



Total School Solutions

3310 Hillridge Court
Fairfield, CA 94534

November 15, 2004

Mr. Vince Kilmartin
Associate Superintendent-Operations
West Contra Costa Unified School District
1108 Bissell Avenue
Richmond, CA 94804

Dear Mr. Kilmartin:

Enclosed herewith is the second annual performance audit report of the District's facilities program in accordance with the provisions of Proposition 39 for the period ending June 30, 2004.

In accordance with our agreement, we are providing twenty (20) bound copies as well as one (1) loose-leaf copy for reproduction.

We will call your office to make an appointment to review this report with you at your convenience. In the meantime, if you have any questions or concerns, please do not hesitate to contact us.

We would like to thank the District staff for its cooperation and willingness to provide information and data for our examination.

Sincerely,



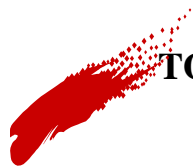
Tahir Ahad
President
Total School Solutions

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

MEASURE D AND MEASURE M

PERFORMANCE AUDIT

JUNE 30, 2004



**TOTAL SCHOOL SOLUTIONS
3310 HILLRIDGE COURT
FAIRFIELD, CA 94534**

West Contra Costa Unified School District

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June 30, 2004

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INTRODUCTION

On March 5, 2002, the West Contra Costa Unified School District submitted for voter approval Measure D, a measure to authorize the sale of \$300 million in bonds to improve school facilities. The measure was approved by 71.6 percent of the voters. Since the bond measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

Article XIII of the California State Constitution requires an annual independent performance audit of Proposition 39 bond funds. The District engaged the firm Total School Solutions (TSS) to conduct this independent performance audit and to report its findings to the Board of Education and to the independent Citizens' Bond Oversight Committee.

The District decided to include Measure M funded projects in the scope of the examination even though Measure M is not subject to the performance audit requirements of Proposition 39. Voters previously approved Measure M, a \$150 million two-thirds majority general obligation bond, on November 7, 2000.

TSS has conducted the performance audit in accordance with applicable laws, rules and regulations. Besides ensuring that the District uses bond funds in conformance with the provisions listed in the Measure D ballot, 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 regarding facilities and procurement; and the effectiveness of communication channels among stakeholders, among other facilities-related issues.

This report covers the Measure D and Measure M funded facilities program and related activities for the period ending June 30, 2004. The District intends to complete a performance audit and develop a report annually until all Measure D and Measure M funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure D and Measure M; and to help the District improve its overall bond program.

In addition to the annual performance audit, the District has authorized TSS to prepare a midyear report for each year of this engagement. These midyear reports reflect the performance of the bond program for the six-month period from July 1 to December 31 of each year. They also report on the improvements instituted by the District to address any audit findings. TSS conducted its first midyear report for the time period of July 1, 2003, through December 31, 2003 during the winter of 2004.

DISTRICT FACILITIES PROGRAM – A PERSPECTIVE

While the scope of the performance audit is limited to Measure M and Measure D, it is useful to review the history of the District’s facilities program to place the current program into context.

Some of the District’s major facilities projects completed over the past ten (10) years include Hanna Ranch Elementary (new, 1994), Chavez Elementary (reconstruction, 1996), Hercules Middle/High (new, 2000) and Lovonya DeJean Middle (new, 2003). The District has used a combination of state and local funds for these projects. For example, the District received \$56.9 million from the state for the construction of Hercules Middle/High School. Local funds were provided from developer fees, certificates of participation and local bond measures.

The financial status of the District’s facilities program, as documented in the audit and financial reports for the past four (4) years, is presented in the table below.

Facilities Program Financial Status	Fiscal Year			
	2000/01	2001/02	2002/03	2003/04
Bonds Outstanding ¹	\$54,340,000	\$122,450,000	\$216,455,000	\$315,145,000
Certificates of Participation (COPs) Outstanding ²	11,875,000	11,325,000	9,960,000	9,745,000
Developer Fees Revenues ³	6,069,815	2,749,539	9,094,400	10,498,724
Developer Fees Ending Balance	3,526,019	1,293,876	8,928,225	21,037,513
State School Facilities Program New Construction Revenues	None	None	12,841,930	None
State School Facilities Program Modernization Revenues	None	None	\$3,494,161	\$10,159,327

¹ Bonds outstanding include the bond measures listed below. The sold column is for all bonds sold through June 30, 2004.

Bond Measure (Passage Date)	Authorized	Sold
Measure E (June 2, 1998)	\$ 40 million	\$ 40 million
Measure M (November 7, 2000)	150 million	150 million
Measure D (March 5, 2002)	300 million	130 million
Total	\$490 million	\$320 million

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 the maximum of 2.5 percent to 3.0 percent of assessed valuation (A/V). On November 13-14, 2002, the SBE approved the waiver request for measures E, M and D only.

Based on a 2004-05 secured A/V of \$18.2 billion, West Contra Costa Unified School District's debt limit is as follows:

Percent	Debt Limit
2.5	\$455 million
3.0	\$546 million

² Certificates of Participation (COPs) are loans, not a source of funds. COPs are repaid over time from collected developer fees.

³ Developer fees are imposed on residential additions and commercial projects (Level 1) and new residential construction (Level 2).

EXECUTIVE SUMMARY

The performance audit, conducted between May 2004 and November 2004, includes an examination of the following aspects of the District's facilities program:

- District and Professional Services Staffing Plan for the Bond Program
- Master Architect/Engineer Plan
- Standard Construction Documents
- Design and Construction Schedules
- Design and Construction Costs Budgets
- Compliance with State Laws and Guidelines
- District Policies and Guidelines for Facilities Program
- Bidding and Procurement Procedures
- Change Order Procedures
- Procedures for Claim Avoidance
- Payment Procedures
- Best Practices in Procurement
- Technology/E-rate in the Facilities Program
- Quality Control Program
- Scope, Process and Monitoring of Participation by Local Firms
- Effectiveness of Communication Channels Among All Stakeholders Within the Bond Program
- Overall Bond Program

Total School Solutions (TSS) reviewed a sample of twenty-seven (27) projects in the course of its examination. Nine (9) of the projects were funded through Measure D, and eighteen (18) were funded through Measure M.

Through the examination of numerous documents, interviews with personnel involved in the facilities program and the evaluation of related facilities documentation, assessments were made and conclusions were reached about the development of the bond facilities program. These assessments and conclusions were summarized in last year's annual report and in this year's report. Most data used in the annual examination were generated by the Seville Group, Inc. (SGI), WLC Architects (WLC) and District facilities staff.

In accordance with the scope of its assignment, TSS reviewed and examined the documentation and processes pertaining to the facilities program for the period of July 1, 2003, through June 30, 2004. This examination's scope includes a follow-up on the prior annual and midyear reports, including the findings and recommendations outlined in those reports, and an evaluation on the status of implementation of the actions, as specified in the District's responses.

District management defines the scope of the performance audit. TSS performed this annual audit of Measure D and Measure M funded projects within the District's defined scope. Any known significant weaknesses and substantial noncompliance items have been reported to the management of the District. The annual audit and midyear review are not designed or intended to be fraud audits, which would be much wider in scope and more significant in nature. These reports should not be relied upon as such.

It appears that the District has taken significant steps to address the findings presented in the prior annual performance audit and midyear report. As a result, TSS has observed substantial improvements in the processes, procedures and controls in many areas.

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 the Measure D and Measure M funded bond program of the West Contra Costa Unified School District (the "District") as of and for the year ended June 30, 2004. 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 D funds are being expensed in accordance with Resolution No. 42-0102 passed by the Board of Education on November 28, 2001. It is also our opinion, for the period ending June 30, 2004, the expenditures of the funds generated through Measure D bonds were for projects only included in Resolution No. 42-0102 establishing the scope of work to be completed with Measure D funds.

In regard to the spending of Measure M funds, it is our determination that all expenditures as of June 30, 2004, were for projects within the scope of Measure M in accordance with Resolution 33-0001, approved by the Board of Education in August 2000.

This performance audit was conducted in accordance with the district defined scope of performance audit of the school facilities program. The District, however, is required to request and obtain an independent financial audit of Measure D bond funds. The financial auditor is responsible for evaluating conformance with generally accepted accounting principles and auditing standards pertinent to financial statements. 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 the 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.

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 audit.

Total School Solutions

November 15, 2004

AUDIT SAMPLE

MEASURE D

To ensure a comprehensive performance audit, Total School Solutions (TSS) selected nine (9) Measure D projects for examination, including seven (7) school projects and two (2) additional projects with expenses charged to the Measure D bond program. These nine (9) projects represent 61 percent of the total Measure D bond program expenditures as of June 30, 2004, as presented below.

Measure D Bond Issuance and Expenditures as of June 30, 2004.

Total bond authorization	\$300,000,000
Total bond issues to date (Series A and B)	\$130,000,000
Expenditures through June 30, 2004	\$24,150,269
	(8 percent of total authorization)
Expenditures for nine (9) projects included in the audit sample (through June 30, 2004)	\$14,757,783
	(61 percent of total expenditures)

Measure D Expenditures Report.

Audit Sample Projects (9)	2001-02	2002-03	2003-04	Total
De Anza High (1A)		\$ 686,260	\$2,178,362	\$ 2,864,622
El Cerrito High (1B)		656,699	2,317,678	2,974,377
Hercules High (1B)	\$ 9,690	1,063,560	216,960	1,290,211
Hercules High Portables	7,600	1,431,441		1,439,041
Hercules Middle (1B)		620,973	3,001	623,974
Pinole Valley High (2A)		563,775	57,621	621,396
Richmond High (1B)		658,883	70,636	729,519
Deferred Maintenance Transfer	1,277,500		-	1,277,500
Overall Facilities Program	262,142	1,056,914	1,618,088	2,937,144
Total	\$1,556,932	\$6,738,505	\$6,462,346	\$14,757,783
Percent of Total Expenditures	100%	53%	65%	61%
Total Projects (25)	\$1,557,412	\$12,599,491	\$9,993,366	\$24,150,269

MEASURE M

To ensure a comprehensive performance audit, Total School Solutions selected eighteen (18) Measure M projects for examination, including fifteen (15) school projects and three (3) additional projects with expenses charged to the Measure M bond program. These eighteen (18) projects represent 69 percent of the total Measure M bond program expenditures as of June 30, 2004, as presented below.

Measure M Bond Issuance and Expenditures as of June 30, 2004.

Total bond authorization	\$150,000,000
Total bond issues to date (Series A, B and C)	\$150,000,000
Expenditures through June 30, 2004	\$113,540,667 (76 percent of total authorization)
Expenditures for eighteen (18) projects included in the audit sample (through June 30, 2004)	\$78,576,163 (69 percent of total expenditures)

Measure M Expenditures Report.

Audit Sample Projects (18)	2000-01	2001-02	2002-03	2003-04	Total
Castro Elementary (2A) ¹		\$ 88,836	\$ 280,872	\$ 24,486	\$ 394,194
Fairmont Elementary (2B)	\$ 11,076	89,406	506,461	15,217	622,160
Grant Elementary (2A)		153,701	405,478	102,264	661,444
Hercules/Lupine Hills Elementary (1A)		343,395	697,939	9,343,237	10,384,571
Lake Elementary (2A)		136,151	350,699	8,735	495,585
Lincoln Elementary (1A)		224,573	961,351	9,145,395	10,331,319
Madera Elementary (1A)		165,816	593,822	4,684,577	5,444,215
Montalvin Elementary (1A)	109,215	225,613	532,197	6,308,915	7,175,939
Olinda Elementary (2B)	68,021	88,403	269,010	12,345	437,779
Peres Elementary (1A)		261,370	1,036,846	10,590,186	11,888,402
Riverside Elementary (1A)		170,519	579,487	6,057,103	6,807,109
Stege Elementary (2A)		147,055	348,101	50,627	545,782
Stewart Elementary (1A)	29,791	280,366	541,981	6,481,735	7,333,873
Stewart Portables (1A)		2,896,438	131,251	23,848	3,051,537
Valley View Elementary (2B)		148,074	282,063	50,410	480,546
Overall Facilities Program	202,735	407,177	3,935,645	1,247,044	5,792,601
Reimbursables		853,949	1,437,622	1,997,043	4,288,614
Deferred Maintenance Transfer		1,222,467	1,218,026	-0-	2,440,493
Total	\$420,838	\$ 7,903,309	\$14,108,851	\$56,143,167	\$78,576,163
Percent of Total Expenditures	99%	72%	70%	68%	69%
Total projects (44)²	\$426,390	\$10,986,449	\$20,120,936	\$82,006,893	\$113,540,667

¹ 1A, 1B, 2A, and 2B respectively correspond to projects included in phases 1A, 1B, 2A, and 2B of the Measure M facilities program.

² All thirty-nine (39) elementary schools referenced in Measure M were included in the District's Quick-Start projects.

COMPLIANCE WITH BALLOT LANGUAGE

MEASURE M

On July 24, 2000, the Board of Education of the West Contra Costa Unified School District approved placing a \$150 million bond measure (Measure M) on the ballot with the adoption of Resolution No. 33-0001.

The ballot language contained in Measure M is presented in detail in Appendix A. The following excerpt summarizes the essence of the bond measure:

To improve the learning climate for children and relieve overcrowding by improving elementary schools through building classrooms, repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems, improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings, shall the West Contra Costa Unified School District issue \$150,000,000 in bonds at authorized rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens' oversight committee to guarantee funds are spent accordingly?

Measure M, a general obligation bond measure requiring two-thirds approval, passed on November 7, 2000, with 77.3 percent of the vote. The bond language restricted the use of Measure M funds to elementary schools and required, although not mandated by law, the appointment of a citizens' bond oversight committee.

As of June 30, 2004, a total of \$113.5 million of the \$150 million in bond funds (76 percent) has been expended. All of these expenditures were for projects within the scope of Measure M. The annual audit report finds the West Contra Costa Unified School District in compliance with the language contained in the Measure M ballot.

MEASURE D

On November 28, 2001, the Board of Education of the West Contra Costa Unified School District approved placing a \$300 million bond measure (Measure D) on the ballot with the adoption of Resolution No. 42-0102. Measure D, a Proposition 39 bond measure requiring a 55 percent affirmative vote, passed with 71.6 percent of the vote on March 5, 2002.

Proposition 39 mandates the appointment of a citizens' oversight committee for any local bond passed under its provisions. Proposition 39 also amends Article XIII of the California State Constitution and states that "every district that passes a 'Proposition 39' bond measure must obtain an annual independent performance audit."

The ballot language contained in Measure D is presented in full in Appendix B. The essence of the language follows in the excerpt below.

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 \$300,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, and in order to qualify to receive State matching grant funds, subject to all of the accountability safeguards specified....

While the Measure D ballot focused on secondary school projects, the bond language was broad enough to cover the following three categories of projects for all schools:

I. All School Sites

- Security and Health/Safety Improvements
- Major Facilities Improvements
- Site Work

II. Elementary School Projects

- Complete any remaining Measure M projects as specified in the Request for Qualifications (RFQ) of January 4, 2001, including projects specified in the Long Range Master Plan of October 2, 2000.
- Harbour Way Community Day Academy

III. Secondary School Projects

- Adams Middle School
- Juan Crespi Junior High School
- Helms Middle School
- Hercules Middle/High School
- Pinole Middle School
- Portola Middle School
- Richmond Middle School
- El Cerrito High School
- Kennedy High School and Kappa High School
- Richmond High School and Omega High School
- Pinole Valley High School and Sigma High School
- De Anza High School and Delta High School
- Gompers High School
- North Campus High School
- Vista Alternative High School
- Middle College High School

As required by Proposition 39, a citizens' bond oversight committee was established. On April 19, 2003, the Board of Education merged the two separate oversight committees for Measure M and Measure D into one body, with the caveat that the new committee would function in accordance with the more stringent Proposition 39 requirements.

As of June 30, 2004, a total of \$24.2 million of the \$300 million Measure D bonds (8 percent) has been expended. All of these expenditures were for projects within the scope of Measure D. Therefore, the annual audit report finds the West Contra Costa Unified School District in compliance with the language contained in Resolution 42-0102.

FACILITIES PROGRAM HISTORY/STATUS

The community, in general, does not appear to be adequately informed about the rationale for decisions made by the Board of Education and their impacts on the facilities program, including increased project scopes and budgets. To assist the community in understanding the District's facilities program and the chronology of events and decisions that resulted in the increased scopes and costs for projects, this report documents the events that have taken place from January 1, 2000, through June 30, 2004. Major actions of the Board of Education are listed in the table below.

Chronology of Facilities Events since January 1, 2000.

DATE	ACTION
March 15, 2000	Facilities Master Plan consultant hired.
July 24, 2000	Measure M (\$150 million, 2/3) election set for November 7, 2000.
October 18, 2000	Facilities Master Plan approved.
November 7, 2000	Measure M (\$150 million) passed.
January 23, 2001	Richmond Middle (Lovonya DeJean) construction contract awarded (\$21,515,000).
August 15, 2001	Master Architect/Bond Management Team (WLC/SGI) contract approved for Measure M Phase 1.
November 28, 2001	Measure D (\$300 million, 55%) election set for March 5, 2002.
March 5, 2002	Measure D (\$300 million, 55%) passed.
March 6, 2002	Quick-Start projects authorized for thirty-nine (39) Measure M schools.
May 15, 2002	Option 1C quality standards approved.
June 5, 2002	WLC/SGI contract amended (Measure M – 1A/1B).
June 5, 2002	WLC/SGI contract approved (Measure D-1).
June 5, 2002	Project budgets based on Option 1C approved.
June 19, 2002	Quick-Start construction contracts approved (\$5,558,367).
June 19, 2002	Four (4) District facilities positions approved.
July 10, 2002	Bond limit waiver request to California State Board of Education (from 2.5 percent to 3.0 percent of A/V).
September 18, 2002	Project budgets based on Option 1C revised.
October 16, 2002	Three (3) District facilities positions approved.
November 20, 2002	Eight (8) Measure M-1A Architects of Record (AORs) hired.
February 5, 2003	District facilities position contracts approved.
March 5, 2003	District facilities position of Engineering Officer approved.
March 19, 2003	Labor Compliance Program approved.
April 9, 2003	Project Labor Agreement approved (M-1A projects).
April 9, 2003	Leasing of one hundred twelve (112) portables approved for interim housing (\$1,663,877).
April 30, 2003	Prequalification of twenty-one (21) general contractors approved.

DATE	ACTION
May 7, 2003	Measure D quality standards approved. Option 1C and 75 percent threshold for replacement.
June 18, 2003	Six (6) Measure M-1B AORs hired.
June 18, 2003 to July 21, 2003	Measure M-1A construction contracts awarded for nine (9) schools.
August 6, 2003	Project budgets for M-1B revised for nine (9) schools.
October 22, 2003	Facilities joint study session with the Board of Education and citizens' bond oversight committee.
November 19, 2003	M-1A project scope enlargement, authorization to negotiate previously unselected alternates for four (4) schools.
December 3, 2003	Project labor agreement amended (M-1B projects).
January 7, 2004	El Cerrito High School conceptual master plan approved.
January 21, 2004	Budget adjustments, Measures M and D projects.
February 4, 2004	General contractors prequalification authorized for M-1B projects.
February 4, 2004	Transitional housing plan approved for M-1B projects.
March 3, 2004	Transitional housing portables approved for M-1B projects (\$2,720,747).
April 7, 2004	Project labor agreement amended (M-1B portables).
April 22, 2004	Budget adjustments, Measures M and D projects.
April 22, 2004	Recognition of a Community Facility Outreach Advisory Board
April 22, 2004	Construction management contract with W. J. Robinson & Associates for two (2) M-1B projects.
April 22, 2004	Proposed change of scope (information) to WLC/SGI contract.
April 22, 2004 to June 16, 2004	Measure M-1B construction contracts awarded for eight (8) schools.
May 5, 2004	Staffing plan for Bond Finance Office: Principal Accountant and Senior Administrative Secretary in lieu of two (2) Bond Fund Supervisors.
June 2, 2004	Staffing plan for bond program: Bond Program Management Specialist (assistance to Bond Engineering Officer).
June 2, 2004	Project labor agreement amended (D-1A projects).
June 16, 2004	Bond Oversight Committee membership and terms approved.
June 16, 2004	Bond Team contract amended to expand reimbursable expenses.

The board approved the Facilities Master Plan on October 18, 2000, prior to any board action or direction regarding construction quality standards, grade-level configuration, school/site sizes (minimum and maximum), potential school closures/consolidation, replacement vs. modernization threshold, the impact of project labor agreements, local bidding climate, and so forth. The Facilities Master Plan provided useful information on the age and conditions of existing schools, inventory of sites and facilities, the need for new schools, replacement needs of some schools and modernization/renovation needs. The identified need for approximately \$500 million, however, understated the District's actual needs. The Facilities Master Plan (approved October 2000) and the more recent cost estimates for phases M-1A, M-1B and D-1A (October 22, 2003) are presented, respectively, in tables 1, 2 and 3 at the end of this section.

A summary of tables 1, 2 and 3 is presented below.

Table	Phase	Master Plan Cost Estimates (October 2, 2000)	Capital Projects Cost Estimates (September 13, 2004)	Percent Increase
1	M-1A	\$ 50,775,438	\$113,204,174	123.0
2	M-1B	59,993,873	127,810,707	113.0
3	D-1A	50,866,541	220,858,164	334.2
	Totals	161,635,852	461,873,045	185.7
	Option IV	\$494,000,000	\$1,338,700,000 ¹	170.8

¹ Future project cost estimates have not been fully adjusted to reflect Option 1C quality standards, and the total cost may increase in the future.

While the \$150 million in Measure M funds were supposed to address the facilities needs at thirty-nine (39) elementary schools, the total facilities needs and costs at those schools were unknown when the measure was set on July 24, 2000. After the passage of Measure M, the District solicited proposals for Master Architect/Bond Management services, culminating in a contract with WLC/SGI on August 15, 2001. While WLC embarked on the design of Phase 1 schools, the WLC/SGI team also proceeded with Quick-Start projects at the thirty-nine (39) Measure M schools, addressing some of the more critical health and safety needs. The board authorized the Quick-Start projects on March 6, 2002, and approved construction contracts in June 2002. (See Table 4 at the end of this section.)

To provide direction to the WLC/SGI team and future project architects, the board considered various construction quality standards to apply to Measure M projects. At its meeting of May 15, 2002, the board was presented with a number of options ranging from \$181 million, the estimated total revenue for Measure M including interest, to \$465 million. These options appear in the table below.

Options (Quality Standards)	Measure M Estimated Expenditures in millions of dollars (\$1,000,000s)
1 Modernization Standard (\$100/square foot)	181
1A Base Standard (\$145/square foot)	246
1B Base Standard (\$145/square foot)	319
1C Base Standard (\$145/square foot)	345
2A Reconstruction Standard (\$175/square foot)	387
2B Reconstruction Standard (\$175/square foot)	440
2C Reconstruction Standard (\$175/square foot)	465

The Board of Education selected Option 1C (\$345 million), at that time estimated to be sufficient to complete the first eighteen (18) elementary schools. The Board also knew that work at twenty-one (21) additional schools would have to await future funding through either Measure D or other future funding sources.

Even before the adoption of Option 1C standards on May 15, 2002, the board was aware that additional revenues were needed. The board authorized Measure D, a \$300 million measure on November 28, 2001, which passed on March 5, 2002. While the primary purpose of Measure D was to address secondary school facilities needs, the bond language allowed for funds to be used on elementary school projects as well.

After the adoption of the Option 1C standards and passage of Measure D, projects were phased into M-1A, nine (9) schools; M-1B, nine (9) schools; and D-1, five (5) schools. The District adjusted the project budgets to reflect Option 1C quality standards, and the WLC/SGI contract was amended to incorporate the new budgets.

The District administration and the board recognized that, as the facilities program approached the construction stage, a number of decisions was needed to provide proper management of the program and to facilitate construction. Accordingly, the board authorized a total of eight (8) new District contract employees; hired project architects for phases M-1A and M-1B and onsite DSA inspectors; approved a project labor agreement, a labor compliance program and portable leases for one hundred twelve (112) interim-use portables; prequalified general contractors; and employed the services of a materials testing laboratory, among other things.

Construction contracts for the nine (9) schools associated with Measure M-1A projects were awarded in June and July 2003. The status of the Phase 1A projects is presented in Table 5 at the end of this section. The nine (9) school totals are summarized in the table below.

Development of Budgets over Time for the Projects in the Audit Sample	Budget
Original Option 1C Budget (June 15, 2002)	\$ 83,050,000
Revised Option 1C Budget (September 18, 2002)	
Construction Costs	\$65,799,647
Soft Costs	25,150,353
Total Budget	\$90,950,000
Budget Increase	\$ 7,900,000
Construction Contract Award (July 2003)	\$75,158,700
Budget Increase (September 13, 2004)	
Construction Costs plus change orders and other costs	\$89,776,676
Soft Costs	23,427,498
Total Budget	\$113,204,174

Table 5 and the summary above indicate that, as additional information became available, the District had to increase the budgets for M-1A projects. The original Option 1C standard budget of \$83.1 million of June 15, 2002, was adjusted to \$91 million on September 18, 2002, and adjusted again to \$113.2 million in September 2004 based on awarded contracts, change orders and other costs.

It should be noted that bid awards for Phase M-1A included additive alternates totaling \$4,984,500, while additive alternates totaling \$6,231,000 were rejected. The board also has authorized the administration to negotiate some alternates into the contract as change orders.

Many variables have impacted construction costs, including the following:

- Establishment of Option 1C quality standards
- Inadequate state modernization and new construction funding
- Project labor agreements
- Acceleration of construction costs at a rate higher than projected.
- Passage of Proposition 39 and the 55 percent threshold for local bonds and resulting construction
- Passage of Proposition 1A, \$9.2 billion bonds and resulting construction
- Passage of Proposition 47, \$13.05 billion bonds and resulting construction
- Labor compliance law requirements

All Phase M-1A projects are under construction, with preliminary construction completion dates from September 29, 2004, to September 24, 2005.

The District submitted eight (8) Phase M-1B projects to Division of State Architect (DSA) and received bids during the period April 2004 through June 2004 (see Table 6). These eight (8) projects were to begin construction during May 2004 to June 2004.

Before taking bids for M-1A and M-1B projects, the District prequalified construction contractors. At the completion of the prequalification process, an estimated thirty-two (32) construction firms were prequalified.

The number of bidders on M-1A and M1-B projects was as follows:

Phase M-1A	#Bidders	Phase M-1B	# Bidders
Harding	2	Bayview	5
Hercules	3	Ellerhorst	3
Lincoln	3	Kensington	3
Madera	6	Mira Vista	3
Montalvin	4	Murphy	4
Peres	4	Sheldon	4
Riverside	3	Tara Hills	3
Stewart	3	Washington	2
Verde	1		
Average	3.2	Average	3.4

From the table above, it can be seen that, in spite of the District's having thirty-two (32) prequalified bidders, the average number of bidders was 3.2 to 3.4.

Overall, the prequalification process was as follows:

	<u>Number of Firms</u>
Prequalification	32
Firms Submitting Bids	12
Firms Awarded Seventeen (17) Contracts	7

From the statistics above, it appears that while the prequalification process excludes unqualified construction contractors, it does not ensure that the result the number of bidders will be high.

Phase D-1A projects are still in the architect planning/schematic drawing stage. Project architects have been selected; the development of the detailed plans and specifications (working drawings) has commenced. On April 22, 2004, the District entered into a contract with Western Construction Services of California, Inc. (WSC/CA, Inc.) to study alternative project delivery options for Measure D projects to ascertain whether there may be time or money savings by following an approach other than the current design-bid-build method.

Recommendation

- In light of actions and directions of the Board of Education since January 1, 2000—including recent discussions regarding redistricting and possible school closures—it is recommended that the board consider authorizing an update to the Facilities Master Plan to more accurately reflect current and future unmet needs and associated costs to carry out the facilities program.

District Response

- Staff agrees that updating the Facilities Master Plan would be an appropriate task at this time. The District is in the process of reviewing future facilities projects and possible funding options for the Board's consideration. First steps toward this goal is the February 2, 2005 Board and the Citizens Bond Oversight Committee joint meeting to review the Bond program and the larger context of unmet facilities needs.

Table 1. Measure M Phase 1A Projects. Comparison of Total Estimated Costs (Construction and Soft Costs).

School	Year Built	Recommendation	Master Plan Cost Estimates (10/2/2000)	Capital Projects* Cost Estimates	Percent Increase
Harding Elementary	1943	Modernize	\$ 6,245,313	\$ 14,014,301	124.4
Hercules Elementary	1966	Replace	4,649,206	13,615,961	192.9
Lincoln Elementary	1948	Modernize	5,443,645	15,200,388	179.2
Madera Elementary	1955	Modernize	4,253,301	9,954,252	134.0
Montalvin Elementary	1965	Replace	7,726,009	10,420,290	34.9
Peres Elementary	1948	Modernize	7,327,773	16,889,728	130.5
Riverside Elementary	1940	Modernize	4,714,029	11,788,329	150.1
Stewart Elementary	1963	Modernize	4,489,484	8,945,696	99.3
Verde Elementary	1950	Modernize	5,926,678	12,375,228	108.8
Total			\$50,775,438	\$113,204,174	123.0

*Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

Table 2. Measure M Phase 1B Projects. Total Estimated Costs (Construction and Soft Costs).

School	Year Built	Recommendation	Master Plan Cost Estimates (10/2/2000)	Capital Projects * Cost Estimates	Percent Increase
Bayview Elementary	1952	Replace	\$10,135,411	\$ 15,552,157	53.4
Downer Elementary	1955	Modernize	13,771,976	23,398,756	69.9
Ellerhorst Elementary	1959	Modernize	4,837,389	11,114,528	129.8
Kensington Elementary	1949	Modernize	5,189,945	17,006,091	227.7
Mira Vista Elementary	1949	Modernize	8,591,907	11,911,186	38.6
Murphy Elementary	1952	Modernize	3,890,790	12,039,309	209.4
Sheldon Elementary	1951	Modernize	4,537,909	13,017,155	186.9
Tara Hills Elementary	1958	Modernize	4,765,959	11,435,272	139.9
Washington Elementary	1940	Modernize	4,272,587	13,033,042	205.0
Total			\$59,993,873	\$128,507,496	113.0

*Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

Table 3. Measure D Phase 1A Projects. Total Estimated Costs. (Construction and Soft Costs).

School	Year Built	Recommendation	Master Plan Cost Estimates (10/2/2000)	Capital Projects Cost Estimates¹	Percent Increase
De Anza High ²	1955	Modernize	\$18,298,567	\$2,708,630	N/A
El Cerrito High	1938	Modernize	16,821,385	97,145,328	477.5
Helms Middle	1953	Modernize	12,487,876	52,559,865	320.9
Pinole Middle	1966	Modernize	9,399,564	36,859,208	292.1
Portola Middle	1950	Modernize	12,157,716	34,140,175	180.8
Total³			\$69,165,108	\$223,413,205	223.0

¹ Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

² Reduced in scope to planning only.

³ Excludes De Anza High School.

Table 4. Measure M Quick Start Projects. Construction Costs (Without Soft Costs).

School	Year Built	Restrooms	Backflow Preventers	Hazard Materials Abatement	Other	Additional Work Planned Future Phase
Bayview	1952		6			1B
Castro	1950	2	3			2A
Chavez	1996		1			New School
Collins	1949	4	4		Parking lot	2A
Coronado ¹	1952	4	2			2A
Dover ¹	1958	4	1			2B
Downer	1955		5			1B
Ellerhorst	1959		3			1B
El Sobrante ¹	1950	4	1	x		2B
Fairmont ¹	1957	4	3			2B
Ford	1949	2	1			2B
Grant ¹	1945	4	1	x	Roof	2B
Hanna Ranch	1994		1			3
Harding	1943		1			1A
Hercules	1966		1	x		1A
Highland	1958		1			2B
Kensington	1949		1		Other	1B
King	1943	2	4	x		2B
Lake ¹	1956	4	3			2A
Lincoln	1948		1		Roof	1A
Madera	1955		5		Electrical	1A
Mira Vista	1949		4			1B
Montalvin	1965		8			1A
Murphy	1952		5		Electrical	1B
Nystrom ¹	1942	8	2		Electrical	2A
Ohlone	1970		1			3
Olinda	1957	2	1		Electrical	2A
Peres	1948		1			1A
Riverside	1940		1	x		1A
Seaview	1972	4	4			3
Shannon	1967	4	7			2B
Sheldon	1951		3	x	Electrical	1B
Stege	1943	4	1			2A
Stewart	1963		1			1A
Tara Hills	1958		8	x		1B
Valley View ¹	1962	4	2			2A
Verde	1950		1			1A
Washington	1940		3	x		1B
Wilson ¹	1953	4	1	x		2A
Total (39)		\$5,558,367²				

¹ Projects eligible for state funding modernization.

² Awarded June 5, 2002, and June 19, 2002. Includes 10 percent contingency funding.

Table 5. Measure M Phase 1A. Budget, Contracts and Schedule.

School	Harding	Hercules	Lincoln	Madera	Montalvin	Peres	Riverside	Stewart	Verde	Total Phase 1A
Original Budget (June 5, 2002)	\$8,530,000	\$13,380,000	\$10,360,000	\$7,620,000	\$6,780,000	\$14,180,000	\$7,550,000	\$6,810,000	\$7,840,000	\$83,050,000
Budget (September 13, 2004)										
Construction Costs	\$11,163,966	\$11,044,908	\$12,149,888	\$7,806,279	\$8,144,634	\$13,640,774	\$9,177,653	\$6,926,785	\$9,721,789	\$89,776,676
Soft Costs (20.7%)	\$2,850,335	\$2,571,053	\$3,050,500	\$2,147,973	\$2,275,656	\$3,248,954	\$2,610,676	\$2,018,911	\$2,653,439	\$23,427,498
Total Budget	\$14,014,301	\$13,615,961	\$15,200,388	\$9,954,252	\$10,420,290	\$16,889,728	\$11,788,329	\$8,945,696	\$12,375,228	\$113,204,113
SAB #	019	017	015	014	013	011	016	012	010	
SAB Revenues	\$1,172,709	\$1,129,032	\$1,927,340	\$1,161,510	\$1,197,753	\$303,687	\$320,804	\$1,448,206	\$1,128,998	\$9,790,039
Award Date	7/14/03	7/14/03	7/9/03	6/18/03	6/30/03	6/30/03	7/21/03	6/18/03	6/18/03	
Contractor	Fed. Con Construction	S.J. Amoroso	West Coast Contractors	J.W. & Sons	C. Overra & Co	Fed Con. Constr	W.A. Thomas	C. Overra & Co	C. Overra & Co	
Base Bid	\$8,917,000	\$9,867,000	\$8,840,000	\$6,338,200	\$5,598,000	\$9,927,000	\$7,304,000	\$5,283,000	\$8,100,000	\$70,174,200
Cost of Selected Alternates (Number)	\$468,000 (5)	\$405,500 (10)	\$535,000 (3)	\$253,000 (3)	\$1,225,000 (4)	\$1,022,000 (3)	\$468,000 (5)	\$943,000 (4)	\$133,000 (2)	\$5,452,500
Cost of Unselected Alternates (Number)	\$868,000 (10)	\$803,000 (10)	535,000 (7)	\$1,229,000 (13)	\$332,000 (6)	\$282,000 (6)	\$485,000 (6)	\$769,000 (8)	\$928,000 (10)	\$6,231,000
Total Bid	\$9,385,000	\$10,272,500	\$9,375,000	\$6,591,200	\$6,823,000	\$10,949,000	\$7,304,000	\$6,226,000	\$8,233,000	\$75,626,700
Change Orders (August 4, 2004)	\$327,491	\$257,252	\$1,420,593	\$234,734	\$323,220	\$662,455	\$194,198	\$226,057	\$61,939	\$3,707,939
Schedule										
Notice to Proceed	8/18/03	8/4/03	8/4/03	8/11/03	8/4/03	8/6/03	8/18/03	8/14/03	8/4/03	
Complete Construction (Revised Schedule)	1/30/05 (4 mo. delay)	12/27/04 (on schedule)	9/24/05 (1 yr. delay)	12/30/04 (3 mo. delay)	11/30/04 (2 mo. delay)	11/1/04 (3mo. delay)	12/30/04 (5 mo. delay)	9/29/04 (on schedule)	1/4/05 (3 mo delay)	

Table 6. Measure M Phase 1B. Budget, Contracts and Schedule.

School	Bayview	Ellerhorst	Kensington	Mira Vista	Murphy	Sheldon	Tara Hills	Washington	Total Phase 1B
Budget (September 13, 2004)									
Construction Costs	\$12,784,420	\$8,707,661	13,569,570	\$9,708,958	\$9,599,414	\$10,458,165	\$9,084,333	\$10,390,188	\$84,302,709
Soft Costs (19.3%)	2,767,737	2,406,867	3,436,521	23,202,228	2,439,895	2,558,990	2,350,939	2,642,854	20,806,031
Total Budget	\$15,552,157	\$11,114,528	17,006,091	\$12,911,186	\$12,039,309	\$13,017,155	\$11,435,272	\$13,033,042	\$105,108,740
SAB #					018		021		
SAB Revenues	0	0	0	0	0	0	0	0	0
Award Date	6/2/04	4/22/04	5/19/04	5/5/04	4/22/04	5/5/04	5/19/04	5/19/04	
Contractor (Number of Bidders)	West Bay Builders (5)	West Bay Builders (3)	J.W. and Sons (3)	West Bay Builders (3)	West Bay Builders (4)	West Bay Builders (4)	W.A.Thomas (3)	Arntz Builders (2)	
Base Bid	\$10,017,000	\$7,370,000	\$10,630,562	\$7,385,055	\$7,285,000	\$8,327,000	\$7,691,000	\$8,498,857	\$67,204,474
Cost of Selected Alternates (Number)	\$396,000 (2)	\$342,500 (2)	\$447,200 (3)	\$326,775 (2)	\$365,000 (2)	\$234,650 (2)	\$217,700 (2)	\$285,050 (2)	\$2,614,875
Total Bid	\$10,413,000	\$7,712,500	\$11,077,762	\$7,711,830	\$7,650,000	\$8,561,650	\$7,908,700	\$8,783,907	\$69,819,349
Temporary Housing	\$835,644	\$155,447	\$869,000	\$722,084	\$711,261	\$496,498	\$675,054	\$549,415	\$5,014,403
Total Construction	\$11,248,644	\$7,867,947	\$11,946,762	\$8,433,914	\$8,361,261	\$9,058,148	\$8,583,754	\$9,333,322	\$74,833,752
Schedule									
Notice to Proceed	7/7/04	6/8/04	6/3/04	5/27/04	7/1/04	5/18/04	5/28/04	6/12/04	
Complete Construction	1/13/06	8/19/05	9/11/05	10/9/05	8/15/05	9/30/05	7/22/05	7/29/04	

Does not include Downer, which is in architectural planning. Downer's budget includes construction costs of \$17,786,493 and soft costs of \$5,612,263 for a total project cost of \$23,398,756.

STATE NEW CONSTRUCTION ELIGIBILITY

As reported in the performance audit report for the period ending June 30, 2003, new construction eligibility has been established based on CBEDS enrollment data for the 2002-03 school year. Based on that data, new construction eligibility exists within the Hercules and Pinole Valley high school attendance areas. The individual and combined eligibilities of the Hercules/Pinole Valley attendance areas are presented in the table below.

New Construction Eligibility for Hercules/Pinole Valley Attendance Areas.

Attendance Area	Eligibility				
	K-6	7-8	9-12	Non-Severe	Severe
Hercules	856	52	1,570	60	19
Pinole Valley	(831)	(70)	201	23	53
Total	25	(18)	1,771	83	72
Hercules/Pinole (Combined)	19	(83)	2,146	78	23

Based on these eligibility numbers, the total K-12 eligibility in the Hercules attendance area is calculated at 2,557 and the total K-12 eligibility in the combined Hercules/Pinole Valley attendance area is calculated at 2,266. While 9-12 eligibility is enhanced under the combined attendance area approach, the K-6 eligibility is severely eroded. However, the eligibility for one grade group can be used for a project in another grade group. The state grant amount assigned to the eligibility for the original grade group determines the actual state grant.

The new construction eligibility above must be adjusted to reflect the most current CBEDS enrollment data at the time that a new construction project (SAB 50-04) is filed. That filing cannot occur until a project has completed the California Environmental Quality Act (CEQA) process and obtained clearance from the Department of Toxic Substances Control (DTSC), approval from the Division of State Architect (DSA), and approval from the California Department of Education (CDE).

At the present time, the District is working with the city of Hercules to obtain sites for a new elementary school and a new middle school. The two sites under current consideration include the following:

Elementary School Site: Pegasus/Victoria by the Bay

This eight (8) acre site, located in Hercules in the vicinity of San Pablo Avenue and Victoria Crescent East, is on land owned by PG&E. According to the Program Status Report of June 2, 2004, "The Hercules City Manager is contacting the owner of the property to discuss purchasing the property so the District can begin the environmental assessment process necessary to get approval of the site from the California Department of Education."

Middle School Site: Wastewater Treatment Plant

This site is located in Hercules in the vicinity of San Pablo Avenue and Tsushima Road. According to the Program Status Report of June 2, 2004, “The environmental consulting group is continuing to work on the pipeline and railroad studies, which need to be completed before the site can move further along in the approval process.”

Commendations

- The District is commended for working cooperatively with the city of Hercules to identify and acquire needed sites for new elementary and middle schools.
- The District is commended for filing new construction eligibility documents (SAB 50-01/02/03) by high school attendance area to maximize eligibility for state funding.

Recommendations

- It is recommended that the District identify the priority order in which new schools are to be built in Hercules.
- It is recommended that, as soon as the new school site with the greatest priority is identified, the District initiate an architectural selection process to employ an architect of record (AOR) to begin a preliminary planning process and to establish the scope, budget and schedule. Concurrently, the District should initiate the process for CDE site approval, including DTSC clearance and CEQA.
- It is recommended that updated SAB 50-01/02/03 new construction eligibility documents be prepared after 2004-05 CBEDS enrollments are available to ascertain more recent high school attendance area eligibilities.
- It is further recommended that the District analyze and use the appropriate SAB filing method, individual attendance area vs. combined attendance areas, to maximize state funding.

District Response

- District staff are currently making progress in each of the recommended areas:
 - Prioritization of new schools in Hercules—demographic and capacity reviews have been completed and the Superintendent and senior District staff have identified that the construction of a new Middle School is the priority for the Hercules area.
 - Site identification has been completed for the most easily developed appropriate school site in Hercules, the former Wastewater Treatment Plant site of the City of Hercules. The District’s Master Architect has prepared conceptual studies indicating the feasibility of the site for a Middle School.

- Staff has worked actively and cooperatively with the City of Hercules to provide for DTSC/CDE approvals of the site. The District and City have received a PEA Grant from DTSC for the site. In addition, the District and City have applied for a Brownfield Cleanup grant from the US EPA, administered by the state DTSC.
- Eligibility and state funding recommendations are acknowledged and will be initiated at the appropriate time.

STATE MODERNIZATION STATUS

This section highlights the current status of the modernization of the sixty-five (65) existing campuses in the District.

Eligibility for a modernization project is established when form SAB 50-03 is filed with the state, and the State Allocation Board (SAB) approves the application. A school district designs and submits a project to the Division of State Architect (DSA) and the California Department of Education (CDE). The district awaits both agencies' approvals before filing form SAB 50-04, the form which establishes funding for a project. If necessary, a revised SAB 50-03 must also be filed to reflect the most recent enrollment data. After a project has been bid, the district files form SAB 50-05 to request a release of state funds for the project.

Elementary school projects that have completed the SAB 50-03, SAB 50-04 and SAB 50-05 processes to date include the nine (9) Quick-Start projects and the nine (9) Phase 1A projects, for which the District has respectively received \$3,863,449 and \$9,790,039.

Phase 1B elementary schools to be funded under Measure M and secondary schools to be funded under Measure D are still in the architectural design stage; none of these projects has reached the SAB 50-04 filing stage at this time.

The tables below summarize Quick-Start and Phase 1A projects funded under Measure M.

State Allocation Board Funding for Measure M Quick-Start Projects.

SAB #	School	SAB Fund Release Date	SAB Fund Amount
1	Valley View Elementary	4/28/03	\$290,214
2	El Sobrante Elementary	4/28/03	369,339
3	Nystrom Elementary	5/27/03	861,390
4	Coronado Elementary	5/27/03	401,400
5	Wilson Elementary	5/27/03	323,957
6	Dover Elementary	5/27/03	366,330
7	Lake Elementary	5/27/03	309,937
8	Grant Elementary	7/16/03	369,288
9	Fairmont Elementary	5/27/03	571,594
Total			\$3,863,449

State Allocation Board Funding for Measure M Phase 1A Projects.

SAB #	School	SAB Fund Release Date	SAB Fund Amount
10	Verde Elementary	9/02/03	\$1,161,510
11	Peres Elementary	9/25/03	1,448,206
12	Stewart Elementary	9/25/03	1,128,998
13	Montalvin Elementary	10/2/03	303,687
14	Madera Elementary	9/02/03	1,197,753
15	Lincoln Elementary	9/25/03	320,804
16	Riverside Elementary	9/25/03	1,172,709
17	Hercules Elementary	9/25/03	1,129,032
19	Harding Elementary	9/25/03	1,927,340
Total			\$9,790,039

State Allocation Board Funding for Measure M Phase 1B Projects.

SAB #	School	SAB Fund Release Date	SAB Fund Amount
	Bayview Elementary	Application Submitted	\$0
	Ellerhorst Elementary	Application Submitted	0
	Kensington Elementary	Application Submitted	0
	Mira Vista Elementary	Application Submitted	0
018	Murphy Elementary	Application Submitted	0
	Sheldon Elementary	Application Submitted	0
021	Tara Hills Elementary	Application Submitted	0
	Washington Elementary	Application Submitted	0
Total			\$0

Existing Campuses. Elementary Schools. Updated June 30, 2004.

No.	Existing Campus	Grade	Bond (Phase)	SAB# ¹	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Grant Amount (%) ²	SAB Fund Release (50-05)	Funding Amount ³
104	Bayview (1952)	K-6	M(1B)		7/26/00	585	Submitted			
108	Cameron (Spec. Ed)	K-6								
109	Castro (1950) ⁴	K-6	M(2A)	000	7/26/00	372				
105	Chavez (1996)	K-5	M(3)	N/A	New school Not eligible					
110	Collins (1949)	K-6	M(2A)	000	7/26/00	498				
112	Coronado (1952) (1993)	K-5	M(Q,2A)	004	3/22/00	125	4/23/03	\$401,400 (60%)	5/27/03	\$ 401,400
115	Dover (1958)	K-5	M(Q,2B)	006	7/26/00	121	4/23/03	\$366,330 (60%)	5/27/03	366,330
116	Downer (1955)	K-6	M(1B)		3/22/00	943				
120	El Sobrante (1950)	K-6	M(Q,2B)	002	2/23/00	101	3/26/03	\$369,339 (60%)	4/28/03	369,339
117	Ellerhorst (1959)	K-6	M(1B)		3/22/00	430	Submitted			
123	Fairmont (1957) ⁴	K-6	M(Q,2B)	009	3/22/00	178	4/23/03	\$571,594 (60%)	5/27/03	571,594
124	Ford (1949)	K-5	M(2B)	000	3/22/00	500				
125	Grant (1945) ⁴	K-6	M(Q,2B)	008	2/23/00	115	5/28/03	\$369,288 (60%)	7/16/03	369,288
128	Hanna Ranch (1994)	K-5	M(3)	N/A	New school Not eligible					
191	Harbour Way (1998)	K-6	D(2A)	N/A	New school Not eligible					
127	Harding (1943)	K-6	M(1A)	019	3/22/00	353	8/27/03	\$1,853,632 (60%)	9/25/03	1,927,340
126	Hercules (1966) ⁴	K-5	M(1A)	017	3/22/00	350	8/27/03	\$1,081,922 (60%)	9/25/03	1,129,032
122	Highland (1958) (1993)	K-6	M(2B)	N/A	Not eligible					
130	Kensington (1949) (1994)	K-6	M(1B)		3/22/00	275	Submitted			
132	King (1943)	K-5	M(2B)	000	7/26/00	555				
134	Lake (1956)(1991) ⁴	K-6	M(Q,2A)	007	3/22/00	110	4/23/03	\$309,937 (60%)	5/27/03	309,937
135	Lincoln (1948) (1994) ⁴	K-5	M(1A)	015	7/26/00	61	8/27/03	\$320,804	9/25/03	320,804
137	Madera (1955) ⁴	K-5	M(1A)	014	7/26/00	350	7/23/03	\$1,180,092 (60%)	9/20/03	1,197,753
139	Mira Vista (1949)	K-6	M(1B)		7/26/00	385	Submitted			

No.	Existing Campus	Grade	Bond (Phase)	SAB# ¹	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Grant Amount (%) ²	SAB Fund Release (50-05)	Funding Amount ³
140	Montalvin (1965) (1994) ⁴	K-6	M(1A)	013	2/23/00	75	8/27/03	\$303,687 (60%)	10/2/03	303,687
142	Murphy (1952)	K-6	M(1B)	018	3/22/00	436	Submitted			
144	Nystrom (1942) (1994)	K-5	M(Q,2A)	003	3/22/00	205	4/23/03	\$861,390 (60%)	5/27/03	861,390
146	Ohlone (1970)	K-5	M(3)	000	7/26/00	350				
145	Olinda (1957) ⁴	K-6	M(2A)	000	3/22/00	325				
147	Peres (1948) ⁴	K-6	M(1A)	011	7/26/00	422	8/27/03	\$1,377,348 (60%)	9/25/03	1,448,206
150	Riverside (1940) ⁴	K-6	M(1A)	016	3/22/00	283	8/27/03	\$1,122,609 (60%)	9/25/03	1,172,709
152	Seaview (1972)	K-6	M(3)	000	3/22/00	340				
154	Shannon (1967)	K-6	M(2B)	000	3/22/00	303				
155	Sheldon (1951) (1994)	K-6	M(1B)		7/26/00	103	Submitted			
157	Stege (1943) ⁴	K-5	M(2A)	N/A	Not eligible					
158	Stewart (1963) (1994) ⁴	K-8	M(1A)	012	3/22/00	408	8/27/03	\$1,108,410 (60%)	9/25/03	1,128,998
159	Tara Hills (1958)	K-6	M(1B)	021	7/26/00	455	Submitted			
131	Transition Learning Center	K-6	D(1B)	N/A	Not eligible					
160	Valley View (1962) ⁴	K-6	M(Q,2A)	001	7/26/00	103	3/26/03	\$290,214 (60%)	4/28/03	290,214
162	Verde (1950)	K-6	M(1A)	010	2/23/00	320	7/23/03	\$1,111,332 (60%)	9/2/03	1,161,510
164	Washington (1940)	K-5	M(1B)		3/22/00	379	Submitted			
165	Wilson (1953)		M(Q,2A)	005	7/26/00	111	4/23/03	\$323,957 (60%)	5/27/03	323,957
Total 42 Elementary Schools										\$13,653,488

Existing Campuses. Middle Schools. Updated June 30, 2004.

No.	Existing Campus	Grade	Bond (Phase)	SAB# ¹	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Grant Amount (%) ²	SAB Fund Release (50-05)	Funding Amount ³
202	Adams (1957)	6-8	D(1B)	000	3/22/00	1,059				
206	Crespi (1964)	7-8	D(2)	000	3/22/00	1,053				
208	Lovonya DeJean (2003) ⁴	6-8	D(1A,1B)	N/A	New school Not eligible					
210	Helms (1953) (1991)	6-8	D(1A)	000	7/26/00	634				
211	Hercules Middle (2000) ⁴	6-8	D(1B)	N/A	New school Not eligible					
212	Pinole Middle (1966)	7-8	D(1A)	000	7/26/00	934				
214	Portola Middle (1950)	6-8	D(1A)	000	7/26/00	440				
Total 7 Middle Schools										

Existing Campuses. High Schools. Updated June 30, 2004.

No.	Existing Campus	Grade	Bond (Phase)	SAB# ¹	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Grant Amount (%) ²	SAB Fund Release (50-05)	Funding Amount ³
352	De Anza (1955) ⁴	9-12	D(1A)	000	7/26/00	1,495				
391	Delta Continuation	9-12	D (1B)							
354	El Cerrito (1938) ⁴	9-12	D(1A)	000	3/22/00	1,381				
376	Hercules High (2000) ⁴	9-12	D(1B)	N/A	New school Not eligible					
360	Kennedy (1965)	9-12	D(1B)	000	3/22/00	1,158				
393	Kappa Continuation	9-12	D(1B)							
362	Pinole Valley (1968) ⁴	9-12	D(2)	000	7/26/00	2,087				
396	Sigma Continuation	9-12	D(2)							
364	Richmond (1946) ⁴	9-12	D(1B)	000	3/22/00	1,742				
395	Omega Continuation	9-12	D(1B)							
Total 10 High Schools										

Existing Campuses. Alternative Schools. Updated June 30, 2004.

No.	Existing Campus	Grade	Bond (Phase)	SAB# ¹	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Grant Amount (%) ²	SAB Fund Release (50-05)	Funding Amount ³
358	Gompers (1934)	9-12	D(1B)	000	7/26/00	165				
369	Middle College	9-12								
373	Vista High	K-12	D(2)							
374	North Campus	9-12	D(2)	000	3/22/00	123				
408	Adult Education-Serra	9-12								
102	Adult Education-Alvarado									
Total 6 Alternative Schools										
Total Schools (65)										\$13,653,488

¹ A "000" indicates that form SAB 50-03 has been filed to establish eligibility. A project number is not assigned until form SAB 50-04 is filed, which requires DSA-stamped plans and CDE approval. A blank indicates that the status is unknown or that eligibility has not been established.

² The state grant amount is 60 percent of the total state modernization budget for project applications (SAB 50-04) filed after April 29, 2002. (Applications filed before April 29, 2002, receive 80 percent in state matching funds.) The District must provide its matching share of the project budget.

³ State funding is released to the District after the project has gone to bid, a construction contract has been awarded, and form SAB 50-05 has been filed.

⁴ Out of forty-two (42) existing elementary schools, fourteen (14) were selected for audit, of which thirteen (13) have state modernization eligibility approved; twelve (12) have been approved for funding and have been funded. Out of seven (7) existing middle schools, two (2) were selected for audit. Out of ten (10) existing high schools, five (5) were selected for audit.

DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN
FOR THE BOND PROGRAM

The governance and management of the bond management plan have evolved over time to address the changing needs, functions and funding of District facilities. This section provides an update on the changes in administering the full facilities program since July 1, 2003. (For a detailed history of the present structure of the citizens' bond oversight committee and the bond management team, the reader should refer to the annual performance audit report for the period ending June 30, 2003, and the midyear update for the period ending December 31, 2003.)

FACILITIES STAFFING FOR THE BOND PROGRAM

During the early stages of the Measure M facilities program, the WLC/SGI team provided most of the architectural services, including services for the Quick-Start projects at thirty-nine (39) elementary schools. After WLC/SGI completed preliminary design documents, the District hired architects of record (AORs) to develop detailed plans and specifications and bid documents.

As the facilities program progressed over time with the design and construction of Measure M and Measure D projects, the District recognized the importance of having key District staff to implement essential functions of the facilities program, which the WLC/SGI team could not perform for different reasons. The table below lists District staff and the funding allocations for the facilities program for the 2004-05 fiscal year.

District Staffing to Fulfill the Facilities Bond Program. (Source: District records)

District Staff Position	Annual Salary	District/ Statutory Benefits	Total Salary/ Benefits	General Fund %	Bond Fund %	Annual Expense Charged to Bond
Bond Finance Office						
Sr. Director of Bond Finance	\$ 101,472	\$ 37,957	\$139,429	25	75	\$104,572
Director of Capital Projects	94,088	36,608	130,696	50	50	65,348
Principal Accountant	54,155	29,056	83,211	0	100	83,211
Administrative Secretary	36,491	25,436	61,927	25	75	46,446
Bond Finance Office Subtotal	\$ 286,206	\$129,057	\$415,263	28	72	\$299,577
Bond Management Office						
District Engineering Officer	\$ 128,988	\$ 34,522	\$163,510	10	90	\$147,159
Bond Program Management Specialist (Open Position)	34,218	24,880	59,098	10	90	53,188
Director of Bond Facilities	94,088	38,443	132,531	10	90	119,278
Bond Regional Facility Project Manager	76,216	35,157	111,373	10	90	100,236
Bond Regional Facility Project Manager	76,216	35,157	111,373	10	90	100,236
Bond Network Planner	71,210	33,932	105,142	10	90	94,628
Bond Mgt. Office Subtotal	\$ 480,936	\$202,091	\$683,027	10	90	\$614,725
Total for Mgt. and Finance	\$767,142	\$331,148	\$1,098,290	17	83	\$914,302

The Board of Education approved these staff positions and their funding allocations. To verify that bond proceeds could be appropriately used for staff positions within the facilities program, the District “validated” its decision by seeking and obtaining clearance from the Contra Costa County Superior Court.

The functions of the bond management team, District staff, master architect (WLC) and program manager (SGI) are documented in two comprehensive manuals:

- Program Management Plan. (Revised May 12, 2003)
- Procedures Manual. Fiscal Year 2003-2004. Section 4: Operations.

The Program Management Plan provides descriptions of every aspect of managing a facilities program from strategic planning to detailed office administration procedures. This document is designed to serve the bond management team in performing its duties at each step in the facilities program.

The District’s senior management prepared the Procedures Manual, fiscal year 2003-04 to guide District administrators in performing their assigned duties. The section on operations includes information on the bond management team, facilities planning, construction and the functions of the various bond management team members. This document also includes organizational charts, facilities planning and construction personnel, responsibilities, projects, and a division of duties performed by WLC and SGI.

The division of duties, outlined by the manual, is also reflected in the current master architect agreement. During the first performance audit, Total School Solutions (TSS) found that the master architect agreement had created some operational difficulties. The finding specifically notes:

The scope of services provided by the bond program manger (The Seville Group, Inc.), the master architect (WLC) and the project architects overlap to some extent, contributing to a duplication of effort and confusion regarding areas of responsibility and accountability.

The District responded by noting the following:

The Master Architect contract with WCCUSD, by design, has overlap with the Architects of Record (AOR) in several key areas such as Schematic Design and oversight of the construction documents. In addition, the District, SGI and WLC are currently engaging in a “Realignment Process” to evaluate their performance to date and to consider changes to streamline and improve the Bond Team process during the coming year. The working relationship between Seville and WLC and the Master Architect/project architect relationship are two key areas that the District is focusing on in this process.

In spite of the potential for creativity and streamlined work, both firms experienced difficulty in carrying out their separate functions as one team under the master architect agreement. For a number of reasons, the District decided to bifurcate the agreement, the negotiations for which are still in the process as of the writing of this report. A separation of duties (and contracts) may strengthen controls among all parties involved in the facilities construction process (as also discussed in the section “Master Architect/Engineer Plan”). At the present time, each firm’s designated point of contact can only manage his own firm’s personnel. Although the District and the bond management team did not address the issues in regard to the single contract before the end of the period covered by the annual audit, the audit team is aware that the District is currently making efforts to address this finding. With the completion of the planning stage for the existing projects, it may become more difficult to define a separation of responsibilities.

Much of the facilities-related personnel (fulltime equivalent or FTE) assigned to the program—including staff as well as project and construction management—is presented in the table below. These estimates exclude architects/engineers of record, project specialty consultants, inspectors, the communication consultant, the outreach consultant and the labor compliance consultant. The FTE should decrease over time as projects complete the construction phase.

Category	FTE
District Staff	
Bond Finance Office	3.0
Bond Management Office	5.4
Total	8.4
Bond Program Manager (SGI)	
Program/Project Management	5.5
Design Management	0.75
Construction Management	12.75
Other (Network Admin., PS2 Coordinator, Receptionist)	3.0
Total	22.0
Construction Management (Other)	3.0
Amanco, RGM, Van Pelt	
Master Architect (WLC)	9.0
Design Phase Management (Measure D1-A)	3.0
Don Todd Associates	
TOTAL Full-Time Equivalent	45.4

The approximate costs over a five (5) to six (6) year period for the above FTE for Measure M-1A/2A and Measure D-1A follow:

Category	Five (5) to Six (6) Year Cost in Millions of Dollars (\$1,000,000s)
District Staff	5.0
Bond Program Manager (SGI plus other CM)	28.2
Master Architect (WLC)	20.4
Design Manager (Todd)	2.8
Total Five (5) to Six (6) Year Cost	56.4

For a detailed project cost breakdown for Phases M-1A, M-1B and D-1A, refer to the following table:

Capital Assets Management Plan/Reconciliation Report. September 13, 2004.

Budget Category	M-1A Budget	M-1B Budget	D-1A Budget
Pre-Design Services	\$237,788	\$253,525	\$401,447
Design Phase Services ¹			
Bond Program Manager	\$5,329,315 (4.7%)	\$6,477,841 (4.8%)	\$16,373,234 (7.4%)
Master Architect	4,690,820 (4.1%)	4,774,469 (3.5%)	10,974,365 (5.0%)
Design Manager	0	0	2,849,600 (1.3%)
A/E of Record	7,717,172 (6.8%)	8,548,037 (6.3%)	16,079,771 (7.1%)
Specialty Consultants	588,476 (0.5%)	673,456 (0.5%)	750,000 (0.3%)
Other	1,851,949 (1.6%)	1,821,254 (1.3%)	1,991,939 (0.9%)
Total	\$20,177,732 (17.7%)	\$22,295,057 (16.5%)	\$49,018,909 (22.2%)
Construction Phase Services	\$3,085,494	\$3,869,713	\$6,643,206
Soft Costs Total	\$23,501,014 (20.7%)	\$26,418,295 (20.6%)	\$56,063,562 (25.1%)
Construction Costs			
Modernization/New	\$83,657,063	\$92,896,064	\$160,416,638
Temporary Housing	\$6,641,040	9,193,137	7,086,592
Total	\$90,298,103	\$102,089,201	\$167,503,230
Total Project Budget	\$113,799,116	\$128,507,496	\$223,566,792

¹ Percentages based on total project budget.

ARCHITECTURAL SELECTION PROCESS

Throughout each phase of construction, M-1A, M-1B and D-1A, the District implemented a well structured and detailed architectural selection process. Architectural firms were invited to respond to a detailed Request for Proposal (RFP). An interview committee then evaluated the proposals submitted and selected a number of firms to be interviewed. During the interviews, the firms were further evaluated and ranked. The interview committee then selected the top firms to be recommended to the board. The board made the final selection and assignment to specific projects.

The statistics for the Phase M-1A projects are presented below:

Architectural Firms	Number of Firms
Invited to respond to RFP	148
Total responses	43
Respondents short listed	38
Interviewed	13
Selected	8

Because of the detailed architectural selection process implemented for Phase M-1A projects, the process to select Phase M-1B projects was limited to the pool of prequalified firms. This restriction resulted in six (6) of the Phase M-1A architects being assigned projects for Phase M-1B projects, with two (2) new firms' selection for Phase M-2B projects.

In preparation for the Phase D-1A architectural selection process, the prequalified firms with experience with middle and high schools (over 30 firms) were invited to submit proposals. Responses were received from twenty-three (23) firms, and twelve (12) firms were selected for interviews. The results of the interviews were submitted to the board on March 25, 2004, and final board selection was made on April 20, 2004.

The AORs for the Phase M-1A, M-1B and D-1A projects are listed in the table below.

Architect	Phase M-1A	Phase M-1B	Phase D-1A
Hamilton & Aitken	Madera	Ellerhorst	
Arthur Tam	Lincoln	Kensington	Portola Middle
Powell and Partners (with Willis for Phase D-1A)	Peres	Murphy	
BFGC	Verde	Tara Hills	Pinole Middle
DES	Hercules	Sheldon	
HTI		Mira Vista	
Charles Bryant	Riverside	Bayview	
Baker Vailar (with Steinberg for Phase D-1A)	Harding		
Interactive Resources	Montalvin		Helms Middle
Bunton Clifford	Stewart	Washington	
		Downer	Future

Architect	Phase M-1A	Phase M-1B	Phase D-1A
			Reconstruction
Deems Lewis			De Anza High
Quattrochi Kwok			Future Reconstruction
WLC			El Cerrito High
Beverly Prior			Smaller projects

CONSTRUCTION MANAGEMENT

When California schools undertake modernization and expansion projects, the normal challenges involved in design and construction are heightened by the many risks associated with existing building conditions; the logistics and phasing of construction; and, often, the continued occupation of the school buildings by students and staff in the midst of construction.

Construction management can perform a number of specialized services that District staff frequently cannot perform alone. These services can yield significant cost savings to the District, including the following:

- Professional estimating
- Budget development
- Constructability reviews
- Value engineering, construction strategy
- Schedule development and phasing
- Risk analysis
- Procurement strategies

Construction managers can help the District succeed and assist the design team with tools needed to carry out a project successfully. An effective construction management strategy may involve many elements:

- Interim housing
- Construction phasing
- Sequencing and coordination of general contractors and many trade groups
- Maintenance of access and egress to school
- Effective construction staging
- Weather protection
- Effective routing of equipment and materials

Effective construction management can identify cost reductions, enhance quality, improve constructability and increase the effectiveness of the construction schedule. The cost savings realized through high-quality preconstruction planning can often be reinvested in added scope, project enhancements or savings to be used toward other projects. Construction managers can also minimize the need for redesign by identifying construction issues early in planning and design and by collaborating with the architects and engineers. Such collaboration can reduce errors and redundancies in plans.

Construction management should assist the District in developing detailed estimates at every stage of design documentation by explicitly defining the components, scope and costs of all building systems. Among construction management’s estimating tools is “benchmarking,” which is used for developing cost breakdowns and to verify that each component’s estimated costs of the project and system fall within the proper range for similar projects found and used in other K-12 school districts in California. By using the “benchmarking” process, the construction manager can isolate each major building component and system and compare projected costs with those of projects similar in type, scope and geographic location.

The development of well-structured project cost estimates and schedules early in the planning phase sets a solid stage for decisions by the entire project team. The planning process requires the District and bond management team’s decisions to be compared continually with project goals and cost estimates. As in other districts, the West Contra Costa Unified School District needs the expertise of specialized planning and management professionals to ensure that each project meets the school’s program needs, stays on schedule and within budget and causes minimal disruption to ongoing campus programs.

Through its own staff experience in construction processes and with the assistance of qualified construction management professionals, the District can develop District-wide construction strategies to meet the District’s targeted completion dates. The construction manager’s strategy is a communications tool that the District facilities department uses to have management oversight and ownership of all concurrent construction projects. A construction manager should anticipate the kinds of information required by school district facilities departments, other district administrators and boards of education.

The construction manager should provide the District with value-engineering workshops for each project to examine whether more cost-effective ways are available to meet the same standards and performance goals without sacrificing scope, quality or architectural appeal. The construction manager can save the District money through effective risk analysis and contingency planning. Risk analysis and contingency planning are especially critical in the modernization of expansion of older school buildings, which may have as-built drawings that are inaccurate, nonexistent or difficult to interpret.

During the early preconstruction process, a construction manager identifies needs for early procurement of equipment and materials with long lead times, not only to ensure that the schedule is met but to reduce costs as well.

Presented early in this section were data that summarized the number of construction managers employed by SGI, Amanco, RGM and Van Pelt. Cost data for the bond program manager were also presented, which included program/project management, design management, construction management relevant information and other costs. Overall, the bond program manager costs, as a percentage of the total construction budgets, were as follows:

Phase	PM/CM Cost	% of Construction Budget	Construction Budget
M-1A	\$5,329,315	5.9%	\$90,298,103
M-1B	6,477,841	6.39%	102,089,201
D-1A	16,373,234	9.8%	167,503,230
Total	\$28,180,390	8.1%	\$359,890,534

BOND FINANCE OFFICE

Total School Solutions also performed an analysis of the duties associated with personnel paid from the bond funds. Currently, the bond program funds three fiscal services positions from 50 percent to 100 percent.

The Director of Fiscal Services–Capital Projects (funded at 50 percent from bond funds) performs the following duties for the bond fund:

- Budget
- Interim Reports
- Cash Flow
- Reviews and approves all requisitions, purchase orders and invoices (related to the Bond Program)
- Bond Management
- Re-Districting Committee
- Reconciliation of SGI's PPAX system with the District's Bi-Tech system

This position's functions related to the General Fund include the following:

- Supervision of the Health & Benefits Department
- Supervision of the Payroll Department
- Mandated Costs (review only – reporting handled by an outside consultant)
- Charter Schools (oversees financial operations)
- Reviews and approves all requisitions, purchase orders and invoices (related to Capital Facilities Funds, Deferred Maintenance, and Regular Routine Maintenance)
- Negotiations (added this year)

The Senior Director of Bond Finance (funded at 75 percent from bond funds) provides the following services for the bond program:

- Supervision of the Director Fiscal Services–Capital Projects
- Supervision of the Accountant
- Attendance at all bond committee meetings
- Attendance at all facilities subcommittee meetings
- Attendance at all board meetings—issues related to bond and facilities
- Unaudited Actual reporting—bond portion
- GASB 34 Reporting
- Overall accounting and financial reporting for bond and facilities fund reporting
- Year end Audit – related to Bond

The position's General Fund functions include the following:

- Enrollment projections
- FTE Allocations related to the general fund
- Year end Audit—some overlap with the general fund

The District also recently hired a Principal Accountant – Bond Fund (funded at 100 percent from bond funds). This position's current duties include closing out old contracts related to projects associated with the bond program, as well as preparing expense reports and other state reports related to construction. The employee has spent considerable time trying to reconcile the District's financial records (Bi-Tech) with reports generated by SGI through the PPAX financial system.

There was a consensus among fiscal services involved in the bond program that SGI has had some difficulty working with the District's fiscal services staff in terms of accounting, accounting procedures and communication. Staff also noted that SGI seems to be duplicating some work already provided by the District.

However, it must be noted that TSS did not independently verify any of these statements. This information was relayed to TSS in a final set of short interviews with fiscal services staff in November, during the last stage of the performance audit. These statements will be validated or rejected through testing during the development of the midyear report.

Finding

- The board's most recent selection of architects varied significantly from the recommendations of the interview committee.

Recommendation

- It is recommended that the board articulate its criteria and objectives for selection of professional services (which do not mandate the selection of the lowest bidder) to staff before interviews so that staff and the interview committee can better assist the board in finding appropriate service providers for the District.

District Response

- Staff concurs that it is important to understand Board priorities for professional services selection and will work with the Board prior to any major anticipated selection processes in the future to develop an appropriate matrix of selection criteria.

Findings

- According to the individual managers, whose compensation packages are partly charged to the bond program, the allocation of their time to the bond program occurs at an assumption of a 37.5 hour work week. For example, the Director of Fiscal Services-Capital Projects, whose compensation package is charged 50 percent to the bond program, works for 18.75 hours per week hour per week on average for the bond program. However, it has been reported that the management employees work on an average of 50 hours each week. Based on a 50 hours work week, it appears that the bond program is currently receiving services for only 37.5 percent of the productive time.

Recommendations

- It is recommended that the District consider reorganizing functions, as necessary, to help maximize funds for District projects.
- Although an assumption of 1,800 reportable hours per year (37.5 per week) is widely used for the time accounting purposes, the District board should consider if this method of allocation is consistent with the requirements of Proposition 39 which does allow for the use of Proposition 39 bond funds for the administrative services provided to the bond program but deems the use of these funds to fund other services inappropriate.

District Response

- The District currently has the equivalent of 1.25 FTE managing the Capital Projects Funds of the district. Given the volume of meetings related to the facilities planning of the district and its fiscal impact, (semimonthly Board of Education, monthly Bond Oversight Committee, monthly Facilities Subcommittee, Bond Audit Subcommittee, Parent Advisory Committee on Redistricting, weekly Operations Managers meetings, weekly Bond Fiscal Meetings, and weekly Bond Construction meetings to name the most frequent) it would be nearly impossible for one person alone to be able to efficiently produce any work at all without support. We find it more efficient to have the meetings split between the Director and the Senior Director so that other responsibilities can efficiently be covered. We continue to look at District functions with the desire to maximize funds for the projects. At this time we have found a split of duties that allows the commitments to the Bond program to be kept and the other responsibilities of the Fiscal Services division to be addressed as well.

Findings

- There is no reconciliation between the District's Bi-Tech financial system and SGI's PPAX system.
- District staff does not have access to SGI's PPAX system to facilitate accounts reconciliation.

Recommendations

- It is recommended that SGI personnel be trained on the Bi-Tech financial system and allow District personnel access to its PPAX systems. This open communication and sharing of systems would likely reduce errors reported by fiscal services.
- It is recommended that the District develop a process for training its staff on the use of the PPAX system and all SGI functions to ensure an orderly transfer of duties and responsibilities at the completion of the SGI contract (phases M-1A, M-1B and D-1A).
- In conjunction with the bifurcation of the current master architect agreement, it is recommended that the District consider evaluating and reorganizing the District and consultant staffing for the financial controls of the entire bond program. For example, even without an inquiry into fiscal services' claims about the difficulty in the program manager's handling of payments, it does appear, from a management organizational standpoint, that the District and SGI may be duplicating some of the same functions for payment processing. Likewise, the District may benefit from reorganizing the duties of the two bond finance managers in such a way that the total FTE charged to the bond may be reduced. Such an action would retain some additional funding for school construction projects or would allow the District to deploy the funds saved from the FTE in another critical area.

District Response

- The SGI staff has been trained since the beginning of the program on Bi-tech on several different occasions. The current staff has also been trained in the use of the Bi-tech system and has been working on a reconciliation of the systems. They recently were able to complete a macro level reconciliation in which the PPACS system, which operates predominantly off of purchase orders, has been reconciled to the district's full expenditure accounting system. At this time, a more detailed reconciliation at the site, function and object levels is underway. We agree that District staff will need to get further training on the use of the PPACS system as the program moves forward with the eventual transition out of the bond team at the conclusion of construction.
- The District is continuing to review the organizational structure and overall fiscal controls processes for the Bond program. Bond Team and District staff are currently engaged in a process improvement program, using a foundation supplied consultant, to guide the District and the Bond Team toward a more rational structure and process.

MASTER ARCHITECT/ENGINEER PLAN

Background

In a significant California school construction program, various participants typically fulfill a number of roles. Key functions or roles generally include the following:

- Owner
- Architect
- Contractor
- Construction Manager

School districts usually contract with individuals, firms or agents for services associated with the general functions listed above. This separation of responsibilities allows for a set of checks and balances based on the relationships of the separate entities performing different functions.

The master architect contract combines all of the elements above except for the contractor. Program management design services and construction management services are, to various degrees, provided under this one contract. This mechanism potentially delivers the advantage of continuity. However, this arrangement or concept also has an inherent flaw in that it runs contrary to the concept of checks and balances typically present in a more traditional construction program. Although this management arrangement is creative and potentially productive, this contractual arrangement also has the potential for difficulty.

The first annual performance report found that the master architect arrangement could create the impression that the bond management team functions in a District staff role. This potential for confusion of roles placed the master architect in a number of difficult positions, including (1) providing services beyond the scope of the contract without payment, (2) declining to provide services, or (3) providing additional services for additional fees. It was recommended that District staff and the leadership of the bond management team meet regularly to review work in progress, planned work and the scope of provided services. The District responded to this finding by strengthening in-house staff to assume more responsibility and provide leadership in defining, or even limiting, consultants' roles. The most significant and effective effort in this regard was to create and fill the position of District Engineering Officer.

The first report also found that the two architectural firms under one contract have created, or have the potential of creating, uncertainty in the division of roles, duties and responsibilities. Additionally, the first report contained a finding indicating that a conflict of interest is created when one firm reviews the work of its partner.

During the current reporting period, the District and bond management team have undertaken a thorough review of the current master architect contract and initiated a process to restructure the contract into two separate contracts. This work was in progress at the end of the current reporting period ending June 30, 2004, and the audit team is aware that the District has made further efforts to restructure the contract beyond the 2003-04 fiscal year. Final results, however, are unavailable for analysis at this time.

In reviewing the draft contracts, Total School Solutions (TSS) notes that the District should be cautious in order to avoid a duplication of efforts by construction team participants. Furthermore, it is this auditing team's opinion that the financial tracking and reporting functions, currently provided under the Master Architect agreement, could be better provided by District staff as a staff function.

Commendation

- The District is commended for its initial efforts to ensure proper checks and balances, as well as District control, of its existing facilities program by completing an examination and restructuring the current master architect contract.

Findings

There are no new findings in this section.

Additional Recommendation

- It is recommended that District staff and the leadership of the bond management team continue their efforts to bifurcate the current contract until results satisfactory to the District are reached. The District should finalize the contract restructuring before the end of the 2004-05 fiscal year, as the existing contract is costing the District more than it should given the evolution of the facilities program over the past two years.

District Response

- The District has completed contract negotiations and the Board has approved individual contracts for the Master Architect and the Program/Construction Manager.

STANDARD CONSTRUCTION DOCUMENTS

Process Utilized

The bond management team provided to Total School Solutions (TSS) copies of the “Master Architect Approach to Standards,” “Program Quality Control” and a sample of the construction documents utilized. TSS examined these documents to establish the extent and effectiveness of the documents used in projects. TSS also interviewed members of the bond management team. The development process for standard construction documents was a topic in these interviews.

Background

The “Master Architect Approach to Standards” provides a comprehensive summary of the development of the documents. This summary serves as the guiding document for the development of construction documents.

The documents were examined for compliance and consistency with the “Master Architect Approach to Standards” and the “Program Quality Control” document. TSS included the following in its review:

- Division 0 – Introductory Information, Bid Documents, Contract Forms, Contractor Certifications and General Requirements.
- Division 1 – Hazardous Materials Abatement.
- Division 2 – Site Work.
- Division 3 – Concrete.
- Division 4 – Masonry.
- Division 5 – Metal Work.
- Division 6 – Wood and Plastic.
- Division 7 – Thermal and Moisture Protection.
- Division 8 – Doors and Windows.
- Division 9 – Finishes.
- Division 10 – Specialties.
- Division 11 – Equipment.
- Division 12 – Furnishings.
- Division 13 – Special Construction.
- Division 14 – Conveying Systems.
- Division 15 – Mechanical.
- Division 16 – Electrical.
- Division 17 – Technology.
- Drawings

The review process takes into account the fact that each campus is unique and, consequently, has different requirements. The review of standard construction documents is intended to determine whether the process utilized in the District’s development will produce the desired consistency in product quality, educational features and overall aesthetics (even though these aspects differ from campus to campus).

Commendations

- Overall, the bond management team has performed well in developing a standard set of documents that provides consistency in the expected results. While each school site and each project are unique, this consistency is present in the contractual documents, which should provide continuity and consistency in results as the District administers the contracts. This commendation is considered important given the magnitude of the overall program and is evidence of a valid document development process.
- The bond management team is commended for its development of quality drawings for projects. The drawings consistently display thorough data relative to the site. Further, they appear to be well coordinated and easily interpreted by contractors, inspectors, construction managers and other technical individuals involved in the review, approval, bidding, and construction process. The document set is evidence of an effective document development process. (Note: The document set and its development process, however, do not necessarily ensure strong performance in the execution of its contents. For example, the document's information on hazardous materials abatement is sufficient even though the performance of the studies have been insufficient, as stated elsewhere in the report.)
- In the last annual report, there was a finding relative to the utilization of excessive addenda for projects bid up to the end of that period. There has been significant improvement in this area during the current reporting period, which ended June 30, 2004. The District is commended for this improvement.

Finding

There are no findings in this section.

DESIGN AND CONSTRUCTION SCHEDULES

Process Utilized

Total School Solutions (TSS) reviewed and analyzed documents, schedules and systems. The master schedule was compared to the actual schedule for the nine (9) Phase 1A projects scheduled for bidding by the end of the audit period. Projects scheduled for master planning, programming, District review and other similar activities by June 30, 2004, were also reviewed.

Background

The bond management team has developed documentation systems that include schedules for the Measure M and Measure D facility programs. For the purpose of program management, the Measure M and Measure D master schedule is the most useful of these various schedules. The master schedule includes the facility programs for Measure M and Measure D, beginning with the master planning for Measure M in October 2001 and ending with the completion of the final Measure D projects in August 2010.

The bidding for these initial projects was delayed beyond the period of the first annual audit. Consequently, insufficient data existed at that time to make an overall determination of schedule compliance. In the first annual report, TSS recommended that the bond management team publish updated schedules reflecting adjustments necessary in the process. This recommendation, for the most part, has been acted on.

Commendations

- The bond management team is commended for developing clear, easily understandable and regularly updated schedule information.
- The District is commended for updating and maintaining accurate design and construction schedules. The project status reports and the engineering officer's reports represent a significant improvement in the availability of schedule data as compared to the accessibility and availability of data during the last audit period.
- The bond management team is commended for including the sections titled "Contract Status" and "Schedule Update/Assessment" in the project status reports. These sections indicate progress and updated forecast completion dates for each project.

Findings

- There are no findings in this section.

DESIGN AND CONSTRUCTION COST BUDGETS

Process Utilized

Construction of the Phase 1A and Phase 1B projects were underway during the time period covered in this examination. The bond management team provided Total School Solutions (TSS) with project budgets for review. Final closeout budgets were unavailable at the end of the reporting period. They will be reviewed in a future report once they are available.

TSS conducted interviews with individual board members, members of the bond oversight committee, District staff and members of the bond management team. These interviews included a variety of topics, including project costs and budgets.

Background

California public school districts are allowed to develop building standards based on individual educational, aesthetic, and fiscal needs. The California Department of Education (CDE) reviews and approves projects based on a set of criteria that includes toxics review, minimum classroom size, compliance with the California Environmental Quality Act (CEQA) and a number of other standards. The Division of the State Architect (DSA) reviews and approves projects based on their compliance with requirements related to structural (seismic) integrity, fire and life safety, and the Americans with Disabilities Act (ADA). The Office of Public School Construction (OPSC) approves projects based on established district eligibility, CDE approval and DSA approval. These required approvals are all based on “minimum standards” criteria established by these agencies. There are no existing state standards or requirements in many areas such as technology, architectural style, aesthetics, specialty educational space (e.g., art, science, shop areas, etc.) and other similar features. Local district communities determine these standards or requirements based on local educational programmatic needs, available funds and individual site conditions.

Most California school districts adhere strictly to the state’s School Facilities Program (SFP) budgetary standards. In those districts, projects are designed based on total revenues produced through the SFP calculation, which is the sum of the SFP per pupil grant and the required local district match. Other districts simply use this formula for the purpose of determining available SFP revenues from the state. Under this second scenario, project budgets usually exceed the state formula. The amount in excess of the state formula is referred to as additional local match and is permitted by SFP regulations. As far as state funding is concerned under the SFP, the only funding requirement for eligible projects is that the district provides its minimum match with local available funds.

Through actions of the Board of Education, the West Contra Costa Unified School District has set standards known as “Option 1C” to guide its projects. These District standards result in individual project budgets significantly higher than a budget based solely on the SFP formula. Furthermore, the total for these individual project budgets exceeds the total facilities program revenues currently available to the District. It appears that the Board of Education anticipates additional revenues to balance program budgets. It is expected that these funds may become available through local sources, including the authorization and issuance of additional local general obligation bonds.

This planning premise is not unusual. It is the board’s prerogative to make these decisions. Such assumptions, however, do involve the inherent risk that anticipated additional revenues may not be realized in a timely manner. In fact, it may not be possible to construct all projects in the master plan. As long as decision-makers are aware of this possibility and take the funding situation into account while making facilities decisions, this rationale may be appropriate. In typical settings, school facilities’ planning is only capable of projecting into the near future. An attempt to predict beyond a reasonable time frame would produce expectations that may not materialize. All school facilities master plans have this inherent uncertainty to some extent.

Commendations

- The bond management team is commended for its development of Program Summary, Program Budget and Project Budget documentation for Phase 1A and Phase 1B programs. This documentation provides an easily understood snapshot of the budget status of each project and the program totals. These reports also display totals for approved change orders and potential change orders, thereby providing a reasonable indication of true project status and costs. The presentation of this information as a part of the regular, recurrent Engineering Officer’s Report allows easy program and project tracking by all interested parties.
- The District is commended for its conscientious efforts to reduce additive and deductive alternates. In the first annual performance audit, TSS found that the inclusion of additive and deductive alternates could have a significant impact on facility project budgets. The District agreed with this finding and stated its intent to minimize the use of alternates in future bidding. The District has successfully implemented TSS’s recommendation.

Findings

There are no findings in this section.

COMPLIANCE WITH STATE LAW AND GUIDELINES

Process Utilized

Total School Solutions (TSS) examined standard bid documents, District policies, and supporting documentation for the content necessary to comply with the legal requirements for schools facilities programs.

Background

There are numerous legal and regulatory requirements associated with the delivery of California public school construction projects. A variety of codes and regulations have content that govern these processes.

This review assesses the overall level of compliance with standards in the industry resulting from such legal and regulatory requirements. This compliance assessment has been developed by practitioners in the field of California school construction, not by attorneys. As such, it is not to be viewed as a legal opinion but, rather, a review of compliance with accepted industry standards. This section does not include a review of compliance with the California Building Code or other similar guiding instruments for design.

In terms of compliance, there has been little change during the last reporting period ending June 30, 2004.

The three lists below depict different levels of compliance in the bid documents for a school construction facilities project.

The required items present in bid documents include those listed below.

- The required Division of the State Architect (DSA) approval of individual projects has been obtained.
- Section 00100. Notice to Bidders. The Notice to Bidders includes the required notification to prospective bidders relative to project identity; date, time, and place of bid opening; contractor's license requirements (type and a requirement that it be current); bid bond or certified bid security check requirements; payment bond requirements; performance bond requirements; substitution of securities information; prevailing wage requirements defined; statement establishing blind bid process; and a reservation of rights by the District to reject all bids.
- Section 00150. Bid Bond. A bid bond in the amount of 10 percent of the contract price, on a form prepared by the District, is present in the package and demanded of the contractor, as required.
- Section 00330. Non-collusion Affidavit. A non-collusion affidavit form is provided and demanded of the contractor, as required.
- Section 00550. Escrow Agreement. An Escrow Agreement for Security Deposits in Lieu of Retention is included as an option, as required.

- Section 00610. Performance Bond. A performance bond in the amount of 100 percent of the contract price, on a form prepared by the District, is present in the package and demanded of the contractor, as required.
- Section 00620. Payment Bond. A payment bond for 100 percent of the contract price, on a form prepared by the District, is present in the package and demanded of the contractor, as required.
- Section 00905. Workers' Compensation. The contractor is obligated to certify compliance with state workers' compensation requirements.
- Section 00910. Prevailing Wage and Related Labor Requirements Certification. The contractor is obligated to certify compliance with prevailing wage and related labor requirements.
- Section 00915. Drug-Free Workplace Certification. The contractor is obligated to provide drug-free workplace certification, as required.
- Section 00925. Hazardous Materials Certification. The contractor is obligated to provide certification that no hazardous materials are to be furnished, installed, or incorporated in any way into the project, as required.
- Section 00930. Lead-Based Materials Certification. The contractor is obligated to certify compliance with lead-based materials, as required.
- Section 00935. Imported Materials Certification. The contractor is obligated to certify that imported material, including soil, aggregates, and related materials, are free from hazardous materials, as required.
- Section 00940. Criminal Background Investigation/Fingerprinting Certification. The contractor is obligated to select a method of compliance and to certify compliance with criminal background investigation/fingerprinting requirements.
- Section 01800. Hazardous Materials Abatement. The specifications appear thorough in disclosure of all hazardous materials known to exist in the project. A list of the applicable laws, codes and regulations is provided, including specific abatement procedures.

State law does not require the two items listed below; however, they are required as a condition of state funding.

- Section 00805. Labor Compliance Program. A labor compliance program is defined and forms are provided, as required by the state's School Facilities Program.
- Section 00912. Disabled Veterans Business Enterprise Participation Certification (DVBE). The contractor is obligated to certify compliance with DVBE requirements as set forth in the state's School Facilities Program.

The items below are not required for funding, but it is good practice to include these components in the bid documents.

- Section 00510. Notice of Award.
- Section 00520. Notice to Proceed.
- Section 00530. Agreement.
- Section 00540. Escrow Bid Documentation.

Commendation

- The bond management team is commended for its development of a solid, comprehensive “front end” document that appears to fulfill all legal requirements and protect the District, to the extent possible, from difficulties that could arise from incomplete or inadequate documents.

Findings

There are no findings in this section of the report.

DISTRICT POLICIES AND GUIDELINES FOR FACILITIES PROGRAM

In the Annual Performance Audit for the 2002-03 fiscal year, Total School Solutions (TSS) found the current policies and regulations do not reflect recent changes in law. Total School Solutions (TSS) recommended that the District utilize model policy and procedure documents developed by the California School Board Association (CSBA), the Association of California School Administrators (ACSA), the California Association of School Business Officials (CASBO) or policies and procedures developed by other school districts in order to update and develop new board policies and administrative regulations related to the facilities program for the West Contra Costa Unified School District.

The District noted that it concurred with the finding. District staff was assigned to work on policies and guidelines that impact or define work on the bond facilities program. Outside legal counsel was also assisting the District in updating board policies and administrative regulations.

Annual 2003-04 Report Update

District staff is continuing to work on updating board policies and administrative procedures, but no updates were adopted by the board as of June 30, 2004. Given the time involved in revising policies, the performance audit team will reassess the District's progress at the time of the next annual audit for the period ending June 30, 2005.

Recommendation

- It is recommended that the District continue to work on revising and updating its policies during the 2004-05 school year.

District Response

- Staff concurs with the recommendation and is developing a matrix of priority changes for facilities policies and administrative procedures. An example of progress in this area is work with the Citizens Bond Oversight Committee to continue to upgrade Board Policies and Administrative Regulations in relation to that Committee's roles, responsibilities, and functions.

BIDDING AND PROCUREMENT PROCEDURES

Process Utilized

In the process of this examination, Total School Solutions (TSS) reviewed and analyzed numerous purchasing documents and payment documentation pertaining to new construction and modernization projects. Interviews with various staff members were also held.

Background

Legal counsel continued to make changes to the bid boilerplate during the 2003-04 school year. The changes incorporated new language to clarify contract requirements. For the bids issued in January 2004, the changes were completed before the issuance of bids, resulting in less confusion and misinterpretation than in the previous year.

As discussed in previous reports, the bond management team is primarily responsible for conducting the bid process. The bond management team prepares the advertisements and develops the bid schedules. Bids are advertised with the appropriate language and are generally processed in a timely manner. The purchasing department verifies bids for compliance and completion. SGI verifies licenses, bonds, insurance and fingerprinting.

Bids are no longer conducted in a two-step blind bid process. The process of blind bids was considered too cumbersome, confusing and time-consuming. To eliminate the blind bid process, the District used fewer alternates while adhering to the board-approved Option 1C standards. As allowed by law, the District has chosen to utilize the low base bid method as the basis for award.

The purchasing department played a minor role in the bid coordination and opening. The bids are opened at the Facilities Operation Center (FOC), and complete records are also maintained at that site. The bond management team has the responsibility for coordination and inspection.

Commendations

- District staff is commended for providing clearer bid language and incorporating the entire scope of work in the base bid, substantially eliminating the need for alternates and the blind bid process. By adhering to the board-approved Option 1C standards, the District ensured equity among all schools and provided better control over their respective budgets.
- The District is commended for its most recent bids, which bear stamped approvals from the Division of State Architect (DSA). Having DSA-stamped plans before bidding decreases the likelihood of cost overruns. This commendation represents a dramatic improvement from the Phase 1A bids, where DSA was still reviewing plans in the midst of the bidding process. With timely DSA approval, the architect can readjust the scope of work to meet DSA requirements and changes while adjusting the budget to protect the contingency for true unknowns.

- The District and bond management team are commended for having drawings completed on time, with sufficient time for constructability reviews.
- The District is commended for including unit price bids for abatement of hazardous materials. Such action shows forethought and saves the District from delays in negotiating prices for hazardous materials mitigation that occurs as a result of construction or unforeseen conditions.
- The District is commended for the decrease in addenda, as compared to Phase 1A bids. This decrease has also helped reduce confusion about bidding requirements and has mitigated contractors' need to pad bid prices.
- The District is commended for its plan to save on temporary housing by moving the entire student population from one school to another school. The District will have the new school (for temporary housing) constructed first and then relocate students to the new school, leaving the other school completely available for modernization. Funds otherwise set aside for a temporary expenditure are now available to the District for increased project scope or increased savings for contingencies. In addition, the campus to be modernized requires less coordination and cuts construction costs substantially because students will not be present.

Finding

- The last addendum for the Washington Elementary School bid was issued five days prior to the bid opening. This addendum involved several mechanical drawings for ductwork, which, if interpreted incorrectly, could be costly. Knowing this risk, contractors tend to inflate prices due to inadequate review time.

Recommendation

- Although the law allows addenda to be sent 72 hours prior to bid opening, it is recommended that the District consider providing additional time to bidders when addenda involve more extensive technical analyses and changes. The District can avoid unnecessarily high bid prices by allowing sufficient time based on the addendum's complexity. For example, 72 hours may indeed be sufficient for information on glazing in Washington Elementary School's Addendum No. 2, but that same amount of time would be inadequate for the analysis of mechanical drawings in the same addendum.

District Response

- The District concurs with the recommendation and is committed to providing bidders the most complete documents possible, with adequate time to review and prepare bids.

Finding

- The Tara Hills Elementary School bid required an addendum. Instead of printing only the changes, clarifications or additional information, the entire bid document was reprinted and sent to all bidders. The bid document was over 300 pages, and the incremental cost was unnecessary.

Recommendations

- It is recommended that addenda contain only pertinent information excluded from the original bid documents.
- It is also recommended that the District record the bidders' receipts of addenda.

District Response

- The bid documents required substantial changes, for example references to Measure M Phase 1A as opposed to the correct Measure M Phase 1B designations. Because of the number of underlying changes to the bid documentation as a result of the addendum, the staff felt it would be less confusing to the bidders to supply a completely corrected set of bid documents rather than page by page instructions for changes. The District utilizes Plan Well to monitor and record the receipt of the addenda by the bidders.

Finding

- Even though the bond management team has developed a filing system, methodology and guide, the filing system does not appear to have been implemented. In researching files, TSS repeatedly found that documents had not been filed in the system.

Recommendation

- It is recommended that bid documents, contracts and all other pertinent project information be filed and organized in an accessible and centralized storage area. Indices and other identifying tools should be utilized to assist in document retrieval. Organized archives will help the District prepare for required audit reports for the Office of Public School Construction (OPSC). Improper filings with OPSC could result in unwarranted financial sanctions.

District Response

- The District concurs that the project filing system needs to be fully implemented. The Measure M and D project documents for Phases 1-A and 1-B have been completed. Compilation of the files with regard to the Measure M Quick Start projects is in process at this time.

Finding

- At Madera Elementary School, the hazardous materials abatement contractor was slow to respond and caused the project to fall behind schedule. However, there is no evidence that adequate measures were taken to hold the contractor accountable.

Recommendation

- It is recommended that staff enforce the terms and conditions in the bid document. The language protects the District and, if monitored, reduces claims and time delays.

District Response

- Even though the unforeseen hazardous materials did cause some delay on the projects, the official extension of time was granted to the Contractors for Madera ES on the basis of work performed and how the additional work impacted their critical path schedule. Each Contractor must demonstrate that the unforeseen conditions impacted their critical path schedule regardless if they take longer to perform the work. The Contractors' slow response in effect hurt themselves. The other thing to keep in mind is that there was a process we had to go through to even get to a point where the Contractor could perform work.
 - Discovery (determine the extent of additional abatement required)
 - Scope delineation by the Environmental Consultants
 - Proposal for the work by the Abatement Contractor
 - Negotiations
 - Change Directive
 - Owner approval
 - Contractor commences work

CHANGE ORDER PROCEDURES

Process Utilized

In the process of this examination, Total School Solutions (TSS) reviewed and analyzed documents pertaining to new construction and modernization projects. Interviews were also held with various staff members, construction managers, project managers and project inspectors.

Background

Due to the urgent nature of school construction work, it is not uncommon for contract issues to arise after the award of the contract. These changes in work, or change orders, arise from either modifications the District makes or alterations the contractor requests as a result of defective or unclear plans or specifications. Contractors may also submit change orders due to changed or unforeseen conditions.

At times, these issues are resolved verbally at the weekly construction meetings where the architect, construction manager, inspector and contractor's superintendent are present. These decisions are then formalized in the meeting minutes and followed up with a change directive to authorize the work and eventual payment.

Generally, the industry-wide percentage for change orders for modernization ranges from 7 to 8 percent of the original contract amount. (The change order standard for new construction is 3 to 4 percent.) Change orders for modernization typically cannot be avoided because the age of the buildings, inaccuracy of as-built records or other unknown conditions contribute to the need for authorizing change orders for additional work.

The change order should set forth the work, the time and the expected compensation. Change orders should also specify any time extensions and explicitly waive any claims for further delay caused by the work for which the change order is issued.

The first annual performance audit for the 2002-03 fiscal year describes in detail the change order and claims procedures, including the board policy on change orders, general information on change orders in school facilities projects, the processes for approving change orders or rejecting unauthorized work, price negotiation, measures to protect the District against the ill effects of claims and schedules of value to help mitigate or resolve claims against the District.

During the midyear report update, TSS observed that the procedures for handling change orders appear to be working effectively. The first midyear report of December 2003 points out several strengths of the change order processes, including the following: the bond management team's design and implementation of standard procedures for managing and tracking change orders through PS2, the software used for change orders; the language in the contract's general conditions, which minimizes work stoppages and limits liability; and the project managers' improvement in providing written directions to contractors regarding change orders. It appears that these strengths have continued through the second half of the 2003-04 fiscal year.

Commendations

- The District and bond management team are commended for maintaining the first-year improvements in standard procedures and written directions.
- With the exception of Lincoln Elementary Schools' seismic renovations, the District and bond management team are commended for having a low percentage of change order costs compared to project budgets and actual costs.

Finding

- Board policy allows payment for up to 10 percent of the contract amount without seeking board approval. TSS observed that, in March 2004, one invoice for the modernization and new construction of Lincoln Elementary School already exceeded the 10 percent of extra work authorized in the original purchase order. Change orders can consume all contingency funding if the board does not set policy to control them.

Recommendations

- It is recommended that the 10 percent contingency allowance be restricted for emergency and unforeseen needs. The District should continue to control change orders by each project site so that the maximum savings may be realized.
- It is further recommended that the board revise its policy to allow only an aggregate of 10 percent of change orders to avoid costly overruns in projects.

District Response

- The budgeted 10% construction contingency allowance for projects is primarily set aside for unforeseen conditions and emergency issues which may arise during construction.
- The complexity of the construction projects and the issues faced during a typical project often require the District to adjust the scope of work using project Contingency funding. An example is the addition of new site paving at a project where this was not originally included in the work, but upon closer review the condition of the existing, remaining paving was determined to be unacceptable for student and staff safety.
- The Board policy on Change Orders is in accordance with legal interpretations of Public Contract Code requirements which allow an aggregate of 10% Change Orders on each project. However, the District is faced with a number of projects which will exceed this amount due primarily to unforeseen conditions encountered in older buildings. In these cases, where the work must be performed timely in order to complete the project, staff prepares Findings for Board approval as follows: "In accordance with Public Contract Code 20118.4, the Board, by approving and ratifying these Change Orders, finds that it would have been futile to publicly bid the work in question because of the tight time frames to complete this work without affecting the operations of the District, and that the public is best served by having this work completed by the contractor on the project."

PROCEDURES FOR CLAIMS AVOIDANCE

Process Utilized

In the process of this examination, Total School Solutions (TSS) conducted interviews with the bond management team and analyzed documents related to facilities construction.

Background

Construction claims can often be avoided with careful planning. Claims can be in the form of additional costs; an extension of contract times; and, in the event of a legal dispute, financial costs associated with defending or settling a civil lawsuit. During the bid process, contractors interpret the construction documents and cost out projects based on their interpretations of construction documents. At times, contractors may make mistakes in bidding, sometimes due to errors on the part of the District. These errors can result in claims against the District, which can lead to lawsuits.

The District can employ a number of preventive measures to avoid claims including, but not limited to, the following:

- Thoroughness of bid documents
- Protective language in the general conditions
- Requiring high-rated insurance and bonds
- Effectiveness of the prequalification process
- Clarity and quality of construction documents
- Verification of site conditions and District standards
- Reasonableness of specifications
- Communication among all involved parties
- Documents control
- Schedule analysis
- Consistency of inspectors' documentation
- Reasonable decision-making hierarchy
- Human resource management, including the coordination of subcontractors
- Sufficient supervision and monitoring
- Architects' responsiveness to Requests for Information (RFIs)
- Accurate, efficient and timely problem-solving
- Fair dispute resolution process
- Prompt payments

The project manager is responsible for implementing a program designed to mitigate or avoid claims once the project is underway. Claims and litigation cannot be totally avoided in every project, as unanticipated events may occur. However, certain problems may be prevented or mitigated.

During the design or preparation phase of contract documents, it is important to ensure the sufficiency of the drawings and written specifications and to have strong language and content in the contract provisions (e.g., avoid unrealistically optimistic performance requirements). During the process of contractor prequalification, the District should examine claims leveled against previous clients by contractors in question.

During the construction phase, the District can use the following strategies to limit the impact and financial exposure of delay claims:

- Granting prompt time extensions for (excusable) delays and avoiding construction acceleration
- Providing timely responses to critical requests for information (RFIs)
- Establishing a document control system (e.g., PS2) that includes proper claim documentation and resolution procedures
- Avoiding postponement of dispute resolution
- Establishing detailed scheduling requirements
- Ensuring approval of the contractor's baseline schedule
- Maintaining the District's schedule as a mirror image of contractor's schedule
- Obtaining all lien releases with each monthly contractor request for payments
- Not interfering with the contractor's work

The mitigation process should begin with the early recognition and identification of potential claim problems. In the event of a claim, the District's Engineering Officer should be notified in writing, with a copy to the District's legal counsel. Counsel will advise the District and the bond management team on the correct legal position to maintain the project on schedule.

Commendations

- The processes originally developed by the District and the bond management team continues to be effective and have improved substantially during the past year as bond management team members become more familiar with the building program goals. The District and the bond management team are commended for this improvement.
- The District is commended for requiring attendance at the pre-bid meetings and job walks. The law does not require mandatory pre-bid meetings and job walks; however, requiring attendance at both activities helps clarify bidding requirements and the scope of work for prospective contractors. Attendance at these two activities should help bidders respond with lower bid prices than what they would be able to provide the District without the pre-bid meetings or job walks. The increased clarity also helps reduce the District's exposure to claims.

Finding

- The District has a practice of generally conducting two (2) pre-bid meetings which can give rise to disputes and claims of unfair advantage.

Recommendation

- Unless the instructions for the pre-bid meetings are taped or read, the District should limit the pre-bid meetings to one. It is possible that some information may be omitted in one meeting but mentioned in another. Bidders may perceive an unfair advantage from attending one meeting but not the other, regardless of whether that perception is valid. There have been instances in other school districts where bidders have protested bids because they felt “disadvantaged” by the way the District handled its pre-bid meetings. The District should take all possible measures to minimize bid protests because they can cause delays and can increase project costs and/or claims.

District Response

- The District has held two pre-bid meetings as an accommodation to our bidders. We realize that many Bay Area school districts are currently renovating schools and our bidders’ time is precious. By being flexible, we maximize the potential number of bidders who will be available to investigate the needs of the District.

Finding

- It appears as though a thorough evaluation and assessment of the condition of existing school buildings were inadequate. The hazardous materials studies should reveal many of the problems the District found at school sites. There were discoveries of problems after the District awarded contracts and released Notices to Proceed.

Recommendation

- The District and bond management team should be sure that a thorough evaluation of existing conditions of school buildings, including hazardous materials, is conducted before awarding contracts to construction companies and commencing with construction.

District Response

- Staff concurs that there were issues, especially on the first phase of work. Since the start of construction for Measure M Phase 1A projects, three things have occurred to resolve the issues:
 - (1) The one environmental consultant that was responsible for almost 95% of the poor field verifications was removed from the program. This firm was responsible for four (4) of the projects where the major unforeseen issues were discovered. We agree that their assessment of existing conditions was poorly implemented. The Measure Phase 1B projects have not experienced the same unforeseen discoveries.

- (2) In order to assure that the environmental consultants are properly coordinating with the Architects, the Bond Management Team has instituted a series of Architectural/Environmental coordination meetings that commence during design development and continue through the completion of Construction Documents (primarily because the drawings and designs continue to change throughout the process until the time of bid. This process has greatly reduced the amount of coordination problems that could have occurred during the Phase 1B projects.
 - (3) The environmental documents have been designed to force the Contractor and his Sub-contractor to coordinate the construction work required with the required abatement. The environmental documents identify all of the materials discovered during the field verification process. The environmental consultants understand that it is their responsibility to thoroughly field verify the existing conditions. This does not guarantee that unforeseen conditions will not occur, but we found that this methodology greatly reduced the number of surprises that were discovered during construction for the Phase 1B projects.
- Finally staff has increased the amount of monitoring and coordination to improve the thoroughness of the field verifications and coordination with the Architects. Evidence to date indicates that the Phase 1A projects had \$796,830 (19 PCO's) in potential change orders attributed to unforeseen environmental conditions. The Phase 1B projects have experienced approximately \$106,000 (5 PCO's) in potential change orders as a result of unforeseen environmental conditions to date and 90% of all demolition is complete. This is a good indicator that the change in environmental consultants, and the addition of new proactive procedures have made a dramatic impact in reducing the amount of unforeseen conditions that have occurred.

Finding

- Not all contractors are using the PS2 system.

Recommendation

- The District and bond management team should require all new team members to use PS2.

District Response

- The District currently requires all architectural and design consultant teams and contractors to use PS2. Training and setup are provided for all users by the Bond Team.

PAYMENT PROCEDURES

Process Utilized

In the course of this examination, Total School Solutions (TSS) interviewed District staff, reviewed documentation and observed processes. To clarify issues or questions, subsequent interviews were also held. TSS closely reviewed the variances and deviations in accounts payable.

TSS also conducted a computer analysis of payment trends based on SGI's payment processing history. This analysis includes 1,118 payment data entry records that TSS deemed to be free of processing or procedural difficulties, such as holds placed on payments by accounts payable or the District's decision to have a vendor furnish a new invoice. TSS crosschecked the computer data with a second sampling to ensure that the computer data were reasonably accurate.

Background

Construction invoices are first sent to the inspector for verification and approval of the percentages of work completed. The construction manager checks the percentages against the schedule of values submitted by the contractor. The District representative or project manager reviews and submits the invoices to the District's project engineer for approval. The payment process continues with the signatures from the appropriate managers and bond management team. Payment documentation is then routed to the accounts payable technician, who enters the invoice payment into the system. The amounts are originally encumbered through the purchase order process. The Accountant II checks the batch and prints the checks in house; copies of the checks are sent to the Contra Costa County Office of Education. (The county office of education performs no oversight functions for the payment process.) Regular finance meetings are held to discuss issues such as unpaid invoices, new requisitions and revisions to budgets. These meetings do not include participants from the accounts payable or purchasing departments.

SGI tracks and records payments and expenditures. (The purchasing department has no involvement in the progress payment processes.) When a project is completed, the purchasing department is notified and prepares the board's acceptance of the notice of completion. Payment of the final retention may be released 35 days after the recordation of the notice of completion.

The bid documents state that the District must pay invoices thirty days after the approval of the application for payment; otherwise, the District may owe the contractor interest. A number of varied invoices was randomly selected and reviewed for completeness of documentation, accuracy of payment and timeliness of processing.

TSS also reviewed the accounting department's year-end closing procedures. SGI works with accounts payable to determine which purchase orders remain open. SGI uses its tracking software system to check for outstanding invoices. Invoices are logged into SGI's and the District's separate report systems. Because two systems are used, it is necessary for accounts to be reconciled. Accounting and SGI meet monthly to reconcile accounts. SGI and accounting inspect the purchase orders to separate the ones that have a balance of 75 percent from the remaining purchase orders. SGI follows up with the vendor to determine if additional requests for payments are forthcoming. If the vendor does not intend to request any additional payments, SGI informs the purchasing department to close the purchase order. Many facilities purchase orders are for multiple years as construction projects frequently bridge more than one fiscal year.

Commendations

- District staff is commended for instituting regular finance meetings to discuss issues such as unpaid invoices, new requisitions and revisions to budgets. These meetings should also include a participant from accounts payable or purchasing.
- The District fiscal services staff and the bond management team are commended for making efforts to expedite payments and to streamline the approval process for payments. One less signature is now required for District approval. On average (out of the 1,118 payments), the District fiscal services staff issues checks twenty (20) days after SGI's document controls section begins to process the payment in its system, with a median time of sixteen (16) days for this part of payment processing. The average and median for obtaining signatures are, respectively, nine (9) days and seven (7) days. The average and median for check issuance after signatures are nine (9) days and seven (7) days, respectively.
- The District is commended for its October 2003 upgrade on its accounts payable system. The District can now print a report for retention. This change is especially significant since most contractors utilize escrow accounts in lieu of retention.
- The District is commended for its system that prevents payment duplication. The check entries require the entry of an invoice number. If someone mistakenly tries to enter payments using an invoice number already in the system, the system notifies the clerk that a similar invoice already exists.

Finding

- In the invoices reviewed for the 2003-04 school year, TSS observed that many invoices took more than thirty days to process, with some taking as long as three to four months. The computer analysis illustrates a similar trend in payment history. Of the 1,118 payments examined, one hundred twenty-five (125) payments or 11.2 percent of payments were made 30 days after SGI's document controls section initiated the payment process.

Recommendation

- It is recommended that the District and its consultants make an effort to expedite the approval of all invoices. Because accounts payable cannot process invoices until all approvals are received, late approvals affect the processing of payments. When payments are not timely, vendors and contractors are more likely to factor in a higher margin. Timely payments also encourage bids from high-quality contractors. Furthermore, the District may incur interest penalties from overdue accounts.

District Response

- The Bond Team and District Fiscal Controls are working to improve payment response time by working in a Process Improvement setting to map procedures, identify bottlenecks, and streamline the payment system.

Finding

- On average, there is a twenty-eight (28) day delay between the time the program manager (SGI) receives an invoice (usually at the work site) and the time SGI begins to process the invoice for payment. (The median for this lag time is eighteen [18] days.) While SGI's documents control section and the District's fiscal services staff generally process payments, on average, within twenty (20) days—that is, only after SGI secures the signatures from the construction manager, architect and inspector of record—the entire process for payments takes forty-eight (48) days on average from the invoice date to the issuance of payment. This lag time of twenty-eight (28) days occurs between SGI's initial receipt of invoices and the delivery of invoices to its document controls section. SGI's own records, corroborated by a second sampling, indicate that invoices are received well before they are processed. (Note: The official invoice dates on most invoices are at the end of the billing period, so the average above tends to be smaller than if the invoice date were for the beginning of the period.) Some interviewees indicated that invoices had been held because contractors had submitted invoices for work that had not been completed. However, several different classifications of services mirror the slow processing time within SGI's operations, as the following examples illustrate:
 - Modernization and New Construction: Forty-one (41) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, seventeen (17) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Twenty-four (24) days.
 - E-rate and GigaMAN-related Projects: Fifty-nine (59) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-five (25) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Thirty-four (34) days.

- Environmental Testing and Services: Sixty (60) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, eighteen (18) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Forty-two (42) days.
- Landscaping: Thirty-two (32) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, thirteen (13) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Nineteen (19) days.
- Moving Services: Forty-two (42) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-three (23) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Nineteen (19) days.
- Architects of Record: Fifty-three (53) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-two (22) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Thirty-one (31) days.
- Plumbing: Forty-two (42) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, fourteen (14) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Twenty-eight (28) days.

Recommendations

- Because the lag time is so widespread (e.g., nearly 25 percent of invoices have a lag time of thirty-seven [37] days) and because there are likely to be legitimate reasons for lag time for some invoices, it is recommended that the District and the bond management team make an effort to process invoices in a timely fashion once they are received, whenever and wherever they are received. If the bond management team receives an invoice prematurely or has to wait some time before the invoice can be initially approved by the construction manager, the architect and the inspector or record, then the bond management team should make a note of the delay and request the vendor to issue a new and accurate invoice with a revised date. (Note: It is important to note that not every category of expenditure experienced this kind of lag time. For example, expenditures associated with inspectors of record had, on average, a difference of three days between the receipt of invoice and the time at which SGI's document controls section started processing the invoice for payment.)

- It is recommended that the District and bond management team identify all staff and consultants who typically receive invoices from vendors and emphasize with these employees and consultants the need to process invoices and progress payments regularly, as appropriate.
- It is recommended that project and construction managers process their paperwork on a routine basis—perhaps weekly—to avoid the delays at the beginning of the payment process.
- It is recommended that all invoices be date-stamped or dated to help ensure the accuracy of invoices. (In the second sampling, TSS observed that some invoices were dated upon receipt while others were not. The dated invoices are within a few days of the invoice date.)

District Response

- The finding notes that most of the processing delays occur at the construction sites, prior to receipt in project controls. The District concurs that it is imperative that project managers expedite review of invoices so that they can be timely paid.
- The District concurs that receipt of invoices should be date stamped and will continue to strive to see that it occurs

Findings

- A typical request for construction progress payment requires eight signatures, excluding the contractor's. From the initial sampling, TSS observed that the “travel time” within each signature is sometimes as short as the same day or as long as twenty-one (21) days.
- From the data analysis, the turnaround time for all invoice signatures ranged from the same day to as many as ninety (90) days, with an average of eight (8) days and a median of seven (7) days. It took more than 14 days to secure the business office signatures for 120 payments or 10.7 percent of payments.

Recommendation

- While the overall average signature time is acceptable, it is recommended that the District and/or the program manager try to process all payment approval signatures expeditiously. If a problem or issue arises with a particular payment, the District or SGI should note it within its records.

District Response

- The District and SGI currently note when there are problems with invoices as well as their eventual resolution. Once the invoices are through the process, they are no longer included in the weekly review.

Finding

- The existing year-end closing procedure that SGI and accounting use is satisfactory; however, it is not established as a written policy.

Recommendations

- It is recommended that a written protocol or policy be established for the year-end closing of facilities to ensure smooth transitions in future years.
- It is further recommended that purchasing be involved with SGI and accounting, as appropriate, in the monthly reconciliation of accounts. This way, purchasing can be aware of stop notices as they occur.

District Response

- The District concurs with the recommendations regarding memorializing the year-end closing process in writing. The Director of General Services has been invited to attend Bond Fiscal meetings on an as needed basis.

Finding

- Purchase orders that exhibit no activity in 30-60 days are listed and reported to the District. Purchasing closes those purchase orders. This situation should not occur if proper monitoring occurs.

Recommendation

- It is recommended that the construction manager and vendor communicate regarding the status of contracted work or materials ordered. If contracted work or purchases cannot be delivered, then purchase orders should be closed so that funds are not needlessly tied up and expenditures are not inflated.
- It is further recommended that the District take steps to improve communication among the purchasing, accounting and facilities departments. Instituting a monthly reconciliation meeting with all departments should be considered.

District Response

- The Bond Team and District Fiscal Controls have identified communications with the Purchasing Department as a priority for improvement in the current year. One area which would allow for better communication is an on-line Purchase Order system. With tracking capabilities found in such systems, the Bond Program's purchasing and payment procedures would be significantly upgraded. This is in the early stages of implementation by the District.

BEST PRACTICES IN PROCUREMENT

Process Utilized

Total School Solutions (TSS) interviewed District staff, reviewed documentation and observed processes in the course of work. To clarify issues or questions, subsequent interviews were held.

Background

Best practices in procurement of materials and services ensure the most efficient use of resources. The District can improve efficiency by enforcement of contract language, management of consultants and an understanding of the market economy. It is the intent of this audit section to determine whether the District engaged in the model practices for procurement while adhering to the Public Contract Code.

Board policy delegates to the purchasing department the authority to engage in contracts to ensure that the best-quality products are obtained at the most economical prices. The board policy sets fiscal controls to ensure monies disbursed are within budgeted appropriations set by the board. Invoices in excess of the approved purchase order amounts are reviewed and approved through appropriate actions.

The bid document addresses the bidding process, contains language to protect the District from claims, covers the financial aspect of payments and prevailing wages, and represents the board's commitment and support. The following sections from the bid document provide the District with these general assurances:

- Prevailing Wage Certificate – Fair Pay
- Disabled Veterans Business Enterprise Certificate – Support for Disabled Veterans
- Drug-Free Workplace Certificate – Board Policy
- Hazardous Materials Certificate – Proper Licensing
- Lead Based Paint Certificate – Proper Licensing
- Logistic Plan – Planning and Scheduling
- Department of Justice Clearance – Protection for Students and Staff
- Safety Plan – Board Policy
- Project Labor Agreement – Union Support
- Apprenticeship Resolution – Support for Training Opportunity
- Subcontractor Directory – Future Warranty Repairs
- Labor Compliance Program – Local Agreement

It is critical that the District continue to conduct self-audits in design, payments, records and archives. Audits provide the District with a means of monitoring and controlling proper expenditures and accountability to the public.

Commendations

- The District is commended for its vastly improved bid documents. Terms and conditions are clear, stringent and encompassing. It acknowledges and addresses time issues of contract submittal, construction claims, payments and corrections of non-conforming work. The sections on strikes and lockout, construction schedules and non-conforming work are well written and easy to enforce. Problems falling under these contractual sections can cost the District in time and funds when they are not controlled properly.
- The District is commended for not having the master architect prepare the schematic drawings. This decision resulted in a more effective management of resources. In the past, the architects of record (AORs) have had to redo many of the schematic drawings prepared by the master architect in order to have coherence between the plans. The District, in effect, was paying twice for the same product.
- The District is commended for its improvement in service resource management by paring down its list of master consultants. In the review, TSS noted that the District had not been receiving optimal value for its procurement of services (due to the overlapping duties). As one result, the District eliminated the master environmental consultant.
- The District is commended for hiring consultants such as Davillier-Sloan to monitor prevailing wages for the state's labor compliance program (LCP) requirements when the District is using state matching funds. The procedures for LCP can be cumbersome and time-consuming. Davillier-Sloan ensures that certified payroll records are submitted with each payment application.
- The District is commended for its efforts in providing a collaborative environment with trade unions to ensure timely completion of projects.
- The District is commended for the inclusion of unit price bids in the contract. This inclusion anticipates repair work over and above the project scope. Unit pricings include roof replacement, decayed wood replacement and hazardous materials abatement. The extent of decay is generally unknown prior to bid time, so unit pricing is a prudent approach.
- The District is commended for having an adequate due date of fourteen (14) days for substitutions prior to the bid opening. The District is required to evaluate the contractor's proposed substitution. If the substitute meets the contract specifications, the District can accept it. The District must convey acceptances to all other bidders in an addendum. Contractors may find substitutes less expensive in costs and may pass the savings onto the District in lower bid prices. The acceptance of substitutions can trigger a chain of events that may be advantageous for the District.

Finding

- The District took three (3) months to issue a Notice to Proceed. The effect of such an allowance is costly in the current market. Steel and concrete prices rose throughout the 2003-04 fiscal year and appear as though they will continue to increase. Contractors tend to inflate bid prices to anticipate price increases that may occur three months following the Notice to Proceed. It is important to award and start construction as quickly as possible.

Recommendations

- It is recommended that the District issue Notices to Proceed in a timely fashion.
- In anticipation of steel and concrete price increases, the District should investigate whether it is worthwhile to order and store materials, especially in the case of new construction where there is adequate storage space. The savings against future pricing and contractor's overhead might be substantial. (This practice has been successfully done in other school districts although it takes coordination, space and time.)

District Response

- A major focus of the efforts by the District's Engineering Officer has been to streamline the Bid, Award, and Notice to Proceed process for construction contracts. Notices to Proceed for the Measure M Phase 1B projects were issued within one month of the award, which is a substantial improvement over the previous year's Notices to Proceed.
- Staff has reviewed the potential for stockpiling materials, and each time has concluded that the risks, such as stockpiling incorrect materials, outweigh the money saving potential.

Finding

- As noted under the commendations section, the District needs to continue to manage its service resources. For example, the District has used two master technology consultants. One master technology consultant with the District's Information Technology Director should provide adequate direction and planning for the technology aspects of the facilities program.

Recommendation

- It is recommended that the District and the bond management team continue their efforts to optimize resources by using sufficient but not excessive numbers of consultants and/or service providers in completing particular activities associated with the bond facilities program.

District Response

- Staff concurs and has continued efforts to cut back on the Master Consultants originally a part of the Bond Team, especially appropriate since most major standards decisions, specifications, and standards have been completed.

Additional Recommendations for Best Practices

- It is recommended that the District make an effort to avoid the use of confirming purchase orders. Whenever possible, a purchase order should be processed and issued prior to the performance of work. .
- Since SGI tracks the budget for construction, it is recommended that a monthly reconciliation occur between the budget control department and SGI. SGI should also receive a copy of the escrow statements from the purchasing department to verify balances since payments are made to the contractor and the escrow account.
- The District should continue to reach out to the bidding community by holding information meetings for known and efficient small contractors so that they may be used by the prime contractors that bid on the project. Many small contractors do not have the bonding capacity to bid an extensive modernization project, but they may be willing to serve as subcontractors.

District Response

- The District concurs that confirming purchase orders should be minimized.
- Reconciliation between the Bond Team's records and the District's records is ongoing. The Director of General Services handles the management of the escrow statements in the purchasing department.
- Information meetings and pre-bid conferences are held on each project. The District has had an outreach plan in place for all of the Measure M Phase I-B and Measure D projects.
- The District has and will continue to outreach to local small Contractors. The last community outreach workshop was held on November 6, 2004 and was a great success. Forty (40) vendors and Contractors were present for the event. Davillier-Sloan has sent out over 3,500 letters to local Bay Area vendors and Contractors to reach out and ask for these firms to participate in the program. Unfortunately only 160 of these vendors actually responded. The difficulty is that we can't force vendors to participate, but we are making every effort to attract them to the program. Another effort will take place to introduce some of the local subcontractors to the Pre-qualified General Contractors in hopes that the local small subcontractors will get additional opportunities to bid on our work. Davillier-Sloan will continue to hold similar workshops in the future.

TECHNOLOGY/E-RATE IN THE FACILITIES PROGRAM

Process Utilized

In the process of this examination, Total School Solutions (TSS) examined the District's "Educational Technology Plan" and interviewed key personnel and consultants from the facilities and technology departments.

Background

Because TSS's scope centers on an evaluation of the performance of the facilities program—not on the District's technology program and efforts—TSS has limited its review of technology to the processes involved in the District's coordination between the technology and facilities departments. In an ideal modernization program, all building systems, including technological infrastructure, are upgraded as appropriate. In this audit, TSS is not evaluating the District's decisions on connectivity and phone systems (e.g., GigaMAN and Voice Over IP). Rather, TSS has examined the processes by which the District has arrived at decisions regarding technology.

During the bond program, there had been some divergent opinions on how the school-wide and District-wide networks and phone systems should be upgraded in the process of modernization. The divergence is reflected, in part, in the fact that the District hired two master technology consultants that had recommended two different solutions for the District.

There also exists a difference in philosophy toward how the District should approach technology. One group prefers systems deemed sufficient at the present time into the foreseeable future—perhaps, five years from now. Another group believes that the District should put in the most robust system it can afford within reason and current budgetary constraints. Neither approach is right or wrong. The former approach saves money in the short term. The latter approach offers the District and its educational program the greatest flexibility in educational content and instructional methodologies over time.

The educational content and instruction of current and future students should be the focus or foundation of a district's technology approach or technology plan. In reviewing the West Contra Costa Unified School District's "Educational Technology Plan," TSS observed a thorough document that details student and staff needs and uses for technology. However, the document lacks specificity of actual infrastructure upgrades, past and future. Studies have shown that the value of technology for students lies more in how they apply technology in the process of learning. Technology often assists with students' skills in presentation and public speaking as they master other subjects and convey information to students through technology. Over time, students will need greater access to Internet resources and tools. This inherent dynamic of technology growth also suggests that the District should upgrade its systems as fully as possible (within prescribed budgets).

The bond management team and, later, facilities staff have taken an active approach toward upgrading networks for future students by maximizing facilities revenues by pursuing e-rate funding for schools eligible for internal connections. The federal e-rate program provides three categories of technology discounts for schools and libraries. All school districts receive discounts on telecommunications services that qualify, such as local, zone and long-distance telephone service. The second automatic discounts are for Internet service. The third category of funding for internal connections (e.g., wiring and hardware) is distributed to schools that have applied and which typically have higher free and reduced lunch percentages among their student populations. Due to limited funding, the federal government does not fund all applications for internal connections. Discounts on eligible services for all three categories range from 40 percent to 90 percent. In general, the discounts schools receive for internal connections are 80 percent or higher.

The bond management team began to pursue additional e-rate funds for internal connections for schools at a time when, in at least the two previous years (e-rate funding years 2001 and 2002), the District had pursued funding for telecommunications and Internet access only.

The difficulties in implementing the technology program and e-rate projects within the District's facilities program probably resulted more from the separate developments in facilities, e-rate funding and approaches toward technology standards. In an ideal setting, technology decisions should drive e-rate funding applications (especially for internal connections), which should support District-level decision on services the District deems necessary to meet its instructional standards. In the District's case, it had a unique opportunity to capture additional funds through e-rate to improve the technological infrastructure for student instruction for many years to come.

In terms of infrastructure, key staff in facilities and technological services should meet, collectively make decisions on the kinds of infrastructure (i.e., while going through the appropriate committees, etc.) and support those collective decisions once they are made. The District should take full advantage of modernization projects to upgrade its technological infrastructure as much as possible given the opportunity within modernization projects and bond funds.

The District, however, did not have this ideal situation. Instead, different technology-related aspects initially evolved separately and independently from one another. Even without examining and evaluating the hardware and infrastructure decisions in this performance audit, it would appear that the District staff has recognized many of these weaknesses and differences before the end of the audit period of June 30, 2004.

Commendations

- Overall, the facilities department, the technology department and the bond management team are commended for making efforts, individual and collective, to ensure that infrastructure improvements take place as part of the facilities program. Given the evolutionary history of technology within the facilities program and the transitions in departmental duties (e.g., the phone systems being transferred from the maintenance & operations department to the technology department), TSS finds that the District has made solid progress.

- The bond management team is commended for seeking and obtaining millions of dollars in e-rate funding for internal connections for schools that qualify. Such efforts help the District extend its resources in fulfilling the full scope of the facilities program.
- The Engineering Officer is commended for developing budgets for technology from the facilities measures in order to fund the District's share of the e-rate program for internal connections.
- The District and the bond management team are commended for pursuing a technological infrastructure that gives schools, teachers and students the ability to expand instructional technology in many years to come.
- The technology department is commended for making efforts to ensure that e-rate projects are completed on time.

Findings

- The facilities and technology departments do not appear to be as well coordinated as they could be on the technology aspects of the facilities program.
- Communication between both departments appears to have been lacking in the early stages of the facilities program. Communications, messages and comments about different installations, for example, failed to get to the other party at different points in time.

Recommendations

- It is recommended that the District designate one person, consultant or employee, to serve as the liaison between facilities and technology rather than one person from both departments. This person should have some authority on technology-related decisions.
- It is also recommended that the District's technology department be more flexible in its approach toward technology upgrades. While less robust systems may be adequate for curricular and administrative needs at the present time and in the near future, the District should try to prepare for future changes in technology and more advanced learning opportunities for students, especially given the costs associated with such projects.
- It is recommended that the District and bond management team examine the staffing impacts on the technology department in terms of changes in infrastructure and assignments. Staff members and departments affected by changes in their work assignments should participate in discussions on changes in how their department will run. Such participation and planning also help maintain positive attitudes toward necessary changes in the workplace.

District Response

- The District has appointed a Senior Director for Accountability and Technology. She is coordinating all technology related issues and is working closely with the Bond Program.
- The overall technology standards for the District have been developed with an eye towards the most robust system possible, always considering future technology developments. An example is the installation of the Gigaman wide-area network which allows for substantial growth in capacity by installing larger than currently required bandwidth capability.
- Staffing impacts on the technology department are a real consideration and the Bond Program always attempts to develop infrastructure projects which allow for the limited MIS staffing levels that are consistent with the District's very difficult General Fund allowances for technology staff. An example is working to develop an erate project for District server upgrades which uses a centralized rather than multiple dispersed servers' model—hence easier and simpler to service, maintain and monitor.

Finding

- The District pursued e-rate funding on a limited basis.

Recommendation

- It is recommended that the person responsible for the e-rate program should have sufficient authority (or access to authority) and knowledge about e-rate funding to apply for funds, as well as implement or facilitate accepted funding requests.

District Response

- The District has continued to pursue E-Rate funding throughout the technology program. The Senior Director of Accountability and Technology and her staff continue to pursue additional resources toward the goal of upgrading technology throughout the District.

Finding

- The District hired two separate master technology consultants, which created a potential or real situation for confusion and conflicts regarding the technology program.

Recommendation

- It is recommended that the District have one master technology consultant to provide outside service and expertise to the District. One master technology consultant and the District's information technology director should provide adequate direction and planning for the implementation of the District's educational technology plan. (Furthermore, having two consultants in the same area can lead to conflicts in approaches, which the District experienced.) The District should still determine the technology services and needs to fulfill the curricular, instructional and administrative components of the District-wide technology plan.

District Response

- The District has previously had one Master Technology Consultant for the Measure M projects and another Master Technology Consultant for the Measure D projects. Currently those consultants are providing services on an as needed basis and the District is in a transition mode, defining the needed scope for a single Master Technology Consultant and issuing an RFP to obtain one.

Finding

- While the California Department of Education (CDE) approved the District's "Educational Technology Plan," the plan itself lacks more specific and updated information on the actual facilities changes. Such specificity, if even in an appendix to the "Educational Technology Plan," would help the District maintain a uniform approach to technology standards.

Recommendation

- It is recommended that the District incorporate into its current technology plan the District's specific infrastructure upgrades at different schools, with their corresponding timelines. The value of this specificity should help all stakeholders involved in the technology program understand and, hopefully, accept the agreed-upon infrastructure standards. (To receive ongoing federal funds from the Enhancing Education Through Technology [EETT] formula grant, the District must revise its technology plan during the 2004-05 school year for the 2005-06 school year. The District should incorporate more infrastructure specificity into its technology plan for the 2004-05 school year.)

District Response

- The District's Educational Technology Plan was written with compliance with State requirements and to maximize eligibility for the District to receive funding. Line item specificity is not necessarily appropriate as it could hamstring the District's funding efforts. However, the auditors' comments will be taken under advisement for the 2005-06 update.

Additional Considerations

- It is recommended that the District manage and coordinate the e-rate projects and master technology plans with the Measure M and Measure D facilities projects as much as possible. Such coordination would help the District gain the best value and avoid the potential for the duplication of work associated with e-rate “modernization” projects.
- While beyond the scope of this performance audit, it is recommended that the District examine other models for technology assistance in other school districts of comparable size and, given the age of many of the District’s computers, to consider increasing its standards for computer hardware.

QUALITY CONTROL PROGRAM

A “Quality Control Program” could be considered to encompass a full range of concepts, from initial conceptual considerations to outfitting a completed school construction project with furniture, equipment and materials, as well as managing change orders throughout the construction process.

After considerable discussion among the citizens’ bond oversight committee, the District administration and the District’s legal counsel, Total School Solutions was directed as follows:

In this task, the Auditor will evaluate the District’s quality control programs. To perform this task, the performance auditors will evaluate the SGI/WLC memorandum describing the Bond Team’s approach to quality control. Total School Solutions will interview key staff/consultants and review necessary documents to assess how the District has implemented this program. This task will not duplicate any of the information provided in the performance auditor’s review and evaluation of the Bond Management Plan and will focus on the quality assurance process, not the particular quality outcomes that the bond program has achieved.

In accordance with the above direction, the performance audit team was provided with a Bond Program Quality Control document prepared by WLC/SGI, which contained three major components, as follows:

- Preconstruction Quality Control
- Procurement Quality Control
- Construction Quality Control

Each component of the document was evaluated, and a review of related documents was performed. The findings were presented in the annual audit report for the period ending June 30, 2003.

2003-04 Annual Report Update

I. Preconstruction Quality Control

The preconstruction phase was initiated prior to the completion of a detailed needs analysis for each school and board-adopted Option 1C quality standards. Without knowledge of site needs and constraints placed on the preconstruction design process, original design documents exceeded budgets established with Option 1C standards in the board-approved Facilities Master Plan. AORs reported that they could not meet the design scope within these budgets. This situation resulted in bid documents with a base bid and many additive alternates, only a few of which were approved by the board for inclusion in construction contracts. Subsequently, it was determined that Measure D funds would be insufficient to complete all identified projects.

The weaknesses encountered during Phase 1A project design and bidding were not experienced again with the development of revised cost estimates for Phase 2A projects, based on the full knowledge of Option 1C standards.

II. Procurement Quality Control

While the Preconstruction Quality Control Process was mostly done by the master architect, the Procurement Quality Control Process was under the purview of the bond manager. Because the Procurement Quality Control process is in place, satisfactory outcomes should result if it is followed as documented.

III. Construction Quality Control

The Construction Quality Control process is implemented by the bond program manager and the master architect, as documented in the Program Management Plan (revised on May 12, 2003), and appears to be complete and comprehensive. If followed as documented, satisfactory outcomes should result.

It is anticipated that in performing the December 31, 2004 midyear audit, the completion of Measure M-1A projects will provide an opportunity to review the quality control process applied to those completed and closed out projects.

SCOPE, PROCESS AND MONITORING OF PARTICIPATION BY LOCAL FIRMS

Process Utilized

In the process of this examination, Total School Solutions (TSS) examined the contract for local capacity building and made observations regarding the processes of assisting local firms in participating in the District's facilities program. TSS also conducted interviews with the bond management team, other outside consultants and District staff.

Background

The Board of Education has recognized the importance of using local services. In entering into the Project Labor Agreement, one of the purposes identified by the board is 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.

As indicated in last year's performance audit and in the first midyear report, the notion of "local" firm had not been formally defined by the District or its board. At that time, the bond management team generally considered a local firm as one that maintains an office in the metropolitan area, including the counties of San Francisco, Alameda, Contra Costa, Napa, Solano and Marin.

During the audit report for the 2002-03 fiscal year, TSS noted that, among architects, eight (8) of the ten (10) selected met the definition of a local firm. TSS also noted that a number of other local consulting firms had been awarded work, including companies that provide civil engineering survey work and hazardous materials removal and abatement. During the 2003-04 fiscal year, the District has continued to use many local architects, and a number of other services from local vendors ranging from moving companies and locksmiths to geotechnical engineering firms.

In the annual audit for the period ending June 30, 2003, TSS notes that the bond management team's training opportunities and guidance to local firms interested in bidding on public work projects probably improved the chances of local firm participation, especially since many local firms lacked prior experience in K-12 educational facilities projects and the requisite knowledge and expertise to be competitive in bidding and executing such work.

The first annual performance audit also notes that there was no consistent, ongoing process in place to monitor and review the share of work assigned to local firms. TSS recommended that the District consider establishing a process to provide continual monitoring of the processes to enhance local vendor participation in the school facilities improvement projects. In the first audit, the District notes that it concurs with the recommendation and that it is in the process of hiring a consultant to help build local vendor participation. Since the first performance audit, the District has hired Davillier-Sloan, the District's Labor Compliance Program administrator, to oversee a local capacity program to ascertain which services the "local" vendor community and

labor pool can provide. This action represents a first step to know which services the District might engage at a local level.

As of this performance audit ending June 30, 2004, Davillier-Sloan was in the process of gathering information on local professional firms, contractors and suppliers to find out which services can be used locally. Even if these small companies are unable to, or inexperienced in, large school construction projects, the local capacity building program helps local vendors find out about subcontracting and service opportunities. In TSS's opinion, it would appear that Davillier-Sloan's methodological approach should be more productive than past efforts. Not only does the local capacity building program reach out to local and area businesses, it also clarifies which services are available and which cannot be provided locally. This capacity building effort should help the District provide small local and regional firms with opportunities to participate in public work projects within their staffing and bonding capacities.

The District's legal counsel has advised the District and the bond management team that award of construction contracts to local firms, which are not otherwise the lowest responsible bidders, may constitute a violation of the Public Contract Code. Despite the desire to increase local participation, it has not been possible to award contracts to local firms through this preferential criterion. These restrictive conditions still apply to public works projects. However, Davillier-Sloan's outreach efforts are open to the general public even though the District strongly encourages local residents to participate.

It appears that the District has progressed substantially, within the legal limits of the board's objective, to improve and increase local firm participation in the construction and planning of local school facilities projects. In response to TSS's recommendation, the District and bond management team have implemented a comprehensive program to identify local capacity and provide opportunities for local firms and employees to participate.

Even though the recent training of November 6, 2004, occurred after the performance audit period for the 2003-04 fiscal year (but before the finalization of this report), that event represents the culmination of a systematic (and ongoing) effort to improve local participation within the limits as prescribed by law. Further evaluation of these efforts will be conducted during the development of the midyear audit report.

Commendations

- The District staff and the bond management team are commended for hiring Davillier-Sloan, Inc., to build local firm or vendor capacity in a systematic fashion.
- The District is commended for continuing to arrange training and potential contract or employment opportunities to local firms and workers.
- The District and the bond management team are commended for considering outreach to the local labor pool in addition to local vendors.

Findings

There are no findings in this section.

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

Process Utilized

Total School Solutions (TSS) interviewed personnel in facilities, purchasing and other departments; consultants; members of the superintendent's cabinet and other parties involved in the District's facilities program. All five board members, numerous members of the bond oversight committee, several school principals and key personnel on the bond management team were also interviewed. The communication channels and public outreach were topics in these interviews.

TSS also reviewed many different bond programs and citizens' oversight committee websites for this performance audit and examined materials related to the District's efforts in implementing a comprehensive public outreach campaign.

Background

To facilitate communication regarding the West Contra Costa Unified School District's facilities program, the District maintains a communications office, has hired a public relations consultant and provides information about the District and the facilities program on three separate websites:

- West Contra Costa Unified School District: www.wccusd.k12.ca.us
- Bond Oversight Committee: www.wccusd-bond-oversight.com
- Bond Program: www.wccusdbondprogram.com

The District also has a board policy on media relations and a procedures manual for print and electronic communications and media relations. These structures help provide a framework in which the District can convey information to the public and bond program participants.

During the second year reporting period, the level of awareness among District-employed stakeholders close to the process continues to be high. In the interviews, the Board of Education and the superintendent's cabinet generally indicated a high degree of satisfaction with the communication activity, overall communications program and efforts to educate and inform the school community on the activities and processes used in the District's facilities program.

During this auditing period, many of the principals with ongoing facilities projects were satisfied with the information and the support they received, especially from their respective site project managers. However, some principals with schools undergoing modernization were not as satisfied and expressed some frustration. While these principals may have had less experience in school facility construction projects, these principals suggested that the District did not disclose full information to them at times (e.g., the board's changes in the most recent architect selection process).

In the interviews, community members' opinions varied from total satisfaction to dissatisfaction with the program. Many people involved in the process were satisfied with the District's ongoing efforts. Other participants had more negative views of the program. This second group often consisted of newer members to the process. There were some general complaints from the bond oversight committee about receiving full information in a timely fashion.

In the first annual performance audit, TSS recommended the District consider conducting a comprehensive information program to keep District personnel and the community informed about ongoing activities and the chronology of events and decisions involved in the facility program. To assist in this process, the District hired Craig Communications to provide public relations services for the District's facilities program to help the community become more informed about the rationale for various board decisions and their impacts on the facilities program.

Craig Communications has performed a comprehensive public outreach campaign at numerous District schools through the postcard campaigns, newsletters or informational brochures and involvement in informational meetings, among other things. The postcard campaign, in particular, gives local residents the opportunity to find out more about construction activities at their local schools. There is, however, a disparity between the District's efforts and, in many cases, how local stakeholders in the facilities program view the District. The District has made considerable progress and improvement in many areas in the facilities program, yet some community members still have a negative view of the District's facilities program. Ultimately, the District may want to decide how to concentrate its public outreach efforts.

For this audit period, TSS originally had planned to survey local participants in the facilities program on their impressions about the program, but it was decided to ascertain more qualitative and subjective information from participants through personal interviews during this audit period. Pending District approval, TSS plans to survey a broader range of community members for the midyear report to assess how community members view the program.

Commendations

- The District and bond management team are commended for the structure and the information on the bond program website at www.wccusdbondprogram.com. Having reviewed numerous Proposition 39 bond websites throughout the state, TSS believes the bond program website is among the better ones (even if it needs to be updated more routinely).
- The District is commended for its outreach efforts to the community in the local capacity building program. While these sessions are designed to provide vendors and the local labor pool with the opportunity to put their skills to work in the local facilities program, these outreach efforts also help disseminate information on the facilities program.
- The District is commended for having a "lessons learned" component within its quality control program by which bond program participants can learn from past successes and shortcomings to improve the ongoing efforts in the program.

- While the District must decide whether the expense and effort of comprehensive outreach campaigns to inform the community are cost-effective, the District is commended for its comprehensive public outreach program as coordinated through Craig Communications.

Findings

- While the structure and kinds of information available on the bond program website, www.wccusdbondprogram.com, is extensive, the website does not appear to be updated in a regular or timely fashion. For example, the bond program website's profile for Lincoln Elementary School has not been updated since January 2003. (During the midyear report, the bond management team indicated that it would update program information on school sites.)
- The www.wccusd-bond-oversight.com is more out of date than the bond program website.

Recommendations

- It is recommended that the District and the bond management team consolidate the two websites into the www.wccusdbondprogram.com website. Some information appears on both websites, and it may be easier to manage one website related to the bond program.
- It is recommended that the website be updated routinely—perhaps, bimonthly. For example, the oversight committee website should have the most current bond oversight committee meeting agenda, and the bond program website should have more current program status reports. A simple, time-efficient and usually attractive way to update the website regularly is to create PDF files from relevant electronic or hard copies. In terms of complaints about communication, more frequent updates may help address some of the dissatisfaction of some community members.
- It is recommended that the District and bond management team consider changing the home page for the bond program website to facilitate research for end-users. While the current home page may be aesthetically pleasing to some, several interviewees complained that they did not receive enough information and could not find information on the website. The site map provides an excellent outline of available data; however, the link is currently isolated in small font on the button bar on the top of most pages.
- Following up on a recommendation from the first annual performance audit, it is recommended that the District build a chronology on its website so that community members have the opportunity to inform themselves about the evolution of the facilities program. (One option would be to use the chronology in this performance audit as a starting point for this timeline.)

District Response

- The Bond Management Team has now instituted a procedure for updating the Bond Program Website once a month (with the exception of bidding periods). During periods of high bidding activity, the website may be updated almost on a weekly basis to report out on bidding due dates and schedules. As a matter of clarification, the profiles for the schools were never intended to be updated on a monthly basis. Both the Engineer's Report and the Construction status reports are updated on a monthly basis for posting to the web site. These two documents serve as the schools' primary update tools during construction. The comment made during the January 2003 audit response was intended for the construction status reports. Over the past year a content management structure was developed so the Bond Team will be less dependent on a third party input into the web site. The web site content management system in place now will assist in expediting updates to the web site.
- Even though the District agrees that the recommendation to combine the Oversight Committee web site with the Bond Program web site would be effective, the two web sites must remain separate and distinct for two reasons:
 - Funding for the Oversight Committee website must come from the general fund or another source other than the Bond Program.
 - The Oversight Committee's web site should be designed, monitored and updated by Oversight Committee members. The web site is a requirement of Proposition 39 and we would prefer for it to be controlled and edited by Oversight Committee members to avoid any potential perceptions of conflict of interest in reporting data.
- The Bond Program Web Site will be updated on a monthly basis. We have found that the program status does not change significantly with a two week period. As the auditors have requested we are utilizing PDF files from reports to make effective and timely updates to the web site. Approximately one year ago, the Oversight Committee recommended that a link to the Oversight Committee web site be put on to the Program web site and nothing more to avoid duplicative efforts and potential conflicts in reporting. All agendas for the Oversight Committee web site are to be posted to the Oversight Committee web site when they become available. The District and an Oversight Committee web site sub-committee oversee and update the web site on a monthly basis. The Oversight Committee web site is currently in redesign and should be available in its new format sometime during the Spring of 2005. Tech Futures will continue to update the web site as instructed by the Oversight Committee web site subcommittee.
- The Bond Team will investigate adding some sort of search engine to the Bond Program web site for ease of finding information. It is agreed that some sort of search function will assist users in finding data that they are looking for. A proposal for this recommendation will be solicited and forwarded to the District for review.
- The chronology of the Bond Program will be updated and posted to the web site as a new document by March 2005.

Finding

- The District did not always provide the bond oversight committee with information in a timely fashion.

Recommendations

- It is recommended that the District ensure that it gives the oversight committee the information it needs in a timely fashion, as one of the committee's primary responsibilities is to convey to the community the District's progress and compliance in fulfilling the conditions outlined in the ballot language.

District Response

- Staff concurs that it is important to provide timely information to the Oversight Committee. Staff provides all reports, financial information, and other items at the beginning of each Bond Oversight Committee meeting.

Finding

- As described in different sections of the report (e.g., in the sections on payment procedures and technology), the communication among the bond management team, facilities and other departments needs improvement.

Recommendation

- It is recommended that the District make a concerted effort to have departments and consultants share information, as appropriate, with relevant parties.

District Response

- Staff concurs, and makes substantial efforts to involve all of the District's departments in the Bond Program. This includes regularly scheduled meetings with Technology/MIS, ongoing document review meetings with Maintenance and MIS for example.

OVERALL BOND PROGRAM

During the process of performance audit, Total School Solutions (TSS) has made certain determinations about the overall bond program through interviews with appropriate and related individuals, a review of pertinent documentation and processes, and observations of relationships and interactions. Although these observations are not specifically related to any particular component of the audit, the audit team believes that these issues have a significant impact on the overall bond program and, as such, must be reported to the management of the District.

Observations

- In comparison with the previous audit, which was completed for the period ending on June 30, 2003, the audit team observed and noticed significant improvements in many areas in the District's facilities program operations.
- The expanded scope of the performance audit includes review of many documents, such as the quality control program. Although these documents were included in the deliverables listed in the agreement between the District and the bond management team, most, if not all, of these documents were not available until mid-October 2003. During the current performance audit, the audit team was able to locate and retrieve all of these documents.
- It appears that the independent financial and performance audits have helped the bond management team refine and improve its processes. The performance audit team believes that the District has benefited from the improvements which have been implemented over the last two years.
- The bond management team has developed excellent written policies and procedure documents for the District's facilities program. Important procedures essential in implementing and managing a successful building program have been outlined in great detail. The District management and the bond management team have made significant efforts to implement these processes and procedures. The District may want to consider using these written procedures as a resource in revising its outdated board policies and administrative procedures.
- The issue of SGI's responsiveness to the audit team, reported in the first annual performance audit report, has been mostly addressed. Although this area still needs some improvement, the data retrieval and information gathering have been relatively easy.
- The District Engineering Officer has initiated a process to address a major finding from the previous annual performance audit report, which pertained to the existence of a joint-venture agreement with SGI and WLC. This agreement identifies both firms as equal partners. This structure gave rise to confusion, delays in response and, in some cases, duplication of efforts resulting in a waste of the District resources. As of June 30, 2004, active negotiation of the separate agreements with SGI and WLC was in progress.

- One other issue pointed out in the previous performance audit report involved the need to appoint a single point of contact to represent the District's interests. The audit team observed noticeable improvements in the communication and control structure with the employment of the District Engineering Officer, who serves as the onsite administrator, working in close collaboration with the Assistant Superintendent-Operations.
- There continue to be significant problems in streamlining communications between the SGI staff and the District fiscal services staff.
- There also remain some communication difficulties between different departments in the District.

Findings

- The staff representing the program manager, SGI, did not appear to have adequate authority to share information that TSS was seeking. It was reported that they had been instructed to obtain SGI management approval and submit requested information only through the program manager.
- There is a disconnect between SGI and the District's fiscal services staff, which is causing significant reporting problems and causing delays in processing payments to some vendors. Besides the use of two different and incompatible software packages, there are interpersonal communication problems contributing to the existing issues.
- Currently, the document control system resides with SGI. Normally, that is an internal District staff function. The prevailing communication issues might be mainly due to the fact that non-District staff is performing this function. Also, the District could avoid significant costs (through overhead and markup alone) by transferring this function to the District staff.
- Fiscal services staff has listed a number of reasons that they believe are the root causes of the communication problems between their office and the SGI staff.

Recommendations

- The District should review with the appropriate District staff and bond management team the appropriate protocols for the disclosure of public information and the importance and purpose of audits. A performance audit should be considered an opportunity to improve, and as such, the personnel involved in the process need to be willing to share information and exchange ideas. Please note that this finding and recommendation also appeared in last year's audit report.
- The District should develop steps to institute improvements in the relationships and communication among the relevant SGI staff and the staff from the District fiscal services department.

- The District should consider restructuring the system as it pertains to the document controls. Having this system transferred to internal District staff may result in substantial improvements in the process, as well as some financial savings.
- The District should consider providing training on the construction and facilities management processes to the management staff of the fiscal services department. A comprehensive training program in customer services skills is also strongly recommended.

District Response

- The District has instructed all staff to cooperate in providing data. The District understands the importance of timely information gathering by the auditors.
- The District has embarked on an ambitious effort to improve communications and information sharing among and between the Bond Team and District Fiscal staff. The process improvement work noted above is the best on-going example of this.
- The District is reviewing document controls procedures with the Bond Team and when appropriate will take steps to implement these recommendations.
- The District is in the process of continuing to develop the best possible procedures for creating and maintaining a Fiscal Controls department which meets the needs of the Bond Program. Customer service training has been conducted previously, and the District is committed to increasing awareness of the importance of customer service.

APPENDIX A

NOTICE OF ELECTION AND THE NOTICE
FIXING AUGUST 15, 2000 AS FINAL DATE TO SUBMIT ARGUMENTS
ON THE WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT BOND MEASURE
AT ELECTION ON TUESDAY, NOVEMBER 7, 2000

NOTICE IS HEREBY GIVEN that a Bond Measure Election will be held in West Contra Costa Unified School District, Tuesday, November 7, 2000.

NOTICE IS ALSO HERBY GIVEN by the County Clerk of Contra Costa court, Pursuant to Elections Code Section 9502 that the above date is hereby fixed as the final date on which arguments for and against the following measure appearing on the ballot may be submitted to the County Clerk at 524 Main Street, Martinez, California 94553, for printing and distribution to the voters as provided by law.

To improve the learning climate for children and relieve overcrowding by improving elementary schools through building classrooms, repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems, improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings, shall the West Contra Costa Unified School District issue \$150,000,000 in bonds at authorized rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens' oversight committee to guarantee funds are spent accordingly?

No arguments may exceed three hundred (300) words in length, and all arguments must be accompanied by the statement required by Section 9600 of the Elections Code.

The polling hours will be between the hours of 7:00 AM and 8:00 PM.

Dated: August 7, 2000

STEPHEN L. WEIR
County Clerk
Contra Costa County

APPENDIX B

**BOND MEASURE D
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

“To complete repairing all of our schools, improve classroom safety and relieve overcrowding through such projects as: building additional classrooms; making seismic upgrades; repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs, and fire safety systems; shall the West Contra Costa Unified School District issue \$300 million in bonds at authorized interest rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens’ oversight committee to monitor that funds are spent accordingly?”

FULL TEXT OF BOND MEASURE D

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 \$300,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, and in order to qualify to receive State matching grant funds, 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 West Contra Costa County 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 as Education Code Sections 15264 and following).

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 at each campus and facility, 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 (pursuant to Education Code Section 15278 and following), 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 Assistant Superintendent-Business of the District shall cause a report to be filed with the Board no later than January 1 of each year, commencing January 1, 2003, 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 at a particular school site. 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 Education Code Section 15100, 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 Government Code Section 53410.

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.

APPENDIX C

REFERENCE DOCUMENTS

Measures M & D Ballot Language

Bond Measure M – Ballot Language. November 7, 2000.

Bond Measure D – Ballot Language. March 5, 2002.

Audit Reports

WCCUSD Audit Report, Year ended June 30, 2001.

WCCUSD Audit Report, Year ended June 30, 2002.

WCCUSD Audit Report, Year ended June 30, 2003.

WCCUSD Unaudited Actuals, Year ended June 30, 2004.

WCCUSD Bond Financial Audit Report, Fiscal Years 2000-01, 2001-02 and 2002-03.

Measures M and D Expenditure Reports

WCCUSD Measures M and D Expenditure Reports through June 30, 2003.

WCCUSD Measures M and D Expenditure Reports through June 30, 2004.

SGI Expenditures Spreadsheet. Selected data from July 1, 2003, through June 30, 2004.

Program Management

WCCUSD Contract Document Master Architect/Program Management Services.

WCCUSD Measure M – Phase 1 Contract Document, Master Architect, August 15, 2001.

WCCUSD Measure M – Supplement No. 1 to Contract Document, Master Architect, June 2, 2002.

WCCUSD Measure D – Phase 1 Contract Document, Master Architect, June 2, 2002.

Measure M and D Program Management Plan, May 2003.

WCCUSD Organization Chart 2003-04. Vince Kilmartin, Assoc. Supt. Organization Charts:
WLC/SGI Chart and Operations Division Chart.

WCCUSD Procedures Manual.

WCCUSD Board of Education Policy Manual, Facilities and New Construction.

WCCUSD Board of Education Meeting Packets, July 1, 2000, through June 30, 2004.

WCCUSD Program Status Reports, July 1, 2003, through June 30, 2004.

OPSC Internet Site, WCCUSD State Facility Program Status.

Measures M & D Bonds and Bond Oversight Committee

WCCUSD Measures M & D Bond Program Documents from Website.

WCCUSD Measures M & D Bond Oversight Committee Documents from Website.

WCCUSD Packet for Meetings of Measure M & D Bond Oversight Committee, July 1, 2003, through June 30, 2004.

WCCUSD Packet for Special Joint Study Session, Board of Education and Measures M & D Bond Oversight Committee, October 22, 2003.