

San Juan Unified Annual Report
Presented to the SJUSD Board, June 23rd 2020

Introduction:

In accordance with Education Code Section 15278(b), the San Juan Unified School District's Citizens' Oversight Committee (COC) provides oversight to the District regarding the appropriate and legal use of Proposition 39 bond dollars. The COC consists of nine members including PTA, senior, business, and taxpayer representatives. It is intended to inform the public regarding the expenditure of Measure J, Measure N and Measure P bonds. Based on when they were approved these three bonds represent over a billion dollars of bond principal that District taxpayers will be paying off for decades. It is crucial that COC Members be diligent in providing oversight. The committee meets roughly quarterly to review projects and costs. Annually, the Committee reviews independent financial and performance audits of these bond dollars and can ask questions of the auditors. This annual review will cover roughly the 2019-2020 fiscal year, with most time being spent on the 2019 summer construction season and review of the COC meetings held during the last year.

Summer Construction Season: The major facility projects completed for this school year include the science wings at Mira Loma and Bella Vista High Schools, the CTE lab at Del Campo High School, new fields at Mira Loma, Encina, and Casa Robles, and the Dyer Kelly and Barrett school site renovation/construction projects. The Citizens Oversight Committee had the opportunity to visit many of these sites during or after construction including Bella Vista, Del Campo, and Dyer Kelly. These site visits are important and the COC hopes they continue in the future.

Bond Financing: The District has also continued to employ a modified hybrid pay-as-you go process to fund many of its school projects. This has allowed the District to save over \$150 million on interest costs. By limiting bond sales and repaying debt quickly after a year or two, the interest rates are at least 50 percent less than if the bonds were sold and paid off over a typical 25-30 year period. Deputy Superintendent Kent Stephens should be commended for continuing this practice.

COC Meetings:

The Citizens Oversight Committee has met twice in the last year, on October 15, 2019 and January 21, 2020. Beyond routine construction updates, the most substantial agenda item discussed at these two meetings was the annual release of the financial and performance audits covering the 2018-2019 fiscal year.

Performance Audits:

Gilbert CPA's conducted the performance audit review and found the district in compliance regarding the spending of bond dollars under Measures J, N, P, and S. The internal controls of the district are sound and total expenditures match audited financial statements. The District also did well prioritizing bond funds on the projects listed in the voter information guide, continuing to maintain the trust of the voters. The bond funds were spent appropriately on construction and modernization of school buildings and not on staff salaries and administrative costs unrelated to the bond itself. This meets the broad definition of a performance audit described in the GAO's Government Auditing Standards (GAGAS) 'Yellow Book.' However, additional criteria is mentioned in the Yellow Book that would add depth to future performance audits. This includes:

“...assessing the relative ability of alternative approaches to yield better program performance or eliminate factors that inhibit program effectiveness; and analyzing the relative cost-effectiveness of a program or activity, focusing on combining cost information or other inputs with (1) information about outputs or the benefit provided or (2) outcomes or the results achieved;”

Employing this criteria forces the District to ask whether projects can be done more cost effectively. For instance, is an all-weather field and track more cost effective than a grass field and a clay track? Even if the Board and District staff decide not to adopt this criteria into future performance audits, they should seek to regularly report in specific detail on how they are building in cost efficiencies from one summer construction season to the next. Many taxpayers would love to hear about how the district is constantly adapting and trying to be good stewards of limited resources. This takes on even more importance following the failure of the Proposition 13 state General Obligation school bond back in March.

To be clear, the District does do a good job in this regard. The O&M Department routinely updates specs for a number of commonly used items including HVAC

units. Project JOE and other similar initiatives encourage site adaptation and a reuse of school building plans, saving time and money. Design build is also employed on many projects, limiting potential costly change orders.

Financial Audits: The financial audit, also done by Gilbert CPA's, showed no irregularities.

Conclusion: There's various ways to analyze the effectiveness of state and local bonds, but three criteria stand out. The projects funded by the bond need to last the length of it so students continue to benefit while parents pay off the interest. The projects funded should benefit the majority of students at the school. And finally, the projects funded should be prioritized based on age and the amount of District General Fund routine maintenance done on each campus.

Overall, Mr. Carmada, Mr. Arps and the rest of the Facilities team have done excellently managing a billion dollars of bond principle voters gave them beginning in 2012 with Measure N. While it is easy to question the priority of some signature projects, parents clearly desire them or Measure P would not have passed with 68 percent of the vote. It's also important to remember that over its 60 year history, San Juan Unified has only placed four facility bonds before voters. The District has a lot of facility catchup work to do, which they are prioritizing based on age of buildings and student enrollment figures using its Facility Master Plan. The closure and consolidation of Sylvan Middle School are one of many examples demonstrating that.

Secondly, the District is willing to spend bond dollars to adapt to changing times and different student learning patterns. While the CTE facilities at Del Campo and Casa Roble or Project Unschool may not benefit a majority of the students, the District recognizes that everyone is not supposed to go to a four year university. Using bond dollars to revolutionize the classroom environment in this way appears to be unique compared to other school districts.

And finally, San Juan Unified bond dollars routinely last the length of the bond and are spent prudently on 25-30 year (or longer) facilities projects. The District does not use bond dollars to buy iPad's or other items with high life cycle costs, and they have never used a Project Labor Agreement which has a history of driving up construction costs. Thanks for the opportunity to present this report.