period came in below the District's estimated construction costs. The increase from last year (57 percent) could indicate that the bidding climate has improved and remained favorable to the facilities construction program, although as noted in the Design and Construction Budgets section of this report, projects that received bids higher than estimated significantly out-weighed in dollar value those projects that received bids lower than estimated. Bid participation remained high, ranging from one to ten bidders per project, or an average of four bidders per bid.
- The Board of Education ratified the award of sixteen minor projects, at eight school sites that were bid and awarded by staff utilizing the CUPCCAA informal bidding processes for the bond program during the current fiscal year.

Findings

- The District conducted formal public bids for the Downer Elementary School California Children Services (CCS) project on July 11, 2012 and for the Collins Elementary School Restroom Renovations project on May 2, 2013. However, TSS could not find evidence of Board action to either award or reject these bids. This is not in compliance with Public Contract Code Section 2011 which places the authority solely on the Board of Education to award contracts to the lowest responsive bidder or to reject all bids.

- On July 12, 2012, the District conducted a public bid for Harding Elementary School Foundation Ventilation Repairs project (Bid no. 1271223-01). Based on staff recommendations, the Board approved the award of bid on July 23, 2012 to the lowest bidder, Saboo Inc., in the amount of \$59,000. However, review of available documents indicate that the same project was bid again on November 29, 2012 and awarded to the lowest bidder, HM Construction, in the amount of \$99,850. During the review of Board agenda items, TSS could not find evidence of Board action, to rescind one of the awards or terminate one of the awarded contracts to rectify this duplication.
- On April 2, 2013, based on Board approval on March 27, 2013 staff issued a Notice of Award (NOA) for the Portola Middle School New Construction project to Arntz Construction in the amount of \$42,762,406. However, on April 10, 2013, staff submitted to the Board of Education for ratification, the award of bid to Arntz Construction, in the amount of \$42,942,000. The contract amounts presented in these two documents differ by \$179,595.
- On June 17, 2013, the superintendent's designee approved the award of bid and issued the Notice of Award (NOA) for the Bayview Elementary School Exterior Repairs project to AM Woo Construction, in the amount of \$646,000. However, as of June 30, 2013, the award had not been submitted to the Board of Education for ratification. This is not in compliance with Education Code 17604 which allows the Board of Education to delegate the power to contract to the superintendent or his designee, provided however, that no contract awarded to contractors pursuant to the delegation shall be valid unless and until the same have been approved or ratified by the Board of Education.

Conclusion

- Results of the examination of bidding and procurement documents during the current audit period indicated that, except for the findings noted above, the District is in compliance with the requirements of the Public Contract Code Section 20111 – competitive bidding for public projects and Sections 22030-22045 (CUPCCAA) – alternative informal bidding process for public projects, in the bidding and awarding of bond funded construction projects.

Recommendation

- It is recommended that staff continue to improve the contract award process that is now in place, to ensure that all contracts awarded by the Board's designees are submitted to the Board for approval or ratification in compliance with Education Code 17604. Likewise, all bids for construction projects, solicited and received by the District by authority of the Board, that do not meet the requirements of the project, shall at all times be officially rejected by the Board of Education.

District Response

The District agrees with the Findings and offers the following additional information.

- **Downer Elementary School CCS Bid on July 11, 2012**

Letters of Intent to Reject all Bids were dated August 10, 2012 and issued to three contractors. The project was rebid, with bid opening November 1, 2012. Contract was ratified at the Board meeting of November 28, 2012.

- **Collins Elementary School Restroom Renovations Bid on May 2, 2013**

After bids were received the project was suspended due to budgetary reasons. Letters to the seven contractor who bid the project were dated/issued May 16, 2014. The project was not rebid.

- **Harding Elementary School Foundation Ventilation Repairs**

After award, Saboo withdrew their bid. Letters of Intent to Reject all Bids was dated August 2, 2012, and issued to the two remaining contractors.

CHANGE ORDER PROCEDURES

Objective

To gather data and review change order documents to verify that the processing of change orders for bond funded construction projects comply with the requirements of the Public Contract Code, state laws and other regulations.

Scope and Methodology

The scope of the verification process in this section covers change orders generated by the construction team and approved by the Board of Education during the period from July 1, 2012 through June 30, 2013. In the process of this examination, TSS obtained relevant documents and conducted interviews with members of the District and program management staff. An analysis of change orders was prepared to determine the cost of change orders for each construction project and review the procedures that the District follow to authorize and approve change orders as prescribed under the public contracting code. Information obtained from the 2012-13 Board of Education meeting agendas and minutes, and facilities documents related to change orders was also used in preparing this analysis.

Background

Change orders occur for a variety of reasons. The most common reason is discrepancies between the actual condition of the job site and the architectural plans and drawings. Because small repairs are made to school facilities over time and because changes are not typically reflected in the District's archived drawings, architects may miss such information until the issue is discovered during construction or until a wall or floor, for example, is uncovered. In general, change orders for modernization cannot be avoided due to the age of the buildings, inaccuracy of as-built records, presence of hidden hazardous materials, or other unknown conditions – all of which contribute to the need for authorizing additional work.

Change orders are also generated to authorize the District's request for additional work, changes in scope (additions/deletions), or changes to materials/products used. These requests are usually driven by changes to the programmatic and instructional use intent of a facility, occurring between the approval of the design concept and the time when actual construction happens, that necessitate changes to products, materials and design of a project.

Most change orders, however, are triggered by a Request for Information (RFI) – a request for clarification in the drawings or specifications, which the architect and/or project engineers then review and address. The architect's response or directive determines whether additional or alternative work is necessary. If it is determined that work additions, reductions, or deletions are necessary, the contractor submits a Proposed Change Order (PCO) for the additional cost, a reduction in cost, and/or a time extension based on the determination.

Public Contracting Code (PCC). PCC Section 20118.4 (a) and (b) states that the governing board of the district may authorize the contractor to proceed with the performance of changes or alterations of a contract (change orders), without the formality of securing bids, if the cost so agreed upon does not exceed the greater of the following:

- (1) The amount specified in Section 20111 (\$15,000) or 20114 (force account) whichever is applicable to the original contract; or
- (2) Ten percent of the original contract price

As stated, the threshold for change orders is 10 percent of the original contract amount. To verify the District's compliance with this requirement, TSS recommended that the District obtain a legal opinion on the application of this statute. The District's legal counsel's opinion indicated that the statutory 10 percent change order limit applies to individual change orders and not on the aggregate total of change orders for a project.

Allowances. The District's past construction practice involved the inclusion of allowances in the construction contract amount. Bond funded projects were bid with specified amounts of allowances to be included in the contractor's bid amount. These funds are to be set aside within the contract itself and used for unforeseen conditions, known but indeterminate items, discrepancies between as-built drawings and actual conditions, or any other anticipated concealed problems such as hazardous materials. The District authorizes and approves the specific cost items to be charged to the allowances, as they occur in the field, through the use of change orders. Unused allowances are credited back to the District.

TSS reviewed change orders for construction projects, as part of the performance audit process, to track and verify the use allowances. Results of the reviews verified that the use of allowances were authorized and approved through the issuance of change orders. The District stopped the practice of including allowances in construction contract amounts during fiscal year 2011-12. To set aside funds within the contract for known but indeterminate items, and presence of hazardous materials, bidders are now required to bid unit prices in addition to the base bid price.

Retention on Contract Payments. Senate Bill (SB) 293, which was signed into law on October 9, 2011, restricts retention amounts in public construction contracts to not exceed five percent of the total contract price. The 5 percent limit, which applies to all contracts entered into on or after January 1, 2012, is found in Public Contract Code Section 7201. As an exception under Section 7201(b)(4), the code allows a higher percentage of retention based on a finding by the governing Board that the project is substantially complex and therefore requires a higher retention amount than the prescribed 5 percent. On January 4, 2012, the Board adopted Resolution 74-112, which delegated the authority to the Superintendent to make a determination whether a project is substantially complex as to allow the District to withhold retention amounts higher than 5 percent of the contract price.

Notices of Completion. Changes to the California Civil Code, Section 9204(a), regarding the filing of NOCs and “Stop Notices” took effect on July 1, 2012. These changes now allow the owner (District) to record the Notice of Completion (NOC), with the county recorder, up to *fifteen days* after “completion” of the project, which is longer than the currently specified ten days. Additionally, “Completion” is now defined as the date of the owner’s (Board of Education) acceptance of the project. If the owner records the NOC on time, the subcontractor must give a Stop Payment Notice (SPN) to the owner within thirty days of the recording. If the owner does not record the NOC on time, a subcontractor may file SPN within ninety days.

Change Orders 2012-13

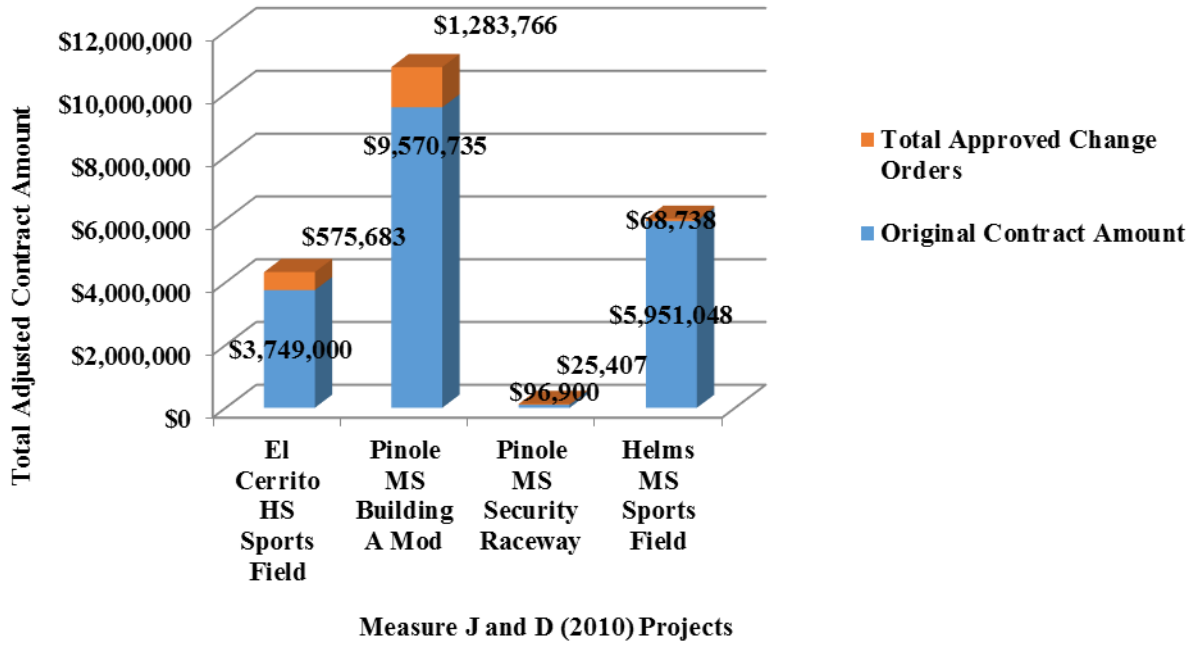
Change orders are evaluated and negotiated by the construction team which is composed of the Construction Manager (CM), Architect of Record (AOR) and Inspector of Record (IOR). Negotiated change orders are then reviewed by the Change Order Committee and submitted to the Superintendent’s designees for approval. PCOs that comprise a change order are tabulated in the Summary Sheet, an attachment which lists the PCO number, the reasons for the changes, reference documents (e.g., RFIs, Construction Change Directives, etc.), requested time extensions, and negotiated amounts. Negotiated change orders approved by the Superintendent’s designees are submitted to the Board of Education for ratification and approval.

The Board of Education obtains a better perspective and understanding of the change orders submitted for approval or ratification, from a written summary of change orders provided by staff prior to the Board meeting.

The charts and graphs below summarize the total approved change orders generated by active construction projects funded by Measure J - 2005 and Measure D - 2010 bond programs from the start of construction through fiscal year 2012-13:

Measure J and D (2010) Projects	Original Contract Amount	Total Approved Change Orders	% of Original Contract Amount	Total Adjusted Contract Amount
El Cerrito High School Sports Field	\$3,749,000	\$575,683	15.36%	\$4,324,683
Pinole Middle School Building A Modernization	9,570,735	1,283,766	13.41%	10,854,501
Pinole Middle School Security Raceway Infrastructure	96,900	25,407	26.22%	122,307
Helms Middle School Sports Fields and Landscape	5,951,048	68,738	1.16%	6,019,786
Total	\$19,367,683	\$1,953,594	10.09%	\$21,321,277

**Change Orders generated by Measure J and D (2010) projects
under construction during 2012-13 fiscal year**



Totals

Construction Contracts: \$19,367,683
Total Approved Change Orders: \$1,953,594
% of Original Contract Amount: 10.09%
Total Adjusted Contract Amount: \$21,321,277

Measure J - 2005 Projects	Original Contract Amount	Total Approved Change Orders	% of Original Contract Amount	Total Adjusted Contract Amount
Collins ES New Fire Alarm	\$239,788	\$16,898	7.05%	\$256,686
De Anza HS Replacement Campus	62,508,000	5,743,846	9.19%	68,251,846
Dover ES New Campus Construction	21,491,000	1,084,512	5.05%	22,575,512
Ellerhorst ES Restroom Upgrades	175,000	-9,138	-5.22%	165,862
Harding ES Restroom Upgrades	235,000	-14,736	-6.27%	220,264
Lincoln ES Restroom Upgrades	245,000	1,424	0.58%	246,424
Tara Hills ES Restroom Upgrades	230,000	-15,196	-6.61%	214,804
Gompers Demo and Site Work	1,693,000	178,022	10.52%	1,871,022
Gompers & LPS New Construction	53,887,350	12,562	0.02%	53,899,912
Harding ES Ventilation Repairs	99,850	12,659	12.68%	112,509
Helms MS Surveillance Camera Installation	298,000	10,693	3.59%	308,693
Kennedy HS Concession Stand & Lights	990,000	285,955	28.88%	1,275,955
Kennedy HS ADA and Elevator	836,880	70,304	8.40%	907,184
Kennedy HS Quad Renovations	982,800	112,398	11.44%	1,095,198
Kennedy HS Replacement Softball Field	107,900	2,116	1.96%	110,016
King ES Site Drainage	57,100	2,218	3.89%	59,318
Lupine Hills Windows & Walls Repairs	135,000	2,122	1.57%	137,122
Nystrom ES MPR	5,240,107	244,565	4.67%	5,484,672
Nystrom ES Temporary Campus Site Work	1,834,007	226,833	12.37%	2,060,840
Ohlone ES New School	16,961,000	1,005,823	5.93%	17,966,823
Peres ES Modernization	1,493,000	131,993	8.84%	1,624,993
Pinole MS Interim Demo	155,000	2,750	1.77%	157,750
Pinole MS Miscellaneous Repairs	89,700	16,243	18.11%	105,943
Pinole Valley HS Digital Surveillance System	303,422	19,346	6.38%	322,768
Portola MS CCS at Downer	83,600	25,954	31.05%	109,554
Richmond HS Fiber Optics Installation	48,000	1,640	3.42%	49,640
Richmond HS Emergency Lighting Replacement	285,000	30,822	10.81%	315,822
Sheldon, Murphy & Mira Vista ES Restroom Renovations	477,000	15,519	3.25%	492,519
Total	\$171,181,504	\$9,218,143	5.39%	\$180,399,647

	Original Contract Amount	Total Approved Change Orders	% of Original Contract Amount	Total Adjusted Contract Amount
Measure D-2010 Projects				
Coronado Elementary School Interim Campus	\$1,890,000	\$243,528	12.89%	\$2,133,528
Helms Middle School MPR AV System	58,890	12,973	22.03%	71,863
Peres Elementary School Dental Clinic	289,000	11,453	3.96%	300,453
Pinole Middle School MPR AV System	71,722	10,907	15.21%	82,629
Portola Middle School Demolition & Site Work	2,191,176	156,615	7.15%	2,347,791
Coronado Elementary School Demolition	403,955	23,088	5.72%	427,043
Vista High School Portable Tech Lab 1 & 2	89,000	1,912	2.15%	90,912
Total	\$4,993,743	\$460,476	9.22%	\$5,454,219

Analysis of Change Orders

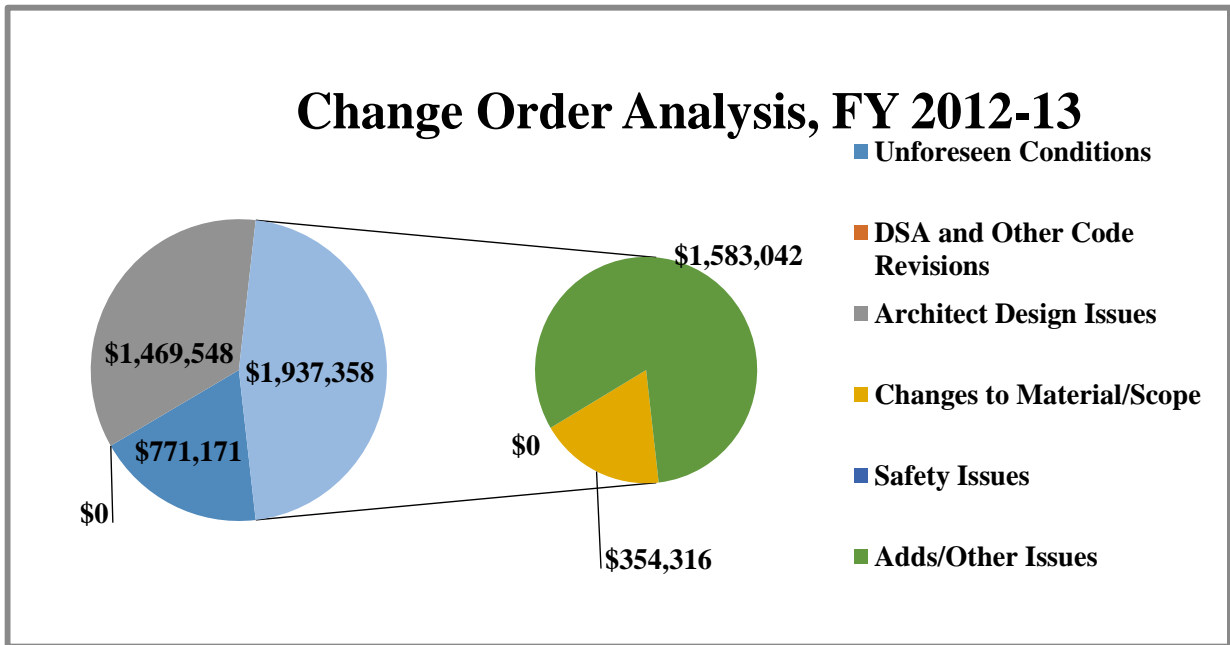
Staff present all change orders to the Board of Education for ratification and approval. Each change order is comprised of a number of Proposed Change Orders (PCOs) previously evaluated by the construction team, reviewed by the Change Order Committee and approved by the Superintendent's designees. These PCOs are tabulated in the summary sheets, attached to the change order, which lists the PCO number, the reason(s) for the changes, reference documents (e.g., RFIs, Construction Change Directives, etc.), requested time extensions, and negotiated amounts. PCOs are typically grouped into four general classifications, based on the reason for the change, as follows; (a) unforeseen conditions, (b) DSA and other code revisions, (c) architect/engineer design issues, and (d) owner requested changes. Owner requested changes are generally classified into three types; changes to materials and products used, student safety issues, and additions/deletions to the work or other issues.

For the fiscal year 2012-13 audit period, TSS reviewed the change orders and supporting documents generated by four Measure D-2002 projects, four Measure J-2005 projects and one Measure D-2010 construction projects. These projects represent 25 percent of all projects under construction during the review period. Change order costs generated by each construction project, during fiscal year 2012-13, in the various classifications and percentages are presented in the table below;

Change Order Analysis, Fiscal Year 2012-13

Project/ Contractor/ Change Order Numbers	Unforeseen Conditions	DSA and Other Code Revisions	Architect Design Issues	Owner Requested Changes			Totals
				Changes to Materials/ Products	Safety Issues	Adds/ Other Issues	
Measure D – 2002							
Pinole MS Mod. PII, Bldg. A/ Alpha Bay Builders, Inc./ (CO #17)	(\$16,615) -21.61%	\$0 0%	\$43,928 57.13%	\$37,932 49.33%	\$0 0%	\$11,649 15.15%	\$76,894 100%
Pinole MS Security Raceway Infra./ AM Woo Construction/ (CO #1)	\$0 0%	\$0 0%	\$0 0%	\$25,407 100%	\$0 0%	\$0 0%	\$25,407 100%
El Cerrito HS Sports Fields/ Michael Paul Co./ (CO #8)	\$8,751 12.51%	\$0 0%	\$24,916 35.61%	\$0 0%	\$0 0%	\$36,295 51.88%	\$69,962 100%
Helms MS Sports Fields & Landscape/ R.A. Bothman Const./ (CO #)	\$68,738 100%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$68,738 100%
Measure J – 2005							
Dover ES Increment 2/ Alten Construction/ (CO# 21- 30)	\$86,115 28.69%	\$0 0%	\$98,157 32.71%	(\$3,814) -1.27%	\$0 0%	\$119,653 39.87%	\$300,111 100%
Ohlone ES New School/ Zovic Construction/ (CO #8 -63)	\$43,078 44.51%	\$0 0%	\$693,761 73.98%	\$40,192 4.29%	\$0 0%	\$160,770 17.14%	\$937,801 100%
Kennedy HS Concession Restrooms/ B-Side Inc./ (CO #6 -7)	\$0 0%	\$0 0%	\$41,089 100%	\$0 0%	\$0 0%	\$0 0%	\$41,089 100%
De Anza HS Replacement Campus/ Wright Construction Inc./ (CO #22- 35)	\$494,340 20.47%	\$0 0%	\$526,432 21.80%	\$260,000 10.77%	\$0 0%	\$1,134,322 46.97%	\$2,415,094 100%
Measure D – 2010							
Coronado ES Interim Campus/ Vila Construction/ (CO #6 -7)	\$87,310 35.85%	\$0 0%	\$41,265 16.94%	(\$5,401) -2.22%	\$0 0%	\$120,353 49.42%	\$243,528 100%
Totals	\$771,717 18.47%	\$0 0.00%	\$1,469,548 35.17%	\$354,316 8.48%	\$0 0.00%	\$1,583,042 37.88%	\$4,178,623 100%

The overall percentages of change orders generated by the construction projects funded by Measure D-2002, J-2005 and D-2010, for fiscal year 2012-13, as identified in the change order documents are presented in the chart below.



- Unforeseen conditions accounted for 18.47 percent of the cost of change orders for the projects examined during this period. Examples of unforeseen conditions encountered during this period include; removal of contaminated soil and asphalt paving; revisions to perimeter layouts due to conflicts with existing utilities and fences; relocations of manholes, storm drains and sewer lines due to conflicts with new foundations; installation of cementitious underlayment for resilient flooring; and contract time extensions for delays resulting from resolutions of conflicts.
- Architect/Engineer Design Issues accounted for 35.17 percent of the overall cost of change orders generated for the projects examined. Examples of architect/engineer changes during this period include; changes to low roof and skylight framing details; revisions to learning wall cabinet design; additional grading and site work due to changes in the ADA path of travel design; structural design revisions due dimensional conflicts at seismic joints; and guardrail design adjustments.
- Owner Requested Changes constituted 46.36 percent of the overall cost of change orders generated for the projects examined. Examples of district requested changes to materials and products used in construction during the current period include; a change from gage twenty-four to gage twenty-two standing seam metal roof system; a change from acoustic to fabric covered ceiling tiles; and changes to clerestory window and roof trim details. Examples of addition/deletion of work requested by the District during the current period include; installation of additional data drops; installation of CCTV equipment and cabling; installation of power for mechanical shades; and deletion of curbs and parking area pavement, etc. The District also requested and paid a premium for the acceleration of construction schedules for two major construction projects and compensated contractors for delays outside of the contractor's control or where the delay was caused

by the District. During the current period, these additions/deletions to the work or other issues accounted for 81.7 percent of owner requested changes.

Observations

- The average percentage of change orders for all active construction projects during the current period was 5.95 percent as shown in the table below:

Bond Program	Original Contract Amount	Total Approved Change Orders	% of Original Contract Amount
Measure D-2002	\$19,367,683	\$1,953,594	10.09%
Measure J-2005	171,181,504	9,218,143	5.39%
Measure D-2010	4,993,743	460,476	9.22%
Total	\$195,542,930	\$11,632,214	5.95%

- Samples of change orders and supporting documents reviewed during the current period provided verification that change orders are thoroughly reviewed, negotiated and authorized by District and program management staff.
- During fiscal year 2012-13, three Measure D-2002 projects, eight Measure J-2005 projects, and three Measure D-2010 projects generated change orders have resulted in the project total change orders to exceed the cost limit, 10 percent of the original contract amount, set by Public Contract Code 20118.4.a, and 20118.4.b. The Board of Education approved these change order amounts, based on special findings that it would have been futile and impractical for the District to formally secure bids for the additional work because of the tight time frames. Staff explained that conducting a competitive bid for the additional work would only result in unnecessary expenses and delays at the expense of the District and public safety and would not produce any advantage for the District.
- The District has made plans to conduct District and program management (SGI) staff training focused on enhancing staff knowledge and familiarity with the handling of contractor claims in order to minimize compensable delays and reduce its occurrences in construction projects. According to staff, formal training has not started, however, continuing bi-weekly meetings among the CM staff, with legal counsel guidance, has been conducted on the subject.
- Staff reactivated the Change Order Committee during fiscal year 2012-13. The committee now conducts their regular meetings to review change orders every Thursday. According to staff, all Potential Change Orders (PCO) are now subject to the review and approval by the committee to ensure that all claims are valid, that time or schedule impacts are justified and that costs are thoroughly negotiated. In addition, change orders with cost impacts of up to \$50,000 are reviewed by in-house cost estimators and authorized by the Deputy Program Manager for Construction (SGI). Change orders that have cost impacts in excess of \$50,000 are sent to the estimators and schedulers for verification prior to approval of the Engineering Officer. Staff approved change orders are then submitted to the Associate Superintendent for Operations for approval and submittal to the Board of Education for ratification or approval.

Conclusion

- Results of the examination and review of change order documents during the current period indicate that the District is in compliance with the requirements of Public Contract Code Section 20118.4a and b which sets the threshold for change orders at 10 percent of the contract amount.

Recommendation

- TSS recommends that the District continue current efforts of enhancing staff knowledge and skill, through in-house trainings, in the handling of compensable delays so that occurrences of these claims in construction projects are kept to a minimum. It is further recommended that District continue to conduct effective constructability reviews and to encourage District architects and engineering consultants to exercise due diligence in coordinating their drawings to minimize, if not eliminate conflicts in elevations, dimensions and locations. Staff should rigorously implement and adhere to the design review and constructability review processes already in place to allow the system of checks and balances to identify and resolve conflicts between the different components of the construction documents prior to construction.
- The District should endeavor to keep owner generated changes during construction to a minimum. Performing a thorough review of the plans and drawings during the preconstruction phase will create an opportunity for the District to make the necessary scope additions or changes. It should be noted that additions and scope changes made during the construction phase are not cost effective and increases the probability of claims.

CLAIM AVOIDANCE PROCEDURES

Objective

To gather data and verify that the District's processing and handling of claims on bond funded construction projects comply with the requirements of the Public Contract Code, the California Education Code, other regulations and state laws. In this section, TSS also evaluates and reviews the procedures used to limit the number of claims filed against the District related to construction projects.

Scope and Methodology

The scope of the verification process in this section covers contractor claims against the District, received or processed during the period from July 1, 2012 through June 30, 2013. In the process of this examination, TSS obtained relevant documents and conducted interviews with members of the SGI staff and the District staff. Information from the 2012-13 Board of Education meeting agendas and minutes, and facilities documents was also used in preparing this analysis.

Background

Claims. The most common causes for a claim are for delays to the contractor's process or for changes required by inaccurate documents prepared by the design team. Delays can be caused by a lack of information or the lack of a decision on how best to proceed. For a contractor to effectively claim a delay it must demonstrate that an issue has impacted their construction schedule. One of the provisions of the contract documents is for the contractor to submit a critical path method schedule (CPM). CPM schedules are generally required to be submitted by the contractor within thirty days of the issuance of the Notice to Proceed. A properly developed CPM schedule lists all the tasks necessary for the proper completion of the project and the planned duration for each task. Tasks are linked with the completion of other related and required tasks. Linking all the critical tasks in this manner allows the contractor to indicate the total required duration of the project and the tasks that, if delayed, would cause a delay in completion. There are many tasks in a project which, if delayed, would not impact the critical path. A delay to these tasks would not be justification for a delay claim until such point as there was an impact on the critical path. It is important that the contractor submit the initial CPM schedule and update that schedule every month. When there is a claim for delay, the contractor must demonstrate how the delay impacted the critical path. Without an accurate schedule there is no basis for the delay claim. It is common for contractors to be delinquent in the submittal of the CPM schedule and it is critical that the owner's representative ensure that the schedule is developed accurately and regularly maintained.

Another common cause for claims is vague or inaccurate documentation. Lack of clarity or inaccuracies require clarification or change. The process of getting the information to the contractor in a timely manner is critical to reducing claims for delays. The contract documents indicate the schedule for review and response to any requests for information (RFI) issued by the contractor. If this schedule is not maintained, delay claims can result. However, even if the review schedule is met, a contractor can claim a delay if there is an impact on the critical path.

Claim Avoidance. In construction projects, some of the keys to the avoidance of unnecessary claims against the District for delays and additional payments or contract time extensions by contractors include the following;

- Minimizing errors, omissions, conflicts and ambiguities in the contract documents through design coordination and constructability reviews. When construction plans are not subjected to thorough design coordination and constructability review, the resolution of deficiencies uncovered during construction could result in delays that affect the critical path of the project's completion.
- Providing timely, positive, and reasonable responses by the District's construction team (AOR, CM and PM) when direction on how to proceed is requested or when an error, a conflict and/or omission is brought up by the contractor. Design professionals are not perfect, such that even the best set of documents require some clarification during construction. Therefore, when a Request for Information (RFI) is issued by the contractor it is imperative that the issue be resolved quickly so that there is no cause for a delay claim.
- Performing diligent reviews and prompt approvals/authorization of PCOs by the construction team and District staff. . If a change order is required, decisions from the District should be rendered expeditiously to avoid additional delays. If the cost of the change cannot be agreed upon, a construction change directive (CCD) should be issued, instructing the contractor to proceed with the work while a cost is being negotiated.

In order to expeditiously authorize change orders and minimize delays, Education Code 17604 thru 17606 allows governing boards of school districts to pass resolutions that delegate the authority to approve change orders, among responsible District staff. Such resolutions should define the limits of delegation in terms of change order and the types of change orders that they are authorized to approve. Change orders exceeding the limit of delegated authority shall be approved by the Board prior to the execution of the work. The Board of Education authorized the Superintendent of the District and/or his designee(s) to approve construction project change orders and to present all approved change orders to the Board at the soonest possible time thereafter for approval and /or ratification. This action reduced the turnaround time for the processing and approval of change orders and minimized construction delays especially on items and issues that impact the completion of a project.

Claims also occur between the subcontractors and their general contractors. These claims come in the form of Stop Payment Notice (SPN) – a notice issued by subcontractors to force the District to withhold funds from the general contractors when the subcontractor has not been paid. District involvement in the SPN is in the withholding of sufficient amounts of monies due to the general contractors or “Retention”. The District releases the “Retention” money when the general contractor is relieved and/or released from all SPNs issued against it. Relief from and/or release of the SPN is achieved by the general contractor through; (a) payment of amounts past due to the contractor, (b) issuing a bond against the amount due, and (c) requesting the District to pay subcontractors out of the monies held in “Retention”.

In the past, there were two claims filed against the District. The claimants, West Coast Contractors and West Bay Builders, demanded that the District pay for additional costs to the contractors due to project delays caused by the District and its consultants. The District hired a delay consultant to review and determine the validity of the claims. As a result, the district rejected the West Coast Contractor's claim and settled the West Bay Builders claim. Final claim settlement payment to West Bay Builders was approved by the Board on March 6, 2013. No further claims from contractors have been received.

District Procedures Created to Prevent Claims

The District has implemented the following procedures to minimize, if not prevent potential claims.

- *Constructability and Design Coordination Review.* The District commissioned the services of a Design Manager to coordinate the work of the design teams and to assist in the process of ensuring that the documents were as accurate as possible. One of the responsibilities of the Design Manager is to perform a constructability review and a design coordination review of construction documents for each project. By incorporating the comments generated by these reviews into the design documents, the design team is anticipated to deliver more accurate documentation and thus less opportunity for contractor claims.
- *Change Order Committee Review.* The District created a Change Order Committee that is tasked to review construction change orders that are over \$5,000 in cost, while change orders that do not exceed \$5,000 are approved in the field by the site project managers. The committee meets once a week to review change requests for validity and cost. Contractor generated change requests are also reviewed for conformance with the District's design standards. Owner generated change requests are also reviewed for conformance with the project program, the District's design standards and impact on the educational programs. This process is anticipated to shorten the time required to approve change orders and minimize delay claims.

Observations

- During fiscal year 2012-13, TSS review of the Board agenda items and interviews with staff indicate that there are no outstanding claims and no new claims received from contractors against the District.
- The Program Management (SGI), added a Design Manager to the team to oversee and coordinate the design and planning activities for bond program projects.
- According to staff, the District is in the process of preparing a Request for Proposal (RFP) for Construction Managers (CM), which includes conducting constructability studies on assigned projects in their services. This approach is anticipated to minimize deficiencies in the construction plans and enhance the CM's familiarity prior to construction.

- During fiscal year 2012-13, the Change Order Committee was reactivated to perform the review and evaluation of change orders generated by the construction projects. According to staff, the committee now conducts their regular meetings to review all Potential Change Orders (PCO) to ensure that all claims are valid, that time or schedule impacts are justified and that costs are thoroughly negotiated. In addition, change orders with cost impacts of up to \$50,000 are reviewed by in-house cost estimators and authorized by the Deputy Program Manager for Construction (SGI). Change orders that have cost impacts in excess of \$50,000 are sent to the estimators and schedulers for verification prior to approval of the Engineering Officer. Staff approved change orders are then submitted to the Associate Superintendent for Operations for approval and submittal to the Board of Education for ratification or approval.

Conclusion

- Results of TSS review of data gathered and interviews conducted with District staff during the current audit period indicate that the policies and procedures created by the District has been effective in preventing or minimizing the number of contractor claims against the District. Review of change orders show that the construction team and District staff responded promptly and effectively in resolving issues relating to additional work, time extensions and delays, thus avoiding contractor's claims.

Recommendations

- It is recommended that the Change Order Committee be kept active for the review and validation of change orders to construction projects. Benefits derived from the process include not only the shortening of the time required to approve change orders and the reduction or prevention of delay claims, but also in controlling and keeping District or owner generated changes to a minimum.
- Project CMs should ensure that CPM schedules are submitted and updated in a timely manner as required by the contract documents. An accurate contractor's schedule is the primary tool in determining the validity of a delay claims.

MEASURE J AND D EXPENDITURES AND PAYMENT PROCEDURES

Objective

The objective of this performance audit section was to verify that the District was compliant with its policies and procedures related to Proposition 39 expenditures and payments.

Scope

The scope of this performance audit section was to verify transactions of the Measure J and D-2010 funds expended during the fiscal year ended June 30, 2013. The total amount of these Measure J and D funds expended during the fiscal year ended June 30, 2013 was \$51,929,765.

Methodology

TSS analyzed the Measure J and D payment activities and compared the results to the Measure J and D bond language. TSS judgmentally selected Measure J and D expenditures, focusing on transactions with higher dollar amounts and higher audit risks, and verified that the funds were used in accordance with the taxpayer-approved purposes.

Process Utilized

In the process of this performance audit, numerous purchasing and payment documents pertaining to expenditures funded by Measure D and J were reviewed. Interviews were held with District and SGI program management staff related to the payment policies and procedures for Measure D and J funds.

The audit consisted of the following:

- Verification that expenditures charged to the Measure J and D bond were authorized as Measure J and D projects, respectively;
- Compliance with the District's purchasing and payment policies and procedures;
- Verification that backup documentation, including authorized signatures, were present on payment requests; and
- Determination that timely payments were made to vendors.

Background

As part of the bond program's financial controls, the following processes and procedures are in place and followed:

- Requisitions are entered into the requisition workflow system and routed for approval in the following order:
 - SGI Bond Program Control
 - SGI program manager or SGI senior controls manager
 - District engineering officer
 - District Principal Accountant for Bond Finance or Executive Director for Bond Finance
 - District Associate Superintendent for Operations, and

○ Purchasing Buyer

- Approximately 95 percent of bond related invoices are mailed directly to the District's facilities office. SGI staff collects all invoices that are submitted directly to the District daily to ensure timely processing of vendor invoices.
- Once invoices are received for approved requisitions, SGI staff logs information into the invoice tracking/monitoring system.
- A payment history and payment approval form are prepared and routed for authorization signatures to designated individuals, which includes program controls (SGI), the bond program manager (SGI), District engineering officer, District Principal Accountant for Bond Finance or Executive Director for Bond Finance and the District Associate Superintendent for Operations (if applicable). Each signer is responsible for verifying that the work has been performed; goods have been received; the invoice and/or payment application is accurate; the expenditure is for an authorized bond project; the coding is correct; and to determine that sufficient funding remain in the purchase order.
- SGI staff is responsible for obtaining SGI signatures and the District engineer's signature, and forwards the payment request form to the District's bond finance senior budget clerk.
- The District's bond finance senior budget clerk enters the payment information into the District's financial system and is responsible for obtaining the District's Principal Accountant for Bond Finance (invoices < \$50,000) or Executive Director for Bond Finance (invoices < \$100,000), and/or the District's Associate Superintendent for Operations (invoices > \$100,000) signatures.
- The District's accounts payable staff initiates and processes the actual warrants.

The time elapsed between entering payment information into the District's accounting system and warrant issuance is approximately one week.

Interested community members may check online to see the status of construction projects and the names of contractors and/or vendors that have been paid for the week for bond-funded projects. The monthly status of construction projects and payment information can be viewed by going to the Bond Program link on the District's homepage. Construction status can be found under the Project Status Reports menu under Construction Reports and vendor payment information can be found under the Bond Projects Status menu under Paid Contractor Invoices. In addition, information on the status of a purchase order may also be obtained under the Bond Projects Status menu under Purchase Order Status.

Testing Performed

Sample

TSS obtained the District's check register for all Measure J and D payments made from July 1, 2012 to June 30, 2013. It was noted that fifteen different contractors received total payments in excess of \$1 million during the fiscal year ended June 30, 2013. The total payments of Measure J and D expenditures made during the fiscal year ended were \$51,929,765.

TSS selected a sample of thirty-seven checks that focused on vendors that collected more than \$1 million during the fiscal year ended June 20, 2013. In addition, TSS scanned the summary report of vendors paid and judgmentally selected payments that warranted additional review, including legal invoices but not limited to law firms representing the District. The total dollar amount sampled was \$22,846,484. In accordance with Government Auditing Standards, TSS inquired during our interviews with board members and District staff whether they were aware of any transactions that seemed unusual or irregular. None of the interviewees responded that they were aware of any unusual or irregular activities.

Fiscal Year	Number of Checks Reviewed	Sample Size (Dollar Amount)	Percentage Paid Within 30 Days
2012-13	81	\$22,846,484	82.71%

The District's timeliness of its vendor payments reflected improvement in the past four years from 2007-08, but slipped during fiscal year 2012-13. In 2007-08, approximately 87 percent of invoices were paid within thirty days, and 2008-09, the percentage improved to 90 percent, and in 2009-10, the percentage improved to 95.5 percent, and in 2010-11 and 2012-12 with a limited number of samples selected, 100 percent of the items tested were paid timely according to District policy. During fiscal year 2012-13, from the limited number of invoices that TSS reviewed, the percentage of invoices paid timely decreased to 82.71 percent.

The TSS sample of vendor payments selected for review was designed to provide conclusions on the following: 1) that expenditures charged to the Measure J and D funds were authorized and reasonable expenditures in accordance with the bond language; 2) that expenditures were authorized in accordance with the District's policies and procedures; 3) that expenditures were supported with proper documentation, including authorized signatures and original invoices; and 4) that payments were made timely in accordance with the District's thirty day policy to pay vendors within thirty days of SGI's receipt of the invoice. Sample transactions for testing were judgmentally selected.

The sample of payments included the following Measure J and D projects:

- Coronado Elementary School
- Ellerhorst Elementary School
- King Elementary School
- Nystrom Elementary School
- Ohlone Elementary School
- Peres Elementary School
- Stege Elementary School
- Valley View Elementary School
- Crespi Junior High School
- Helms Middle School
- Portola Junior High School
- De Anza High School
- Kennedy High School
- Pinole Valley High School
- Gompers Continuation High School

The results of this performance audit showed that, with the exceptions noted in the findings and observations sections, the bond expenditures were used for approved bond program purposes, invoices had been reviewed and approved, the District's policies and procedures were followed, and vendor payment timelines were followed. Several exceptions were identified and are discussed in the findings and observations sections.

SGI's Invoice Efficiency Report

TSS received a copy of and reviewed SGI's Invoice Efficiency Report for the period July 11, 2012 to May 29, 2013. This report compiles a summary of the timeliness of the total number of invoices processed, total number of paid invoices, and the total numbers of purchase orders. Based on TSS's review, it was determined that the report summary and totals would not be used for this performance audit, as there were errors noted in the summary report.

Review of Financial Audit of Bond Funds and District

TSS reviewed the District's Bond Financial Audit for 2011-12. Crowe Horwath LLP conducted the 2011-12 financial audit for Measure J and D and issued an unqualified audit opinion. TSS verified that Crowe Horwath LLP's financial audit report contained no significant deficiencies of material weakness based on their limited purpose review of internal controls over financial reporting and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. TSS also verified that Crowe Horwath LLP concluded for the items tested, nothing came to the auditor's attention that the District did not comply with state laws and regulations.

TSS reviewed the District's Financial Audit for 2012-13. Crowe Horwath LLP conducted the 2012-13 financial audit of the District and issued an unqualified audit opinion. TSS noted that Crowe Horwath LLP's financial audit report identified a couple of significant deficiencies in the District's accounting of student body funds not considered to be material weaknesses based on their limited purpose review of internal controls over financial reporting and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These deficiencies were not noted in their review of bond funds. TSS also verified that Crowe Horwath LLP concluded for the items tested, nothing came to the auditor's attention that the District had not comply with state laws and regulations.

Observations

- In TSS's review of SGI invoices, an invoice listed detailed personnel charges of SGI employee's vacation and sick hours that were charged to the District. Typically, contracting agencies do not compensate an independent contractor for their employee's vacation time, sick time, and other fringe benefits.
- In TSS's review of the District's legal invoices charged to bond funds, it was noted that one of the legal cases has incurred more than \$2.8 million to date in legal fees as of June 30, 2013. The majority of the legal fees are hourly professional charges that resulted from preparation for a legal matter in which the court case has been postponed on several occasions. It was also noted that only one signature (the Associate Superintendent of Business) is required to approve these legal invoices.

Recommendations

- It is recommended that the District review SGI's management contract to determine whether SGI's employees' vacation and sick hours are valid charges in accordance with the contract.
- It is recommended that the District closely monitor and control the legal costs of the high cost litigation case in which they are embroiled, to ensure the costs are reasonable and appropriate.

District Response

- The District concurs with both recommendations.

BEST PRACTICES IN PROCUREMENT

Objective

To gather data and verify that District bidding and awarding of purchasing contracts and the procurement of materials, equipment, supplies and others comply with the requirements of the Public Contracting Code, and other relevant laws and regulations and to ensure that best practices in procurement are followed.

Scope and Methodology

The scope of this section covers the activities of the District relating to the bidding and awarding of procurement contracts for projects funded under the Measure J-2005 and D-2010 bond programs for the period from July 1, 2012 through June 30, 2013. TSS conducted interviews with District staff and Program Management staff from SGI. TSS also reviewed Board agenda items and minutes specific to procurement contracts awarded for bond funded projects and analyzed purchasing and payment documents.

Background

Best practices in procurement of materials and services ensure the most efficient use of resources. The competitive bid process allows districts to secure the best quality products and services at the best possible price. The public contract code also allows the district to utilize alternative procurement methods for the acquisition of materials, equipment, supplies, furniture, and other goods, without competitive bids, by using pricing schedules and contract agreements held by other public agencies and cooperatives. The intent of this component of the audit is to determine whether the District utilized these procurement practices.

Board Policy 3300. This policy states that the Governing Board recognizes its fiduciary responsibility to oversee the prudent expenditure of District funds. To best serve the District's interests, the Superintendent or designee shall develop and maintain effective purchasing procedures that are consistent with sound financial controls to ensure that the District receives maximum value for items purchased. He/she shall ensure that records of expenditures and purchases are maintained in accordance with law.

Public Contract Code Section 20111 (a). The governing boards of school districts are required by the code to competitively bid and award any contracts for the purchase of equipment, materials or supplies involving an expenditure of more than \$50,000, adjusted for inflation to the lowest responsible bidder. Contracts that are subject to competitive bidding include; (a) purchase of equipment, materials, and supplies, (b) repairs that are not public projects, and (c) services that are not construction services. The Superintendent of Public Instruction adjusts the dollar amount limit annually to reflect the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the prior fiscal year. The Superintendent of Public Instruction increased the bid threshold for competitively bid procurement contracts to \$81,000 in calendar year 2012 and then to \$83,400 in calendar year 2013.

Public Contract Code Section 20118 (K-12). The code allows school districts to authorize the lease or purchase of personal property directly from a vendor who has an existing contract with a public corporation or agency by contract, lease, requisition, or purchase order and make payment to the vendor under the same terms that are available to the public corporation or agency under contract. The Board of Education authorized District staff to utilize procurement contracts which have been publicly bid or negotiated by other public entities, as “piggyback” contracts or as “cooperative and bulk-purchasing agreements”. These methods of procurement enable the District to procure school and classroom materials and supplies, along with computers, technology equipment and services at discounted rates, thus saving the District time and money.

“Piggyback Contracts”. In this method of procurement the District uses pricing, from a purchase contract held by another school District or public agency, to negotiate a contract directly with the vendors/suppliers of such contracts without conducting a formal bid. The District or public agency that originally conducted the formal bidding process for those contracts typically includes a clause in the final contract agreement that allows other public school districts, community college districts and public agencies throughout the state of California to “piggyback” on the same contract. This procurement method is most commonly used in immediate purchases of relocatable classrooms to accommodate enrollment surges and allow for only very short lead times. Some advantages and disadvantages associated with the use of this method of procurement are:

- Districts use this procurement method to avoid the time, expense, and market uncertainties associated with formal bidding.
- Although a formal bid process is conducted by the originating agency, the public may perceive the end result as a “no bid” contract.

“Cooperative and Bulk Purchasing Agreements”. The Board of Education likewise authorized the District to utilize cooperative and bulk purchasing agreements that cooperatives, alliances, and purchasing agencies have negotiated and made available for the use of public agencies and school districts. As a best practice, the District may use these existing cooperative purchasing agreements and bulk purchasing contracts for the procurement of supplies, building materials, computers, equipment, and services at previously negotiated and discounted rates. This method saves the District time and resources associated with conducting a formal or an informal bid process.

Examples of these cooperative and bulk purchasing agencies include

- The Cooperative Purchasing Network (TCPN) is a Texas government agency administering a cooperative purchasing program. The network provides its members with contracts and services that are compliant with the law at no cost to member districts.
- The Western State Contract Alliance (WSCA) is a non-profit government purchasing cooperative that assists local and state government agencies, school districts (K-12), higher education and non-profits in reducing the costs of purchased goods and services through pooling of the purchasing power of public agencies in the western states and nationwide. This is accomplished through competitively bidding contracts for quality products through a “lead public agency” or a “lead state”.

- The California Multiple Award Schedule (CMAS) is also a non-profit purchasing cooperative that provide agencies with a listing of vendors and schedule of prices for various products previously bid and approved through cooperative purchasing method.
- The U.S. Communities Government Purchasing Alliance is a national government purchasing cooperative that provides world class government procurement resources and solutions to local and state government agencies, school districts (K-12), higher education institutes, and nonprofits looking for the best overall government supplier pricing.
- National Joint Powers Alliance (NJPA) is a national municipal contracting agency committed to provide efficient public service through national purchasing contract solutions and other related programs.
- CalSAVE is a statewide project designed to help California K-12 schools buy technology and instructional resources easily and at a low cost by using the collective buying power of schools to secure the lowest possible price.

Public Contract Code 20118.2 (a) thru (f), allows the District to award contracts for technology, telecommunications, related equipment, software and services through competitive negotiation. In a competitive negotiation process, the District is allowed to consider in addition to price, factors such as vendor financing, quality, performance reliability, deliveries, warranties and others in the selection of the vendor. The procurement process in competitive negotiation includes the preparation of a request for proposal, the publication of the request twice in a newspaper of general circulation at least ten days before the bid date, the receipt of bids, the technical evaluation of the proposals received, the identification of qualified sources, and the selection of the bidder whose proposal meets the evaluation standards and will be the most advantageous to the District, with the price and all other factors considered.

Observations

- On March 20, 2013, the Board of Education approved a contract with Contrax Furnishings, Inc. for the supply and installation of furniture and furnishings for the classrooms and support spaces of the new De Anza High School in the amount of \$1,199,950.36, utilizing Measure J funds. Specifications were based on District prepared furnishing criteria with classroom configurations, specialty spaces including computer labs, special education, administration furnishings, offices and staff work areas. The District utilized the formal public bid process, issued Requests for Proposals (RFP) to qualified firms, evaluated bid proposals and obtained Board approval to award contract to the lowest responsive, responsible bidder.

- The Board approved the award of contracts for Wireless Area Network (WAN) Support projects, Wireless Infrastructure Projects, and Hosted VOIP/Unified Messaging Transition projects on March 20, 2013. These cooperative and bulk-purchasing contracts were drawn-up utilizing the pricing agreements and purchase contracts established by the National Joint Powers Alliance (NJPA) and the California Multiple Awards Schedule (CMAS). These projects were designed to enable the District to improve, expand and maintain the network, and also to provide students, faculty and staff with secured and instant wireless access to applications and information. The contractors recommended by staff to be awarded these contracts possess active contracts and agreements with the NJPA and CMAS agencies.
- During the current period, the Board of Education did not award contracts procured through piggyback contracts under PCC 20118 and through competitive negotiation under PCC 20118.2

Conclusion

- Results of the examination of procurement documents during the current audit period showed that the procurement methods utilized by the District were in compliance with District policy and the requirements of Public Contract Code Sections 20111 and 20118.

DELIVERED QUALITY

Objective

To evaluate the District's processes to set standards for products and systems to be included in the facilities projects; to ensure that the standards are incorporated into the design and documentation; and to ensure that the designed systems are included in the final construction of the project. To gather and test data in order to determine compliance and measure the effectiveness of controls.

Scope and Methodology

This is the fourth year that the TSS audit team has reviewed the process utilized by the District to define the level of quality for each project and then track that defined quality through construction to ensure that what is delivered in the final project is of the same quality level as originally specified. The District has formally adopted a sole source policy for some design elements and wants to ensure that these elements are implemented in the projects. In this 2012-13 audit, the District selected the De Anza High School Main Campus Improvement project for this review.

This section will provide an evaluation of the standards that were in place at the commencement of this project, the criteria that was provided to the Architect of Record (AOR) as the basis for the design, the products and systems that were incorporated into the design, the process used during construction to evaluate submitted systems and the delivered products and systems that were built into the project.

For the purposes of this section, Delivered Quality has been defined as the quality of the finished product as compared to the District's Standards and established design criteria. TSS researched the initial criteria delivered to the design team and the process that was used to track those standards through the development of construction documents and the actual construction process. TSS also reviewed the contract documents and construction submittals for the sampled products listed above.

In the process of this evaluation, TSS staff met with District staff and consultants to review the quality assurance processes. The following documents were supplied by the District or the Architect of Record in previous years and reviewed for this audit section as applicable:

- District List of 'Sole Source' Products, approved September 20, 2006.
- District Master Product List, July 2007/ Revised and Reissued, February, 2008.

In addition, the following documents were supplied by the District during the 2012-13 audit process and reviewed for this section:

- De Anza High School Main Campus Improvement Project:
 - Project Plans;
 - Project Specifications;
 - Project Submittals.

- District Master Product List – May 2013

The following document was obtained from the District’s web site:

- Board Resolution No. 94-1213: Regarding District Standards for Equipment, Products and Materials for District Construction and Adoption of Findings Required by Public Contract Code for Sole Source Specifications.

Background

The California Public Contract Code requires those managing projects and products used in the construction of public school facilities to allow “equal” products to be submitted and used. In limited cases, a district may specify a product or system and not allow equal products to be substituted. These products are referred to as “sole source” products. On September 20, 2006, the Board approved 6 categories of products that could be sole sourced, which are as follows:

- Irrigation controllers;
- Aluminum classroom windows;
- Door hardware, locks, panic bars and closers;
- Food service equipment;
- High efficiency classroom furnaces, classroom furnace enclosures and energy management systems; and
- Low voltage systems.

On June 12, 2013, the Board approved updates to those standards in the following 6 categories:

- Landscape Planting Irrigation;
- Aluminum Windows;
- Finish Hardware;
- Food Service Equipment;
- Heating Ventilation and Air Conditioning Systems; and
- Communications

Through this update process the following new sole source product standards were introduced in the Heating Ventilation and Air Conditioning Systems category:

- Ventilation and Exhaust Fans; and
- Hydronic & Potable Water Boilers.

The following new sole source standard was introduced to the Communications category:

- Access Security Systems

Since the Notice of Completion for the De Anza High School project was filed prior to the adoption of the 2013 standards, the 2006 standards were used in the evaluation of this project.

De Anza High School Main Campus Improvement Project

The De Anza High School Main Campus Improvement project was identified as the focus of this quality review for the 2012-13 audit period. This project began in late 2007. The Design Team reported that the standards were clearly communicated when the project was initiated. The project began prior to the adoption of the standards that included the Collaborative for High Performance Schools (CHPS) criteria. However, the Architect of Record (AOR) for the project indicated that the CHPS Standards were presented to them early in the design process. The District met with the AOR and made the goals for inclusion of the CHPS criteria clear. The AOR met the goals of the District in this respect.

A sample of the products and systems used in the De Anza High School project was developed for this analysis. Particular attention was paid to the products approved by the Board as being “sole source” or not allowing substitutions. This sample included:

- Aluminum Windows
- Finish Hardware
- Food Service Equipment
- Fire Alarm System
- Package Air Conditioner
- Energy Management System
- Intrusion Alarm System

Members of the Design Team were interviewed to obtain background information for this evaluation. The focus of the interviews was to determine what information was delivered to the design team at the beginning of design process, how that information was incorporated into the design documents, and how the District tracked and verified that the products were installed in the project during construction.

Of the sole source products that were reviewed for this project, all seven products were included in the project and six of the seven were listed in the specifications as not allowing alternatives. The specifications allowed substitutions for the intrusion alarm system, however, the contractor submitted the product on the District’s sole source list and that product was included on the project.

It was reported that the District did not have a clear process for the review of the documents for the purpose of determining if the District standards were met. It appears that this process was left to the Design Team to self-manage.

The table below provides a comparison of each product and/or system that was included in the design as compared to what was installed for the De Anza High School Improvements project.

DELIVERED QUALITY – Comparison of Design Standards and Installed Products
De Anza High School Main Campus Improvement Project

Product/System	Specification Section	Initial Criteria	Specified	Submittal Status			Comment
				Approved	Rejected	Pending	
Aluminum Windows	08520	Solid aluminum windows system, DeVAC Series 400. Factory installed glazing. Aluminum frame with clear anodized finish. Sole Source approved.	Architect specified DeVAC Series 400 aluminum windows. No substitutions allowed. Factory installed glazing.	x			Contractor submitted DeVAC Series 400 as specified. Meets District Sole Source list.
Door Hardware-Locksets	08710	Manufacturer shall provide high quality security laser cut keyway specific to WCCUSD. Acceptable manufacturer: Schlage/Primus. Sole source approved.	Architect Specified Manufacturer: Schlage/Primus. No substitutions allowed.	x			Contractor submitted Schlage Series Primus cylinders as specified. Meets District Sole Source list.
Food Service Equipment	11400	Acceptable Manufacturers: Oven Carts: Blogett Hot/Cold Cabinet: G.A. Systems; Refrigerators: True Sole Source approved for all.	Architect Specified Manufacturers: Oven Carts: Blogett; Hot/Cold Cabinets: G.A. Systems; Refrigerators: True "TR" Series	x			Contractor submitted the following: Oven Carts: Blogett Hot/Cold Cabinets: G.A. Systems Refrigerators: True
Fire Alarm System	13851	District sole source specified was Faraday Fire Alarm System at the time of construction	Architect Specified Manufacturer: Faraday	x			District Sole Source is Manufacturer: Faraday. Architect Specified Faraday and Contractor Submitted Faraday.

Product/System	Specification Section	Initial Criteria	Specified	Submittal Status			Comment
				Approved	Rejected	Pending	
Package Air Conditioners	15800	High Efficiency Classroom furnaces. Sole source by Carrier approved.	Architect specified Carrier units. No substitution allowed	x			Contractor submitted Carrier units as specified. Meets District Sole Source list.
Energy Management System	15900	Provide Centralized energy management system for HVAC and outdoor building lighting. Acceptable manufacturer: Alerton Technologies. Sole source approved.	Architect specified Alerton Technologies. No substitutions allowed	x			Contractor submitted Alerton Controls product as specified – Alerton Technologies. Meets District sole source list.
Intrusion Security System	17860 Detection and Alarm System	Acceptable manufacturers: Honeywell Model: Ademco. Sole Source approved.	Architect specified equivalent to Honeywell Ademco Vista.	x			Contractor submitted Honeywell Ademco Vista as specified. Meets District Sole Source list.

Observations

- The District has incorporated many CHPS goals into the building specifications, such as the specification of linoleum flooring with recycled material content, carpet tiles with recycled content, metal with recycled content, automatically controlled window sunshades, lighting control systems, and energy efficient air conditioners.
- Based on the sampling of products and systems, the project construction documents incorporated the District's standards and criteria as defined in the initial design phase with no exceptions observed.
- It was reported that the District did not have an effective process in place to monitor the design standards that are included in the project documents.
- A representative from the Architect of Record's office monitored the construction of this project. The product submittals were reviewed and approved by the AOR's office. Although the District's standards were not referenced during the submittal review process, the specifications were sufficiently worded to allow only the products that were indicated on the standards. In the case of one proprietary item, the Fire Alarm System, the bid documents allowed an equal product to be used. However, this was clarified during the bidding process and the appropriate product was approved.

Commendations

- The District is commended for incorporating the CHPS standards into their product standards.
- In the prior year's performance audit report, TSS recommended that the District develop a formal process for updating the District's standards. During the 2012-13 audit year, the District completed an update to the Standards. These updated Standards were approved by the Board on June 12, 2013.

Recommendation

- The District should institute processes to monitor compliance to ensure that the District's standard products and systems are included in each project or that the reasons for any changes are documented.

SCOPE, PROCESS, AND MONITORING OF PARTICIPATION BY LOCAL FIRMS

Objective

The objective of this performance audit section is to report on the status of the Local Capacity Building Program (LCBP) as outlined in the District's Project Labor Agreement (PLA).

Scope and Methodology

The scope of this audit section is a review of LCBP advisory committee minutes for the period July 1, 2012 through June 30, 2013 and review of LCBP hiring summary reports. This review included interviews with members of the Board of Education, the Citizens' Board Oversight Committee, the independent labor compliance consultant, as well as SGI and District staff.

Background

The Board of Education has expressed a strong desire to include local businesses in the planning and construction programs funded through all previous and current bond measures. One of the purposes of entering into a Project Labor Agreement is stated by the Board as the following:

“To the extent permitted by law, it is in the interest of the parties to this agreement to utilize resources available in the local area, including those provided by minority-owned, women-owned, small, disadvantaged and other businesses.”

In order to provide economic opportunity for its residents and businesses and stimulate economic development, the District has established a mandatory Local Capacity Building Program (“LCBP”) to further encourage and facilitate full and equal opportunities for local and small West Contra Costa County business owners who are interested in doing business and working on the District's General Obligation Bond Projects. The District's goal is to partner with the local community and demonstrate its leadership through this program, aimed at harnessing local resources to achieve maximum local benefits.

The District has worked with Davillier-Sloan, Inc. (DSI), a labor management company, since the 2004-05 fiscal year to invest in the local community that has committed so much faith and resources in the District's vision to build better school facilities. DSI manages a Local Advisory Committee consisting of representatives of local, minority and female business organizations, trade unions, community-based organizations and other interested organizations and individuals. The purpose of the committee is to assist the District in advising and monitoring the program to maximize success and serving as community liaison for the program. The committee meets every other month or as needed to discuss progress, projections, individual and mutual concerns, and upcoming contracting opportunities. Additionally, the Local Advisory Committee was instrumental in providing valuable insights and feedback for the development of the WCCUSD's local capacity business utilization policy.

On September 15, 2010, based on the work of DSI, the Local Advisory Committee and District staff recommendations, the District's Board approved a policy to outline requirements of a mandated Local Capacity Building Program and Local Hiring Program. The LCBP establishes mandatory local participation requirements (as a percentage of the overall prime contract) on a project-by-project basis and takes into consideration the type of construction work to be performed and the current capacity of the local contracting community.

The intended impacts of the LCBP are to:

- Increase the number of West Contra Costa County businesses participating in all aspects of District construction contracting projects and construction related professional services;
- Alleviate unemployment and underemployment of West Contra Costa County community residents;
- Increase participation of under-utilized local businesses, otherwise qualified to participate in District construction contracting projects;
- Increase the circulation of local dollars within the West Contra Costa County community and thus stimulate a stronger economic base; and
- Promote, develop and enhance the capacity of certified West Contra Costa County businesses through mentor/protégé relationships.

In addition, the District contracted with J. Majors & Associates from July 1, 2012 to June 30, 2013 to provide community outreach services to inform the local, small, and minority owned businesses about upcoming bids on the District's construction projects. Another service that J. Majors & Associates provided during the 2012-13 year was to create and distribute promotional flyers to the community regarding upcoming projects. Ms. Majors communicated to TSS that she personally went door-to-door to meet with the community and neighbors to discuss the upcoming projects and answer questions on behalf of the District. See the Effectiveness of Communication section of this report for more information related to these outreach efforts.

The District has established an annual overall Local Capacity Building Program goal for local hiring of at least:

1. Twenty-four percent by local West Contra Costa County residents.
2. Twenty percent participation by apprentices from State-approved apprenticeship programs in all hours worked, on a craft-by-craft basis.
3. An overall goal will be for all of the apprenticeship hours to be worked by residents of West Contra Costa.

Geographic Location Requirements

The residents must be located at a fixed established address located in priority areas listed and not a temporary or movable office, post office box, or a telephone answering service. If residents are not available, capable or willing to do the work, then the goal will default to priority area two and failing that to priority area three.

The local qualifying areas (source Davillier Sloan) are defined as:

Priority Area One – West County: Crockett, El Cerrito, El Sobrante, Hercules, Kensington, Montalvin, Pinole, Richmond, Rodeo, and San Pablo, Tara Hills.

Priority Area Two – Other Contra Costa County: Alamo, Antioch, Bay Point, Blackhawk, Brentwood, Byron, Canyon, Clayton, Concord, Danville, Diablo, Discovery Bay, Knightsen, Martinez, Moraga, Oakley, Orinda, Pacheco, Pittsburg, Pleasant Hill, San Ramon, Walnut Creek.

Priority Area Three – Northern Alameda and Southern Solano County: Alameda, Albany, American Canyon, Benicia, Berkeley, Castro Valley, Elmira, Emeryville, Fairfield, Hayward, Oakland, Piedmont, San Leandro, San Lorenzo, Suisun, Vacaville, and Vallejo.

During the July 1, 2012 to June 30, 2013 period, DSI reported the following list of LCBP projects awarded:

- Bayview Elementary School Exterior Repairs
- CCS at Downer Elementary School
- Coronado & Stege Elementary Storm Drain Extension
- Coronado Elementary School Reconstruction Phase 1
- Downer Elementary School Restroom Renovation
- Ellerhorst Elementary School Re-Roof
- Grant & Lake Elementary School Fire Alarm Modernization
- Grant & Lake Elementary School Restroom Renovation
- Harding Elementary School Foundation Ventilation
- Helms Middle School Sports Field and Landscaping
- Kensington Elementary School Moisture Abatement
- Kensington Elementary School Restroom Renovation
- M.L. King Elementary School Site Drainage
- New Gompers and Leadership Public Schools Richmond Schools
- Nystrom Elementary School Abatement and Selective Work
- Peres Elementary School Modernization
- Pinole Middle School Security Raceway Infrastructure
- Portola Middle School at Castro
- Richmond High School Emergency Lighting Replacement
- Verde Elementary School Restroom Renovation
- Vista High School Portable Tech 1 & 2 Civil Work
- Vista High School Portable Tech 1 & 2

As of June 30, 2013, sixteen of the twenty-two above noted projects were under construction and the reported levels of local participation is outlined in the tables below.

LOCAL HIRING PROJECT REPORT – 2012-13
By Residents
Projects Under Construction

Project Name	Priority 1	Priority 2	Priority 3	Total Participation
CCS at Dover Elementary School	47.88%	0.27%	5.30%	53.45%
Collins Elementary School New Fire Alarm	5.35%	61.73%	8.55%	75.63%
Coronado & Stege Elementary Storm Drain Extension	0.00%	0.00%	33.62%	33.62%
Coronado Elementary school Interim Campus @ Kennedy High School	6.73%	27.70%	20.54%	54.97%
Coronado Elementary School Reconstruction Phase 1	51.82%	6.85%	14.19%	72.86%
Crespi Middle School Gym Roof Replacement	30.51%	6.81%	25.79%	63.11%
DeAnza High School Replacement Campus	13.57%	15.16%	21.44%	50.17%
Dover Elementary School New Construction	13.10%	10.90%	35.86%	59.86%
Ellerhorst Elementary School Re-roof	6.83%	20.66%	39.64%	67.13%
Harding Elementary School Foundation Ventilation Repairs	7.19%	7.70%	85.11%	100.00%
Helms Middle School Sport Field and Landscape	14.33%	22.61%	8.49%	45.43%
M.L. King Elementary School Site Drainage	9.27%	58.65%	0.00%	67.92%
Mira Vista Elementary School Concrete Stoops	18.07%	0.00%	81.93%	100.00%
New Gompers and Leadership Public Schools Richmond Schools	18.20%	29.40%	9.21%	56.81%
Nystrom Elementary School Temporary Campus	6.72%	34.56%	31.19%	72.47%
Nystrom Elementary School Abatement and Selective Work	51.38%	6.49%	31.06%	88.93%

Project Name	Priority 1	Priority 2	Priority 3	Total Participation
Ohlone Elementary School Phase 1 West Campus	8.56%	30.44%	20.90%	59.90%
Peres Elementary School Modernization	27.00%	5.24%	31.22%	63.46%
Pinole Middle School Security Raceway Infrastructure	0.00%	100.00%	0.00%	100.00%
Portola Middle School at Castro	5.24%	1.26%	73.42%	79.92%
Portola Middle School Demolition	11.11%	10.68%	43.73%	65.52%
Restroom Renovation at Ellerhorst, Harding, and Tara Hills Elementary Schools	11.76%	0.00%	2.92%	14.68%
Restroom Renovations at Sheldon, Murphy and Mira Vista Elementary Schools	11.09%	32.17%	29.86%	73.12%
Richmond High school Emergency Lighting	0.00%	0.00%	7.86%	7.86%
Verde Elementary School Restroom Renovation	20.51%	0.00%	15.38%	35.89%
Vista High School Portable Tech 1 & 2 Civil Work	0.00%	0.00%	12.11%	12.11%
Vista High School Portable Tech 1 & 2	0.00%	0.00%	45.45%	45.45%
Total Average 2012-13	14.67%	18.12%	27.21%	60.01%

Source: Davillier Sloan's LCBP report for the period July 1, 2012 to June 30, 2013

The CCS at Downer Elementary School, Coronado Elementary School Reconstruction Phase 1, Crespi Middle School Gym Roof Replacement, Nystrom Elementary School Abatement and Selective Work, and Peres Elementary School Modernization construction projects had the highest percentage in Priority 1 hiring during the year.

The Harding Elementary School Foundation Ventilation Repairs, Mira Vista Elementary Concrete Stoops, Nystrom Elementary School Abatement and Selective Work, Pinole Middle School Security Raceway Infrastructure, and Portola Middle School at Castro construction projects had the highest total participation percentages in all priority areas.

LOCAL HIRING PROJECT REPORT – 2012-13
By Apprentice Hours
Projects Under Construction

Project Name	Priority 1	Priority 2	Priority 3	Total Participation
CCS at Dover Elementary School	0.00%	0.00%	2.43%	2.43%
Collins Elementary School New Fire Alarm	0.00%	0.00%	8.55%	8.55%
Coronado & Stege Elementary Storm Drain Extension	0.00%	0.00%	0.00%	0.00%
Coronado Elementary school Interim Campus @ Kennedy High School	1.49%	6.56%	4.85%	12.90%
Coronado Elementary School Reconstruction Phase 1	6.14%	3.84%	0.00%	9.98%
Crespi Middle School Gym Roof Replacement	11.55%	0.81%	11.30%	23.66%
DeAnza High School Replacement Campus	6.07%	4.60%	2.12%	12.79%
Dover Elementary School New Construction	1.38%	1.76%	3.41%	6.55%
Ellerhorst Elementary School Re-roof	0.00%	10.67%	5.59%	16.26%
Harding Elementary School Foundation Ventilation Repairs	7.19%	0.00%	0.00%	7.19%
Helms Middle school Sport Field and Landscape	2.93%	0.12%	1.39%	4.44%
M.L. King Elementary School Site Drainage	9.27%	0.00%	0.00%	9.27%
Mira Vista Elementary School Concrete Stoops	0.00%	0.00%	0.00%	0.00%
New Gompers and Leadership Public Schools Richmond Schools	8.57%	1.32%	1.71%	11.60%
Nystrom Elementary School Temporary Campus	0.00%	9.45%	8.65%	18.10%
Nystrom Elementary School Abatement and Selective Work	0.00%	0.00%	0.00%	0.00%

Project Name	Priority 1	Priority 2	Priority 3	Total Participation
Ohlone Elementary School Phase 1 West Campus	1.41%	7.52%	3.35%	12.28%
Peres Elementary School Modernization	1.83%	0.00%	3.66%	5.49%
Pinole Middle School Security Raceway Infrastructure	0.00%	0.00%	0.00%	0.00%
Portola Middle School at Castro	1.10%	0.00%	1.15%	2.25%
Portola Middle School Demolition	0.00%	0.00%	4.50%	4.50%
Restroom Renovation at Ellerhorst, Harding, and Tara Hills Elementary Schools	0.00%	0.00%	0.00%	0.00%
Restroom Renovations at Sheldon, Murphy and Mira Vista Elementary Schools	0.00%	0.00%	0.00%	0.00%
Richmond High school Emergency Lighting	0.00%	0.00%	0.00%	0.00%
Verde Elementary School Restroom Renovation	0.00%	0.00%	0.00%	0.00%
Vista High School Portable Tech 1 & 2 Civil Work	0.00%	0.00%	0.00%	0.00%
Vista High School Portable Tech 1 & 2	0.00%	0.00%	8.75%	8.75%
Total Average 2012-13	2.18%	1.73%	2.64%	6.58%

Source: Davillier Sloan's LCBP report for the period July 1, 2012 to June 30, 2013

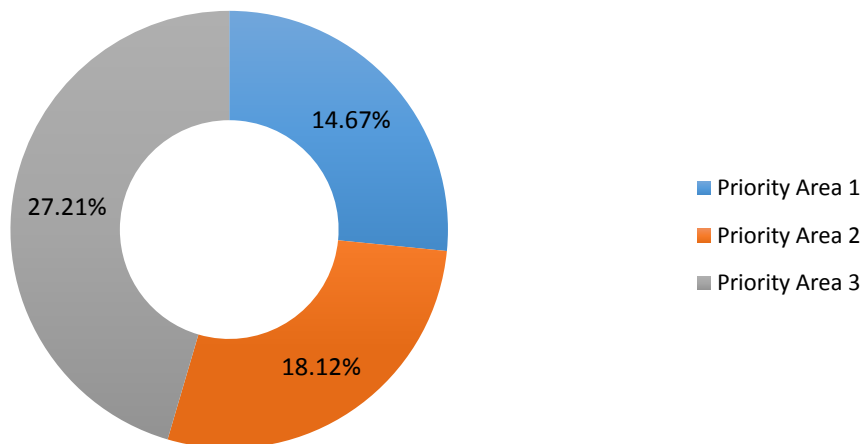
In the TSS interview with Mr. Jake Sloan, the following items were noted:

- The LCBP was successful during the fiscal year ended June 30, 2013. Mr. Sloan noted that the District had not received complaints from the community, districts, or contractors.
- The changes made to the LCBP have had a positive impact on the program. Some of these changes included loosening the strict requirement of the Contractor's good faith efforts and changing the minimum requirements of the bid.
- Mr. Sloan noted that the challenge to bring in small local businesses owned by minorities and women to work on District projects, is that there are a limited number of qualified small businesses in West Contra Costa County.

- Mr. Sloan indicated that it will continue to be a challenge to increase small business participation in the bond projects due to limitations small businesses have related to credit capacity to finance projects, regulatory filings, and bonding requirements to become eligible for construction projects.
- Mr. Sloan noted that the apprenticeship program has not worked well as anticipated. Although the intentions are very good, the economy has taken a toll. Mr. Sloan indicated that students that finish the apprenticeship program invest many years of training and expenses and have been disappointed when looking to find work in a down economy.
- Mr. Sloan noted that local students have a hard time passing the Math and English sections of apprenticeship exams. Testing results have indicated that students in the District have not been well prepared to become workers in some difficult and challenging construction industry trades.
- Mr. Sloan communicated that the apprenticeship program does not yield enough qualified apprentices and many of the jobs for apprentices are short-term in nature. This has resulted in many contractors choosing not to invest the time and effort to work with apprentices.
- Mr. Sloan indicated that the outreach program to inform and educate the community on LCBP and Local Hiring Program for the Richmond area has been challenging.
- Mr. Sloan communicated that the projects that have a high percentage of participation in priority area 1 are the result of the prime contractor's employees living in the geographic area.
- Mr. Sloan noted that upon completing his monitoring process of the prime contractors during the fiscal year ended June 30, 2013, he determined that the prime contractors made good faith efforts to contract with local small businesses owned by minorities and women and apprentices.

Total Local Participation: 60.01%

2012-13 Local Hiring Summary Report



Project Labor Agreement Update

In October 2011, the Governor signed SB922 which authorizes public agencies to use, enter into, or require contractors to enter into, project labor agreements prior to awarding a contract for construction of a public works project to avoid delays and interruptions to construction caused by strikes, lockouts or work stoppages. Because PLAs have been the subject of controversy and litigation for some public agencies, SB922 codified the legality of these agreements and places certain restrictions and requirements as to the terms. Project Labor Agreements on public works projects are now expressly permitted under California law, thus eliminating some of the uncertainty and controversy that has surrounded them. However, all project labor agreements must include five “taxpayer protection provisions”:

- (1) The agreement prohibits discrimination based on race, national origin, religion, sex, sexual orientation, political affiliation or membership in a labor organization in hiring and dispatching workers for the project;
- (2) The agreement permits all qualified contractors and subcontractors to bid for and be awarded work on the project without regard to whether they are otherwise parties to collective bargaining agreements;
- (3) The agreement contains an agreed-upon protocol concerning drug testing for workers who will be employed on the project;
- (4) The agreement contains guarantees against work stoppages, strikes, lockouts, and similar disruptions of the project; and

(5) The agreement provides that disputes arising from the agreement shall be resolved by a neutral arbitrator.

Observations

- Based on the results of the summary reports prepared and monitored by DSI, the District did not meet its goal of hiring West Contra Costa County (Priority Area 1) residents. The result of 14.67 percent of local hires in Priority Area 1 was lower than the 24.0 percent District goal of local hires that worked on bond-funded projects during fiscal year ended June 30, 2013. However, 60.01% of local residents in combined Priority Areas 1, 2, and 3 did work on District bond-funded projects.
- Based on the results of the summary reports prepared and monitored by DSI, the District did not meet its goal of hiring West Contra Costa County (Priority Area 1) apprentices. The result of 6.58 percent of local apprentices in Priority Area 1 was lower than the 20.0 percent District goal of local apprentices that worked on bond-funded projects during fiscal year ended June 30, 2013.

Recommendation

- The District should obtain written reports from all consultants to chronicle and document the level of efforts and successes related to its local capacity building program and community outreach program.

EFFECTIVENESS OF THE COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN THE BOND PROGRAM

Objective

The objective of this section is to determine the effectiveness of the District's communication of the Bond Program and progress to community members and stakeholders.

Scope and Methodology

To meet the objective, all avenues of communication, including public presentations at Board meetings, CBOC activities, District website postings, newsletters and billboards were considered. During the process of this examination, Total School Solutions interviewed Board members, members of the Citizens' Bond Oversight Committee, and District staff. Communication channels and public outreach were among the topics of discussion in these interviews.

The purpose of these interviews and the review of relevant websites and data were to examine the processes and systems used to convey information about the bond program to interested parties. These processes serve as a measurement of the effectiveness of disseminating information among parties involved and stakeholders in the bond program and its operations. These processes and information also indicate the effectiveness of communicating to the school site communities and the community at large.

Background

To facilitate communication regarding the West Contra Costa Unified School District's facilities program, the District provides information about the District and the facilities program on three separate websites:

- West Contra Costa Unified School District: www.wccusd.net
- Bond Oversight Committee: www.wccusd-bond-oversight.com
- Bond Program: www.wccusdbondprogram.com

To facilitate access to bond information and the oversight committee, the District's website provides links on the front page to the Citizens' Bond Oversight Committee and Bond Program websites. Additionally, the District's webpage includes information about the Facilities and Bond Program and Operations Division. Included are updated staff directories as well as additional links to the CBOC and Bond Program websites, recent Board presentations, previous performance and financial audits, current school construction projects and project status reports

A review of the CBOC website indicated that information about the bond and facility construction programs was current, and included relevant information, community meeting dates and schedules, and meeting minutes. Additionally, the District prominently posts notices of upcoming Facilities Subcommittee and CBOC meeting on the homepage of the District's main website.

The facilities and bond program page of the Operations Division section of the website includes links to active Bond program projects; plans, budget information and status reports, pictures and presentations, as well as information about all construction projects and relevant information about upcoming projects. A new edition to the bond program webpage includes copies of the flyers produced by the District's public relations consultant. These flyers are produced for and distributed to the school and business communities where bond projects are occurring and include a description of the project, timeline, and contact information. These flyers are limited in the information they provide, but include contact information for the construction manager where interested community members can obtain more detailed information about an ongoing project. Including them on the bond program website provides access to this information to the larger WCCUSD community as well.

Links to the bond program website are included on most of the District's school site webpages, which is an effective means for providing timely and relevant information to the parent community about the overall construction program. For school sites where there is an ongoing bond project, more specific information and status updates were posted on the school websites as well.

As noted in the Local Capacity Building Program section of this report, the District contracted with J. Majors & Associates from July 1, 2012 to June 30, 2013 to provide community outreach services to inform the local, small, and minority owned businesses about upcoming bids on the District's construction projects.

Jacqueline Majors indicated that she also regularly attends city council and neighborhood meetings throughout the District to provide information to the communities and neighborhood councils as appropriate. During the 2012-13 year, she created and distributed promotional flyers to the community regarding the following projects:

- Portola Middle School Demolition Project
- Coronado Elementary School Community Update (2 updates provided throughout the year)
- New Walter Helms Sports Field & Landscaping Project Community Update (2 updates provided throughout the year)
- Portola Middle School and Castro Project Community Update (4 updates provided throughout the year)
- Nystrom Elementary School New Campus Community Update
- De Anza High School News Alert (2 updates provided throughout the year)

A review of local media coverage during the 2012-13 year indicated that the District received coverage on various issues in the *Contra Costa Times*, the *El Cerrito Patch*, and *Richmond Confidential*, a new online news service produced by the Graduate School of Journalism at UC Berkeley for, and about, the people of Richmond, CA. The coverage includes education, culture, politics, etc., and “anything that happens that people need to know about.”

Board members interviewed during the course of this review reported that District staff routinely provides a Project Status report for the Board, which includes the most recent construction and project updates. Board agenda items and back up material is available to the public for all these status reports.

The Superintendent publishes an e-message each month on a topic of importance to the District. In 2012-13, there were three occasions in which the e-message included information regarding the Bond program. The October 2012 edition entitled *What Our Students Deserve* included a brief review of the Measure E ballot measure, as well as a thank you from the Superintendent for the ongoing support from the community. The December 2012 edition entitled *Grateful for Support for Education* included information about the successful recent election and the passage of Measure E, allowing the District to continue to rebuild schools and move toward equity in all District facilities. The January 2013 edition entitled *Assessing Our Priorities* included a review of successfully milestones reached by the District, including the bond program. Messages are on the Communications page of the District website. Additionally, the District has a Community Resources guide on the Resources tab of the home page of the District website. The Community Resources page does not include new information about the Bond program, but does include links to the CBOC and Bond program web pages.

Observations

- The District Superintendent publishes a monthly e-message and includes information about the bond program from time to time throughout the year. Archived messages are included on the Communications section of the District website.
- District staff provides regular updates and presentations at Board meetings and Board Facilities Subcommittee meetings, which often include slideshows and discussions regarding the bond program and ongoing construction projects. Board meetings are televised and materials are available to interested members of the public.

CITIZENS' BOND OVERSIGHT COMMITTEE AND REVIEW OF MEETING MINUTES

Objective

The objective of this performance audit section is to assess the overall compliance of the Citizens' Bond Oversight Committee (CBOC) with law, the District's Board Policy 7214.2 and the Committee's Bylaws and to validate that the Committee met as scheduled, that meeting minutes were appropriately taken, and that a quorum of members was present to approve minutes.

Scope and Methodology

The scope of this audit section included a review of CBOC activities for the period July 1, 2012 through June 30, 2013, interviews with members of the Committee serving during the audit period, interviews with SGI and District staff and a review of all Board and CBOC minutes for meetings held during the 2012-13 reporting period.

Background

California Education Code Sections 15278-15282 set the duties of a school district and its citizens' bond oversight committee. (See Appendix E for legal requirements) In addition to law, the District has adopted BP 7214.2 and the Committee has adopted Bylaws.

Board Policy 7214.2 – Citizens' Bond Oversight Committee

Board Policy 7214.2 was revised by a subcommittee of the CBOC to clarify and expand upon some of the Committee's duties and operations and was recommended for Board approval. The policy was discussed by the Board at its meetings of August 17, 2011, October 4, 2011 and November 16, 2011, when it was approved. BP 7214.2 as approved included striking the Citizens Advisory Committee for Special education position and to add the following language to the section on operations:

“The CBOC shall establish a set of bylaws and operational rules to manage the operation of the committee. These bylaws and operational rules shall be in compliance with Board Policy and all applicable laws.”

Citizens' Bond Oversight Committee Bylaws

Subsequent to the adoption of BP 7214.2, the CBOC developed draft Bylaws, which were approved on November 30, 2011 by a vote of ten ayes and four nos. At a March 14, 2012 CBOC meeting, amendments to the draft were approved. A copy of the draft Bylaws, Revision 11, dated March 6, 2012, is posted on the CBOC website.

The adopted CBOC Bylaws, Section 16, Meeting Minutes and Reports, states:

“The Secretary shall keep minutes of each Committee meeting, which shall be supported by audio tape recording or equivalent. The minutes shall be distributed to each Committee member, and the Board, if requested, at the earliest reasonable date prior to the next subsequent meeting. Minutes of Committee proceedings and all documents received and reports issued shall be a matter of public record.”

During the current 2012-13 audit period, CBOC Bylaws, Revision 12, dated April 24, 2013, incorporating previous amendments made by the CBOC was posted on the CBOC website.

Committee Membership

The CBOC for Measures M, D, J and E¹ (Proposition 39 bonds) was reduced to nineteen members as of June 30, 2012, with the elimination of the Council of Industries and Citizens’ Advisory Committee for Special Education positions. The designated membership positions for the following categories exceed the mandatory minimum seven members:

Membership Category	Designated Number	Appointments During 2012-13	Membership as of 6/30/13
Statutory Requirements	5	1	2
City Council Representatives	5	4	5
Unincorporated Area Representatives	2	2	1
Board of Education Representatives	5	2	5
Building Trades	1	1	0
Public Employees Union Local 1	1	0	1
Total Membership	19	10	14

¹Measure E, a \$360 million bond measure approved by the voters on November 6, 2012, was added to the responsibilities of the existing CBOC on December 12, 2012.

The ten CBOC appointments made during 2012-13 summarized by category in the above table consisted of the following:

CBOC Board Appointments

Board Meeting	CBOC Category Represented	Action
September 5, 2012	Building Trades Council	Approved
September 5, 2012	Supervisor Gioia	Approved
September 19, 2012	Richmond Chamber of Commerce	Approved
December 12, 2012	Trustee Merriweather	Approved
December 12, 2012	Parent	Approved
February 6, 2013	City of El Cerrito	Approved
February 6, 2013	City of San Pablo	Approved
February 13, 2013	Trustee Ramsey	Approved
April 10, 2013	Supervisor Glover	Approved
April 24, 2013	City of Richmond	Approved

Committee Meetings

During the July 1, 2012 through June 30, 2013 audit period, the CBOC met nine times, including once in a joint meeting with the Board of Education, as shown below. Meeting schedules, agendas and minutes are posted on the CBOC website. (Note: Meetings scheduled for October 24, 2012 and May 22, 2013 were not held.)

Meeting Date	Members/Alternates In Attendance	Members Absent	Quorum
August 15, 2012 ¹	14	2	Yes
September 26, 2012	11	6	Yes
November 7, 2012	11	6	Yes
December 5, 2012	13	4	Yes
January 30, 2013	11	3	Yes
February 27, 2013	10	5	Yes
March 27, 2013	11	4	Yes
April 17, 2013	9	6	Yes
June 19, 2013	11	3	Yes

¹Joint meeting with Board of Education.

Committee Minutes

The CBOC maintains a website, with access via the District's website, in compliance with Education Code Section 15280(b). The meeting minute section of the CBOC website included meeting agendas and minutes from all meetings indicated on the meeting schedule page of the same website.

The following list details the meeting length and approvals of minutes for the nine meetings held during 2012-13:

Meeting Date	Meeting Length	Minutes Approved	(Yes/No/Abstain)	Comments
August 15, 2012	1 hour, 17 minutes	September 26, 2012	6/3/0	With amendments
September 26, 2012	2 hours, 4 minutes	November 7, 2012	11/0/0	With amendments
November 7, 2012	2 hours, 7 minutes	December 5, 2012	11/0/2	
December 5, 2012	2 hours, 5 minutes	January 30, 2013	11/0/0	
January 30, 2013	1 hour, 49 minutes	February 27, 2013	10/0/0	With amendments
February 27, 2013	2 hours, 20 minutes	March 27, 2013	11/0/0	With amendments
March 27, 2013	2 hours, 23 minutes	April 17, 2013	7/0/2	With amendments
April 17, 2013	2 hours, 4 minutes	June 19, 2013	11/0/0	
June 19, 2013	2 hours, 53 minutes	July 10, 2013	11/0/0	With amendments

A CBOC member provides a reference to non-District websites where audio and audio/video recordings of CBOC and Board meetings are posted. These postings are not official records of the meetings.

CBOC Website

The CBOC maintains a website with a link from the District's website and via the Operations Division, in compliance with Education Code Section 15280(b). In addition to the CBOC website materials, the Operations Division provides a link to the District's facilities and bond program website and the bond program website, which includes updated information on bond measures and detailed reports.

CBOC Reports

Education Code Section 15280(b) states that the citizens' oversight committee shall issue a report at least once a year. The CBOC presented its 2011 Annual Report to the Board of Education on November 30, 2012, which summarized major bond projects, the Committee's activities and a statement of compliance with bond language. Annual reports are posted on the CBOC website, and can also be referenced in the Board packets for the date of presentation.

In addition to the annual report, every Board agenda includes a "Standing Reports" item for the CBOC, Facilities Subcommittee and others to make oral reports to the Board. While there is no obligation to make a report, there are occasional comments regarding CBOC meetings and the bond program and an ongoing opportunity for reporting to the Board.

Contra Costa County Grand Jury Report

The 2011-12 Contra Costa County Grand Jury issued Report #1208, entitled *School Bond Oversight Committees, Raising the Bar*, with the requirement that County school districts with active Proposition 39 bond programs respond in writing. The Grand Jury Report included sixteen findings and twelve recommendations.

The Grand Jury Report was discussed at the CBOC/Board Joint Meeting on August 15, 2012. At that time the District's response was being prepared, and it was agreed that it would be submitted to the CBOC for review prior to its submittal to the County Grand Jury. The CBOC reviewed the District's written response at its September 26, 2012 meeting. That discussion of approximately forty minutes was tape recorded and made available for public review. The approved minutes of the September 26, 2012 CBOC meeting reflect concerns expressed by various members of the Committee.

After review of the Board and CBOC, the District filed its response to the County Grand Jury.

Resolution 13-1 – Improve Communication and Interaction with the District

It was noted during TSS interviews with CBOC members that on August 28, 2013, beyond the 2012-13 audit period, the CBOC approved Resolution 13-1 requesting a response from the District regarding its goals to improve communication and interaction between the CBOC and the District. The resolution is included in Appendix E, and the resolution and the District's response will be reviewed in the 2013-14 performance audit.

Observations

- Board Policy 7214.2 states that, “The Committee and Board shall hold joint meetings during the first quarter (January–March) and the third quarter (July–September) of each year.” During the 2012-13 audit period, the CBOC and Board of Education held one joint meeting on August 15, 2012.
- Minutes of CBOC meetings were timely prepared, approved at the following meeting and posted on the CBOC website.

Conclusions

- The CBOC met at least quarterly; the Superintendent and/or his designee attended committee meetings; and members of the Board of Education were periodically present at committee meetings.
- Roll call was taken at each meeting and those members either present or absent were noted in the written meeting minutes. The committee duly elected a chairperson and other officers.
- The committee officers prepared agendas and District staff sent copies to committee members at least three days prior to each meeting. Meetings were conducted in a manner consistent with the Ralph M. Brown Act, Government Code, section 54950 et seq., and meetings were open to the public. Committee decisions and recommendations were made by a “50 percent plus one” vote of the total membership.
- The results of this performance audit show that the CBOC meetings were conducted for the intended purpose of providing oversight of bond program expenditures, and that the committee did not engage in unauthorized discussions and/or activities. The CBOC is compliant with law, BP 7214.2 and CBOC Bylaws.

Recommendation

- It is recommended that the CBOC strive to fully meet the requirements of the law, BP 7214.2 and its Bylaws by working with the District to ensure that vacant positions are timely filled and joint meetings are timely held with the Board of Education.

DISTRICT PROVIDED INFORMATION

The information on the succeeding pages was compiled by TSS staff from a District source and/or provided by District staff or consultants for informational purposes only. The information provided here has not been audited.

FACILITIES PROGRAM HISTORY/STATUS

To assist the community in understanding the District's facilities program and the chronology of events and/or decisions that resulted in the increased scopes and costs for projects, this report documents the events that have taken place since July 1, 2012. For a discussion of prior Board agenda items and actions, refer to earlier annual and midyear reports. Major actions of the Board of Education are listed in the table below.

Chronology of Facilities Board Agenda; July 1, 2012 through June 30, 2013.

DATE	ACTION	AMOUNT
July 2, 2012 (Consent Item # B.1)	Peres Elementary School Modernization	
July 2, 2012 (Consent Item # B.2)	Peres Elementary School Modernization Project Contract Award Ratification	
July 11, 2012 (Consent Item # C.6)	Ratification and Approval of Engineering Services Contracts	\$878,452.00
July 11, 2012 (Consent Item # C.6)	Ratification and Approval of Negotiated Change Orders	\$235,082.83
July 11, 2012 (Consent Item # D.1)	Bond Finance Report	
July 11, 2012 (Consent Item # G.1)	Project Status Report	
July 23, 2012 (Consent Item # C.1)	Adoption of Resolution No. 16-1213: In support of Office of Public School Construction applications for Modernization and New Construction state funding	
July 23, 2012 (Consent Item # C.2)	Harding Elementary School Foundation Ventilation Repairs Project Award of Contract	
July 23, 2012 (Consent Item # C.3)	New Gompers High School and Leadership Public School Award of Contract	\$53,887,350.00
July 23, 2012 (Consent Item # C.4)	Ratification of Staff Awarded Contract: Ellerhorst Elementary School Re-roof Project	\$1,576,270.00
July 23, 2012 (Consent Item # C.5)	Ratification of Staff Awarded Contract: Richmond High School Emergency Lighting Replacement Project	\$285,000.00
August 1, 2012 (Consent Item # C.4)	Notice of Completions: Bid J1180095 Portola Middle School Shade Structure, Bid J068232 Portola Middle School Reconditioned Portable Purchase, Bid J068158 Ford Elementary School Increment 2 New School Building	
August 1, 2012 (Consent Item # C.10)	Ratification and Approval of Engineering Services Contracts	\$1,628,621.00
August 1, 2012 (Consent Item # C.11)	Ratification and Approval of Negotiated Change Orders	\$31,890.90
August 1, 2012 (Consent Item # D.2)	Standing Reports	

DATE	ACTION	AMOUNT
August 1, 2012 (Consent Item # F.1)	Resolution No. 17-1213: Resolution of the Board of Education of the West Contra Costa Unified School District Ordering a School Bond Election, and Establishing Specifications of the Election Order	
August 1, 2012 (Consent Item # G.1)	Project Status Report	
August 15, 2012 (Consent Item # B.1)	Grand Jury Report No. 1208, "School Bond Oversight Committees, Raising the Bar"	
August 15, 2012 (Consent Item # B.2)	Facilities Program Update	
August 15, 2012 (Consent Item # C.11)	Ratification and Approval of Engineering Services Contracts	\$290,250.00
August 15, 2012 (Consent Item # C.12)	Ratification and Approval of Negotiated Change Orders	\$202,843.68
August 15, 2012 (Consent Item # C.13)	Approval of Additional Program Management General Conditions Reimbursable Expenses	\$1,268,328.00
August 15, 2012 (Consent Item # D.1)	Standing Reports	
September 5, 2012 (Consent Item # C.5)	Notice of Completions: Bid J068148 King Elementary New School Phase 2 New School, Bid J068116 Pinole Middle School Renovation, Bid J068300 Helms Middle School Video Surveillance System, Bid 1391215-01 Mira Vista Elementary School Concrete Stoops	
September 5, 2012 (Consent Item # C.11)	Ratification and Approval of Engineering Services Contracts	\$1,427,727.00
September 5, 2012 (Consent Item # C.12)	Ratification and Approval of Negotiated Change Orders	
September 5, 2012 (Consent Item # C.13)	Citizen's Bond Oversight Committee (CBOC) Appointment: Jason Gallia appointed by Building Trade Council	
September 5, 2012 (Consent Item # C.14)	Citizen's Bond Oversight Committee (CBOC) Appointment: Wayne Ellis appointed by Supervisor Gioia	
September 5, 2012 (Consent Item # D.3)	Standing Reports	
September 5, 2012 (Consent Item # G.1)	Project Status Report	
September 19, 2012 (Consent Item # C.5)	Notice of Completions: Bid 3881366-02 Gompers/Leadership Public Schools Soil Removal and Site Work, Bid 3761356-01 Hercules Middle School Solar/Photovoltaic Systems, Bid J068218 Nystrom Elementary School Multi-Purpose Room, Bid J068313 Lupine Hills Elementary School Restroom Repairs, Lupine Hills, Bid J068302 Lupine Hills Elementary School Windows, walls and Roof Repairs and Bid J068312 Verde Elementary School Restroom Surface Repairs	
September 19, 2012 (Consent Item # C.12)	Ratification and Approval of Engineering Services Contracts	\$167,189.00
September 19, 2012 (Consent Item # C.13)	Ratification and Approval Negotiated Change Orders	\$341,754.62

DATE	ACTION	AMOUNT
September 19, 2012 (Consent Item # C.14)	Approval of Pinole Valley High School Replacement Campus Revised Design Fees	
September 19, 2012 (Consent Item # C.15)	Citizens' Bond Oversight Committee (CBOC) Appointment: Tom Waller appointed by Richmond Chamber Commerce Board	
September 19, 2012 (Consent Item # D.3)	Standing Reports	
September 19, 2012 (Consent Item # F.1)	Approval of the 2011-2012 Unaudited Actuals Financial Report	
October 10, 2012 (Consent Item # C.5)	Notice of Completions: Bid J068310 Pinole Middle School Miscellaneous Repairs, Bid J068294 Pinole Middle School Portable Demo, Bid J068298 Richmond High School Fiber Optics Project, Bid J068266 Kennedy High School Restrooms and Field Lighting, Bid J068267 El Cerrito High School Multi-Use Sports Fields, Bid 1121341-02 Kennedy High School Replacement Softball Field, and Bid J068317 Pinole Valley High School Digital Surveillance System	
October 10, 2012 (Consent Item # C.12)	Ratification and Approval of Engineering Services Contracts	\$200,633.00
October 10, 2012 (Consent Item # C.13)	Ratification and Approval of Negotiated Change Orders	\$692,070.23
October 10, 2012 (Consent Item # C.15)	Changes to Current Local Business Capacity Program for the District's Bond Construction Projects	
October 10, 2012 (Consent Item # D.4)	Standing Reports	
October 24, 2012 (Consent Item # C.8)	Ratification and Approval of Engineering Services Contracts	\$322,960.00
October 24, 2012 (Consent Item # C.9)	Ratification and Approval of Negotiated Change Orders	\$73,455.23
October 24, 2012 (Consent Item # D.5)	Standing Reports	
October 24, 2012 (Consent Item # G.2)	Project Status Report	
November 14, 2012 (Consent Item # C.7)	Notice of Completion: Bid 1101612-02 Collins Elementary School New Fire Alarm	
November 14, 2012 (Consent Item # C.20)	Ratification and Approval of Engineering Services Contracts	\$249,311.00
November 14, 2012 (Consent Item # C.21)	Ratification and Approval of Negotiated Change Orders	\$570,616.92
November 14, 2012 (Consent Item # C.22)	Ratification of Staff Awarded Contract: Coronado Elementary School Reconstruction Demolition Project	\$403,922.00
November 14, 2012 (Consent Item # C.23)	Ratification of Staff Awarded Contract: Pinole Middle School Security Raceway Infrastructure Project	\$96,900.00
November 14, 2012 (Consent Item # D.5)	Standing Reports	
November 14, 2012 (Consent Item # G.1)	Project Status Report	

DATE	ACTION	AMOUNT
November 28, 2012 (Consent Item # C.8)	Ratification and Approval of Engineering Services Contracts	\$482,710.00
November 28, 2012 (Consent Item # C.9)	Ratification and Approval of Negotiated Change Orders	\$256,752.19
November 28, 2012 (Consent Item # C.10)	Ratification of Staff Awarded Contract: CCS at Downer School Project	\$83,600.00
November 28, 2012 (Consent Item # C.11)	Ratification of Staff Awarded Contract: Vista High School Portables Tech Lab 1 & 2 Project	\$89,000.00
November 28, 2012 (Consent Item # D.3)	Recognition and Celebration of the Volunteers for Measure E and G	
December 3, 2012 (Consent Item # B.1)	Amended and Restated Ground Lease Agreement Between the District and the City of San Pablo Regarding the Construction and Use of a Community Center at Helms Middle School and Related Documents	
December 12, 2012 (Consent Item # C.5)	Notice of Completions: Bid 1551223-20/1421223-19/1391223-18 Sheldon Elementary School/Murphy Elementary School/Mira Vista Elementary School Restroom Renovations, Bid 1441205-09 Nystrom Elementary School Interim Campus	
December 12, 2012 (Consent Item # C.10)	Ratification and Approval of Engineering Services Contracts	\$40,361.50
December 12, 2012 (Consent Item # C.11)	Ratification and Approval of Negotiated Change Orders	\$606,280.00
December 12, 2012 (Consent Item # C.12)	Designation of Citizen Bond Oversight for Measure E 2012	
December 12, 2012 (Consent Item # C.13)	Citizen's Bond Oversight Committee (CBOC) Appointments	
December 12, 2012 (Consent Item # C.15)	Certification of November 6, 2012 Election Results - Bond Measure E and Parcel Tax Measure G	
December 12, 2012 (Consent Item # F.3)	Resolution No. 55-1213: Intent to Seek Debt Limit Waiver from State Board of Education for Sale of remaining General Obligation Bonds as approved by voters under Measure E, 2012. (Note: Removed from agenda.)	
December 12, 2012 (Consent Item # G.2)	Project Status Report	
January 9, 2013 (Consent Item # C.6)	Notice of Completion: Bid 1121341-01 Coronado Interim Campus at Kennedy High School	
January 9, 2013 (Consent Item # C.11)	Ratification and Approval of Engineering Services Contracts	\$778,003.00
January 9, 2013 (Consent Item # C.12)	Ratification and Approval of Negotiated Change Orders	\$31,169.66
January 9, 2013 (Consent Item # C.13)	Ratification of Staff Awarded Contract: Harding Elementary School Foundation Ventilation Repairs	\$99,850.00
January 9, 2013 (Consent Item # C.14)	Ratification of Staff Awarded Contract: Helms Middle School Sports Fields and Landscaping	\$5,951,048.00
January 9, 2013 (Consent Item # C.15)	Ratification of Staff Awarded Contract: Martin Luther King Jr. Elementary School Site Drainage	\$57,100.00

DATE	ACTION	AMOUNT
January 9, 2013 (Consent Item # F.4)	Resolution No. 55-1213: Intent to Seek Debt Limit Waiver from State Board of Education for Sale of remaining General Obligation Bonds as approved by voters under Measure E, 2012	
January 9, 2013 (Consent Item # G.1)	Project Status Report	
January 15, 2013 (Discussion Item #B.7)	Debt Limit Waiver for Measure E (2012)	
January 23, 2013 (Consent Item # C.7)	Notice of Completion: Bid J068237 Gompers Demolition & Site Work	
January 23, 2013 (Consent Item # C.12)	Ratification and Approval of Engineering Services Contracts	\$337,612.00
January 23, 2013 (Consent Item # C.13)	Ratification and Approval of Negotiated Change Orders	\$643,746.00
January 23, 2013 (Consent Item # F.3)	Resolutions No. 61-1213: Appointment of Piper Jaffray & Co. and E.J. De La Rosa the investment bankers, Stradling Yocca Carlson & Rauth (Stradling) as bond counsel and GCR as disclosure counsel in connection with the issuance of 2012 Bond Measure E first series of bonds and issuance of 2010 Bond Measure D second series of bonds and any series of general obligation refunding bonds during 2013	
February 6, 2013 (Consent Item # C.13)	Ratification and Approval of Engineering Services Contracts	\$243,574.00
February 6, 2013 (Consent Item # C.14)	Ratification and Approval of Negotiated Change Orders	\$79,355.78
February 6, 2013 (Consent Item # C.15)	Measures J and D 2010, Measure E 2012, Bond Program Budget Update	
February 6, 2013 (Consent Item # C.16)	Adoption of Resolution 66-1213 for SAB "Applications Received Beyond Bond Authority"	
February 6, 2013 (Consent Item # C.17)	Approval of Additional Program Management General Conditions Reimbursable Expenses	\$1,268,328.00
February 6, 2013 (Consent Item # C.18)	Citizens' Bond Oversight Committee (CBOC) Appointments	
February 6, 2013 (Consent Item # G.1)	Project Status Report	
February 13, 2013 (Consent Item # C.2)	Citizens' Bond Oversight Committee (CBOC) Appointment: Ken Jett appointed by Trustee Ramsey	
February 13, 2013 (Consent Item # C.3)	On-site Construction Administration Services during Construction of Portola Middle School at Castro Site	\$75,000.00
February 13, 2013 (Consent Item # C.4)	Architect Selection for Lake and Olinda Elementary Schools	
February 13, 2013 (Consent Item # D.1)	District Bond Finance Program	

DATE	ACTION	AMOUNT
March 6, 2013 (Consent Item # C.6)	Notice of Completions: Bid 3601612-00 Kennedy High School Walk-in Coller/Refrigerator, Bid 2121102-05 Pinole Middle School MPR Audio-Visual Project, Bid 1321204-03 King Elementary School Security Raceway Infrastructure, Bid 2101101-01 Helms Middle School MPR Audio Visual, Bid 2121102-09 Pinole Middle School Security Raceway Infrastructure and Bid 1321204-02 King Elementary School Site Drainage	
March 6, 2013 (Consent Item # C.12)	Ratification and Approval of Engineering Services Contracts	\$130,955.00
March 6, 2013 (Consent Item # C.13)	Ratification and Approval of Negotiated Change Orders	\$271,554.25
March 6, 2013 (Consent Item # C.14)	Ratification of Staff Awarded Contract: Vista High School Portable Tech Lab 1 and 2 - Civil Work	\$84,490.00
March 6, 2013 (Consent Item # C.15)	Ratification of Staff Awarded Contract: Kennedy High School Temporary Science Classroom Project	\$54,000.00
March 6, 2013 (Consent Item # C.16)	Modification of Board Calendar to include Joint Meetings with CBOC	
March 6, 2013 (Consent Item # C.19)	Collaboration with City of El Cerrito to Explore Possible Uses for the Current Portola Site	
March 6, 2013 (Consent Item # G.1)	Project Status Report	
March 20, 2013 (Consent Item # C.7)	Approve the following New Job Description: Senior School Facilities Planning Specialist	\$190,000.00
March 20, 2013 (Consent Item # C.13)	Ratification and Approval of Engineering Services Contracts	\$1,890,048.00
March 20, 2013 (Consent Item # C.14)	Ratification and Approval of Negotiated Change Orders	\$72,735.37
March 20, 2013 (Consent Item # C.15)	Approval of Awards of De Anza High School Furniture Contract	\$1,199,950.36
March 20, 2013 (Consent Item # C.16)	Approval of Riverside Elementary School Master Plan Fees	\$129,620.00
March 20, 2013 (Consent Item # C.17)	Measure J and D 2010, Measure E 2012, Bond Program Budget Expenditure Authorization	
March 20, 2013 (Consent Item # D.5)	Standing Reports	
March 27, 2013 (Consent Item # B.1)	Portola Middle School at Castro Elementary School Site Modernization and New Construction Award of Contract	
April 10, 2013 (Consent Item # C.5)	Notice of Completions: Bid 1471390-01 Peres Dental Clinic, Bid J068150 Dover Elementary School Increment 2 New School, Bid 1121341-04 Coronado Elementary School Demolition, Bid J068288 Kennedy High School ADA Upgrades, and Bid 1261612-00 Lupine Hills Elementary School Shade Structure	
April 10, 2013 (Consent Item # C.7)	First Reading: BP 7214.4 Investor Relations and BP 7214.3 Bond Refunding	
April 10, 2013 (Consent Item # C.13)	Ratification and Approval of Engineering Services Contracts	\$358,072.00

DATE	ACTION	AMOUNT
April 10, 2013 (Consent Item # C.14)	Ratification and Approval of Negotiated Change Orders	\$151,020.79
April 10, 2013 (Consent Item # C.15)	Annual Financial Audit of District Bond Program	
April 10, 2013 (Consent Item # C.16)	Annual Proposition 39 Performance Audit of the District Bond Program	
April 10, 2013 (Consent Item # C.17)	Citizens' Bond Oversight Committee (CBOC) Appointment: Norma Martinez-Rubin appointed by Supervisor Glover	
April 10, 2013 (Consent Item # C.19)	Measure J and D 2010 and Measure E 2012 Program Budget Updates	
April 10, 2013 (Consent Item # C.20)	Ratification of Staff Awarded Contract: Portola MS at Castro ES	\$42,942,000.00
April 10, 2013 (Consent Item # C.21)	Nystrom Elementary School Abatement and Selective Demolition Award of Contract	\$977,766.00
April 10, 2013 (Consent Item # D.5)	Standing Reports	
April 10, 2013 (Consent Item # G.1)	Project Status Report	
April 24, 2013 (Consent Item # C.5)	Approval BP 7214.4 Investor Relations and BP 7214.3 Bond Refunding	
April 24, 2013 (Consent Item # C.9)	Ratification and Approval of Engineering Services Contracts	\$819,369.00
April 24, 2013 (Consent Item # C.10)	Ratification and Approval of Negotiated Change Orders	\$170,111.50
April 24, 2013 (Consent Item # C.11)	Citizens' Bond Oversight Committee (CBOC) Appointment: Thomasina Horsley appointed by Richmond Mayor Gayle McLaughlin	
April 24, 2013 (Consent Item # C.13)	Coronado and Stege Storm Drain Extension Award of Contract	\$56,000.00
April 24, 2013 (Consent Item # C.14)	Downer Elementary School Restroom Renovations Award of Contract	\$192,000.00
April 24, 2013 (Consent Item # C.15)	Kensington Elementary School Restroom Renovations Award of Contract	\$156,900.00
April 24, 2013 (Consent Item # D.3)	Standing Reports	
May 1, 2013 (Consent Item # C.1)	Notice of Completion: Bid 3601211-12 Kennedy High School Quad Renovations	
May 1, 2013 (Consent Item # C.5)	Ratification and Approval of Engineering Services Contracts	\$611,947.00
May 1, 2013 (Consent Item # C.6)	Ratification and Approval of Negotiated Change Orders	\$607,870.16
May 1, 2013 (Consent Item # C.7)	Approval of Program and Construction Management Contract	

DATE	ACTION	AMOUNT
May 1, 2013 (Consent Item # C.8)	Ratification of Staff Awarded Contract (CUPCCAA): JFK Park Restoration - Landscape Design Build	\$39,500.00
May 1, 2013 (Consent Item # C.9)	Ratification of Staff Awarded Contract (CUPCCAA): JFK Park Restoration - Paving and Fencing	\$34,800.00
May 1, 2013 (Consent Item # C.10)	Ratification of Staff Awarded Contract (CUPCCAA): Olinda Elementary School Roofing	\$45,460.00
May 1, 2013 (Consent Item # D.6)	Standing Reports	
May 1, 2013 (Consent Item # G.1)	Project Status Report	
May 7, 2013 (Consent Item # 3C)	Update on Bond Program in EL Cerrito	
May 15, 2013 (Consent Item # C.11)	Ratification and Approval of Negotiated Change Orders	\$106,796.00
May 15, 2013 (Consent Item # C.12)	Ratification of Staff Awarded Contracts (CUPCCAA)	\$642,600.87
May 15, 2013 (Consent Item # C.13)	Ratification of Staff Awarded Contract: De Anza Move, Furniture & Equipment Removal & Debris Off-Haul	\$99,438.00
May 15, 2013 (Consent Item # C.14)	Lease Agreement between the District and Marina Westshore Partners LLC, a California limited liability company regarding temporary Office Space for the District's Facilities Operation Center	
May 15, 2013 (Consent Item # D.3)	Bond Finance - Review of Outstanding Bonds and Refunding Analysis	
May 15, 2013 (Consent Item # D.4)	Standing Reports	
June 12, 2013 (Consent Item # C.11)	Approve the Following New Job Description: Energy Conservation Program Manager	\$147,253.00
June 12, 2013 (Consent Item # C.14)	Ratification and Approval of Engineering Services Contracts	\$702,527.00
June 12, 2013 (Consent Item # C.15)	Ratification and Approval of Negotiated Change Orders	\$532,142.43
June 12, 2013 (Consent Item # C.17)	Ratification of Staff Awarded Contract: Bayview Exterior Repairs	\$567,000.00
June 12, 2013 (Consent Item # C.18)	Ratification of Staff Awarded Contract: Grant Elementary School & Lake Elementary School Fire Alarm Modernization	\$567,089.00
June 12, 2013 (Consent Item # C.19)	Ratification of Staff Awarded Contract: Kensington Elementary School Moisture Abatement	\$175,000.00
June 12, 2013 (Consent Item # C.20)	Ratification of Staff Awarded Contract: Verde Elementary School Restrooms Renovation	\$56,960.00
June 12, 2013 (Consent Item # C.21)	Resolution No. 94-1213: Regarding District Standards for Equipment, Products and Materials for District Construction and Adoption of Findings Required by Public Contract Code for Sole Source Specifications	
June 12, 2013 (Consent Item # D.5)	Standing Reports	

DATE	ACTION	AMOUNT
June 12, 2013 (Consent Item # G.1)	Project Status Report	
June 19, 2013 (Consent Item # V)	Bond Finance	
June 19, 2013 (Consent Item # VI)	Architect Overview of Selected Upcoming Projects	
June 19, 2013 (Consent Item # VII)	Bond Project Plan	
June 26, 2013 (Consent Item # C.3)	Notice of Completions: Bid 1271223-02 Harding Elementary School Foundation Ventilation, Bid 2141103-08 Portola Middle School CCS @ Downer, Bid 1171223-12 Ellerhorst Elementary School Re-Roof, Bid 1171223-13 Ellerhorst Elementary School, Bid 1591223-01 Tara Hills Elementary School, Bid 1351223-01 Lincoln Elementary School, and Bid 1271223-04 Harding Elementary School Restroom Finish Upgrades	
June 26, 2013 (Consent Item # C.9)	Ratification and Approval of Engineering Services Contracts	\$650,927.00
June 26, 2013 (Consent Item # C.10)	Ratification and Approval of Negotiated Change Orders	\$44,746.15
June 26, 2013 (Consent Item # C.11)	Ratification of Staff Awarded Contract: Grant ES and Lake ES Restrooms Renovation	\$149,600.00
June 26, 2013 (Consent Item # D.2)	Standing Reports	

DISTRICT FACILITIES PROGRAM – A PERSPECTIVE

While the scope of the annual audit for fiscal year 2012-13 is limited to Measures J and D (2010) funds, it is useful to review the history of the District’s facilities program to place the current program into a more complex context.

The financial status of the District’s facilities program, documented in audits and financial reports, is presented in the tables below (“Facilities Program-Financial Status” and “Facilities Program-Funding Resources”). For a more detailed presentation of accounting activity, refer to the “District Accounting Funds” section following this summary as well as detailed data presented throughout this report.

From the Facilities Program tables, several trends may be observed: (1) the outstanding bonds total has increased significantly as authorized bonds have been sold; (2) annual developer fee revenues have decreased significantly from a high of \$10.5 million in 2003-04 to a low in 2010-11; and (3) state match funds totaling \$128.2 million have been received from 2002-03 through 2012-13. (See Facilities Program Financial Status table.)

As of June 30, 2013, the District has sold Measure J bonds totaling \$322.5 million, leaving a remaining authorization for the future sale of \$77.5 million in Measure J bonds. The District has \$280 million remaining authorization for future sale of Measure D (2010) bonds.

District Accounting Funds

The District funds used to account for facilities revenues and expenditures appear in the table below.

Fund	Description¹
14	Deferred Maintenance
21	Building (Including Measure E, M, D and J)
25	Capital Facilities
35	County (State) School Facilities
40	Special Reserves – Capital Outlay

¹ Refer to the table on the following page for a detailed accounting of funds for the 2007-08 through 2011-12 fiscal years and an explanation of the use of the funds.

From the Capital Facilities Funds table, the ending balance for June 30, 2012, for all funds combined was \$131,346,701. Additional revenues will be received from authorized but unsold Measure J and Measure D (2010) bonds and projected revenues from interest earnings developer fees, State match funds, deferred maintenance and special reserves.

Facilities Program – Financial Status (in thousands)

Fiscal Year	Bonds Outstanding ¹	Developer Fee Revenues ²	State Facility Program Revenues ³
2000-01	\$54,340	\$6,061	None
2001-02	\$122,450	\$2,750	None
2002-03	\$216,455	\$9,094	\$16,336
2003-04	\$315,155	\$10,499	\$10,159
2004-05	\$380,634	\$7,760	\$13,090
2005-06	\$544,027	\$8,813	None
2006-07	\$536,504	\$4,840	\$1,556
2007-08	\$527,016	\$2,374	\$3,779
2008-09	\$636,220	\$813	\$23,145
2009-10	\$758,223	\$652	\$4,920
2010-11	\$741,277	(\$132)	\$20,387
2011-12	\$821,579	\$226	\$15,826
2012-13	\$795,430	\$1,375	\$18,963

¹ Bonds authorized, sold, and outstanding include all bond measures. Bonds outstanding include adjustments for refunding of prior bond issues and repayment of principal but do not include premiums and accrued interest.

² Developer fees are imposed on residential additions and commercial projects (Level 1) and new residential construction (Level 2). Total revenues include interest earnings.

³ State revenues received are discussed in detail in the section, “State School Facility Program.”

Facilities Program – Funding Resources

Bond Measure (Passage Date)	Authorized	Original Issuance	Outstanding ¹ (June 30, 2011)	Outstanding ¹ (June 30, 2012)	Outstanding ¹ (June 30, 2013)
Measure E (June 2, 1998)	\$40 million	\$40 million	\$26,795,000	\$25,305,000	\$23,750,000
Measure M (November 7, 2000)	150 million	150 million	125,570,000	116,385,000	69,670,000
Measure D (March 5, 2002)	300 million	300 million	269,552,284	260,529,141	191,065,428
Measure J (November 8, 2005)	400 million	322.5 million	319,359,708	319,359,708	319,359,708
Measure D (June 8, 2010)	380 million	100 million	N/A	100,000,000	93,385,000
Measure E (November 6, 2012)	360 million	N/A	N/A	N/A	N/A
Measures M & D (Refunding 2012)	N/A	N/A	N/A	N/A	98,200,000
Total	\$1,630 million	\$912.5 million	\$741,276,992	\$821,578,849	\$795,430,136

¹ See “Composite Bond Measures Financial Report” section and District financial audit reports for detail. The 2012 refunding impacted Measures M (2000) and D (2002), but the allocation to each measure was not provided.

CAPITAL FACILITES FUNDS (AUDITED)

Fiscal Year Ending June 30, 2009	Fund 14 Deferred Maint. Fund¹	Fund 21 Building Fund²	Fund 25 Capital Facilities Fund³	Fund 35 County School Facilities Fund⁴	Fund 40 Special Reserves Capital OutlayFund⁵	Total
Beginning Balance	\$4,524,588	\$66,850,137	\$4,909,598	\$5,064,185	\$3,632,591	\$84,981,099
Revenues	1,083,317	1,864,009	812,727	19,700,237	4,412,582	27,872,872
Expenditures	863,856	46,129,743	853,033	37,991,884	1,343,897	87,182,413
Transfers Net	0	(13,268,519)	0	13,268,519	0	0
Source	0	121,500,000	0	0	0	121,500,000
Net Change	219,461	63,965,747	(40,306)	(5,023,128)	3,068,685	62,190,459
Ending Balance	\$4,744,049	\$130,815,884	\$4,869,292	\$41,057	\$6,701,276	\$147,171,558

CAPITAL FACILITES FUNDS (AUDITED)

Fiscal Year Ending June 30, 2010	Fund 14 Deferred Maint. Fund¹	Fund 21 Building Fund²	Fund 25 Capital Facilities Fund³	Fund 35 County School Facilities Fund⁴	Fund 40 Special Reserves Capital OutlayFund⁵	Total
Beginning Balance	\$4,744,049	\$130,815,884	\$4,869,292	\$41,057	\$6,701,276	\$147,171,558
Revenues	1,108,805	900,737	652,236	575,998	4,700,018	7,937,794
Expenditures	747,610	74,879,440	796,080	1,141,098	5,316,782	82,881,008
Transfers Net	(4,000,000)	(1,998,422)	0	570,548	0	(5,427,874)
Source	0	137,574,031 ⁷	0	0	0	137,547,031
Net Change	(3,638,805)	61,596,906	(143,844)	5,448	(616,764)	57,175,943
Ending Balance	\$1,105,244	\$192,412,790	\$4,725,448	\$46,505	\$6,084,512	\$204,347,501

CAPITAL FACILITES FUNDS (AUDITED)

Fiscal Year Ending June 30, 2011	Fund 14 Deferred Maint. Fund¹	Fund 21 Building Fund²	Fund 25 Capital Facilities Fund³	Fund 35 County School Facilities Fund⁴	Fund 40 Special Reserves Capital OutlayFund⁵	Total
Beginning Balance	\$1,105,244	\$192,385,790	\$4,725,449	\$46,505	\$6,084,513	\$204,320,502
Revenues	1,103,343	679,831	(131,521)	20,406,400	4,931,281	26,989,332
Expenditures	12,130	79,817,301	1,125,511	20,438,952	4,860,419	106,254,313
Transfers Net	(1,000,000)	(2,588,194)	0	0	988,194	(2,600,000)
Source	0	0	0	0	0	0
Net Change	91,213	(81,725,664)	(1,257,032)	(32,552)	1,059,056	(81,864,977)
Ending Balance	\$1,196,457	\$110,660,126	\$3,468,417	\$13,956	\$7,143,569	\$122,482,525

CAPITAL FACILITES FUNDS (AUDITED)

Fiscal Year Ending June 30, 2012	Fund 14 Deferred Maint. Fund¹	Fund 21 Building Fund²	Fund 25 Capital Facilities Fund³	Fund 35 County School Facilities Fund⁴	Fund 40 Special Reserves Capital OutlayFund⁵	Total
Beginning Balance	\$1,196,457	\$110,660,126	\$3,468,417	\$13,956	\$7,143,568	\$122,482,524
Revenues	1,100,539	1,523,794	226,420	15,847,380	574,703	19,272,836
Expenditures	0	102,445,971	2,384,880	0	807,848	105,638,699
Transfers Net	(1,000,000)	(5,700,000)	0	0	0	(6,700,000)
Source	0	101,930,040	0	0	0	101,930,040
Net Change	100,539	(4,692,137)	(2,158,460)	15,847,380	(233,145)	8,864,177
Ending Balance	\$1,296,996	\$105,967,989	\$1,309,957	\$15,861,336	\$6,910,423	\$131,346,701

CAPITAL FACILITES FUNDS (AUDITED)

Fiscal Year Ending June 30, 2013	Fund 14 Deferred Maint. Fund¹	Fund 21 Building Fund²	Fund 25 Capital Facilities Fund³	Fund 35 County School Facilities Fund⁴	Fund 40 Special Reserves Capital OutlayFund⁵	Total
Beginning Balance	\$1,296,996	\$105,967,989	\$1,309,957	\$15,861,336	\$6,910,423	\$131,346,701
Revenues	1,096,379	1,405,144	1,374,767	19,031,114	976,459	23,883,863
Expenditures	89,345	51,929,765	242,110	24,946,405	1,080,482	78,288,107
Transfers Net	(1,000,000)	0	0	0	(130,000)	(1,130,000)
Source	0	0	0	0	0	0
Net Change	7,034	(50,524,621)	1,132,657	(5,915,291)	(234,023)	(55,534,244)
Ending Balance	\$1,304,030	\$55,443,368	\$2,442,614	\$9,946,045	\$6,676,400	\$75,812,457

¹The Deferred Maintenance Fund is used for projects identified in the District's Five-Year Deferred Maintenance Plan. Funding comes from a District match contribution (transfers from the Building Fund) and a state match contribution. (Note: Education Code Section 15278(c) (4) governing a Citizens' Bond Oversight Committee permits that committee to receive and review copies of any deferred maintenance proposals or plans.)

²The Building Fund is used to account for revenues and expenditures from general obligation bond proceeds, as well as other sources, such as interest income on acquisition and/or construction of facilities. The source of funds in 2008-09 was the sale of Measure J bonds.

³The Capital Facilities Fund is used to account for developer fee revenues and expenditures.

⁴The County School Facilities Fund is used to account for proceeds received from the State Allocation Board for modernization, new construction, and related state-match projects. Revenues for 2012-13 include state funds of \$18,962,946 and interest earnings of \$68,168.

⁵The Special Reserves – Capital Outlay Fund is used to account for funds used for the acquisition and/or construction of facilities.

Proposition 39 Bond Sale Limitations

Proposition 39, passed by California voters on November 7, 2000; Assembly Bill 1908, which became law on June 27, 2000; and Assembly Bill 2659, which became law on September 22, 2000, established limitations on bonds that may be issued. The first limitation is the bonding capacity of the District, which is based on 2.5 percent of assessed valuation (A/V), which may be increased through a waiver request to the State Board of Education. The second limitation is a maximum tax rate of \$60.00 per \$100,000 of A/V for each bond measure, which may not be increased by filing a waiver request. These two provisions are more fully described in Education Code Section 15106:

Any unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located. However, as noted above, the 2.5 percent limitation may be waived by the California Board of Education if a school district demonstrates sufficient justification for a waiver.

Education Code Section 15270 further adds:

The tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, shall not exceed sixty dollars (\$60) per one hundred thousand dollars (\$100,000) of taxable property.

On July 10, 2002, the Board of Education of the West Contra Costa Unified School District authorized the administration to submit a waiver request to the California State Board of Education (SBE) to increase the District's bonding limit from 2.5 percent to 3.0 percent of assessed valuation (A/V). At the SBE meeting of November 13-14, 2002, the SBE approved the waiver request for Measures E, M, and D (2002) only.

Resolution No. 25-0506 ordering the Measure J bond election stated that "no series of bonds may be issued unless the District shall have received a waiver from the State Board of Education of the District's statutory debt limit, if required." At its meeting of January 21, 2009, the Board of Education authorized the administration to submit a waiver request to the SBE to increase the District's Measure J bonding limit to 3.5 percent of A/V. The SBE approved the District's waiver request at its meeting of May 6-7, 2009, which enabled the District to issue \$105 million of its remaining authorization of \$210 million Measure J bonds. During the 2009-10 fiscal year, the District issued \$132.5 million of Measure J bonds, bringing the remaining authorization to \$77.5 million.

Because Measure J was at its \$60 limit, the District was not able to sell the remaining \$77.5 million of Measure J bonds in the near future. To raise additional bond funds for its facilities program, the District authorized an election for \$380 million of new bonds (Measure D – June 8, 2010), with a tax rate of \$48 per \$100,000 of A/V, well below the \$60 limit, which was approved by voters. The District received a waiver in March 2011, increasing its bonding capacity to 5 percent, and subsequently issued bonds totaling \$100 million. However, because of bonding capacity limitations, the District has been unable to sell the remaining \$280 million authorization.

When the District was unable to sell authorized but unissued bonds for Measures J (2005) and D (2010), as discussed above, the Board adopted Resolution No. 17-1213 calling for a new Measure E (2012) bond for \$360 million, to be held on November 6, 2012, which was approved by the voters. After passage, the Board certified the election results on December 12, 2012, and added Measure E (2012) to the duties and responsibilities of the existing CBOC. To enable Measure E (2012) bonds to be sold, the District filed a waiver request with the State Board of Education, which was approved on May 8, 2013. The State BOE approval increased the bonding capacity limit to 5 percent for the period May 9, 2013 to December 31, 2025.

Investment of Bond Proceeds

The proceeds from bond sales are invested in various instruments and earn interest until expenditures are made. The District's financial audits¹ for the fiscal year ended June 30, 2012, reports the following cash investments:

	District	Bonds
Pooled Funds (Cash in County Treasury)	\$149,222,954	\$39,766,083
Cash with Fiscal Agent	\$12,442,131	\$11,399,707
Investments-Local Agency Investment Fund (LAIF)	\$69,081,789	\$65,505,228
Total	\$230,746,874	\$116,671,018

¹ West Contra Costa Unified School District, Financial Statements with Supplementary Information for the Year Ended June 30, 2012, Crowe Horwath, LLP, Accountants, December 13, 2012; 2010 Measure D and 2005 Measure J for the Year Ended June 30, 2012, report dated March 18, 2013. Note: Data for 2011-12 is presented because investments of bond funds will not be available until the financial audits are available. The District's data for 2012-13 was presented in an earlier section in this report.

Pooled Funds are short-term investments made by Contra Costa County, and the District's interest earnings are credited quarterly. The District has no control over the investments, and its risk/return is based on the investment decisions of the County Treasurer. The financial auditor reported that, as of June 30, 2012, the pooled fund "contained no derivatives or other investments with similar risk profiles."

Cash with Fiscal Agent represents contract retentions carried in the contractor's name with an independent third party, and the contractor carries all investment risk. As contract payments are made, ten percent is retained until released by the District. The contractor may request to deposit the retention amount with a Fiscal Agent in an interest-bearing account. After a Notice of Completion is filed and all claims resolved, the remaining retention including any earned interest is released to the contractor.

LAIF investments are under the oversight of the Treasurer of the State of California, and consist of pooled funds of governmental agencies. LAIF investments generally have a higher risk/return than local pooled funds and are generally longer-term investments.

By utilizing county and state pooled funds, the bond proceeds earn low-risk interest from the time the bonds are sold until proceeds are expended. Pooled funds with the County are immediately accessible by the District to meet its cash-flow needs. Funds in the LAIF require District action to withdraw. The combination of local and state pooled funds is a sound investment approach to maximize interest earnings between the time the bonds are sold and the funds are expended.

Deferred Capital Project Fund

On February 20, 2009, SBX3 4 was signed into law, providing school districts budgeting flexibility. One of the provisions of SBX3 4 impacted the Deferred Maintenance Program by eliminating the local matching contribution for the years 2008-09 through 2012-13 and by making funding for deferred maintenance flexible by allowing such funds to be used for educational purposes.

The West Contra Costa Unified School District utilized the above provisions of SBX3 4 related to the Deferred Maintenance Program. On March 24, 2010, the Board took action to use the "Tier III State Flexibility for Deferred Maintenance Fund," allocating some of the funds previously set aside in reserve within the Deferred Maintenance Fund to the District's K-3 Class Size Reduction Program. During 2012-13, \$1 million was transferred from the Deferred Maintenance Fund to the General Fund, Tier III, and as of June 30, 2013, the reserve was \$1.3 million.

Arbitrage

When a school district issues general obligation bonds, the investments are subject to arbitrage regulations set forth by the United States Department of the Treasury. The bonds are subject to an allowable yield on investments which, if exceeded, results in a rebate liability that would be owed to the U.S. Department of the Treasury. The District made a payment to the IRS related to an Arbitrage Rebate Calculation for a 1998 Measure E, Series C Bond in 2010-11. Since that time, the District's financial auditor has reported no incidence of any arbitrage problems.

STATE NEW CONSTRUCTION STATUS

West Contra Costa Unified School District					
2011-12 SAB Approved New Construction Eligibility					
High School Attendance Area	**2011-12 SAB Approved Eligibility				
	K-6	7-8	9-12	Non-Severe	Severe
DeAnza HSAA	0	0	0	0	14
El Cerrito HSAA	0	0	0	0	47
Kennedy HSAA	0	0	0	0	26
Pinole HSAA	0	0	0	90	41
Richmond HSAA	0	0	0	0	14
Hercules HSAAA	0	94	87	38	40
**Expired on October 31, 2012					

APPENDIX A

MEASURE J (2005) BOND LANGUAGE

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

Resolution No. 25-0506

RESOLUTION OF THE BOARD OF EDUCATION OF THE WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT ORDERING A SCHOOL BOND ELECTION, AND AUTHORIZING NECESSARY ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Board of Education (the "Board") of the West Contra Costa Unified School District (the "District"), within the County of Contra Costa, California (the "County"), is authorized to order elections within the District and to designate the specifications thereof, pursuant to sections 5304 and 5322 of the California Education Code (the "Education Code");

WHEREAS, the Board is specifically authorized to order elections for the purpose of submitting to the electors the question of whether bonds of the District shall be issued and sold for the purpose of raising money for the purposes hereinafter specified, pursuant to section 15100 *et seq.* of the California Education Code;

WHEREAS, pursuant to section 18 of Article XVI and section 1 of Article XIII A of the California Constitution, and section 15266 of the California Education Code, school Districts may seek approval of general obligation bonds and levy an *ad valorem* tax to repay those bonds upon a 55% vote of those voting on a proposition for the purpose, provided certain accountability measures are included in the proposition;

WHEREAS, the Board deems it necessary and advisable to submit such a bond proposition to the electors to be approved by 55% of the votes cast;

WHEREAS, such a bond election must be conducted concurrent with a statewide primary election, general election or special election, or at a regularly scheduled local election, as required by section 15266 of the California Education Code;

WHEREAS, on November 8, 2005, a statewide election is scheduled to occur throughout the District;

WHEREAS, pursuant to section 15270 California Education Code, based upon a projection of assessed property valuation, the Board has determined that, if approved by voters, the tax rate levied to meet the debt service requirements of the bonds proposed to be issued will not exceed \$60 per year per \$100,000 of assessed valuation of taxable property;

WHEREAS, section 9400 *et seq.* of the California Elections Code requires that a tax rate statement be contained in all official materials, including any ballot pamphlet prepared, sponsored or distributed by the District, relating to the election; and

WHEREAS, the Board now desires to authorize the filing of a ballot argument in favor of the proposition to be submitted to the voters at the election; and

NOW, THEREFORE, be it resolved, determined and ordered by the Board of Education of the West Contra Costa Unified School District as follows:

Section 1. Specifications of Election Order. Pursuant to sections 5304, 5322, 15100 *et seq.*, and section 15266 of the California Education Code, an election shall be held within the boundaries of the West Contra Costa Unified School District on November 8, 2005, for the purpose of submitting to the registered voters of the District the following proposition:

BOND AUTHORIZATION

By approval of this proposition by at least 55% of the registered voters voting on the proposition, the West Contra Costa Unified School District shall be authorized to issue and sell bonds of up to \$400,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, subject to all of the accountability safeguards specified below.

ACCOUNTABILITY SAFEGUARDS

The provisions in this section are specifically included in this proposition in order that the voters and taxpayers of the West Contra Costa Unified School District may be assured that their money will be spent wisely to address specific facilities needs of the West Contra Costa Unified School District, all in compliance with the requirements of Article XIII A, section 1(b)(3) of the State Constitution, and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at section 15264 *et seq.* of the California Education Code).

Evaluation of Needs. The Board of Education has prepared an updated facilities plan in order to evaluate and address all of the facilities needs of the West Contra Costa Unified School District, and to determine which projects to finance from a local bond at this time. The Board of Education hereby certifies that it has evaluated safety, class size reduction and information technology needs in developing the Bond Project List contained in Exhibit A.

Independent Citizens' Oversight Committee. The Board of Education shall establish an independent Citizens' Oversight Committee (section 15278 *et seq.* of the California Education Code), to ensure bond proceeds are expended only for the school facilities projects listed in Exhibit A. The committee shall be established within 60 days of the date when the results of the election appear in the minutes of the Board of Education.

Annual Performance Audits. The Board of Education shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in Exhibit A.

Annual Financial Audits. The Board of Education shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed in Exhibit A.

Special Bond Proceeds Account; Annual Report to Board. Upon approval of this proposition and the sale of any bonds approved, the Board of Education shall take actions necessary to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Superintendent shall cause a report to be filed with the Board no later than January 1 of each year, commencing January 1, 2007, stating (1) the amount of bond proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other

appropriate annual period as the Superintendent shall determine, and may be incorporated into the annual budget, audit, or other appropriate routine report to the Board.

BOND PROJECT LIST

The Bond Project List attached to this resolution as Exhibit A shall be considered a part of the ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition. The Bond Project List, which is an integral part of this proposition, lists the specific projects the West Contra Costa Unified School District proposes to finance with proceeds of the Bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering, and similar planning costs, construction management, and a customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

FURTHER SPECIFICATIONS

No Administrator Salaries. Proceeds from the sale of bonds authorized by this proposition shall be used 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, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Single Purpose. All of the purposes enumerated in this proposition shall be united and voted upon as one single proposition, pursuant to section 15100 of the California Education Code, and all the enumerated purposes shall constitute the specific single purpose of the bonds, and proceeds of the bonds shall be spent only for such purpose, pursuant to section 53410 of the California Government Code.

Other Terms of the Bonds. When sold, the bonds shall bear interest at an annual rate not exceeding the statutory maximum, and that interest will be made payable at the time or times permitted by law. The bonds may be issued and sold in several series, and no bond shall be made to mature more than 30 years from the date borne by that bond. No series of bonds may be issued unless the District shall have received a waiver from the State Board of Education of the District's statutory debt limit, if required.

Section 2. Abbreviation of Proposition. Pursuant to section 13247 of the California Elections Code and section 15122 of the California Education Code, the Board hereby directs the Registrar of Voters to use the following abbreviation of the bond proposition on the ballot:

To continue repairing all school facilities, improve classroom safety and technology, and relieve overcrowding shall the West Contra Costa Unified School District issue \$400 million in bonds at legal interest rates, with annual audits and a citizens' oversight committee to monitor that funds are spent accordingly, and upon receipt of a waiver of the District's statutory debt limit from the State Board of Education, if required?"

Section 3. Voter Pamphlet. The Registrar of Voters of the County is hereby requested to reprint Section 1 hereof (including Exhibit A hereto) in its entirety in the voter information pamphlet to be distributed to voters pursuant to section 13307 of the California Elections Code. In the event Section 1 is not reprinted in the voter information pamphlet in its entirety, the Registrar of Voters is hereby requested to print, immediately below the impartial analysis of the bond proposition, in no less than 10-point boldface type, a legend substantially as follows:

“The above statement is an impartial analysis of Measure J. If you desire a copy of the measure, please call the Contra Costa County Registrar of Voters at (925) 646-4166 and a copy will be mailed at no cost to you.”

Section 4. State Matching Funds. The District hereby requests that the Registrar of Voters include the following statement in the ballot pamphlet, pursuant to section 15122.5 of the California Education Code:

“Approval of Measure J does not guarantee that the proposed project or projects in the West Contra Costa Unified School District that are the subject of bonds under Measure J will be funded beyond the local revenues generated by Measure J. The District’s proposal for the project or projects assumes the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.”

Section 5. Required Vote. Pursuant to section 18 of Article XVI and section 1 of Article XIII A of the State Constitution, the above proposition shall become effective upon the affirmative vote of at least 55% of those voters voting on the proposition.

Section 6. Request to County Officers to Conduct Election. The Registrar of Voters of the County is hereby requested, pursuant to section 5322 of the California Education Code, to take all steps to call and hold the election in accordance with law and these specifications.

Section 7. Consolidation Requirement; Canvass. (a) Pursuant to section 15266(a) of the California Education Code, the election shall be consolidated with the statewide election on November 8, 2005. (b) The Board of Supervisors of the County is authorized and requested to canvass the returns of the election, pursuant to section 10411 of the California Elections Code.

Section 8. Delivery of Order of Election to County Officers. The Clerk of the Board of Education of the District is hereby directed to deliver, no later than August 12, 2005 (which date is not fewer than 88 days prior to the date set for the election), one copy of this Resolution to the Registrar of Voters of the County together with the Tax Rate Statement (attached hereto as Exhibit B), completed and signed by the Superintendent, and shall file a copy of this Resolution with the Clerk of the Board of Supervisors of the County.

Section 9. Ballot Arguments. The members of the Board are hereby authorized, but not directed, to prepare and file with the Registrar of Voters a ballot argument in favor of the proposition contained in Section 1 hereof, within the time established by the Registrar of Voters.

Section 10. Further Authorization. The members of this Board, the Superintendent, and all other officers of the District are hereby authorized and directed, individually and collectively, to do

any and all things that they deem necessary or advisable in order to effectuate the purposes of this resolution.

Section 11. Effective Date. This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this day, July 13, 2005, by the following vote:

AYES:

NAYS:

ABSTAIN:

ABSENT:

APPROVED:

President of the Board of Education of the West Contra Costa Unified School District

Attest:

Clerk of the Board of Education of the West Contra Costa Unified School District

CLERK'S CERTIFICATE

I, Clerk of the Board of Education of the West Contra Costa Unified School District, of the County of Contra Costa, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution duly adopted at a meeting of the Board of Education of the District duly and regularly held at the regular meeting place thereof on July 13, 2005, and entered in the minutes thereof, of which meeting all of the members of the Board of Education had due notice and at which a quorum thereof was present.

The resolution was adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

At least 24 hours before the time of said meeting, a written notice and agenda of the meeting was mailed and received by or personally delivered to each member of the Board of Education not having waived notice thereof, and to each local newspaper of general circulation, radio, and television station requesting such notice in writing, and was posted in a location freely accessible to members of the public, and a brief description of the resolution appeared on said agenda.

I have carefully compared the same with the original minutes of the meeting on file and of record in my office. The resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this 13th day of July, 2005.

Clerk of the Board of Education

West Contra Costa Unified School District

EXHIBIT A

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT BOND PROJECT LIST

SECTION I

PROJECTS TO BE COMPLETED AT ALL SCHOOL SITES (AS NEEDED)

Security and Health/Safety Improvements

- Modifications and renovations necessary for compliance with Americans with Disabilities Act (ADA).
- Improvements required for compliance with applicable building codes including the Field Act.
- Remove, abate, or otherwise mitigate asbestos, lead-based paint and other hazardous materials, as necessary.
- Install closed circuit television (CCTV) systems, as necessary, to provide secure environment for students, staff, and other users of the facilities.
- Survey, assess and mitigate seismic and structural issues and reinforce or replace existing structures, as necessary.
- Purchase necessary emergency equipment and provide adequate storage for such equipment.

Major Facilities Improvements

- Provide for required demolition in order to perform all work indicated below as well as the specific school site identified needs.
- Upgrade, install and/or replace, as necessary, intercom, alarm, bell, and clock systems.
- Renovate gymnasiums, or replace, as economically advantageous, and replace or install gymnasium equipment.
- Provide a technology backbone system for voice, data, and video communications to accommodate computer network systems, internet access, and other technology advancements; upgrade or install electrical wiring and power for all systems, and provide computers and other technology equipment.
- Assure that all instructional areas and classrooms are provided with telephone service in order to enhance safety and security.
- Improve, upgrade and/or replace heating, ventilation and air conditioning systems, (including energy management systems).
- Improve, upgrade and/or replace electrical systems and equipment.
- Improve, upgrade and/or replace plumbing lines and equipment.
- Install or upgrade energy efficient systems.
- Improve, replace and/or install new outdoor lighting to improve security, safety and enhance evening educational events or athletic activities.
- Renovate, improve, relocate and/or create adequate trash enclosures.
- Renovate, add, or replace lockers.
- Construct, relocate and/or improve lunch shelters.
- Furnish and/or replace emergency evacuation, building identification and address signage and monument signs.
- Replace doors, hardware, windows and window coverings.
- Construct, renovate and/or improve kitchen areas, including replacement of specialized equipment and furnishings.
- Renovate, upgrade or install library areas, including seismic restraints for shelving.

- Renovate, improve, add, or replace restrooms.
- Renovate, improve or replace roofs.
- Re-finish and/or improve exterior and interior surfaces, including walls, ceilings, and floors.
- Upgrade, improve, install and/or replace indoor lighting systems.
- Provide furnishings and equipment for improved or newly constructed classrooms and administrative facilities.
- Replace worn/broken/obsolete instructional and administrative furniture and equipment, as well as site furnishings and equipment.
- Purchase, rent, or construct temporary classrooms and equipment (including portable buildings) as needed to house students displaced during construction.
- Construct new school facilities, as necessary, to accommodate students displaced by school closures or consolidations.
- Acquire any of the facilities on the Bond Project List through temporary lease or lease purchase arrangements, or execute purchase options under a lease for any of these authorized facilities.
- Renovate current elementary schools into a K-8 configuration as appropriate.
- Move furniture, equipment and supplies, as necessary, because of school closures or changes in grading configuration.
- As to any major renovation project, replace such facility if doing so would be economically advantageous.

Special Education Facilities

- Renovate existing or construct new school facilities designed to meet requirements of student with special needs.

Property

- Purchase property, including existing structures, as necessary for future school sites.

Sitework

- Complete site work, including sitework in connection with new construction or installation or removal of relocatable classrooms.
- Improve or replace athletic fields, equipment rooms, lighting, and scoreboards.
- Improve, resurface, re-stripe and/or replace damaged asphalt and concrete surfaces.
- Improve or replace storm drain and site drainage systems.

SECTION II

ELEMENTARY SCHOOL PROJECTS

- Complete any remaining Election of November 7, 2000, Measure M, projects. All Elementary Schools may include projects, as necessary, from Section I.

SECONDARY SCHOOL PROJECTS

- Complete any remaining Election of March 5, 2002, Measure D, projects. All Secondary Schools may include projects, as necessary, from Section I.

RECONSTRUCTION PROJECTS

The following projects will be completed as part of the reconstruction program of the District, as funds allow. The reconstruction program includes the following:

- Health and Life Safety Improvements
- Code upgrades for accessibility
- Seismic upgrades
- Systems Upgrades
- Electrical
- Mechanical
- Plumbing
- Technology
- Security
- Technology Improvements
- Data
- Phone
- CATV (cable television)
- Instructional Technology Improvements
- Whiteboards
- TV/Video
- Projection Screens

In addition, the reconstruction program includes the replacement of portable classrooms with permanent structures, the improvement or replacement of floors, walls, insulation, windows, roofs, ceilings, lighting, playgrounds, landscaping, and parking, as required or appropriate to meet programmatic requirements and depending on the availability of funding.

PROJECT SCOPE

- De Anza High School Reconstruction/New Construction
- Kennedy High School Reconstruction/New Construction
- Pinole Valley High School Reconstruction/New Construction
- Richmond High School Reconstruction
- Castro Elementary School Reconstruction
- Coronado Elementary School Reconstruction
- Dover Elementary School Reconstruction
- Fairmont Elementary School Reconstruction
- Ford Elementary School Reconstruction
- Grant Elementary School Reconstruction
- Highland Elementary School Reconstruction
- King Elementary School Reconstruction
- Lake Elementary School Reconstruction
- Nystrom Elementary School Reconstruction
- Ohlone Elementary School Reconstruction/New Construction
- Valley View Elementary School Reconstruction
- Wilson Elementary School Reconstruction

EXHIBIT B
TAX RATE STATEMENT

An election will be held in the West Contra Costa Unified School District (the "District") on November 8, 2005, to authorize the sale of up to \$400,000,000 in bonds of the District to finance school facilities as described in the proposition. If the bonds are approved, the District expects to sell the bonds in seven (7) series. Principal and interest on the bonds will be payable from the proceeds of tax levies made upon the taxable property in the District. The following information is provided in compliance with sections 9400-9404 of the California Elections Code.

1. The best estimate of the tax rate which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is 3.11 cents per \$100 (\$31.10 per \$100,000) of assessed valuation in fiscal year 2006-2007.
2. The best estimate of the tax rate which would be required to be levied to fund this bond issue during the fiscal year after the sale of the last series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is 5.99 cents per \$100 (\$59.90) per \$100,000) of assessed valuation in fiscal year 2013-2014.
3. The best estimate of the highest tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is 6.00 cents per \$100 (\$60.00 per \$100,000) of assessed valuation in fiscal year 2020-2021 through fiscal year 2035-2036. The average tax rate is expected to be 5.55 cent per \$100 (\$55.50 per \$100,000) of assessed valuation over the life of the bonds. Voters should note that estimated tax rate is based on the ASSESSED VALUE of taxable property on the County's official tax rolls, not on the property's market value. Property owners should consult their own property tax bills to determine their property's assessed value and any applicable tax exemptions.

Attention of all voters is directed to the fact that the foregoing information is based upon the District's projections and estimates only, which are not binding upon the District. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of bonds sold and market interest rates at the time of each sale, and actual assessed valuations over the term of repayment of the bonds. The dates of sale and the amount of bonds sold at any given time will be determined by the District based on need for construction funds and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the District as determined by the County Assessor in the annual assessment and the equalization process.

Superintendent

Dated: July 13, 2005 West Contra Costa Unified School District

APPENDIX B

MEASURE D (2010) BOND LANGUAGE

RESOLUTION NO. 76-0910

RESOLUTION OF THE BOARD OF EDUCATION OF THE
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
ORDERING AN ELECTION, AND ESTABLISHING
SPECIFICATIONS OF THE ELECTION ORDER

WHEREAS, the West Contra Costa Unified School District (the "District") wishes to keep our schools safe, drug-free and gang free by providing comparable learning communities throughout the District which are accessible to all students, including the physically disabled; and

WHEREAS, the District wishes to increase post-secondary opportunities for both college preparation and career education and technical job training programs to ensure that local students have the opportunity to learn valuable job skills and provide more students with rewarding, high paying jobs; and

WHEREAS, the District must ensure that local students learn in high quality classrooms, with access to computer technology, internet and networking systems; and

WHEREAS, upgrades and repairs to science labs, classrooms, learning centers, libraries restrooms, plumbing, and roofs are needed for the health and safety of students, as is removing lead paint and asbestos; and

WHEREAS, other schools must be replaced or repaired to meet newer seismic standards as well as new accessibility requirements; and

WHEREAS, the District has initiated stakeholder and community outreach efforts involving hundreds of stakeholders, to gather the opinions of parents, teachers, principals, staff, students and community members as to their assessment of the District's facility and safety upgrade needs; and

WHEREAS, notwithstanding concerted and ongoing efforts by the District to obtain sufficient facility money from the State of California (the "State"), the State has been unable to provide the District with enough money for the District to adequately maintain, construct, repair, and equip our schools to provide an effective learning environment for all students; and

WHEREAS, the District may qualify for significant State matching facility improvement money if it were able to contribute to the cost of upgrading its schools and constructing new classrooms; and

WHEREAS, the Board determines that it is necessary to seek additional facility funding to both repair and upgrade District schools and qualify for additional State money; and

WHEREAS, as the Board identifies critical need school improvements to be funded with a local general obligation bond, the Board expects to incorporate into each such project, regardless of whether it is a new construction or a repair and upgrade project, Collaborative for High Performance Schools ("CHPS") and/or Leadership in Energy and Environmental Design ("LEED") sustainability design guidelines and criteria to the extent feasible, such as:

- a. improve student performance, through measures such as daylighting, use of non toxic-emitting materials and sound insulation or isolation to minimize noise and enhance acoustical quality in the classroom; and
- b. minimize both operating costs through energy and water efficiency, as well as the impact of District operations on the environment.

WHEREAS, these energy efficiency projects will reduce the ongoing expenses to the District's budget, allowing more funds to be invested in classroom instruction; and

WHEREAS, Proposition 46, approved by the voters of the State on June 3, 1986 ("Proposition 46"), amended Section 1(b) of Article XIII A of the California Constitution by adding a provision which exempts from the 1% of full cash value limitation, those ad valorem taxes used to pay for debt service of any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by voters voting on the proposition; and

WHEREAS, on November 7, 2000 the voters of California approved the Smaller Classes, Safer Schools and Financial Accountability Act ("Proposition 39") which, as of its effective date, reduced the voter threshold for ad valorem tax levies used to pay for debt service or bonded indebtedness to 55% of the votes cast on a school district general obligation bond; and

WHEREAS, concurrent with the passage of Proposition 39, Chapter 1.5, Part 10, Division 1, Title 1 (commencing with Section 15264) of the Education Code (the "Act") became operative and established requirements associated with the implementation of Proposition 39; and

WHEREAS, the Board desires to make certain findings herein to be applicable to this election order and to establish certain performance audits, standards of financial accountability and citizen oversight which are contained in Proposition 39 and the Act; and

WHEREAS, the Board hereby determines, in accordance with Opinion No. 04-110 of the Attorney General of the State of California, that the restrictions in Proposition 39 which prohibit any bond money from being wasted or used for administrative salaries or other operating expenses of the District shall be strictly monitored by the Citizens' Oversight Committee; and

WHEREAS, pursuant to Education Code Section 15270, based upon a projection of assessed property valuation, the Board has determined that, if approved by voters, the tax rate levied to meet the debt service requirements of the bonds proposed to be issued will not exceed the Proposition 39 limits per year per \$100,000 of assessed valuation of taxable property; and

WHEREAS, Section 9400 *et seq.* of the Elections Code of the State of California (the "Elections Code") requires that a tax rate statement be contained in all official materials, including any ballot pamphlet prepared, sponsored or distributed by the District, relating to the election; and

WHEREAS, the Board now desires to authorize the filing of a ballot argument in favor of the proposition to be submitted to the voters at the election; and

WHEREAS, pursuant to the California Elections Code, it is appropriate for the Board to request consolidation of the election with any and all other elections to be held on Tuesday, June 8,

2010, and to request that the Contra Costa County Registrar of Voters perform certain election services for the District;

NOW THEREFORE, THE BOARD OF EDUCATION OF THE WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. That the Board, pursuant to Education Code Sections 15100 *et seq.*, 15264 *et seq.*, and Government Code Section 53506, hereby requests the Contra Costa County Registrar of Voters to conduct an election under the provisions of Proposition 39 and the Act and submit to the electors of the District the question of whether bonds of the District in the aggregate principal amount not to exceed \$380 million (the "Bonds") shall be issued and sold for the purpose of raising money for the purposes described in Exhibits "A" and "B" hereto. Both exhibits are directed to be printed in the voter pamphlet.

Section 2. That the date of the election shall be June 8, 2010.

Section 3. That the purpose of the election shall be for the voters in the District to vote on a proposition, a copy of which is attached hereto and marked Exhibit "A" and incorporated by reference herein, containing the question of whether the District shall issue the Bonds to pay for improvements to the extent permitted by such proposition. In compliance with Proposition 39 and the Act, the ballot proposition in Exhibit "A" is subject to the following requirements and determinations:

(a) the proceeds of the sale of the Bonds shall only be used for the purposes set forth in the ballot measure and not for any other purpose, including teacher and administrator salaries and other operating expenses;

(b) that the Board, in establishing the projects set forth in Exhibit "B," evaluated the safety, enrollment trends, capacity, class size reduction and information technology needs of the District as well as the importance of the projects to student achievement and enhanced instruction;

(c) that the Board will prepare an annual, independent performance audit to ensure that the Bond moneys get expended for the projects identified in Exhibit "B" hereto;

(d) that the Board will prepare an annual, independent financial audit of the proceeds from the sale of Bonds to be conducted until all of the Bond proceeds have been expended;

(e) that the Board will appoint a Citizens' Oversight Committee or reappoint an existing committee in compliance with Education Code Section 15278 no later than 60 days after the Board enters the election results in its minutes pursuant to Elections Code Section 15274; and

(f) that the tax levy authorized to secure the Bonds of this election shall not exceed the Proposition 39 limit per \$100,000 of taxable property in the District when assessed valuation is projected by the District to increase in accordance with Article XIII A of the California Constitution.

Section 4. That the authority for ordering the election is contained in Education Code Sections 15100 *et seq.*, 15264 *et seq.*, and Government Code Section 53506.

Section 5. That the authority for the specifications of this election order is contained in Sections 5322 of the Education Code.

Section 6. That the Contra Costa County Registrar of Voters and the Contra Costa County Board of Supervisors are hereby requested to consolidate the election ordered hereby with any and all other elections to be held on June 8, 2010 within the District.

Section 7. That the Secretary of the Board is hereby directed to send a certified copy of this Resolution to the Contra Costa County Registrar of Voters no later than March 11, 2010.

Section 8. That the maturity of any Bonds issued pursuant to Section 15264 *et seq.* of the Education Code hereto shall have a maturity not exceeding twenty-five (25) years, and Bonds issued pursuant to Section 53506 of the Government Code shall have a maturity of not exceeding forty (40) years. The maximum rate of interest on any Bond shall not exceed the maximum rate allowed by Education Code Sections 15140 to 15143, as modified by Government Code Section 53531.

Section 9. That the Board requests the governing body of any such other political subdivision, or any officer otherwise authorized by law, to partially or completely consolidate such election and to further provide that the canvass be made by any body or official authorized by law to canvass the returns of the election, and that the Board consents to such consolidation. Further, the District's Superintendent, or designee, is hereby authorized and directed to make any changes to the full text of the measure, or to the abbreviated form of the measure, as may be convenient or necessary to comply with the intent of this Resolution, the requirements of Contra Costa County election officials, and requirements of law.

Section 10. Pursuant to Section 5303 of the Education Code and Section 10002 of the Elections Code, the Board of Supervisors of Contra Costa County is requested to permit the Registrar of Voters to render all services specified by Section 10418 of the Elections Code relating to the election, for which services the District agrees to reimburse Contra Costa County, such services to include the printing of the Full Text Ballot Proposition in the voter pamphlet, the publication of a Formal Notice of School Bond Election and the mailing of the sample ballot and tax rate statement (described in Section 9401 of the Elections Code) pursuant to the terms of Section 5363 of the Education Code and Section 12112 of the Elections Code.

ADOPTED, SIGNED AND APPROVED this 3rd day of March, 2010.

BOARD OF EDUCATION OF THE WEST CONTRA
COSTA UNIFIED SCHOOL DISTRICT

By _____
President, Madeline Kronenberg

Attest:

Secretary, Bruce Harter

STATE OF CALIFORNIA)
)
CONTRA COSTA COUNTY)

I, _____, do hereby certify that the foregoing is a true and correct copy of Resolution No. _____, which was duly adopted by the Board of Education of the West Contra Costa Unified School District at meeting thereof held on the 3rd day of March, 2010, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

By _____
Secretary, Bruce Harter

EXHIBIT A

“WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT STUDENT SAFETY/CLASSROOM REPAIR MEASURE. To make schools safe, complete essential health/safety repairs, qualify for State matching grants, shall West Contra Costa Unified School District upgrade schools for earthquake safety/handicap accessibility, remove asbestos, upgrade restrooms, vocational classrooms/technology/energy systems to reduce costs, install lighting and security systems, acquire, repair, construct, equipment/sites/facilities, by issuing \$380,000,000 in bonds within legal rates and bonding capacity limits with independent audits, citizen oversight, and no money for administrators’ salaries?”

Bonds - Yes

Bonds – No

A-1

EXHIBIT B

FULL TEXT BALLOT PROPOSITION OF THE WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT BOND MEASURE ELECTION JUNE 8, 2010

“WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT STUDENT SAFETY/CLASSROOM REPAIR MEASURE. To make schools safe, complete essential health/safety repairs, qualify for State matching grants, shall West Contra Costa Unified School District upgrade schools for earthquake safety/handicap accessibility, remove asbestos, upgrade restrooms, vocational classrooms/technology/energy systems to reduce costs, install lighting and security systems, acquire, repair, construct, equipment/sites/facilities, by issuing \$380,000,000 in bonds within legal rates and bonding capacity limits with independent audits, citizen oversight, and no money for administrators’ salaries?”

PRIORITY SCHOOL PROJECTS LIST

The Board of Education of the West Contra Costa Unified School District certifies that it evaluated the District’s urgent and critical school needs, including school and student safety issues, enrollment trends, class size, overcrowding, energy efficiency and computer technology, seismic safety requirements, and aging, outdated or deteriorating school buildings in developing the scope of projects to be funded, as outlined in the West Contra Costa Unified School District 2010 Bond Program approved by the Board of Education on March 3, 2010, and incorporated herein. In developing the scope of projects, parents, teachers, staff, students and community members have prioritized the key health and safety and sustainability needs so that the most critical school site needs are addressed. The Board conducted a thorough evaluation at all school sites and received public input and review in developing the scope of school projects to be funded, as listed in the 2010 Bond Program. This input concluded that if these needs were not addressed now, the problem would only get worse and more expensive to address in the future. **In approving this Priority School Projects List, the Board of Education determines that:**

- **All students should have access to comparable academic and extracurricular facilities.**
- **Retaining and attracting excellent teachers is a critical element of our facility plans.**
- **All of its schools should be safe learning environments, free from gang or drug influence.**
- **The improvement of school facilities should help the local economy by creating construction jobs for local businesses.**
- **In repairing aging school buildings and classrooms, priority shall be given to basic repairs, such as replacing outdated plumbing, piping, electrical and sewer systems.**
- **All schools should have energy efficient lighting, heating and ventilation systems that conserve electricity and save on costly utility bills.**
- **All energy efficiency cost savings should be redirected to the classrooms and schools.**
- **Out-of-date schools increase the potential for student violence and make it difficult to evacuate schools quickly during an emergency.**

- High schools must increase the opportunities for vocational and career tech education such as technology skills training, so that students who do not go to college have the opportunity to learn valuable job skills and get good-paying jobs when they graduate high school.
- Since students need physical education programs to stay away from gangs/drugs, focus and perform well in school, the District should fund essential projects necessary for physical education programs important for student health and academic performance.
- Eligibility for State matching grants is vital to the success of our school construction plans.
- Upgrading computer technology and energy efficiency is necessary at every school.
- All bond money must be spent entirely in the District with no money for administrators' salaries and no money shall be transferred to the State.

The 2010 Bond Program is on file at the District Superintendent's Office and includes the following types of projects:

School Renovation, Repair and Upgrade Projects

Goal and Purpose: Schools will benefit from the renovation, repair and upgrade of deteriorating, outdated school buildings, science labs, classrooms, computer learning centers and school libraries and equipment, to ensure compliance with handicap accessibility requirements and that students and teachers have the resources they need to excel and students be prepared for college and the real world when they graduate:

- Repair, upgrade and replace worn-out leaking roofs.
- Replace existing wiring systems to meet current electrical and accessibility codes.
- Additional electrical service capacity to relieve currently overloaded electrical systems.
- Replace existing water, sewer, plumbing and storm drain systems to meet current codes, including the elimination of lead-containing fixtures.
- Upgrade aging and deteriorating school restrooms.
- Replace older ceilings, heating, ventilation, air conditioning and lighting systems with building code compliant, energy efficient systems.
- Install code-compliant ventilating systems in restrooms.
- Provide improved, upgraded computer labs.
- Upgrade and equip classrooms, science labs, multipurpose rooms, physical education facilities, kitchens, auditoriums, libraries, arts and music rooms, childcare, preschool, adult education and educational support spaces.
- Classroom interiors will receive new paint, carpet/vinyl tile/asbestos abatement, white markerboards, tackable surfaces, storage for instructional materials and equipment.
- Federal and State-mandated Americans with Disabilities Act (ADA) accessibility upgrades including site access, parking, staff and student restrooms, relocation of some existing electrical devices, drinking fountains, playground equipment, etc.

- Replace old, portable classrooms.
- Repair aging schools.

**School Health, Safety and Security, Earthquake Safety
and Energy Efficiency School Projects**

Goal and Purpose: To ensure that the learning process is not interrupted by gangs and drugs or juvenile crime, to maintain healthy students and improve daily attendance, to help attract and retain excellent teachers, and to deter vandalism, schools and school sites will benefit from a variety of health and safety projects, such as:

- Install new security systems, such as security (surveillance) cameras, outdoor lighting, fencing, gates and classroom door locks.
- Remove or abate asbestos, lead paint, mold and hazardous materials.
- Upgrade emergency communication systems.
- Fire alarm systems upgraded to automatic systems, repair fire safety equipment, add sprinklers and fire safety doors.
- Upgrades to schools to meet handicap accessibility requirements.
- Acquire and install a card access system.
- Inspect for/repair gas pipe leaks.
- Replace/upgrade existing signage, bells and clocks.
- Install/replace/upgrade security fencing, cameras and exterior lighting, and establish a standard of complete fencing in good repair at all schools.
- Replace/upgrade existing security and irrigation systems.
- Install energy efficient systems, including solar panels, energy efficient heating, ventilation and cooling systems for cost savings and energy efficiency.
- Replace existing window systems with energy efficient systems.
- Upgrade site playground equipment replacement to meet current safety standards.
- Relocate or improve student drop-off areas for safety, including a separate area for buses.
- Inspect and improve play area fields for safety and drainage.
- Replace existing doors, doorframes and ceilings.
- Add emergency exits for faster evacuation in an emergency.
- Upgrade school site parking, utilities and grounds.
- Repair termite damage to structures and doors/doorframes.
- Strengthen and repair schools and classrooms vulnerable to serious damage in a major earthquake, as required by State law.

**District-Wide Wiring and Instructional Technology
For Effective Learning Environment and Job Training Projects**

Goal and Purpose: To upgrade computer technology, improve both current instruction methods and to expand job training programs by applying modern technology infrastructure:

- Provide and maintain upgraded technology, data and communication equipment.
- Upgrade and expand wireless systems, telecommunications, Internet and network connections.
- Upgrade and replace computers, hardware and software systems.
- Upgrade and replace classroom furniture, equipment and instructional aids.
- Upgrade media and audio/visual equipment.
- Expand bandwidth to allow student greater access to the Internet.
- Install up-to-date learning technology and equipment used in job training programs.

**New Construction Education Enhancement/Class Size
Reduction Projects at School Sites**

Goal and Purpose: To ensure that all students have access to comparable schools throughout the District, some schools would benefit from the construction and expansion of additional earthquake and accessibility code compliant facilities, such as:

- Multi-Purpose rooms, including the cafeteria, serving kitchen, staff and student bathrooms, storage, educational support spaces, and classrooms.
- New classrooms/classroom buildings, which will reduce dependency on portable classrooms.
- Lunch shelters, playground equipment and playground storage for outdoor activities.
- ADA accessibility upgrades as mandated by the Division of the State Architect (DSA).
- Additional electrical service capacity.
- Additional staff and student restrooms.
- Additional staff, visitor and student parking/drop-off areas.

Listed building, repair and rehabilitation projects and upgrades will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program/project management, staff training expenses and a customary contingency for unforeseen design and construction costs. In addition to the listed repair and construction projects stated above, the Priority School Project Lists and the 2010 Bond Program also include the acquisition of a variety of instructional, maintenance and operational equipment, including the reduction or retirement of outstanding lease or capital facility note obligations including interim funding incurred to advance fund projects from the Priority School Projects List, or the reimbursement of the District for such reduction, as well as reimbursement for the costs of selling certain prior Measure M, D and J bonds, the construction of new schools, if necessary to serve students, the acquisition of land, the construction or remodeling of administrative support spaces,

installation of signage and fencing, the payment of the costs of preparation of all facility planning, facility assessment reviews, facility master plan updates, environmental studies (including environmental investigation, remediation and monitoring) and construction documentation, gymnasium upgrades, temporary housing of dislocated District activities caused by bond projects and the completion of projects authorized under the District's Measure M, Measure D, and Measure J projects, previously approved by the voters. The upgrading of technology infrastructure includes, but is not limited to, computers, LCD projectors, portable interface devices, servers, switches, routers, modules, sound projection, card access systems, laser printers, digital white boards, document projectors, upgraded voice-over IP, call manager and network security/firewall, and other miscellaneous equipment and software. In addition to the projects listed above, the repair and renovation of each of the existing school facilities may include, but not be limited to, some or all of the following: renovation of student and staff restrooms; repair and replacement of heating, air conditioning and ventilation systems; upgrade of facilities for energy efficiencies and to reduce fire risks; repair and replacement of worn-out and leaky roofs, windows, walls doors and drinking fountains; installation wiring and electrical systems to safely accommodate computers, technology and other electrical devices and needs; repair and replacement of fire alarms, emergency communications and security systems; resurfacing or replacing of hard courts, turf and irrigation systems and campus landscaping; build/renovate new gymnasiums, pools and high school stadiums; upgrade or replace inadequate libraries, multi-purpose rooms and kitchens; upgrade locker rooms; install lunch shelters, artificial turf, and bleachers; improve sanitation and recycling; expand parking; build new stadium; install interior and exterior painting and floor covering; replacement of portable classrooms; installation of covered walkways or shelters; addition of administrative support spaces; upgrade school site kitchens; repair rubberized play apparatus surfaces; demolition; and construction of various forms of storage and support spaces; upgrade classrooms; repair, upgrade and install interior and exterior lighting systems; replace water and sewer lines and other plumbing systems; and replace outdated security fences and security systems. The allocation of bond proceeds will be affected by the District's receipt of State matching funds and the final costs of each project. In the absence of State matching funds, which the District will aggressively pursue to reduce the District's share of the costs of the projects, the District will not be able to complete some of the projects listed above. Some projects may be undertaken as joint use projects in cooperation with other local public or non-profit agencies. Possible joint-use projects could include any of the following at various school sites: libraries, gymnasiums, athletic facilities, daycare centers, preschools and career technology centers. The budget for each project is an estimate and may be affected by factors beyond the District's control. The final cost of each project will be determined as plans are finalized, construction bids are awarded and projects are completed. Based on the final costs of each project, certain projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing or installing irrigation, storm drain, and utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to bond projects. Bond proceeds shall only be expended for the specific purposes identified herein. In order to fund the projects and prior to the issuance of any bonds authorized by this Measure, the District may seek a waiver from the State Board of Education of the applicable bonding limit requirements of Section 15106 of the Education Code. The District shall create an

account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

NO ADMINISTRATOR SALARIES. PROCEEDS FROM THE SALE OF THE BONDS AUTHORIZED BY THIS PROPOSITION SHALL BE USED ONLY FOR THE ACQUISITION, CONSTRUCTION, RECONSTRUCTION, REHABILITATION, OR REPLACEMENT OF SCHOOL FACILITIES, INCLUDING THE FURNISHING AND EQUIPPING OF SCHOOL FACILITIES, AND NOT FOR ANY OTHER PURPOSE, INCLUDING TEACHER AND SCHOOL ADMINISTRATOR SALARIES AND OTHER OPERATING EXPENSES.

FISCAL ACCOUNTABILITY. THE EXPENDITURE OF BOND MONEY ON THESE PROJECTS IS SUBJECT TO STRINGENT FINANCIAL ACCOUNTABILITY REQUIREMENTS. BY LAW, PERFORMANCE AND FINANCIAL AUDITS WILL BE PERFORMED ANNUALLY, AND ALL BOND EXPENDITURES WILL BE MONITORED BY AN INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE (EDUCATION CODE SECTION 15278 ET SEQ.) TO ENSURE THAT FUNDS ARE SPENT AS PROMISED AND SPECIFIED. THE CITIZENS' OVERSIGHT COMMITTEE MUST INCLUDE, AMONG OTHERS, REPRESENTATION OF A BONA FIDE TAXPAYERS ASSOCIATION, A BUSINESS ORGANIZATION AND A SENIOR CITIZENS ORGANIZATION. NO DISTRICT EMPLOYEES OR VENDORS ARE ALLOWED TO SERVE ON THE CITIZENS' OVERSIGHT COMMITTEE.

APPENDIX C

CITIZENS' OVERSIGHT COMMITTEE

CITIZENS' OVERSIGHT COMMITTEE

The structure and role of a Citizens' Oversight Committee is set forth in Education Code Sections 15278-15282. Because the law is broad, most school districts adopt by-laws and/or policies to enable their committee to better understand their role and responsibility.

A number of resource materials are available to CBOC members, as summarized below, including:

- Proposition 39 Best Practices Handbook (California Coalition for Adequate School Housing (CASH))
- Bond Spending: Expanding and Enhancing Oversight (Little Hoover Commission)
- California League of Bond Oversight Committees

Because the scope of a performance audit is not defined, there has often been confusion and uncertainty regarding its proper role. Some school districts have contracted with their financial auditor to also conduct a performance audit under "agreed-upon procedures". To clarify the requirements of a performance audit, California enacted SB 1473, signed into law on September 25, 2010, which added Section 15286 to the Education Code. The language of that section is as follows:

"Consistent with the provisions contained in subparagraphs (C) and (D) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, the required annual, independent financial and performance audits shall be conducted in accordance with the Government Auditing Standards issued by the Comptroller General of the United State for financial and performance audits."

SB 1473 took effect on January 1, 2011, and all performance audits prepared after that date will be subject to the new law.

In 2012, California enacted AB 1199, signed into law of July 10, 2012, which amended Education Code Section 15282(a) to increase the number of two-year consecutive terms that a member may serve from two to three two-year terms.

California Coalition for Adequate School Housing (CASH)

CASH prepared a publication, "Proposition 39 Best Practices Handbook," which documents the bonding process under Proposition 39, the Citizens' Oversight Committee, and applicable laws, including Proposition 39 text (2000), A.B. 1908 (2000) and A.B. 2659 (2000). It is an excellent resource document for CBOC members.

Little Hoover Commission

The State of California's Little Hoover Commission issued a report entitled "Bond Spending: Expanding & Enhancing Oversight" in June 2009. (www.lhc.ca.gov/studies/197/report197.html). That report discussed the role of citizens' oversight committees, some of the perceived limitations of the existing oversight approach, and made recommendations for improvement, specifically the following:

Recommendation 4: To improve local oversight of school and community college school facility construction projects passed under the reduced threshold established by Proposition 39, the state should bolster the capabilities of local bond oversight committees. Specifically, the state must:

- Require mandatory independent training for bond oversight committee members. The State Allocation Board and the California Community Colleges should develop and host a Web site with easy-to-access training materials and easy-to-understand descriptions of the roles and responsibilities of the local citizens' oversight committee members. The Web site should include a mandatory online training course.
- Require civic groups to nominate local committee members, allowing veto power for the school or community college district.
- Clearly delineate the role and responsibility of the local oversight committees and define the purpose and objectives of the annual financial and performance audits.
- Encourage county grand juries to review the annual financial and performance audits of expenditures from local school and community college bond measures.
- Impose sanctions for school and community college districts that fail to adhere to constitutional and statutory requirements of Proposition 39, such as preventing the district from adopting future bond measures under the reduced voter threshold.

California League of Bond Oversight Committees

The California League of Bond Oversight Committees (CALBOC) was formed in 2008 and has the following Mission Statement:

“To promote school district accountability by improving the training and resources available to California’s Proposition 39 School Bond Oversight Committees and educating the State legislature, local school boards and the public about the oversight and reporting powers these Citizens’ Bond Oversight Committees (CBOCs) have, and to advocate on a State level, where appropriate, on issues of common concern to all CBOCs.”

According to their website (www.calboc.org), CALBOC is an all volunteer, non-partisan association of BOC members, current and past, who are interested in helping other Citizens’ Bond Oversight Committee (CBOC) members.” The CALBOC website includes information on training and various resource materials.

CALIFORNIA EDUCATION CODE
SECTION 15278-15282
CITIZENS' OVERSIGHT COMMITTEE

15278. (a) If a bond measure authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution and subdivision (b) of Section 18 of Article XVI of the California Constitution is approved, the governing board of the school district or community college shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board enters the election results on its minutes pursuant to Section 15274.

(b) The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.

(c) In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:

(1) Receiving and reviewing copies of the annual, independent performance audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Receiving and reviewing copies of the annual, independent financial audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(3) Inspecting school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(4) Receiving and reviewing copies of any deferred maintenance proposals or plans developed by a school district or community college district, including any reports required by Section 17584.1.

(5) Reviewing efforts by the school district or community college district to maximize bond revenues by implementing cost-saving measures, including, but not limited to, all of the following:

(A) Mechanisms designed to reduce the costs of professional fees.

(B) Mechanisms designed to reduce the costs of site preparation.

(C) Recommendations regarding the joint use of core facilities.

(D) Mechanisms designed to reduce costs by incorporating efficiencies in school site design.

(E) Recommendations regarding the use of cost-effective and efficient reusable facility plans.

15280. (a) The governing board of the district shall, without expending bond funds, provide the citizens' oversight committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the citizens' oversight committee.

(b) All committee proceedings shall be open to the public and notice to the public shall be provided in the same manner as the proceedings of the governing board. The citizens' oversight committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the citizens' oversight committee and all documents received and reports issued shall be a matter of public record and be made available on an Internet website maintained by the governing board.

15282. (a) The citizens' oversight committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the citizens' oversight committee shall be comprised, as follows:

(1) One member shall be active in a business organization representing the business community located within the district.

(2) One member shall be active in a senior citizens' organization.

(3) One member shall be active in a bona fide taxpayers' organization.

(4) For a school district, one member shall be the parent or guardian of a child enrolled in the district. For a community college district, one member shall be a student who is both currently enrolled in the district and active in a community college group, such as student government. The community college student member may, at the discretion of the board, serve up to six months after his or her graduation.

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the district, such as a member of an advisory council or foundation.

(b) No employee or official of the district shall be appointed to the citizens' oversight committee. No vendor, contractor, or consultant of the district shall be appointed to the citizens' oversight committee. Members of the citizens' oversight committee shall, pursuant to Sections 35233 and 72533, abide by the prohibitions contained in Article 4 (commencing with Section 1090) and Article 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code.

APPENDIX D

GLOSSARY OF TERMS AND ACRONYMS

GLOSSARY OF TERMS AND ACRONYMS

ACSA	Association of California School Administrators
ADA	Americans with Disabilities Act
AIA	American Institute of Architects
AOR	Architect of Record
CASBO	California Association of School Business Officials
C.A.S.H.	Coalition for Adequate School Housing
CBC	California Building Code
CBIA	California Building Industry Association
CBOC	Citizens' Bond Oversight Committee
CCI	Construction Cost Index
CDE	California Department of Education
CEQA	California Environmental Quality Act
CFD	Community Facilities District
CHPS	Collaborative for High Performance Schools
CM	Construction Manager
CO	Change Order
COP	Certificate of Participation
CSBA	California School Boards Association
CUPCCAA	California Uniform Public Construction Cost Accounting Act
DB	Design Build
DBB	Design/Bid/Build
DGS	Department of General Services
DSA	Division of State Architect

DTSC	Department of Toxic Substances Control
DVBE	Disabled Veteran Business Enterprise
EIR	Environmental Impact Report
EMF	Electromagnetic Fields
EMS	Energy Management System
ERP	Emergency Repair Program
ESA	Environmental Site Assessment
GASB	Government Accounting Standards Board
GOB	General Obligation Bond
HVAC	Heating, Ventilation, Air Conditioning
IOR	Inspector of Record
LCP	Labor Compliance Program
LLB	Lease-Lease Back
ND	Negative Declaration
NOC	Notice of Completion
NOD	Notice of Determination
NTP	Notice to Proceed
OPSC	Office of Public School Construction
PEA	Preliminary Environmental Assessment
PLA	Project Labor Agreement
PM	Program Manager
PO	Purchase Order
QSCB	Qualified School Construction Bond
QZAB	Qualified Zone Academy Bond

RFI	Request for Information
RFB	Request for Bid
RFP	Request for Proposal
RFQ	Request for Qualification
SAB	State Allocation Board
SBCTC	State Building and Construction Trades Council
SBE	State Board of Education
SFID	School Facility Improvement District
SFM	State Fire Marshall
SFP	School Facility Program
SFPD	School Facilities Planning Division
TBD	To Be Determined
TSCA	Toxic Substance Control Act

APPENDIX E

RESOLUTION 13-1

**Citizens' Bond Oversight Committee
West Contra Costa Unified School District**

RESOLUTION 13-1

**Resolution of the WCCUSD Citizens Bond Oversight
Committee (CBOC)**

*To improve communication and interaction between the
CBOC and the WCCUSD*

Whereas

1. The CBOC as an instrument for the free flow of information between the District and the Community must be taken seriously.
2. The CBOC requests that the District respond and document, in a timely manner, responses to questions, concerns and issues.
3. The CBOC requests the CBOC website be regularly updated, revised and enhanced per the suggestions submitted to the District. Plan of action to be received no later than October 2013.
4. The CBOC asks that support staff and resources be allocated to them.
5. The CBOC should be actively inspecting school facilities and grounds to ensure that bond measures are in compliance, a tour schedule is requested.
6. The CBOC should receive and review copies of the annual, independent performance audit and all reports, in a timely manner including but not limited to copies of any deferred maintenance proposal or plans.
7. The CBOC be involved in the audit process from inception to conclusion.
8. The CBOC requests the District appoint the required category members in order to comply with the Ed Code no later than the end of this calendar year.
9. The CBOC requests Bill Fay be designated as the main point of contact and access to other staff members, as necessary, be made available with a stated chain of command and contact information.
10. The CBOC requests any and all additions or revisions to the CBOC agenda by staff are approved, in advance, by the Chair.
11. The CBOC requests any calendar or schedule changes for the CBOC made by staff, be approved in advance by the Chair.

