

MERCED CITY SCHOOL DISTRICT

2015-2016 ANNUAL GENERAL OBLIGATION BOND REPORT

SUBMITTED TO THE MERCED CITY SCHOOL DISTRICT GOVERNING BOARD
AND
THE COMMUNITY OF MERCED
BY THE
MERCED CITY SCHOOL DISTRICT CITIZENS BOND OVERSIGHT COMMITTEE

Regarding the Fiscal Year Ending June 30, 2016

**Presented to the Merced City School District Governing Board
March 14, 2017**

Background

On November 4, 2003, registered voters residing within the Merced City School District (MCSD) approved Measure S, the first of two Bond Measures to date, to benefit the District's capital facility improvement program, a \$26,500,000.00 general obligation school facilities bond for MCSD, governed by the requirements of Proposition 39. Proposition 39 (presented through Assembly Bill No. 1908 as the "*Smaller Classes, Safer Schools, and Financial Accountability Act*"), was approved by California voters in November of 2000. This proposition amended Article XIII, Section 1 and Article XVI, Section 18, of the California Constitution, allowing approval of school district and community college district bonds by 55% of the voters in a primary or general election, a regularly scheduled local election, or a statewide special election, rather than by the two-thirds threshold as previously required.

Bond issuance authority under Proposition 39 is subject to compliance with explicit accountability requirements to protect public funds. The proceeds from the sale of bonds may only be used for specified school facilities projects, not for teacher or administrator salaries, nor for other school operating expenses. Bond issuance debt service from ad valorem property taxes levied on parcels is restricted to \$30 per \$100,000 of assessed value of taxable property in non-unified school districts. Requirements associated with any Proposition 39 general obligation bond include the formation of a Citizens Bond Oversight Committee of no less than seven members representing diverse role representation and the preparation of an annual independent audit to assure the bond funds are spent only on school facility and classroom improvements.

Pursuant to Education Code Section 15272, the Merced City School District Governing Board appointed the MCSD Citizens Bond Oversight Committee, which is charged with the responsibility of regularly monitoring the budget, expenditures, and progress of projects approved under the Measure S bond fund, as well as any subsequent bond authorization such as the Measure M bond. In addition, the Committee's responsibilities include the presentation of an annual report to the board of education and the community.

On June 3, 2014, registered voters residing in the District supported the passage of Measure M, granting authority for the sale of \$60,000,000 in bond series sales for capital facilities

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improvements according to the District's Long Range Facility Master Plan. The first issuance of Measure M bond authority was made during the 2014-2015 Fiscal Year. Accordingly, this annual report will provide the reporting requirements pertaining to project expenditures from both the Measure S and Measure M bond measures.

Message from the Chairperson

Pertaining to the Fiscal Year 2015-2016 ending June 30, 2016, the progress of the Measure S and Measure M capital facilities program has been carefully monitored by the MCSD Citizens Bond Oversight Committee, and all data provided by staff has provided evidence of proper accounting of funds expenditures.

The MCSD Citizens Bond Oversight Committee appreciates the cooperative efforts of MCSD staff. This particular year's report is provided with both a review of the past expenditures from the Measure S Bond, which essentially committed to the voters the delivery of two new elementary schools, one to serve the Franklin-Beachwood Community and another to serve the Fahrens Park Community, as well as modernize and upgrade facilities throughout the District. Joe Stefani Elementary School opened in August of 2006 to serve students residing in the Franklin-Beachwood Community, and a variety of capital facilities improvements have been made over the years, since the bond passed. The Committee is excited to see the culmination of Measure S funding being realized with the opening of Rivera Elementary School in fall 2015 and the completion of a modernization project at Rivera Middle School (to serve the Fahrens Park Community).

This report to the MCSD Governing Board provides an overview of the committee membership, oversight efforts, progress review, financing, audit activities, and general recommendations.

Citizens Oversight Committee Membership

The Merced City School District Governing Board first approved the appointed membership to the "*Measure S for Success*" Citizens Bond Oversight Committee in September 2004. Since that time, the committee has held quarterly meetings, as required by Proposition 39. Over the course of the 2015-2016 fiscal year, from July 1, 2015 through June 30, 2016, the Committee met September 15, 2015, December 15, 2015, March 3, 2016, and June 14, 2016. At each meeting, District staff provided regular progress updates on each Measure S and M Bond project, addressing both financial and technical issues. Pursuant to Proposition 39, all Citizens Bond Oversight Committee members shall serve for a term of two years without compensation and for no more than two consecutive terms. During the past fiscal year, the MCSD Governing Board appointed two new members to the Committee. The Committee is in the process of filling one currently open vacancy for the role of Taxpayer Association member. The current membership of the MCSD Citizens Bond Oversight Committee is as follows:

- ◆ Ms. Birdi Olivarez-Kidwell – (President) Business Organization, Parent, and Community Representative
- ◆ Mr. Steven Bottjer – (Member) Retirement Assoc. and Community Representative
- ◆ Mr. Keith Ensminger – (Member) Business Organization and Community Representative
- ◆ Ms. Sharon Spinardi – (Member) Retirement Assoc. and Community Representative
- ◆ Mrs. Michelle Symes-Thiara – (Member) Parent, Parent Teacher Organization, and Community Representative

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- ♦ Mr. Tsia Xiong – (Member) Parent, and Community Representative

Bond Projects Progress Report

The Measure S Bond authorized a combination of new construction and modernization projects at school sites throughout the District. The District has assured commitment to completing all Measure S projects and any costs which may occur in excess of the \$26,500,000.00 in authorized bond sales will be funded by State, capital facilities, or other local District funds. Table 1 (below) summarizes project expenditures starting in fiscal year 2003-2004 and completed by the end of Fiscal Year 2005-2006. The majority of these expenditures were incurred between Fiscal Year 2003-2004 through 2005-2006. All expenditures for these projects are shown on the Table 1 (below) are through the fiscal year ending June 30, 2016.

MCSD SCHOOL SITE BOND EXPENDITURES THROUGH FISCAL YEAR 2015-2016

Table 1

SCHOOL	PROJECT	EXPENDITURES
Burbank Elementary	Classroom Modernization	\$ 180,828.57
Chenoweth Elementary	Classroom, Library, Office Mod	\$ 821,363.83
Chenoweth Elementary	Modernization Additional Exp.	\$ 14,056.86
Franklin Elementary	Classroom Modernization	\$ 330,199.88
Fremont Elementary	Classroom Modernization	\$ 345,000.28
Ada Givens Elementary	Classroom Modernization	\$ 183,333.18
Hoover Middle School	Modernization	\$ 0.00
John Muir Elementary	Classroom Modernization	\$ 222,500.33
Rivera Middle School	Classroom Modernization	\$ 328,283.69
Sheehy Elementary	Classroom Modernization	\$ 208,332.42
Tenaya Middle School	Classroom Modernization	\$ 355,000.21
Charles Wright Elementary	Classroom Modernization	\$ 25,820.27
Chenoweth Elementary	New Multipurpose Room	\$ 3,183,293.09
Tenaya Middle School	New Multipurpose Room	\$ 2,730,734.95
Tenaya Middle School	Six New Classrooms	\$ 372,893.33
Tenaya Middle School	New Library Media Center	\$ 200,269.00
Tenaya Middle School	New Choral & Band Classrooms	\$ 360,959.81
Joe Stefani Elementary School	New School Construction	\$ 8,916,209.07
Rivera Middle School	New Joint-Use Gymnasium	\$ 2,479,998.98
Other District Wide Projects	Modernization & New Construction	\$ 20,000.00
Stowell Elementary School	Classroom Modernization	\$ 18,670.68
Peterson Elementary School	Classroom Modernization	\$ 2,295.95
Reyes Elementary School	Classroom Modernization	\$ 115,748.31
	Total Project Costs	\$ 21,415,792.69

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For the fiscal year ending June 30, 2016, Table 2 summarizes additional project expenditures authorized by the Measure S Bond. Funds expended through June 30, 2016 are reported and include architectural design, engineering, and required approval fees and services performed in preparation for the project noted.

Note: The expenditures noted below in Table 2 for the Rivera K-8 Classroom Addition Project and the Rivera Middle School Modernization are only those expended starting Fiscal Year 2007-2008 through Fiscal Year 2015-2016, ending June 30, 2016.

ADDITIONAL MEASURE S BOND EXPENDITURES THROUGH FISCAL YEAR 2015-2016

Table 2

SCHOOL	PROJECT	EXPENDED
Rivera K-8 Classroom Addition Project	New Elementary	\$ 7,013,551.33
Rivera Middle School Admin/Library	Modernization	\$ 187,957.59
Fahrens Park School Site	Potential Site Study	\$ 73,183.76
Lehigh/Horizons School Site	Potential Site Study	\$ 3,090.00
Annual Audit	Required Annual Audit	\$ 24,000.00
Legal Advertising/Consulting	Legal Requirements	\$ 14,624.65
Fremont Elementary	Legal Service	\$ 573.50
	Total Project Costs	\$ 7,316,980.83

The expenditures listed below in Table 3 identify the design and engineering costs that were incurred early (Fiscal Year 2004-2005) in the Measure S planning which considered the expansion of various library facilities at a number of MCSD school sites and also includes staff costs in regard to bond accounting.

Table 3

SCHOOL	PROJECT	EXPENDED
Sheehy Elementary	Library Expansion	\$ 3,590.80
Burbank Elementary	Library Expansion	\$ 2,207.14
Hoover Middle School	Library Expansion	\$ 6,455.93
Ada Givens Elementary	Library Expansion	\$ 2,207.14
Allowable staffing time costs	Bond Fund Accounting	\$ 13,859.53
	Total	\$ 28,320.54

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Table 4 below lists recent projects using Measure M that were initiated during the 2014-2015 Fiscal Year, and the associated expenditures from the first issuance of Measure M funds, as of June 30, 2016.

Table 4

SCHOOL	PROJECT	EXPENDED
Burbank Elementary	3 Relocatable Classrooms	\$ 730,725.56
Burbank Elementary	New relocatable Classroom	\$ 32,662.00
Burbank Elementary	Admin/Restroom	\$ 2,942.50
Muir Elementary	Relocatable Classroom	\$ 514,429.50
Rivera K-8 Classroom Addition	New Elem. Classrooms and Site Improvements	\$ 983,673.01
Rivera Middle School	Modernization – Other	\$ 100,580.77
Rivera K-8 Classroom Addition	Portables/existing bldgs.	\$ 1,081,030.56
Rivera Middle School/ Rivera Elem.	Admin/Library Mod.	\$ 1,670,246.23
Rivera Elementary	Preschool	\$ 93,255.90
Chenoweth Elementary	Modernization	\$ 1,109,696.72
Franklin Elementary	Parking/Access	\$ 19,978.61
Fremont Elementary	Site Improvement Study	\$ 41,880.85
Chenoweth Elementary	Parking Lot/Access	\$ 492,660.13
Hoover Middle School	Modernization	\$ 1,780,018.16
Wright Elementary	Modernization	\$ 10,925.00
Wright Elementary	Relocatable Classroom	\$ 90,490.00
Muir Elementary	STEAM Center Review	\$ 2,600.00
Muir Elementary	Site Modernization	\$ 73,382.78
District Wide Professional Services	Engineering, Inspection, etc.	\$ 32,564.85
District Wide	Security Camera	\$ 14,090.00
Cruickshank Middle School	CDS Relocation	\$ 523.80
Cruickshank Middle School	Re-Roofing	\$ 195,253.65
Stowell/Family Service Center	Modernization	\$ 15,782.00
Peterson Elementary School	Remove portables	\$ 8,500.00
Sheehy Elementary	Modernization	\$ 106,791.12
Sheehy Elementary	Pre-school	\$ 5,000.00
Tenaya Middle School	Modernization & Re-Roofing	\$ 258,002.01
Clark Preschool	Modernization	\$ 1,792.50
	Total	\$ 9,469,478.21

Financing

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The first issuance of Measure S Bond funds was completed on March 1, 2004 with the sale of \$14,999,268.20 in bond proceeds. Proceeds from that issuance have been used to support projects completed in 2005 and to begin the larger new construction projects which began in 2005 and 2006. A second issuance of \$11,500,302.50 in bond funds was completed on June 1, 2005 and provided the remaining financing required for all Measure S projects.

The first issuance of Measure M Bond funds was completed on October 16, 2014 with the sale of \$11,458,567.80 in bond proceeds. Proceeds from that issuance have been used to support projects completed in 2015. The second issuance of Measure M funds was completed on December 17, 2015 with the sale of \$18,264,008 in bond proceeds. Proceeds from that issuance have been used to support projects completed in 2016.

Audit of Measure S Bond Activities

As prescribed under Proposition 39 provisions, the District secured auditing services from the firm *Vavrinek, Trine, Day and Co. LLP* to perform the annual independent financial and performance audits as required by the California Constitution, Article XIII A, Section 1 (b) (3)(C)(D), and Education Code Sec. 15278 (c) (1) and (2). The annual financial audit insures that all bond fund revenues, until exhausted, have been expended for the approved and listed projects. The annual performance audit verifies that bond revenue proceeds were used for the approved projects as listed. Both the financial and performance audits were provided and have been reviewed by the Committee as inclusive of the Fiscal Year 2015-2016 for the period July 1, 2015 through June 30, 2016 and are considered relative to the Measure S and Measure M bond revenue funds and approved projects. No audit exceptions or findings from either audit report were noted.

Overall Assessment and Recommendations

Regular dialogue through quarterly Citizens Bond Oversight Committee meetings and progress reports have provided Committee members with essential information in reviewing and monitoring the progress made against schedule, budget and performance. Dialogue between Committee members and District staff has been constructive and effective. Staff has been responsive to Committee questions and comments.

Our Bond Oversight Committee has been presented with a proposed list of projects considered as priorities detailed in the MCSD Long Range Facilities Master Plan, as approved by the Board of Education on January 16, 2014. The Citizens Bond Oversight Committee realizes their exclusive role is to oversee the expenditure of taxpayer generated funding pertaining to projects identified by the expressed language within any approved general obligation bond measure, expressly both Measure S, passed by voters in June of 2003 and Measure M, passed by voters in June 3, 2014. The Citizens Bond Oversight Committee has faithfully carried out their duties as charged by the Merced City School District Governing Board.

Given the understanding of their role and responsibility to the Citizens of Merced, pursuant to the requirements of Proposition 39, the Citizens Bond Oversight Committee would like to offer their recommendation that the projects in the MCSD Facility Master Plan are consistent with the following considerations: 1) the projects are considered valid in meeting the needs of each school; 2) the recommendations by District, facilities, maintenance and operations staff; 3) the projects are

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within the allowances and restrictions as expressed in both the Measure S and Measure M language; and 4) the recommendations made by professional consultant firms the District has utilized.

In conclusion, the Citizens Bond Oversight Committee has faithfully discharged their duties pursuant to the authority and direction of the MCSD Governing Board and the requirements of Proposition 39. This annual report affirms that the expenditures of local taxpayer funds have been consistent and appropriate during the 2015-2016 Fiscal Year in improving the capital facilities our local children are provided in support of a quality education in the Merced City School District.