

**MEETING AGENDA  
Board Audit Committee**

6:00 PM

March 27, 2018

East Side Union High School District Education Center  
Superintendent's Conference Room  
830 North Capitol Avenue  
San Jose, CA 95133-1398

*In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meeting of the Audit Committee, please contact the office of the District Superintendent at (408) 347-5011. Notification 72 hours prior to the Special Meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.*

**1. Call to Order/Roll Call**

**2. Introductions**

A welcome is extended to the current, reappointed and newly appointed members of the Audit Committee

- Board Member Frank Biehl – Newly Appointed Chair, term to December 2018
- Board Member Lan Nguyen – Reappointed Vice Chair, term to December 2018
- Bruce Berg – Reappointed Member, term to January 2019
- Dan Juchau – Continuing Member, term to January 2019
- Jon Reinke – Reappointed Member, term to January 2020
- Rajesh Godbole – Newly Appointed Alternate Member, term to January 2019

**3. Adopt Agenda**

**4. Special Order of Business**

*Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.*

**5. Public Comments**

*Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As an unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Committee may instruct the Chair to agendize the item for a future meeting.*

**6. Approval of Minutes**

**Action:** Minutes from the December 5, 2017, meeting will be presented for approval.

**Chair / Vice Chair**

**7. Discussion/Action: Updates**

Frank Biehl, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

**External Auditor**

**8. Discussion/Action: Annual Audit 2017-18**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the

- A. 2017-18 engagement letter
- B. Results from the February 2018 school sites testing will be provided.

### **Superintendent / Associate Superintendent of Business Services**

#### **9. Discussion/Action: Bond Performance Audit**

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, Sandy Nguyen, Capital Budget Manager, and Tahir Ahad, President, Total School Solutions, Vern Weber, Senior Consultant-Planning Management, will present the Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

#### **10. Discussion/Action: Bond Performance Audit Recommendations Remediation Update**

Julio Lucas, Director of Construction, Maintenance, and Facilities, Janice Unger, Director of Purchasing and Capital Accounting, and Sandy Nguyen, Capital Budget Manager, will provide an update on the status of the remediation of the audit recommendations from Total School Solutions Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017.

#### **11. Discussion/Action: Employee Car Allowance and Mileage Reimbursement – Final Remediation**

Silvia Pelayo, Director of Finance, will report on the final resolution of the Employee Car Allowance and Mileage Reimbursement Audit Report FY17-07 dated September 13, 2017, originally presented to the Audit Committee on September 12, 2017 as a draft and final to the Board on September 19, 2017.

### **Senior Manager of Internal Controls**

#### **12. Discussion/Action: Cash Handling and Associated Student Body (ASB)**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

#### **13. Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

### **Audit Committee Business**

#### **14. Discussion/Action: Future Meetings**

Audit Committee to schedule the next meeting.

#### **15. Superintendent/Associate Superintendent/Director Communications/Comments**

- Silvia Pelayo, Director of Finance

#### **16. Audit Committee Member Comments**

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

#### **17. Future Agenda Items**

- Accounting System
- Child Nutrition Services

#### **18. Adjournment**

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## Minutes of Meeting

### Unapproved

### Item 6

#### Board Audit Committee

December 5, 2017

6:00 PM

East Side Union High School District

Education Center

Superintendent's Conference Room

830 Capitol Avenue, San Jose, CA 95133-1398

#### 1. Call to Order /Roll Call

*Chair Pattie Cortese called the meeting to order at 6:07 PM.*

*Committee members present for roll call:*

*Chair Cortese, Vice Chair Nguyen, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens*

*Staff present:*

- *Kelly Kwong*
- *Marcus Battle*
- *Silvia Pelayo*
- *Janice Unger*
- *Julio Lucas*
- *Mary Guillen*

*Presenter present:*

- *Joyce Peters, External Auditor – VTD*

#### 2. Introductions

*Chair Cortese extended a welcome to members of the Audit Committee and audience. Each Committee Member and members of the audience introduced themselves.*

#### 3. Adopt Agenda

*There were no changes to the agenda.*

#### 4. Special Order of Business

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

*There was no special order of business.*

**5. Public Comments**

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

*There were no public speakers.*

**6. Approval of Minutes**

Minutes from the September 12, 2017, meeting will be presented for approval.

*Motion by Member Juchau, second by Member Berg, to approve the Board Audit Committee Minutes September 12, 2017, as presented.*

*Vote: 5/0; motion carries*

**External Auditor**

**7. Discussion/Action: Annual Audit 2016-17**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will provide an update from the final testing and will present the following draft reports for the year ended June 30, 2017:

- 7A. Annual Audited Actual Financial Report
- 7B. 2002 Measure G Fund Annual Financial Report
- 7C. 2008 Measure E Fund Annual Financial Report
- 7D. 2012 Measure I Fund Annual Financial Report
- 7E. 2014 Measure I Fund Annual Financial Report
- 7F. 2016 Measure Z Fund Annual Financial Report

*The reports are all clean, including the bond programs. The actual financial report is consistent with prior years. There are no new things coming in, except for GASB 77, which says you have to disclose for tax abatement. Other than that, everything is the same.*

*Regarding GASB 74, the District has a trust fund. VTD spoke with the trust fund administrator. It does not belong in the books and was, therefore, removed from the books. The trust fund administrator is required to comply with GSAB 74. If you take a look at the fiduciary fund, you will see that the trust fund has been removed.*

*The bonds are clean reports. This year, the bond reports are only financial statement reports since the District hired someone else from the outside to perform a comprehensive performance audit report.*

**Chair / Vice Chair**

**8. Discussion/Action: Updates**

Pattie Cortese, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

*Vice Chair Nguyen shared with the Committee that the District will be placing on the June 2018 ballot a parcel tax measure to help the projected deficit. A presentation will be made to the Board by the consultants on the pros and cons of a parcel tax measure, \$49-\$79.*

**Superintendent / Associate Superintendent of Business Services**

**9. Discussion/Action: Synthetic Turf Maintenance Audit Report – Final Remediation**

Marcus Battle, Associate Superintendent of Business Services, and Julio Lucas, Director of Construction, Maintenance, and Facilities, will report on the final resolution of the Synthetic Turf Maintenance Audit Report FY16-06 dated March 25, 2016, originally presented to the Audit Committee on April 4, 2016.

*Director Julio Lucas shared with the Committee that the District has a yearly maintenance plan on the synthetic turfs. The turf fields are tested every July/August. There are a few fields that are near their life expectancy and there is a plan within the Measure Z Bond to replace those turf fields. Machines were purchased for the sites to maintain the fields in between the yearly check ups.*

**10. Discussion/Action: Facility Use: Custodial Hours Audit Report – Final Remediation**

Marcus Battle, Associate Superintendent of Business Services, and Janice Unger, Director of Purchasing and Capital Accounting, will report on the final resolution of the Facility Use: Custodial Hours Audit Report FY17-01 dated August 17, 2016, originally presented to the Audit Committee on August 23, 2016.

*Director Janice Unger provided the Committee an updated report on the final resolution of the Facilities Use: Custodial Hours Audit Report. At the August, 2016, Audit Committee meeting, the Committee asked that the District remedy the report by listing the communication process, which promotes a positive customer value. As a result, Administration Regulation (AR) 1330E was created and is being shared with the Committee. On page 5 of the AR, are the custodial guidelines for rental events. Page 1 of the*

*Administrative Regulation addresses customer value, which allows for the customer to list/submit their experience.*

**11. Discussion/Action: Staff Time Charged to Bond Fund Audit Report – Final Remediation**

Marcus Battle, Associate Superintendent of Business Services, and Silvia Pelayo, Director of Finance, will report on the final resolution of the Staff Time Charged to Bond Fund Audit Report FY17-03 dated August 17, 2016, originally presented to the Audit Committee on August 23, 2016.

*There are a total of 14.68 positions charged to the bond fund. The positions were reviewed and are appropriately charged to bond funds. The bond performance auditors will review the information to verify that the positions charged to the bond funds are reasonable. The work performed by these positions are tied to the bond programs.*

**Senior Manager of Internal Controls**

**12. Discussion/Action: Cash Handling and Associated Student Body (ASB)**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

*Kelly Kwong, Senior Manager of Internal Controls, shared with the Committee that there has been some turnover in the ASB area, two clerks at two different sites, including one clerk out on medical leave. They have all been provided ongoing support and training by Kelly Kwong, as well as staff from Business Services.*

*There were some issues this calendar year at two sites. The matters are personnel-related, and, therefore, details on the matters cannot be disclosed.*

**13. Discussion /Action: School Connected Organizations**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on School Connected Organization matters.

*Administrative Bulletin #005 requires an annual renewal of school connected organizations, due October 1. Twelve renewal applications have been received and recognized for the 2017/2018 school year.*

*Several schools have new groups that are forming and would like to become a booster. The District will be guiding and supporting them on the process. All new school connected organizations require Board approval. They are in the process of obtaining their non-profit tax identification number.*

**14. Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

*For 2016/2017, as reported in the past, there were a total of seven reports. Since then, one report has been received, a call on November 16, 2017. The matter is personnel-related and has been addressed by the Associate Superintendent of Human Resources and the site Principal.*

**Audit Committee Business**

**15. Discussion/Action: Audit Committee Members – Terms and Appointment Process Review**

Audit Committee will review the terms served by each Member and review the draft vacancy announcement and application

- 15A. Member Terms
- 15B. Draft Announcement Seeking Applicants
- 15C. Draft Member Application

*The terms of the Audit Committee Chair and Vice Chair will be expiring on Thursday, December 7, 2017.*

*The terms of Member Reinke, Member Berg and Alternate Stephens will be expiring at the end of January, 2018. They are invited to reapply to serve as members on the Audit Committee.*

*The vacancy announcement will be posted on Friday, December 8. We are waiting for the appointment of the new Audit Chair for listing as a contact in the announcement.*

**16. Discussion/Action: Future Meetings**

Audit Committee to schedule the next meeting.

*The next Board Audit Committee meeting will be held on March 27, 2018, at 6:00 PM in the ESUHSU Superintendent's Conference Room.*

*Additional dates set by the Committee is as follows:*

- *April 3 will remain as an option if March 27 does not work out*

**17. Superintendent Communications/Comments**

- Chris D. Funk, Superintendent (*absent*)
- Marcus Battle, Associate Superintendent of Business Services
  - *On behalf of the Superintendent, Mr. Battle thanked Mr. Frank Stephens for his service to the Audit Committee. His input and comments were appreciated.*

**18. Audit Committee Member Comments**

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

*Members of the Committee thanked Mr. Frank Stephens for his service and contributions to the Audit Committee.*

*Chair Pattie Cortese and Vice Chair Lan Nguyen thanked the Committee for their service, contributions, and support. It has been a great learning opportunity.*

**19. Future Agenda Items**

*Recurring calendar item:*

<b><i>Item</i></b>	<b><i>Date</i></b>	<b><i>Submitted By</i></b>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>
<i>Results of Total School Solutions Bond Performance Audit</i>	<i>March/April 2018</i>	<i>Marcus Battle</i>



**20. Adjournment**

*Chair Cortese adjourned the meeting at 7:10 PM.*

*Respectfully submitted,*

*Lan Nguyen  
Board Audit Committee Vice Chair*



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

**Item 8a**

VALUE THE *difference*

March 6, 2018

Mr. Marcus Battle  
Associate Superintendent of Business Services  
East Side Union High School District  
830 North Capitol Avenue  
San Jose, CA 95133

Dear Mr. Marcus:

We are pleased to confirm our understanding of the services we are to provide East Side Union High School District (the "District") for the year ended June 30, 2018.

#### **DISTRICT AUDIT**

We will audit the financial statements (the "Financial Statements") of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the Financial Statements, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles ("GAAP") and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Budgetary Comparison Schedules.
- 3) GASB Required Supplementary Information, Other Post Employment Benefits ("OPEB"), and Pension.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the Financial Statements as a whole, in a report combined with our auditor's report on the Financial Statements:

- 1) Schedule of Expenditures of Federal Awards
- 2) Local Education Agency Organization Structure
- 3) Schedule of Average Daily Attendance
- 4) Schedule of Instructional Time
- 5) Reconciliation of Annual Financial and Budget Report With Audited Financial Statements
- 6) Schedule of Financial Trends and Analysis
- 7) Schedule of Charter Schools
- 8) Combining Statements - Non-Major Governmental Funds
- 9) Note to Supplementary Information

Our responsibility for other information included in documents containing the District's audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether such other information contained in these documents is properly stated.

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with United States GAAP and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the Financial Statements as a whole. The objective also includes reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the Financial Statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 United States *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance").

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that: (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance; and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations, and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to governing board of the District.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the Financial Statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the Financial Statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

### **Audit Procedures - General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We will plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement, whether from: (1) errors; (2) fraudulent financial reporting; (3) misappropriation of assets; or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with United States generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the Financial Statements or major programs. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We have advised you of the limitations of our audit regarding the detection of fraud and the possible effect on the Financial Statements (including misappropriation of cash or other assets). We have offered to perform, as a separate engagement, extended procedures specifically designed to detect fraud, and you have declined to engage us to do so at this time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the Financial Statements; Schedule of Expenditures of Federal Awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

### **Audit Procedures - Internal Control**

Our audit will include obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the Financial Statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the Financial Statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the Financial Statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

### **Audit Procedures - Compliance**

As part of obtaining reasonable assurance about whether the Financial Statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Other Services**

We will also assist in preparing the Financial Statements, Schedule of Expenditures of Federal Awards, and related notes of the District in conformity with United States GAAP and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards*, and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the Financial Statements, Schedule of Expenditures of Federal Awards, and related notes previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **GENERAL OBLIGATION BONDS AUDIT**

### **Financial Audit**

We will audit the financial statements of the 2002 Measure G, 2008 Measure E, 2012 Measure I and 2014 Measure I, and 2016 Measure Z Fund (the Bond Funds) of the District as of and for the year ended June 30, 2018. The financial statements will present only the Bond Funds and will not purport to, and will not be intended to present fairly the financial position and results of operations of the East Side Union High School District in conformity with accounting principles generally accepted in the United States of America

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether the Bond Funds' financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Bond Funds and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unmodified, we will fully discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during our audit we become aware that the Bond Funds are subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Performance Audit**

We will prepare a performance audit of the Bond Funds for the proceeds of the District for the year ended June 30, 2018.

### **Objectives**

The purpose of the Performance Audit is to meet the Proposition 39 requirements for the Bond Funds' proceeds to ensure compliance with Section 1 of Article XIII A, Section 1(b)(3)(C) of the California Constitution. This includes that the Proposition 39 Bond proceeds are expended only on the specific projects listed in the bond

language approved by the voters and no Bond proceeds are being spent on administrative salaries or any other expenses that would otherwise be the obligation of the District's General Fund. The Performance Audit will be conducted in accordance with *Government Auditing Standards*.

### **Scope and Methodology**

Our procedures for the Performance Audit will be as follows:

- Procure a detail of the accounting for the expenditures of the Bond Funds.
- Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other school operating expenses.
- From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. .

### **MANAGEMENT RESPONSIBILITIES**

Management is responsible for: (1) designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the Financial Statements, Schedule of Expenditures of Federal Awards, and all accompanying information in conformity with United States GAAP; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the Financial Statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the Financial Statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the Financial Statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the Financial Statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes,

regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings.

You are responsible for identifying all federal awards received, and for understanding and complying with the compliance requirements and for the preparation of the Schedule of Expenditures of Federal Awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the Schedule of Expenditures of Federal Awards in any document that contains and indicates that we have reported on the Schedule of Expenditures of Federal Awards. You also agree to make the audited financial statements readily available to intended users of the Schedule of Expenditures of Federal Awards no later than the date the Schedule of Expenditures of Federal Awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for the presentation of the Schedule of Expenditures of Federal Awards in accordance with the Uniform Guidance; (2) you believe the Schedule of Expenditures of Federal Awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the Schedule of Expenditures of Federal Awards.

You are also responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with United States GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

You agree to assume all management responsibilities relating to the Financial Statements, Schedule of Expenditures of Federal Awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with the preparation of the Financial Statements, Schedule of Expenditures of Federal Awards, and related notes, and that you have reviewed and approved the Financial Statements, Schedule of Expenditures of Federal Awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by



designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

## **ENGAGEMENT ADMINISTRATION, FEES, AND OTHER**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information, and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

We will not undertake any accounting services (including, but not limited to, reconciliation of accounts and preparation of requested schedules) without obtaining approval through a written change order or additional engagement letter for such additional work.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, Schedule of Expenditures of Federal Awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

The audit shall be completed and the audit report shall be delivered in accordance with time requirements as specified in the *Standards and Procedures for Audits of California Office*, unless delayed by circumstances beyond the control of the auditors.

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of California, State Controller's Office or its designee, a federal agency providing direct or indirect funding, or the United States Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Department of Education, State Controller's Office, other pass-through entities, or other cognizant agencies.

We expect to begin our interim audit on the week of May 14<sup>th</sup> and May 21<sup>st</sup>, final audit on the week of September 10<sup>th</sup> and September 17<sup>th</sup>, and to issue our reports no later than December 15<sup>th</sup>. Joyce C. Peters is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

To ensure that Vavrinek, Trine, Day & Co., LLP's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

**Our fee for these services will be fixed at \$47,000 for the District Financial Statements audit and \$20,000 for the Bond Fund audits** (\$4,000 for each bond measures). These amounts are all inclusive of any out of pocket expenses. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. **Our invoices for this fee will be rendered each month as work progresses** and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Additional audit fees may be assessed if additional auditing services are provided for (1) any changes in reporting format and/or audit requirements as stated in the Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, issued by the California State Controller's Office or Governmental Accounting Standards Board; (2) any changes in the number of funds or accounts maintained by the District during the period under this contract; and (3) additional audit procedures required due to the lack of preparation for the audit on the part of the District. These fees shall be in addition to the above fixed fee for audit services.

**The final installment will represent the ten percent (10%) withheld amount pursuant to *Education Code Section 14505* and will be presented for payment upon certification by the Controller that the audit report conforms to the reporting provisions of the Audit Guide.** All billings for additional audit fees or services will be billed as these services are provided. In accordance with *Education Code Section 14505(b)*, the District shall withhold fifty percent (50%) of the audit fee for any subsequent year of a multi-year contract if the prior year's audit report was not certified as conforming to reporting provisions of the Audit Guide. This contract shall be null and void if a firm or individual is declared ineligible pursuant to subdivision (c) of Section 41020.5. The withheld amount shall not be payable unless payment is ordered by the State Board of Accountancy or the audit report for that subsequent year is certified by the Controller as conforming to reporting provisions of the Audit Guide.

The form and content of the annual audit shall be in conformity, to the extent practicable, with such form and content as may be prescribed by the State of California under Section 41020 of the *Education Code*, Audits of State of Local Governments, issued by the United States Office of Management and Budget, as issued pursuant to the Single Audit Act Amendments of 1996 and Title 2 United States *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensure owners will be performing audit services for the District.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation. The costs of any mediation proceedings shall be shared equally by all parties. The District and Vavrinek, Trine, Day & Co., LLP both agree that any dispute over fees charged by us to the District will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association except that under all circumstances the arbitrator must follow the laws of California. Such arbitration shall be binding and final. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND, INSTEAD, WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.**

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

We have provided you a copy of our most recent external peer review report. Accordingly, our 2014 peer review report accompanies this letter.

Sincerely,



Joyce C. Peters  
of VAVRINEK, TRINE, DAY & CO., LLP

**RESPONSE:**

This letter correctly sets forth the understanding of East Side Union High School District.

Management Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## YANARI WATSON MCGAUGHEY P.C.

---

DALE M. YANARI (1947-2004) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY ♦ DON W. GRUENLER  
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

### System Review Report

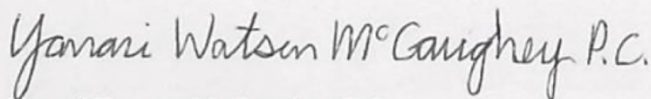
May 22, 2015

To the Partners of  
Vavrinek, Trine, Day & Co., LLP  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.



Yanari Watson McGaughey P.C.

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GREENWOOD VILLAGE, COLORADO 80112-3647  
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web site: [www.ywmcpa.com](http://www.ywmcpa.com)

**To: Management of East Side Union High School District**  
**From: Joyce Peters, Vavrinek, Trine, Day & Co., LLP**  
**Date: 3/27/2018**

**Site Name: Silver Creek High School**                      **Date Visited: 2/15/2018**  
**Auditor: Joe Escobar**

**Auditor's observation:**

Attendance:

We examined all students from selected five classes in Month 2 and Month 3. From the sample selected, we traced the students' attendance records from summary report to teachers' rosters. Also, we selected four samples from the absent/phone log to students' attendance records. **We found no exceptions.**

Associated Student Body (ASB):

1. Receipting - We selected five deposits in November. We reviewed the receipts written to deposit slips to ensure all written receipts are in sequence and traced them to the Bank Statement to ensure all funds received are deposited intact and timely. **We found no exceptions.**
2. Disbursement - We haphazardly selected 14 disbursements from July to February. We walked through the approval process and examined the supporting document to ensure all expenditures are appropriate for the ASB and approved by the ASB officers. **VTD noted three disbursements with deficient or insufficient signatures. One disbursement had sufficient approvals; however, did not have all signatures provided in the documentation, one disbursement was lacking the principal's signature, and another the ASB clerk obtained from the principal while testing was being performed. Lastly, it did take the ASB clerk an additional day to provide two of the invoices requested.**
3. Fundraising - We selected one fundraising activity in November. We examined supporting document (Revenue Potentials) and noted that fundraisers was approved by ASB, funds received were deposited and posted to general ledger **without exception.**
4. Ticket Log - We selected one ticketed event in October. We examined ticket logs to ensure ticketed events are prepared, calculated and recorded properly. **We found that the Overage/Shortage documentation for explanation of differences was not provided.**
5. Student Store – We selected two dates in September and December. **VTD was unable to reconcile the student store slips to the deposit totals. One deposit total had more cash and another had less cash.**
6. General Observation – VTD noted that the ASB Clerk un-voided a check and used it as a disbursement. **VTD recommends not to un-void any items and to issue a new check when such circumstances occur. In addition, VTD noted that the ASB does not have sufficient segregation of duties.** The bookkeeper maintains the ASB records, deposits and holds cash.

Cafeteria Site Cash Collection:

Every cash box has a terminal POS computer system except for A La Carte cash boxes. The A La Carte stations only collect cash but there is no POS computer system associated with it. For these A La Carte stands, the school site uses a manual inventory tracking system to reconcile the cash collected. The person at the A La Carte station puts down beginning inventory on a cash report and then counts the ending inventory at the end of the day. Cash is then reconciled to the amount of inventory items that are sold. This is equated by subtracting ending inventory by beginning inventory. **This system can be easily manipulated and cash can be pocketed without prevention or detection. This is an internal control weakness. VTD recommends implementing POS system terminals at the A La Carte stations to appropriately reconcile cash collected to meals served.**

**Site Name: Santa Teresa High School**

**Date Visited: 2/14/2018**

**Auditor: Joe Escobar**

**Auditor's observation:**Attendance:

We examined all students from selected five classes in Month 2 and Month 3. From the sample selected, we traced the students' attendance records from summary report to teachers' rosters. Also, we selected four samples from the absent/phone log to students' attendance records. **We found no exceptions.**

Associated Student Body (ASB):

7. Receipting - We selected 14 deposits in October. We reviewed the receipts written to deposit slips to ensure all written receipts are in sequent and traced them to the Bank Statement to ensure all funds received are deposited intact and timely. **We found no exceptions.**
8. Disbursement - We haphazardly selected 19 disbursements from July to February. We walked through the approval process and examined the supporting documents to ensure all expenditures are appropriate for the ASB and approved by the ASB officers. **We found no exceptions.**
9. Fundraising - We selected five fundraising activities in October. We examined supporting document (Revenue Potentials) and noted that fundraisers was approved by ASB, funds received were deposited and posted to general ledger **without exception.**
10. Ticket Log - We selected four ticketed events between October and February. We examined ticket logs to ensure ticketed events are prepared, calculated and recorded properly. **We found no exceptions.**
11. Student Store – The school site does not have a student store.
12. Petty cash – We verified that petty cash is kept in a secure location and **the impress amount is accounted and reconciled.**
13. Site Cash – We reviewed three disbursements. We walked through the approval process and examined the supporting documents to ensure all expenditures were **approved and valid.**

14. General Observation – **VTD noted that the ASB does not have sufficient segregation of duties.** The bookkeeper maintains the ASB records, deposits and holds cash.

Cafeteria Site Cash Collection:

Same as Silver Creek; Santa Teresa has less stations (4/5) than Silver Creek (10/12). The A la carte inventory numbers are input into the POS system after services for tracking purposes however; are **susceptible to same risks** as at Silver Creek.

**Site Name: Calero High School                      Date Visited: 2/13/2018**  
**Auditor: Joe Escobar**

**Auditor's observation:**

Attendance:

We examined all students from selected two classes in Month 2 and Month 3. From the sample selected, we traced the students' attendance records from summary report to teachers' rosters. Also, we selected two samples from the absent/phone log to students' attendance records. **We found no exceptions.**

**Site Name: James Lick High School                      Date Visited: 2/16/2018**  
**Auditor: Joe Escobar**

**Auditor's observation:**

Attendance:

We examined all students from selected three classes in Month 2 and Month 3. From the sample selected, we traced the students' attendance records from summary report to teachers' rosters. Also, we selected three samples from the absent/phone log to students' attendance records. **We found no exception.**

Associated Student Body (ASB):

15. Receipting - We selected 1 deposit in October. We reviewed the receipts written to deposit slips to ensure all written receipts are in sequent and traced them to the Bank Statement to ensure all funds received are deposited intact and timely. **We found no exceptions.**
16. Disbursement - We haphazardly selected 10 disbursements from July to February. We walked through the approval process and examined the supporting document to ensure all expenditures are appropriate for the ASB and approved by the ASB officers. **We found no exceptions.**
17. Fundraising - We selected two fundraising activities in September and October We examined supporting document (Revenue Potentials) and noted that fundraisers was approved by ASB, funds received were deposited and posted to general ledger **without exception.**

18. Ticket Log - We selected two ticketed events in October. We examined ticket logs to ensure ticketed events are prepared, calculated and recorded properly. **No exceptions noted.**
19. Student Store – We selected one cash receipt in October. The student store inventory is infrequently performed and not performed in a timely fashion. **VTD noted the inventory count does not reconcile to sales and restocking records.**
20. General Observation – **VTD noted that the ASB does not have sufficient segregation of duties.** The bookkeeper maintains the ASB records, deposits and holds cash. VTD also noted that per the ASB manual Scholarship awards are not prohibited but discouraged. **VTD noted multiple scholarship payments.**

Cafeteria Site Cash Collection:

Same as Santa Teresa. James Lick has 4/5 stations. The A la carte inventory numbers are input into the POS system after services for tracking purposes however; are **susceptible to same risks** as at Silver Creek and Santa Teresa.

**Site Name: Independence Study Program**  
**Auditor: Joe Escobar**

**Date Visited: 2/12 – 2/16**

**Auditor's observation:**

Attendance:

We examined ISP students from Santa Teresa and Calero High School. Total four sample (five including Short Term) students. From the sample selected, we examined students' sample homework, certified teachers' apportionment determination, independent study contracts, etc. Total 20+ state compliance. **We found no exceptions.**

**Site Name: Apollo High School**  
**Auditor: Joe Escobar**

**Date Visited: 2/12/18**

**Auditor's observation:**

Attendance:

We examined all students from selected two classes in Month 2 and Month 3. From the sample selected, we traced the students' attendance records from summary report to teachers' rosters. Also, we tested monthly record to ascertain hourly attendance is used, is not credited for more than scheduled time, and no more than 15 hours is claimed per week. **We found no exceptions.**



**Item 9**

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

**PERFORMANCE AUDIT  
MEASURES G, E, I AND TECH I  
FISCAL YEARS 2015-16 AND 2016-17**



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

**January 2018**

# **East Side Union High School District**

## **BOARD OF TRUSTEES**

**June 30, 2017**

<b>J. Manuel Herrera</b>	<b>President</b>
<b>Pattie Cortese</b>	<b>Vice President</b>
<b>Lan Nguyen</b>	<b>Clerk</b>
<b>Frank Biehl</b>	<b>Member</b>
<b>Van T. Le</b>	<b>Member</b>

## **CITIZENS' BOND OVERSIGHT COMMITTEE**

<b>Vince Tran</b>	<b>Chair</b>
-------------------	--------------

## **ADMINISTRATION**

**Chris D. Funk, Superintendent**

**Marcus Battle, Associate Superintendent, Business Services**

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## INTRODUCTION

On March 5, 2002, the East Side Union High School District submitted for voter approval Measure G, a bond measure to authorize the sale of \$298 million in bonds to improve school facilities. The measure was approved by 69.9 percent of the voters.

On February 5, 2008, the District submitted for voter approval Measure E, a bond measure to authorize the sale of \$349 million in bonds to improve school facilities. Measure E was approved by 71.39 percent of the voters.

On November 6, 2012, the District submitted for voter approval Measure I, a bond measure to authorize the sale of \$120 million in bonds to improve school facilities. Measure I was approved by 70.5 percent of the voters.

On November 4, 2014, the District submitted for voter approval a Technology Bond Measure, Measure I, a bond measure to authorize the sale of \$113.2 million in bonds to improve school facilities. Measure Tech-I was approved by 67.91 percent of the voters.

Because the above four bond measures required only 55 percent of the vote pursuant to Proposition 39, the District was required to establish a Citizens' Bond Oversight Committee and to conduct two independent audits. The first audit is a financial audit similar to a District's annual financial audit; the second is a performance audit, which measures the effectiveness, economy, and efficiency of the bond facilities program. The District engaged Total School Solutions (TSS) to conduct an independent performance audit of Measures G, E, I and Tech-I for 2015-16 and 2016-17 and to report its findings to the Board of Trustees and the independent Citizens' Bond Oversight Committee.

Besides ensuring that the District uses bond proceeds from each bond measure in conformance with the provisions listed in the corresponding ballot language, the scope of the examination includes a review of the components identified in the Table of Contents. This report is designed to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measures G, E, I and Tech-I and to help the District improve its management of the bond program.

TSS reviewed numerous documents and held interviews with personnel involved in the bond program. Data produced by District staff and consultants and representations made by the District administration and consultants were used, where appropriate, to perform this review and to formalize conclusions. Each component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program. Any known significant weaknesses and substantial non-compliance items have been reported to the District's management. This review is not a fraud audit, which would be much wider in scope and more significant in nature.

This performance audit has been done to meet the requirements of standards presented in the Generally Accepted Government Auditing Standards (GAGAS), which govern performance audit requirements. TSS notes for the District's information the following legislation that is in effect for all performance audits.

- Senate Bill 1473 took effect on January 1, 2011, mandating that performance audits be conducted in compliance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States (aka, “Yellow Book”). To comply with these standards, a performance audit must be conducted by competent audit staff to ensure a proper evaluation of bond program effectiveness, efficiency and economy.
- Senate Bill 581 took effect on January 1, 2014, relating to school bonds and accountability. SB 581 requires that the governing board of a school district provide its Citizens’ Oversight Committee with responses, within three months, to any finding, recommendation, or concern addressed in the annual independent performance audit and financial audit. SB 581 also requires that performance and financial audits be submitted to the Citizens’ Oversight Committee at the same time as they are submitted to the school district, which is not later than March 31 each year.
- Senate Bill 584 took effect on January 1, 2015, requiring the State Controller, in consultation with the State Allocation Board (SAB), the Department of Finance, and the State Department of Education (CDE), to submit content to be included in the audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies*, beginning with the 2015-16 fiscal year, that is related to specific content for financial and performance audits required for school facility projects. That content has now been adopted, and the updated audit guide includes language that reiterates and expands upon the performance audit language that is included in GAGAS.
- The adopted California Audit Guide includes an Appendix entitled Local School Construction Bond Audits that addresses bond financial and performance audits. That guide states: “Audits shall be conducted in accordance with the auditing standards set forth in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of this Appendix.” In brief, the performance audit report shall contain the audit results, including findings, conclusions and recommendations as appropriate.

## **EXECUTIVE SUMMARY**

### **2015-16 and 2016-17 Performance Audit**

In conducting the performance audit, TSS reviewed and examined documentation and processes within the facilities program for the period from July 1, 2015 through June 30, 2017, and interviewed persons involved in the bond program. Representations made by District staff and consultants were used, where appropriate, to make assessments, observations, findings and formalize conclusions and recommendations documented in this report. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

Presented in the following are commendations, observations, recommendations and conclusions as documented in each section of this performance audit report. For purposes of this performance audit, an observation is defined as an item of evidence found during the audit that relates to the quality of the product, process, or system. Observations may or may not require corrective action and do not rise to the level of a finding.

## **COMPOSITE BOND MEASURES FINANCIAL REPORT**

### **Commendations**

- The District is commended for refunding prior bond issuances to reduce interest obligations paid by taxpayers and to lower its tax rate to enable additional bonds to be sold.
- The District is commended for the use of GO Flex-Bonds™ to reduce borrowing costs and providing flexibility in acquiring technology equipment with a short-term useful life.

### **Observation**

- The District collects developer fees and deposits them into its Capital Facilities Fund. The fund had an ending balance of \$8.0 million in 2016-17. Developer fee revenues, including interest earnings, were significant for 2012-13 through 2016-17 after the recovery of the national economic recession that began in 2008.

### **Conclusion**

- By restructuring debt and passing new bond measures, the District has been able to reduce interest costs and continue with its bond program without delay.

## **COMPLIANCE WITH BALLOT LANGUAGE**

### **Commendation**

- The District is commended for its actions to pass Measure I, a \$120,000,000 bond measure, to enable the bond program to continue without delay.

### **Conclusion**

- For the performance audit period 2015-16 and 2016-17, there is no evidence that bond funds were inappropriately expended, and TSS verified that the East Side Union High School District is in compliance for expenditures made at sites included in the Bond Project Lists for Measures G, E, I and Tech-I.

### **COMPLIANCE WITH STATE LAW AND REGULATIONS**

### **Conclusion**

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

### **COMPLIANCE WITH DISTRICT POLICIES AND REGULATIONS**

### **Commendation**

- The District is commended for issuing Administrative Directives and continually revising and maintaining current Board Policies and Administrative Regulations.

### **Recommendation**

- It is recommended that new staff members assigned to perform business functions receive orientation and training in the District's BPs and ARs to ensure understanding and compliance. It is further recommended that all business staff meet periodically to self-examine their compliance to the District's BPs and ARs.

### **Conclusion**

- The District is in compliance with Board policies and regulations analyzed in this section. The recommendation made above is intended to enable the District to more effectively carry out its bond program.



## RISK ASSESSMENT

### Conclusion

- Based on a review of District and outside documents and interviews held with key personnel, for the period covered by the Performance Audit, TSS identified no evidence of fraud. The District has developed policies and regulations to help ensure that risk will be kept to a minimum and employs an Internal Auditor to review District practices.

## CITIZENS' BOND OVERSIGHT COMMITTEE

### Observations

- The CBOC scheduled visitations at various sites throughout 2015-16 and 2016-17 as noted on the meeting summary.
- The Board of Trustees approved revised Bylaws, adding Measures E, I, Tech-I and Z to the Committee's oversight, and allowing a member to serve three two-year terms.
- The District maintains a website for the CBOC and bond program information.

### Conclusion

- The CBOC is fully compliant with the law and its Bylaws in carrying out its duties and responsibilities. Meeting schedules and agendas were posted, meetings were held at least quarterly, membership attendance at meetings were recorded, minutes were prepared, and website content was comprehensive. The committee duly elected a chairperson and other officers. Meetings were conducted in a manner consistent with the Ralph M. Brown Act, Government Code, Section 54950 et seq., meetings were open to the public and were conducted for its intended purpose of providing oversight of the bond program, and that the Committee did not engage in unauthorized discussions and/or activities.

## BOND MANAGEMENT PLAN/PROGRAM INCLUDING QUALITY CONTROL

### Observations

- Salaries of District staff associated with the bond program has been charged to Measures G, E, I and Tech-I bonds. These charges are supported by the opinion in the Attorney General Report No. 04-110 which states "...district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent that they perform administrative oversight work on construction projects authorized by a voter bond measure." These District charges include the cost of benefits and allowances. Although the Attorney General's opinion does not directly address benefits or allowances, most districts construe that the cost of benefits and allowances are inseparable from the salaries of the employees.

- The District explored and utilized various methods of project delivery in the construction of bond funded projects to take advantage of features offered by each method according to what is best for the type and size of the project. These features include ease of contract administration, cost savings, reduction in the number of change orders, and time savings. Project delivery methods such as Design-Bid-Build (DBB), Design-Build (DB) and Lease-Leaseback (LLB) have been used successfully by the District for the bond program. In addition, the District used various alternative procurement methods allowed under the Public Contracting Code, such as CUPCCAA, bulk and cooperative purchasing, and other methods to generate savings in time and money.
- The District prepared and submitted to the Board of Trustees a report entitled “Fiscal Year 2016-17 Bond Funded Positions”. Detailed in the report are position titles and control numbers of District staff from the Fiscal Department, the Capital Accounting and Purchasing Department, the Facilities Department, the Information Technology Department and the Internal Control Department. The report also includes the FTE equivalent staff time to perform oversight, management and control work for the bond program.
- District staff developed procedures and processes to ensure proper flow, authorization, approval and control of documentation relating to projects and contracts under the bond program. Examples include the Project Initiation Procedure, Change Order Process – Procedure. Notice of Completion (NOC) Procedure and many others.
- The District transitioned from the QSS Financial Management System to the CFS Financial System. The new system allows District staff to code construction budgets and expenditures by project and have the ability to generate financial activity reports by project. This feature was not available in the QSS Financial System. This new software vastly improves the District’s reporting capabilities for the bond program.

### **Conclusions**

- Review of the District’s approach to management of the bond program indicate that the District expended adequate effort in making improvements to the program management and construction administration services in the management and control of the Measures G, E, and I bond program. District leadership has taken steps to redefine roles and responsibilities for the District staff and the consultants to ensure greater efficiency of the program.
- Interviews with staff, consultants, and members of the Board of Trustees and the Citizen’s Bond Oversight Committee (CBOC) indicate that the District’s decision to perform “in-house” with District staff, all construction administration services and financial recordkeeping and reporting activities for all projects under the program has been highly successful and beneficial to the District. Most of the interviewees expressed satisfaction and confidence in those individuals in current District staff leadership roles who are responsible for the management and administration of the construction projects.

## **Recommendation**

- The District has successfully performed “in-house” all construction administration services, financial recordkeeping, and financial reporting services for all the projects under the bond funded construction program. Recognizing the value of this achievement, it would be worthwhile for the District to consider performing “in-house” the remaining program management services that currently remain with the Program Manager, to save additional money while continuing to provide high-quality service. Remaining program management services include the development and maintenance of master program scopes, schedules and budgets, including cash-flow projections and others. Taking over all program management services from the PM would require the District to hire additional staff with specializations in these areas, if it is determined that those specializations are not currently held by the existing staff.

## **DESIGN AND CONSTRUCTION COSTS AND BUDGETS**

### **Observations**

- On a monthly basis, staff updates and posts the “Capital Improvement Program Monthly Status Report” on the Bond Measures webpage of the District website. The report provides information relating to the activities on the approved and active construction projects on a site by site basis. Included in the report is a list and descriptions of approved projects for each school site, the status of planning, design, procurement and construction, completion and schedules. Also included in the reports are the approved budgets and expenditures incurred in each project, the corresponding sources of bond funds utilized and the highlights of the construction activities, including pictures. These reports serve the District well in disseminating information to staff, the community and other stakeholders on the status and progress of the capital improvement program funded by the bond measures.
- Staff presents proposals and recommendations to the Board of Trustees for review and approval regarding the allocation of funds to major construction projects where the need has been determined. One example is the presentation, discussion and approval of the allocation of funds for facility upgrades to alternative education facilities at Independence, Oak Grove, W. C Overfelt and Yerba Buena High Schools on November 15, 2015.
- The School Site Councils and Superintendent’s Council are actively engaged in the review of a school’s project lists and emerging needs of a school site and recommends revisions to the scope of work, creation of new projects and/or priorities for Board of Trustees review and approval. One example is the revision to the capital construction projects list at Santa Teresa High School, wherein previously approved projects are cancelled and new projects created to meet the school’s emerging and changing needs.

- The District developed and submitted the “Capital Program Budget Adjustment Report” to the Board of Trustees as a result of the audit finding by Moss Adams LLP during the performance audit for fiscal year 2013-14 and 2014-15. The monthly report, which was first submitted in April 21, 2016, lists changes and adjustments to the approved project budgets occurring within the reporting month. Adjustments to the approved project budgets include cost escalations, reallocation of project savings, defunding of approved projects, funding of new higher priority projects and contingency distributions. The report is submitted during the regular monthly meeting of the Board of Trustees and is created for the purpose of improving the effectiveness of the communication channels among stakeholders of the capital improvement program. The report serves the Board of Trustees well by assuring everyone involved that the allocation and re-allocation of funds are properly authorized and approved.

### **Conclusions**

- Review of design and construction documents indicate that the District expended adequate effort in developing budgets for the design and construction of projects identified in the Measure G, E, I and Tech-I bond project lists. Budgets were developed together with funding augmentation and realignment plans to meet critical construction needs that are identified during the course of program implementation, and submitted to the Board of Trustees for information, direction and/or approval.
- Results of budget and expenditure comparisons indicate that the District expended necessary effort to effectively monitor and manage the expenditures on bond funded construction projects to keep them below or on par with the approved budgets.

### **DESIGN AND CONSTRUCTION SCHEDULES**

#### **Observations**

- The “Capital Improvement Program Monthly Status Report” is prepared and posted on the Bond Measures webpage of the District website. The report provides information on the activities relating to the approved and active construction projects on a site by site basis. Included in the report is a list and descriptions of approved projects for each school site, the status of planning, design and construction, completion and schedules. Also included in the reports are the budgets and expenditures incurred in each project, the corresponding sources of funds utilized and highlights of the construction activities complete with pictures. However, these monthly reports cover only Measure G, E and I bond programs which are under the purview and management of the Director of Construction, Maintenance and Facilities. A similar monthly status report covering Measure Tech-I bond program is not available.

- The School Site Councils and Superintendent’s Council are actively engaged in the review of school project lists and emerging needs of a school site, and recommend revisions to the scope of work, creation of new projects and/or priorities for Board of Trustees review and approval. One example is the revision to the capital construction projects list at Santa Teresa High School wherein previously approved projects were cancelled and new projects created to meet the school’s emerging and changing needs.

### **Conclusions**

- Results of the examination of design and construction schedules indicate that the District expended adequate effort in the development of project lists and the creation of program schedules for the design and construction of projects approved for the Measures G, E, I and Tech-I bond program. Likewise, the District expended adequate effort to ensure adherence to the established schedules.
- Interviews with staff and consultants, and information that was made available, indicates that the process involved in the development of scope and schedules for Measures G, E, I and Tech-I was a collaborative effort between the school site administrators, the District facilities staff, the program management staff, the architects, engineers and consultants.

### **Recommendation**

- It is recommended that a monthly status report covering the Measure Tech-I bond program be prepared and posted on the District’s website, Bond Measures webpage. The report should include the status of procurement, installation and upgrading of technology and networking systems equipment, devices, etc. This report would be provide important information on this bond measures and serve as a tool for disseminating information to staff, the community and other stakeholders regarding the status and progress of the capital improvement program funded by the bond measures.

## **CHANGE ORDER PROCEDURES**

### **Observations**

- During the current audit period, the District continued to follow the established procedures for authorization and approval of PCOs in the field and the submittal of Change Orders (CO) to the Board of Trustees for approval or ratification.
- TSS reviewed available contract records and back-up documents on agenda items for change orders on construction projects and the results are shown in the table, Change Orders, Fiscal Year 2015-16 thru 2016-17. Change Orders generated by the construction contracts during this period ranged from 0.23 percent to 8.10 percent on new construction projects, and from 0.25 percent to 10.0 percent on modernization projects. The percentages commonly observed in most school districts range from 3 to 5 percent for new construction projects and 6 to 8 percent for modernization projects. During the current audit period, the cumulative total amounts of change orders generated by active

construction projects did not exceeded the 10 percent cap set by Public Contract Code 20118.4.a and 20118.4.b.

- During the current audit period, processing and approval of change orders for professional services contracts such as architects/engineers, project inspectors and other consultant agreements followed the same approval process set forth for construction contracts.

### **Conclusion**

- Results of the review and examination of change order documents during the current audit period indicate that the District is in compliance with the requirements of Public Contract Code Section 20118.4a and b which sets the requirements and processes for construction change orders.

## **PROCEDURES FOR CLAIMS AVOIDANCE PROCEDURES**

### **Observations**

The District has created and implemented the following procedures to minimize and prevent potential claims.

- *Constructability Review and Design Coordination Services.* Through the Request for Proposal (RFP) process, the District selects a Construction Manager (CM) from a pool of pre-qualified construction management firms to be awarded the construction services contract for a construction project. Once under contract, the CM is paired with the Architectural/Engineering Consultant that is awarded the design and engineering services contract for the project. The CM then assists the District's Project Manager in coordinating the work of the design teams and assists in the process of ensuring that the documents are as accurate as possible. One of the responsibilities of the CM is to perform a constructability review and a design coordination review of construction documents for the assigned project. By incorporating the comments generated during these reviews into the design documents, the design team is able to deliver more accurate documentation and thereby reduce the opportunity for contractor claims at a later time.
- *Delegation of Authority to Approve Change Orders.* To ensure that change orders are expeditiously approved and work is authorized to proceed, the Board of Trustees delegated the authority to approve change orders to the Director of Facilities, Construction and Maintenance (up to \$45,000), and the Associate Superintendent of Business Services (up to \$175,000) in accordance with the requirements of Education Code 17604 thru 17606. For change orders costing over \$175,000, the authority to approve remains with the Board of Trustees. All change orders approved by the designees are taken to the Board of Trustees for ratification during the next regular board meeting. With this delegation, the turnaround time for change orders to get approved and the contractor given authorization to proceed with work is significantly shortened, thus avoiding waiting-time delays.

- *Properly Written Construction Contracts.* The District maintained and regularly updated the construction bid documents to ensure that the various types of changes, method of costing, approval and authorization requirements for change orders are clearly defined in the District's construction bid documents, General Conditions Section, specifically articles dealing with changes and extra work.
- The TSS review of the Board agenda items and interviews with staff indicate that there are no outstanding claims and no new claims received during fiscal year 2015-16 and 2016-17.

### **Conclusion**

- Results of TSS data gathering and interviews conducted with District staff during the current audit period indicate that the policies and procedures created by the District have been effective in preventing or minimizing the number of contractor claims against the District.

### **Recommendation**

- The District should continue to ensure that the comments generated by the constructability and design coordination reviews are incorporated into the design and construction documents. These reviews improve the design team's ability to deliver accurate design and construction documents, thus resulting in reduced changes to scope, preventing delays and fewer opportunities for contractor claims.

## **MEASURES EXPENDITURES AND PAYMENT PROCEDURES**

### **Commendations**

- The District took advantage of historically low-interest rates and refinanced Measures G and E bonds. Refinancing bonds with lower interest rates is financially prudent and saves the taxpayers money.
- The District passed Technology Measure I to purchase and finance technology equipment for staff and students. The District's financing method utilized to finance technology equipment matches the financing period over the useful life of these short-lived assets, which is a savings to taxpayers.
- The District passed an innovative general obligation Flex-Bond. This bond allows the District better flexibility in issuing bonds as a series of short-term, lower interest loans designed to match the District's construction funding needs. It is very likely that this type of loan will allow the District greater opportunities to finance projects more cost-effectively and will save the taxpayers money.

- In the last performance audit conducted by TSS, we observed that the District was very reliant on the Program Management Company and would be better served by developing more in-house construction management and accounting expertise. Based on TSS's interview with District staff, the District has hired and transferred functions from the Program Manager to in-house staff, which is more cost effective for the District and taxpayers.

### **Observations**

- All of the invoices tested in the sample included evidence of being reviewed and approved by authorized persons in accordance with District policy.
- All of the expenditure items tested were in compliance with the bond language.
- District staff was asked to discuss issues or complaints received related to timely vendor payments and to disclose any lawsuits related to all of the Measures audited during the fiscal years ended June 30, 2016 and 2017. Based on interviews with District staff, it was noted the District has not received complaints from vendors related to non-timely payments during the fiscal years ended June 30, 2016 and 2017. It was also noted that the District was not involved in any litigation related to all of the Measures audited during the fiscal years ended June 30, 2016 and 2017.
- In our interviews with staff, it was communicated that the Capital Purchasing Buyer and Accounting Tech positions were vacant for more than 2 months. When positions are vacant for any length of time, remaining staff are required to assume responsibility for the work for these vacant positions, which can be a burden for some staff.
- In reviewing 2 monthly invoices related to Program Management, the details of the invoice reflected that the District paid SGI \$30,865 in April 2016 and \$39,665 in December 2016 for scanning documents. It was noted that SGI's billing rates for document control activities ranged from \$22 per hour to \$148 per hour for scanning documents.
- In interviewing various District staff, the Capital Accounting staff communicated that the District could benefit from having access to an effective Construction Project Management software program.



## **Recommendations**

- The District needs to more timely hire personnel and review the job classifications of staff to ensure that staff performing the work are doing work in concert with their assigned job descriptions. In addition to performing lower level work, the Capital Budget Manager is currently performing additional responsibilities that are not in her current job description. These additional duties resulted from the restructuring of the job responsibilities of the Assistant Director of Capital Accounting to the Director of Purchasing & Capital Accounting. It is important for the well-being and morale of District staff to timely fill job vacancies and for the District to evaluate job descriptions and responsibilities when a restructuring of positions occurs.
- The District should review the costs being paid to SGI and others for specific non-technical functions (scanning, renaming and uploading files to District server) and evaluate potential cost savings if in-house staff performed these non-technical functions.

The District should research what Construction Project Management software programs are available to provide staff with more tools to better manage construction projects. Currently, the District's Program Manager does not utilize a Construction Project Management software program.

A good Construction Project Management system will likely save the District and taxpayers money by improving the scheduling of projects, tracking of costs, and budgeting. The District staff would likely benefit by a better ability to anticipate potential scheduling issues, to view real-time work schedules, and to have better insights on how to save money. Finally, the District would benefit from having improved timing on completion of the construction projects, lower construction costs, and lower escalation costs.

## **BEST PRACTICES IN BIDDING AND PROCUREMENT**

### **Observations**

- On February 4, 2016, the Board of Trustees, having reviewed the guidelines developed pursuant to Education Code §17250.40, approved the determination that design-build delivery for the W.C. Overfelt High School Music, Art and Administration Building and Central Quad Modernization Project would reduce project costs, expedite the project's completion, and/or provide features not achievable through the design-bid-build process. Consequently, the Board adopted Resolution #2015/2016-12, approving the use of Design-Build Delivery for the proposed project.
- The District uses front-end documents that were reviewed by legal counsel and approved by the Board of Trustees. The District also has a Project Labor Agreement (PLA) in effect. The PLA was designed to promote efficient construction operations, ensure adequate supply of skilled craftspeople, and provide procedures for settling labor disputes.

- On October 20, 2016, District staff presented a study on the benefits derived from the use of the Lease-Leaseback (LLB) method of project delivery on the Independence High School Modernization of Theater, B Commons, Streetscape Improvements and Infrastructure Project. It was found that the method generated cost savings in the field and some savings in administrative costs. However, since the Fifth District Court of Appeal Decision in Davis v. Fresno Unified in June 2015, many school districts have decided against pursuing the use of LLB as a project delivery method resulting in fewer LLB projects statewide. Due to these concerns, the District does not currently have any pending or planned projects utilizing this construction delivery method.
- During the current audit periods, 2015-16 and 2016-17, the District conducted competitive bids for construction contracts funded with Measures G, E, I and Tech-I bonds. Based on the bids reviewed, TSS has verified that contracts were awarded to the lowest responsive responsible bidders in accordance with the requirements of the public contracting code.
- Review of the bid packages indicate that some of the lowest bids received came in higher than the engineer's estimates. One example is the bid for Piedmont Hills New Classroom Building D1 and D2 Project, wherein the lowest bid came in at \$11,055,000 while the engineer's estimate was at \$9,700,000. In most cases, this occurs as a result of an upward construction market trend. When the market is hot and many projects are bidding around the same period, contractors find that the labor pool shrinks and materials and supplies are scarce, resulting in increased costs and higher bids.
- The District maintained and updated the list of pre-qualified contractors and professional services consultants to perform work for the Measures G, E, I and Tech-I bond program projects for the District in compliance with CUPCCAA informal bidding requirements.

### **Conclusion**

- Results of the examination of bidding and procurement documents during the current audit period showed that the District exerted adequate effort in utilizing best practices in the procurement of materials, equipment and construction services for the bond funded projects leading to the efficient use of bond funds.
- Results of the examination also indicate that the procurement methods utilized by the District were in compliance with Board policy and the requirements of Public Contract Code Section 20111 (a) – Competitive Bids, Section 20111 (b) – Formal Bids, Section 222030-22045 – Informal Bids (CUPCCAA), Section 20118 – Piggyback and Cooperative Purchasing, Section 20118.2 (a) thru (f) – Competitive Negotiation, and other practices.

## **Recommendation**

- For the District to have a better chance of receiving bids that are on par with the engineer's estimates, the current construction market trends should be considered in the determination of the best time to go out to bid. Where possible, bids should be deferred to a later date to allow the market to cool down. However, when this is not possible, a review and adjustment of the engineer's estimate, if necessary, should be done before going out to bid.

## **STATE FACILITY PROGRAM AND FUNDING FORMULAS**

### **Observations**

- As of June 30, 2017, the District had received funds under the State School Facility Program totaling \$108,795,732 for various state programs.
- As of June 30, 2017, the District has no new construction eligibility. Three modernization applications are on file with OPSC/SAB and additional modernization applications may be filed in the future that will result in additional state funding to supplement the District's bond program.

### **Conclusion**

- The District is in compliance with language included in the resolutions pertaining to applying for state funds to supplement local bond funds. To receive grants under the State School Facility Program, in addition to establishing eligibility for each project, the District must provide matching funds from local sources, including a fifty percent match for new construction projects and a forty percent match for modernization projects.

## **EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN THE BOND PROGRAM**

### **Commendations**

- Newsletters are excellent tools that are being used to communicate to the school community and the larger parent and business community on the status of the Bond Program.
- The District is commended for keeping the District website maintained and updated with current information on the facilities program.

## **Observations**

- The CBOC members interviewed for this report indicated that staff are regularly in attendance at CBOC meetings and are forthcoming with information when asked. The CBOC regularly receives a Cumulative Report on Expenditures and Budgets and other reports prepared by the District's Director of Purchasing & Capital Accounting, Director of Facilities, Construction and Maintenance and Capital Budget Manager.
- Board member comments were positive about the progress and changes in the facilities program and they were complimentary of the Citizens' Bond Oversight Committee dedication and commitment to their role.

## **Conclusion**

- The District is doing an excellent job in providing information to the community regarding its activities and progress regarding the implementation of the five voter-approved bond measures.

## **SUMMARY**

While there are a number of observations and recommendations documented in the above summary that may indicate some weaknesses in the bond program, there is no evidence that they rise to the level of a finding, and it is therefore concluded that the District is in compliance with Measures G, E, I and Tech-I bond language.

This report is intended for the use of District management, the Board of Trustees, and the independent Citizens' Bond Oversight Committee of the East Side Union High School District, which have taken responsibility for the sufficiency of the scope of work deemed appropriate for the Performance Audit of fiscal years 2015-16 and 2016-17. 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 Trustees  
East Side Union High School District  
San Jose, CA 95133

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We have conducted a performance audit of the Measures G, E, I and Tech-I bond program of the East Side Union High School District (the "District") for fiscal years 2015-16 and 2016-17. The information provided herein is the responsibility of the District management. TSS's responsibility is to express an opinion on the pertinent issues included in the scope of work.

The Board and voter approvals of the four bond measures included in this performance audit consisted of the following:

<b>Measure</b>	<b>Amount (Millions)</b>	<b>Board Resolution</b>	<b>Voter Approval</b>
G	\$298	2001/2002-15 (December 6, 2001)	March 5, 2002 (69.9%)
E	\$349	2007/2008-12 (September 20, 2007)	February 5, 2008 (71.39%)
I	\$120	2011/2012-39B (June 21, 2012)	November 6, 2012 (70.5%)
Tech I	\$113.2	2014/2015-25 (July 31, 2014)	November 4, 2014 (67.91%)

TSS verified, for the 2015-16 and 2016-17 performance audit period, that the expenditures of the funds for projects generated through Measures G, E, I and Tech-I bonds were only for projects included in the Board Resolutions that established the scope of work to be completed.

This performance audit was conducted in accordance with government auditing standards. The District, however, is required to request and obtain an independent financial audit of Measures G, E, I and Tech-I bond funds. The financial auditor is responsible for evaluating conformance with generally accepted accounting principles and auditing standards pertinent to the financial statement. The financial auditor also evaluates and expresses an opinion on such matters as the District's internal controls, controls over financial reporting, and its compliance with laws and regulations. Our opinion and accompanying report should be read in conjunction with the independent financial auditor's reports when considering the results of this performance audit and forming opinions about the District's bond program.

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

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

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

This report is intended solely for the use of the management, the Board of Education, and the independent Citizens' Oversight Committee of the East Side Union High School District, which have taken responsibility for the sufficiency of the scope of work deemed appropriate for this performance audit.

Total School Solutions

A handwritten signature in blue ink that reads "Total School Solutions". The signature is written in a cursive, flowing style.

January 15, 2018

## **COMPOSITE BOND MEASURES FINANCIAL REPORT**

### **Objective**

The objective of this section is to report on the financial activities of the District's bond program, incorporating in one report Measures G, E, I and Tech-I. The objective includes analyses of the District's compliance with bond language and legal limitations regarding the issuance of bonds under the terms of voter-approved measures and monitoring the bond proceeds after issuance. This section applies only to fiscal years 2015-16 and 2016-17. Several years of historical financial data are presented in an appendix to enable the reader to more completely understand financial activity.

### **Scope and Methodology**

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

- Accounting of Bond Funds
- Capital Debt
- Proposition 39 Bond Sale Limitations
- Deferred Maintenance
- Arbitrage

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

- District Board Meeting Agendas and Minutes
- District Financial Audits
- District Bond Measures G, E, I and Tech-I Financial Audits
- District Financial Reports
- Bond Consultant/Financial Analyst Reports

### **Background**

Measure G (\$298 million) passed on March 5, 2002; Measure E (\$349 million) passed on February 5, 2008; Measure I (\$120 million) passed on November 6, 2012; Measure Tech-I (\$113.2 million) passed on November 4, 2014. Collectively, these bond measures, along with other local funds and state funds, comprise the District's facilities program.

### **Accounting of Bond Funds**

The District's Building Fund is used to account for bond program revenues and expenditures, including Measures G, E, I, Tech-I and other revenue sources. For official reporting to the State, all funds are consolidated into Fund 21.

### **Composite Data in the Building Fund (Fund 21)**

The following table presents consolidated data for all bond measures and other sources. Fund 21 data were taken from the District's financial audit report for 2015-16 and its 2016-17 Unaudited Actuals report. For detail and discussion, refer to the District Provided Information section of this report.

#### **BUILDING FUND (FUND 21)**

<b>Category</b>	<b>Fund 21 June 30, 2016 (Audited)</b>	<b>Fund 21 June 30, 2017 (Unaudited)</b>
Beginning Balance	\$189,892,379	\$140,512,451
Revenues	1,218,132	1,488,797
Expenditures	50,598,060	65,236,362
Debt Service	0	0
Transfers (Net)	0	0
Sources	0	150,976,018
Net Change	(49,379,928)	87,228,453
<b>Ending Balance</b>	<b>\$140,512,451</b>	<b>\$227,740,904</b>

### **Detailed Data in the Building Fund**

The following table presents the Ending Balances for Measures G E, I and Tech-I. Data were taken from the individual bond audit reports for 2015-16 and 2016-17 Estimated Actual report. For detail, refer to the District Provided Information section of this report.

#### **BUILDING FUND – ENDING BALANCES**

<b>Fiscal Year</b>	<b>Measure G (Audited)</b>	<b>Measure E (Audited)</b>	<b>Measure I (Audited)</b>	<b>Measure Tech-I (Audited)</b>
2015-16	\$16,310,885	\$23,054,285	\$94,825,663	\$6,321,617
2016-17 (Unaudited)	\$11,240,801	\$79,258,775	\$62,395,852	\$3,241,986

### **Data in the Other Facilities Funds (Funds 14, 25, 30, 35 and 40)**

The following table presents the Ending Balances for all facilities sources other than Fund 21. For detail, refer to the District Provided Information section of this report.



**OTHER CAPITAL OUTLAY FUNDS – ENDING BALANCES**  
**Fiscal Years 2015-16 (Audited) and 2016-17 (Unaudited)**

<b>Fiscal Year</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
2015-16	\$9,998,572	\$0	\$13,855,574	\$1,575	\$41,772	\$23,897,493
2016-17	\$8,009,690	\$0	\$13,586,777	\$1,588	\$40,007	\$21,638,062

<sup>1</sup> The Capital Facilities Fund (Fund 25) is used to account for resources received from developer impact fees.

<sup>2</sup> The State School Building Fund (Fund 30) is used to account for state apportionments provided for construction and reconstruction of school facilities under the old State Lease-Purchase Program. This program has been superseded by the State School Facility Program accounted for in Fund 35.

<sup>3</sup> The County School Facilities Fund (Fund 35) is used to account for state apportionments provided by the State Allocation Board for new school facility construction, modernization, hardship grants and other programs under the State School Facility Program.

<sup>4</sup> The Special Reserve Capital Outlay Fund (Fund 40) was created in fiscal year 2004-05 to provide for transfers to the General Fund for routine repairs and maintenance.

<sup>5</sup> The Deferred Maintenance Fund (Fund 14) is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes. The District's 2013-14 Proposed Budget states that "... the District has only used this fund on a limited basis..." because of State provisions "which allow districts the flexibility to move Deferred Maintenance funds to the General Fund for operating purposes..."

**Capital Debt**

The District's total outstanding capital debt for the past four fiscal years is presented in the table below, which includes general obligation bonds and capital lease obligations. For detail, refer to the District Provided Information section of this report.

**Outstanding Debt<sup>1</sup>**

<b>Capital Debt</b>	<b>Fiscal Year Ending June 30, 2016</b>	<b>Fiscal Year Ending June 30, 2017</b>
<b>GO Bonds – Current Interest Sub-Totals</b>	715,149,633	
<b>GO Bonds – Capital Appreciation Sub-Totals</b>	41,375,092	
<b>Total G. O. Bonds Debt Principal</b>	<b>756,524,725</b>	

<sup>1</sup>Data from District financial audit reports.

Measure G (passed March 5, 2002) bonds issued against the \$298 million authorized included the following:

Series	Year Sold	Issue Date	Bond Type	Bond Sale Amount	Cumulative Bonds Sold
A	2002-03	6/19/2002	Current Interest	\$30,000,000	\$30,000,000
B	2002-03	3/19/2003	Current Interest	\$30,000,000	\$60,000,000
C	2004-05	7/14/2004	Current Interest	\$50,000,000	\$110,000,000
D	2004-05	5/19/2005	Current Interest	\$70,000,000	\$180,000,000
E	2004-05	6/02/2005	Capital Appreciation	\$29,999,529	\$209,999,529
F	2006-07	6/21/2006	Current Interest	\$50,000,000	\$259,999,529
G	2007-08	8/01/2007	Capital Appreciation	\$19,997,739	\$279,997,268
H	2008-09	11/13/2008	Current Interest	\$18,000,000	\$297,997,268

As of June 30, 2009, all Measure G bonds had been sold.

Measure E (passed February 5, 2008) bonds issued against the \$349 million authorized included the following:

Series	Year Sold	Issue Date	Bond Type	Bond Sale Amount	Cumulative Bonds Sold
A	2007-08	6/12/2008	Current Interest	\$50,000,000	\$50,000,000
B	2009-10	3/24/2010	Current Interest	\$100,000,000	\$150,000,000
C	2011-12	7/14/2011	Current Interest	\$24,585,000	\$174,585,000
D	2011-12	4/17/2012	Current Interest	\$100,000,000	\$274,585,000

The net bond sale for Series C is \$20,026,088, after adjustments for premiums and costs. As of June 30, 2016, there was a remaining Measure E authorization of \$74,415,000.

Measure I (passed November 6, 2012) bonds issued against the \$120 million authorized included the following:

Series	Year Sold	Issue Date	Bond Type	Bond Sale Amount	Cumulative Bonds Sold
A	2013-14	11/13/2013	Current Interest	\$20,000,000	\$20,000,000
B	2014-15	6/23/2015	Current Interest	\$100,000,000	\$120,000,000

Measure Tech-I (passed November 4, 2014) bonds issued against the \$113.2 million authorized included the following:

Series	Year Sold	Issue Date	Bond Type	Bond Sale Amount	Cumulative Bonds Sold
A	2014-15	7/08/2015	Current Interest	\$16,200,000	\$16,200,000

## **GO Flex-Bonds™**

The District's financial advisor, Dale Scott & Company, working in co-operation with the District, created a flexible form of issuing bonds to reduce overall borrowing costs. Called GO Flex-Bonds™, these bonds are issued for a short time period, such as four years, to raise funds for technology equipment that has a limited useful life. These bonds carry interest rates that are 60-90 percent below normal long-term bonds. Because each Flex-Bond issue is paid after the limited time for the bond, bonding capacity is increased as bonds are paid off.

## **Proposition 39 Bond Sale Limitations**

Proposition 39, passed by California voters on November 7, 2000; Assembly Bill 1908, which became law on June 27, 2000; and Assembly Bill 2659, which became law on September 22, 2000, established limitations on bonds that may be issued. The first limitation is the bonding capacity of the District, which is based on 1.25 percent of assessed valuation (A/V), which may be increased through a waiver request to the State Board of Education. The second limitation is a maximum tax rate of \$30.00 per \$100,000 of A/V for each bond measure, which may not be increased by filing a waiver request. These two provisions are more fully described in Education Code Section 15268:

The total amount of bonds issued, including bonds issued pursuant to Chapter 1 (commencing with Section 15100), shall not exceed 1.25 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located. The bonds may only be issued if the tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred by a school district pursuant to this chapter, at a single election, would not exceed thirty dollars (\$30) per year per one hundred thousand dollars (\$100,000) of taxable property when assessed valuation is projected by the district to increase in accordance with Article XIII A of the California Constitution.

The District's 2016-17 assessed valuation from the Santa Clara County Assessor's Office (2016-17 Assessor's Annual Report), and the calculated bonding capacity data, are as follows:

<b>Fiscal Year</b>	<b>Total A/V</b>	<b>Bonding Capacity @ 1.25%</b>
2016-17	\$71,899,899,517	\$898,748,730

The District's current outstanding bond debt is below the bonding capacity, so it appears that the bonding capacity restriction will not prevent the future sale of bonds. The constraining bond sale limit will depend on keeping any new bond sales below the \$30 per \$100,000 of assessed value limit.

### **Arbitrage**

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

### **Commendations**

- The District is commended for refunding prior bond issuances to reduce interest obligations paid by taxpayers and to lower its tax rate to enable additional bonds to be sold.
- The District is commended for the use of GO Flex-Bonds™ to reduce borrowing costs and providing flexibility in acquiring technology equipment with a short-term useful life.

### **Observation**

- The District collects developer fees and deposits them into its Capital Facilities Fund. The fund had an ending balance of \$8.0 million in 2016-17. Developer fee revenues, including interest earnings, were significant for 2012-13 through 2016-17 after the recovery of the national economic recession that began in 2008.

### **Conclusion**

- By restructuring debt and passing new bond measures, the District has been able to reduce interest costs and continue with its bond program without delay.

## **COMPLIANCE WITH BALLOT LANGUAGE**

### **Objective**

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

### **Scope and Methodology**

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

- Use of Measures G, E, I and Tech-I Bond Funds
- Proposition 39 Bond Sale Limitations

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

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

Total School Solutions reviewed records related to bond measures and conducted interviews with staff members. TSS also referenced files from various outside agencies to verify information through independent sources. In addition to TSS making an independent review of the records, the performance audit prepared for fiscal year 2014-15 was reviewed (see Appendix C).

### **Background**

#### **Measure G**

Measure G was approved by voters on March 5, 2002, with a 69.9 percent affirmative vote. The ballot language, including the Bond Project List, is presented in detail in Appendix A. The following statement that appeared on the ballot summarizes the bond measure:

“To provide greater security and safety, relieve overcrowding, and improve technology at the following schools: Andrew Hill, Independence, James Lick, Mt. Pleasant, Piedmont Hills, Oak Grove, Santa Teresa, Silver Creek, Overfelt, Yerba Buena, Foothill, and the Adult Education Centers, shall the East Side Union High School District issue \$298 million of bonds within legal interest rate limits to repair, build, and equip its facilities provided the spending of such funds is reviewed by an independent citizen oversight committee.”

The projects on the Bond Project List were to be funded with Measure G bond funds, state school facilities funds and other local revenues, with an understanding that the list of projects “is subject to the availability of adequate funding to the District. Approval of the Bond does not guarantee that all of the projects which are listed will be funded beyond the local revenues generated from the Bonds. The District’s proposal for the projects may assume the receipt of matching State funds, which could be subject to appropriation by the Legislature or approval of a State-wide Bond measure.”

As required by Proposition 39, the District Board of Trustees certified the results of the March 5, 2002, Measure G bond election and established a Citizens’ Bond Oversight Committee.

As of June 30, 2017, the District had issued all of its \$298 million Measure G authorization and had an ending balance of \$11,240,801.

### Measure E

Measure E was approved by voters on February 5, 2008, with a 71.39 percent affirmative vote. The ballot language, including the Bond Project List, is presented in detail in Appendix A. The following statement that appeared on the ballot summarizes the bond measure:

“To improve computer/science labs, provide greater safety and security, repair, equip, construct, and acquire classrooms and facilities at Andrew Hill, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, and District adult, alternative, and charter schools, and acquire property for new schools, shall East Side Union High School District issue \$349,000,000 of bonds at legal interest rates so long as spending is reviewed by an independent oversight committee?”

As required by Proposition 39, the District Board of Trustees certified the results of the February 5, 2008, Measure E bond election and established a Citizens’ Bond Oversight Committee.

As of June 30, 2017, the District had issued \$274,585,000 of its \$349 million Measure E authorization and had an ending balance of \$79,258,775.

The projects on the Bond Project List were to be funded with Measure E bond funds, state school facilities funds and other local revenues, with an understanding that the list of projects “is subject to the availability of adequate funding to the District. Approval of the bond measure does not guarantee that the proposed projects in the District that are the subject of bonds under the measure will be funded beyond the local revenues generated by the bond measure. The District’s proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.”

### Measure I

Measure I was approved by voters on November 6, 2012, with a 70.5 percent affirmative vote. The ballot language, including the Bond Project List, is presented in detail in Appendix A. The following statement that appeared on the ballot summarizes the bond measure:

“To upgrade computer/science labs; improve security/safety; repair, equip, and construct classrooms/facilities at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, and District adult, alternative, and charter schools; and acquire property for new schools, shall East Side Union High School District issue \$120,000,000 of bonds with interest rates below legal limits and no funds for administrator salaries or taken by the State?”

As required by Proposition 39, the District Board of Trustees certified the results of the November 6, 2012, Measure I bond election and included a Citizens’ Bond Oversight Committee as a part of an existing Committee established for Measures G and E.

As of June 30, 2017, the District had issued all of its \$120 million Measure I authorization and had an ending balance of \$62,395,852.

The projects on the Bond Project List were to be funded with Measure I bond funds, state school facilities funds and other local revenues, with an understanding that the list of projects “that are the subject of bonds under the measure will be funded beyond the local revenues generated by the bond measure. The District’s proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.”

#### *Technology Bond Measure I*

Measure Tech-I was approved by voters on November 4, 2014, with a 67.9 percent affirmative vote. The ballot language, including the Bond Project List, is presented in detail in Appendix A. The following statement that appeared on the ballot summarizes the bond measure:

“To increase student computer access; upgrade educational software; keep pace with 21<sup>st</sup> century technological innovations; and implement statewide testing requirements at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, Adult-Ed, alternative and District charter schools; shall East Side Union High School District issue \$113,200,000 of bonds with rates below legal limits, independent citizen oversight, and no funds for administrators or used by the State?”

As of June 30, 2017, the District had issued \$16,200,000 of its \$113,200,000 of its Measure Tech-I authorization and had an ending balance of \$3,241,986.

The projects on the Bond Project List were to be funded with Measure I bond funds, state school facilities funds and other local revenues, with an understanding that the list of projects “that are the subject of bonds under the measure will be funded beyond the local revenues generated by the bond measure. The District’s proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.”

### **Use of Bond Funds for Internal Staff**

A question regarding the use of general obligation bond funds for program managers and other internal staff is often a concern for school districts and oversight committees. In legal opinion No. 04-110 dated November 9, 2004, the California Attorney General opined that:

“A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.”

In the Bond and Construction Management section, District staff and their FTE allocations to bond measures are listed. It appears that all allocations made were based on reasonable percentages of time devoted to the bond program. Accordingly, the District is in compliance with the Attorney General opinion.

### **Proposition 39 Bond Sale Limitations**

As discussed in the Composite Bond Measures Financial Report section, there are two limitations on bonds that may be issued. The first limitation is the bonding capacity of the District, which is based on 1.25 percent of assessed valuation (A/V). The second limitation is a maximum tax rate of \$30.00 per \$100,000 of A/V for each bond measure. All bonds were sold within the established limitations. However, to enable the bond program to continue without delay, the District passed a \$120 million Measure I and allocated \$74,415,000 of those bonds to complete Measure E bond projects.

### **Commendation**

- The District is commended for its actions to pass Measure I, a \$120,000,000 bond measure, to enable the bond program to continue without delay.

### **Conclusion**

For the performance audit period 2015-16 and 2016-17, there is no evidence that bond funds were inappropriately expended, and TSS verified that the East Side Union High School District is in compliance for expenditures made at sites included in the Bond Project Lists for Measures G, E, I and Tech-I.



## **COMPLIANCE WITH STATE LAW AND REGULATIONS**

### **Objective**

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

### **Scope and Methodology**

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

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

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

### **Background**

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

This review assesses the overall compliance with standards resulting from these legal and regulatory requirements. TSS has developed this assessment of compliance to analyze the functionality of the District's bond facilities program. As such, it should not be viewed or relied upon as a legal opinion. This section does not include a review of compliance with the California Building Code or other related requirements.

### **State Law Regarding Construction Bidding and Contracting**

Many requirements for the construction of public schools appear in different California Codes, accompanied by regulations from various agencies. The East Side Union High School District complies with these requirements through the general conditions in the District's contract documents. The District also provides notice to bidders by referencing and detailing the section requirements, as appropriate.

By State law, a number of items are required to appear in bid documents. To verify that these items were included in the District's bid documents bid packages were randomly selected and analyzed, as presented in the "Bidding and Procurement Procedures" section of this report. All of the bid documents reviewed included General Conditions. The District periodically reviews and revises the General Conditions section included in the District's bid documents, which are then reviewed and approved by legal counsel.

The following items are required to appear in the bid documents:

- *Division of the State Architect (DSA) approval* for individual project/plans and specifications
- *Section 00100 (General Conditions): Notice to Bidders.* The Notice to Bidders includes the required notification for project identity; date, time, and place of bid opening; contractor's license requirements for type and whether it is current; bid bond and certified bid security check requirements; payment bond requirements; performance bond requirements; substitution of securities information; definition of prevailing wage requirements; statement establishing blind bid process; and a reservation of the right to reject all bids.
- *Section 00150 (GC): Bid Bond.* A bid bond is present in the package and demanded of the contractor on a form prepared by the District, as required.
- *Section 00330 (GC): Non-collusion Affidavit.* A non-collusion affidavit form is provided and demanded of the contractor.
- *Section 00550 (GC): Escrow Agreement for Security Deposits in Lieu of Retention.* This item is included as an option, as required.
- *Section 00610 (GC): Performance Bond.* A performance bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Section 00620 (GC): Payment Bond.* A payment bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Section 00905 (GC): Workers' Compensation Certification.* The contractor is required to certify compliance with state workers' compensation regulations.
- *Section 00910 (GC): Prevailing Wage and Related Labor Requirements Certification.* The contractor is required to certify compliance.
- *Section 00915 (GC): Drug-Free Workplace Certification.* The contractor is required to provide drug-free workplace certification.
- *Section 00925 (GC): 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.
- *Section 00930 (GC): Lead-Based Paint Certification.* The contractor is required to certify compliance with lead-based materials regulations.

- *Section 00940 (GC): Criminal Background Investigation/Fingerprinting Certification.* The contractor is required to select a method of compliance and to certify compliance with criminal background investigation/fingerprinting requirements.

State law does not require the items listed below; however, they are required for state funding.

- *Section 009100 (GC): Prevailing Wage and Related Labor Requirements Certification.* The contractors are required to certify compliance with State Public Works Contract requirements.
- *Disabled Veteran Business Enterprise (DVBE) Participation Certification.* The contractor is required to certify compliance with DVBE requirements as set forth in the state's School Facilities Program.

The items below are best practices. They are not required by state law or for state funding.

- *Section 00110 (GC): Instruction to Bidders*
- *Section 00510 (GC): Notice of Award*
- *Section 00520 (GC): Notice to Proceed*
- *Section 00530 (GC): Agreement*
- *Section 00540 (GC): Escrow of Bid Documentation*

### **Compliance with Prevailing Wage Law/Labor Compliance Program**

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

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

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

On November 7, 2006, Proposition 1D passed without the requirement of a LCP. Subsequent legislation that would have reinstated LCP (SB 18, 2007) for Proposition 1D funding was vetoed by the Governor.

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

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

Effective January 1, 2015, SB 854 removed the additional prevailing wage monitoring grant for public works contracts awarded after June 20, 2014. The law repealed provisions in Labor Code Section 1771.3 which required school districts to provide payment to the DIR for prevailing wage monitoring. School districts are still required to provide notice to the DIR within five days of contract award

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

### **Project Labor Agreement (PLA)**

The District has had a local Project Labor Agreement (PLA) since 2003, when it was put into effect to cover all Measure G projects. The stated purpose of the District's PLA "is to promote efficiency of construction operations ... and provide for peaceful settlement of labor disputes and grievances without strikes or lockouts, thereby promoting the public interest in assuring the timely and economical completion of ..." construction projects.

On December 11, 2008, the PLA was extended by Board action to also cover Measure E projects. On May 9, 2013, the PLA was again extended by the Board to cover Measure I projects.

Senate Bill 922 was signed into law on October 2, 2011, authorizing public agencies to enter into project labor agreements under the provisions of the new law. This law places certain restrictions and requirements on the terms of the agreements going forward. The District reported to TSS that its PLA was reviewed by legal counsel to ensure compliance with the provisions of law.

### **State Apprenticeship Program**

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

The District's PLA contains a provision that the participants must adhere to a "Bona Fide Apprenticeship Program" approved by the State Division of Apprenticeship Standards. The District funds a Construction Technology Academy to carry out training and employment objectives. Graduating interns of the Academy are expected to be eligible to be employed under the District's Apprenticeship Program.

### **Conclusion**

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

## COMPLIANCE WITH DISTRICT POLICIES AND REGULATIONS

### Objective

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

### Scope and Methodology

To meet the objective, select Board Policies (BPs) and Administrative Regulations (ARs) from Series 3000 - Business and Noninstructional Operations and Series 7000 – Facilities. In addition to District policies and regulations, TSS reviewed other reports and relevant documentation related to the District's bond program. Interviews with key District staff were also held to obtain additional information on District practices.

### Background

The Board of Trustees has adopted BPs and ARs that are organized into various series, ranging from Series 0000 through Series 7000, as follows:

<u>Series</u>	<u>Description</u>
0000	Philosophy, Goals, Objectives and Comprehensive Plans
1000	Community Relations
3000	Business and Noninstructional Operations
4000	Personnel
5000	Students
6000	Instruction
7000	Facilities

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

### **Series 3000 – Business and Noninstructional Operations**

Pertinent policies from Series 3000, Business and Noninstructional Operations, are presented in the table below. A number of the policies were written to incorporate local considerations and were amended in response to issues raised in a FCMAT Report.

<b>Board Policy</b>	<b>Description</b>	<b>Adopted</b>	<b>Revised</b>
BP 3000	Concepts and Roles	March 11, 2004	September 22, 2016
BP 3100	Budget	March 11, 2004	September 22, 2016
BP 3300	Expenditures and Purchases	March 11, 2004	October 16, 2014
BP 3311	Bids	March 11, 2004	October 16, 2014
AR 3311	Bids	November 18, 2010	October 16, 2014
BP 3311.1	Alternate Bidding Procedure	March 11, 2004	
BP 3312	Contracts	March 11, 2004	September 22, 2016
BP 3312.1	Contract Change Orders	October 13, 1960	October 16, 2014
BP 3314	Payment for Goods and Services	March 11, 2004	October 16, 2014
AR 3314	Payment for Goods and Services	September 1, 2010	October 16, 2014
BP 3314.3	Cash Transactions	March 11, 2004	October 16, 2014
BP 3320	Claims and Actions Against the District	March 11, 2004	November 20, 2014
BP 3400	Management of District Assets / Accounts	March 11, 2004	October 16, 2014
BP 3430	Investing	October 13, 1960	October 16, 2014
BP 3460	Financial Reports and Accountability	March 11, 2004	April 13, 2017
BP 3510	Green School Operations	October 13, 1960	October 16, 2014
BP 3511	Energy and Waste Management	March 11, 2004	October 16, 2014
BP 3514	Environmental Safety	March 11, 2004	October 16, 2014
BP 3514.1	Hazardous Substances	May 21, 2009	October 16, 2014
BP 3517	Facilities Inspection	May 21, 2009	October 16, 2014
BP 3519	Alterations, Modifications, Repairs and Improvements	June 17, 2010	
BP 3600	Consultants	May 21, 2009	October 16, 2014

To ensure that the District is in compliance with its Series 3000 BPs and ARs, select aspects of the bond program were reviewed. For example, BPs 3100, 3111, 3400, 3430 and 3460 were considered in the Composite Bond Measures Financial Report section. BPs 3311, 3312 and 3514 were considered in the Compliance with State Law and Regulations section. BPs 3300 and 3314 were considered in the payments and expenditure sections. BP 3320 was considered in the claim avoidance procedures section.

## **Series 7000 - Facilities**

The current Series 7000, Facilities Board Policies were developed based on the California School Boards Association (CSBA) model policies and regulations, and are presented in the table below:

<b>Board Policy</b>	<b>Description</b>	<b>Adopted</b>	<b>Revised</b>
BP 7000	Concepts and Roles	September 18, 2008	
BP 7100	New Construction	September 18, 2008	
BP 7110	Facilities Master Plan	September 18, 2008	February 12, 2015
AR 7110	Facilities Master Plan	February 12, 2015	
AR 7111	Evaluating Existing Buildings	February 12, 2015	
BP 7131	Relations with Local Agencies	September 18, 2008	
BP 7140	Architectural and Engineering Services	September 18, 2008	
BP 7150	Site Selection and Development	September 18, 2008	
BP 7160	Charter School Facilities	February 12, 2015	
BP 7210	Facilities Financing	September 18, 2008	
BP 7211	Developer Fees	September 18, 2008	
BP 7212	Mello Roos Districts	September 18, 2008	
BP 7213	School Facilities Improvement Districts	September 18, 2008	
BP 7214	General Obligation Bonds	September 18, 2008	June 18, 2015
AR 7214	General Obligation Bonds	June 18, 2015	
BP 7310	Naming of Facility	September 18, 2008	January 16, 2014
AR 7310	Naming of Facility	January 16, 2014	

## **District Standards**

The District has developed design standards and materials standards to help guide its facilities program. Effectively carrying out a facilities program requires clear direction in regard to project scope, budget and schedule.

A number of variables influence construction costs over time. Those variables include, but are not limited to, the following items that are beyond the control of the District.

- Passage of Proposition 39 (November 2000) and the 55 percent threshold for local bonds and resulting construction;
- Passage of Proposition 1A (November 1998), \$9.2 billion bonds;
- Passage of Proposition 47 (November 2002), \$13.05 billion bonds;
- Passage of Proposition 55 (March 2004), \$10.0 billion bonds;
- Passage of Proposition 1D (November 2006), \$10.4 billion bonds;
- Passage of Proposition 51 (November 2016), \$9 billion bonds;
- Acceleration of construction costs at a rate higher than projected (e.g., hurricane impact);
- Reduction in construction costs due to recession (aka, a favorable bidding climate);
- Labor compliance law requirements; and
- Inadequate State School Facility Program funding.



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

<b>Class B Construction Cost Index<sup>1</sup></b>	<b>RS Means Percent Increase</b>	<b>10 Western States Percent Increase</b>	<b>8 California Cities Percent Increase</b>
January 2002 – January 2003		2.10	
January 2003 – January 2004		3.42	
January 2004 – January 2005			12.07
January 2005 – January 2006			4.62
January 2006 – January 2007			6.62
January 2007 – January 2008		3.19	
January 2008 – January 2009			6.00
January 2009 – January 2010			(6.74)
January 2010 – January 2011			4.28
January 2011 – January 2012			3.76
January 2012 – January 2013			3.13
January 2013 – January 2014			1.74
January 2014 – January 2015	4.27		
January 2015 – January 2016	2.79		
January 2016 – January 2017	4.42		

<sup>1</sup> Source: Office of Public School Construction website.

### **Commendation**

- The District is commended for issuing Administrative Directives and continually revising and maintaining current Board Policies and Administrative Regulations.

### **Recommendation**

- It is recommended that new staff members assigned to perform business functions receive orientation and training in the District’s BPs and ARs to ensure understanding and compliance. It is further recommended that all business staff meet periodically to self-examine their compliance to the District’s BPs and ARs.

### **Conclusion**

- The District is in compliance with Board policies and regulations analyzed in this section. The recommendation made above is intended to enable the District to more effectively carry out its bond program.

## **RISK ASSESSMENT**

### **Objective**

The objective of this section is to identify any threats facing the bond program, to identify the controls or procedures that the District has set in place to prevent or minimize those threats, and to determine the probability that non-compliance and abuse could occur.

### **Scope and Methodology**

The auditor's tasks include assessing risks that could occur that materially impact the District's ability to comply with the legal mandates of a Proposition 39 bond, to comply with state laws, rules, regulations and codes that govern processes and activities relating to the bond program, to review previous performance audit reports and other reports that address the bond program, and to identify controls or procedures that are in place to minimize risk.

To meet the objective, the following documents and information sources were analyzed and documented:

- District Measures G, E, I and Tech-I Financial Audit Reports
- District Measures G, E, I and Tech-I Performance Audit Reports
- Board Audit Committee
- Citizens' Bond Oversight Committee
- District Fraud, Waste and Abuse Alert Hotline

TSS also conducted interviews with the Board President and Vice President, the Citizens' Bond Oversight Committee Chair and a member, key District staff and consultants to obtain additional information on District practices.

In addition to the factors addressed in this section, other sections in this performance audit report further address various aspects of the bond program that pertain to risk. Those sections should be referenced to obtain further understanding of the processes and practices in place.

### **Background**

California Education Code section 15286 requires that a performance audit be conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), aka the "Yellow Book." GAGAS 7.30 stipulates that the auditor should gather and assess information to identify risks of fraud. In addition to reviewing school district and outside documentation, key personnel are to be interviewed to inquire into:

- Knowledge of any actual occurrence of fraud
- Awareness of allegations of fraud or suspected fraud
- Awareness of any suspected occurrence of fraud
- Knowledge and awareness of policies and controls in place to identify and respond to and monitor the risks of fraud.

### Interviews with Key Personnel

All key personnel interviewed responded that they had no knowledge of any actual occurrence of fraud and no awareness of any allegations or suspected occurrence of fraud. Key personnel also had knowledge and awareness of policies and controls in place regarding the risks of fraud, including the Fraud, Waste and Abuse Alert Hotline and Board Policies and Administrative Regulations.

### District Bond Measures Financial Audit Reports

The District's annual financial audit reports, prepared by Vavrinek, Trine, Day & Co., LLP, were reviewed to identify any assessment of risk. For all fiscal years reviewed, the auditor stated: "We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses..."

### District Measures E, G and I Performance Audit Report

The District's performance audit report for Measures E, G and I for fiscal years 2013-14 and 2014-15, prepared by Moss Adams, LLP, was reviewed to identify any assessment of risk. A summary of that report is presented in Appendix C. For the two fiscal years reviewed, the auditor did not identify any indication of fraud.

### Internal Auditor Position

In response to a FCMAT recommendation made several years ago, the District created and staffed an Internal Auditor position to ensure compliance with State laws and regulations and District policies and regulations.

### Citizens' Bond Oversight Committee

The Board of Trustees established a Citizens' Bond Oversight Committee (CBOC) after passage of Measure G. After passage of Measure E, the CBOC's role was expanded to cover both Measures G and E. After passage of Measure I, the CBOC's role was expanded to cover all three bond measures.

An examination of CBOC agendas and minutes revealed no issues not already covered by other studies already documented and discussed throughout this Performance Audit Report.

### District Fraud, Waste and Abuse Alert Hotline

The Board of Trustees approved the establishment of a Fraud, Waste and Abuse Alert Hotline "to help ensure full legal and regulatory compliance and maintain the highest ethical standards..." There has been no report of fraud in the bond program on the hotline.

## **Conclusion**

- Based on a review of District and outside documents and interviews held with key personnel, for the period covered by the Performance Audit, TSS identified no evidence of fraud. The District has developed policies and regulations to help ensure that risk will be kept to a minimum and employs an Internal Auditor to review District practices.

## **CITIZENS' BOND OVERSIGHT COMMITTEE**

### **Objective**

The objective of this performance audit section is to assess the overall compliance of the Citizens' Bond Oversight Committee (CBOC) with law, District Board Policy and the Committee's Bylaws.

### **Scope and Methodology**

The scope of this audit section included a review of CBOC activities for the period July 1, 2015 through June 30, 2017.

### **Process Utilized**

In the course of this examination, TSS interviewed the Committee chair and a member serving during the audit period, reviewed the District/CBOC website and reviewed Board and CBOC agendas and minutes for meetings held during the 2015-16 and 2016-17 reporting period.

### **Background**

Statutes governing a Citizens' Oversight Committee (Education Code Sections 15278-15282) were included in Assembly Bill 1908 (2000) and took effect upon passage of Proposition 39 on November 7, 2000. The law, as enacted, in 2000 allowed a member to serve a maximum of two consecutive two-year terms. AB 1199, signed into law on July 10, 2012, allowed a third two-year term. See Appendix B.

Education Code Section 15278 requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified. The Board of Trustees certified the Measure G election results and appointed members to the committee, thereby complying with statute. The Board subsequently certified Measure E and Measure I election results and took action to add those bond measures to the oversight of a single Committee.

### **Membership**

The District created a Citizens' Bond Oversight Committee for Measure G with an initial membership of eight members (seven minimum required) as follows:

#### **Statutory Requirements (Seven Members Minimum)**

- One member to represent Business Community
- One member representing Senior Citizens' Organization
- One member from Taxpayers' Organization
- One Parent or Guardian of child(ren) enrolled in the District
- One Parent or Guardian of child(ren) enrolled in the District, plus Active in a Parent-Teacher Organization
- Three additional members

After passage of Measure E in 2008, the Board of Trustees created a separate Measure E CBOC. On February 9, 2009, the Board merged the two Committees into one Committee to provide oversight of Measures G and E. After passage of Measures I, Tech-I and Z, the Board took action to include oversight of those measures under the single Committee.

The CBOC currently (2017-18) has 12 members in the following categories:

<u>Category</u>	<u>Number of Members</u>
• Business Community	1
• Senior Citizens' Organization	1
• Taxpayers' Organization	1
• Parent or Guardian of Students in the District	3
• Parent or Guardian of Students in the District, plus Active in a Parent-Teacher Organization	1
• Additional at-large members	5

The District therefore meets the legal requirements for membership in all required categories, and exceeds the required minimum number of members.

### CBOC Bylaws

In addition to State of California statutes that set forth the activities of a Citizen's Oversight Committee (Appendix B), the District has developed bylaws to clarify the Committee's role and duties. The bylaws initially covered the CBOC for Measure G, but were later amended to cover Measures E, I, Tech-I and Z. The bylaws were also amended to allow a member to serve three consecutive two-year terms as allowed by AB 1199 (signed into law on July 10, 2012).

Included within the bylaws is a recommendation that the Committee meet at least once per calendar quarter. These meetings enable the Committee to conduct reviews and monitoring of revenues and expenditures of the bond measures.

### District/CBOC Website

Education Code Section 15280(b) states that the "minutes of the proceedings of the citizens' oversight committee and all documents received and reports issued shall be a matter of public record and be made available on an internet website maintained by the governing board." The District and Committee are in full compliance with the website requirement as links to the Committee and various bond/facilities sites exist within the District website. The links are documented in the Public Outreach section in this report, and are included below as presented in that section.

The District provides information about the bond program on the District webpage, under the Community link noted below.

<http://www.esuhdsd.org/Community/Facilities/Bond-Measures>

The information posted and conveyed on these webpages appears to be comprehensive and current. Under the Bond-Measures section, information is provided for FAQs, School Modernization Projects and News and Events. Under the News and Events section, information includes monthly status reports for the Capital Improvement Program, current and past Newsletters and scheduled events. There is a link to the Citizens’ Bond Oversight Committee (CBOC) where interested members of the public have access to information regarding the CBOC and its activities and reports. Some of the information provided includes:

- Requirements and Guidelines
- By-Laws
- Ballot Language (G, E, I, Technology I, Z)
- Annual CBOC reports
- Members
- Meeting Schedules, Agendas and Minutes
- Reports and Presentations
- Financial and Performance Audit reports

**CBOC Reports to the Board and Community**

Education Code Section 15280(b) states that the “committee shall issue regular reports on the results of its activities.” Section 15280(b) also states that a “report shall be issued at least once a year.” The CBOC, in meeting the requirements of Education Code Section 15280(b) and bylaws related to the issuance of reports, has prepared the following recent annual reports:

<b>Fiscal Year</b>	<b>Report Date</b>	<b>Contents</b>
2014-15 (2016 Bond Program Annual Report, produced April 2016)	August 18, 2016 Board Meeting	A 16-page report on Measures G, E, I and Tech-I bond projects, financial activities and CBOC members, purpose, duties and activities.
2015-16 (2017 Bond Program Annual Report, produced July 2017)	Board Meeting	A 14-page report on Measures G, E, I, Tech-I and Z bond projects, financial activities and CBOC members, purpose, duties and activities.

The above reports comply with the intent of the law and bylaws for the CBOC to make an annual report to the community.

### **Committee Meetings/Minutes**

During the July 1, 2015 through June 30, 2017 audit period, the CBOC met eight times as shown below. Meeting schedules, agendas and minutes were posted on the CBOC website.

<b>Meeting Date</b>	<b>Members In Attendance</b>	<b>Members Absent</b>	<b>Quorum</b>	<b>Site Tour</b>
July 15, 2015	11	4	Yes	Yes (Oak Grove HS)
October 14, 2015	11	4	Yes	Yes (Independence HS)
January 13, 2016	10	5	Yes	Yes (Yerba Buena HS)
April 6, 2016	12	2	Yes	Yes (Educare Calif. at Silicon Valley)
July 13, 2016	7	5	Yes	Yes (Foothill HS)
October 11, 2016	7	4	Yes	Yes (Independence HS)
January 11, 2017	10	2	Yes	Yes (W. C. Overfelt HS)
April 19, 2017	10	2	Yes	Yes (Piedmont Hills HS)

### **Observations**

- The CBOC scheduled visitations at various sites throughout 2015-16 and 2016-17 as noted on the meeting summary.
- The Board of Trustees approved revised Bylaws, adding Measures E, I, Tech-I and Z to the Committee's oversight, and allowing a member to serve three two-year terms.
- The District maintains a website for the CBOC and bond program information.

### **Conclusion**

- The CBOC is fully compliant with law and its Bylaws in carrying out its duties and responsibilities. Meeting schedules and agendas were posted, meetings were held at least quarterly, membership attendance at meetings were recorded, minutes were prepared, and website content was comprehensive. The committee duly elected a chairperson and other officers. Meetings were conducted in a manner consistent with the Ralph M. Brown Act, Government Code, Section 54950 et seq., meetings were open to the public and were conducted for its intended purpose of providing oversight of the bond program, and that the Committee did not engage in unauthorized discussions and/or activities.



## **BOND MANAGEMENT PLAN/PROGRAM INCLUDING QUALITY CONTROL**

### **Objective**

To gain understanding of the District's policy and approach to program management and construction management services in the planning, implementation, management and control of the facilities construction program.

### **Scope and Methodology**

This section addresses the District's approach to the management and staffing of the construction projects under the Measures G, E and I bond programs for fiscal years 2015-16 and 2016-17. In the process of this examination, TSS staff examined documents supplied by the District and the District's consultants, conducted interviews with appropriate District staff, program management staff, construction management staff, the Citizens' Bond Oversight Committee (CBOC) and the Board of Trustees. Copies of reports, staffing charts and schedules and other records were reviewed in comparison with Board and District policies.

All information made available to TSS on program management activities relating to Measures G, E and I projects was supplied by the District staff and the bond program manager, Seville Group, Inc. (SGI).

Documents reviewed for this section included:

- Business Management Organization Chart; 10-2017
- Facilities Planning, Maintenance and Operations Organizational Chart; October 2017
- Purchasing and Capital Accounting Organizational Chart; October 2017
- Position Control Report, 2015-16 PCN's By Bond, October 27, 2017
- Position Control Report, 2015-16 PCN's By Bond, October 27, 2017
- 2016-17 Bond Funded Positions, USUHSD Board Meeting, June 8, 2017 – Item 21.02
- "Project Management Services Agreement for Measures G, E and I General Obligation School Facilities Bond Program", ESUHSD and SGI, February 2, 2014
- SGI Invoice No. 500034-29-I, period April 1, 2016 thru April 30, 2016, dated May 2, 2016
- SGI Invoice No. 500034-38-I, period December 1, 2016 thru December 31, 2016, dated January 4, 2017
- SGI Invoice No. 500034-45-I, period July 1, 2017 thru July 31, 2016, dated July 1, 2017

## **Background**

In the implementation of the Measures G, E and I Bond construction program, the District utilizes the “outside firm” approach to program and construction management. This approach involves the hiring of a third-party program management (PM) firm to create a plan for the program, develop project scopes, schedules and budgets. The PM firm also maintains and updates cash-flow projections for all funding sources, and manages and coordinates the activities of the professional services consultants and contractors in connection with the Measure G, E and I Bond funded modernization, renovation and new construction program. As the District representative, the PM also coordinates the services of the Architect of Record (AOR), the Construction Managers (CM), the Inspector of Record (IOR) and all other professional services consultants involved in the project at the same time.

The District conducted a formal selection process for program management services for Measure G in 2003 and for Measure E in 2008, and awarded the services agreements to Seville Group, Inc. (SGI) as the District’s Program Managers (PM). On January 17, 2014, the District terminated the agreements for Measure G and Measure E, including all the amendments associated with these agreements from inception through 2014 and entered into a new agreement with SGI for the provision of program management services for Measure G, E and the new Measure I bond program, including all state funds that the District may be granted during the period of performance. The new agreement was effective for the period from February 1, 2014 to December 1, 2017. Services to be provided by the SGI under the new agreement include program planning, development and maintenance of scope, budget and schedules, and cash-flow projections for all funding sources. Under the direction of the District, the PM monitors and oversees all phases of the program including the programming, planning and design development phase, performing contract administration services during the bidding, award and construction phase, and the closeout and certification phase.

The District, through the Facilities Department, provides the overall guidance and direction for the program. All scopes, schedules, budgets, contracts, expenditures for construction projects, including contract extensions, changes and adjustments thereof are authorized and approved by the District.

The Architects of Record (AOR), the Construction Managers (CM), the Inspectors of Record (IOR) and all other professional services consultants that will be participating in construction projects are selected through a prequalification process conducted by the District and the Program Manager. All pre-qualified architects, engineers, construction managers and other professional services consultants are listed in a pool of qualified firms, the Approved List of Professional Service Providers. These professionals participate in the Request for Proposal (RFP) process to provide services for the projects in the construction program.

The PM, the CM assigned to the project and the District Project Manager together monitor and coordinate the performance of the assigned architects and engineers during the design phase and provide constructability and/or a value engineering review of the resulting design product. During the construction phase, the PM provides construction administration services to the program by monitoring the performance of the CM to keep the project within budget and schedule, and processing change orders, pay applications and other contract administration needs. The Program Manager was also responsible for the financial and construction recordkeeping activities for all projects, and the preparation of financial reports.

The governance and management of the District's bond program have evolved over time to address the need to improve efficiency, define accountabilities, and control funding of the District's bond program. In 2013, the District decided to perform "in-house" with district staff all construction administration services and financial recordkeeping and reporting activities for all projects under the program. According to previous audit reports, District staff paid by the bonds has ranged from a low of 8.55 FTE in 2009-10 to a high of 11.9 in 2012-13. Comparatively, during the current audit period, District staff paid by the bonds for work relating to the oversight and management of the bonds ranged from a high of 17.528 FTE on June 30, 2016 to a low of 14.68 FTE on June 30, 2017. See the tables below for more detail.

**Fiscal Year 2015-16 Bond Allocation for District Staff**

Position/ Title	Bond Measure FTE				
	G	E	I	I(Tech)	Total
<b>Fiscal Department</b>					
Account Clerk II	0.051	0.126	0.073		0.250
Account Clerk II	0.051	0.126	0.073		0.250
Administrative Secretary	0.183	0.453	0.264		0.900
Associate Superintendent, Business Services	0.051	0.126	0.073		0.250
Fiscal & Budget Manager	0.020	0.050	0.030		0.100
Sub-Total	<b>0.356</b>	<b>0.881</b>	<b>0.513</b>	<b>0</b>	<b>1.75</b>
<b>Capital Accounting and Purchasing Department</b>					
Accounting Technician	0.193	0.478	0.279	0.050	1.000
Administrative Secretary	0.051	0.126	0.073		0.250
Buyer	0.193	0.478	0.279		0.950
Budget Manager, Capital Accounting	0.193	0.478	0.279	0.050	1.000
Capital Projects Purchasing Manager	0.183	0.453	0.264		0.900
Director of Purchasing & Capital Accounting	0.102	0.250	0.146		0.498
Senior Contract Specialist	0.193	0.478	0.279		0.950
Sub-Total	<b>1.108</b>	<b>2.741</b>	<b>1.599</b>	<b>0.1</b>	<b>5.548</b>
<b>Facilities Department</b>					
Assistant Project Manager	0.203	0.503	0.294		1.000
Assistant Director for Facilities/Construction/Maintenance	0.112	0.277	0.161		0.550
Assistant Director for Construction/Facilities/Maintenance	0.081	0.202	0.117		0.400
Coordinator of Elect, Communication Surveillance	0.153	0.377	0.220		0.750
Department Secretary	0.041	0.100	0.059		0.200
Director for Construction/Facilities/Maintenance	0.193	0.478	0.279		0.950
Director, Capital Planning & Design	0.193	0.478	0.279		0.950
Director III	0.193	0.478	0.279		0.950
District Architect	0.193	0.478	0.279		0.950
Project Manager	0.193	0.478	0.279		0.950
Senior Project Manager	0.193	0.478	0.279		0.950
Sub-Total	<b>1.748</b>	<b>4.327</b>	<b>2.525</b>	<b>0</b>	<b>8.6</b>
<b>Information Technology Department</b>					
Chief Technology Officer	0.00	0.00	0.00	0.080	0.080
Programmer Analyst I	0.183	0.453	0.264		0.900
Sub-Total	<b>0.183</b>	<b>0.453</b>	<b>0.264</b>	<b>0.080</b>	<b>0.980</b>
<b>Internal Control Department</b>					
Senior Manager of Internal Controls	0.132	0.327	0.191		0.650
Sub-Total	<b>0.132</b>	<b>0.327</b>	<b>0.191</b>		<b>0.650</b>
<b>TOTAL</b>	<b>3.527</b>	<b>8.73</b>	<b>5.092</b>	<b>0.180</b>	<b>17.528</b>

Source: QSS Position Control Report, Fund 21, 22, 23 & 24, June 30, 2016

**Fiscal Year 2016-17 Bond Allocation for District Staff**

Position/ Title	Bond Measure FTE				
	G	E	I	I(Tech)	Total
<b>Fiscal Department</b>					
Account Analyst	0.027	0.139	0.084		0.250
Administrative Secretary	0.027	0.418	0.084		0.529
Associate Superintendent, Business Services	0.027	0.139	0.084		0.250
Fiscal & Budget Manager	0.011	0.056	0.033		0.100
Sub-Total	<b>0.092</b>	<b>0.752</b>	<b>0.285</b>	<b>0</b>	<b>1.129</b>
<b>Capital Accounting and Purchasing Department</b>					
Accounting Technician	0.103	0.530	0.317	0.050	1.000
Administrative Secretary	0.081	0.139	0.251		0.471
Buyer	0.109	0.557	0.334		1.000
Budget Manager, Capital Accounting	0.103	0.530	0.317	0.050	1.000
Capital Projects Purchasing Manager	0.109	0.557	0.334		1.000
Director of Purchasing & Capital Accounting	0.054	0.279	0.167		0.500
Senior Contract Specialist	0.109	0.557	0.334		1.000
Sub-Total	<b>0.668</b>	<b>3.149</b>	<b>2.054</b>	<b>0.1</b>	<b>5.971</b>
<b>Facilities Department</b>					
Assistant Project Manager	0.109	0.557	0.334		1.000
Assistant Director for Facilities/Construction/Maintenance	0.043	0.223	0.134		0.400
Assistant Director for Construction/Facilities/Maintenance	0.060	0.306	0.184		0.550
Coordinator of Elect, Communication Surveillance	0.081	0.418	0.251		0.750
Department Secretary	0.022	0.111	0.067		0.200
Director for Construction/Facilities/Maintenance	0.103	0.530	0.317		0.950
District Architect	0.103	0.530	0.317		0.950
Project Manager	0.109	0.557	0.334		1.000
Senior Project Manager	0.103	0.530	0.317		0.950
Sub-Total	<b>0.733</b>	<b>3.762</b>	<b>2.255</b>	<b>0</b>	<b>6.75</b>
<b>Information Technology Department</b>					
Chief Technology Officer	0.00	0.00	0.00	0.080	0.080
Programmer Analyst I	0.054	0.279	0.167		0.500
Sub-Total	<b>0.054</b>	<b>0.279</b>	<b>0.167</b>	<b>0.08</b>	<b>0.58</b>
<b>Internal Control Department</b>					
Senior Manager of Internal Controls	0.027	0.139	0.084		0.250
Sub-Total	<b>0.027</b>	<b>0.139</b>	<b>0.084</b>		<b>0.250</b>
<b>TOTAL</b>	<b>1.574</b>	<b>8.081</b>	<b>4.845</b>	<b>0.180</b>	<b>14.68</b>

Sources: QSS Position Control Report, Fund 21, 22, 23 & 24, June 30, 2017  
 2016-17 Bond Funded Positions, USUHSD Board Meeting, June 8, 2017 – Item 21.02

As a result of the District performing construction administration services, financial recordkeeping and reporting of financial activities for all projects under the program, “in-house” with District staff, a number of the PM staff positions had to be eliminated, re-classified to new positions and new billing rates, or given new responsibilities. As of December 2016 and July 2017, the remaining PM staffing is shown in the table below.

<b>Position</b>	
Program Director	1
Planner/Scheduler	1
Project Engineer	1
Public Relations/Communications	1
Communications Liaison	1
Purchasing Assistant	1
Assistant to Program Manager	1
Document Control Assistant	3
<b>TOTAL</b>	<b>10</b>

*Sources: SGI Invoice No. 500034-38-I, period December 1, 2016 thru December 31, 2016, dated January 4, 2017,*

*SGI Invoice No. 500034-45-I, period July 1, 2017 thru July 31, 2016, dated July 1, 2017*

### **Observations**

- Salaries of District staff associated with the bond program has been charged to Measures G, E, I and Tech-I bonds. These charges are supported by the opinion in the Attorney General Report No. 04-110 which states “...district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent that they perform administrative oversight work on construction projects authorized by a voter bond measure.” These District charges include the cost of benefits and allowances. Although the Attorney General’s opinion does not directly address benefits or allowances, most districts construe that the cost of benefits and allowances are inseparable from the salaries of the employees.
- The District explored and utilized various methods of project delivery in the construction of bond funded projects to take advantage of features offered by each method according to what is best for the type and size of the project. These features include ease of contract administration, cost savings, reduction in the number of change orders, and time savings. Project delivery methods such as Design-Bid-Build (DBB), Design-Build (DB) and Lease-Leaseback (LLB) have been used successfully by the District for the bond program. In addition, the District used various alternative procurement methods allowed under the Public Contracting Code, such as CUPCCAA, bulk and cooperative purchasing, and other methods to generate savings in time and money.
- The District prepared and submitted to the Board of Trustees a report entitled “Fiscal Year 2016-17 Bond Funded Positions”. Detailed in the report are position titles and control numbers of District staff from the Fiscal Department, the Capital Accounting and Purchasing Department, the Facilities Department, the Information Technology Department and the Internal Control Department. The report also includes the FTE equivalent staff time to perform oversight, management and control work for the bond program.

- District staff developed procedures and processes to ensure proper flow, authorization, approval and control of documentation relating to projects and contracts under the bond program. Examples include the Project Initiation Procedure, Change Order Process – Procedure. Notice of Completion (NOC) Procedure and many others.
- The District transitioned from the QSS Financial Management System to the CFS Financial System. The new system allows District staff to code construction budgets and expenditures by project and have the ability to generate financial activity reports by project. This feature was not available in the QSS Financial System. This new software vastly improves the District’s reporting capabilities for the bond program.

### **Conclusions**

- Review of the District’s approach to management of the bond program indicate that the District expended adequate effort in making improvements to the program management and construction administration services in the management and control of the Measures G, E, and I bond program. District leadership has taken steps to redefine roles and responsibilities for the District staff and the consultants to ensure greater efficiency of the program.
- Interviews with staff, consultants, and members of the Board of Trustees and the Citizen’s Bond Oversight Committee (CBOC) indicate that the District’s decision to perform “in-house” with District staff, all construction administration services and financial recordkeeping and reporting activities for all projects under the program has been highly successful and beneficial to the District. Most of the interviewees expressed satisfaction and confidence in those individuals in current District staff leadership roles who are responsible for the management and administration of the construction projects.

### **Recommendation**

- The District has successfully performed “in-house” all construction administration services, financial recordkeeping, and financial reporting services for all the projects under the bond funded construction program. Recognizing the value of this achievement, it would be worthwhile for the District to consider performing “in-house” the remaining program management services that currently remain with the Program Manager, to save additional money while continuing to provide high-quality service. Remaining program management services include the development and maintenance of master program scopes, schedules and budgets, including cash-flow projections and others. Taking over all program management services from the PM would require the District to hire additional staff with specializations in these areas, if it is determined that those specializations are not currently held by the existing staff.

## **DESIGN AND CONSTRUCTION COSTS AND BUDGETS**

### **Objective**

To gain an understanding of the District's processes set in place for the development and adherence to design and construction budgets on bond funded projects in the facilities construction program. To gather and test data to determine compliance and measure effectiveness of controls.

### **Scope and Methodology**

The scope of this audit section covers the program administration, design and construction budgeting activity of the District relating to the Measures G, E, I and Tech-I bond program for the period from July 1, 2015 through June 30, 2017. TSS audit staff reviewed files and documents and conducted interviews with appropriate District staff, program management staff, construction management staff, the Citizens' Bond Oversight Committee and the Board of Trustees. Copies of various reports and records of actual project expenditures on all bond funded projects were examined and reviewed in comparison with the Board of Trustees approved bond program budgets.

TSS reviewed documentation that was made available on bond program budgets and expenditure reports supplied by the District facilities staff. The current program budgets that were updated to include the actual development and delivery of projects was made available, as the original baseline master budget for projects developed at the beginning of the building program have been superseded by the most current program available to TSS for review. For this audit, comparisons are made between the most current budgets and the actual results.

In addition, bond language was reviewed to determine the scope of the projects that were approved in the bond funded construction program. Bond program updates were also reviewed to determine if the projects which have been completed or those that are in design and construction are consistent with the bond language.

Documents reviewed for this section include:

- Capital Program Budget, 2017, Measure G, E, I and Tech-I Bond Programs; ESUHSD.
- Revenue and Expense Report, 2017 1101, Measure G, E, I and Tech-I, ESUHSD;
- Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, fiscal year 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD);
- 2015-16 Financial Activity Report (FAR), Fund 21, 22, 23, and 24, Eastside Union High School District (ESUHSD) Financial Accounting System
- 2015-16 Financial Activity Report (FAR), Fund 21, 22, 23, and 24, Eastside Union High School District (ESUHSD) Financial Accounting System



- 2015-16 Expenditure Report (EXP and CL), Fund 21, 22, 23, and 24, Eastside Union High School District (ESUHSD)
- 2016-17 Expenditure Report (EXP and CL), Fund 21, 22, 23, and 24, Eastside Union High School District (ESUHSD)
- Capital Improvement Program Monthly Status Reports, ESUHSD website, Community page.

## **Background**

### **Measure G**

The Measure G bond, which was passed by the voters in March 2002, called for the construction of school facilities projects described in the Bond Project List attached as “Exhibit A” to the ballot measure. Based on this list, the District developed a school site funding allocation model based on academic performance, project priorities, master plan distribution and bond share distribution. Site funding allocations were then distributed into individual project budgets for planning, design and construction of projects identified in eleven high school campuses, the Adult Education Centers and the Alternative Education Centers.

Total expenditures on approved projects from the inception of the Measure G bond funded construction program and total funding for the program realized with the sale/issuance of the full authorized amount and the accrual of interests are shown in the table below:

<b>Measure G Bond Issuance and Expenditures as of June 30, 2017<sup>1</sup></b>	
Total bond authorization	\$298,000,000
Bond sales/ issuances as of June 30, 2017:	
• A: 07/09/2002 (\$30M), B: 04/03/2003 (\$30M),	\$60,000,000
• C: 07/28/2004 (\$50M), D: 06/02/2005 (\$70M),	\$120,000,000
• E: 06/16/2005 (\$29.99M), F: 07/11/2006 (\$50M),	\$79,999,530
• G: 08/15/2007 (\$19.97M), H: 12/04/2008 (\$18M)	<u>\$37,997,739</u>
Remaining Authorization = \$0	
Interests and other revenues	<u>\$21,944,981<sup>2</sup></u>
Total Measure G Program Funds	<u>\$319,484,249<sup>3</sup></u>
Expenditures through June 30, 2017	\$308,243,444 <sup>2</sup>
Remaining Funds	\$11,240,805

<sup>1</sup> Source: Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, FY 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD).

<sup>2</sup> Source: 2017 1101 Revenue and Expense, Measure G, E, I, IT and G Bonds, East Side Union High School District.

**Measure G Project Budgets and Expenditures**

All proceeds from the sale/issuance of Measure G bonds together with accrued interest and other revenues were fully allocated/budgeted into capital improvement projects. Since the implementation of the Measure G beginning in late 2003, the program has now expended \$308,243,444, (96.5 percent) of the \$319,484,249 in bond proceeds, interests and other revenue budgeted for the projects. Details of projects, budgets and actual expenditures during fiscal years 2015-16 and 2016-17, are shown in the following table:

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
<b>Andrew Hill</b>				
G-025-212	Interior Flooring	60,000	29,715	
G-025-702	DW Mechanical and Electrical Upgrades	1,383,800	75,286	86,375
G-025-803	Roofing	21,961	10.0	
G-025-804	Door Replacement	17,900	2326	
	<b>Sub-Total</b>	<b>1,483,661</b>	<b>107,337</b>	<b>86,375</b>
<b>Foothill</b>				
G-005-212	Interior Flooring	15,000		\$9,050
G-005-602	Hooper Hall Bldg. Modernization	371,000	25,416	269,166
G-005-702	DW Mechanical and Electrical Upgrades 1	387,000	55,307	57,869
G-005-803	Roofing	3,561	10	
	<b>Sub-Total</b>	<b>776,561</b>	<b>80,733</b>	<b>336,085</b>
<b>Independence</b>				
G-065-003	Performing Arts Center Bldg. F	80,710	72,846	5,085
G-065-203	Pool Modernization	3,001,843	13,200	16,201
G-065-212	Interior Flooring	49,398	7,453	26,839
G-065-225	IH Stadium Sound System Upgrade	41,020	33,795	7,225
G-065-228	Stadium Scoreboard Replacement	50,000		28,875
G-065-601	Building B Modernization	1,252,219	955,881	272,821
G-065-602	Streetscape, Infrastructure, Wayfinding	899,538	893,729	5,809
G-065-702	DW Mechanical and Electrical Upgrade	1,990,050	370,757	366,076
G-065-803	Roofing	492,255		488,850
	<b>Sub-Total</b>	<b>7,857,032</b>	<b>2,347,661</b>	<b>1,217,780</b>
<b>James Lick</b>				
G-030-026	Fire Science Academy	2,966,799	1,441	
G-030-212	Interior Flooring	80,000		10,945
G-030-702	DW Mechanical and Electrical Upgrades	833,800	65,790	74,734
G-030-803	Roofing	15,671	10	5
G-030-804	Door Replacements	5,394	781	
	<b>Sub-Total</b>	<b>3,901,664</b>	<b>68,022</b>	<b>85,684</b>

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
<b>Mount Pleasant</b>				
G-035-212	Interior Flooring	30,000		29,382.00
G-035-219	Stadium Fence Painting	59,755	1,430	
G-035-701	Swimming Pool Mod	2,,443,834	1,482,610	893,995
G-035-803	Roofing	47,280	10	
G-035-804	Door Replacements	4,034	2298	
	<b>Sub-Total</b>	<b>2,584,904</b>	<b>1,482,850</b>	<b>923,377</b>
<b>Oak Grove</b>				
G-050-212	Interior Flooring	64,900		17,205
G-050-702	DW Mechanical and Electrical Upgrades	80,364	42,073	23,946
	<b>Sub-Total</b>	<b>145,264</b>	<b>42,073</b>	<b>41,151</b>
<b>Piedmont Hills</b>				
G-045-702	DW Mechanical and Electrical Upgrades	1,136,898	60,706	497,187
G-045-804	Door Replacement	15,761	2,326	
G-045-816	Concrete, Hard Surface Play Court, Asphalt	70,000		25,670
	<b>Sub-Total</b>	<b>1,222,659</b>	<b>63,033</b>	<b>522,856</b>
<b>Santa Teresa</b>				
G-070-202	Track Resurfacing	69,056	6,800	
G-070-213	Gym Flooring	211,180	27	
G-070-216	Stadium Lighting	1,820,555	1,499,897	
G-070-701	Swimming Pool Modernization	2,443,579	2,034,499	341,851
G-070-702	DW Mechanical and Electrical Upgrades	442,364	181,913	23,946
G-070-816	Concrete, Hard Surface Play	40,000		35,095
	<b>Sub-Total</b>	<b>5,026,734</b>	<b>3,723,136</b>	<b>400,892</b>
<b>Silver Creek</b>				
G-055-212	Turf Fields & Track Resurfacing	85,000	19,140.0	12,386.0
G-055-702	DW Mechanical and Electrical Upgrade	127,200	48,975.78	36,013.31
G-055-804	Door Replacements	27,998	2,547	
	<b>Sub-Total</b>	<b>240,198</b>	<b>70,663</b>	<b>48,399</b>
<b>WC Overfelt</b>				
G-040-004	Special Ed Bldg. J	186,275	524	185,751
G-040-212	Interior Flooring	45,000	28,247	5,190
G-040-702	DW Mechanical and Electrical Upgrade	64,617	4,398	16,983
G-040-803	Roofing	15,084	10	
G-040-804	Door Replacements	19,464	2,878	
	<b>Sub-Total</b>	<b>330,440</b>	<b>36,058</b>	<b>207,924</b>
<b>Yerba Buena</b>				
G-060-212	Interior Flooring	50,702		18,977

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
G-060-223	Bldg. 500 Repair Theater Eaves	100,000	7,250	
G-060-224	Bldg. 200/300 & 600/700 Toilet Partitions and Drinking Fountains	66,408	66,408	
G-060-701	Swimming Pool Modernization	2,269,932	1,233,812	873,025
	<b>Sub-Total</b>	<b>2,487,042</b>	<b>1,307,470</b>	<b>892,003</b>
<b>District Wide</b>				
G-052-803	Roofing	162,450		15,845
G-052-993	District Program Cost	11,347,025	456,647	322,041
G-052-994	Program Management Services Cost	20,000,000	233,519	110,609
	<b>Sub-Total</b>	<b>31,509,475</b>	<b>690,165</b>	<b>448,495</b>
	<b>Grand Total</b>	<b>\$57,565,634</b>	<b>\$10,019,201</b>	<b>5,211,021</b>

<sup>1</sup>Source: "Capital Program Budgets", ESUHSD Bond Program, November 2017

<sup>2</sup>Source: "2015-16 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

<sup>3</sup>Source: "2016-17 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

### **Measure E Bond**

The Measure E bond was passed by the voters in February of 2008, authorizing the District to continue the construction of school facilities projects previously identified in the facilities master plan, but unfunded in the previous bonds. Based on a Bond Project List, the District developed a school site funding allocation model based on academic performance, project priorities, master plan distribution and bond share distribution. Site funding allocations were then distributed into individual project budgets for planning, design and construction of projects identified in eleven high school campuses, the Adult Education Centers and the Alternative Education Centers.

Total expenditures on approved projects from the implementation of the Measure E bond funded construction program, and total funding for the program realized with the sale/issuance of the full authorized amount and the accrual of interests are shown in the table below:

**Measure E Bond Issuance and Expenditures as of June 30, 2017<sup>1</sup>**

Total bond authorization	\$349,000,000
Bond sales/ issuances as of June 30, 2017:	
• Series A, 06/12/2008	\$50,000,000
• Series B, 03/24/2010	\$100,000,000
• Series C, 07/14/2011	\$20,026,088
• Series D, 04/17/2012)	\$100,000,000
• Series E, 2016/17	<u>\$79,000,000</u>
Remaining Authorization . . . . .	\$0
Interests and other revenues	<u>\$5,037,326<sup>2</sup></u>
Total Measure E Program Funds	<u>\$358,609,752<sup>3</sup></u>
Expenditures through June 30, 2017	\$279,603,223 <sup>2</sup>
Remaining Funds	\$79,006,529

<sup>1</sup> Source: Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, FY 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD).

<sup>2</sup> Source: 2017 1101 Revenue and Expense, Measure G, E, I, IT and G Bonds, East Side Union High School District.

**Measure E Project Budgets and Expenditures**

All proceeds from the sale/issuance of Measure G bonds together with accrued interest and other revenues were fully allocated/budgeted into capital improvement projects. Since the implementation of the Measure E beginning in late 2008, the program has now expended \$279,603,223, (78 percent) of the \$358,609,752 in bond proceeds, interests and other revenue budgeted for the projects. Details of projects, budgets and actual expenditures during fiscal years 2015-16 and 2016-17, are shown in the following table:

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
<b>IAC</b>				
E-043-001	Bldg. 100 Modernization	120,000	81,849	
E-043-601	New Bldg. 1000	121,990	27,565	
E-043-602	Admin New Bldg. & Misc. Improvements	1,746,000		131,950
	<b>Sub-Total</b>	<b>1,987,990</b>	<b>109,414</b>	<b>131,950</b>
<b>Andrew Hill</b>				
E-025-003	New – Science Building	13,256,996	260,965	
E-025-005	Baseball Foul Ball Net	120,247	97,970	75
E-025-006	Weight Room Equipment	98,000	94,562	3,029
E-025-007	Gym Windows Replacement	1,000,000		12,418
E-025-601	Courtyards Improvements	1,051,600	31,376	857,002
	<b>Sub-Total</b>	<b>14,526,843</b>	<b>484,872</b>	<b>872,523</b>
<b>Calero School</b>				
E-080-002	Mod - Calero School	12,815,712	40,367	0

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
	<b>Sub-Total</b>	<b>12,815,712</b>	<b>40,367</b>	<b>0</b>
<b>Charter Schools</b>				
E-089-004	FF&E - Escuela Popular	332,000	1,245	0
	<b>Sub-Total</b>	<b>332,000</b>	<b>1,245</b>	<b>0</b>
<b>Evergreen Valley</b>				
E-075-003	Science CR Refurbish	249,367		80,398
E-075-004	Misc. - Bldg. Improvements	819,257	5,616	
E-075-005	Paving, Fencing, & Site Improvements	731,519	118,853	373
E-075-601	Bldg. P1 -P12 Upgrade (12 Exist Portables)	70,947	40,991	5,953
E-075-602	Parking Lots Speed Hump	30,000	24,797	
E-075-603	Restroom Refurb	80,395	2,061	2,705
E-075-702	DW Mechanical and Electrical Upgrades	1,721,170	70,485	359,144
	<b>Sub-Total</b>	<b>3,453,287</b>	<b>262,804</b>	<b>448,573</b>
<b>Foothill</b>				
E-005-601	Quad Upgrade	866,430	3,302	234,138
E-005-602	Hooper Hall Bldg. Modernization	391,645		17,626
E-005-603	Bldg. D Computer lab Mod	70,677	50	70,005
	<b>Sub-Total</b>	<b>1,328,752</b>	<b>3,352</b>	<b>321,768</b>
<b>Independence</b>				
E-065-002	Mod - Title IX Interior	2,072,365	10,386	516
E-065-003	Mod - Performing Arts Center Bldg. F	10,425,428	1,957,731	26,208
E-065-004	Mod. - Visual Arts Complex Bldg. G	401,777	-1,464	
E-065-005	Mod - Bldg. N1/N2	5,054,435	1,038	
E-065-007	Portable Village	1,800,000	758,799	163,892
E-065-008	Bldg. J Modernization	4,637,931	410,392	246,738
E-065-601	Building B Modernization	171,588	24,159	53,664.47
E-065-602	Streetscape, Infrastructure, Wayfinding	16,569	16,283	
E-065-603	Bldgs. GHKLB Modernization	4,342,741	1,114,861	217,012
	<b>Sub-Total</b>	<b>28,922,834</b>	<b>4,292,185</b>	<b>708,030</b>
<b>James Lick</b>				
E-030-005	Mod - MP Bldg. 900	274,983		-3,750
E-030-601	Student Center & Quad Mod	10,205,611	905,710	601,398
	<b>Sub-Total</b>	<b>10,480,595</b>	<b>905,710</b>	<b>597,648</b>
<b>Mount Pleasant</b>				
E-035-002	Mod - Bldg. 200, 300, 600, & 700 Cl	19,960,133	19,259	
E-035-006	Bottle Filling Station	3,818	3,818	
E-035-601	New Student Center & Quads	2,783,627	253,983	1,051,441
E-035-701	Swimming Pools Modernization	350,000		303,727

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
	<b>Sub-Total</b>	<b>23,097,579</b>	<b>277,060</b>	<b>1,355,168</b>
<b>Oak Grove</b>				
E-050-005	Mod - Bldg. U	4,705,479	856,475	65,383
E-050-006	Mod - Theater Bldg. I	4,511,914	1,873,687	54,969
E-050-007	Alt ED Mini Campus Improvement	450,000	293,038	34,183
E-050-601	New Student Center & Quad Reno	1,355,316	133,708	57,676
E-050-602	Reno Bldg. H1/H2 Restroom	131,635		6,087
	<b>Sub-Total</b>	<b>11,154,344</b>	<b>3,156,908</b>	<b>218,298</b>
<b>Phoenix</b>				
E-071-601	Classroom Bldg. & Courtyard	285,475		285,475
	<b>Sub-Total</b>	<b>285,475</b>	<b>0</b>	<b>285,475</b>
<b>Piedmont Hills</b>				
E-045-002	New - Small Gym	4,733,809		40,973
E-045-601	Bldg. K Conversion to Science Labs	83,526	83,526	
E-045-602	New CR Building D1 & D2	3,200,049	370,169	570,685
E-045-701	Swimming Pools Modernization	1,888,080	712,080	950,814
	<b>Sub-Total</b>	<b>9,905,463</b>	<b>1,165,775</b>	<b>1,562,472</b>
<b>Santa Teresa</b>				
E-070-005	Landscape and Hardscape Upgrade	1,186,692	85,461	520,950
E-070-601	Field Concession Bldg.	441,332	71,967	218,851
E-070-602	Student Parking Lot Entry	197,291		75,739
E-070-701	Swimming Pool Modernization	1,100,000		1,045,804
	<b>Sub-Total</b>	<b>2,925,315</b>	<b>157,427</b>	<b>1,861,344</b>
<b>Silver Creek</b>				
E-055-001	New - Multi Purpose Bldg.	10,111,862	10,378	
E-055-601	Upgrade Quads	353,383		91,439
E-055-602	Field Concession Bldg.	637,519		512,785
	<b>Sub-Total</b>	<b>11,102,764</b>	<b>10,378</b>	<b>604,224</b>
<b>WC Overfelt</b>				
E-040-004	Mod - Special Ed Bldg. J	4,199,848	587,672	2,783,269
E-040-008	Stadium Replacement Drinking Fountain(s)	52,951	50	22,368
E-040-009	Bldg. N Child Care Shade Canopy	46,100	39,933	
E-040-012	Alt Ed Mini-Campus	100,000	93,029	
E-040-601	Baseball Complex East Renovation	17,699	3,920.00	12,177
E-040-602	Music, Art and Administration New Building & C	20,975,399		958.0
	<b>Sub-Total</b>	<b>25,391,997</b>	<b>724,605</b>	<b>2,818,772</b>
<b>Yerba Buena</b>				
E-060-002	Mod – Bldg. 100	2,012,552	10,879	

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
E-060-005	Mod Bldg. 100/Ceramics Lab Bldg. 1000	83,340	-840	
E-060-006	Paving, Fencing & Site Improvements	461,033	1,003	
E-060-008	Alt Ed Mini Campus Imp. Phase 1	2,350,274	216,753	1,448,538
E-060-009	Concesión/Restroom Bldg.	1,190,000	2,900	404,755
E-060-601	New Student Union & Quad Modernization	11,2018,939	1,921,258	2,653,624
E-060-701	Swimming Pools Modernization	688,689		474,270
	<b>Sub-Total</b>	<b>18,004,826</b>	<b>2,141,074</b>	<b>4,992,066</b>
<b>District Wide</b>				
E-013-014	Technology Equipment	4,225,573	2,298	27,392
E-052-703	Security Camera Upgrades	1,445,302		1,445,302
E-052-803	Roofing	6,024,940		3,672,009
E-052-993	District Program Cost	19,471,280	1,392,249	1,210,281
E-052-994	Program Management Services Cost	16,138,000	500,690	340,088
	<b>Sub-Total</b>	<b>47,305,095</b>	<b>1,895,236</b>	<b>6,695,072</b>
	<b>Grand Total</b>	<b>\$223,020,871</b>	<b>\$15,628,412</b>	<b>\$23,473,383</b>

<sup>1</sup>Source: "Capital Program Budgets", ESUHSD Bond Program, November 2017

<sup>2</sup>Source: "2015-16 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

<sup>3</sup>Source: "2016-17 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.



**Measure I Bond**

The Measure I bond was passed by the voters of the District in November 6, 2012, for the purposes of upgrading classrooms, computer and science labs, providing safety improvements, providing repairs, and for the construction of classroom buildings and facilities for the District's eleven high schools, including the Adult Education Centers, Alternative Schools, and Charter Schools and acquire property for future construction of new schools.

Total expenditures on approved projects from the implementation of the Measure E bond funded construction program, and total funding for the program realized with the sale/issuance of the full authorized amount and the accrual of interests are shown in the table below:

<b>Measure I Bond Issuance and Expenditures as of June 30, 2017<sup>1</sup></b>	
Total bond authorization	\$120,000,000
Bond sales/ issuances as of June 30, 2017:	
• Series A, 11/13/2013	\$20,000,000
• Series B, 06/23/2015	\$1,000,000
• Series C, 2015/16	\$99,000,000
Remaining Authorization . . . . .	\$0
Interests and other revenues	<u>\$1,687,941<sup>2</sup></u>
Total Measure I Program Funds	<u>\$121,704,332<sup>3</sup></u>
Expenditures through June 30, 2017	\$59,308,480 <sup>2</sup>
Remaining Funds	\$62,395,851

<sup>1</sup> Source: *Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, FY 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD).*

<sup>2</sup> Source: *2017 1101 Revenue and Expense, Measure G, E, I, IT and G Bonds, East Side Union High School District.*

**Measure I Project Budgets and Expenditures**

Since the implementation of the Measure I beginning in 2013, the program has now expended \$59,308,480, (48.7 percent) of the \$121,704,332 in bond proceeds, interests and other revenue budgeted for the projects. Details of projects, budgets and actual expenditures during fiscal years 2015-16 and 2016-17, are shown in the following table:

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
<b>Andrew Hill</b>				
I-025-001	Sewer System Repairs near AH Bldg. 400	10,000	1,461	285
I-025-002	Softball Complex West Irrigation Upgr.	170,000	145,882	
I-025-003	Irrigation System Repairs AH Bldg. 200	5,000	258	
I-025-601	Courtyards Improvements	2,236,606	155,305	1,519,183
	<b>Sub-Total</b>	<b>2,421,606</b>	<b>302,907</b>	<b>1,519,474</b>
<b>Charter Schools</b>				
I-089-002	FF&E - KIPP SJ Collegiate (Equipment)	128,676	33,336	19,369
I-089-005	FF&E - Latino Prep	48,597		48,300
I-089-006	IH Occupancy Change Upgrades for ACE	133,533	3,710	
I-089-007	IH Occupancy Change Upgrades for DCP	91,106	269	
I-089-008	YB Occupancy Change Upgrades - Luis Valdez	251,475	-2,115	
I-089-009	MP Bldgs. 1201-1223 Mini-campus Modernization	873,674	32,740	
	<b>Sub-Total</b>	<b>1,478,464</b>	<b>67,939</b>	<b>67,669</b>
<b>Evergreen Valley</b>				
I-075-002	Infrastructure	7,500	50	
I-075-003	Science CR Refurb	912,413	93,610	801,276
I-075-004	Fire Damper Upgrade	100,000	18	
I-075-005	Quimby Cross Walk	4,375	4,375	
I-075-601	P12 Upgrade (12 Exist Portables)	115,967	107,241	25
I-075-603	Restroom Refurb	80,000	544	22,089
I-075-702	DW Mechanical and Electrical Upgrades	750,000	384,805	318,720
	<b>Sub-Total</b>	<b>1,970,255</b>	<b>590,643</b>	<b>1,142,109</b>
<b>Foothill</b>				
I-005-002	Site Infrastructure Improvements	52,000	579	25,180
I-005-601	Quad Upgrade	99,046	4,700	45,781
I-005-602	Hooper Hall Bldg. Modernization	1,680,000	4,750	397,890

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
I-005-603	Bldg. D Computer lab Mod	400,000	32,852	157,356
	<b>Sub-Total</b>	<b>2,231,046</b>	<b>42,881</b>	<b>626,206</b>
<b>Independence</b>				
I-065-003	Mod - Performing Arts Center Bldg. F	2,145,000	1,846,373	27,101
I-065-008	Building J Modernization	1,847,068		313,164
I-065-601	Building B Modernization	950,149	714,682	161,821
I-065-602	Streetscape, Infrastructure, Wayfinding	1,470,000	736,546	169,738
I-065-603	Bldgs. GHKLB Modernization	1,505,071	394	1,265,653
I-065-801	DW Measure I Fire Alarm Condition Assessment	8,989	15,871	
I-065-810	Fire Alarm Modernization	18,115		2,244
	<b>Sub-Total</b>	<b>7,944,393</b>	<b>3,313,867</b>	<b>1,939,721</b>
<b>James Lick</b>				
I-030-001	Bldgs. 200, 300 Integrated Classrooms	914,837	9	
I-030-002	CR Modernization	1,231,024	540,6803	307,262
I-030-003	Site Infrastructure Improvements	50,000	26,544.0	20,617
I-030-601	Student Center & Quad Mod	4,325,338		1,250,022
I-030-701	Swimming Pool Modernization	2,757,833	1,014,544	1,551,505
	<b>Sub-Total</b>	<b>9,279,031</b>	<b>1,581,776</b>	<b>3,129,406</b>
<b>Mount Pleasant</b>				
I-035-001	Site Infrastructure Improvements	110,000	12,059	1,160
I-035-601	New Student Center & Quads	4,240,911	132,560	657,075
I-035-701	Swimming Pools Modernization	348,998	67,892	216,141
	<b>Sub-Total</b>	<b>4,699,909</b>	<b>212,512</b>	<b>874,375</b>
<b>Oak Grove</b>				
I-050-002	Site Infrastructure Improvements	45,000	50	9,005
I-050-005	Mod - Building U	550,000	523,075	1,813
I-050-006	Mod - Theater Building I	131,740	74,884	14,469
I-050-601	New Student Center & Quad Reno	5,104,917	211,108	168,909
I-050-602	Reno Bldg. H1/H2 Restroom	745,000	146,023	4,317
I-050-603	Replacement Security Fencing	412,001	24,550	285,485
	<b>Sub-Total</b>	<b>6,988,658</b>	<b>979,690</b>	<b>483,996</b>
<b>Phoenix</b>				
I-071-601	Classroom Bldg. & Courtyard	1,773,902	150,326	1,140,467
	<b>Sub-Total</b>	<b>1,773,902</b>	<b>150,326</b>	<b>1,140,467</b>
<b>Piedmont Hills</b>				
1-045-001	Bldg. G Modernization	46,725	46,725	
1-045-002	Bldg. P New Classroom Bldg.	148,858	148,858	
1-045-003	Site Infrastructure Improvements	225,000	12,235	28,650
1-045-601	Bldg. K Conversion to Science Ls/CR	4,600	4,600	

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
I-045-602	New CR Building D1 & D2	10,670,423	232,175	586,733
I-045-701	Swimming Pools Modernization	1,433,000	56,384	1,151,849
	<b>Sub-Total</b>	<b>12,528,606</b>	<b>501,067</b>	<b>1,767,232</b>
<b>Santa Teresa</b>				
I-070-001	Bldg. 1300 Modernization	600,000	25,036	157,793
I-070-002	Bldg. 600 Modernization	160,000	9,694	25,345
I-070-004	Bldg. 100 - Renov Rm 101 - Life Skills	15,000	10,628	-7,574
I-070-005	Infrastructure Modernization	90,000	6,205	51,675
I-070-601	Field Concession Bldg.	941,188	38,271	834,165
I-070-602	Student Parking Lot Entry	815,074	59,386	448,951
I-070-701	Swimming Pool Modernization	440,000	63,891	311,779
	<b>Sub-Total</b>	<b>3,061,262</b>	<b>213,111</b>	<b>1,822,134</b>
<b>Silver Creek</b>				
I-055-004	Site Infrastructure Improvements	250,000	19,289	8,780
I-055-601	Upgrade Quads	2,016,729	129,660	773,300
I-055-602	Field Concession Bldg.	750,000	88,028	637,784
I-055-603	Bldg. N Mod & New Quad Marquee	1,600,001	111,999	366,919
I-055-701	Swimming Pool Modernization	2,870,501	1,040,797	1,643,817
	<b>Sub-Total</b>	<b>7,487,231</b>	<b>1,389,812</b>	<b>3,430,600</b>
<b>WC Over felt</b>				
I-040-601	Baseball Complex East Renovation	180,000	127,636	44,779
I-040-602	Music, Art and Administration New Building & C	2,901,910		461,685
I-040-701	Swimming Pool Modernization	2,798,000	742,496	1,862,179
	<b>Sub-Total</b>	<b>5,879,910</b>	<b>870,132</b>	<b>2,368,643</b>
<b>Yerba Buena</b>				
I-060-001	Infrastructure Upgrades	212,000	50	
I-060-008	Alt Ed Mini Campus Impr Phase 1	324,477	580	324,147
I-060-601	New Student Union & Quad Modernization	8,370,958	16,200	1,391,461
I-060-701	Swimming Pools Modernization	325,000	25,409	242,914
	<b>Sub-Total</b>	<b>9,232,684</b>	<b>42,239</b>	<b>1,958,522</b>
<b>District Wide</b>				
I-013-001	IT Backend Computer System Upgrade	1,740,383	166,201	64,941
I-013-002	Wireless Network Phase 2	2,230,991	504,197	56,493
I-013-014	Technology Equipment	2,468,862	152,013	1,094,797
I-013-703	Security Camera Upgrades	1,659,219	1,513,207	-250,889
I-052-703	Security Camera Upgrades	1,900,000	32,212	1,220,524
I-052-704	Energy Efficiency Project	373,560	25,816	55,601
I-052-810	Fire Alarm Modernization	17,799,975	1,147,064	6,913,995

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
I-052-993	District Program Cost	5,243,332	606,206	731,462
I-052-994	Program Management Services Cost	4,088,252	723,764	1,114,668
	<b>Sub-Total</b>	<b>37,504,574</b>	<b>4,870,681</b>	<b>11,001,592</b>
	<b>Grand Total</b>	<b>\$114,481,531</b>	<b>\$15,129,580</b>	<b>33,272,147</b>

<sup>1</sup>Source: "Capital Program Budgets", ESUHSD Bond Program, November 2017

<sup>2</sup>Source: "2015-16 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

<sup>3</sup>Source: "2016-17 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

### **Measure Tech-I Bond**

The Measure Tech-I bond was passed by the voters of the District in November 4, 2014, for the purposes of providing the students of the District access to computers, upgraded technology equipment and educational software, and to keep pace with technological innovations as well as to implement statewide testing requirements at all of the District's thirteen high schools, including the Adult Education Centers, Alternative Schools, and Charter Schools. Procurement, installation and upgrading of technology and networking equipment and systems, classroom computers, educational software, internet infrastructure and other advancements in technology will be implemented to ensure that the students keep pace with today's rapidly changing educational technology.

Total expenditures on approved projects from the implementation of the Measure Tech-I bond funded construction program, and total funding for the program realized with the initial sale/issuance of a portion (14.5 percent) of authorized amount, the accrual of interests and other revenues are shown in the table below:

<b>Measure I (Tech) Bond Issuance and Expenditures as of June 30, 2017<sup>1</sup></b>	
Total bond authorization	\$113,000,000
Bond sales/ issuances as of June 30, 2017:	\$16,200,000
• Series C, 06/25/2015	\$16,200,000
Remaining Authorization . . . . .	\$96,800,000
Interests and other revenues	<u>\$111,938<sup>2</sup></u>
Total Measure I (Tech) Program Funds	<u>\$16,311,938<sup>3</sup></u>
Expenditures through June 30, 2017	\$13,069,952 <sup>2</sup>
Remaining Funds	\$3,241,987

<sup>1</sup> Source: Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, FY 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD).

<sup>2</sup> Source: 2017 1101 Revenue and Expense, Measure G, E, I, IT and G Bonds, East Side Union High School District.

### Measure I (Tech) Budgets and Expenditures

Since the implementation of the Measure Tech-I bond beginning in 2015, the program has now expended \$13,069,952, (80 percent) of the \$16,311,938 proceeds from the initial \$16,200,000 bond sale, interests and other revenue budgeted for the projects. Details of projects, budgets and actual expenditures during fiscal years 2015-16 and 2016-17, are shown in the following table:

Site/ Project #	Project Title <sup>1</sup>	Budget <sup>1</sup>	Expenditures	
			FY 2015-16 <sup>2</sup>	FY 2016-17 <sup>3</sup>
<b>District Wide</b>				
IT-013-001	DW Network Equipment	300,000	24,346	50,470
IT-013-002	DW Learning Device	5,847,000	5,347,995	54,377
IT-013-003	DW Professional Development	300,000	141,738	39,901
IT-013-004	DW Professional Services	131,000	24,242	47,996
IT-013-005	DW License Renewal	2,262,000	827,996	862,779
IT-013-006	DW Projection Devices	1,200,000	894,158	202,515
IT-013-007	DW Backend System Phase II	1,050,000	508,593	429,402
IT-013-008	DW Community Wireless	2,750,000		1,350,000
IT-013-009	DW Technology Equipment	65,000	19,142	39,743
IT-013-703	DW Security Camera Upgrades	2,000,000	2,000,000	
IT-052-993	Technology Bond District Program Cost	404,235	32,656	38,267
	<b>Total</b>	<b>\$16,309,235</b>	<b>\$9,820,866</b>	<b>\$3,115,449</b>

<sup>1</sup>Source: "Capital Program Budgets", ESUHSD Bond Program, November 2017

<sup>2</sup>Source: "2015-16 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

<sup>3</sup>Source: "2016-17 Expenditure Report (EXP and CL)", ESUHSD Bond Program, November 2017.

### Observations

- On a monthly basis, staff updates and posts the "Capital Improvement Program Monthly Status Report" on the Bond Measures web page of the District website. The report provides information relating to the activities on the approved and active construction projects on a site by site basis. Included in the report is a list and descriptions of approved projects for each school site, the status of planning, design, procurement and construction, completion and schedules. Also included in the reports are the approved budgets and expenditures incurred in each project, the corresponding sources of bond funds utilized and the highlights of the construction activities including pictures. These reports serve the District well in disseminating information to staff, the community and other stakeholders on the status and progress of the capital improvement program funded by the bond measures.

- Staff presents proposals and recommendations to the Board of Trustees for review and approval regarding the allocation of funds to major construction projects where the need has been determined. One example is the presentation, discussion and approval of the allocation of funds for facility upgrades to alternative education facilities at Independence, Oak Grove, W. C Overfelt and Yerba Buena High Schools on November 15, 2015.
- The School Site Councils and Superintendent's Council are actively engaged in the review of a school's project lists and emerging needs of a school site and recommends revisions to the scope of work, creation of new projects and/ or priorities for Board of Trustees review and approval. One example is the revision to the capital construction projects list at Santa Teresa High School wherein previously approved projects are cancelled and new projects created to meet the school's emerging and changing needs.
- The District developed and submitted the "Capital Program Budget Adjustment Report" to the Board of Trustees as a result of the audit finding by Moss Adams LLP during the performance audit for fiscal year 2013-14 and 2014-15. The monthly report, which was first submitted in April 21, 2016, lists changes and adjustments to the approved project budgets occurring within the reporting month. Adjustments to the approved project budgets include cost escalations, reallocation of project savings, defunding of approved projects, funding of new higher priority projects and contingency distributions. The report is submitted during the regular monthly meeting of the Board of Trustees and is created for the purpose of improving the effectiveness of the communication channels among stakeholders of the capital improvement program. The report serves the Board of Trustees well in assuring everyone involved that the allocation and re-allocation of funds are properly authorized and approved.

### **Conclusions**

- Review of design and construction documents indicate that the District expended adequate effort in developing budgets for the design and construction of projects identified in the Measure G, E, I and Tech-I bond project lists. Budgets were developed together with funding augmentation and realignment plans to meet critical construction needs that are identified during the course of program implementation, and submitted to the Board of Trustees for information, direction and/or approval.
- Results of budget and expenditure comparisons indicate that the District expended necessary efforts to effectively monitor and manage the expenditures on bond funded construction projects to keep them below or on par with the approved budgets.

## DESIGN AND CONSTRUCTION SCHEDULES

### Objective

To gain an understanding of the District's processes set in place for the development and implementation of design and construction schedules of bond funded projects in the facilities construction program. To gather and test data to determine compliance and measure effectiveness of controls.

### Scope and Methodology

The scope of this section covers the program management, design and construction scheduling activities of the District relating to the Measures G, E, I and Tech-I bond program for the period from July 1, 2015 through June 30, 2017. TSS audit staff reviewed files and documents and conducted interviews with appropriate District staff, program management staff, construction management staff, the Citizens' Bond Oversight Committee (CBOC) and the Board of Trustees. Copies of various reports and records of actual project schedules and the status of all bond funded projects in various stages of planning, design and construction were reviewed in comparison with the Board of Trustees approved bond program schedules.

In the process, the Bond Project Lists included in Measures G, E, I and Tech-I bond language were reviewed together with facilities update reports to determine whether the projects that have been completed, or those that are in design, are consistent with the bond language.

All information made available to TSS on the scheduling on Measures G, E, and I projects was supplied by the program management consultant, Seville Group, Inc. (SGI) and the District's facilities staff.

Documents reviewed for this section include:

- CIP Master Program Summary, 2016 - 2020, Seville Group, Inc. (SGI);
- Capital Improvement Program Monthly Status Reports, ESUHSD website, Community page;
- Bond Program Update, Board Agenda item, January 19, 2017, ESUHSD;
- Cash Flow Master Program Document and Schedule, November 7, 2017, Seville Group, Inc. (SGI);
- Capital Program Budget, 2017, Measure G, E, I and Tech-I Bond Programs; ESUHSD; and
- Financial Audit Reports, Measure G, E, I and Tech-I Bond Funds, fiscal year 2015-16, Vavrinek, Trine, Day & Co., LLP (VTD).



## **Background**

### **Measure G**

The Measure G bond, which was passed by the voters in March 2002, called for the construction of school facilities projects described on the Bond Project List attached as “Exhibit A” to the ballot measure (Appendix A). Based on this list, the District developed and approved a program schedule which provided timelines and schedules for planning, design and construction of projects identified in eleven high school campuses, the Adult Education Centers and the Alternative Schools.

As new and changing needs of the educational facilities continued to evolve during the implementation of the Measure G bond program, so does the need to make adjustments to the project scopes of the approved project list. District and site staff evaluated the needs of the every school site and continued to create new projects, merge approved projects and/or revise the scopes of existing projects to meet the schools changing needs. As of the current audit year there are now 133 projects funded under the Measure G bond program, the majority of which have been completed, with less than 5 percent of the remaining projects under construction.

Details of the individual projects under the plan which were financially active during fiscal years 2015-16 and 2016-17, the schedules and status as of June 30, 2017, are shown in the table below;

<b>Site/ Project #</b>	<b>Project Title<sup>1</sup></b>	<b>Status As Of June 30, 2017</b>	<b>Schedule Design thru Completion</b>
<b>Andrew Hill</b>			
G-025-212	Interior Flooring	Complete	10/01/2014 – 7/29/2015
G-025-702	DW Mechanical and Electrical Upgrades	Construction	10/27/2015 – 11/14/2017
G-025-803	Roofing	Construction	07/21/2016 – 9/29/2017
G-025-804	Door Replacement	Complete	2/01/2017 – 11/12/2017
<b>Foothill</b>			
G-005-212	Interior Flooring	Complete	1/1/2017 – 5/21/2017
G-005-602	Hooper Hall Bldg. Modernization	Construction	1/22/2016 – 11/28/2017
G-005-702	DW Mechanical and Electrical Upgrades 1	Construction	1/05/2016 – 9/26/2017
G-005-803	Roofing	Construction	
<b>Independence</b>			
G-065-003	Performing Arts Center Bldg. F	Complete	2/14/2013 – 1/28/2016
G-065-203	Pool Modernization	Complete	8/01/2015 – 1/4/2017
G-065-212	Interior Flooring	Complete	1/01/2017 – 5/28/2017
G-065-225	IH Stadium Sound System Upgrade	Complete	
G-065-228	Stadium Scoreboard Replacement	Complete	1/01/2017 – 5/21/2017
G-065-601	Building B Modernization	Complete	1/25/2015 – 7/21/2016
G-065-602	Streetscape, Infrastructure, Wayfin	Complete	2/17/2014 – 5/17/2016
G-065-702	DW Mechanical and Electrical Upgrade	Complete	10/06/2015 – 9/13/2016

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
G-065-803	Roofing	Complete	6/30/2016 – 12/08/2016
<b>James Lick</b>			
G-030-026	Fire Science Academy	Complete	
G-030-212	Interior Flooring	Complete	11/01/2017 – 5/21/2017
G-030-702	DW Mechanical and Electrical Upgrades	Complete	1/05/2016 – 8/15/2017
G-030-803	Roofing	Complete	1/01/2017 – 7/02/2017
G-030-804	Door Replacements	Complete	2/01/2016 – 11/11/2016
<b>Mount Pleasant</b>			
G-035-212	Interior Flooring	Complete	1/01/2017 – 7/02/2017
G-035-219	Stadium Fence Painting	Complete	
G-035-701	Swimming Pool Mod	Complete	6/01/2015 – 11/11/2016
G-035-803	Roofing	Complete	8/13/2014 – 7/02/2015
G-035-804	Door Replacements	Complete	2/01/2017 – 8/24/2017
<b>Oak Grove</b>			
G-050-212	Interior Flooring	Complete	10/01/2014 – 7/29/2015
G-050-702	DW Mechanical and Electrical Upgrades	Complete	1/08/2016 – 8/15/2017
<b>Piedmont Hills</b>			
G-045-702	DW Mechanical and Electrical Upgrades	Construction	1/05/2016 – 8/15/2017
G-045-804	Door Replacement	Complete	2/01/2016 – 11/11/2016
G-045-816	Concrete, Hard Surface Play Court, Asphalt	Plan/Design	5/01/2018 – 4/30/2019
<b>Santa Teresa</b>			
G-070-202	Track Resurfacing	Complete	
G-070-213	Gym Flooring	Complete	
G-070-216	Stadium Lighting	Complete	
G-070-701	Swimming Pool Modernization	Complete	6/01/2015 – 11/11/2016
G-070-702	DW Mechanical and Electrical Upgrades	Construction	1/05/2016 – 8/15/2017
G-070-816	Concrete, Hard Surface Play	Complete	5/01/2018 – 4/30/2019
<b>Silver Creek</b>			
G-055-212	Turf Fields & Track Resurfacing	Complete	1/01/2017 – 5/07/2017
G-055-702	DW Mechanical and Electrical Upgrade	Construction	1/05/2017 – 8/15/2017
G-055-804	Door Replacements	Complete	2/01/2016 – 11/11/2016
<b>WC Overfelt</b>			
G-040-004	Special Ed Bldg. J	Complete	
G-040-212	Interior Flooring	Complete	1/01/2017 – 4/09/2017
G-040-702	DW Mechanical and Electrical Upgrade	Construction	1/01/2017 – 9/10/2017
G-040-803	Roofing	Complete	9/29/2016 – 8/17/2017
G-040-804	Door Replacements	Complete	2/01/2016 – 11/11/2016

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
<b>Yerba Buena</b>			
G-060-212	Interior Flooring	Complete	1/01/2017 – 4/09/2017
G-060-223	Bldg. 500 Repair Theater Eaves	Complete	1/13/2016 – 7/13/2016
G-060-224	Bldg. 200/300 & 600/700 Toilet Partitions and Drinking Fountains	Complete	
G-060-701	Swimming Pool Modernization	Complete	6/01/2015 – 6/19/2017
<b>District Wide</b>			
G-052-803	Roofing	Construction	6/30/2015 – 8/20/2018

<sup>1</sup>Source: “Capital Program Budgets”, ESUHSD Bond Program, November 2017; the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017, and the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017.

<sup>2</sup> Cash Flow Master Program Document and Schedule, November 7, 2017, Seville Group, Inc. (SGI).

## **Measure E**

Measure E was passed by the voters in February, 2008, and authorized the District to continue the construction of school facilities projects previously identified in the facilities master plan but unfunded in previous bonds. Based on the Bond Project List attached as “Exhibit A” to the ballot measure (Appendix B), the District developed and approved a program schedule which provided timelines and schedules for planning, design and construction of projects identified in eleven high school facilities, the Adult Education Centers and the Alternative Education Centers

Based on the schedules originally laid-out for the Measure E bond program, the majority of the projects under the plan were completed in the summer of 2014, with only two remaining projects expected to be completed in 2015. However, as new and changing needs continued to evolve during the implementation of the program, so does the need to make adjustments to the scopes of the projects on the approved project list. District and site staff evaluated the needs of every school site and continued to create new projects, merge approved projects and/or revise the scopes of existing projects to meet the schools changing needs. As of the current audit year there are now 163 projects funded under the Measure E bond program, the majority of which had been completed, with less than 25 percent of the remaining projects under construction.

Details of the individual projects under the plan which were financially active during fiscal years 2015-16 and 2016-17, the schedules and status as of June 30, 2017, are shown in the table below;

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
<b>IAC</b>			
E-043-001	Bldg. 100 Modernization	Complete	1/07/2015 – 8/31/2016
E-043-601	New Bldg. 1000	Complete	1/07/2015 – 2/01/2017
E-043-602	Admin New Bldg. & Misc. Improvements	Planning	1/07/2017 – 3/02/2019

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
<b>Andrew Hill</b>			
E-025-003	New – Science Building	Complete	6/01/2012 – 10/17/2014
E-025-005	Baseball Foul Ball Net	Complete	1/05/2015 – 3/21/2016
E-025-006	Weight Room Equipment	Complete	1/01/2017 – 5/28/2017
E-025-007	Gym Windows Replacement	Design	9/01/2016 – 8/29/2017
E-025-601	Courtyards Improvements	Construction	1/05/2015 – 10/02/2017
<b>Calero School</b>			
E-080-002	Mod - Calero School	Complete	1/01/2017 – 1/28/2018
<b>Charter Schools</b>			
E-089-004	FF&E - Escuela Popular	Complete	1/01/2017 – 12/03/2017
<b>Evergreen Valley</b>			
E-075-003	Science CR Refurbish	Complete	
E-075-004	Misc. – Bldg. Improvements	Complete	1/01/2017 – 5/07/2017
E-075-005	Paving, Fencing, & Site Improvements	Complete	1/01/2017 – 5/07/2017
E-075-601	Bldg. P1-P12 Upgrade (12 Exist Portables)	Complete	1/01/2017 – 5/07/2017
E-075-602	Parking Lots Speed Hump	Complete	1/01/2017 – 5/21/2017
E-075-603	Restroom Refurb	Complete	5/25/2015 – 10/28/2016
E-075-702	DW Mechanical and Electrical Upgrades	Closeout	1/05/2016 – 9/26/2017
<b>Foothill</b>			
E-005-601	Quad Upgrade	Construction	1/22/2016 – 11/28/2017
E-005-602	Hooper Hall Bldg. Modernization	Construction	1/22/2016 – 11/28/2017
E-005-603	Bldg. D Computer lab Mod	Complete	1/22/2016 – 12/09/2017
<b>Independence</b>			
E-065-002	Mod - Title IX Interior	Complete	1/01/2017 – 5/28/2017
E-065-003	Mod - Performing Arts Center Bldg. F	Complete	
E-065-004	Mod. - Visual Arts Complex Bldg. G	Complete	
E-065-005	Mod – Bldg. N1/N2	Construction	
E-065-007	Portable Village	Complete	1/07/2015 – 10/02/2015
E-065-008	Bld J Modernization	Construction	1/07/2015 – 1/17/2018
E-065-601	Building B Modernization	Complete	1/25/2015 – 7/21/2016
E-065-602	Streetscape, Infrastructure, Wayfinding	Complete	2/17/2014 – 5/17/2016
E-065-603	Bldgs. GHKLB Modernization	Complete	1/07/2015 – 6/21/2017
<b>James Lick</b>			
E-030-005	Mod - MP Bldg. 900	Complete	
E-030-601	Student Center & Quad Mod	Construction	9/18/2015 – 1/06/2018
<b>Mount Pleasant</b>			
E-035-002	Mod – Bldg. 200, 300, 600, & 700 CI	Complete	
E-035-006	Bottle Filling Station	Complete	
E-035-601	New Student Center & Quads	Construction	1/25/2015 – 12/01/2017

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
E-035-701	Swimming Pools Modernization	Complete	6/01/2015 – 11/11/2016
<b>Oak Grove</b>			
E-050-005	Mod – Bldg. U	Complete	10/18/2012 – 3/14/2015
E-050-006	Mod - Theater Bldg. I	Complete	10/18/2012 – 2/14/2015
E-050-007	Alt ED Mini Campus Improvement	Complete	2/03/2015 – 6/30/2015
E-050-601	New Student Center & Quad Reno	Procurement	1/21/2016 – 8/24/2017
E-050-602	Reno Bldg. H1/H2 Restroom	Construction	1/21/2016 – 5/29/2018
<b>Phoenix</b>			
E-071-601	Classroom Bldg. & Courtyard	Complete	4/21/2015 – 8/02/2016
<b>Piedmont Hills</b>			
E-045-002	New - Small Gym	Complete	1/01/2017 – 5/07/2017
E-045-601	Bldg. K Conversion to Science Labs	Complete	
E-045-602	New CR Building D1 & D2	Construction	9/18/2015 – 7/20/2018
E-045-701	Swimming Pools Modernization	Complete	6/01/2015 – 11/11/2016
<b>Santa Teresa</b>			
E-070-005	Landscape and Hardscape Upgrade	Construction	4/13/2016 – 7/26/2017
E-070-601	Field Concession Bldg.	Complete	3/04/2016 – 4/04/2017
E-070-602	Student Parking Lot Entry	Construction	4/13/2016 – 7/26/2017
E-070-701	Swimming Pool Modernization	Complete	
<b>Silver Creek</b>			
E-055-001	New - Multi Purpose Bldg.	Construction	
E-055-601	Upgrade Quads	Construction	1/20/2016 – 8/23/2017
E-055-602	Field Concession Bldg.	Complete	2/02/2016 – 2/16/2017
<b>WC Overfelt</b>			
E-040-004	Mod - Special Ed Bldg. J	Complete	11/28/2013 – 12/30/2016
E-040-008	Stadium Replacement Drinking Fountain(s)	Complete	5/01/2016 – 7/17/2016
E-040-009	Bldg. N Child Care Shade Canopy	Complete	1/01/2017 – 7/02/2017
E-040-012	Alt Ed Mini-Campus	Complete	1/01/2017 – 7/02/2017
E-040-601	Baseball Complex East Renovation	Complete	1/05/2015 – 4/01/2016
E-040-602	Music, Art and Administration New Building & C	Procurement	10/24/2017 – 5/30/2020
<b>Yerba Buena</b>			
E-060-002	Mod – Bldg. 100	Complete	14/01/2017 – 7/02/2017
E-060-005	Mod Bldg. 100/Ceramics Lab Bldg. 1000	Complete	
E-060-006	Paving, Fencing & Site Improvements	Complete	
E-060-008	Alt Ed Mini Campus Impr Phase 1	Construction	1/20/2016 – 7/07/2017
E-060-009	Concesión/ Restroom Blog.	Construction	10/13/2016 – 9/01/2017
E-060-601	New Student Union & Quad	Construction	10/13/2014 – 6/01/2018

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
	Modernization		
E-060-701	Swimming Pools Modernization	Complete	
<b>District Wide</b>			
E-052-703	Security Camera Upgrades	Complete	10/30/2013 – 5/08/2017
E-052-803	Roofing	Construction	

<sup>1</sup> Source: “Capital Program Budgets”, ESUHSD Bond Program, November 2017; the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017, and the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017.

<sup>2</sup> Cash Flow Master Program Document and Schedule, November 7, 2017, Seville Group, Inc. (SGI).

### **Measure I Bond**

The Measure I bond was passed by the voters of the District in November 6, 2012, for the purposes of upgrading classrooms, computer and science labs, providing safety improvements, providing repairs, and for the construction of classroom buildings and facilities for the District’s eleven high schools, including the Adult Education Centers, Alternative Schools, and Charter Schools and acquire property for future construction of new schools.

As new and changing needs continued to evolve during the implementation of the Measure I bond program, so does the need to make adjustments to the project scopes of the approved project list. District and site staff evaluated the needs of the every school site and continued to create new projects, merge approved projects and/or revise the scopes of existing projects to meet the schools changing needs. As of the current audit year there are now 112 projects funded under the Measure I bond program, of which about 50 percent have been completed, and the remaining 50 percent of the projects are in various stages of planning, design, procurement and construction.

Details of the individual projects under the plan which were financially active during fiscal years 2015-16 and 2016-17, the schedules and status as of June 30, 2017, are shown in the table below;

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
<b>Andrew Hill</b>			
I-025-001	Sewer System Repairs near AH Bldg. 400	Complete	1/01/2017 – 7/02/2017
I-025-002	Softball Complex West Irrigation Upgr.	Complete	1/01/2017 – 5/28/2017
I-025-003	Irrigation System Repairs AH Bldgs. 200	Complete	1/01/2017 – 7/02/2017
I-025-601	Courtyards Improvements	Construction	1/05/2015 – 8/29/2017
<b>Charter Schools</b>			
I-089-002	FF&E - KIPP SJ Collegiate (Equipment)	Complete	1/01/2017 – 1/28/2018
I-089-005	FF&E - Latino Prep	Complete	1/01/2017 – 1/28/2018
I-089-006	IH Occupancy Change Upgrades for ACE	Complete	

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
I-089-007	IH Occupancy Change Upgrades for DCP	Complete	
I-089-008	YB Occupancy Change Upgrades - Luis Valdez	Complete	
I-089-009	MP Bldgs. 1201-1223 Mini-campus Modernization	Complete	
<b>Evergreen Valley</b>			
I-075-002	Infrastructure	Planning	1/01/2017 – 7/02/2017
I-075-003	Science CR Refurb	Complete	5/25/2015 – 3/27/2017
I-075-004	Fire Damper Upgrade	Complete	2/11/2016 – 7/28/2016
I-075-005	Quimby Cross Walk	Complete	
I-075-601	P12 Upgrade (12 Exist Portables)	Complete	
I-075-603	Restroom Refurb	Complete	5/25/2015 – 10/28/2016
I-075-702	DW Mechanical and Electrical Upgrades	Closeout	1/05/2016 – 9/26/2017
<b>Foothill</b>			
I-005-002	Site Infrastructure Improvements	Construction	1/22/2016 – 11/28/2017
I-005-601	Quad Upgrade	Construction	1/22/2016 – 11/28/2017
I-005-602	Hooper Hall Bldg. Modernization	Construction	1/22/2016 – 11/28/2017
I-005-603	Bldg. D Computer lab Mod	Complete	1/22/2016 – 12/09/2016
<b>Independence</b>			
I-065-003	Mod - Performing Arts Center Bldg. F	Complete	2/14/2013 – 1/28/2016
I-065-008	Building J Modernization	Construction	1/07/2015 – 1/47/2018
I-065-601	Building B Modernization	Complete	1/25/2015 – 7/11/2016
I-065-602	Streetscape, Infrastructure, Wayfinding	Complete	2/17/2014 – 5/17/2016
I-065-603	Bldgs. GHKLB Modernization	Complete	1/07/2015 – 6/21/2017
I-065-801	DW Measure I Fire Alarm Condition Assessment	Complete	
I-065-810	Fire Alarm Modernization	Complete	
<b>James Lick</b>			
I-030-001	Bldgs. 200, 300 Integrated Classrooms	Closeout	1/01/2017 – 1/15/2017
I-030-002	CR Modernization	Closeout	9/18/2015 – 8/04/2017
I-030-003	Site Infrastructure Improvements	Complete	1/10/2016 – 10/23/2016
I-030-601	Student Center & Quad Mod	Construction	9/18/2015 – 1/06/2018
I-030-701	Swimming Pool Modernization	Complete	8/01/2015 – 1/04/2017
<b>Mount Pleasant</b>			
I-035-001	Site Infrastructure Improvements	Complete	11/13/2015 – 5/13/2016
I-035-601	New Student Center & Quads	Construction	1/21/2016 – 12/01/2017
I-035-701	Swimming Pools Modernization	Complete	6/01/2015 – 11/11/2016
<b>Oak Grove</b>			
I-050-002	Site Infrastructure Improvements	Complete	1/21/2016 – 9/29/2016

Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
I-050-005	Mod - Building U	Complete	10/18/2012 – 3/14/2015
I-050-006	Mod - Theater Building I	Complete	10/18/2012 – 2/14/2015
I-050-601	New Student Center & Quad Reno	Procurement	1/21/2016 – 8/24/2017
I-050-602	Reno Bldg. H1/H2 Restroom	Construction	1/21/2016 – 5/29/2018
I-050-603	Replacement Security Fencing	Complete	4/01/2016 – 12/09/2016
<b>Phoenix</b>			
I-071-601	Classroom Bldg. & Courtyard	Complete	4/21/2015 – 8/02/2016
<b>Piedmont Hills</b>			
I-045-001	Bldg. G Modernization	Complete	
I-045-002	Bldg. P New Classroom Bldg.	Complete	
I-045-003	Site Infrastructure Improvements	Complete	9/03/2015 – 3/30/2017
I-045-601	Bldg. K Conversion to Science Ls/CR	Complete	
I-045-602	New CR Building D1 & D2	Construction	9/18/2015 – 7/20/2018
I-045-701	Swimming Pools Modernization	Complete	6/01/2015 – 11/11/2016
<b>Santa Teresa</b>			
I-070-001	Bldg. 1300 Modernization	Complete	8/27/2015 – 12/08/2016
I-070-002	Bldg. 600 Modernization	Construction	9/22/2016 – 6/12/2017
I-070-004	Bldg. 100 - Renov Rm 101 - Life Skill	Complete	1/01/2017 – 5/07/2017
I-070-005	Infrastructure Modernization	Complete	4/13/2016 – 7/26/2017
I-070-601	Field Concession Bldg.	Complete	3/04/2016 – 4/04/2017
I-070-602	Student Parking Lot Entry	Construction	4/13/2016 – 7/26/2017
I-070-701	Swimming Pool Modernization	Complete	6/01/2015 – 11/11/2016
<b>Silver Creek</b>			
I-055-004	Site Infrastructure Improvements	Construction	2/02/2016 – 8/09/2017
I-055-601	Upgrade Quads	Construction	1/20/2016 – 8/23/2017
I-055-602	Field Concession Bldg.	Complete	2/02/2016 – 2/16/2017
I-055-603	Bldg. N Mod & New Quad Marquee	Construction	2/02/2016 – 9/07/2017
I-055-701	Swimming Pool Modernization	Complete	6/01/2015 – 3/25/2017
<b>WC Overfelt</b>			
I-040-601	Baseball Complex East Renovation	Complete	1/05/2015 – 4/01/2016
I-040-602	Music, Art and Administration New Building & C	Procurement	10/24/2017 – 5/30/2020
I-040-701	Swimming Pool Modernization	Complete	6/01/2015 – 5/15/2017
<b>Yerba Buena</b>			
I-060-001	Infrastructure Upgrades	Construction	1/05/2016 – 8/15/2017
I-060-008	Alt Ed Mini Campus Impr Phase 1	Construction	
I-060-601	New Student Union & Quad Modernization	Construction	10/13/2014/6/01/2018
I-060-701	Swimming Pools Modernization	Complete	6/01/2015 – 6/19/2017
<b>District Wide</b>			



Site/ Project #	Project Title <sup>1</sup>	Status As Of June 30, 2017	Schedule
			Design thru Completion
I-013-001	IT Backend Computer System Upgrade	Complete	12/09/2015 – 8/31/2016
I-013-002	Wireless Network Phase 2	Complete	4/08/2014 – 6/22/2016
I-013-014	Technology Equipment	Complete	1/01/2017 – 2/12/2017
I-013-703	Security Camera Upgrades	Complete	1/01/2017 – 5/07/2017
I-052-703	Security Camera Upgrades	Complete	10/30/2013 – 5/08/2017
I-052-704	Energy Efficiency Project	Complete	10/06/2015 – 12/22/2016
I-052-810	Fire Alarm Modernization	Construction	5/09/2016 – 12/26/2017

<sup>1</sup> Source: “Capital Program Budgets”, ESUHSD Bond Program, November 2017; the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017, and the “2015-16 Expenditure Report (EXP and CL)”, ESUHSD Bond Program, November 2017.

<sup>2</sup> Cash Flow Master Program Document and Schedule, November 7, 2017, Seville Group, Inc. (SGI).

### **Measure Tech-I Bond**

The Measure Tech-I bond was passed by the voters of the District in November 4, 2014, for the purposes of providing the students of the District access to computers, upgraded technology equipment and educational software, and to keep pace with technological innovations and the ability to implement statewide testing requirements at all of the District’s thirteen high schools, including the Adult Education Centers, Alternative Schools, and Charter Schools. Procurement, installation and upgrading of technology and networking equipment and systems, classroom computers, educational software, internet infrastructure and other advancements in technology will be implemented to ensure that the students keep pace with today’s rapidly changing educational technology.

All proceeds from the forecast sale/issuance of Measure Tech-I bonds together with accrued interest and other revenues were fully allocated/budgeted into the procurement, installation and upgrading of technology and networking equipment and systems, classroom computers, educational software, internet infrastructure. There are thirteen project numbers associated with the implementation of the procurement plan, eleven of which are in various stages of delivery and completion, as shown in the table below:

Site/ Project #	Project Title <sup>1</sup>
<b>District Wide</b>	
IT-013-001	DW Network Equipment
IT-013-002	DW Learning Device
IT-013-003	DW Professional Development
IT-013-004	DW Professional Services
IT-013-005	DW License Renewal
IT-013-006	DW Projection Devices
IT-013-007	DW Backend System Phase II

Site/ Project #	Project Title <sup>1</sup>
IT-013-008	DW Community Wireless
IT-013-009	DW Technology Equipment
IT-013-016	DW Technology Contingency
IT-013-703	DW Security Camera Upgrades
IT-013-XXX	Technology Bond Uncommitted Project Funds
IT-052-993	Technology Bond District Program Cost

### **Observations**

- The “Capital Improvement Program Monthly Status Report” is prepared and posted in the Bond Measures web page of the District website. The report provides information on the activities relating to the approved and active construction projects on a site by site basis. Included in the report is a list and descriptions of approved projects for each school site, the status of planning, design and construction, completion and schedules. Also included in the reports are the budgets and expenditures incurred in each project, the corresponding sources of funds utilized and highlights of the construction activities complete with pictures. However, these monthly reports cover only Measure G, E and I bond programs which are under the purview and management of the Director of Construction, Maintenance and Facilities. A similar monthly status report covering Measure Tech-I bond program is not available.
- The School Site Councils and Superintendent’s Council are actively engaged in the review of a school’s project lists and emerging needs of a school site and recommends revisions to the scope of work, creation of new projects and/ or priorities for Board of Trustees review and approval. One example is the revision to the capital construction projects list at Santa Teresa High School wherein previously approved projects were cancelled and new projects created to meet the school’s emerging and changing needs.

### **Conclusions**

- Results of the examination of design and construction schedules indicate that the District expended adequate effort in the development of project lists and creation of program schedules for the design and construction of the projects approved for the Measures G, E, I and Tech-I bond program. Likewise, the District expended adequate efforts to ensure adherence to that the established schedules.
- Interviews with staff and consultants, and information that was made available, indicates that the process involved in the development of scope and schedules for Measures G, E, I and Tech-I was a collaborative effort between the school site administrators, the District facilities staff, the program management staff, the architects, engineers and consultants.

## **Recommendation**

- It is recommended that a monthly status report covering the Measure Tech-I bond program be prepared and posted on the District's website, Bond Measures webpage. The report should include the status of procurement, installation and upgrading of technology and networking systems equipment, devices, etc. This report would provide important information on this bond measure and serve as a tool for disseminating information to staff, the community and other stakeholders regarding the status and progress of the capital improvement program funded by the bond measures.

## **CHANGE ORDER PROCEDURES**

### **Objective**

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

### **Scope and Methodology**

The scope of the verification process in this section covers change orders generated by the construction team and approved by the Board of Trustees during the period from July 1, 2015 through June 30, 2017. In the process of this examination, TSS obtained relevant documents and conducted interviews with District, program management and construction management staff. An analysis of change orders was prepared to determine the cost of change orders for construction projects and to review the procedures that the District follows to authorize and approve change orders, as prescribed under the public contracting code. Information obtained from the July 1, 2015 through June 30, 2017 Board of Trustees meeting agendas and minutes, and facilities documents related to change orders were also used in preparing this analysis.

### **Background**

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

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

Change orders occur for a variety of reasons. The most common reason is discrepancies between the actual site conditions and the architectural plans and drawings. Because small repairs and changes are made to facilities over time and are not typically reflected in the District's archived drawings, architects are not able to incorporate such information in the construction drawings until they are discovered during construction.

At other times, problematic site conditions are not discovered until a wall or floor, for example, is uncovered. In general, change orders for modernization cannot be avoided due to the age of the buildings, inaccuracy of as-built records, presence of hidden hazardous materials, or other unknown conditions – all of which contribute to the need for authorizing additional work.

In construction projects, change orders are usually triggered by a Request for Information (RFI) – a request for clarification in the drawings or specifications, and conditions uncovered in the field that need technical disposition. According to the District’s Proposed Change Order Process and the Change Order Process, RFIs are prepared by the contractor and submitted to the architect through the Construction Manager (CM). The CM and architect reviews the RFI and makes a determination on whether additional or alternative work is necessary. If it is determined that an addition, a deletion or a change in the work is necessary, the architect instructs the contractor to submit a Proposed Change Order (PCO) which details the additional cost, a reduction in cost and/or time extension based on the directions provided. The CM receives and reviews all PCOs with the Project Manager or District representative. If the costs and details are found to be acceptable, the CM completes a PCO Form and submits it with backup information to the Director of Facilities, Construction and Maintenance for approval and authorization for the work to proceed. Approved PCOs are returned to the CM who then directs the contractor to proceed with the work.

PCOs approved in the field during the course of construction are summarized in a Change Order document that the CM submits to the District on a monthly basis to be taken to the Board of Trustees for approval or ratification. In accordance with Board Policy 3312.1, change orders under \$45,000 are reviewed and approved by the Director of Facilities, Construction and Maintenance while change orders over \$45,000 but less than \$175,000 and under 10 percent of the original contract amount are reviewed and approved by the Associate Superintendent of Business Services. Change orders approved by the Board’s designees are forwarded to Capital Purchasing department for adjustments to the corresponding purchase order amounts. Processed change orders are taken by staff to the Board of Trustees for ratification during the next regular board meeting. Change Orders with amounts not within the designated authority of the Director of Facilities, Construction and Maintenance and the Associate Superintendent of Business Services are taken to the Board of Trustees for approval before the contractor can be directed to proceed with the requested change. Change orders are either approved or ratified by the Board of Trustees as they appear on the agenda. To provide the Board of Trustees with adequate information on each change order submitted for approval or ratification, District staff prepares a summary of the PCOs that comprise the change order and other back-up documentation to be submitted as attachments to the agenda item. These summaries provide the description of work requested, the requestor and/or type of change and the agreed upon costs.

Approved and completed change orders are paid together with the contractor’s monthly progress payments for the construction project. Contractors are required to attach a schedule of values to the Application and Certification for Payment (AIA Document G702), as part of the progress payment process. In the schedule of values, the contractor provides a list of change orders completed and previously paid or currently included in the payment request, to show the current balances of the contract allowances.

As part of the audit process, TSS reviewed change order documents on Measures G, E, I and Tech-I construction. Included in the review were projects awarded, under construction and/or completed during the period from July 2015 through June 2017. Data were extracted from Board of Trustees agenda items and minutes for change orders, bid awards, notices of completion and others. To provide a broad view of the change orders, the results are presented in the table, “Change Orders; Fiscal Year 2015-16 thru 2016-17.”

**Change Orders; Fiscal Year 2015-16 thru 2016-17**

<b>Bid. No. / Project No./ School Site/ Project Title</b>	<b>Contractor/</b>	<b>Original Contract Amount</b>	<b>Change Order No. / Last CO Approval Date</b>	<b>Current Total CO Amount</b>	<b>Adjusted Contract Amount</b>	<b>Change Order (%)</b>
Z-070-601/B-10-16-17 <b>Santa Teresa Field Concession Building</b>	<b>Guerra Construction, Inc.</b>	\$572,100	CO #1/ 6/22/2017	\$5,857	\$577,957	1.02%
Z-065-008/B-11-16-17 <b>IH GHKL Mod Restroom Buildings</b>	<b>Guerra Construction, Inc.</b>	\$174,472	CO #1/ 6/8/2017	\$17,477	\$191,919	10.0%
E-060-008/B-14-16-17 <b>Yerba Buena Alt. Ed Mini Campus Improvements</b>	<b>Strawn Construction. Inc.</b>	\$609,000	CO #1/ 6/8/2017	\$39,637	\$648,637	6.5%
Z-025-601/B-02-16-17 <b>Andrew Hill Courtyard Improvements</b>	<b>CRW Industries</b>	\$2,102,765	CO #1 thru CO #3 6/8/2017	\$88,854	\$2,191,619	4.0%
Z-055-602/B-12-15-16 <b>Silver Creek Field Concession</b>	<b>Guerra Construction, Inc.</b>	\$634,100	CO #1 thru CO #2 6/22/2017	\$51,504	\$685,604	8.1%
Z-xxx-702/B-08-15-16 <b>IH and Piedmont Hills HVAC Replacement (Package C.1)</b>	<b>Aire Sheet Metal</b>	\$460,000	CO #1 thru CO #3 5/18/2017	\$20,790	\$480,790	4.51%
F25-075-002/Z-075- 603/B-11-15-16 <b>Evergreen Valley HS Restroom Refurbish</b>	<b>CRW Construction</b>	\$398,018	CO #1 thru CO #2 1/19/2017	\$10,000	\$305,900	2.5%
E-040-004/B-04-15-16 <b>WC Overfelt Bldg. J (L) Modernization</b>	<b>Gonzalves &amp; Stronck Construction</b>	\$2,961,170	CO #1 thru CO #6 6/22/2017	\$120,703	\$3,081,873	4.07%
Z-065-602/ B-02-15-16 <b>Independence Streetscape, Infrastructure, Wayfinding Mod</b>	<b>O'Grady Paving</b>	\$213,500 G	CO #1 9/22/2016	\$12,432	\$225,932	5.8%

<b>Bid. No. / Project No./ School Site/ Project Title</b>	<b>Contractor/</b>	<b>Original Contract Amount</b>	<b>Change Order No. / Last CO Approval Date</b>	<b>Current Total CO Amount</b>	<b>Adjusted Contract Amount</b>	<b>Change Order (%)</b>
Z-065-603/ B-03-15-16 <b>Independence IAC Bldg. L Modernization</b>	<b>Strawn Construction</b>	\$798,851	CO #1 2/16/2016	\$32,485	\$1,228,515	1.0%
Z-XXX-702/?? <b>Evergreen Valley Mech. &amp; Electrical Upgrades (Package B: EV EMS Upgrade)</b>	<b>Syserco, Inc.</b>	\$683,019	CO#1 11/17/2016	\$20,501	\$703,520	3.0%
Z-xxx-703/B-03-14-15 <b>District Wide Security Camera Upgrades</b>	<b>G4S Technology, LLC/ G4S Secure Integration</b>	\$7,554,269	CO #1 thru CO #6 9/22/2016	\$367,430	\$7,921,699	4.86%
F35-052-002/RFP-29- 14-15/ <b>Education Center Interior Improvement - New Modular Furniture System</b>	<b>Campbell Keller</b>	\$438,840	CO#1 1/21/2015	\$6,741	\$445,581	1.5%
I-xxx-810/RFP 12-15-16 <b>District Wide Fire Alarm Modernization</b>	<b>Gonzalves &amp; Stronck</b>	\$15,736,478	CO #1 thru CO #5 5/18/2017	\$66,774	\$15,803,252	0.42%
Z-xxx-704/RFQ 10-13- 14 <b>District Wide Energy Efficiency Project; Solar PV and Lighting</b>	<b>Opterra Energy Services</b>	\$5,225,711	CO #1 thru CO #4 5/18/2017	\$54,921	\$5,280,632	1.05%
Z-040-601/B-03-15-16 <b>WC Overfelt Baseball Complex East Renovation</b>	<b>Guerra Construction</b>	\$172,415	CO#1 01/19/2017	\$12,177	\$184,592	7.06%
Z-065-603/?? <b>IH Bldg. GHKL Modernization (IAC Restroom Bldg.)</b>	<b>Enviroplex</b>	\$282,854	CO #1 thru CO #2 12/8/2016	\$25,668	\$308,522	9.07%
Z-065-601(F67-065- 033) Z-065-602 <b>Independence Bldg. B Demolition and Site Improvement</b>	<b>McCarthy Building Company</b>	\$1,314,756	CO #1 thru CO #3 11/17/2016	\$131,475	\$1,446,231	9.99%

<b>Bid. No. / Project No./ School Site/ Project Title</b>	<b>Contractor/</b>	<b>Original Contract Amount</b>	<b>Change Order No. / Last CO Approval Date</b>	<b>Current Total CO Amount</b>	<b>Adjusted Contract Amount</b>	<b>Change Order (%)</b>
Z-050-005/Z-050-006/B-02-14-15D <b>Oak Grove HS Mod Bldg. U/ Mod Theater Bldg. I</b>	<b>George E. Masker, Inc.</b>	\$180,000	CO#1 10/20/2016	\$3,362	\$183,363	1.87%
Z-050-005/Z-050-006/B-02-14-15G <b>Oak Grove HS Mod Bldg. U/ Mod Theater Bldg. I</b>	<b>Waterproofing Associates</b>	\$286,192	CO#1 10/20/2016	\$735	\$286,927	0.25%
G-070-216/?? <b>Santa Teresa Stadium Lighting &amp; Main Switchgear</b>	<b>Bleyco, Inc.</b>	\$1,276,423	CO#1 4/21/2016	\$2,965	\$1,279,388	0.23%
Z-050-005/Z-050-006/?? <b>Oak Grove Bldg. U &amp; I Modernization</b>	<b>Collins Electrical Co.</b>	\$1,849,160	CO #1 thru CO #3 4/21/2016	\$100,367	\$1,949,527	5.42%
Z-050-005/Z-050-006/?? <b>Oak Grove Bldg. U &amp; I Modernization</b>	<b>Environmental Systems</b>	\$701,000	CO #1 thru CO #4 4/21/2016	\$58,533	\$759,533	8.34%
Z-050-005/Z-050-006/?? <b>Oak Grove Bldg. U &amp; I Modernization</b>	<b>Swenson &amp; Associates.</b>	\$3,621,000	CO #1 thru CO #8 4/21/2016	\$304,105	\$3,925,105	8.40%
E-065-007/?? <b>Independence IAC Portable Village</b>	<b>Guerra Construction</b>	\$532,149	CO#1 12/10/2015	\$20,943	\$553,092	3.93%
E-025-003/?? Andrew Hill Building 100 Project	<b>Blach Construction, Co.</b>	\$662,554	CO #1 thru CO #3 9/15/2015	\$542,741	\$1,205,295	8.19%
I-013-001/RFP-05-14-15R1 <b>District Wide Information Technology Upgrade</b>	<b>Nexus IS</b>	\$1,331,202	CO#1 9/17/2015	\$20,000	\$1,351,202	1.50%



## **Observations**

- During the current audit period, the District continued to follow the established procedures for authorization and approval of PCOs in the field and the submittal of Change Orders (CO) to the Board of Trustees for approval or ratification.
- TSS reviewed available contract records and back-up documents on agenda items for change orders on construction projects and the results are shown in the table, Change Orders, Fiscal Year 2015-16 thru 2016-17. Change Orders generated by the construction contracts during this period ranged from 0.23 percent to 8.10 percent on new construction projects, and from 0.25 percent to 10.0 percent on modernization projects. The percentages commonly observed in most school districts range from 3 to 5 percent for new construction projects and 6 to 8 percent for modernization projects. During the current audit period, the cumulative total amounts of change orders generated by active construction projects did not exceeded the 10 percent cap set by Public Contract Code 20118.4.a and 20118.4.b.
- During the current audit period, processing and approval of change orders for professional services contracts such as architects/engineers, project inspectors and other consultant agreements followed the same approval process set forth for construction contracts.

## **Conclusion**

- Results of the review and examination of change order documents during the current audit period indicate that the District is in compliance with the requirements of Public Contract Code Section 20118.4a and b which sets the requirements and processes for construction change orders.

## **PROCEDURES FOR CLAIMS AVOIDANCE PROCEDURES**

### **Objective**

To gather data and review the procedures used by the District to prevent if not limit the number of claims filed against the District in relation to construction projects. In this section, TSS also verifies that the District's processing and handling of claims, if any, on bond funded construction projects comply with the requirements of the Public Contract Code, the California Education Code, other regulations and state laws.

### **Scope and Methodology**

The scope of the verification process in this section covers contractor claims against the District, if any, received or processed during the period from July 1, 2015 through June 30, 2017. In the process of this examination, TSS reviewed relevant documents and conducted interviews with members of the SGI staff and the District staff. Information from the 2015-16 and 2016-17 Board of Trustees meeting agenda and minutes, and facilities documents related to claims was also used in preparing this analysis.

### **Background**

The most common causes for claims are for delays to the contractor's process or for changes required by inaccurate documents prepared by the design team. Delays can be caused by a lack of information or the lack of a decision on how best to proceed. Resolving issues quickly is the most effective method of reducing the probability of a claim due to delays. For a contractor to effectively claim a delay they must demonstrate that an issue has impacted their construction schedule. One of the provisions of standard contract documents is for the contractor to submit a critical path method schedule (CPM). CPM schedules are generally required to be submitted by the contractor within 30 days of the issuance of the Notice to Proceed. A properly developed CPM schedule lists all the tasks necessary for the proper completion of the project and the planned duration for each task. Tasks are linked with the completion of other related and required tasks. Linking all the critical tasks in this manner allows the contractor to indicate the total required duration of the project and the tasks that, if delayed, would cause a delay in completion. There are many tasks in a project which, if delayed, would not impact the critical path. A delay to these tasks would not be justification for a delay claim until such point as there was an impact on the critical path. It is important that the contractor submit the initial CPM schedule and update that schedule every month. When there is a claim for delay, the contractor must demonstrate how the delay impacted the critical path. Without an accurate schedule there is no basis for the delay claim. It is common for contractors to be delinquent in the submittal of the CPM schedule and it is critical that the owner's representative ensure that the schedule is developed accurately and regularly maintained.

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

Disputes over the cost of those changes can also lead to claims. The first line of defense in this case is to have accurate documentation. However, even the best set of documents requires some clarification during construction. When a Request for Information (RFI) is issued by the contractor it is imperative that the issue be resolved quickly so that there is no cause for a delay claim. If a change order is required, decisions from the District should be rendered expeditiously to avoid additional delays. If the cost of the change cannot be agreed upon, a construction change directive (CCD) should be issued, instructing the contractor to proceed with the work while a cost is being negotiated.

The keys to the avoidance of unnecessary claims against the District for additional payments or contract time extensions by contractors include, a) diligent reviews and timely responses to RFIs and expedient processing of PCOs by the District's construction team (AOR, CM and PM), and b) prompt approvals or authorization of change orders by District staff.

Best practices show that in order to expeditiously authorize change orders and minimize delays, most governing boards of school districts pass resolutions that delegate the authority to approve change orders, on behalf of the Board, among responsible district staff. Such resolutions are drawn in accordance with the requirements of Education code 17604 thru 17606 which states that, by a majority of vote the power to contract may be delegated to the Superintendent, or to any other persons that the board may designate. Such resolutions shall define the limits of delegation in terms of change order amounts and the types of change orders (i.e. unforeseen conditions, design/engineering issues, district requested additions or deletions, etc.) that they are authorized to approve. Change orders exceeding the limit of delegated authority shall be approved by the Board prior to the execution of the work. No change orders approved pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same has been approved or ratified by the board.

Unnecessary claims for additional payments for extra work or change orders and contract time extensions are also avoided through a properly written construction contract. On well written contracts, the various types of changes, method of costing, approval and authorization requirements for change orders are clearly defined in the District's construction bid documents, General Conditions Section, specifically articles dealing with changes and extra work.

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

### **Observations**

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

- *Constructability Review and Design Coordination Services.* Through the Request for Proposal (RFP) process, the District selects a Construction Manager (CM) from a pool of pre-qualified construction management firms to be awarded the construction services contract for a construction project. Once under contract, the CM is paired with the Architectural/Engineering Consultant that is awarded the design and engineering services contract for the project. The CM then assists the District’s Project Manager in coordinating the work of the design teams and assists in the process of ensuring that the documents are as accurate as possible. One of the responsibilities of the CM is to perform a constructability review and a design coordination review of construction documents for the assigned project. By incorporating the comments generated during these reviews into the design documents, the design team is able to deliver more accurate documentation and thereby reduce the opportunity for contractor claims at a later time.
- *Delegation of Authority to Approve Change Orders.* To ensure that change orders are expeditiously approved and work is authorized to proceed, the Board of Trustees delegated the authority to approve change orders to the Director of Facilities, Construction and Maintenance (up to \$45,000), and the Associate Superintendent of Business Services (up to \$175,000) in accordance with the requirements of Education Code 17604 thru 17606. For change orders costing over \$175,000, the authority to approve remains with the Board of Trustees. All change orders approved by the designees are taken to the Board of Trustees for ratification during the next regular board meeting. With this delegation, the turnaround time for change orders to get approved and the contractor given authorization to proceed with work is significantly shortened, thus avoiding waiting-time delays.
- *Properly Written Construction Contracts.* The District maintained and regularly updated the construction bid documents to ensure that the various types of changes, method of costing, approval and authorization requirements for change orders are clearly defined in the District’s construction bid documents, General Conditions Section, specifically articles dealing with changes and extra work.

- The TSS review of the Board agenda items and interviews with staff indicate that there are no outstanding claims and no new claims received during fiscal year 2015-16 and 2016-17.

### **Conclusion**

- Results of TSS data gathering and interviews conducted with District staff during the current audit period indicate that the policies and procedures created by the District has been effective in preventing or minimizing the number of contractor claims against the District.

### **Recommendation**

- The District should continue to ensure that the comments generated by the constructability and design coordination reviews are incorporated into the design and construction documents. These reviews improve the design team's ability to deliver accurate design and construction documents, thus resulting in reduced changes to scope, preventing delays and fewer opportunities for contractor claims.

## MEASURES EXPENDITURES AND PAYMENT PROCEDURES

### Objective

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

### Scope

The scope of this performance audit was to verify transactions of Measures G, E, I and Tech-I Bond funds expended during the fiscal years ended June 30, 2016 and 2017. During the fiscal year ended June 30, 2016, the total amount of Measures G, E, I and Tech-I Bond funds expended was \$50,598,601. During the fiscal year ended June 30, 2017, the total amount of Measures G, E, I and Tech-I Bond funds expended was 65,072,001.

#### **Total Bond Funds Expended**

<b>During Fiscal Year</b>	<b>Measure G (Fund 21)</b>	<b>Measure E (Fund 23)</b>	<b>Measure I (Fund 24)</b>	<b>Measure Tech-I (Fund 22)</b>	<b>Total</b>
2015-16	\$10,019,201	\$15,628,413	\$15,129,581	\$9,820,866	\$50,598,061
2016-17	\$5,211,022	\$23,473,383	\$33,272,147	\$3,115,449	\$65,072,001

### Methodology

TSS analyzed Measures G, E, I and Tech-I Bond funds payment activities and compared the results to the respective Measures G, E, I and Tech-I Bond language. TSS judgmentally selected Measures G, E, I and Tech-I Bond funds expenditures for audit, focusing on transactions with higher dollar amounts and higher audit risks, and verified that the funds were spent in accordance with the taxpayer-approved purposes.

### Process Utilized

In the process of this performance audit, numerous purchasing and payment documents pertaining to expenditures funded by Measures G, E, I and Tech-I Bond funds were reviewed. Interviews were held with District staff and internal documents were audited related to the payment policies and procedures for Measures G, E, I and Tech-I Bond funds.

The audit consisted of the following:

- Verification that expenditures charged to the Measures G, E, I and Tech-I Bond fund expenditures were authorized as Measures G, E, I and Tech-I Bond projects;
- Compliance with the District's purchasing and payment policies and procedures;
- Verification that backup documentation, including authorized signatures, were present on payment requests; and
- Determination that timely payments were made to vendors.

To prepare for the testing of Measures G, E, I and Tech-I Bond funded expenditures, TSS reviewed the District's Board Policies, the most current independent auditor's report on the District's financial statements and bond audits for the fiscal year ended June 30, 2016.

The results of this audit showed that the bond expenditures were used for approved bond program purposes, invoices were audited and approved, the District's purchasing and payment policies were followed and vendor payment timelines were within policy guidelines. Several items were identified and are discussed in observations and recommendations at the end of this section.

### **District's Board Policies Related to Purchasing Processes and Payment for Goods and Services**

*Relevant sections of Board Policy 3300 Purchasing Procedures state the following:*

#### **Expenditures and Purchases**

*The Governing Board recognizes its fiduciary responsibility to oversee the prudent expenditure of district funds. In order to best serve district interests, the Superintendent or designee shall maintain effective purchasing procedures that are consistent with sound financial controls and that ensure the district receives maximum value for items purchased. He/she shall ensure that records of expenditures and purchases are maintained in accordance with law.*

#### **Expending Authority**

*Except as otherwise authorized by law and Governing Board and these Board Policies, the Superintendent or designee may purchase supplies, materials, apparatus, equipment, and services up to the amounts specified in Public Contract Code 20111, beyond which a competitive bidding process is required. The Board shall not recognize obligations incurred contrary to Board policy and administrative regulations.*

*The Board shall review all transactions entered into by the Superintendent or designee on behalf of the Board shall be reviewed by the Board every 60 days.*

*The Superintendent or designee may authorize an expenditure, which exceeds the budget classification allowance against which the expenditure is the proper charge only if an amount sufficient to cover the purchase is available in the budget for transfer by the Board.*

#### **Purchasing Procedures**

*Insofar as possible, goods and services purchased shall meet the needs of the person or department ordering them at the lowest price consistent with standard purchasing practices. Maintenance costs, replacement costs, and trade-in values shall be considered when determining the most economical purchase price. When price, fitness, and quality are equal, recycled products shall be preferred when procuring materials for use in district schools and buildings.*

*All purchases shall be made by formal contract or purchase order or shall be accompanied by a receipt. In order to eliminate the processing of numerous small purchase orders, the Superintendent or designee may create a “blanket” or “open” purchase order system for the purchase of minor items as needed from a vendor. He/she shall ensure that the “open” purchase order system details a maximum purchase amount, the types of items that can be purchased under this order, the individuals authorized to approve purchases, and the expiration date of the “open” order.*

**Relevant sections of Board Policy 3311 Bids Procedures state the following:**

**Bids**

*In order to ensure transparency and the prudent expenditure of public funds, the District shall purchase equipment, materials, supplies and services using competitive bidding when required by law and in accordance with statutory requirements for bidding and bidding procedures. In those circumstances where the law does not require competitive bidding, the Governing Board may request that a contract be competitively bid if the Board determines that it is in the best interest of the District to do so.*

*When the Board has determined that it is in the best interest of the District, the Board may piggyback onto the contract of another public agency or corporation to lease or purchase equipment or supplies to the extent authorized by law.*

*To ensure that good value is received for funds expended, specifications shall be carefully designed and shall describe in detail the quality, delivery and service required.*

*To assist the District in determining whether bidders are responsible, the Board shall require prequalification procedures where required by law and specified in administrative regulation.*

*The Governing Board is committed to promoting public accountability and ensuring prudent use of public funds. In leasing or purchasing equipment, materials, supplies, or services for the District and when contracting for public projects involving District facilities, the Board shall explore lawful opportunities to obtain the greatest possible value for its expenditure of public funds. When required by law, or if the Board determines that it is in the best interest of the District, such leases and purchases shall be made using competitive bidding.*

*The Superintendent or designee shall establish comprehensive bidding procedures for the District in accordance with law. The procedures shall include a process for advertising bids, instructions and timelines for submitting and opening bids, and other relevant requirements.*

*No work, project, service, or purchase shall be split or separated into smaller work orders or projects for the purpose of evading the legal requirements of Public Contract Code 20111-20118.4*



*When calling for bids, the Superintendent or designee shall ensure that the bid specification clearly describes in appropriate detail the quality, delivery, and service required and includes all information, which the District knows, or has in its possession, that is relevant to the work to be performed or that may impact the cost of performing the work.*

*The Superintendent or designee shall develop a standardized prequalification questionnaire and financial statement and the procedures to be used for rating bidders for award of contracts, which, by law or Board policy, require prequalification. The Governing Board shall adopt and the District shall apply a uniform system of rating bidders on the basis of the completed questionnaires and financial statements. The procedures shall identify a uniform system for rating bidders and shall address the issues covered by the standardized questionnaire and model guidelines developed by the Department of Industrial Relations pursuant to Public Contract Code 20101.*

*Except as authorized by law and specified in the administrative regulation, contracts shall be let to the lowest responsible bidder who shall give such security as the Board requires, or else all bids shall be rejected.*

***Relevant sections of Board Policy 3312 Contracts and Electronic Products or Services Procedures state the following:***

**Payment for Contracts**

*Whenever state law invests the Governing Board with the power to enter into contracts on behalf of the District, the Board may, by a majority vote, delegate this power to the Superintendent or designee. To be valid or to constitute an enforceable obligation against the District, all contracts must be approved and/or ratified by the Board.*

*All contracts between the District and outside agencies shall conform to standards required by law and shall be prepared under the direction of the Superintendent or designee.*

*When required by law, contracts and subcontracts made by the District for public works or for goods or services shall contain a nondiscrimination clause prohibiting discrimination by contractors or subcontractors. The nondiscrimination clause shall contain a provision requiring contractors and subcontractors to give written notice of their obligations to labor organizations with which they have a collective bargaining or other agreement.*

*The District shall not enter into a contract that prohibits a school employee from disparaging the goods or services of the contracting party.*

***Relevant sections of Board Policy 3312.1 Contract Change Order Procedures state the following:***

## **Contract Change Orders**

*For purposes of this Board Policy 3312.1, the District classifies procurements into two categories:*

- 1. Capital construction related procurement; and*
- 2. All other general and special procurement.*

*All contract changes orders shall be in accordance with Board Policy 3300 Expenditures and Payments, Administrative Regulation 3311 Bids and shall at all times comply with Public Contract Code section 20118.4 as applicable.*

*The Board delegates authority to the Superintendent and the Assistant Superintendent of Business Services to approve contract change orders as follows, unless such change order(s) are prohibited by Public Contract Code section 20118.4 or other applicable law:*

- 1. Capital construction related procurement contract change orders up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total.*
- 2. Change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, not to exceed \$50,000.00.*

*All other general and special procurement contract change orders up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$25,000.00, provided that such change order does not: (i) extend the term of the contract; (ii) increase the price of the goods or services provided under the contract by greater than 10% of the original Board-approved contract amount, exclusive of any approved amendments; or (iii) alter the quality or quantity of services or good provided under the Board-approved contract.*

*The Board further delegates the authority to the Director of Construction to approve contract change orders for capital construction related procurement contract change orders up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$45,000.00 in total unless such change order(s) are prohibited by Public Contract Code section 20118.4 or other applicable law.*

*All other change orders must be approved by the Governing Board.*

*All Board delegated signing authority items will be brought back to the Board for approval or ratification at the next scheduled regular board meeting after the approval of the change order. The Superintendent and/or the designee will provide recommendation of the budget source or budget modification necessary for funding these change orders.*

*Effective the 2014-2015 fiscal year, this Board Policy and delegation of authority to approve contract change orders shall be reviewed and renewed annually by the Board no later than the last regular meeting in June of each fiscal year.*

### **Payment for Electronic Products or Services**

*The Board shall not enter into a contract for electronic products or services that requires the dissemination of advertising to students, unless the Board:*

- *Enters into the contract at a noticed, public hearing of the Board.*
- *Makes a finding that the electronic product or service is or would be an integral component of the education of students.*
- *Makes a finding that the District cannot afford to provide the electronic product or service unless it contracts to permit dissemination of advertising to students.*

*As part of the District's normal, ongoing communication to parents/guardians provides written notice that the advertising will be used in the classroom or other learning center. Offers parents/guardians the opportunity to request in writing that their child not be exposed to the program that contains the advertising. Any request shall be honored for the school year in which it is submitted, or longer if specified, but may be withdrawn by the parents/guardians at any time.*

***Relevant sections of Board Policy 3314 Payment for Goods and Services Procedures state the following:***

### **Payment For Goods and Services**

*The Governing Board recognizes the importance of developing a system of internal control procedures in order to help fulfill its obligation to monitor and safeguard district resources. To facilitate warrant processing, the Superintendent or designee shall ensure that purchasing, receiving, and payment functions are kept separate. He/she shall also ensure that invoices are paid expeditiously so that the district may, to the extent possible, take advantage of available discounts and avoid finance charges.*

*The Superintendent or designee shall sign all warrants and shall ensure that warrants have appropriate documentary support verifying that all goods and services to be paid for have been delivered or rendered in accordance with the purchase agreement.*

*The Board shall approve all warrants at a regularly scheduled Board meeting.*

*The Superintendent or designee may pay invoices in excess of previously approved purchase order amounts without further Board approval when the excess amount represents sales tax, transportation charges, or charges made for the detention of a shipment during loading or unloading.*

*The district shall not be responsible for unauthorized purchases.*

## **Background**

As part of the bond program's financial controls, the following processes and procedures were documented and interpreted based on information provided by the District:

### **For General Invoice**

- Capital Accounting Department receives invoice via mail or email from Vendors.
- Capital Accounting Tech checks invoice for completeness and accuracy, then prepares and uploads invoice into Adobe EchoSign for review and approval by Project Inspector, Construction Manager, Senior Project Manager and Director of Facilities, Construction and Maintenance.
- Construction Manager and Senior Project Manager reviews, approves then signs invoice electronically.
- Director of Facilities, Construction and Maintenance receives invoice in Adobe EchoSign for review and approval, then signs electronically.
- Capital Accounting Tech prints final document and gives to Director of Purchasing & Capital Accounting for review and document approval with wet signature.
- Capital Accounting Tech enters invoice in the District's Financial System for payment before scanning and filing it electronically.

### **For Construction Management Final Release Invoice**

- Construction Manager completes Form 420 and submits with Final CM invoice.
- Facilities Department Assistant Program Manager verifies that all items on the checklist have been saved in the project folder.
- Program Manager reviews and signs Form 420.
- Director of Facilities, Construction and Maintenance reviews and approves invoice through EchoSign.
- Capital Accounting Tech prints final invoice and gives to Director of Purchasing & Capital Accounting for approval.
- Director of Purchasing & Capital Accounting review and signs with wet signature.
- Capital Accounting Tech enters invoice in the District's Financial System for payment before scanning and filing it electronically.

### **For Contractor Payment Application**

- Contractor submit payment application in AIA G702 & 703 format to the Construction Manager that is assigned to their project.
- Construction Manager reviews and obtains all required signatures, including A/E and Project Inspector, then fills out the Form 300-Contractor Pay Application Review Certification and notifies Capital Accounting Department that the payment application is ready to further processing via email.
- Capital Accounting Tech checks for completeness and accuracy, then prepares and uploads payment application into Adobe EchoSign for review and approval by Senior Project Manager.

- Senior Project Manager reviews, approves, and then signs payment application electronically.
- Director of Facilities, Construction and Maintenance receives payment application in Adobe EchoSign for review and approval, then signs electronically.
- Capital Accounting Tech prints final document and gives to Director of Purchasing & Capital Accounting for review and document approval with wet signature.
- Capital Accounting Tech enters payment application in the District's Financial System for payment before scanning and filing it electronically.

**Contractor Pay Application Review Certification**

- Schedule of Values attached to the Pay Application was approved.
- Pay Application is certified by Contractor, notarized if required.
- All the mathematical calculations are correct.
- Architect of Record and Project Inspector have signed the Pay Application.
- All the required Conditional & Unconditional waivers have been received and are attached to the Pay Application.
- Only approved charges are included in the Pay Application.
- Contractor has revised the project schedule per contract and it has been accepted by the Construction Manager.
- Contractor has modified and updated the project As-Builts and it has been accepted by the Project Inspector.
- Confirm there are no Stop Payment Notices against the contractor.
- Escrow invoice is attached if applicable.

**Testing Performed**

TSS obtained the District’s Financial Activity Report for all Measures G, E, I and Tech-I Bond payments made during the fiscal years ended June 30, 2016 and 2017. TSS selected a sample of 17 items for each of the fiscal years ended June 30, 2016 and 2017.

The TSS sample of vendor payments selected for review was designed to provide conclusions on the following: that expenditures charged to the G, E, I and Tech-I Bond funds were authorized and reasonable expenditures in accordance with the bond language, and that payments were made timely. Sample transactions for testing were judgmentally selected to ensure that a representative sample of items were tested.

**Total Amounts Tested By Fiscal Year**

<b>Fiscal Year</b>	<b>Measure G (Fund 21)</b>	<b>Measure E (Fund 23)</b>	<b>Measure I (Fund 24)</b>	<b>Measure Tech I (Fund 22)</b>	<b>Total</b>
2015-16	\$496,582	\$1,612,740	\$1,122,802	\$7,981,036	\$11,213,160
Total % Tested					22.16%
16-17	---	\$5,351,137	\$2,510,114	\$3,108,849	\$10,970,099
Total % Tested					16.86%

The sample of payments audited included the following Measures G, E, I, and Tech I expenditures and projects:

District Wide Program Management Services Cost  
District Wide Technology License & Renewal Fees  
District Wide Projection Devices  
District Wide Learning Devices  
District Wide Security Cameras  
District Wide Backend System Phase II  
District Wide Community Wireless  
District Wide Fire Alarm Modernization  
Evergreen Valley High School, Portable Upgrades  
Independence High School, Performing Arts Building  
Independence High School, Streetscape and Infrastructure  
Independence High School, Portable Village  
James Lick High School, Student Center and Quad Modernization  
Santa Teresa High School, Stadium Lighting  
W.C. Overfelt High School, Asphalt and Concrete  
Yerba Buena High School, New Student Union and Quad Modernization  
Journal Entries and Reversing Journal Entries to provide detailed entries for SACS reporting purposes

The results of this audit showed that, with the exceptions noted in the observations and recommendations sections below, the bond expenditures were used for approved bond program purposes, and invoices were reviewed and approved.

### **Review of the District's Financial Statement Audit and Related Bond Audits**

TSS reviewed the District's Independent Auditor's Report on the District's Financial Statements, Report on Internal Control Over Financial Reporting and Compliance and on Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, and Report on Compliance with State Laws and Regulations for the year ended June 30, 2016. Vavrinek, Trine, Day & Co. LLP, ("VTD") conducted the aforementioned audits and issued an unqualified audit opinion on the District's financial statement. VTD's reports disclosed no instances of material weakness based on their limited purpose review of internal controls over financial reporting and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, did not identify any deficiencies in internal control over compliance related to its major federal programs and state awards, and communicated that the District complied with State laws and regulations.

In addition, TSS reviewed the District's Independent Auditor's Report, Report on Internal Control Over Financial Reporting and Compliance and on Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and Report on Performance on Measures G, E, I, and Tech-I Bond Funds as of and for the fiscal year ended June 30, 2016. VTD's reports communicated that the District disclosed no instances of material weakness based on their limited purpose review of internal controls over financial reporting and disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. VTD also concluded that based on the test results, in all significant respects, the District properly accounted for the expenditures held in the bond funds and that such expenditures were made for authorized bond projects.

### **Commendations**

- The District took advantage of historically low-interest rates and refinanced Measures G and E bonds. Refinancing bonds with lower interest rates is financially prudent and saves the taxpayers money.
- The District passed Technology Measure I to purchase and finance technology equipment for staff and students. The District's financing method utilized to finance technology equipment matches the financing period over the useful life of these short-lived assets, which is a savings to taxpayers.
- The District passed an innovative general obligation Flex-Bond. This bond allows the District better flexibility in issuing bonds as a series of short-term, lower interest loans designed to match the District's construction funding needs. It is very likely that this type of loan will allow the District greater opportunities to finance projects more cost-effectively and will save the taxpayers money.
- In the last performance audit conducted by TSS, we observed that the District was very reliant on the Program Management company and would be better served by developing more in-house construction management and accounting expertise. Based on TSS's interview with District staff, the District has hired and transferred functions from the Program Manager to in-house staff, which is more cost effective for the District and taxpayers.

### **Observations**

- All of the invoices tested in the sample included evidence of being reviewed and approved by authorized persons in accordance with District policy.
- All of the expenditure items tested were in compliance with the bond language.

- District staff was asked to discuss issues or complaints received related to timely vendor payments and to disclose any lawsuits related to all of the Measures audited during the fiscal years ended June 30, 2016 and 2017. Based on interviews with District staff, it was noted the District has not received complaints from vendors related to non-timely payments during the fiscal years ended June 30, 2016 and 2017. It was also noted that the District was not involved in any litigation related to all of the Measures audited during the fiscal years ended June 30, 2016 and 2017.
- In our interviews with staff, it was communicated that the Capital Purchasing Buyer and Accounting Tech positions were vacant for more than 2 months. When positions are vacant for any length of time, remaining staff are required to assume responsibility for the work for these vacant positions, which can be a burden for some staff.
- In reviewing 2 monthly invoices related to Program Management, the details of the invoice reflected that the District paid SGI \$30,865 in April 2016 and \$39,665 in December 2016 for scanning documents. It was noted that SGI's billing rates for document control activities ranged from \$22 per hour to \$148 per hour for scanning documents.
- In interviewing various District staff, the Capital Accounting staff communicated that the District could benefit from having access to an effective Construction Project Management software program.

### **Recommendations**

- The District needs to more timely hire personnel and review the job classifications of staff to ensure that staff performing the work are doing work in concert with their assigned job descriptions. In addition to performing lower level work, the Capital Budget Manager is currently performing additional responsibilities that are not in her current job description. These additional duties resulted from the restructuring of the job responsibilities of the Assistant Director of Capital Accounting to the Director of Purchasing & Capital Accounting. It is important for the well-being and moral of District staff to timely fill job vacancies and for the District to evaluate job descriptions and responsibilities when a restructuring of positions occurs.
- The District should review the costs being paid to SGI and others for specific non-technical functions (scanning, renaming and uploading files to District server) and evaluate potential cost savings if in-house staff performed these non-technical functions.



- The District should research what Construction Project Management software programs are available to provide staff with more tools to better manage construction projects. Currently, the District's Program Manager does not utilize a Construction Project Management software program. A good Construction Project Management system will likely save the District and taxpayers money by improving the scheduling of projects, tracking of costs, and budgeting. The District staff would likely benefit by a better ability to anticipate potential scheduling issues, to view real-time work schedules, and to have better insights on how to save money. Finally, the District would benefit from having improved timing on completion of the construction projects, lower construction costs, and lower escalation costs.

## **BEST PRACTICES IN BIDDING AND PROCUREMENT**

### **Objective**

To gather data and verify that District procurement of materials and services, bidding and awarding of bond funded construction projects comply with the requirements of the Public Contracting Code, and other relevant laws and regulations and to ensure that best practices in procurement are followed.

### **Scope and Methodology**

The scope of this section covers the activities of the District relating to the bidding and awarding of construction projects and awarding of contracts for procurement of materials, equipment and services relating to projects funded under the Measure G, E, I and Tech-I bond program for the period from July 1, 2015 through June 30, 2017. TSS conducted interviews with District staff and Program Management staff from SGI. TSS also reviewed Board agenda items and minutes and documents relating to the formal and informal bid process, agreements and contracts awarded for bond funded projects.

### **Background**

Best practices in procurement of materials and services ensure the most efficient use of resources. A competitive bid process allows districts to secure the best quality products and services at the best possible price. It is the intent of this component of the review to determine whether the District made good use of available best practices in the procurement of materials and construction services for the program.

**District Policy.** Board Policy 3311 – Bids, adopted March 11, 2004, last revised October 16, 2014; states that the Governing Board recognizes its fiduciary responsibility to oversee the prudent expenditure of District funds and states that;

“In order to ensure transparency and the prudent expenditure of public funds, the district shall purchase equipment, supplies and services using competitive bidding when required by law and in accordance with statutory requirements for bidding and bidding procedures. In those circumstances where the law does not require competitive bidding, the Governing Board may request that a contract be competitively bid if the Board determines that it is in the best interest of the district to do so.”

“When the Board has determined that it is in the best interest of the district, the Board may piggyback onto the contract of another public agency or corporation to lease or purchase equipment or supplies to the extent authorized by law.”

“To ensure that good value is received for funds expended, specifications shall be carefully designed and shall describe in detail the quality, delivery and service required.”

“To assist the District in determining whether bidders are responsible, the Board may require prequalification procedures as allowed by law and specified in administrative regulation.”

To best serve the District's interests, the Superintendent or designee shall develop and maintain effective purchasing procedures that are consistent with sound financial controls to ensure that the District receives maximum value for items purchased. He/she shall ensure that records of expenditures and purchases are maintained in accordance with law.

**Competitive Bid Purchases.** Public Contract Code Section 20111 (a) requires competitive bidding on purchases or lease of equipment, materials or supplies; services, not including construction services, or special services and advice in accounting, financial, legal or administrative matters; and repairs, including maintenance work that is not a public project. School district governing boards are to competitively bid and award any contract for the purchase of equipment, materials or supplies involving an expenditure of more than \$50,000 (adjusted for inflation) to the lowest responsible bidder. The Superintendent of Public Instruction adjusts the dollar amount limit annually to reflect the percentage change in the annual average value of the Implicit Price Deflator for State and Local Government Purchases of Goods and Services for the United States, as published by the United States Department of Commerce for the 12-month period ending in the prior fiscal year. The following competitive bid purchases were reviewed during this period;

**F35-052-002/RFP-29-14-15**

**Education Center: Interior Improvement - New Modular Furniture System.**

On June 18, 2015, the Board approved a contract with Campbell Keller Co., Inc. for the supply and installation of new modular furniture systems and furnishings for the interior improvement project of the Education Center in the amount of Not to Exceed \$438,840. Specifications were based on District prepared furnishing criteria with office configurations, specialty spaces including administration furnishings, offices and staff work areas. The District utilized the public bid process, posted advertisements at the San Jose Post Record and district website and solicited proposals from qualified firms, evaluated bid proposals and recommended award of contract to the lowest responsive, responsible bidder.

**District Wide Facilities - Procurement and Supply of Epson BrightLink 595Wi Interactive Projectors, WXGA 300 Lemens for Instructional Use.**

On September 29 and October 6, 2016, the Board published in San Jose Post Record and on the District website an RFB (Request for Bids) for the procurement and supply of interactive projectors as per specifications based on District prepared preliminary furnishing criteria. The District evaluated the bids received from four qualified vendors and approved a contract with Multi Media Consulting Services, Inc. for the supply and installation of interactive projectors district-wide. Purchase orders for the supply of equipment are issued to the suppliers as and when the need arises. The District utilized the public bid process, issued Requests for Bids (RFB) to qualified firms, evaluated bid proposals and recommended award of contract to the lowest responsive, responsible bidder.

**Formal Bids.** Public Contract Code, Section 20111.(b), otherwise known as the formal bid process, requires competitive bidding for construction of public projects, subject to the limits imposed by the California State Controller's Office, through official advertisement in a newspaper of general circulation. In the formal bid process, contracts shall be let to the lowest responsible bidder who shall give such security as the governing board requires, or else all bids shall be rejected.

Administrative Regulation 3311 on advertised and competitive bids (adopted April 29, 2011 and amended April 12, 2013) notes that the District will seek competitive bids through advertisement for contracts involving an expenditure of \$15,000 or more for a public project (Public Contract Code 20111, 22002). The District also shall seek competitive bids through advertisements for contracts exceeding the amount specified in law.

When bidding construction work on District facilities or projects in accordance with California Public Contract Code 20111.5 (e), the District requires prospective bidders to complete a pre-qualification questionnaire on District-supplied forms. Bids for certain construction projects are not accepted unless the District has pre-qualified a contractor. The pre-qualification process was designed to recruit established, responsible, and experienced public school construction contractors. Notice of the required pre-qualification is also included in individual project bid invitations, complete with instructions on obtaining forms. Prospective bidders are also notified that Pre-qualification packages must be received in sufficient time to allow processing. Prospective bidders must be pre-qualified a minimum of five (5) day prior to bid opening.

Bids are received at the Capital Projects Purchasing Department. After the bids are opened and reviewed, staff prepares the board agenda with recommendations to award a contract to the successful bidder. When the Board approves the contract, a Notice of Award (NOA) is issued. The contractor then has ten days to submit all the required documents. Upon receipt of the signed contract agreement, bid securities, and other documentation required, the District issues a Notice to Proceed (NTP) and construction work starts.

The following formal bid projects were reviewed and analyzed for completeness and compliance during the period of July 2015 through June 2017:

**Z-050-601 & I-050-002/ B-33-16-17**

**Oak Grove High School - New Student Center and Quad Renovations**

The Bid Invitation or Notice to Bidders for this project was emailed to all pre-qualified bidders and various Builder's Exchanges on April 3, 2017. Advertisements were also published in the San Jose Post Record and Challenge News on April 12 and 18, 2017. The notice was likewise posted at the District's website. There were at least 14 days between the first bid invitation and bid opening as required by law. The bids were opened on May 10, 2017. A total of four bids were received. The table below summarizes the outcome of these bids.

<b>Contractor</b>	<b>Base Bid</b>
<b>Strawn Construction, Inc.</b>	<b>\$5,526,000</b>
Gonzalves & Stronck Construction Co Inc.	\$5,673,000
Thompson Builders, Inc.	\$5,782,000
R.C. Benson & Sons Construction	\$6,269,500

(Engineer's Estimate = \$5,500,000. No Contract allowance included in the base bids.)

After reviewing the bid documents, the District declared Strawn Construction, Inc., the lowest responsible bidder with a responsive bid for the project. Award of contract was approved by the Board of Trustees on June 8, 2017 in the amount of \$5,526,000. (Base Bid). The Notice of Award was issued on June 9, 2017. Upon receipt of the required signed contract agreement, bid securities, and other documentation, the Notice to Proceed was issued on August 17, 2017. The Notice to Proceed specified that the contract commenced on September 12, 2017, with an anticipated date of completion within 260 calendar days.

**E-065-008/ B-29-16-17**

**Independence High School - Buildings J Modernization**

The Bid Invitation or Notice to Bidders for this project was emailed to all pre-qualified bidders and various Builder's Exchanges on March 23, 2017. Advertisements were also published in the San Jose Post Record and Challenge News on March 24 and 31, 2017. The notice was likewise posted at the District's website. There were at least 14 days between the first bid invitation and bid opening as required by law. The bids were opened on April 25, 2017. A total of three bids were received. The table below summarizes the outcome of these bids.

<b>Contractor</b>	<b>Base Bid</b>
<b>Beals Martin &amp; Associates, Inc.</b>	<b>\$3,852,863</b>
Thompson Builders, Inc.	\$4,458,000
Gonzalves & Stronck Construction Co Inc.	\$4,619,000

(Engineer's Estimate = \$4,300,000. No Contract allowance included in the base bids.)

After reviewing the bid documents, the District declared Beals Martin & Associates, Inc., the lowest responsible bidder with a responsive bid for the project. Award of contract was approved by the Board of Trustees on May 18, 2017 in the amount of \$3,852,863. The Notice of Award was issued on May 19, 2017. Upon receipt of the required signed contract agreement, bid securities, and other documentation, the Notice to Proceed was issued on June 12, 2017. The Notice to Proceed specified that the contract commenced on June 15, 2017 with an anticipated date of completion on January 4, 2018.

**Z-045-602/ B-28-16-17**

**Piedmont Hills High School – New Classroom Buildings D1 & D2 Project**

The Bid Invitation or Notice to Bidders for this project was emailed to all pre-qualified bidders and various Builder’s Exchanges on March 28, 2017. Advertisements were also published in the San Jose Post Record and Challenge News on March 6 and 13, 2017. The notice was likewise posted at the District’s website. There were at least 14 days between the first bid invitation and bid opening as required by law. The bids were opened on April 27, 2017. A total of five bids were received. The table below summarizes the outcome of these bids.

<b>Contractor</b>	<b>Base Bid</b>
<b>Thompson Builders</b>	<b>\$11,055,000</b>
Strawn Construction, Inc.	\$11,666,405
Roebbelen Construction	\$12,303,000
Villa Construction	\$12,483,044
Gonzalves & Stronck Construction	\$13,014,000

(Engineer’s Estimate = \$9,700,000. No Contract allowance included in the base bids.)

After reviewing the bid documents, the District declared Thompson Builders the lowest responsible bidder with a responsive bid for the project. Award of contract was approved by the Board of Trustees on May 18, 2017 in the amount of \$11,055,000. The Notice of Award was issued on May 19, 2017. Upon receipt of the required signed contract agreement, bid securities, and other documentation, the Notice to Proceed was issued on June 12, 2017. The Notice to Proceed specified that the contract commenced on June 15, 2017, with an anticipated date of completion on July 9, 2018.

**Z-025-601/B-02-16-17**

**Andrew Hill High School: - Courtyard Improvements**

The Bid Invitation or Notice to Bidders for this project was emailed to all pre-qualified bidders and various Builder’s Exchanges on July 7, 2016. Advertisements were also published in the San Jose Post Record and Challenge News on July 8 and 15, 2016. The notice was likewise posted at the District’s website. There were at least 14 days between the first bid invitation and bid opening as required by law. The bids were opened on August 3, 2016. A total of four bids were received. The table below summarizes the outcome of these bids.

<b>Contractor</b>	<b>Base Bid</b>
<b>CRW Industries, Inc.</b>	<b>\$2,102,765</b>
Strawn Construction, Inc.	\$2,189,600
Robert A. Bothman, Inc.	\$2,545,600
Guerra Construction, Inc.	\$2,581,500

(Engineer’s Estimate = \$1,800,000. No Contract allowance included in the base bids.)

After reviewing the bid documents, the District declared CRW Industries, Inc., the lowest responsible bidder with a responsive bid for the project. Award of contract was approved by the Board of Trustees on August 18, 2016 in the amount of \$2,102,765. The Notice of Award was issued on August 19, 2016. Upon receipt of the required signed contract agreement, bid securities, and other documentation, the Notice to Proceed was issued on September 13, 2016. The Notice to Proceed specified that the contract commenced on September 13, 2016, with an anticipated date of completion within 137 calendar days.

**E-040-004/B-04-15-16**

**WC Overfelt High School: - Building J (L) Modernization**

The Bid Invitation or Notice to Bidders for this project was emailed to all pre-qualified bidders and various Builder’s Exchanges on February 24, 2016. Advertisements were also published in the San Jose Post Record and Challenge News on February 25 and March 3, 2016. The notice was likewise posted at the District’s website. There were at least 14 days between the first bid invitation and bid opening as required by law. The bids were opened on March 29, 2016. A total of three bids were received. The table below summarizes the outcome of these bids.

<b>Contractor</b>	<b>Base Bid</b>
<b>Gonzalves &amp; Stronck Construction, Inc.</b>	<b>\$3,054,000</b>
Strawn Construction, Inc.	\$3,291,837
Coulter Construction, Inc.	\$3,329,425

(Engineer’s Estimate = \$2,475,000. No Contract allowance included in the base bids.)

After reviewing the bid documents, the District declared Gonzalves & Stronck Construction, Inc., the lowest responsible bidder with a responsive bid for the project. Award of contract was approved by the Board of Trustees on April 21, 2016 in the amount of \$2,961,170. The awarded contract amount did not include bid item #2 (\$69,980) and bid item #3 (\$22,850). The Notice of Award was issued on April 22, 2016. Upon receipt of the required signed contract agreement, bid securities, and other documentation, the Notice to Proceed was issued on May 6, 2016. The Notice to Proceed specified that the contract commenced on May 9, 2016, with an anticipated date of completion within 168 calendar days.

**Informal Bids.** Public Contract Code 22030–22045, otherwise known as the California Uniform Public Construction Cost Accounting Act (CUPCCAA) or the “Act” promulgated by the California State Controller, allows public agencies who elect by resolution to become subject to the specified uniform construction cost accounting standards to increase the threshold for projects that may be performed without competitive bidding to \$45,000 or less, and to use informal bidding procedures for projects \$175,000 (\$187,500 in special circumstances) or less. On February 14, 2013, the Board approved Resolutions #s 2012/2013-16 and 2012/2013-17 for the District to be subject to the provisions of the CUPCCAA.

Under the Act, the District is implementing the following procedures and revised Administrative Regulation 3311 adopted on March 11, 2004 and last revised on October 16, 2014.

Administrative Regulation 3311 notes that the District will seek competitive bids through advertisements for contracts exceeding the amount specified in law.

- a) To contract for projects under \$45,000, the District may select a qualified contractor from the pre-qualified contractors list and negotiate a contract or issue a purchase order without going through a bid process.
- b) To informally bid public projects ranging from \$45,000 to \$175,000, the District must mail bid notices at least 10 days before bids are due to contractors on the appropriate trade category from the pre-qualified contractors list and to specified trade journals. The notices must provide the contractors and trade journals with general information on the type of services sought for the project, as well as the time and place of bid submission.
- c) To formally bid public projects above \$175,000, the District must mail a notice inviting formal bids to all construction trade journals specified in the Cost Accounting Policies and Procedures Manual of the California Uniform Public Construction Cost Accounting Commission at least 30 calendar days before bids are due. The notice to bidders also must be published at least weekly for a period of two weeks in a newspaper of general circulation.

The Act also allows the District's governing board to delegate authority to award informal contracts under the program to specific staff members. The Board of Trustees approved the delegation of authority to award informal contracts to the Superintendent and the Associate Superintendent of Business Services. At the monthly regular board meeting, projects that are informally bid and awarded under the Act are submitted to the Board of Trustees for ratification.

***Piggyback and Cooperative Purchasing.*** Public Contract Code Section 20118 (K-12), otherwise known as "piggyback" contracting method, allows school districts to utilize contracts which have been publicly bid, or negotiated by other public entities. In this procurement method, the District uses pricing from a purchase contract held by another school District or public agency to negotiate a contract directly with the vendors/suppliers without conducting a formal bid. The District or public agency who originally conducted the formal bidding process includes a clause in the final contract agreement that allows other public school districts, community college districts and public agencies to "piggyback" on the same contract. The main advantage of this method is savings in time and cost usually expended in (1) preparing the plans, specifications and bid documents, and (b) conducting the formal bid process for the district's needs. These processes could take more than a year to accomplish and could cost the district substantially in architectural and engineering fees. Following are examples of "piggyback" contracts that were reviewed during the current period;

- **Independence High School  
(Z-071-601) - Classroom/Restroom Building & Courtyard Project  
Purchase, Furnish and Install One (1) 12' x 40' Boys/Custodian/Girls Restroom Building, and One (1) 12' x 40' Boys/Staff/Custodian/Girls Restroom Building.**  
The contract was awarded as a "piggyback" to the contract awarded by Las Lomitas Elementary School District to Enviroplex on January 14, 2015.



- **Santa Teresa and Phoenix High School  
Campus Improvement Project  
Purchase, Furnish and Install One (1) 36' x 40' Science Classroom with  
Boys/Girls/Janitors Restroom Building.**

The contract was awarded as a “piggyback” with the contract awarded by Biggs Unified School District to American Modular Systems on Dec. 13, 2011, extended Jan 1 thru April 30, 2016.

In addition to “piggyback” contracts, the Board of Trustees likewise authorized the use of cooperative and bulk purchasing agreements that are available for the use of public agencies and school districts in California and nationwide. As a best practice, the District may use existing cooperative purchasing and bulk purchasing contracts from other public agencies and cooperative purchasing programs for the procurement of supplies, building materials, computers, equipment, and services at discounted rates in an effort to save the District time and resources associated with a formal or an informal bid process. Examples of cooperative and bulk purchases and agencies the District utilized during the current audit period include the following;

- The Cooperative Purchasing Network (TCPN) is a Texas government agency administering a cooperative purchasing program. The network provides its members with contracts and services that are compliant with the law at no cost to member districts.

**Yerba Buena High School  
New Student Union and Quad Project  
Purchase of Furniture and Installation Services**

The contract was awarded to MeTEOR Education LLC utilizing the Monterey County Office of Education (MCOE) Invitation to Bid #527683 Technology Catalog Bid, awarded in February 2015.

- The Western State Contract Alliance (WSCA) is a non-profit government purchasing cooperative that assists local and state government agencies, school districts (K-12), higher education and non-profits in reducing the costs of purchased goods and services through pooling of the purchasing power of public agencies in the western states and nationwide. This is accomplished through competitively bidding contracts for quality products through a “lead public agency” or a “lead state”.

**District Wide  
Purchase Computer Equipment (Desktops, Servers, and Storage)**

The contract was awarded to Dell Marketing and Sterling Computers Corporation utilizing the Minnesota WSCA-NASPO Master Piece Agreement No. MNWNC-108 and the California DGS WSCA participating contract No. 7-15-70-34-003 - April 01, 2015 through March 31, 2017.

- The California Multiple Award Schedule (CMAS) is also a non-profit purchasing cooperative that provide agencies with a listing of vendors and schedule of prices for various products previously bid and approved through cooperative purchasing method.

**District Wide**

**Procurement of Document Imaging and Records Management Services.**

The contract was awarded to Sytech Solutions utilizing the California Department of General Services, Procurement Division CMAS Contract No. 3-16-36-0085C - September 22, 2016 thru April 30, 2021.

- NCPA (National Cooperative Purchasing Alliance) is a leading national government purchasing cooperative working to reduce the cost of goods and services by leveraging the purchasing power of public agencies in all 50 states.

**District Wide**

**Purchase Furniture/Computer Carts for MacBook Pro, and Chromebooks.**

This contract was awarded to California - Bretford Furniture Manufacturing utilizing the NCPA Contract No. 07-21, RFP #14-15; Lead Agency: Region 14 ESC) - available to California Public Agencies.

- CalSAVE cooperative purchasing program is a statewide project designed to help California K-12 schools buy technology and instructional resources easily and at a low cost by using the collective buying power of schools to secure the lowest possible price.

**District Wide**

**Purchase Technology Equipment.**

This contract was awarded to CDW-Government LLC utilizing the Monterey County Office of Education (MCOE) Invitation to Bid #527683 - Technology Catalog Bid.

***Competitive Negotiation.*** Public Contract Code 20118.2 (a) thru (f), allows the District to award contracts for technology, telecommunications, related equipment, software and services through competitive negotiation. In a competitive negotiation process, the District is allowed to consider in addition to price, factors such as vendor financing, quality, performance reliability, deliveries, warranties and others in the selection of the vendor. The procurement process in competitive negotiation includes the preparation of a request for proposal, the publication of the request twice in a newspaper of general circulation at least 10 days before the bid date, the receipt of bids, the technical evaluation of the proposals received, the identification of qualified sources, and the selection of the bidder whose proposal meets the evaluation standards and will be the most advantageous to the District, with the price and all other factors considered.

### **District-Wide Technology Upgrade.**

The District conducted a Request for Proposal (RFP) process and invited known firms to propose on the project. The RFP was advertised in the San Jose Post Record and posted on the District website. In addition, direct solicitations were sent to forty three (43) known comprehensive technology consultants and providers of IT solutions and services. Staff received five (5) responsive proposals. The District's in-house IT staff and Capital Purchasing Staff evaluated the proposals. Upon completion of the evaluation, staff determined that Nexus IS, Inc. meets or exceeds the specifications of the RFP at a competitive price. The recommendation was based on the selection process criteria that allows the District to award the contract to the technology consultant who presents the proposal which, in the best judgment of the District, best accomplishes the desired results for the project. The criteria deemed Nexus IS proposal to be responsive and to be in the District's best interests which included, but not limited to services, fee, methodology, qualifications and experience, past project successes as it pertain to providing technology products and services.

**Lease-Leaseback (LLB) Construction Agreements.** Section 17406 of the California Education Code (CEC), allows the governing board of a school district is allowed, under to enter into lease-leaseback agreements with construction contractors for the construction of school facilities. In the lease-leaseback project delivery method, the district lets a school property for the purpose of constructing a school building without advertising for bids, provided that the lease or agreement meets the conditions set forth in Section 17402 of the CEC and that the title of the building vests in the district upon completion of construction. Section 17402 requires that before the governing board of the district enters into a lease or agreement, it must have available an approved site and a set of plans and specifications for the building(s) to be constructed that are duly approved by the California Department of Education (CDE). Following are projects where the District utilized this project delivery method;

E-065-003

Independence High School - Performing Arts Center (Building F) Modernization

Z-065-601

Independence High School - Commons (Building F) Modernization Phase II

### **Observations**

- On February 4, 2016, the Board of Trustees, having reviewed the guidelines developed pursuant to Education Code §17250.40, approved the determination that design-build delivery for the W.C. Overfelt High School Music, Art and Administration Building and Central Quad Modernization Project would reduce project costs, expedite the project's completion, and/or provide features not achievable through the design-bid-build process. Consequently, the Board adopted Resolution #2015/2016-12, approving the use of Design-Build Delivery for the proposed project.

- The District uses front-end documents that were reviewed by legal counsel and approved by the Board of Trustees. The District also has a Project Labor Agreement (PLA) in effect. The PLA was designed to promote efficient construction operations, ensure adequate supply of skilled craftspeople, and provide procedures for settling labor disputes.
- On October 20, 2016, District staff presented a study on the benefits derived from the use the Lease-Leaseback (LLB) method of project delivery on the Independence High School Modernization of Theater, B Commons, Streetscape Improvements and Infrastructure Project. It was found that the method generated cost savings in the field and some savings in administrative costs. However, since the Fifth District Court of Appeal Decision in Davis v. Fresno Unified in June 2015, many school districts have decided against pursuing the use of LLB as a project delivery method resulting in fewer LLB projects statewide. Due to these concerns, the District does not currently have any pending or planned projects utilizing this construction delivery method.
- During the current audit period, 2015-16 and 2016-17, the District conducted competitive bids for construction contracts funded with Measures G, E, I and Tech-I bonds. Based on the bids reviewed, TSS has verified that contracts were awarded to the lowest responsive responsible bidders in accordance with the requirements of the public contracting code.
- Review of the bid packages indicate that some of the lowest bids received came in higher than the engineer's estimates. One example is the bid for Piedmont Hills New Classroom Building D1 and D2 Project wherein the lowest bid came in at \$11,055,000 while the engineer's estimate was at \$9,700,000. In most cases, this occurs as a result of an upward construction market trend. When the market is hot and many projects are bidding around the same period, contractors find that the labor pool shrinks and materials and supplies are scarce, resulting in increased costs and higher bids.
- The District maintained and updated the list of pre-qualified contractors and professional services consultants to perform work for the Measures G, E, I and Tech-I bond program projects for the District in compliance with CUPCCAA informal bidding requirements.

### **Conclusion**

- Results of the examination of bidding and procurement documents during the current audit period showed that the District exerted adequate effort in utilizing best practices in the procurement of materials, equipment and construction services for the bond funded projects leading to the efficient use of bond funds.

- Results of the examination also indicate that the procurement methods utilized by the District were in compliance with Board policy and the requirements of Public Contract Code Section 20111 (a) – Competitive Bids, Section 20111 (b) – Formal Bids, Section 222030-22045 – Informal Bids (CUPCCAA), Section 20118 – Piggyback and Cooperative Purchasing, Section 20118.2 (a) thru (f) – Competitive Negotiation, and other practices.

### **Recommendation**

- For the District to have a better chance of receiving bids that are on par with the engineer's estimates, the current construction market trends should be considered in the determination of the best time to go out to bid. Where possible, bids should be deferred to a later date to allow the market to cool down. However, when this is not possible, a review and adjustment of the engineer's estimate, if necessary, should be done before going out to bid.

## STATE FACILITY PROGRAM AND FUNDING FORMULAS

### Objective

The objective of this section is to determine if the bond language to qualify for state funding for its facilities projects is being met.

### Scope and Methodology

To meet the objective, District activities regarding establishing eligibility under the State School Facility Program and filing applications for funding were reviewed. District and consultant reports and information from state regulatory agencies were referenced as follows:

- State School Facility Program
- Office of Public School Construction Website
- District and Consultant Documents

Interviews with key District staff were also held to obtain additional information on District practices.

### Background

The State Facility Program was created to provide school districts the opportunity to obtain state grants, when eligible, to enhance their facility programs. Numerous state funding options are available under the State Facility Program, as follows:

50	-	New Construction
51	-	Facility Hardship (New Construction)
52	-	Joint Use
53	-	Critically Overcrowded (Converted)
54	-	Charter School (Converted)
55	-	Career Technical Education (New Construction)
56	-	Overcrowding Relief Grant
57	-	Modernization
58	-	Rehabilitation (Modernization)
59	-	Career Technical Education (Modernization)
61	-	Emergency Repair Program

Filing applications with the State Allocation Board (SAB) under the School Facility Program is not legally mandatory; however, the District included language in resolutions calling for the bond elections that, as a supplement to the local bonds, the District would file for state funding.

The District has filed facilities applications under the following programs:

- 50 - New Construction
- 54 - Charter School (Converted)
- 55 - Career Technical Education (New Construction)
- 57 - Modernization
- 58 - Rehabilitation (Modernization)
- 59 - Career Technical Education

**State School Facility Programs Used**

As of June 30, 2013, the District had received the state grants summarized in the table below for applications filed prior to and after Measures G. (The financial data presented in these tables comes from the Office of Public School Construction/State Allocation Board [OPSC/SAB] website, which maintains current project status for all school districts). As required in the ballot language, the District plans to submit additional applications for projects funded under local bond measures, if eligible.

<b>State Program</b>	<b>SAB#</b>	<b>State Grant Amounts</b>
<b>Pre-Measure G Projects Funded</b>		
New Construction	50/001 <sup>1</sup>	\$16,345,797
Modernization	57/001-57/008 <sup>2</sup>	24,815,124
<b>Totals</b>		<b>\$41,160,921</b>
<b>State Program</b>		
<b>Post-Measure G Projects Funded</b>		
New Construction	50/03 and 50/05 <sup>3</sup>	\$5,344,854
Career Technical Education (New)	55/001	1,314,642
Modernization	57/009 - 57/032 <sup>4</sup>	70,203,750
Rehabilitation (Modernization)	58/001	16,937
Career Technical Education (Mod)	59/001 – 59/004	5,396,500
<b>Totals</b>		<b>\$82,276,683</b>
<b>Grand Totals</b>		<b>\$108,795,732</b>

<sup>1</sup> Evergreen Valley High School was funded by the state prior to the passage of Measure G.

<sup>2</sup> These eight projects at seven schools were funded by the state prior to the passage of Measure G.

<sup>3</sup> Andrew Hill and Foothill were post-Measure G projects.

<sup>4</sup> These twenty-four projects at ten schools were post-Measure G projects.

For details regarding the projects summarized above, refer to the tables included in the 2012-13 Performance Audit Report or the Office of Public School Construction website.

There have been no new construction applications approved or funded by the OPSC/SAB.

### **State New Construction Status**

New construction eligibility was submitted to the Office of Public School Construction/State Allocation Board (OPSC/SAB) on February 26, 1999, based on the CBEDS enrollment data from the 1995-96 to 1998-99 school years. Based on that data, the SAB approved applications for SAB 50-001, 50-002 and 50-003 presented in the table above based on the following enrollments:

<b>New Construction Project</b>	<b>Funded Enrollment</b>		
	<b>9-12</b>	<b>Non-Severe</b>	<b>Severe</b>
SAB 50-001	1,916	35	9
SAB 50-002	243	-	-
SAB 50-003	54	-	-

Because the above projects were funded, the District used all of its new construction eligibility.

Following the establishment of the baseline new construction eligibility, the District continued to update its eligibility by completing Form SAB 50-01 based on CBEDS enrollment data. The most recent updates are presented in the table below. (Note: An updated Form SAB 50-01 is not required to be filed unless the District intends to file future new construction applications.)

### **SAB 50-01 Enrollment Certification/Projection**

<b>Base Years</b>	<b>9-12</b>	<b>SDC Non-Severe</b>	<b>SDC Severe</b>	<b>Total</b>
2007-08 – 2010-11	26,172	843	251	27,266
2012-13 – 2015-16	25,830	544	470	26,844
2013-14 – 2016-17	24,797	418	550	25,765

As demonstrated above, the District's certified enrollment projection reflects enrollment decline which, in turn, resulted in a decrease in new construction eligibility. The District's facilities applications consultant, Hancock Park & DeLong, Inc. reported in an email dated October 26, 2017, that the District's new construction eligibility was negative, and new eligibility forms and project applications would not therefore be submitted to OPSC/SAB.



## State Modernization Status

Eligibility for a modernization project is established when Form SAB 50-03 is filed, and the State Allocation Board (SAB) approves it. A school district designs and submits a project to the Division of State Architect (DSA) and the California Department of Education (CDE). A school district must await both agencies' approvals before filing Form SAB 50-04, which establishes funding for a project. If financially advantageous, a district may file a revised SAB 50-03 to reflect the most recent enrollment data. Once the bidding process for a project is complete, the district files Form SAB 50-05 to request a release of the state share of modernization funds for the project.

The District filed modernization eligibility forms (SAB 50-03), and an application form (SAB 50-04) for Calero High School that was approved and funded by the SAB on October 12, 2017 for \$4,219,003, which is beyond the audit period. Projects are currently being processed for the following schools:

<b>SAB# (57/)</b>	<b>School</b>	<b>50-03 Date</b>	<b>9-12</b>	<b>SDC (NS)</b>	<b>SDC (S)</b>
033	Calero High	1/23/2013	260	8	172
034	Andrew P. Hill High	12/6/2017	53	1	0
035	Silver Creek High	1/23/2013	31	0	0

According to the OPSC website, the District had remaining modernization eligibility as of January 31, 2012, for the following schools:

<b>SAB# (57/)</b>	<b>School</b>	<b>9-12</b>	<b>SDC (NS)</b>	<b>SDC (S)</b>
000	Foothill High	204	0	0
034	Andrew P. Hill High	49	4	1
000	Mt. Pleasant High	1,139	2	0
000	William C Overfelt HS	95	4	1
000	Piedmont Hills High	127	2	15

## Observations

- As of June 30, 2017, the District had received funds under the State School Facility Program totaling \$108,795,732 for various state programs.
- As of June 30, 2017, the District has no new construction eligibility. Three modernization applications are on file with OPSC/SAB and additional modernization applications may be filed in the future that will result in additional state funding to supplement the District's bond program.

## **Conclusion**

- The District is in compliance with language included in the resolutions pertaining to applying for state funds to supplement local bond funds. To receive grants under the State School Facility Program, in addition to establishing eligibility for each project, the District must provide matching funds from local sources, including a fifty percent match for new construction projects and a forty percent match for modernization projects.

## **EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN THE BOND PROGRAM**

### **Objective**

The objective of this section is to determine the effectiveness of the District's communication of voter-approved bond measures and progress to all stakeholders

### **Scope and Methodology**

To meet the objective, all avenues of communication, including public presentations at Board meetings, CBOC activities, District website postings, newsletters and billboards were considered. TSS interviewed the Superintendent, Associate Superintendent of Business Services, two Board members, two Citizens' Bond Oversight Committee members, a member of the Audit Committee, the Director of Construction, Maintenance & Facilities, the Director of Purchasing and Capital Accounting, the Capital Budget Manager, the Chief Technology Officer, the Outreach Coordinator with SGI, the third-party Senior Program Manager, two Project Managers and two Construction Managers under contract with the District. TSS also reviewed the District's website, the Citizens' Oversight Committee's website, and the District's newsletters and other forms of communication.

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

### **Background and Communication Activity**

Public outreach is a key component for any successful bond program. It is vital to keep the community informed during each phase of the program. Outreach to the community regarding the status of projects, including priorities, project timelines and updates are important for the District to undertake consistently in their ongoing efforts to manage information and expectations about the bond program.

To facilitate communication regarding the East Side Union High School District's facilities program, the District provides information about the bond program on the District web page, under the Community link noted below.

<http://www.esuhd.org/Community/Facilities/Bond-Measures>

The information posted and conveyed on these webpages appears to be comprehensive and current. Under the Bond-Measures section, information is provided for FAQs, School Modernization Projects and News and Events. Under the News and Events section, information includes monthly status reports for the Capital Improvement Program, current and past Newsletters and scheduled events. There is a link to the Citizens' Bond Oversight Committee (CBOC) where interested members of the public have access to information regarding the CBOC and its activities and reports. Some of the information provided includes:

- Requirements and Guidelines
- By-Laws
- Ballot Language (G, E, I, Technology I, Z)
- Annual CBOC reports
- Members
- Meeting Schedules, Agendas and Minutes
- Reports and Presentations
- Financial and Performance Audit reports

The District's Director of Marketing & Public Engagement prepares much of the communication information disseminated and performs public relations activities. The Outreach Coordinator with SGI prepares numerous reports which are transmitted to the District Director of Marketing Public Engagement for her use in sending materials to news outlets and other interested parties.

Bond updates and information are regular topics of discussion at Board Meetings.

Billboards have been placed at schools being modernized to provide information to the school community.

### **Commendations**

- Newsletters are excellent tools that are being used to communicate to the school community and the larger parent and business community on the status of the Bond Program.
- The District is commended for keeping the District website maintained and updated with current information on the facilities program.

### **Observations**

- The CBOC members interviewed for this report indicated that staff are regularly in attendance at CBOC meetings and are forthcoming with information when asked. The CBOC regularly receives a Cumulative Report on Expenditures and Budgets and other reports prepared by the District's Director of Purchasing & Capital Accounting, Director of Facilities, Construction and Maintenance and Capital Budget Manager.

- Board member comments were positive about the progress and changes in the facilities program and they were complimentary of the Citizens' Bond Oversight Committee dedication and commitment to their role.

### **Conclusion**

- The District is doing an excellent job in providing information to the community regarding its activities and progress regarding the implementation of the five voter-approved bond measures.

## **DISTRICT PROVIDED INFORMATION**

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

## FACILITIES PROGRAM HISTORY/STATUS

To assist the community in understanding the District's facilities program, this section documents chronologically Board agenda items of facilities-related events and decisions since July 1, 2014.

### **Chronology of Facilities Board Agenda; July 1, 2015 through June 30, 2017**

DATE	ACTION	AMOUNT
August 20, 2015 (Special Order of Business Item # 8.02)	Received the Citizen's Bond Oversight Committee's 2013-14 Bond Annual Report for Measure G, E, and I.	
August 20, 2015 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
August 20, 2015 (Facilities Item # 15.02)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
August 20, 2015 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification").	
August 20, 2015 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
August 20, 2015 (Consent Facilities/Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
September 17, 2015 (Special Order of Business Item # 8.04)	Presented and Discussed the Results of the Sale of \$100 million in 2012 General Obligation Bonds and \$16.2 million in 2014 Ed - Technology Bonds.	
September 17, 2015 (Special Order of Business Item # 8.05)	Presented and Discussed the Results of the Sale of \$41.42 million of 2014 General Obligation Refunding Bonds.	

DATE	ACTION	AMOUNT
September 17, 2015 (Facilities Item # 15.01)	Presented, Discussed and Approved the Measure E Board/Cabinet Contingency Distribution. Approved Scenario 1 allocating funds to 5 projects (Yerba Buena High School Student Union Project (\$4M), Construction Cost Contingency to projects approved by Board in 2014 (\$13M), Replacement Music, Art and Administration Building & Central Quad Modernization at W.C. Overfelt High School (\$19 million), Roofs, Heating/Ventilating/Air Conditioning (HVAC), Electrical Infrastructure (\$11.75 million) and Gymnasium Windows Replacement at Andrew P. Hill High School (\$1 million).	
September 17, 2015 (Facilities Item # 15.02)	Discussed and Approved to Award a Site and Facilities Lease Agreement for Independence High School Building B Commons (Project NO. Z-065-601) Lease Leaseback Construction Project with McCarthy Building Companies, Inc. in an amount not to exceed (a GMP of \$3,263,650.00 and authorize Administration to execute change orders in accordance with Board Policy 3312.1.	
September 17, 2015 (Facilities Item # 15.03)	Discussed and Approved the addition of Chipman Relocation & Logistics to the Qualified Professional Service Provider, the pool of firms qualified to provide moving and relocation services.	
September 17, 2015 (Facilities Item # 15.04)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
September 17, 2015 (Facilities Item # 15.05)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
September 17, 2015 (Consent Facilities Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification").	
September 17, 2015 (Consent Facilities Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	



DATE	ACTION	AMOUNT
October 15, 2015 (Facilities Item # 15.01)	Presented and Discussed the Bond Program Update.	
October 15, 2015 (Facilities Item # 15.02)	Presented, Discussed, and Approved the Allocation of Funds for Alternative Education Facility Upgrades at Independence Adult Education Center, Independence, Oak Grove, W.C. Overfelt, and Yerba Buena High Schools.	
October 15, 2015 (Facilities Item # 15.03)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
October 15, 2015 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
October 15, 2015 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
November 5, 2015 (Special Meeting Item # 5.01)	Presented, Discussed, and Approved the Allocation of Funds for Alternative Education Facility Upgrades at Independence Adult Center, Independence, Oak Grove, W. C. Overfelt, and Yerba Buena High Schools. approve and allocate \$25,950,000, funded as presented, for the Oak Grove Alternative Education MiniCampus Improvement Project, the W.C. Overfelt Alternative Education MiniCampus Improvement Project, the Yerba Buena Alternative Education MiniCampus Improvement Project, the Independence Portable Village Project, and the Independence Buildings G, H, K, L Modernization Project as presented, with the exception of the Pegasus Program and Post Senior Program for further exploration as to where to locate these two programs, which will be brought back by administration at a future meeting.	
November 19, 2015 (Board/Supt. Item # 11.02)	Discussed and Received the First Reading of Draft Proposed Recommended Amendments to Citizens' Bond Oversight Committee Bylaws.	

DATE	ACTION	AMOUNT
November 19, 2015 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
November 19, 2015 (Facilities Item # 15.02)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
November 19, 2015 (Facilities Item # 15.03)	Discussed and Approved the Construction of Parking Lot Speed Humps Projects at Evergreen Valley High School.	
November 19, 2015 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
November 19, 2015 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
November 19, 2015 (Consent Facilities/Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
December 10, 2015 (Special Order of Business Item #9.04)	Presentation, Discussion and/or Action regarding Potential for New General Election (Financial Advisor, Dale Scott & Company)	
December 10, 2015 (Board/Supt. Item # 12.01)	Discussed and Received/Adopted the Second Reading of Draft Proposed Recommended Amendments to Citizens' Bond Oversight Committee Bylaws.	

DATE	ACTION	AMOUNT
December 10, 2015 Facilities Item # 16.01)	Presented, Discussed and/ Approved the Award of a Contract for Design-Build Services for the Yerba Buena High School Student Union and Quad Modernization Project and Replacement of the Campus Main Electrical Switchgear. Awarded a design-build contract for the Yerba Buena High School Student Union and Quad Modernization Project, and replacement of the Campus Main Electrical Switchgear, to Flint Builders, in the amount of \$17,609,268; and approve payment of the \$7,500 stipend to Overaa Construction, Inc., for Overaa's responsive participation in the design and cost competition.	
December 10, 2015 Facilities Item # 16.02)	Adopted Resolution #2015-2016-08 Designating Specific Material, Product, Thing or Service (Gamewell-FCI Fire Alarm System and Components or its most current versions) as the only acceptable material, product, thing or service. Attachment docs at Board Docs.	
December 10, 2015 Facilities Item # 16.04)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
December 10, 2015 Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
January 21, 2016 (Special Order of Business Item # 8.04)	Presented, Discussed and Accepted the Measure E, G and I Bond Fund Performance Audit Report for Fiscal Years Ended June 30, 2014, and June 30, 2015	
January 21, 2016 (Facilities Item # 15.01)	Discussed and Approve the Recommendation to Update the Facilities Master Plan. Authorized the administration to solicit proposals for an updated facilities master plan, bring forth a recommendation for a facilities master planning contract award at the March Board meeting, and proceed with the updated facilities master planning initiative per the delineated timeline.	

DATE	ACTION	AMOUNT
January 21, 2016 (Facilities Item # 15.02)	Discussed and Approved the Revision to the Capital Construction Project List for Piedmont Hills High School. Approved to defer the New Classroom Building (east of Building L) project, Building G Modernization project, Building K Modernization project, and to construct a new Classroom Building (south of Bldg D) Project with a budget of \$13,300,000.	
January 21, 2016 (Facilities Item # 15.03)	Discussed and Approved the Revision to the Capital Construction Project List for Santa Teresa High School. Approved the cancellation of the Life Skills Studio project, and initiate a New Science classroom in Room 410 and Relocation of Science Collaboration Office to Building P1 project with a budget of \$550,000, and initiate the Conversion of South Basketball Courts to Parking project with a budget of \$50,000.	
January 21, 2016 (Facilities Item # 15.04)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
January 21, 2016 (Facilities Item # 15.05)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
January 21, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
January 21, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
January 21, 2016 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	

DATE	ACTION	AMOUNT
February 4, 2016 (Special Order of Business Item # 8.06)	Discussed and Approved the Allocation of Funds for Alternative Education Facility Upgrades for Pegasus High School and the Post Senior Program. Approved and allocated \$6,485,000 (Measure E Board/Cabinet Contingency \$4,637,931.20; Measure I Restoration of Pegasus Measure E Allocation \$328,010.01; Measure I Alternative Education Allocation \$1,519,058.79) for the Independence High School Building J Modernization Project and also approved the relocation of the Post Senior Program to 830 North Capitol Avenue, contingent upon future bond funding.	
February 4, 2016 (Facilities Item # 15.01)	Adopted Resolution #2015/2016 - 12 Approving the Use of Design Build Delivery for the W.C. Overfelt High School Music, Art and Administration Building and Central Quad Modernization Project.	
February 4, 2016 (Facilities Item # 15.02)	Discussed and Approved the Determination that the Design - Build Delivery for the W.C. Overfelt High School Music, Art and Administration Building and Central Quad Modernization Project will Reduce Project Costs, Expedite the Project's Completion, or Provide Features Not Achievable Through the Design Bid - Build Process.	
February 4, 2016 (Facilities Item # 15.03)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
February 4, 2016 (Facilities Item # 15.04)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
February 4, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
March 3, 2016 Board/Superintendent (Item # 11.01)	Discussed, Received and Adopted the Third Reading of Draft Proposed Recommended Amendments to Citizens' Bond Oversight Committee Bylaws.	
March 3, 2016 Board/Superintendent (Item # 11.02)	Discussed and Approved the Appointment of Two Board Members to Serve on a Committee to Review the 2016 Citizens' Bond Oversight Committee (CBOC) Applications.	

DATE	ACTION	AMOUNT
March 3, 2016 Facilities (Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
March 3, 2016 (Facilities (Item # 15.02)	Discussed and Ratified the CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
March 3, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
March 3, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
March 3, 2016 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
April 21, 2016 (Special Order of Business Item # 8.05)	Discussed and Adopted Resolution #2015/2016 - 22 Authorizing the Issuance and Sale of 2016 General Obligation Refunding Bonds, Series A in the Principal Amount of Not to Exceed \$20,000,000 For the Purposes of Refunding Outstanding General Obligation Bonds, 2002 Election, Series H of the District.	
April 21, 2016 (Special Order of Business Item # 8.06)	Discussed and Adopted Resolution #2015/2016 - 23 Authorizing the Issuance and Sale of 2016 General Obligation Refunding Bonds, Series B in the Principal Amount of Not to Exceed \$110,000,000 For the Purposes of Refunding Outstanding General Obligation Bonds, 2008 Election, Series B of the District.	
April 21, 2016 (Facilities Item # 15.01)	Presented, Discussed and Accepted the New Capital Program Budget Adjustment Report	

DATE	ACTION	AMOUNT
April 21, 2016 (Facilities Item # 15.02)	Discussed and Approved the Project and Award of Contract for Design - Build Services for the Districtwide Fire Alarm Modernization Project: -Design - build contract for the Districtwide Fire Alarm Modernization Project, to Gonsalves & Stronck Construction Company, Inc., in the amount of \$17,195,678.00. Comprised of: - Design and construction of the Fire Alarm Modernization work (\$15,736,478). - Fire Alarm system Testing/Inspection/Preventive Maintenance/Certification and Fire Alarm System Corrective Maintenance (1,459,200), and for participation in design and cost computation by Alten Construction (\$5,000).	
April 21, 2016 (Facilities Item # 15.03)	Discussed and Approved the Measure I Distribution for KIPP San Jose Collegiate Charter School. Approve the distribution of Measure I General Obligation Bond funds for the procurement of 105 Chromebooks and 2 YES Mini Laptop carts, in an amount not to exceed \$36,000.00 with any funding balance being used for provision of bond funded equipment.	
April 21, 2016 (Facilities Item # 15.04)	Discussed and Approved that the Superintendent or Designee Authorize Purchase Orders/Contracts for Summer Projects - Yerba Buena Alternative Education Mini - Campus Improvements - LVLA Project (E-060-008), Bid # B06-15-16.	
April 21, 2016 (Facilities Item # 15.05)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
April 21, 2016 (Facilities Item # 15.06)	Discussed and Ratified CUPCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCAA - Informal Contracts Monthly Report").	
April 21, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	

DATE	ACTION	AMOUNT
April 21, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
April 21, 2016 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
April 21, 2016 (Written Reports Item # 21.01)	Received the Explanation for the Change Orders to the Lease - Leaseback Contracts with McCarthy Building Companies, Inc., for Independence High School – Performing Arts Center Bldg. F, Modernization Building B Commons, and Building B Demolition and Site Improvement Projects	
April 21, 2016 (Written Reports Item # 21.01)	Budget Summary for the Education Center Interior/Exterior Facility Improvements	
May 19, 2016 (Board/Superintendent Item # 11.01)	Discussed, Considered and Approved the Selection/Appointment of Measures G, E, I and Ed - Tech I Citizens' Bond Oversight Committee Members. Appointed the following, with specified role designations, as members of the Measures G, E, I and Ed - Tech I Citizens' Bond Oversight Committee for two - year terms starting July 1, 2016, through June 30, 2018: Parent / guardian of a child in the district: Brad Geldert; Active in a business organization: Bud Lomonaco; Members of the community at large: Rajesh Godbole; Barry Schimmel and Vince Tran.	
May 19, 2016 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
May 19, 2016 (Facilities Item # 15.02)	Discussed and Ratified CUPCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCAA - Informal Contracts Monthly Report").	



DATE	ACTION	AMOUNT
May 19, 2016 (Facilities Item # 15.03)	Received an Update on Request to Approve the Authorization for the Superintendent or Designee to Award the Contract Needed for the Yerba Buena Alternative Education Mini - Campus Improvements. Approved the rejection of the bid received from Strawn Construction and authorized staff to rebid the project.	
May 19, 2016 (Consent Facilities/Bond Item # 20.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000. (List and details provided in the attachments - Construction Related Professional Services Contracts under \$50,000 for Ratification).	
May 19, 2016 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
June 09, 2016 (Special Order of Business Item # 8.02)	Presented and Discussed the results of the recent Sale of 2016 GO Refunding Bond Series A, Measure G, Series H Bonds from the 2002 Election & Series B, Measure E, Series B Bonds from the 2008 Election, Measure and Review Resulting Taxpayer Savings.	
June 09, 2016 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
June 09, 2016 (Facilities Item # 15.02)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
June 09, 2016 (Facilities Item # 15.03)	Received and Approved the Capital Program Budget Adjustment Report.	
June 09, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
June 09, 2016 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	

DATE	ACTION	AMOUNT
August 18, 2016 (Special Order of Business Item # 8.02)	Presented, Discussed and Received the Citizens' Bond Oversight Committee's 2014 - 2015 Bond Program Annual Report for Measures G, E and I.	
August 18, 2016 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
August 18, 2016 (Facilities Item # 15.02)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
August 18, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
August 18, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
August 18, 2016 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
August 18, 2016 (Consent Facilities/Bond Item # 20.04)	Receive and Approve Capital Program Budget Adjustment Report.	
September 22, 2016 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	

DATE	ACTION	AMOUNT
September 22, 2016 (Facilities Item # 15.02)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
September 22, 2016 (Consent Facilities/Bond Item # 20.01)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
September 22, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
September 22, 2016 (Consent Facilities/Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
September 22, 2016 (Consent Facilities/Bond Item # 20.04 )	Received and Approved Capital Program Budget Adjustment Report.	
October 20, 2016 (Board/Superintendent Item # 11.01)	Discussed, Considered and approved the Selection/Appointment of Measures G, E, I and Ed - Tech I Citizens' Bond Oversight Committee Members. Appointed Maria Evans, with specified role designation as active member in a bona-fide taxpayer's organization to the Measures G, E, I and Ed - Tech I Citizens' Bond Oversight Committee for the term beginning October 21, 2016, through June 30, 2018.	
October 20, 2016 (Business Services Item # 13.02)	Presented and Discussed the Case Study of the Lease Leaseback Delivery Method at Independence High School.	
October 20, 2016 (Facilities Item # 15.01)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
October 20, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
October 20, 2016 (Consent Facilities/Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	

DATE	ACTION	AMOUNT
October 20, 2016 (Consent Facilities/Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
November 17, 2016 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
November 17, 2016 (Facilities Item # 15.01)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
November 17, 2016 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
November 17, 2016 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
November 17, 2016 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
November 17, 2016 (Consent Facilities/Bond Item # 20.04)	Received and Approved the Capital Program Budget Adjustment Report.	
December 8, 2016 (Special Order of Business Item # 9.03)	Presented, Discussed and/Received/Adopted Resolution #2016/2017 - 15 Authorizing the Issuance and Sale of General Obligation Bonds, 2008 Election, Series E (Measure E), in the Principal Amount of Not to Exceed \$78,973,911.77, and Documents and Official Actions Relating Thereto.	

DATE	ACTION	AMOUNT
December 8, 2016 (Facilities Item # 16.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
December 8, 2016 (Consent Facilities/ Bond Item # 21.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
December 8, 2016 (Consent Facilities/ Bond Item # 21.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
December 8, 2016 (Consent Facilities/ Bond Item # 21.03)	Approved the List of Qualified Professional Service Providers.	
January 19, 2017 (Special Order of Business Item # 8.06)	Discussed, Reviewed and Accepted the Annual Financial and Performance Audit Report for Fiscal Year Ending June 30, 2016 and Reports for Measures G, E, 2012-I, and 2014-I Technology GO Bond Funds.	
January 19, 2017 (Special Order of Business Item # 8.07)	Presented, Discussed and Adopted Resolution #2016/2017-15A Amending Resolution #2016/2017-15 in Certain Respects Relating to Issuance and Sale of General Obligation Bonds, 2008 Election, Series E, and Engaging Professional Services.	
January 19, 2017 (Special Order of Business Item # 8.09)	Presented, and Discussed the Bond Program Update.	
January 19, 2017 (Facilities Item # 15.01)	Discussed and Approved the Capital Program Budget Adjustment Report.	

DATE	ACTION	AMOUNT
January 19, 2017 (Facilities Item # 15.02)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
January 19, 2017 (Consent Facilities/Bond Item # 20.01)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
January 19, 2017 (Consent Facilities/Bond Item # 20.02)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
January 19, 2017 (Consent Facilities/Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
January 19, 2017 (Consent Facilities/Bond Item # 20.04)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
February 16, 2017 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
February 6, 2017 (Consent Facilities/ Bond Item # 20.01)	Discussed and Approved the Capital Program Budget Adjustment Report.	
February 6, 2017 (Consent Facilities/ Bond Item # 20.02)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	

DATE	ACTION	AMOUNT
February 6, 2017 (Consent Facilities/ Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
February 6, 2017 (Consent Facilities/ Bond Item # 20.04)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
February 6, 2017 (Consent Facilities/ Bond Item # 20.05)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
February 6, 2017 (Written Reports /Recommendations Item # 21.01)	Received the Fund 25 and 35 Project Allocation Report	
February 6, 2017 (Written Reports /Recommendations Item # 21.02)	Received the Report on Swimming Pool Modernization Project.	
March 9, 2017 (Consent Facilities/ Bond Item # 8.01)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
March 23, 2017 (Facilities/ Bond Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
March 23, 2017 (Facilities/ Bond Item # 15.02)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000. Approved the waiver of the qualification requirements adopted in February, 2004 and directed staff to follow Public Contract Code 22034(a) contractor qualification for CUPCCAA Public Works Projects under \$175,000.	
March 23, 2017 (Consent Facilities/ Bond Item # 20.01)	Ratified of Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	

DATE	ACTION	AMOUNT
March 23, 2017 (Consent Facilities/ Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
March 23, 2017 (Consent Facilities/ Bond Item # 20.03)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
March 23, 2017 (Consent Facilities/ Bond Item # 20.04)	Discussed and Approved the Capital Program Budget Adjustment Report.	
March 23, 2017 (Consent Facilities/ Bond Item # 20.05)	Approved the list of Qualified Professional Service Providers.	
April 13, 2017 (Board/ Superintendent Item # 11.01)	Discussed and Approved the Appointment of Two Board Members to Serve on a Committee to Review 2017 Citizens Bond Oversight Committee (CBOC) Applications. Appointed Board President Frank Biehl and Member Van Le to serve on a committee to review the 2017 Citizens Bond Oversight Committee (CBOC) Applications.	
April 13, 2017 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
April 13, 2017 (Consent Facilities/ Bond Item # 20.01)	Discussed and Approved the Capital Program Budget Adjustment Report.	
April 13, 2017 (Consent Facilities/ Bond Item # 20.02)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
April 13, 2017 (Consent Facilities/ Bond Item # 20.03)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	



DATE	ACTION	AMOUNT
April 13, 2017 (Consent Facilities/ Bond Item # 20.04)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
May 18, 2017 (Special Order of Business Item # 9.02)	Presented, Discussed and Received/Adopted Resolution #2016/2017-34 Authorizing the Issuance and Sale of General Obligation Bonds, 2016 Election, Series A, In the Principal Amount of Not to Exceed \$72,000,000, and Approving Documents and Official Actions Relating Thereto.	
May 18, 2017 (Special Order of Business Item # 9.03)	Presented, Discussed and Adopted the Proposed Facilities Master Plan. Adopted the 2017 East side Union High School District Facilities Master Plan Update.	
May 18, 2017 (Facilities Item # 15.01)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
May 18, 2017 (Facilities Item # 15.02)	Discussed and Approved the Track and Field improvements at Santa Teresa High School. Approved the Santa Teresa High School Site Council's recommendation and administration's concurrence to initiate the track and field improvements project with an associated project budget of \$2,200,000.55.	
May 18, 2017 (Consent Facilities/ Bond Item # 20.01)	Discussed and Approved the Capital Program Budget Adjustment Report.	
May 18, 2017 (Consent Facilities/ Bond Item # 20.02)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
May 18, 2017 (Consent Facilities/ Bond Item # 20.03)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
May 18, 2017 (Consent Facilities/ Bond Item # 20.04)re	Ratified the Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000	

DATE	ACTION	AMOUNT
May 18, 2017 (Consent Facilities/ Bond Item # 20.05)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
May 18, 2017 (Written Reports / Recommendations Item # 21.02)	Received Bond Staffing Report	
June 08, 2017 (Board/ Superintendent Item # 11.03)	Discussed, Considered and Approved the Selection / Appointment of Member(s) to the Citizens' Bond Oversight Committee for Measures G, E, I, Education Technology I and Z. Appointed Louis Barocio (Community At-Large), Andrea Cruz (Community At-Large), Abigail Cruz Meadows (Community At-Large), Melissa Got-Lopez (Community At-Large), Ramon Martinez (Active Senior citizens Organization) and Vikas Navani (EVHS Parent and Active in School Site Council) with the specified role designation to the Citizens' Bond Oversight Committee for Measures G, E, I, Education Technology I and Z for the term beginning July 1, 2017, through June 30, 2019.	
June 08, 2017 (Facilities/ Bond Item # 15.05)	Discussed and Approved Additional Funding for Construction Cost Escalation of Independence Adult Center New Administration Building and Misc. Improvements. Approved additional funding (\$890,000) from Measure E Alternative Education Fund 23 for construction cost escalation of Independence Adult Center New Administration Building and Misc. improvements. (Measure E).	
June 08, 2017 (Facilities/ Bond Item # 15.06)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000 as presented and authorized the Superintendent and/or designee to execute amendments to the Agreement that may be needed during the term up to ten percent (10%) of the original Board-approved contract amount, but not to exceed \$175,000.00 in total and change orders to contracts for capital construction related professional services up to ten percent (10%) of the original contract value, but not to exceed \$50,000.00 as per Board Policy 3312.1.	
June 08, 2017 (Consent Facilities/ Bond Item # 20.01)	Discussed and Approved the Capital Program Budget Adjustment Report.	

DATE	ACTION	AMOUNT
June 08, 2017 (Consent Facilities/ Bond Item # 20.02)	Approved the Award of Bids and Request for Proposals for Bond/Capital Projects as presented in the attachment - "Bid Awards & RFPs - Final".	
June 08, 2017 (Consent Facilities/ Bond Item # 20.03)	Ratified Bond/Capital Projects Contract(s) for Professional Services At or Below \$50,000. (List and details provided in the attachments - "Construction Related Professional Services Contracts under \$50,000 for Ratification")	
June 08, 2017 (Consent Facilities/ Bond Item # 20.04)	Discussed and Ratified CUPCCAA Informal Bond Project(s). (List and details provided in the attachment - "CUPCCAA - Informal Contracts Monthly Report").	
June 08, 2017 (Consent Facilities/ Bond Item # 20.05)	Ratified Bond/Capital Projects Change Orders to Construction Contracts and Purchase Orders At or Below \$175,000 as presented in the attachment - "Construction COs - Final".	
June 08, 2017 (Written Reports/ Recommendations Item # 21.02)	Received the Updated Bond Staffing Report	
June 22, 2017 (Board/Supt. Item # 11.01)	Proposed Amendments to Include Measure Z in Citizens' Bond Oversight Committee Bylaws	
June 22, 2017 (Facilities/ Bond Item # 15.02)	Discussed and Approved the Bond/Capital Projects Contract(s) Over \$50,000.	
June 22, 2017 (Facilities/ Bond Item # 15.04)	Adopt Resolution #2016/2017-41 Approving use of Design Build Delivery for the Track and Field Improvement Project at Santa Teresa High School.	
June 22, 2017 (Facilities/ Bond Item # 15.05)	Determine that Design-Build Delivery Method for the Track and Field Improvement Project at Santa Teresa High School will Reduce Project Costs, Expedite the Project's Completion, or Provide Features not Achievable Through the Design-Bid-Build Process.	

## FINANCIAL INFORMATION

The following tables present financial data for the District's facilities program for the fiscal years 2010-11 through 2016-17. The Building Fund (Fund 21) co-mingles Measure G, E, I and Tech-I bonds with prior bonds and Measure Z, interest earnings and other sources; therefore, to determine the split for the four bond measures and other sources/uses of funds, data from District audit reports for the Building Fund and the bond audit reports have been compiled.

### District Financial Accounting Funds

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

Fund	Description <sup>1</sup>
14	Deferred Maintenance
21	Building Fund
25	Capital Facilities
30	State School Building (Lease-Purchase)
35	County (State) School Facilities
40	Special Reserves – Capital Outlay

<sup>1</sup> Refer to the table on the following page for a detailed accounting of funds for the 2008-09 through 2016-17 fiscal years and an explanation of the use of the funds.

### Composite Data in the Building Fund

The following table's present consolidated data for all bond measures and other sources. Data were taken from the District's financial audit reports and, for 2016-17, the District's Unaudited Actuals report.

#### BUILDING FUND

Category	June 30, 2010 (Audited)	June 30, 2011 (Audited)	June 30, 2012 (Audited)	June 30, 2013 (Audited)
Beginning Balance	\$96,308,770	\$164,352,066	\$127,807,115	\$195,121,387
Revenues	1,469,900	1,591,499	1,777,828	966,858
Expenditures	28,731,104	35,614,273	55,754,043	66,622,725
Debt Service	2,195,500	2,195,500	3,293,250	0
Transfers (Net)	(2,500,000)	(326,677)	(12,671)	0
Sources	100,000,000	0	124,596,408	0
Net Change	68,043,296	(36,544,951)	67,314,272	(65,655,867)
<b>Ending Balance</b>	<b>\$164,352,066</b>	<b>\$127,807,115</b>	<b>\$195,121,387</b>	<b>\$129,465,520</b>

**BUILDING FUND**

<b>Category</b>	<b>June 30, 2014 (Audited)</b>	<b>June 30, 2015 (Audited)</b>	<b>June 30, 2016 (Audited)</b>	<b>June 30, 2017 (Unaudited)</b>
Beginning Balance	\$129,465,520	\$111,700,485	\$189,892,379	\$140,512,451
Revenues	524,970	482,794	1,218,132	1,488,797
Expenditures	38,306,396	38,490,900	50,598,060	65,236,362
Debt Service	0	0	0	0
Transfers (Net)	0	0	0	0
Sources	20,016,391	116,200,200	0	150,976,018
Net Change	(17,765,035)	78,191,894	(49,379,928)	87,228,453
<b>Ending Balance</b>	<b>\$111,700,485</b>	<b>\$189,892,379</b>	<b>\$140,512,451</b>	<b>\$227,740,904</b>

**Detailed Bond Measures Data Included in the Building Fund**

The following tables present detailed data for Measures G, E, I and Tech-I. Also included in 2016-17 for information only is Measure Z, which is not part of this Performance Audit.

**BOND MEASURES – JUNE 30, 2013 (AUDITED)**

<b>Category</b>	<b>Measure G (2002)</b>	<b>Measure E (2008)</b>			
Beginning Balance	\$43,116,87	\$152,004,515			
Revenues	218,165	748,698			
Expenditures	11,260,07	55,217,179			
	0				
Transfers (Net)	0	0			
Sources	0	0			
Net Change	(11,041,905)	(54,468,481)			
<b>Ending Balance</b>	<b>\$32,074,96</b>	<b>\$97,536,034</b>			

**BOND MEASURES – JUNE 30, 2014 (AUDITED)**

<b>Category</b>	<b>Measure G (2002)</b>	<b>Measure E (2008)</b>	<b>Measure I (2012)</b>		
Beginning Balance	\$32,074,967	\$97,536,034	\$0		
Revenues	128,681	349,327	47,235		
Expenditures	3,763,269	32,922,583	1,766,291		
Transfers (Net)	0	0	0		
Sources	0	0	20,016,391		
Net Change	(3,634,588)	(32,573,256)	18,297,335		
<b>Ending Balance</b>	<b>\$28,440,379</b>	<b>\$64,962,778</b>	<b>\$18,297,335</b>		

**BOND MEASURES – JUNE 30, 2015 (AUDITED)**

<b>Category</b>	<b>Measure G (2002)</b>	<b>Measure E (2008)</b>	<b>Measure I (2012)</b>	<b>Measure Tech-I (2014)</b>	
Beginning Balance	\$28,440,379	\$64,962,778	\$18,297,335	\$0	
Revenues	154,026	261,657	67,106	0	
Expenditures	2,430,493	26,786,287	9,140,484	0	
Transfers (Net)	0	0	0	0	
Sources	0	0	100,000,000	16,066,263	
Net Change	(2,276,467)	(26,524,630)	90,926,622	16,066,363	
<b>Ending Balance</b>	<b>\$26,163,912</b>	<b>\$38,438,148</b>	<b>\$109,223,957</b>	<b>\$16,066,363</b>	

**BOND MEASURES – JUNE 30, 2016 (AUDITED)**

<b>Category</b>	<b>Measure G (2002)</b>	<b>Measure E (2008)</b>	<b>Measure I (2012)</b>	<b>Measure Tech-I (2014)</b>	
Beginning Balance	\$26,163,912	\$38,438,148	\$109,223,957	\$16,066,336	
Revenues	166,175	244,551	731,287	76,120	
Expenditures	10,019,202	15,628,414	15,129,581	9,820,866	
Transfers (Net)	0	0	0	0	
Sources	0	0	0	0	
Net Change	(9,853,027)	(15,383,863)	(14,398,294)	(9,744,746)	
<b>Ending Balance</b>	<b>\$16,310,885</b>	<b>\$23,054,285</b>	<b>\$94,825,663</b>	<b>\$6,321,617</b>	

**BOND MEASURES – JUNE 30, 2017 (UNAUDITED)**

<b>Category</b>	<b>Measure G (2002)</b>	<b>Measure E (2008)</b>	<b>Measure I (2012)</b>	<b>Measure Tech-I (2014)</b>	<b>Measure Z (2015)</b>
Beginning Balance	\$16,310,883	\$23,054,289	\$94,825,663	\$6,321,617	\$0
Revenues	140,940	449,609	842,336	35,819	20,094
Expenditures	5,211,022	23,473,383	33,272,147	3,115,449	164,361
Transfers (Net)	0	0	0	0	0
Sources	0	78,976,018	0	0	72,000,000
Net Change	(5,070,082)	55,952,244	(32,429,811)	(3,079,630)	71,855,733
<b>Ending Balance</b>	<b>\$11,240,801</b>	<b>\$79,258,775</b>	<b>\$62,395,852</b>	<b>\$3,241,986</b>	<b>\$71,855,733</b>

**OTHER CAPITAL OUTLAY FUNDS**  
**Fiscal Years 2008-09 through 2015-16 (Audited) and 2016-17 (Unaudited)**

<b>Fiscal Year Ending June 30, 2009</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
Beginning Balance	\$6,560,814	\$117,212	\$16,270,666	\$0	\$1,136,955	\$24,085,647
Revenues	153,093	3,234	7,813,268		885,614	8,855,209
Expenditures	587,972	1,617	200,000		1,469,591	2,259,180
Net Change	(434,879)	1,617	7,613,268		(583,977)	6,596,029
<b>Ending Balance</b>	<b>\$6,125,935</b>	<b>\$118,829</b>	<b>\$23,883,934</b>	<b>\$0</b>	<b>\$552,978</b>	<b>\$30,681,676</b>
<b>Fiscal Year Ending June 30, 2010</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
Beginning Balance	\$6,125,935	\$118,829	\$23,883,268	\$0	\$552,978	\$30,681,676
Revenues	271,220	1,248	14,321,627		6,423	14,600,518
Expenditures	1,666,980	37,251	16,658,393		265,535	18,628,159
Net Change	(1,395,760)	(36,003)	(2,336,766)		(259,112)	(4,027,641)
<b>Ending Balance</b>	<b>\$4,730,175</b>	<b>\$82,826</b>	<b>\$21,547,168</b>	<b>\$0</b>	<b>\$293,866</b>	<b>\$26,654,035</b>
<b>Fiscal Year Ending June 30, 2011</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
Beginning Balance	\$4,730,175	\$82,826	\$21,547,168	\$0	\$293,866	\$26,654,035
Revenues	268,159	715	7,699,693	50,354	2,119	8,021,040
Expenditures	1,993,537	81,064	10,252,896	0	91,984	12,419,481
Net Change	(1,725,378)	(80,349)	(2,553,203)		(89,865)	(4,398,441)
<b>Ending Balance</b>	<b>\$3,004,797</b>	<b>\$2,477</b>	<b>\$18,993,965</b>	<b>\$50,354</b>	<b>\$204,001</b>	<b>\$22,255,594</b>
<b>Fiscal Year Ending June 30, 2012</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
Beginning Balance	\$3,004,797	\$2,477	\$18,993,965	\$50,354	\$204,001	\$22,255,594
Revenues	580,645	53	11,227,943	(48,812)	1,283	11,761,112
Expenditures	315,237	2,530	9,865,066	0	34,314	10,217,147
Net Change	265,408	(2,477)	1,362,877	(48,812)	(33,031)	1,543,965
<b>Ending Balance</b>	<b>\$3,270,205</b>	<b>\$0</b>	<b>\$20,356,842</b>	<b>\$1,542</b>	<b>\$170,970</b>	<b>\$23,799,559</b>



Fiscal Year Ending June 30, 2013	Capital Facilities Fund <sup>1</sup> (Fund 25)	State School Building Fund <sup>2</sup> (Fund 30)	County School Facilities Fund <sup>3</sup> (Fund 35)	Special Reserve Capital Outlay <sup>4</sup> (Fund 40)	Deferred Maintenance Fund <sup>5</sup> (Fund 14)	Subtotal Other Funds
Beginning Balance	\$3,270,205	\$0	\$20,356,842	\$1,542	\$170,970	\$23,799,559
Revenues	1,374,779	28	8,870,770	9	922	10,246,508
Expenditures	334,222	28	17,524,589	0	8,700	17,867,539
Net Change	1,040,577	0	(8,653,819)	9	(7,778)	(7,621,031)
<b>Ending Balance</b>	<b>\$4,310,762</b>	<b>\$0</b>	<b>\$11,703,023</b>	<b>\$1,551</b>	<b>\$163,192</b>	<b>\$16,178,528</b>

Fiscal Year Ending June 30, 2014	Capital Facilities Fund <sup>1</sup> (Fund 25)	State School Building Fund <sup>2</sup> (Fund 30)	County School Facilities Fund <sup>3</sup> (Fund 35)	Special Reserve Capital Outlay <sup>4</sup> (Fund 40)	Deferred Maintenance Fund <sup>5</sup> (Fund 14)	Subtotal Other Funds
Beginning Balance	\$4,310,762	\$0	\$11,703,023	\$1,551	\$163,192	\$16,178,528
Revenues	2,478,453	0	50,920	7	1,306	2,530,686
Expenditures	770,086	0	235,437	0	264,178	1,269,701
Transfer In	0	0	0	0	500,000	500,000
Net Change	1,708,367	0	(184,517)	7	237,128	1,760,985
<b>Ending Balance</b>	<b>\$6,019,129</b>	<b>\$0</b>	<b>\$11,518,506</b>	<b>\$1,558</b>	<b>\$400,320</b>	<b>\$17,939,513</b>

Fiscal Year Ending June 30, 2015	Capital Facilities Fund <sup>1</sup> (Fund 25)	State School Building Fund <sup>2</sup> (Fund 30)	County School Facilities Fund <sup>3</sup> (Fund 35)	Special Reserve Capital Outlay <sup>4</sup> (Fund 40)	Deferred Maintenance Fund <sup>5</sup> (Fund 14)	Subtotal Other Funds
Beginning Balance	\$6,019,129	\$0	\$11,518,506	\$1,558	\$400,320	\$17,939,513
Revenues	2,953,639	0	840,242	6	1,246	3,795,133
Expenditures	423,774	0	152,553	0	324,517	900,844
Net Change	2,529,865	0	687,689	6	(323,271)	2,894,289
<b>Ending Balance</b>	<b>\$8,548,994</b>	<b>\$0</b>	<b>\$12,206,195</b>	<b>\$1,564</b>	<b>\$77,049</b>	<b>\$20,833,802</b>

Fiscal Year Ending June 30, 2016	Capital Facilities Fund <sup>1</sup> (Fund 25)	State School Building Fund <sup>2</sup> (Fund 30)	County School Facilities Fund <sup>3</sup> (Fund 35)	Special Reserve Capital Outlay <sup>4</sup> (Fund 40)	Deferred Maintenance Fund <sup>5</sup> (Fund 14)	Subtotal Other Funds
Beginning Balance	\$8,548,994	\$0	\$12,206,195	\$1,564	\$77,049	\$20,833,802
Revenues	1,967,702	0	3,674,672	11	1,170	5,643,555
Expenditures	518,124	0	2,025,293	0	36,447	2,579,864
Net Change	1,449,578	0	1,649,379	11	(35,277)	3,063,691
<b>Ending Balance</b>	<b>\$9,998,572</b>	<b>\$0</b>	<b>\$13,855,574</b>	<b>\$1,575</b>	<b>\$41,772</b>	<b>\$23,897,493</b>

<b>Fiscal Year Ending June 30, 2017</b>	<b>Capital Facilities Fund<sup>1</sup> (Fund 25)</b>	<b>State School Building Fund<sup>2</sup> (Fund 30)</b>	<b>County School Facilities Fund<sup>3</sup> (Fund 35)</b>	<b>Special Reserve Capital Outlay<sup>4</sup> (Fund 40)</b>	<b>Deferred Maintenance Fund<sup>5</sup> (Fund 14)</b>	<b>Subtotal Other Funds</b>
Beginning Balance	\$9,998,573	\$0	\$13,855,573	\$1,576	\$41,774	\$23,897,496
Revenues	1,772,200	0	161,208	2,125,037	410	4,058,855
Expenditures	3,761,082	0	430,004	2,125,026	2,177	6,318,289
Net Change	(1,988,882)	0	(268,796)	11	(1,767)	(2,259,434)
<b>Ending Balance</b>	<b>\$8,009,690</b>	<b>\$0</b>	<b>\$13,586,777</b>	<b>\$1,588</b>	<b>\$40,007</b>	<b>\$21,638,062</b>

<sup>1</sup> The Capital Facilities Fund (Fund 25) is used to account for resources received from developer impact fees.

<sup>2</sup> The State School Building Fund (Fund 30) is used to account for state apportionments provided for construction and reconstruction of school facilities under the old State Lease-Purchase Program. This program has been superseded by the State School Facility Program accounted for in Fund 35.

<sup>3</sup> The County School Facilities Fund (Fund 35) is used to account for state apportionments provided by the State Allocation Board for new school facility construction, modernization, hardship grants and other programs under the State School Facility Program.

<sup>4</sup> The Special Reserve Capital Outlay Fund (Fund 40) was created to provide for the accumulation of money for Board designated construction projects.

<sup>5</sup> The Deferred Maintenance Fund (Fund 14) is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes. The District's 2013-14 Proposed Budget states that "... the District has only used this fund on a limited basis..." because of State provisions "which allow districts the flexibility to move Deferred Maintenance funds to the General Fund for operating purposes..."

## **Capital Debt**

The District's outstanding general obligation bond debt is presented in the table below. A number of prior bond issues were refunded, which are including in the original issuance column and outstanding debt columns. Refunding does not reduce the total bond authorization amounts.

Measure G (passed March 5, 2002) bonds issued against the \$298 million authorized included the following:

<b>Series</b>	<b>Year Sold</b>	<b>Issue Date</b>	<b>Bond Type</b>	<b>Bond Sale Amount</b>	<b>Cumulative Bonds Sold</b>
A	2002-03	6/19/2002	Current Interest	\$30,000,000	\$30,000,000
B	2002-03	3/19/2003	Current Interest	\$30,000,000	\$60,000,000
C	2004-05	7/14/2004	Current Interest	\$50,000,000	\$110,000,000
D	2004-05	5/19/2005	Current Interest	\$70,000,000	\$180,000,000
E	2004-05	6/02/2005	Capital Appreciation	\$29,999,529	\$209,999,529
F	2006-07	6/21/2006	Current Interest	\$50,000,000	\$259,999,529
G	2007-08	8/01/2007	Capital Appreciation	\$19,997,739	\$279,997,268
H	2008-09	11/13/2008	Current Interest	\$18,000,000	\$297,997,268

*As of June 30, 2009, all Measure G bonds had been sold.*

Measure E (passed February 5, 2008) bonds issued against the \$349 million authorized included the following:

<b>Series</b>	<b>Year Sold</b>	<b>Issue Date</b>	<b>Bond Type</b>	<b>Bond Sale Amount</b>	<b>Cumulative Bonds Sold</b>
A	2007-08	6/12/2008	Current Interest	\$50,000,000	\$50,000,000
B	2009-10	3/24/2010	Current Interest	\$100,000,000	\$150,000,000
C	2011-12	7/14/2011	Current Interest	\$24,585,000	\$174,585,000
D	2011-12	4/17/2012	Current Interest	\$100,000,000	\$274,585,000

The net bond sale for Series C is \$20,026,088, after adjustments for premiums and costs. As of June 30, 2016, there was a remaining Measure E authorization of \$74,415,000.

Measure I (passed November 6, 2012) bonds issued against the \$120 million authorized included the following:

<b>Series</b>	<b>Year Sold</b>	<b>Issue Date</b>	<b>Bond Type</b>	<b>Bond Sale Amount</b>	<b>Cumulative Bonds Sold</b>
A	2013-14	11/13/2013	Current Interest	\$20,000,000	\$20,000,000
B	2014-15	6/23/2015	Current Interest	\$100,000,000	\$120,000,000

Measure Tech-I (passed November 4, 2014) bonds issued against the \$113.2 million authorized included the following:

<b>Series</b>	<b>Year Sold</b>	<b>Issue Date</b>	<b>Bond Type</b>	<b>Bond Sale Amount</b>	<b>Cumulative Bonds Sold</b>
A	2014-15	7/08/2015	Current Interest	\$16,200,000	\$16,200,000

### Outstanding Debt<sup>1</sup>

Capital Debt	Original Issuance	Fiscal Year Ending June 30, 2013	Fiscal Year Ending June 30, 2014	Fiscal Year Ending June 30, 2015	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2017
<b>GO Bonds – Current Interest</b>						
2003 Refunding	36,795,000	1,995,000	0	0	0	0
2003 Refunding	97,160,000	70,055,000	67,485,000	64,800,000	61,960,000	0
2002 Series D	70,000,000	58,005,000	0	0	0	0
2003 Series F	50,000,000	44,230,000	1,210,000	0	0	0
2006 Refunding	42,665,000	42,665,000	41,275,000	39,615,000	37,640,000	0
2007 Refunding	11,545,000	10,445,000	8,775,000	7,035,000	5,215,000	0
2008 Series A	50,000,000	47,010,000	46,095,000	45,135,000	2,260,000	0
2002 Series H	18,000,000	17,425,000	17,150,000	16,825,000	1,425,000	0
2008 Series B	100,000,000	96,840,000	95,140,000	93,340,000	8,600,000	0
2010 Refunding	46,160,000	43,370,000	41,140,000	38,835,000	36,465,000	0
2008 Series C	20,026,088	17,966,390	16,857,746	15,667,676	14,444,633	0
2008 Series D	100,000,000	100,000,000	100,000,000	100,000,000	99,670,000	0
2011 Refunding	20,135,000	19,995,000	18,870,000	16,655,000	14,345,000	0
2012 Refunding	36,735,000	36,735,000	35,105,000	33,360,000	31,585,000	0
2013 Refunding	88,145,000	0	88,145,000	87,565,000	86,880,000	0
2014 Refunding	41,400,000	0	41,400,000	40,620,000	39,315,000	0
2012 Series A	20,000,000	0	20,000,000	18,860,000	18,000,000	0
2012 Series B	100,000,000	0	0	100,000,000	100,000,000	0
2014 Series A	16,200,000	0	0	16,200,000	16,200,000	0
2015 Refunding	41,420,000	0	0	0	41,420,000	0
2016 Refunding A	16,060,000	0	0	0	16,060,000	0
2016 Refunding B	83,665,000	0	0	0	83,665,000	0
Sub-Totals		606,736,390	638,674,746	734,512,676	715,149,633	0
<b>GO Bonds – Capital Appreciation</b>						
2002 Series E	29,999,529	46,304,668	10,760,294	11,530,454	10,213,140	0
2002 Series G	19,997,739	26,854,425	28,282,116	30,125,005	31,161,952	0
Sub-Total		73,159,093	39,042,410	41,655,459	41,375,092	0
<b>Total G. O. Bonds</b>		<b>679,895,483</b>	<b>677,690,156</b>	<b>776,168,135</b>	<b>756,524,725</b>	<b>0</b>

<sup>1</sup> Data from District financial audit reports.

**New Bond Sales During 2015-16 and 2016-17**

**Measure I - Series B, Closed July 8, 2015    Measure Tech-I – Series A, Closed July 8, 2015**

Sale Amount	\$100,000,000.00	Sale Amount	\$16,200,000.00
Premium	<u>13,644,514.70</u>	Premium	<u>1,372,522.00</u>
Total Sources	\$113,644,514.70	Total Sources	\$17,572,522.00
Building Fund	\$100,000,000.00	Building Fund	\$16,200,000.00
Underwriters Discount	716,300.00	Underwriters Discount	183,546.00
Costs of Issuance	327,000.00	Costs of Issuance	173,000.00
Debt Service Fund	<u>12,601,214.70</u>	Debt Service Fund	<u>1,015,976.00</u>
Total Uses	\$113,644,514.70	Total Uses	\$17,572,522.00

The District also authorized the sale of \$72,000,000 of Measure Z Flex Bonds that closed in 2016-17. (Note: Measure Z is not included in this performance audit.)

**Refunding Bond Sales During 2015-16 and 2016-17**

**Closed August 20, 2015**

**Refund 2002 Series H & 2008 Series B**

Sale Amount	\$41,420,000.00	Sale Amount – Series A	\$14,775,000.00
Premium	<u>3,464,065.50</u>	Sale Amount – Series B	<u>88,680,000.00</u>
Total Sources	\$44,884,065.50		
Escrow Fund	\$44,542,517.94	Building Fund – Series A	\$16,060,000.00
Underwriters Discount	119,405.42	Building Fund – Series B	83,665,000.00
Costs of Issuance	<u>222,142.14</u>		
Total Uses	\$44,884,065.50		
Net Interest Savings	\$ 5,005,366.28	Net Interest Savings	\$17,904,772.00

# **APPENDIX A**

## **MEASURES G, E, I AND TECH-I BOND BALLOT LANGUAGE**



**East Side Union High School District  
General Obligation Bond Measure G  
March 5, 2002 Ballot Language**

**Full Text of Measure G**

To provide greater security and safety, relieve overcrowding, and improve technology at the following schools: Andrew Hill, Independence, James Lick, Mt. Pleasant, Piedmont Hills, Oak Grove, Santa Teresa, Silver Creek, Overfelt, Yerba Buena, Foothill, Alternative Schools, and the Adult Education Centers, shall the East Side Union High School District issue \$298 million of bonds within legal interest rate limits to repair, build, and equip its facilities provided the spending of such funds is reviewed by an independent citizen oversight committee?

**A YES vote of this measure means:**

A "yes" vote is a vote to authorize the issuance and sale of the general obligation bonds not to exceed the principal amount of \$298,000,000 for the uses specified.

**A NO vote of this measure means:**

A "no" vote is a vote not to authorize the issuance and sale of said bonds.

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**BOND PROJECT LIST**

The Bond Project List shown below is a part of the ballot proposition and must be reproduced in any official document required to contain the full statement of the bond proposition. The list below includes furniture, fixtures and other equipment relating to each item listed.

**JAMES LICK HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Renovate girls and boys locker rooms (showers, flooring, doors, and fixtures)
- Construct cable television and radio communications facility
- Construct covered facility for outside lunch and meeting area
- Upgrade electrical capacity of campus
- Update gym facility, athletic fields, and irrigation systems
- Modernize the 400-classroom building
- Modernize the 500-classroom building
- Modernize staff and office facilities
- Replace metal lockers inside the 200 and 300 buildings
- Replace damaged and scratched windows
- Install video security and surveillance cameras

- Renovate multi-purpose building
- Add storage buildings
- Upgrade computer related hardware and software

#### **W.C. OVERFELT HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Renovate multi-purpose building
- Modernize classroom Buildings B, C, D & E
- Upgrade plumbing
- Install a new hardwood gym floor
- Install new perimeter security fencing
- Renovate girls and boys locker rooms
- Install video security and surveillance cameras
- Upgrade electrical capacity of campus
- Replace roof systems campus wide
- Construct a new small gym
- Upgrade computer related hardware and software

#### **SILVER CREEK HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Upgrade public address systems including clocks/security/communications
- Replace damaged and scratched windows
- Replace leaking roofs and interior ceiling tile
- Install drainage system around running track
- Landscape deficient areas around campus
- Improve drainage system around theater building
- Renovate and update heating, ventilation and air conditioning (HVAC) systems
- Upgrade electrical capacity of campus
- Re-key all campus buildings for security purposes
- Replace all old lighting systems with new energy efficient lights
- Improve front entrance to school to enhance student drop-off and pick-up areas
- Upgrade computer related hardware and software

#### **PIEDMONT HILLS HIGH SCHOOL**

- Renovate all classrooms and offices (including technology infrastructure and exterior)
- Restroom renovation for all student and staff facilities
- Upgrade security and fire alarm systems, and install video security cameras
- Install keycard entry system for security purposes
- Renovate and update heating, ventilation and air conditioning (HVAC) systems
- Replace campus wide irrigation system
- Improve campus walkways, landscaping, lighting, and outdoor benches
- Improve gates and fences to better control school access
- Design/construct more efficient student drop-off and pick-up areas
- Construct permanent buildings to replace portables



- Upgrade computer related hardware and software

#### **INDEPENDENCE HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Renovate and update heating, ventilation and air conditioning (HVAC) systems
- Replace/repair all leaking roof systems
- Modernize classroom buildings
- Upgrade electrical capacity of campus
- Improve security/clocks/public address (PA) and communications systems
- Upgrade gym facilities
- Improve parking lots and front entrance of site
- Install security system and cameras for student safety
- Replace all scratched windows
- Paint and repair outside of all campus buildings
- Upgrade computer related hardware and software

#### **OAK GROVE HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Install security cameras
- Track and field renovation
- Replace bleachers
- Construct a field house and snack shack
- Renovate Buildings J, U, and I
- Install a perimeter fence to the entire campus
- Repair/replace walks and parking lots as needed
- Paint and carpet as needed
- Replace windows and doors as needed
- Install lighting as needed
- Upgrade computer related hardware and software

#### **MT. PLEASANT HIGH SCHOOL**

- Build a multi-purpose room
- Build a small gym
- Renovate classrooms as needed
- Build a bookroom
- Install a satellite delivery system
- Upgrade computer related hardware and software
- Install security cameras and renovate the faculty room
- Restroom renovation for all student and staff facilities
- Repair/replace walls as needed
- Build an additional parking area
- Fence the perimeter to the entire campus
- Install lighting as needed
- Install heating, ventilation and air conditioning (HVAC) systems as needed

#### **ANDREW HILL HIGH SCHOOL**

- Rebuild Building 100
- Build a student service area
- Renovate the administration building
- Renovate the food services area
- Build a theater
- Landscape the campus
- Paint the entire campus
- Restroom renovation for all student and staff facilities
- Install security cameras
- Install a perimeter fence to the entire campus
- Build a covered overhang
- Repair/replace walks as needed
- Upgrade electrical capacity of campus
- Install lighting as needed
- Renovate the sports facilities
- Upgrade computer related hardware and software

### **YERBA BUENA HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Renovate Buildings 200 and 700
- Install security cameras
- Remove the existing overhang, and replace with multi-purpose room
- Renovate the theater
- Renovate the gym and locker facilities
- Replace the track and field areas
- Install lighting as needed
- Landscape the campus
- Renovate Building 1000
- Reseal the parking areas
- Paint and carpet as needed
- Upgrade computer related hardware and software

### **FOOTHILL HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Install a perimeter fence to the entire campus
- Install security cameras
- Renovate room G-8 for a staff workroom
- Convert room G-2 to independent study/technology areas
- Convert the existing staff area to a computer lab
- Upgrade electrical capacity of campus
- Asbestos removal of Building B
- Roof replacements
- Replace heating, ventilation, and air conditioning (HVAC) systems as needed
- Cosmetic exterior renovation to existing buildings
- Upgrade computer related hardware and software

### **SANTA TERESA HIGH SCHOOL**

- Restroom renovation for all student and staff facilities
- Install a perimeter fence to the entire campus
- Install security cameras
- Replace windows as needed
- Install interior and exterior lighting as needed
- Renovate the theater area
- Renovate the library
- Build a student service complex
- Install a wireless infrastructure, and upgrade electrical
- Upgrade computer related hardware and software
- Repair/replace track and field
- Install heating, ventilation, and air conditioning (HVAC) systems as needed
- Renovate the exterior of buildings as needed
- Landscape the campus
- Replace all lockers
- Paint and carpet as needed
- Repair/replace walks and parking areas as needed
- Upgrade computer related hardware and software

#### **ALTERNATIVE SCHOOLS**

- Purchase relocatable buildings for classroom and office facilities

#### **ADULT EDUCATION CENTERS**

- Construct a new Adult Education Center at Independence location
- Construct a new Adult Education Center at W.C. Overfelt location
- Replace portables with permanent structures
- Upgrade restroom facilities
- Upgrade lighting and perimeter fencing for campus
- Upgrade computer related hardware and software

#### **PROJECTS SUBJECT TO AVAILABLE FUNDING**

The foregoing list of projects is subject to the availability of adequate funding to the District. Approval of the Bond measure does not guarantee that all of the projects, which are listed, will be funded beyond the local revenues generated from the Bonds. The District's proposal for the projects may assume the receipt of matching State funds, which could be subject to appropriation by the Legislature or approval of a State-wide Bond measure.

- Restroom renovation for all student and staff facilities
- Install a perimeter fence to the entire campus
- Install security cameras
- Replace windows as needed
- Install interior and exterior lighting as needed
- Renovate the theater area
- Renovate the library
- Build a student service complex
- Install a wireless infrastructure, and upgrade electrical
- Upgrade computer related hardware and software
- Repair/replace track and field
- Install heating, ventilation, and air conditioning (HVAC) systems as needed
- Renovate the exterior of buildings as needed
- Landscape the campus
- Replace all lockers
- Paint and carpet as needed
- Repair/replace walks and parking areas as needed
- Upgrade computer related hardware and software

#### **ALTERNATIVE SCHOOLS**

- Purchase relocatable buildings for classroom and office facilities

#### **ADULT EDUCATION CENTERS**

- Construct a new Adult Education Center at Independence location
- Construct a new Adult Education Center at W.C. Overfelt location
- Replace portables with permanent structures
- Upgrade restroom facilities
- Upgrade lighting and perimeter fencing for campus
- Upgrade computer related hardware and software

#### **PROJECTS SUBJECT TO AVAILABLE FUNDING**

The foregoing list of projects is subject to the availability of adequate funding to the District. Approval of the Bond measure does not guarantee that all of the projects, which are listed, will be funded beyond the local revenues generated from the Bonds. The District's proposal for the projects may assume the receipt of matching State funds, which could be subject to appropriation by the Legislature or approval of a State-wide Bond measure.



**East Side Union High School District  
General Obligation Bond Measure E  
February 5, 2008 Ballot Language**

**Full Text of Measure E**

To improve computer/science labs, provide greater safety and security, repair, equip, construct, and acquire classrooms and facilities at Andrew Hill, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, and District adult, alternative, and charter schools, and acquire property for new schools, shall East Side Union High School District issue \$349,000,000 of bonds at legal interest rates so long as spending is reviewed by an independent oversight committee?

Bonds -- Yes

Bonds -- No

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**BOND AUTHORIZATION**

By approval of this proposition by at least 55 percent of the registered voters voting on the proposition, the District will be authorized to issue and sell bonds of up to \$349 million in aggregated principal at interest rates below the legal limit and to provide financing for the specific school facilities projects listed in the Bond Project List described below, subject to all the accountability requirements specified below.

**ACCOUNTABILITY REQUIREMENTS**

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

**Evaluation of Needs.** The School Board has identified detailed facilities needs of the District and has determined which projects to finance from a local bond at this time. The School Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List shown below.

**Independent Citizens' Oversight Committee.** The School Board shall establish an Independent Citizens' Oversight Committee under Education Code Section 15278 and following to ensure bond proceeds are expended only on the school facilities projects listed below. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the School Board.

**Performance Audits.** The School Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed below.

**Financial Audits.** The School Board 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 below.

### **FURTHER SPECIFICATIONS**

**No Administrator Salaries.** Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction and/or rehabilitation of school facilities including the furnishing and equipping of school facilities or 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.

### **BOND PROJECT LIST**

The Bond Project List shown below is a part of the ballot proposition and must be reproduced in any official document required to contain the full statement of the bond proposition.

**Evaluation of Needs.** As required by Article XIII A of the California Constitution, the Board of Trustees of the District has certified that it has evaluated safety, class size reduction and information technology needs in developing the list of school facilities projects shown below.

**Projects Subject to Available Funding.** The following list of projects is subject to the availability of adequate funding to the District. Approval of the bond measure does not guarantee that the proposed projects in the District that are the subject of bonds under the measure will be funded beyond the local revenues generated by the bond measure. The District's proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.

**Scope of Projects.** Bond proceeds will be expended to modernize, replace, renovate, construct, equip, furnish, rebuild and otherwise improve District facilities as described below. The specific school facilities projects which are described below include all related and incidental costs, including costs of design, engineering, architect and other professional services, site preparation, utilities, landscaping and other incidental costs, and construction management. Bond proceeds may also be expended to acquire real property for future educational facilities and to acquire and install furniture, fixtures and equipment at any classrooms and other facilities of the District. The District may alter the scope and nature of any of the specific projects, which are described below as required by conditions that arise during

the course of design and construction, including unforeseen conditions such as dry rot, mold and faulty engineering.

## **RENOVATION AND REPAIR OF EXISTING SCHOOLS AND FACILITIES AND ACQUISITION AND CONSTRUCTION OF NEW SCHOOL FACILITIES**

Bond proceeds will be expended to modernize, replace, renovate, construct, equip, rebuild and furnish the District's education facilities, to acquire land for new school and educational facility construction. Bond proceeds shall also be expended to improve the facilities of the District located at the following locations, including District charter schools. Such projects shall consist of the following:

### **Andrew Hill High - Built in 1956**

- New/Modernization of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- New Classroom and Theater Construction
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- New Restroom Construction
- Locker Room Modernization
- Learning Commons Modernization
- Covered Walkway Lighting Improvements
- Site, Landscaping, and Irrigation Improvements
- Athletic Facilities Improvements
- Modernization of Student Services

### **Evergreen Valley High - Built in 2001**

- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Safety and Security Upgrades
- Site Improvements
- Athletic Facilities Improvements Including a New Gymnasium

### **Foothill High - Built in 1972**

- New/Modernization of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- New Science Relocatable Classroom
- Building Systems Upgrades - Hardware & Software
- New Storage & Restroom Facility Construction
- Site Improvements
- Athletic Facilities Improvements

- Modernization of Student Services Including Faculty Work Room

#### **Independence High - Built in 1976**

- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- Plumbing System Modernization
- Athletic Facilities Improvements Including New Restrooms, Stadium Fencing, Concession Stand, and Artificial Turf
- Pool Modernization/Renovation
- Existing Nutrition Services Modernization
- Modernization of Student Services

#### **Independence Adult Center - Built in 1988**

- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- New/Modernization of Classrooms
- Safety and Security Upgrades
- Site/Building Related Improvements
- New Restroom, Multi-Purpose Room, and Administration Construction
- Site, Landscaping, Irrigation, and Parking Lot Improvements

#### **James Lick High - Built in 1950**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- New classroom construction
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- Existing Restrooms, and Pool Modernization
- Site and Landscaping Improvements
- Athletic Facilities Improvements Including Upgrades to Plumbing, Gymnasium, Play Fields and Equipment, and New Softball Field and Modernization of Tennis Courts
- Modernization of Student Services Including Kitchen Facilities, Multi-Purpose Room, and a New Bookroom

#### **Mt. Pleasant High - Built in 1965**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades



- New Restroom and Multi Purpose Room Construction
- Existing Restroom, Locker Room, and Nutrition Services Modernization
- Site Improvements
- Athletic Facilities Improvements Including Artificial Turf for the Football Field, and a New Weight Room, Wrestling Room, and Bleachers
- Resurfacing of the Hard Courts
- Pool Modernization
- Modernization of Student Services Including the Library and Administration Office

**Oak Grove High - Built in 1967**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- ADA Accessible Path of Travel Improvements
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- New Restroom Construction
- Locker Room Modernization Including Restrooms and Shower Area
- Site Improvements
- Athletic Facilities Improvements Including Renovation of the Gymnasium
- Modernization of Student Services Including the Arts and Special Ed Building

**Overfelt Adult Center - Built in 1986**

- Site/Building Related Improvements
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- New/Modernization Classrooms
- Safety and Security Upgrades
- New Restroom and Administration Construction
- Parking Lot Improvements
- Athletic Facilities Improvements

**Piedmont Hills High - Built in 1965**

- New/Modernization of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- ADA Accessibility Improvements
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- New Restroom Construction
- Existing Nutrition Services Modernization
- Parking Lot Improvements
- Site and Landscaping Improvements
- Athletic Facilities Improvements
- Pool and Locker Room Modernization/Renovation
- Modernization of Student Services

### **Santa Teresa High - Built in 1974**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- Existing Restroom and Plumbing Modernization
- Locker Room Modernization
- New Library Construction
- Parking Lot Improvements & Expansion
- Site, Landscaping, and Irrigation Improvements
- Athletic Facilities Improvements
- Modernization of Student Services

### **Silver Creek High - Built in 1969**

- New/Modernization of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- New Classroom, Restroom, and Theater Construction
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- Learning Commons and Locker Room Modernization
- Site, Landscaping, and Irrigation Improvements Including New Paint and Lighting
- Athletic Facilities Improvements Such as New Weight Room, Restrooms, Ventilation, Track, and Gym Upgrades
- Food Service Facility Improvements
- Modernization of Student Services Including the Career Center/Repro

### **Yerba Buena High - Built in 1971**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- Seismic Upgrade of Existing Structures
- Safety and Security Improvements Including Fire Alarm and Intrusion System Upgrade
- New Restroom Facility Construction
- Exterior Paint and Finishes Modernization
- Library and Book Storage Modernization
- Site, Landscaping, and Irrigation Improvements
- Existing Gym, Floor, Bleachers, and Administration Offices Modernization
- Athletic Facilities Improvements
- Pool Modernization/Renovation
- Modernization of Student Services Including the Theater and Child Care Services

### **W.C. Overfelt High - Built in 1962**

- New/Modernization and Expansion of Classrooms, and Computer and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Technology Upgrades - Hardware & Software
- ADA Accessibility Improvements
- Seismic Upgrade of Existing Structures
- Safety and Security Upgrades
- Restroom Modernization
- New Art Lab Construction
- Site and Parking Lot Improvements Including New Fencing
- Athletic Facilities Improvements
- Pool Modernization
- Modernization of Student Services

#### **Alternative Education Centers**

- New/Modernization and Expansion of Classrooms, and Computer, Art, and Science Labs
- Roofing Modernization
- Building Systems Upgrades (HVAC, Mechanical, Electrical & Lighting)
- Safety and Security Upgrades
- Technology Upgrades - Hardware & Software
- Construct a Facility for an Additional Continuation School in the South End of the District
- Relocate Pegasus Alternative Campus to New Location
- Expand the Existing SBN Sites to Accommodate Additional Students, Specifically Apollo, Phoenix And Pegasus
- New Restroom Construction
- Construct a Facility to House a Community Day School
- Site, Landscaping and Irrigation Improvements
- Athletic Facilities Improvements
- Parking Expansion
- New/Modernization of Student Services



**East Side Union High School District  
General Obligation Bond Measure I  
November 6, 2012 Ballot Language**

**Full Text of Measure I**

To upgrade computer/science labs; improve security/safety; repair, equip, and construct classrooms/facilities at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, and District adult, alternative, and charter schools; and acquire property for new schools, shall East Side Union High School District issue \$120,000,000 of bonds with interest rates below legal limits and no funds for administrator salaries or taken by the State?

Bonds-Yes

Bonds-No

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**BOND AUTHORIZATION**

By approval of this proposition by at least 55 percent of the registered voters voting on the proposition, the District will be authorized to issue and sell bonds of up to \$120 million in aggregated principal at interest rates below the legal limit and to provide financing for the specific school facilities projects listed in the Bond Project List described below, subject to all the accountability requirements specified below.

The Bonds may be issued under the provisions of the California Education Code (starting at Section 15100), under the provisions of the California Government Code (starting at Section 53506), or under any other provision of law authorizing the issuance of general obligation bonds by school districts. The Bonds may be issued in series by the District from time to time, and each series of Bonds shall mature within the legal limitations set forth in the applicable law under which the Bonds are issued.

**ACCOUNTABILITY REQUIREMENTS**

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

**Evaluation of Needs.** The School Board has identified detailed facilities needs of the District and has determined which projects to finance from a local bond at this time. The School Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List shown below.

**Independent Citizens' Oversight Committee.** The School Board shall establish an Independent Citizens' Oversight Committee under Education Code Section 15278 and following to ensure that bond proceeds are expended only on the school facilities projects listed below. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the School Board.

**Performance Audits.** The School Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed below.

**Financial Audits.** The School Board 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 below.

### **FURTHER SPECIFICATIONS**

**No Administrator Salaries.** Proceeds from the sale of bonds authorized by this measure shall be used only for the construction, reconstruction and/or rehabilitation of school facilities including the furnishing and equipping of school facilities or 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.

### **BOND PROJECT LIST**

**Projects Subject to Available Funding.** The following list of projects is subject to the availability of adequate funding to the District. Approval of the bond measure does not guarantee that the proposed projects in the District that are the subject of bonds under the measure will be funded beyond the local revenues generated by the bond measure. The District's proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.

**Scope of Projects.** Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish, rebuild and otherwise improve educational and support facilities within the District. Projects which are described below include all related and incidental costs, including their share of the costs of the election and bond issuance and costs of design, engineering, architect and other professional services, inspections, site preparation, utilities, landscaping, construction management and other planning, legal, accounting and similar costs, independent annual financial and performance audits, a customary construction contingency, and other costs incidental to and necessary for completion of the listed projects.

Bond proceeds may also be expended to acquire real property (or any interest in real property) for future educational and support facilities and to acquire and install furniture, fixtures and

equipment at any classrooms and other educational facilities within the District. The District may alter the scope and nature of any of the specific projects which are described below as required by conditions that arise during the course of design and construction.

Whenever specific items are included in the following list, they are presented to provide examples and are not intended to limit the generality of the broader description of authorized projects. The order in which particular projects are listed is not intended to indicate priority for funding or completion.

### **BOND PROJECT LIST**

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

- Andrew Hill High – Built in 1956
- Evergreen Valley High – Built in 2001
- Overfelt Adult Center – Built in 1986
- Piedmont Hills High – Built in 1965
- Foothill High – Built in 1972
- Independence High – Built in 1976
- Independence Adult Center – Built in 1988
- Santa Teresa High – Built in 1974
- Silver Creek High – Built in 1969
- Yerba Buena High – Built in 1971
- James Lick High – Built in 1950
- Mt. Pleasant High – Built in 1965
- Oak Grove High – Built in 1967
- W.C. Overfelt High – Built in 1962
- Calero High
- Alternative Education Centers

Such projects shall include, but shall not be limited to:

- Improve energy efficiency in the District including, but not limited to replacing and upgrading heating, ventilation, and air conditioning (HVAC) systems with energy efficient systems.

- Install cutting edge instructional technology infrastructure to improve student access to computers and modern technology
- Maintenance improvements to classrooms and school facilities including, but not limited to, upgrades to electrical and storm drain systems, and master clocks.
- Classroom and school facilities upgrades including, but not limited to, improvements to playgrounds and equipment and expansion of counseling centers.
- Install security fencing, cameras, and lighting systems to ensure campuses are adequately secured.
- Conduct necessary site preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of portable classrooms.
- Address unforeseen conditions revealed by construction/modernization (e.g., plumbing or gas line breaks, dry rot, seismic, structural, etc.).
- Furnish and equip schools as needed to the extent permitted by law.
- Install utility improvements to help reduce operating expenditures.
- Modify/expand student pick-up/drop-off locations to ensure greater efficiency and safety.
- Utilize bond interest to provide a technology equipment replacement program.

**Accountability Measures**

As required by Section 53410 of the Government Code, the following accountability measures are hereby made a part of the District’s Bond Measure I (the “Bond Measure”):

- (a) The specific purpose of the Bonds is set forth in the Full Text of the Bond Measure;
- (b) The proceeds from the sale of the District’s bonds will be used only for the purposes specified in the Bond Measure, and not for any other purpose;
- (c) The proceeds of the Bonds will be deposited into a Building Fund to be held by the Santa Clara County Treasurer, as required by the California Education Code; and
- (d) The Superintendent of the District shall cause an annual report to be filed with the Board of Trustees of the District, the first report to be filed not later than one year after the issuance of the first series of the Bonds, which report shall contain pertinent information regarding the amount of funds collected and expended, as well as the status of the projects listed in the Bond Measure, as required by Sections 53410 and 53411 of the Government Code.



**East Side Union High School District  
General Obligation Technology Bond Measure I  
November 4, 2014 Ballot Language**

**Full Text of 2014 Technology Bond Measure I**

To increase student computer access; upgrade educational software; keep pace with 21st century technological innovations; and implement statewide testing requirements at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, Adult-Ed, alternative and District charter schools; shall East Side Union High School District issue \$113,200,000 of bonds with rates below legal limits, independent citizen oversight, and no funds for administrators or use by the State?

Bonds -- Yes

Bonds -- No

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**IMPARTIAL ANALYSIS BY COUNTY COUNSEL**

The following impartial analysis was prepared for Measure I:

Upon approval of 55% of the votes cast by voters in an election and subject to specified accountability measures, California law permits school districts to issue bonds, secured by the levy of ad valorem taxes on property within a district, for the purpose of 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.

The Board of Trustees (Board) of the East Side Union High School District (District) proposes issuing bonds in the amount of \$113,200,000. As identified in the measure, bond proceeds would be used for purposes including, but not limited to the following: (1) increasing computer access; (2) upgrading educational software; (3) keeping pace with 21st century technological innovations; and (4) implementing statewide testing requirements at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mt. Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena and W. C. Overfelt adult, alternative and District charter schools. A detailed list of projects and allowed expenditures is included within the full text of the measure. The District's resolution authorizing the sale and issuance of bonds does not include information about any other District debt obligations that may exist.



The California Constitution provides that proceeds of school district bond measures cannot be used for teacher and administrator salaries and other school operating expenses, and requires independent annual performance and financial audits. State law requires the establishment of an independent citizens' oversight committee for ensuring that bond proceeds are expended only for the school facilities on the bond project list included in Measure I.

The District's estimate of the maximum tax rate to be levied to fund the proposed bond issue during each fiscal year is \$9.00 per \$100,000 of assessed value. This includes the fiscal year after the initial sale of the bonds (2015-2016), and the fiscal year after the final sale of the bonds (2030-2031).

Measure I was placed on the ballot by the Board.

A "yes" vote is a vote to authorize the issuance and sale of the bonds in the amount of up to \$113,200,000 to be secured by the levy of ad valorem taxes on property located within the District.

A "no" vote is a vote to not authorize the issuance and sale of the bonds in the amount of up to \$113,200,000 to be secured by the levy of ad valorem taxes on property located within the District.[2]

# **APPENDIX B**

## **CITIZENS' BOND OVERSIGHT COMMITTEE**

## CITIZENS' BOND OVERSIGHT COMMITTEE

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

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

- Proposition 39 Best Practices Handbook (California Coalition for Adequate School Housing (CASH))
- Borrowed Money: Opportunities for Stronger Bond Oversight (Little Hoover Commission, Report #236, February 2017)
- California League of Bond Oversight Committees: Operational Guidelines for Bond Oversight Committees (<http://calboc.org/docs/OperationGuidelines.pdf>)

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

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

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

On August 27, 2013, Governor Brown signed Senate Bill (SB) 584, effective January 1, 2015, requiring the State Controller, in consultation with the State Allocation Board (SAB), the Department of Finance, and the State Department of Education (CDE), to submit content to be included in the audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies*, beginning in the 2015-16 fiscal year, that is related to specific content for financial and performance audits required for school facility projects. That content has now been adopted, and the updated audit guide includes language that reiterates and expands upon the performance audit language that is included in GAGAS.

**CALIFORNIA EDUCATION CODE**  
**SECTION 15278-15282**  
**CITIZENS' OVERSIGHT COMMITTEE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# **APPENDIX C**

## **MEASURES E, G AND I PERFORMANCE AUDIT REPORT 2013-14 and 2014-15**

**MEASURES E, G AND I  
MOSS ADAMS PERFORMANCE AUDIT REPORT  
2013-14 and 2014-15**

The East Side Union High School District entered into a contract with Moss Adams, LLP to conduct a performance audit of Measures E, G and I for fiscal years 2013-14 and 2014-15. The report was issued as a single report for the three bond measures for the two fiscal years.

On January 1, 2011, a new California law took effect (Education Code Section 15286) that required Proposition 39 performance audits to be conducted in accordance with the Generally Accepted Governmental Auditing Standards (GAGAS, aka “Yellow Book”). The Moss Adams, LLP report was prepared following GAGAS standards.

The entire Moss Adams, LLP report dated December 11, 2015, can be reviewed on the District website under Board agenda item 8.04 of the January 21, 2016 Board meeting. A presentation by Moss Adams, LLP of the report made at the same Board meeting is included in the appendix for reference. The presentation document included Observations and Recommendations for the following topics:

- Proposition 39 Compliance
- Bond Program and Budget Management Reporting
- Procurement Controls and Contract Administration
- Design and Construction Schedules and Timelines
- Claims Controls
- Bond Program Communication
- Good Bond Program Practices

The above sections were reviewed in the context of TSS sections prepared for the performance audit report for fiscal years 2015-16 and 2016-17.

Proposition 39 Compliance: Moss Adams observed that bond funds were properly expended on bond measure projects, with the exception of two items which were subsequently corrected, and recommended that the District implement controls to ensure that ballot language and projects undertaken properly align. TSS observed that all expenditures reviewed were in compliance with the bond language, that business policies and procedures were revised during 2014-2017, and concluded that the District’s Measures G, E, I and Tech-I expenditures are in compliance with bond project lists.

Bond Program and Budget Management Reporting: Moss Adams observed that the District's design and construction budget management practices had weaknesses in several areas, including utilizing a facilities master plan to prioritize projects and develop budgets, lack of support for cost estimates, and budget/accounting procedures, and recommended improvements. TSS observed that the District developed and submitted the "Capital Program Budget Adjustment Report" to the Board of Trustees as a result of the audit finding by Moss Adams LLP during the performance audit for fiscal year 2013-14 and 2014-15. The monthly report, which was first submitted in April 21, 2016, lists changes and adjustments to the approved project budgets occurring within the reporting month. Adjustments to the approved project budgets include cost escalations, reallocation of project savings, defunding of approved projects, funding of new higher priority projects and contingency distributions. The report is submitted during the monthly regular meeting of the Board of Trustees and is created for the purpose of improving the effectiveness of the communication channels among stakeholders of the capital improvement program. The report serves the Board of Trustees well in assuring everyone involved that the allocation and re-allocation of and funds are properly authorized and approved.

Procurement Controls and Contract Administration: Moss Adams observed that AR 3311, Bids, did not require a minimum number of bids for formal projects greater than \$175,000, that the District did not advertise for the required number of days on some projects, did not obtain the minimum number of bids on some informal projects, and recommended that AR 3311 be updated. TSS observed that AR 3311 was revised on October 16, 2014, and that the District conducted competitive bids for contracts funded with Measures G, E, I and Tech-I bonds in compliance with District policy and the public contracting code.

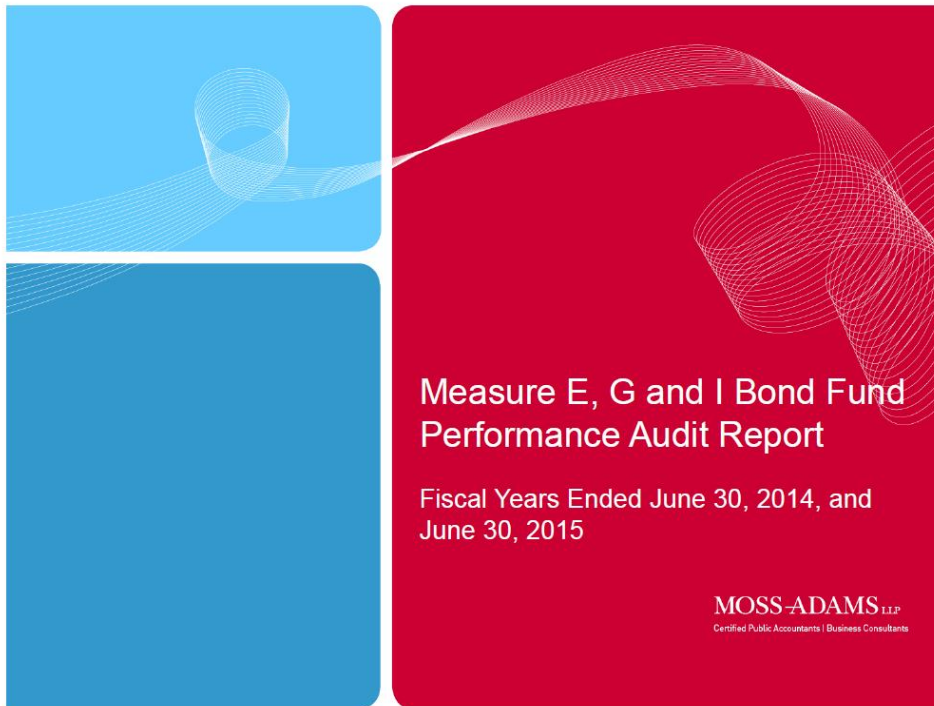
Design and Construction Schedules and Timelines: Moss Adams observed that scheduled timelines for some projects were not met and identified a number of causes of delays including extended procurement phases, change orders, site access coordination and legal counsel review, and recommended that corrective action be taken to address the delay issues. TSS observed that a "Capital Improvement Program Monthly Status Report" is prepared that includes the status of planning, design and construction, completion and schedules and concluded that the District expended adequate effort in the development of project lists and creation of program schedules for the design and construction of bond projects and ensuring that established schedules were closely adhered to.

Claims Controls: Moss Adams observed that the District did not have a written procedure to identify areas of exposure that may lead to claims or ... to prevent claims and recommended that written policies and procedures should be prepared. TSS observed that the District's Policy 3320, Claims and Actions Against the District, had been revised on November 20, 2014, that there were no outstanding or new claims during the audit period and concluded that the policies and procedures created by the District have been effective in preventing or minimizing the number of contract claims.



Bond Program Communication: Moss Adams observed that the main communication platform is the District's website which may not be utilized by a wide audience and recommended a more varied approach to public outreach. In its 2015-16 and 2016-17 performance audit, TSS observed that the District employs a Director of Marketing & Public Engagement and the District's program management firm has an Outreach Coordinator. These two positions prepare most of the information that is presented on the website and is disseminated to news outlets and other interested parties. TSS concluded that the District is doing an excellent job in providing information to the community.

Good Bond Program Practices: Moss Adams observed a number of good practices by the District in various aspects of the bond program. TSS also observed a number of good practices by the District as documented as commendations and observations in the performance audit report for 2015-16 and 2016-17.



## OVERVIEW

- This presentation covers the results of our performance audit of the East Side Union High School District's (ESUHSD or the District) 2015 Measure E, G and I Construction Bond (Bond Program) as required by California Proposition 39.
  - California State (State) requirements specify that the proceeds from the sale of school facilities bonds are expended only on the specific projects listed in the proposition authorizing the sale of bonds.
  - Both the State Constitution and the Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. An annual financial audit is also required by these rules.
  - Generally Accepted Government Auditing Standards (GAGAS) are required and define the term performance audit and related professional standards.
- This presentation also covers our review of the District Construction, Maintenance and Facilities Department's (Facilities) performance and controls surrounding the Bond Program for the Fiscal Year ended June 30, 2014, and the Fiscal Year ended June 30, 2015.

**Please refer to our final report issued December 11, 2015, for the full and detailed performance audit results.**

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## AUDIT OBSERVATIONS

### Proposition 39 Compliance

#### Observation(s):

- The performance audit procedures applied provided reasonable assurance, in accordance with GAGAS, that the Fiscal Year ended June 30, 2015, Bond proceeds were expended on construction-related costs as identified in the Measure E, G and I 2012 Official Statement, excluding Measure G expenditures totaling \$252,243, which were applicable under Measure E ballot language.
- The District's legal counsel provided advice as to which projects could be charged under the terms of Measure E, G and I ballot language; however, two expenditures remained noncompliant with Measure G ballot language.

#### Recommendation(s):

- The District should implement controls to ensure that ballot language and projects undertaken properly align and that transactions are properly recorded in the accounting system. Subsequent to the District's fiscal year end, the noncompliant expenditures were transferred from the Measure G Bond Fund to the Measure E Bond Fund and are now compliant. The District has also taken action to search for similar expenditures to help ensure full compliance.

**Please see our report issued December 11, 2015, for full and detailed performance audit results.**

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## AUDIT OBSERVATIONS (CONT.)

### Bond Program and Budget Management Reporting

#### Observation(s):

- District design and construction budget management practices were compared to the Government Finance Officers Association's (GFOA) standards to measure effectiveness of controls surrounding the planning, designing, budgeting and constructing of Bond-funded projects. We observed the following:
  - The District did not utilize a comprehensive facilities master plan to prioritize projects and assist in budget development.
  - Construction cost estimates were not supported with analysis or complete information.
  - The current budget reporting methodology does not capture key financial information such as adopted budget, budget adjustments, and a comparison of original and current project budgets.
  - A summary of financial information by funding source (e.g., Measure) was not maintained for the overall Bond Program.

#### Recommendation(s):

- The District should use a facilities master plan which includes the identification of District needs, estimated project costs and funding sources, and prioritization of projects. Estimated project budgets included within the master plan should be supported with proper analysis.
- Monthly Capital Improvement Plan (CIP) status reports and project updates should be revised to incorporate key financial information to stakeholders.

**Detailed observations and recommendations are provided in our December 11, 2015, performance audit report.**

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## AUDIT OBSERVATIONS (CONT.)

### Procurement Controls and Contract Administration

#### Observation(s):

- District Administrative Regulation No. 3311 (AR No. 3311), state laws, California State School Requirements, Public Contracting Code and other relevant regulations were reviewed and compared to Bond Program procurement activities, resulting in the following observations:
  - District AR No. 3311 does not require a minimum number of bids for formal projects (i.e., projects with budgets of \$175,001 and above) to ensure fair pricing and a competitive bid process.
  - The District was noncompliant with AR No. 3311 as the District did not advertise bids for the required number of days for all formal projects and the minimum number of bids was not obtained for two informal projects reviewed.

#### Recommendation(s):

- The District should update AR No. 3311 to include minimum bid requirements for formal projects.
- The District should implement controls to ensure compliance with AR No. 3311. Updates to AR No. 3311 should be made to identify steps required when the minimum number of bids cannot be obtained, in order to ensure fair and competitive bidding practices.

**Detailed observations and recommendations are provided in our December 11, 2015, performance audit report.**

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## AUDIT OBSERVATIONS (CONT.)

### Design and Construction Schedules and Timelines

#### Observation(s):

- Project timelines were summarized from approval through completion. We validated the use of project milestones and identified failure to achieve them. Project schedules including original schedule, current schedule, recovery schedule and plans, and documented rationale for anticipated delays were reviewed. The most common causes of schedule delays included:
  - Delayed or extended procurement phases.
  - Contract change orders resulting in time extensions.
  - Site access coordination and communication.
  - Delays from legal counsel review of contract documentation.

#### Recommendation(s):

- Immediate corrective action should be taken to address or mitigate root causes of adverse schedule impacts. The District should also maintain schedule information for each project that includes the original schedule, project milestones, current schedule, recovery schedule (if applicable) and a documented rationale for any material schedule delays. Material schedule variances should be reported within the monthly CIP report to inform key stakeholders.

**Detailed observations and recommendations are provided in our December 11, 2015, performance audit report.**

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## AUDIT OBSERVATIONS (CONT.)

### Claims Controls

#### Observation(s):

- The District policies, procedures and practices were evaluated to anticipate, identify, document and address potential claims. The District does not have a formal written procedure to identify areas of exposure that may lead to claims or an approach to prevent claims prior to being filed.

#### Recommendation(s):

- Written policies and procedures for claims avoidance should be prepared. This policy should include a detailed process that the District follows to identify the areas of exposure that may lead to claims and steps to be taken to prevent claims such as document control requirements, identification of appropriate communication channels and proactive cost, schedule and quality control procedures to avoid claims where possible.

**Detailed observations and recommendations are provided in our December 11, 2015, performance audit report.**

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## AUDIT OBSERVATIONS (CONT.)

### Bond Program Communication

#### Observation(s):

- District communication practices, policies and procedures were compared to GFOA best practices regarding communication of capital improvement strategies including communication between the District, the Citizens' Bond Oversight Committee (CBOC) and the Board of Trustees. The District's main communication platform is its website, which does not disclose any site accessibility or safety-related information and may not be utilized by a wide audience. Additionally, Bond Program planning, scheduling and budgeting information is oftentimes limited to internal District staff rather than communicated in a way that would be meaningful to key stakeholders.

#### Recommendation(s):

- The District should consider modifying its communication plan to include a more varied approach to public outreach and communication that will reach a wider range of people and provide them with meaningful, timely updates of Bond Program Measures and site accessibility and safety-related information.

**Detailed observations and recommendations are provided in our December 11, 2015, report.**

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## GOOD PRACTICES OBSERVED

### **Good bond program practices were observed, as indicated below:**

- Projected enrollment estimates were completed to evaluate the effect of population distribution on classroom requirements, parking, departmental relocation and master planning.
- The District had internal policies and procedures for its construction activities.
- The Board approved a Capital Program Reorganization Plan in 2013 that included in-house and external staff to maximize the efficiency of its personnel.
- The District has design and construction standards which include general product and system requirements for materials, equipment and software to be incorporated within facilities District-wide.
- In July 2014, the District created a Bond Program Management and Implementation Plan which clearly defined roles and responsibilities and methodologies for efficient use of Bond Program funding.

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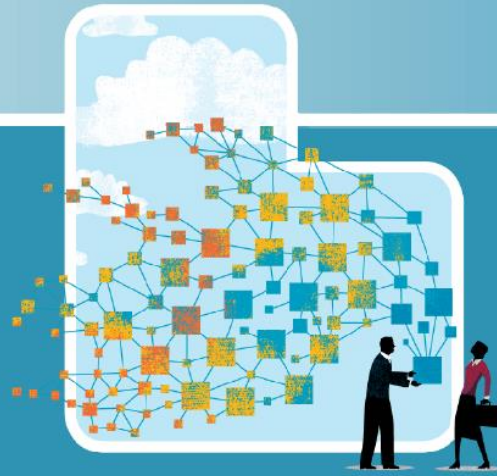


## GOOD PRACTICES OBSERVED (CONT.)

- Public meetings of the CBOC were held to update the community on the status of projects. The meeting minutes were posted on the CBOC website.
- The District's website was updated by Facilities and SGI to inform key stakeholders of the Bond Program Status by school site.
- Change Orders were documented in contract files. Project cost accounting included the original contract amount, change order amount and Board approval documentation.
- Management developed standards for contract approval within its Administrative Regulation No. 3311, which detailed who was responsible for approving contracts depending on the expenditure level.

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# Questions?



**MOSS ADAMS** L.L.P.  
Certified Public Accountants | Business Consultants  
*Acumen. Agility. Answers.*

**EAST SIDE UNION  
HIGH SCHOOL DISTRICT  
*PERFORMANCE AUDIT  
MEASURES G, E, I AND TECH I  
FISCAL YEARS 2015-16 AND 2016-17***

PRESENTED BY:

VERN WEBER, SENIOR CONSULTANT




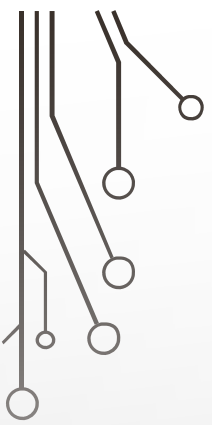


# **EXECUTIVE SUMMARY COMPLIANCE**

**TSS CONDUCTED THIS PERFORMANCE AUDIT IN ACCORDANCE WITH THE REQUIREMENTS OF GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS).**

**TSS VERIFIED, FOR THE 2015-16 AND 2016-17 PERFORMANCE AUDIT PERIOD, THAT BOND EXPENDITURES ON MEASURES G, E, I AND TECH-I PROJECTS WERE ONLY FOR PROJECTS INCLUDED IN THE BOND PROJECT LISTS FOR THE FOUR BOND MEASURES.**

**TSS CONCLUDED THAT THE DISTRICT WAS IN COMPLIANCE WITH BALLOT LANGUAGE, STATE LAW AND REGULATIONS, DISTRICT POLICIES AND REGULATIONS, AND THE STATE FACILITY PROGRAM. TSS ALSO CONCLUDED THAT THE CITIZENS' BOND OVERSIGHT COMMITTEE WAS IN COMPLIANCE WITH STATE LAW AND REGULATIONS AND THE CBOC BYLAWS.**



**PRESENTED IN THE FOLLOWING PAGES ARE COMMENDATIONS, OBSERVATIONS, CONCLUSIONS AND RECOMMENDATIONS MADE BY TSS. MANY OF THE OBSERVATIONS WERE POSITIVE AND COMMENTED ON BEST PRACTICES. THE RECOMMENDATIONS WERE MADE FOR THE PURPOSE OF ASSISTING THE DISTRICT TO MORE EFFECTIVELY CARRY OUT THE BOND PROGRAM. FOR A MORE COMPLETE UNDERSTANDING REFER TO THE ENTIRE AUDIT REPORT.**

# SUMMARY OF BOND MEASURES

## MEASURE AMOUNT APPROVAL BONDS SOLD 6/30/2017 BALANCE

<b>G</b>	<b>\$298 M</b>	<b>03/05/2002</b>	<b>\$298 M</b>	<b>\$11.2 M</b>
<b>E</b>	<b>\$349 M</b>	<b>02/05/2008</b>	<b>\$274.6 M</b>	<b>\$79.3 M</b>
<b>I</b>	<b>\$120 M</b>	<b>11/06/2012</b>	<b>\$120 M</b>	<b>\$62.4 M</b>
<b>TECH I</b>	<b><u>\$113.2 M</u></b>	<b>11/04/2014</b>	<b><u>\$16.2 M</u></b>	<b><u>\$ 3.2 M</u></b>
<b>TOTALS</b>	<b>\$880.2 M</b>		<b>\$708.8 M</b>	<b>\$156.1 M = <u>\$552.7 M SPENT</u></b>
<b>Z</b>	<b>\$510 M</b>	<b>11/08/2016</b>	<b>\$72 M</b>	<b>\$71.8 M</b>

**BONDS YET TO BE SOLD \$609.4 M + BALANCES \$227.9 = \$837.3 M REMAINING**

# **GAGAS: EVALUATE EFFECTIVENESS, EFFICIENCY AND ECONOMY**

## **EFFECTIVENESS**

**District has highly effective team for projects from inception to close-out consisting of:**

**Program Manager, Construction Managers, Project Managers, Architects, Engineers,  
Specialty Consultants and In-House Staff**

**In-house staff provides bond program oversight and control consisting of:**

**Facilities Director, Budgeting, Accounting, Purchasing, Information Technology,  
Internal Control and staff support personnel**

# **GAGAS: EVALUATE EFFECTIVENESS, EFFICIENCY AND ECONOMY**

## **EFFICIENCY AND ECONOMY**

**Refinanced bonds at lower interest rates.**

**Introduced short-term G.O. Flex-Bonds at low interest rates to finance short lifespan technology equipment.**

**Transferred some Program Manager duties to in-house staff that was highly successful and cost-effective in reducing overall bond management costs, adding in-house positions and redefining roles and responsibilities while reducing Program Manager's contract.**

**Transferred duties included construction management services, financial recordkeeping and financial reporting.**

**Remaining Program Manager duties include the development and maintenance of master program scope, budgets, schedules and cash-flow projections.**

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# BOND PROGRAM AND CONSTRUCTION MANAGEMENT PLAN

## Observations

In 2013, the District moved functions previously done by the Program Manager to “in-house” staff for construction administration services, financial recordkeeping and financial reporting. The District staff FTE to manage the bond program paid with bond funds was 17.528 as of June 30, 2016 and 14.68 as of June 30, 2017, with the difference due mostly to reduced Measure G assignments. A report to the Board, “Fiscal Year 2016-2017 Bond Funded Positions,” detailed positions in Fiscal, Capital Accounting and Purchasing, Facilities, Information Technology and Internal Control departments. The District transitioned from the QSS Financial Management System to the CFS Financial System that allows budgets and expenditures by project and generate financial activity reports that could not be done with QSS, thereby improving the District’s reporting capabilities.

## Conclusion

The District made improvements to program and construction management services and redefined staff and consultant roles and responsibilities to ensure efficiency in its management of the bond program. The District’s decision for “in-house” staff to perform more functions has been highly successful and beneficial.

# BOND PROGRAM AND CONSTRUCTION MANAGEMENT PLAN

## Recommendation

**Recognizing the success of the “in-house” performance of bond management duties, it would be worthwhile for the District to consider moving the remaining PM services to “in-house” staff to provide high-quality services at a lower cost. Current PM services include the development and maintenance of master program scopes, schedules, budgets and cash-flow projections. Increasing staff roles and responsibilities may require the addition of staff to carry out specialized duties.**

# DESIGN AND CONSTRUCTION BUDGETS

## Observations

The “Capital Improvement Program Monthly Status Report” is prepared and posted in the Bond Measures web page of the District website. The report provides information on approved projects for each school site including the status of planning, design, procurement and construction, completion, schedules and budgets/expenditures and serves the District and community well. Staff presents recommendations to the Board for approval of allocations to major construction projects where the need has been determined. The School Site Council and Superintendent’s Council are actively engaged in recommending project changes and new projects for Board approval.

## Conclusion

The District expended adequate effort in developing budgets and to effectively monitor and manage expenditures to keep the projects within approved budgets.



# DESIGN AND CONSTRUCTION SCHEDULES

## Observations

The “Capital Improvement Program Monthly Status Report” is prepared and posted in the Bond Measures web page of the District website. The report provides information on approved projects for each school site including the status of planning, design and construction, completion, schedules and budgets/expenditures. The report covers Measures G, E and I but does not include Measure Tech-I.

## Recommendation

It is recommended that Measure Tech-I be included in the monthly report.

# CHANGE ORDER PROCEDURES

## Observations

**Change orders for new construction projects ranged from 0.23% to 8.10% and for modernization projects ranged from 0.25% to 10.0%. The cumulative total amounts did not exceed the 10% cap set by the California Public Contract Code. Processing and approval of change orders for professional service contracts followed the same approval process used for construction contracts.**

## Conclusion

**The District is in compliance with the requirements of the California Public Contract Code.**

# PROCEDURES FOR CLAIMS AVOIDANCE

## Observations

**The District has created and implemented procedures to minimize or prevent potential claims. The Construction Manager is paired with the Architectural/Engineering Consultant and assists the District's Project Manager in coordinating the work of the design team to ensure accuracy. The CM performs a constructability review and a design coordination review of a project. The Director of Facilities approves change orders up to \$45,000, the Assoc. Supt. of Business Services approves change orders up to \$175,000, and the Board approves change orders over \$175,000. With this approach, approval time for change orders is shortened. The District develops and regularly updates General Conditions that are used in all construction bid documents to ensure that bidding requirements are properly met.**

## Conclusion

**The District had no outstanding claims and no new claims during the audit period, and TSS concluded that the policies and procedures have been effective in preventing or minimizing contractor claims against the District.**

# PROCEDURES FOR CLAIMS AVOIDANCE

## Recommendation

**It is recommended that the District continue to ensure that constructability and design coordination reviews are incorporated into the design and construction documents, thereby resulting in reduced changes to scope, prevent delays and offer fewer opportunities for contractor claims.**

# EXPENDITURES AND PAYMENT PROCEDURES

## Commendations

The District refinanced bonds at lower interest rates and used G.O. Flex Bonds to issue short-term bonds at low interest rates to purchase technology equipment with a short-term life, thereby saving taxpayers money. Moving some former PM duties to District staff was a cost-effective method to increase efficiency while reducing bond management costs.

## Observations

All of the expenditure invoices tested were properly reviewed and approved and were in compliance with bond language. The District had received no vendor complaints related to non-timely payments and the District was not involved in any litigation during the audit period. The Capital Purchasing Buyer and Accounting Tech positions were vacant for more than two months, thereby requiring other staff to perform duties normally done by those two positions. It was noted that the PM had billing rates ranging from \$22 to \$148 per hour for scanning documents. District staff commented that the District would benefit by having access to an effective Construction Project Management software.

## Conclusion

The District expended adequate effort in developing budgets and to effectively monitor and manage expenditures to keep the projects within approved budgets.

# EXPENDITURES AND PAYMENT PROCEDURES

## Recommendations

**It is recommended that the District hire personnel in a more timely manner and review job classifications to ensure that work performed is in concert with job descriptions. The District should review costs being paid to contractors for non-technical functions such as scanning documents and evaluate potential cost savings by having in-house staff perform non-technical tasks. It is recommended that the District research whether Construction Project Management software that is not provided by the current PM would enable staff to better manage construction projects that could potentially save money by improving the scheduling of projects, tracking of costs and budgeting. The District could benefit by having improved timing on completion of construction projects, lower construction costs and lower escalation costs.**

# BEST PRACTICES IN BIDDING AND PROCUREMENT

## Observations

The Board approved a design-build approach instead of design-bid-build for the W.C. Overfelt project to reduce costs and expedite completion. The District has a Project Labor Agreement in effect that was designed to promote efficient construction operations, ensure adequate supply of skilled craftspeople, and provide procedures for settling labor disputes. TSS verified that bids on bond projects were awarded to the lowest responsive bidders in accordance with the California Contracting Code. A review of the bids indicated that in some cases the lowest bids came in higher than the engineer's estimate, which could be due to an upward market trend or a shortage of labor or materials that drive up costs. If necessary, the engineer's estimate should be reviewed prior to going out to bid and being revised if evidence so warrants.

## Conclusion

The District exerted adequate effort in utilizing best practices in the procurement of materials, equipment and construction services for the bond program.

# EFFECTIVENESS OF OUTREACH PROGRAM AND COMMUNICATION CHANNELS

## Commendations

The District is commended for issuing newsletters to communicate the status of the bond program and for maintaining and keeping current the District's website on the bond program.

## Observations

The District's Director of Capital Accounting, Director of Facilities and Capital Budget Manager regularly produce a Cumulative Report on Expenditures and Budgets and other reports that are provided to the CBOC and posted on the CBOC's website. The Board members interviewed for this audit made positive comments about the progress and changes in the facilities program and the CBOC's dedication and commitment to their role.

## Conclusion

The District is doing an excellent job in providing information to the community regarding its activities and progress in the implementation of the voter-approved bond measures.



# Contacts

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**Total School Solutions Bond Performance Audit Report**  
**For the Fiscal Years 2015-16 and 2016-17**  
**Status of Recommendations as of 3/22/18**

**Item 10**

#	AREA	PG	PG	RECOMMENDATION	Responsibility	Implemented	In Process	Under Review	Reviewed, No Action	Anticipated Completion Date
1	COMPLIANCE WITH DISTRICT POLICIES AND REGULATIONS	4	37	It is recommended that new staff members assigned to perform business functions receive orientation and training in the District's BPs and ARs to ensure understanding and compliance. It is further recommended that all business staff meet periodically to self examine their compliance to the District's BPs and ARs.	All Business Mgrs		1			Annually + New Hire
2	BOND MANAGEMENT PLAN/PROGRAM INCLUDING QUALITY CONTROL	7	51	The District has successfully performed "in-house" all construction administration services, financial recordkeeping, and financial reporting services for all the projects under the bond funded construction program. Recognizing the value of this achievement, it would be worthwhile for the District to consider performing "in-house" the remaining program management services that currently remain with the Program Manager, to save additional money while continuing to provide high-quality service. Remaining program management services include the development and maintenance of master program scopes, schedules and budgets, including cash-flow projections and others. Taking over all program management services from the PM would require the District to hire additional staff with specializations in these areas, if it is determined that those specializations are not currently held by the existing staff.	Facilities/Human Resources		1			6/30/18
3	DESIGN AND CONSTRUCTION SCHEDULES	9	79	It is recommended that a monthly status report covering the Measure Tech-1 bond program be prepared and posted on the District's website, Bond Measures webpage. The report should include the status of procurement, installation and upgrading of technology and networking systems equipment, devices, etc. This report would be provide important information on this bond measures and serve as a tool for disseminating information to staff, the community and other stakeholders regarding the status and progress of the capital improvement program funded by the bond measures.	Information Technology & CapPurchasing		1			4/18/18
4	PROCEDURES FOR CLAIMS AVOIDANCE PROCEDURES	11	89	The District should continue to ensure that the comments generated by the constructability and design coordination reviews are incorporated into the design and construction documents. These reviews improve the design team's ability to deliver accurate design and construction documents, thus resulting in reduced changes to scope, preventing delays and fewer opportunities for contractor claims.	Facilities			1		On-going
5	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	100	The District needs to more timely hire personnel and review the job classifications of staff to ensure that staff performing the work are doing work in concert with their assigned job descriptions. In addition to performing lower level work, the Capital Budget Manager is currently performing additional responsibilities that are not in her current job description. These additional duties resulted from the restructuring of the job responsibilities of the Assistant Director of Capital Accounting to the Director of Purchasing & Capital Accounting. It is important for the well-being and morale of District staff to timely fill job vacancies and for the District to evaluate job descriptions and responsibilities when a restructuring of positions occurs.	Human Resources & Capital Purchasing			1		TBD
6	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	100	The District should review the costs being paid to SGI and others for specific nontechnical functions (scanning, renaming and uploading files to District server) and evaluate potential cost savings if in-house staff performed these non-technical functions.	Facilities			1		On-going till June 30, 2018
7	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	101	The District should research what Construction Project Management software programs are available to provide staff with more tools to better manage construction projects. Currently, the District's Program Manager does not utilize a Construction Project Management software program. A good Construction Project Management system will likely save the District and taxpayers money by improving the scheduling of projects, tracking of costs, and budgeting. The District staff would likely benefit by a better ability to anticipate potential scheduling issues, to view real-time work schedules, and to have better insights on how to save money. Finally, the District would benefit from having improved timing on completion of the construction projects, lower construction costs, and lower escalation costs.	CapPurchasing			1		7/1/18
8	BEST PRACTICES IN BIDDING AND PROCUREMENT	15	113	For the District to have a better chance of receiving bids that are on par with the engineer's estimates, the current construction market trends should be considered in the determination of the best time to go out to bid. Where possible, bids should be deferred to a later date to allow the market to cool down. However, when this is not possible, a review and adjustment of the engineer's estimate, if necessary, should be done before going out to bid.					1	N/A
						0	3	4	1	
						0%	38%	50%	13%	