



**PROPOSITION AA
INDEPENDENT CITIZENS' OVERSIGHT
COMMITTEE MEETING**

Board of Trustees
Joyce Dalessandro
Beth Hergesheimer
Amy Herman
Maureen "Mo" Muir
John Salazar

Superintendent
Rick Schmitt

Union High School District

Independent Citizens' Oversight Committee Members:
Rhea Stewart, Chair, Representative, Lorraine Kent, Secretary, Kim Bess, Clarke Caines, Mary Farrell, Scott Seidenverg, Jeffery Thomas

Supported by the Business Services Division
Eric R. Dill, Associate Superintendent
Fax (760) 943-3508

**TUESDAY, APRIL 28, 2015
6:00 PM**

**DISTRICT OFFICE, TECHNOLOGY LAB, SUITE 206
710 ENCINITAS BLVD, ENCINITAS, CA. 92024**

Welcome to the meeting of the Independent Citizens' Oversight Committee of the San Dieguito Union High School District.

PUBLIC COMMENTS

If you wish to speak regarding an item on the agenda, please complete a speaker slip located at the sign-in desk and present it to the Secretary to the Committee prior to the start of the meeting. When the Committee Presiding Officer invites you to speak, please state your name before making your presentation.

Persons wishing to address the Committee on any bond program-related issue not elsewhere on the agenda are invited to do so under the "Public Comments" item. If you wish to speak under Public Comments, please follow the same directions (above) for speaking to agenda items.

In the interest of time and order, presentations from the public are limited to three (3) minutes per person, per topic. The total time for agenda and non-agenda items shall not exceed twenty (20) minutes. An individual speaker's allotted time may not be increased by a donation of time from others in attendance.

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. They may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda.

PUBLIC INSPECTION OF DOCUMENTS

In compliance with Government Code 54957.5, agenda-related documents that have been distributed to the Committee less than 72 hours prior to the Meeting will be available for review on the Committee website, www.sduhsd.net/ICOC and/or at the district office. Please contact the [Business Services Office](#) for more information.

CELL PHONES / ELECTRONIC DEVICES

As a courtesy to all meeting attendees, please set cellular phones and/or electronic devices to silent mode and engage in conversations outside the meeting room.

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 meetings of the District's Independent Citizens' Oversight Committee, please contact the [Business Services Office](#). Notification 72 hours prior to the meeting will enable the staff to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the staff shall also make available this agenda and all other public records associated with the meeting in appropriate alternative formats for persons with a disability.

**MEETING OF THE INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

SPECIAL MEETING

AGENDA

**TUESDAY, APRIL 28, 2015
6:00 PM**

**DISTRICT OFFICE, TECHNOLOGY LAB, SUITE 206
710 ENCINITAS BLVD., ENCINITAS, CA. 92024**

PRELIMINARY FUNCTIONS (ITEMS 1-3)

- 1. CALL TO ORDER 6:00 PM
 * WELCOME / MEETING PROTOCOL REMARKS..... COMMITTEE PRESIDENT
- 2. PLEDGE OF ALLEGIANCE
- 3. CALL FOR PUBLIC COMMENTS

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Committee may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda. (*See Agenda Cover Sheet*)

DISCUSSION / ACTION..... (ITEMS 4-5)

- 4. FINALIZE DRAFT AND APPROVE THE 2014 ICOC ANNUAL REPORT
 - Motion by _____, second by _____ to approve the ICOC 2014 Annual Report, as per attached supplement.
- 5. ADJOURNMENT OF MEETING

San Dieguito

Union High School District

Proposition AA Independent Citizens' Oversight Committee

2014 Annual Report

May 1, 2015

San Dieguito Union High School District

**710 Encinitas Blvd.
Encinitas, California 92024**

(760) 753-6491

<http://www.sduhsd.net/>

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Dear Community Members,

The Independent Citizens' Oversight Committee of the San Dieguito Union High School District is pleased to present our second annual report. The 2014 Annual report covers activity for the period ending December 31, 2014.

In 2014, the first full year of construction, \$20 million was allocated for projects which were completed for less than \$15 million.

The Committee wishes to thank the District staff and project management team for their support, their detailed updates and transparency of information, not only to the Committee, but to the public.

We welcome your questions and comments. You will find Committee members' e-mail addresses within this report.

For more information about Proposition AA and the ICOC, please visit:

www.sduhsd.net/PropAA

www.sduhsd.net/ICOC

Sincerely,

Rhea A. Stewart

President,

San Dieguito Union High School District Independent Citizens' Oversight Committee



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INTRODUCTION

Proposition AA is a \$449 million bond initiative approved by over 55% of school District voters in November 2012. The purpose of Proposition AA is to "provide safe, modern schools and prepare students for success in college and careers by repairing and upgrading outdated classrooms and schools, construction and upgrading school facilities, including classrooms, science labs, and libraries, improving safety and security, and supporting career training and math, science, and technology instruction with 21st Century instructional technology and facilities."

Proposition AA was passed under the rules of Proposition 39 (passed in November 2000), which requires that the Board of Trustees appoint an Independent Citizens' Oversight Committee (ICOC) to monitor bond expenditures. The ICOC is responsible for providing oversight of the District's use of Proposition AA bond proceeds and reporting to the Board and public on their findings. Specifically, the ICOC will ensure that all funds are used in support of the projects approved by the bond measure and not for unspecified projects, general operating expenses, or teacher salaries. The ICOC will also inspect facilities and grounds, review cost-saving measures, and review the annual independent audits that are required of general obligation bond funds.

For additional information about the ICOC and Proposition AA projects, visit the ICOC page at www.sduhsd.net/ICOC and the Proposition AA page at www.sduhsd.net/PropAA. These sites contain the projects mentioned in this annual report, including the Performance Audit, Project Status, Master Plans, and ICOC actions.

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INDEPENDENT CITIZENS’ OVERSIGHT COMMITTEE (ICOC)

Members of the Independent Citizens' Oversight Committee (ICOC) were appointed by the District's Board of Trustees in February, 2013. All current members’ terms end in 2015. Committee officers were elected at the first meeting on April 16, 2013.

Name	Affiliation	Email Address
Rhea Stewart, President	At-Large Member	rhea.stewart@sduhsd.net
Michael Kenny, Representative	Business Organization Member	michael.kenny@sduhsd.net
Lorraine Kent, Secretary	Taxpayer Association Member	lorraine.kent@sduhsd.net
Larry Lugo	Parent of SDUHSD Student Member	larry.lugo@sduhsd.net
Clarke Caines	Parent and Active in Parent-Teacher Organization Member	clarke.caines@sduhsd.net
Mary Farrell	Senior Citizen Organization Member	mary.farrell@sduhsd.net
Kim Bess	At-Large Member	kim.bess@sduhsd.net
Scott Seidenverg	At-Large Member	scott.seidenverg@sduhsd.net
Jeffery Thomas	At-Large Member	jeffery.thomas@sduhsd.net

ICOC members follow these guidelines:

- Compare the ballot language with actual expenditures and projects of the District. “Do what they promised to do”
- Maintain trust but verify District bond expenditures
- Make sure that the District’s information is transparent and open to the public.
- Review major initiatives and projects
- Understand the District’s priority setting process for Proposition AA projects and hold the District accountable to their obligations.

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LEGAL ROLE OF THE ICOC

The ICOC provides only after-the-fact review and monitoring of how the District spends bond dollars. The ICOC does not have the authority to approve or determine how the bonds funds are spent, rate of taxes collected, bond financing or any role in selection, or participate in any negotiations or bid process for contractors or consultants.

The ICOC is required by law to issue regular annual audit reports of its activities and findings and alert the public to any waste or improper expenditure of school bond money. Upon any allegations of waste or misuse the legislature requires investigation by the appropriate law enforcement officials.

Listed below are the key tools used for actively reviewing and reporting on the proper expenditures of taxpayer's money for Prop AA.

AUDIT OF PROPOSITION AA BOND

Per the Audit Report for the year ending June 30, 2014, there were no findings to report for the Proposition AA Building Fund. See the complete audit report in **Appendix A** or at www.sduhsd.net/Prop AA Audit.

FINANCIAL AUDIT

Senate Bill 423 requires that audits for the preceding year be submitted to the oversight committee by March 31 for its review. Oversight committees are not typically given an opportunity to interact directly with the firm conducting the required audit. For the 2014 audit report, the ICOC committee held a special meeting on March 9, 2015, to receive the audit report and ask questions.

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PERFORMANCE AUDIT

California Education code requires that performance audits must conform to Generally Accepted Government Audit Standards (GAGAS).

Items included:

- Current bond program management/program plan
- Design construction timelines/benchmarks
- Review of project budgets
- Uses of best practices in design and construction
- Payment procedures and processing
- Program management/construction management fees
- Change orders procedures
- Construction delivery methods
- Best Practice procurement
- Evaluation of public outreach
- Transparency

PROPOSITION AA DELIVERY METHOD

Construction projects funded by Proposition AA are accomplished using one of the following methods:

- District Forces: Smaller projects which can be accomplished using district staff or through contracting under existing competitive bids.
- Design-Bid-Build (DBB): The District engages an architect to create plans and specifications which are then the basis of a competitive bid process conducted by the District to hire either a general contractor and sub-contractors or a series of trade contractors who are assigned to a construction manager.
- Lease-Leaseback (LLB): the District engages an architect and a construction manager through a competitive proposal process. The architect drafts plans and specifications in cooperation with the District and the construction manager. The District then leases the construction site to the construction manager who then leases the site back to the district for a guaranteed maximum price which represents the cost of construction.

In the ICOC's evaluation of the District's implementation of the LLB delivery method to date, we believe that the District has accepted recommendations and best practices related to the LLB delivery method. We encourage the District to continue to monitor what other districts are doing to improve their process and to enhance transparency of the processes and information to their constituents.

The ICOC does not find any reason at this time to disagree with the District's use of the LLB delivery method. The significant advantage that the LLB method affords the District

Proposition AA Independent Citizens' Oversight Committee 2014 Annual Report

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is that it establishes a Guaranteed Maximum Price (GMP) for the projects and minimizes the time associated with administering changes. Additionally, the construction manager in a LLB is responsible for any project delays, so there is an incentive for the builder to deliver the project on schedule. Since the current and near-term projects are coupled very tightly with the academic calendars at the affected schools, it is imperative that execution of the projects be completed on or before their scheduled completion dates. In addition to cost impacts for delaying projects the adverse impact to student and faculty at the schools would be very difficult to assess and work around.

An often litigated issue regarding the use of the LLB method relates to the authorization granted by the California Education Code. Specifically, Section 17406(a) allows school districts to enter into Lease-Leaseback agreements without advertising for bids. The concerns surrounding this authority relates to the possibility that school districts will not receive the lowest price, and that the process lends itself to accusations of favoritism or improprieties. At our January 2015 meeting, the ICOC confirmed with the District's Associate Superintendent of Business Services, Eric Dill, that the District issues requests for proposals for construction managers and conducts a competitive process to select the District's LLB partners on a best value basis, and not necessarily the lowest bid basis. The ICOC finds this practice to be consistent with the methodology traditionally employed with the Design-Build delivery method and is a recommended best.

Another concern discussed in the media relates to the fact that LLB contractors are not required to competitively bid trade subcontractors. As a result, the project may not be getting the best price and the difference is being passed on to the District under the provisions of the Facilities lease, which obligates the District to pay for costs incurred by the LLB contractor up to the Guaranteed Maximum Price for the project. At our January 2015 meeting, the ICOC confirmed with Eric Dill that the District has included provisions in its Lease-Leaseback agreements that require the LLB contractor to obtain three to five competitive bids per trade contract, and that those bids are conducted under the supervision of District staff. The construction manager's Final Maximum Price is then established as the low-bid trade contracts along with the Lease-Leaseback fees and general conditions, which are also based on the low-bid amounts.

While the District's Proposition AA web page includes a link to its prequalification criteria for prospective mechanical, electrical and plumbing (MEP) contractors, and its list of pre-qualified MEP contractors, it does not include any pre-qualification information for LLB contractors or architectural firms. The current ICOC will recommend to the incoming ICOC that they work with the District to expand the amount of LLB related information that is available on the website.

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ICOC ACTIVITIES IN 2014

The Committee reviews plans, timelines, budgets, change orders, and management processes as a standing practice at each meeting.

The first meeting of the calendar year was held on **January 21, 2014** at Oak Crest Middle School. The Committee received a report about an error on the annual tax assessment and the solution to the issue. The Committee was updated on the status of the 2013 performance and financial audit. After an update on the project and budget reports, ICOC members toured Oak Crest's science classrooms. The Committee established upcoming meeting dates of April 1, 2014, July 8, 2014, October 7, 2014, and January 13, 2015.

At the meeting on **April 1, 2014**, The Committee met at San Dieguito High School Academy. The Committee received the report regarding two Proposition AA community updates from Associate Superintendent of Business Services Eric Dill. Wilkinson Hadley King & Co. audit manager Mike Mears reviewed the 2012-2013 independent auditor's report. The Committee toured locations at SDHSA for the proposed math and science building. District staff reported on change orders, planned 2014 projects, and the first bond draw budget and commitments summary. The 2013 ICOC annual report drafts were shared and a timeline for completing the report for Board presentation was arranged.

A special meeting was held on **April 16, 2014** at the District Office so that the Committee could finalize the draft of the 2013 ICOC annual report.

The Committee met on **April 22, 2014** at the District Office for the final review of the 2013 ICOC report. A motion was made and carried to approve the report with proposed amendments. The report was presented to the Board at the **May 1, 2014** meeting, where the Board unanimously approved to accept the report.

Committee representatives were present at the groundbreaking ceremony for Middle School #5 on **June 10, 2014**. Pacific Trails Middle School was approved as the official name for Middle School #5 by the Board on **November 13, 2014**.

At the **July 8, 2014** meeting at the District Office, Associate Superintendent of Business Services Eric Dill reported that all summer Proposition AA projects were under way and moving along as planned. Superintendent Rick Schmitt discussed the District's high school selection process and outlined the short, intermediate, and long-term solutions for the process. District staff reported on projects and budgets, including a detailed review of summer 2014 projects. The Committee discussed the upcoming special

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meeting for October 6, 2014, when the Committee would join the Board on a bus tour of Proposition AA projects.

The Committee joined the Board and District staff on a tour of Proposition AA Fall projects on **October 6, 2014**. The tour included La Costa Canyon High School, Diegueno Middle School, Earl Warren Middle School, Torrey Pines High School, Pacific Trails Middle School, and Canyon Crest Academy.

Associate Superintendent of Business Services Eric Dill led the **October 7, 2014** meeting at the District Office with a discussion about the Taxpayers Association's reporting of districts in San Diego County and their compliance with best practices. He addressed the District's process in the search for a financial advisor in anticipation of the next bond series. District staff reported on projects and budgets, which included a review of completed projects, projects in progress, and total costs savings of the first bond draw. The Committee heard about the District's amendment to the conflict of interest policy and its impact on Committee members. Given the April 2105 end of term, members were asked to email President Rhea Stewart or Associate Superintendent of Business Services Eric Dill with their interest in serving another term on the Committee.

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FIRST BOND DRAW BUDGET AND COMMITMENTS SUMMARY

This is the overall Proposition AA bond program budget for 2013-2014.

Project Sites	Budget	Commitments	Delta
Pacific Trails MS (formerly MS #5)	\$ 52,529,244.00	\$ 13,257,792.27	\$ 39,271,451.73
Carmel Valley MS	\$ 457,392.00	\$ 463.59	\$ 456,928.41
Earl Warren MS	\$ 1,685,791.00	\$ 1,847,000.00	\$ (161,209.00)
La Costa Valley MS Site	\$ 15,531,957.34	\$ 839,597.00	\$ 14,692,360.34
Diegueno MS	\$ 3,164,090.80	\$ 2,056,800.46	\$ 1,107,290.34
Oak Crest MS	\$ 5,151,609.00	\$ 2,664,200.57	\$ 2,487,408.43
Canyon Crest Academy	\$ 20,062,733.00	\$ 5,246,142.96	\$ 14,816,590.04
Torrey Pines HS	\$ 13,651,928.00	\$ 2,190,204.45	\$ 11,461,723.56
San Dieguito Academy	\$ 27,716,303.03	\$ 5,299,489.61	\$ 22,416,813.42
La Costa Canyon HS	\$ 13,402,972.59	\$ 3,550,553.84	\$ 9,852,418.75
DW Tech Infrastructure	\$ 5,373,507.99	\$ 3,092,244.00	\$ 2,281,263.99
QSCB - 3 yr. option	\$ 2,294,071.36	\$ 765,588.24	\$ 1,528,483.12
Administration	\$ 2,792,632.00	\$ 1,046,408.60	\$ 1,736,223.40
Subtotal Expense Budget	\$ 163,814,232.11	\$ 41,856,485.59	\$ 121,947,746.52
Project Funding			
Prop AA Project Fund	\$ 157,935,639.78		
North City West Funding	\$ 4,835,697.00		
Estimated Interest Earnings - Yld. .58%	\$ 1,167,964.65		
Subtotal Funding Budget	\$ 163,939,301.43		
Excess/(Shortage of) Funding	\$ 125,069.32		

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COMPLETED PROJECTS 2014

Project	Delivery Method	Budget	Actual Expenses	Savings
CVMS Media Center	District Forces	\$ 457,392.00	\$ 180,411.15	\$ 276,980.85
DNO Phase 2 - Media Center	CM Low Bid	\$ 3,634,837.04	\$ 3,009,512.09	\$ 625,324.95
LCC Phase 2 - Media Center	GL Low Bid	\$ 7,230,509.80	\$ 4,919,423.77	\$ 2,311,086.03
OCMS Phase 2 - ADA Ramp/C-Smart & Art Classroom Modernization	CM Low Bid	\$ 4,534,192.62	\$ 2,762,788.15	\$ 1,771,404.47
SDA Phase 2 - Bleacher Project	*LLB	\$ 3,288,744.89	\$ 2,866,120.37	\$ 422,624.52
Technology Upgrades - DNO, CVMS	District Forces	\$ 1,259,931.68	\$ 1,046,763.38	\$ 213,168.30
Subtotals		\$ 20,405,608.03	\$ 14,785,018.91	\$ 5,620,589.12

Examples of 2014 savings include, but are not limited to:

- Competitive bids contracted below initial construction cost estimates.
- Project savings achieved through value engineering.
- Contingency budgets and proposed change orders are reviewed by District staff to hold contractors to original budgets.
- Unused contingency budgets are returned to the District at project close-out for use on other projects.

ONGOING PROJECTS AS OF DECEMBER 2014

Project	Delivery Method	Bond Series	Est. Start Date	Estimated Budget
CCA Phase 2 Stadium Improvements	LLB	A	4/14	\$16,131,723.00
EWMS Campus Reconstruction	LLB	A	7/15	\$800,000.00
EWMS Interim Housing	LLB	A	4/15	\$4,732,785.00
EWMS Server Room	LLB	A	6/14	\$6,412,225.00
LCV Fields	LLB	A	3/15	\$11,532,803.58
OCMS Slope, Drainage, Media Center Improvements	LLB	A	6/15	\$516,000.00
PTMS (formerly MS #5)	LLB	A	5/14	\$52,529,244.00
SDA Phase 2 Interim Housing/Tennis Courts/Math & Science Bldg.	LLB	A	4/15; 6/15	\$20,982,024.72
TPHS B Building Modernization	LLB	A	4/15	\$900,000.00
TPHS Fieldwork, Weight Room, Fire Rd/Lights, Science Bldg.	LLB	A	4/14; 6/14	\$11,861,649.56
CCA B Building New Construction	LLB	B	6/16	\$11,451,854.79
EWMS Campus Reconstruction	LLB	B	7/15	\$41,412,585.98
LCC HVAC 200, Theatre, Gym; 800/900 Minor Renovations	District Forces	B	6/15; 6/16	\$1,868,967.88
OCMS Slope, Drainage, Media Center Improvements	LLB	B	6/15	\$3,963,411.27
SDHSA Art, Soc. Science, English Bldg.	To be determined	B	6/17	\$24,536,348.44
TPHS B Building Modernization	LLB	B	4/15	\$21,169,597.40

* LLB - Lease/Leaseback

OVERVIEW OF 2014 PROJECTS, BY SCHOOL

The following represents the status of the projects under ICOC oversight upon publication of this annual report.

For more information about each site's projects, and to view photos from 2014 work, visit www.sduhsd.net/PropAA.

CANYON CREST ACADEMY

- Natural turf field improvement project – **in progress**
- Stadium seating, concessions, and restroom building planning and design – **in progress**
- Baseball and softball diamonds relocation – **in progress**

CARMEL VALLEY MIDDLE SCHOOL

- Network infrastructure upgrade to fiber-optic cabling and campus-wide Wi-Fi access – **completed**
- Media Center renovation – **completed**

DIEGUENO MIDDLE SCHOOL

- Front entrance improvements, parking lot & drop off redesign, network infrastructure upgrades – **completed**
- Media Center renovation planning and design – **completed**

EARL WARREN MIDDLE SCHOOL

- Campus reconstruction, new network operations center, utilities upgrades – **in progress**
- Redesign of Warren Hall with shared-use spaces for the County Library planning and design – **in progress**

LA COSTA CANYON HIGH SCHOOL

- Installations of current District-standard audio-visual technology in selected classrooms – **completed**
- Media Center renovation – **completed**

LA COSTA VALLEY SITE

- Planning, design, and geotechnical survey of property in preparation for athletic field, parking lot, and restroom building construction – **in progress**

PACIFIC TRAILS MIDDLE SCHOOL

- First phase of campus construction of classrooms, media center, multi-purpose room, gymnasium, food service, and administration, track & fields for 500-student enrollment – **in progress**

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NORTH COAST ALTERNATIVE HIGH SCHOOL

- No activity

OAK CREST MIDDLE SCHOOL

- Art and C-SMART classroom renovations and field accessibility improvements – **completed**

SAN DIEGUITO HIGH SCHOOL ACADEMY

- Stadium bleachers replacement – **completed**
- Planning and design of two-story math and science building, replacement of tennis courts – **in progress**
- Preparation for interim classrooms for future projects – **in progress**

SUNSET HIGH SCHOOL

- No activity

TORREY PINES HIGH SCHOOL

- Construction of new chemistry building and new weight room – **in progress**
- Planning & design for renovations of B Building classrooms – **in progress**

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APPENDIX A

2014 AUDIT REPORT

The San Dieguito Union High School district Proposition AA Building Fund General Obligation Bonds Audit Report dated June 30, 2014 follows. The report can also be found at www.sduhsd.net/ICOC/Prop AA Audit.

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