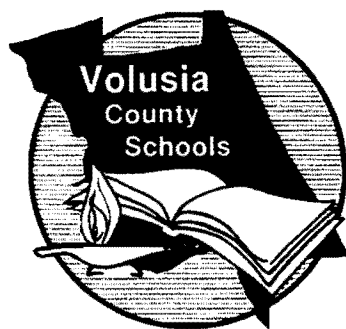


School District of Volusia County

Project Oversight Committee Report

Fiscal Year Ending June 30, 2003



School Board of Volusia County

Mrs. Vicki Bumpus, Chairman
Mr. Earl C. McCrary, Vice Chairman
Ms. Judy L. Andersen
Ms. Judy Conte
Ms. Candace Lankford

Superintendent of Schools

Mr. William E. Hall

Through the individual commitment of all, our students will graduate with the knowledge, skills, and values necessary to be successful contributors to our democratic society.

Volusia County School District
Project Oversight Committee Report
Fiscal Year ending June 30, 2003

The School Board of Volusia County, Florida
Project Oversight Committee Members - June 30, 2003

Ms. Garrette Covington, Management Consultant
Covington & Associates, Inc., Daytona Beach, Florida
Term ends: December 31, 2004

Mr. Thomas Ewart, Retired Architect
Retired School Administrator, Deltona, Florida
Term ends: December 31, 2004

Mr. Jeffrey Malmborg, President
Jeff Malmborg Construction Co., Inc., DeLand, Florida
Term ends: December 31, 2006

Mr. Leonard Marinaccio III, Chief Financial Officer
Bomar Construction, Inc., Ormond Beach, Florida
Term ends: December 31, 2006

Mr. Kenneth Parker, City Manager
City of Port Orange, Port Orange, Florida
Term ends: December 31, 2004

Mr. Adelson Ramos, President
Architectural Animation and Design, Inc., Ormond Beach, Florida
Term ends: December 31, 2006

Mr. William C. Kelly, Jr., Assistant Superintendent for Financial Services
Volusia County School District, DeLand, Florida
Term ends: At Will

Project Oversight Committee's Meeting Schedule

- October 29, 2002, Campbell Middle School, 3:00 PM
- December 13, 2002, DeLand Administration, 1:00 PM
- March 7, 2003, Facilities Services Building, 3:00 PM
- March 19, 2003, Facilities Services Building, 3:00 PM
- April 16, 2003, DeLand High School, 3:00 PM
- May 21, 2003, Facilities Services Building, 3:00 PM
- June 26, 2003, Facilities Services Building, 1:30 PM
- July 9, 2003, Facilities Services Building, 1:30 PM

Table of Contents

<u>Description</u>	<u>Page No.</u>
Introduction	4
Revenues and Debt Management Tools	5
Expenditures	7
Schedule Revisions	8
Progress/Status	14
Implementation of Prior Year Recommendations	15
Recommendations	17
Conclusion	19
Report of Sales Tax Collections – Actual to Original Projections	21
Report of Sales Tax Sources and Uses	22
Ten Year Construction Schedule	23
Project Status Report	27
Project Status Report – Changes in Scope	32

INTRODUCTION

On October 9, 2001, the voters of Volusia County approved a referendum adopting a half-cent sales tax (the Referendum) for fifteen years, effective January 1, 2002, to fund the Volusia School District Board (the School Board) approved ten-year plan to construct certain identified educational facilities. The Referendum placed before the voters established a Project Oversight Committee (the Committee). The Committee was charged with the responsibility of reporting on the implementation, progress, status and completion of the sales tax construction projects listed within 90 days of the end of each fiscal year. The Committee was established in the Referendum to provide additional assurance to the citizens that the School Board is meeting its commitments and obligations related to improvements promised during the 2001 election.

This is the second annual report of the Committee and is being filed consistent with the requirements of the Referendum. Because of the requirement to submit a report within 90 days after the end of the fiscal year of the School District of Volusia County (The School District), this report covers the first two fiscal years of activity ending June 30, 2003.

Included in this report is information regarding current status of projects funded by sales tax including changes in scope as well as timeline fluctuations. The report also encompasses progress made on prior year recommendations.

REVENUES AND DEBT MANAGEMENT TOOLS

(See Report of Sales Tax Collections – Actual to Original Projections, page 21)

The School Board staff estimated sales tax collections from January 1, 2002 through June 30, 2003 to be \$28,799,237.42. The actual sales taxes collected during this period were \$38,123,922.80. The excess of actual over projected collections was \$9,324,685.38, approximately 32% over projections. Collections recognized in this fiscal year total \$27,917,430, with the School District's financial statements for the fiscal year ended June 30, 2003, report \$29,497,203 in sales tax revenues; the difference is attributable to accruals for April, May, and June 2003 revenues. Investment earnings on sales tax collections and bond proceeds through June 30, 2003 were \$2,413,540.

While the District continues to see a trend of increased collections in the second year, there are no assurances that this trend will continue in future years. Any collections that exceed projections will be added to the amounts set aside for contingencies. In addition to meeting unforeseen costs on projects, these funds will be used for site acquisition and site improvements on listed sales tax projects. Any amendment to the adopted project list will require legal notice and a public hearing before the School Board prior to any action by the board.

In order to take advantage of the historically low interest rate environment, the School Board entered into an interest rate swap agreement with Salomon Brothers Holding Company, Inc. ("SBH"), expressed as a Fixed Spread

Basis Swap. The School Board entered into this agreement as a tool to manage interest costs associated with the Series 2002 Sales Tax Revenue Bonds. The agreement provides that the district will make payments at a variable rate based on the Bond Market Associate Municipal Swap Index ("BMA") less a fixed spread to SBH, and SBH will make payments at a variable rate based on USD Libor-BBA (Libor) to the District. At June 30, 2003, the termination value of this swap agreement is \$(589,000) and the accrued benefit is approximately \$23,800 for the period from inception of the transaction in March.

District staff report that the termination value of the swap will vary as (i) interest rates increase and decrease and (ii) the relationship between taxable and tax-exempt interest rates changes. In the current environment of historically low interest rates and historically high relationship between tax-exempt and taxable securities, the termination value is negative. However, even a modest increase in long term interest rates will move the termination value in the District's favor.

The District does not intend to terminate the swap, much like a long-term investment, so positive or negative changes in termination value are not material. The primary purpose of the transaction is to reduce net debt service payments as has occurred during the first three months.

The School Board approved a resolution in late June, to allow the Board to enter into an agreement with a financial institution for a Line of Credit. This will allow the School Board to finance certain educational facilities, without the issuance of additional debt. This is another debt management tool used

to minimize interest expense, while continuing to provide the district a vehicle to enter into construction contracts and encumber the needed funds.

EXPENDITURES

(See Report of Sales Tax Sources and Uses, page 22)

During the period ending June 30, 2003, the School District expended \$26,032,006, including \$7,628,958 in debt service costs of sales tax funds. As noted later in this report, the reuse of plans, as well as the current construction-bidding environment has provided the District with opportunities to construct schools at a lower cost than four years ago. Land acquisition and off-site improvements on sales tax projects have been funded using contingency funds. The District anticipates utilizing sales tax funds for land acquisitions and off-site improvements for Elementary Y, Elementary V, Elementary Z and High School DDD or other projects where a site is not already owned.

The District paid \$7,628,958 in interest expense on the Series 2002 Sales Tax Revenue Bonds during fiscal year 2003. In fiscal year 2004, the debt service expense will be \$14,358,607.50, including \$8,020,000 in principal payments.

As of June 30, 2003, the School District has \$151,980,334 available in sales tax funds for construction projects.

SCHEDULE REVISIONS

(See Ten Year Construction Schedule, page 23)

The fiscal year 2002-03 witnessed substantial and visible gains in the 10-year construction program as months of planning came to realization through contracts and subsequent construction. T.T. Small Elementary, Daytona Beach addition was completed in February. Campbell Middle School, Daytona Beach is nearing completion and will be ready for occupancy this fall. Seabreeze High School, Daytona Beach, Phase III is complete and DeLand High, DeLand, Phase III is well underway. The groundbreaking for the new Mainland High School in Daytona Beach was April 30, 2003 and the construction progress is highly visible to the public, along International Speedway Boulevard in Daytona Beach.

Once earthwork begins on Middle "GG", Daytona Beach, located on Clyde Morris Boulevard, another segment of the general public will see the impact of their support of the half-cent sales tax. Other projects making substantial progress, but less visible, are Elementary "W" in Deltona and the addition to Volusia Pines Elementary, Lake Helen. Site plan issues have been resolved in New Smyrna Beach, Orange City and Pierson to allow other construction projects in those jurisdictions to proceed. Two possible sites have been identified and are under option for new High School "DDD", one in DeBary and one in Orange City, with a decision expected in August.

The time needed for advertising the bids, awarding of bids by the board, and execution of contracts (approximately three months) is incorporated in "Planning." The time allotment for receiving and installing furniture and equipment and actual move-in is incorporated into the "construction" portion

of the schedule. This can require from six weeks to three months depending on school size.

New Smyrna Beach High School, New Smyrna Beach - anticipated completion date has been rescheduled from October to December 2005. The schedule was amended to allow modifications in the plans at staff members' requests and for permitting. Construction is scheduled to begin in September 2003.

DeLand High School, DeLand – Phase III construction began on the auditorium building as projected in August 2002. Planning difficulties continued throughout the year and construction began on the renovations of the older classroom buildings in February 2003. Completion is projected for December 2004 for all construction.

Mainland High School, Daytona Beach – construction began in May, two months later than originally projected; however, the project is still on schedule for the original completion date of May 2005.

Campbell Middle, Daytona Beach – construction began as projected. Completion is scheduled for August 2003 with occupancy occurring in the fall. Demolition of the remaining buildings and redevelopment of the site are to follow with completion projected for spring 2004.

T.D. Taylor Middle/ High, Pierson - Construction is now scheduled to begin in January 2004. Site issues, as well as reconciling budget and design have

affected the planning schedule. Completion of the entire project is projected for May 2006.

Middle School "GG, Daytona Beach – the construction schedule was affected by bidding complications, which necessitated a re-bid. The contract completion date is scheduled for December 2004 with occupancy to follow. This is six months earlier than original projection.

Elementary "X", Orange City – construction is scheduled to begin in September 2003 with completion in fall 2004 and occupancy to follow. The schedule has been affected by complications in utility design and acquiring sanitary sewer line easements.

Elementary "W", Deltona – construction began in May 2003. Construction completion and occupancy remain scheduled for summer 2004.

Deltona High School heating, ventilation and air conditioning (HVAC) project, Deltona – construction began in June 2003, six months later than originally projected due to the complexity of planning issues. It is scheduled for completion in January 2005. The project includes replacement of the HVAC system school-wide. Only a portion of this project is funded by sales tax, the balance is funded through other district funds.

Chisholm Elementary School, New Smyrna Beach – renovation to buildings 8 and 9 has been completed. The balance of the campus will be addressed in phases to accommodate the school calendar. Completion is scheduled for December 2004.

Volusia Pines Elementary School, Lake Helen – construction began in January 2003, three months ahead of schedule. Completion is projected for October 2003.

Tomoka Elementary School, Ormond Beach – construction has been rescheduled from February 2003 to begin in November 2003 due to planning issues. Completion is now scheduled for August 2004.

High School “DDD”, Southwest Volusia – this project has been accelerated in response to overcrowding at three southwest high schools. Deltona High, Pine Ridge High School, both located in Deltona, and DeLand High School DeLand have approximately 1,500 students combined, over capacity. This is a high growth area and it was determined that High School “DDD” was a priority.

Site search is in progress with two sites under option by the board with a decision planned in August 2003. Planning is scheduled to begin in October 2003 with construction beginning, at the earliest, in April 2005 for a completion date of June 2007. This schedule may be revisited, as the site issues are more clearly defined.

Southwestern Middle School, DeLand – the site improvements have been completed. The renovation project that includes air conditioning the gym, converting a classroom to a technology lab and electrical upgrades are in planning. Defining the scope of the project in combination with the federal grant for ADA compliance has been challenging. Construction is scheduled for completion March 2005.

Blue Lake Elementary School, DeLand – the ceiling and lighting replacement project has been rescheduled for March 2004 to avoid conflict with projects funded by other district funds. Once that construction is concluded, the ceiling and lights will proceed in June 2004.

Bonner Elementary, Daytona Beach - HVAC project installation has been rescheduled for summer 2004 for school schedule coordination purposes.

Alternative Education for SW Volusia – the Daytona Beach Community College, Highbanks Facility, in DeBary has been selected as the site for alternative education in the southwest. This property was scheduled to close by June 30, 2003, with minor renovations in fall 2003. As of the date of this report, the sale of property has not closed. It should be ready for occupancy by January 2004, two years ahead of schedule.

Coronado Elementary School, New Smyrna Beach – the upgrade of electric and air conditioning replacement has been rescheduled to coordinate with another district-funded project on campus. Construction should begin in May 2004.

Galaxy Middle School, Deltona – the science classroom improvements have been rescheduled for construction summer of 2004 from summer 2003. This was for planning purposes.

Read-Pattillo Elementary School, New Smyrna Beach – the replacement of windows and doors has been rescheduled from May 2003 until May 2004 for planning purposes.

Sunrise Elementary School, Deltona – the extension and connection with central sanitary sewer has been rescheduled for planning in January 2004 with construction beginning in January 2005. This is one year later than original schedule but should coincide with other work being performed on the utility system in the area.

Holly Hill Middle School, Holly Hill – the schedule for replacement of Holly Hill Middle has been revised from June 2003 to have planning begin in May 2004. This project was rescheduled to coincide with anticipated revenue availability due to the acceleration of new High School “DDD.”

Alternative Education for Southeast Volusia – the project schedule has been revised to begin summer 2004 from August 2003 for planning purposes. The acquisition of the SW Alternative Education property will be the focus for meeting the needs of Alternative Education this coming fiscal year.

Hurst Elementary School, Holly Hill – the replacement of Hurst Elementary was deferred for one year due to anticipated revenue availability. This schedule change is also in response to the acceleration of High School “DDD.”

The balance of the schedule remains essentially unchanged. Many of the revisions were in response to conditions outside the control of the School

Board, such as permitting by outside agencies and are typical in construction projects of this nature. The original schedule is used as a planning and tracking tool and is changed to accommodate changing priorities and development challenges. The program remains well on track for completion by 2011.

PROGRESS/STATUS

(See Project Status Report, page 27 and Changes in Scope, page 32)

In the second year of the 10-year program, substantial and visible progress has been made as evidenced by the attached report. Over \$100 million in construction contracts have been awarded this fiscal year. An additional \$8 million has been completed with the conclusion of the final site work at Seabreeze high School in Daytona Beach. The accompanying report is more detailed as to activities at each site.

The highlights of the year were the completion of Seabreeze High School Phase III, Daytona Beach; the beginning of construction at Mainland High School, Daytona Beach; construction starts at Volusia Pines Elementary, Lake Helen; Elementary "W" in Deltona; completion of T.T. Small Elementary, Daytona Beach addition; near completion of Campbell Middle, Daytona Beach and beginning the auditorium and renovation portion of DeLand High School's Phase III.

Plans for construction of Elementary "X" in Orange City and the replacement for New Smyrna Beach High School in New Smyrna Beach

have been finalized and were advertised for bid in June 2003. The bidding climate continues to result in favorable bids for the district.

The committee held meetings at Campbell Middle School in Daytona Beach and DeLand High School in DeLand this year. These meetings included a tour of the construction site and discussions with the district's project manager and other job personnel. The committee received information related to specific program and construction decisions as well as observation of the quality of the work. Next year will include more site visits as construction progresses. The committee was favorably impressed with the technical knowledge of the staff and the quality of workmanship on each job.

In addition to major construction projects listed above, 21 of 44 schools now have new playground equipment for both intermediate and primary age students.

IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The District has developed a public information program to provide the citizens of Volusia County with information about the status of the sales tax construction projects, as well as provide an opportunity for input. The District has followed up on last year's recommendation in several ways.

- Speaker's Bureau – Several District representatives, including Mr. Bill Kelly, Assistant Superintendent for Financial Services, Ms. Patricia Drago, Executive Director of Facilities and Mr. Tom Besaw, Coordinator of Career and Technical Education, have given

presentations to several organizations including DeLand Business Partners, Career Connection, Daytona Beach Chamber of Commerce, Leadership DeLand, Ormond Beach Rotary, Volusia Manufacturer's Association, District Advisory Council, Teachers' Advisory Council and several schools' School Advisory Councils.

- Both Mr. Kelly and Ms. Drago have appeared on television with Spotlight on Volusia County Schools, Volusia County Administration and other local television shows taped for Station WCEU-15.
- Ms. Drago provided an update regarding sales tax funded projects on WNDB Radio Station and Mr. Kelly has interviewed with Mr. Bill Schuman, a radio news broadcaster.
- Several joint meetings held with the School Board and local cities have addressed sales tax project issues, including the impact on infrastructure and surrounding areas, relative to individual projects.
- Ms. Saralee Morrissey and Ms. Drago appeared before local government planning agencies and elected officials on numerous occasions during the planning process.
- The School Board continues to maintain and improve a website dedicated to the half-cent sales tax. The website address is www.volusia.k12.fl.us/CustomerService/half_cent_sales_tax.htm
- Signage is being developed that will be placed at each school site benefiting from sales tax funds, identifying the project as a sales tax funded project.

Both Middle "GG" and Elementary "W" will be used for benchmarking against their predecessor's prior construction costs and measured against schools under construction by other districts. The criteria will be price,

quality, effectiveness and efficiency. Because both schools are a re-use of plans, detailed inflationary costs and cost of delivery method will be available. After occupancy of a new facility, the occupants will be surveyed for their opinion as to efficiency and productivity. These will be included as a measure of effectiveness.

RECOMMENDATIONS

The committee recommends to the School Board that it continue to exercise caution in anticipating that sales tax collections exceed original projections. Every indicator shows that original projections were very conservative; however, it is premature to expand the project list or scope of current projects.

The School Board has benefited from a very competitive construction-bidding climate as evidenced by the construction bids for Middle "GG" located in Daytona Beach and Elementary "W" located in Deltona. Both of these projects are reuse designs from prior schools with little modification. The bid for Elementary "W" is \$313,414 less than the cost to construct this school in 1999. Middle "GG" is \$1,514,800 million less than the cost of construction in 1999. The committee urges the district to continue to take advantage of the current construction bidding climate to the extent possible because the savings realized today may be needed to offset increased costs in the future.

The committee recognizes that some of the renovation and replacement projects appear to be running over projected budgets. While this may be typical of renovations, the committee wishes to caution the School Board

regarding scope changes that increase the budget and use of contingency funds for items not originally within the project scope.

The committee also urged caution regarding any revisions in schedule. We are concerned that over time, projects to meet the needs of growth could result in the delays in replacement and renovation projects. The committee is convinced that many voters supported projects to improve existing school conditions. The committee is very concerned that facility needs in all areas of the county be equitably addressed, both growth and replacement.

The committee expressed its concern regarding the impact of the Class Size Reduction constitutional amendment and the enabling legislation on the ten-year building program. The committee encourages the School Board to keep Volusia County citizens informed about the impact Class Size Reduction will have on the stated goal of reducing portable classrooms by 70%. It was also recognized that the prototype plans for elementary and middle schools will need to be revised in recognition of more, smaller classrooms. New High School "DDD" and New Elementary "V" will probably be the first schools designed to meet Class Size Reduction criteria.

The committee recommends that the School Board inform the Governor, Legislature and Florida Department of Education of the impact that the Class Size Reduction amendment will have on achieving the objectives of the Sales Tax Referendum. In addition to the impact on educational services delivery, the stated goal of reducing portables by 70% seems unattainable with the addition of classrooms needed to implement for Class Size Reduction.

CONCLUSION

The Project Oversight Committee was established to provide additional assurance to the citizens that the School Board is meeting its commitments and obligations related to improvements promised during the 2001 election. The Referendum charges the Committee with the responsibility of reporting on the implementation, progress, status and completion of the sales tax construction projects listed. The Project Oversight Committee held seven public meetings during the 2003 fiscal year. The meetings held continue to acclimate the committee members to the District's policies and procedures, develop an effective monitoring process, as well as complete an annual report on the District's implementation, progress, status and completion of sales tax projects. Notes were kept of each meeting. The meetings were held at various locations, including recently completed project sites to provide committee members with first-hand experience of the School Board's construction product.

The \$103 million in construction projects contracts awarded this fiscal year has had a significant impact on Volusia's economy. Although there is no requirement for local participation, a review of the list of subcontractors on current projects indicates that local subcontractors who employ residents of Volusia County perform approximately 70% of the work. The building program provides a dual benefit, the taxpayers receive the benefit of improved educational facilities for our children and provides stimulus to the local economy and job market.

The Committee commends the District staff for their responsiveness and the clarity and quality of materials presented to the Committee. The Committee is impressed with the manner in which the Facilities Division has handled the additional workload of such an ambitious building program with only minor changes in staffing. The quality of planning and depth of the organizational commitment of the Division is apparent in how smoothly the projects are progressing. The Facilities leadership team has repeatedly demonstrated the ability and willingness to adapt to the changing circumstances they face. We have also been impressed with their knowledge of the county and the thoughtful consideration given to the varying needs and goals of the diverse communities impacted by the construction projects in their neighborhoods.

Based on the facts and information provided by the School Board, the onsite observation of construction sites, and of district personnel the Committee was able to reach a conclusion on the progress of the half-cent sales tax ten-year construction program. The level of accomplishment observed in the second year of the building program reinforces the confidence the committee has that the School Board is making the progress necessary to meet the ten-year construction schedule approved by the Board and the Committee has confidence in the ability of the District staff to complete the construction program.

SCHOOL DISTRICT OF VOLUSIA COUNTY

Project Oversight Report

Sales Tax Collections - Actual to Original Projections

June 30, 2003

	Actual Collections	Projected Collections	Difference	Date Received
January	\$ 2,414,115.67	\$ 2,034,989.93	\$ 379,125.74	April 2002
February	2,508,746.13	1,702,991.94	805,754.19	April 2002
March	3,199,653.67	2,152,945.79	1,046,707.88	May 2002
April	2,083,977.75	2,161,774.08	(77,796.33)	June 2002
May	2,173,344.14	1,916,682.74	256,661.40	July 2002
June	2,683,416.71	1,884,204.30	799,212.41	August 2002
Subtotal	15,063,254.07	# 11,853,588.78	3,209,665.29	FYE 2002
July	2,499,681.19	1,901,635.64	598,045.55	September 2002
August	2,202,297.14	1,768,109.96	434,187.18	October 2002
September	2,624,607.55	1,827,627.47	796,980.08	November 2002
October	2,160,820.51	1,731,356.71	429,463.80	December 2002
November	2,162,309.09	1,768,109.96	394,199.13	January 2003
December	3,053,310.98	1,793,002.96	1,260,308.02	February 2003
January	2,740,721.19	2,145,366.82	595,354.37	March 2003
February	2,681,363.40	1,773,277.18	908,086.22	May 2003
March	2,935,557.68	2,237,161.93	698,395.75	June 2003
Subtotal	23,060,668.73	# 16,945,648.64	6,115,020.09	FYE 2003
Total	\$ 38,123,922.80	\$ 28,799,237.42	\$ 9,324,685.38	

SCHOOL DISTRICT OF VOLUSIA COUNTY

**Project Oversight Report
Sales Tax Sources and Uses
June 30, 2003**

<i>Sources</i>	Current Year	Prior Year	Total
Sales Tax Collections	\$ 27,917,430	\$ 10,206,493	\$ 38,123,923
Bond Proceeds	-	150,344,068	150,344,068
Unrestricted Interest	2,413,540	979,796	3,393,336
Restricted Interest	47,588	20,041	67,629
<i>Total Sources</i>	<u>30,378,558</u>	<u>161,550,398</u>	<u>191,928,956</u>
<i>Less: Uses</i>			
Land Acquisition and Site Improvements	4,498,957	3,324,077	7,823,034
Design Services	4,845,667	877,920	5,723,587
Construction Services	7,012,034	1,188,001	8,200,035
Furniture, Fixtures and Equipment	440,777	-	440,777
Facilities Management	1,605,613	514,007	2,119,620
Debt Service	7,628,958	-	7,628,958
<i>Total Uses</i>	<u>26,032,006</u>	<u>5,904,005</u>	<u>31,936,011</u>
<i>Excess (Deficit) of Sources over Uses</i>	<u>\$ 4,346,552</u>	<u>\$155,646,393</u>	<u>\$159,992,945</u>
<i>Fund Balances</i>			
Reserved for Debt Service			8,012,611
Unreserved			151,980,334
<i>Total Fund Balances</i>			<u><u>\$159,992,945</u></u>