

**San Mateo Union High School District  
Proposition 39 Capital Facilities Programs**

**Fourth Measure M Citizens' Oversight Committee Annual Report  
First Measure O Citizens' Oversight Committee Annual Report**

**June 28, 2012**

To: The Board of Trustees and Citizens of the San Mateo Union High School District  
From: The Measure M and Measure O Citizens' Oversight Committee  
Date: June 28, 2012

The Citizens' Oversight Committee is pleased to present its fourth annual report on the Measure M \$298 million 2006 School Facilities Bond Program and its first annual report on the Measure O \$186 million 2010 School Facilities Bond Program. During the past year, the Citizens Oversight Committee expanded the scope of its work to include Measure O. The bylaws were modified to incorporate the addition of Measure O. This report covers the 2011-12 fiscal year for both the Measure M and Measure O Bond Programs.

The principal duties of the Committee are to:

- Ensure the bond proceeds from Measure M and Measure O are expended for the purposes described in the Bond ballot language
- Report the expenditure of bond revenues and the programs' progress to the public
- Affirm that required annual performance and independent audits have been conducted

Numerous California K-12 school districts have had their credit ratings downgraded due to the fiscal pressures on the State resulting in dismal funding for public education. In spite of this, SMUHSD has been able to weather the storm by maintaining a solid financial position. SMUHSD's current ratings of Aa1 and AA put it in an elite category of California school districts. In the new post-credit crisis, world investors are demanding significantly higher interest rates for lower-rated credits. In July, the District sold two series of bonds at extremely aggressive interest rates. One of the financings garnered a 0% interest rate due to the District's stellar credit ratings.

Measure M was approved for \$298 million. As of June 30, 2012, it is anticipated that \$188,132,635 (or 64%) will have been expended on Measure M projects. The Building Fund-Measure M is projected to retain a balance of \$110,973,008. Construction in the amount of \$75,147,924 is scheduled for 2012-13. Measure O was approved for \$180 million. As of June 30, 2012, it is anticipated that \$81,221,028 (or 46%) will have been expended on Measure O projects. The Building Fund-Measure O is projected to retain a balance of \$110,932,767. Measure O expenditures in the amount of \$1,423,259 are scheduled for 2012-2013.

The Citizens' Oversight Committee recommended to the Board of Trustees that it make provisions for future maintenance needs of the modernized facilities for the purposes of extending the life expectancy of the facilities, sustaining safe and healthy educational environments for students and preserving the taxpayers' investment in the facilities. In response to this recommendation, the Board conducted an analysis of the future maintenance needs after Measure M projects are complete. The goal was to determine the appropriate size of a capital facilities replacement fund. The proceeds from the fund would be used to maintain the facilities to the current standard for twenty

years forward. Subsequently, the Board unanimously agreed with the Citizens' Oversight Committee's recommendation and approved the creation of a Capital Facilities Replacement Fund at its regular meeting on February 9, 2012. Each year a contribution of at least 1.5% of the total General Fund expenditures will be transferred into the Capital Facilities Replacement Fund to ensure adequate funding exists for future deferred maintenance needs.

Nigro and Nigro, PC, completed the required 2010-11 annual financial and performance audits for Measure M and Measure O bond expenditures. The audit report disclosed no instances of non-compliance with the terms of Proposition 39, the Education Code or the terms of the Measure M and Measure O Bonds approved by the District voters.

The Committee members, relying on this audit report, are pleased to report that to the best of their knowledge the San Mateo Union High School District is in full compliance with its responsibilities as described in Article XIII A, Section 1(b) (3) of the California State Constitution.

Sincerely,

Patricia L. Griffin  
Chair, Citizens' Oversight Committee

**San Mateo Union High School District**  
**Proposition 39 Capital Facilities Programs**  
**Citizens' Oversight Committee**  
**Activities for Measure M and Measure O through June 30, 2012**

## **Introduction and Background**

### Measure M

On November 7, 2006, the voters within the geographical boundary of San Mateo Union High School District approved Measure M, a \$298 million Proposition 39 bond election that funds the continued renovation and rehabilitation of 45 to 83 year-old buildings and facilities on District campuses to ensure safe and healthy teaching and learning environments; further upgrade fire safety, accessibility, electrical, security, and sewer systems; repair, remodel, expand, and replace old and inadequate classroom buildings and other facilities; and build new classroom buildings and other facilities.

### Measure O

On November 2, 2010, the voters within the geographical boundary of San Mateo Union High School District approved Measure O, a \$186 million Proposition 39 bond election that funds construction of classrooms and laboratories for science, math, and job-training; updates educational facilities to meet current safety codes; provides modern classroom technology and computers; supports academic programs and teachers by eliminating debt; and allows for the repair, construction and acquisition of equipment, sites, and schools/facilities.

## **Citizens' Oversight Committee**

As outlined in Education Code Section 15278, a Measure M Citizens' Oversight Committee was formed by the San Mateo Union High School District's Board of Trustees on January 18, 2007. At its regular meeting on December 7, 2011, the Board of Trustees adopted Joint Bylaws that combined the scope of the Oversight Committee to include Measure O. The Committee is composed of members who represent the business community, senior citizens, taxpayers, parent /teachers organization, and parents of students.

- (1) The purpose of the Committee is to inform the public concerning the expenditure of Measure M and Measure O bond revenues. The Committee's charge is to actively review and report on the proper expenditure of taxpayers' money for school construction. The Committee is also charged with advising the public on the District's compliance with the expenditure requirements. Other responsibilities include providing oversight in the areas of appropriate bond revenue expenditures.



To fulfill its collective role, the Committee has:

- (1) Received and reviewed copies of the annual independent performance audit.
- (2) Received and reviewed copies of the annual independent financial audit.
- (3) Inspected school facilities and grounds to view completed projects, projects in process and location of future projects.
- (4) Reviewed efforts of the District to maximize bond proceeds by applying for matching funds and/or implementing cost effectiveness in the construction schedules.

The Committee also:

Identified the need for a long-term deferred maintenance plan to be developed and funded. Staff conducted an analysis and the findings were presented to the Board of Trustees. A long term deferred maintenance plan was established by the Board. A resolution was developed and acted upon by the Board to memorialize the interest and funding commitment. The upcoming retirement of the 2007 Certificates of Participation, which is a debt instrument, will allow dedicated resources to be available to fund the plan and ensure that the District safeguards its past, current and newly constructed assets.

Of necessity, over time the membership of the Committee changes. Some members' terms are extended beyond the initial term. After two two-year terms, a member's term automatically expires. In some cases unanticipated events transpire which requires a member to resign during a term or at the end of one term.

The Committee must be composed of at least seven members serving terms of two years without compensation and for no more than two consecutive terms. The Committee must be composed of members with different backgrounds and qualifications:

- (1) Active in a business organization.
- (2) Active in a senior citizens' organization.
- (3) Active in a bona fide taxpayers' organization.
- (4) A parent or guardian of a student enrolled in the District.
- (5) A parent or guardian of a student enrolled in the District and active in a parent-teacher organization.

The members of the Committee during the past fiscal year include:

Patricia Griffin (Chair)  
Sheila Surmanek  
Richard Bojack  
Mark Jones  
Lee Manus-McNutt  
John Doyle  
Julie Hoffman  
Mike Loy

## Meetings

The Committee is required by law to meet a minimum of once a year to review the annual performance and financial audits. The Committee has determined it is prudent to meet minimally at quarterly intervals. The Committee met six times during fiscal year 2011-12. The Citizens Oversight Committee has met on:

### 2012

- February 15, 2012
- April 18, 2012
- June 23, 2012 (tour and meeting)

### 2011

- January 25, 2011
- March 16, 2011
- June 1, 2011
- September 28, 2011
- November 5, 2011 (tour)
- December 7, 2011

### 2010

- March 3, 2010
- September 7, 2010
- October 9, 2010 (tour and meeting)
- December 14, 2010

### 2009

- January 20, 2009
- March 11, 2009
- April 25, 2009 (tour and meeting)
- May 26, 2009
- August 26, 2009
- December 8, 2009

The Committee members and District staff have had frank and open discussions on financial, technical and transparency issues relating to the expenditures of both Proposition 39 capital facilities funds, progress in bond projects, and other pertinent topics. The Committee is informed of any substantive information that may impact the construction program or may be useful to the members. The Committee also receives all Board items affiliated with the Measure M and the Measure O bond programs and these are posted to the Board meeting website. The District has been cooperative and responsive to the Committee's requests for information, and to its questions, comments and concerns. All Committee meetings are open to the public and citizens are welcome and encouraged to attend.

Proposition 39 requires the sponsoring school district to establish a website dedicated to the bond program activities. All documents received by the Committee or issued by the Committee are a matter of public record and are available on the website, as follows:

- District Measure M Personnel Contacts
- Citizens Oversight Committee Members
- Citizens Oversight Committee Agendas
- Citizens Oversight Committee Minutes
- Measure M Project List
- Measure O Project List
- Construction Quarterly Updates
- Architect Schematic Project Designs
- Measure M Performance and Financial Audits
- Green Policies and Projects
- Measure M Project Stabilization Agreement
- Contractor's Prequalification Questionnaire
- Citizens Oversight Committee Annual Report
- Citizens Oversight Committee Application Form
- COC Bylaws

### Issuance of Measure M Bonds

In the 2011-12 fiscal year, the District issued three financings within the Measure M bond program:

<u>Date</u>	<u>Financing</u>	<u>Amount</u>
7/2011	Series 2011A Bonds	\$35 million
2/2012	Series 2012A Bonds	\$10.9 million
2/2012	2012 Bond Anticipation Notes	\$40.15 million

The Series 2011A and Series 2012A bonds utilized an optimum combination of current interest, capital appreciation, and convertible capital appreciation bonds that allowed the District to receive bond proceeds while minimizing the cost to taxpayers.

Over the course of the financing process, the District's stellar credit ratings of Aa1/AA with Moody's and Standard & Poor's were reaffirmed. These top-notch ratings were instrumental in achieving favorable interest rate pricing on the bonds.

The 2012 Bond Anticipation Notes were also issued with a very favorable interest rate (1.35% for a three-year term). For this financing, the District received the highest short-term credit rating possible from Standard & Poor's, a SP-1+.



## Maximizing Taxpayers Bond Funds and Matching Funds:

The District continues to explore funding opportunities to obtain matching revenues from other sources. Funds were successfully applied for from the State Office of Public School Construction for Career Technology Education Grants (CTE). Additional funding of \$13M was awarded to the District under this grant program.

## Financial and Performance Review and Audit:

Under the provisions of the California Constitution as amended by Proposition 39, the 2008 Measure M School Facilities Bond Program must undergo an annual financial audit and performance audit by an independent auditing firm. The District utilized the certificated public accountant firm of Nigro and Nigro PC to perform the required financial and performance audits for the fiscal year ending June 30 2011. In December 2011, Nigro and Nigro PC presented the audits to the Board. The Financial and Performance Audit report is available on the District's web site.

## Measure M Capital Facilities Projects:

Measure M construction projects have been designed with input from the District staff, District architects, a construction management firm and District administration. The projects which are completed as well as the projects under construction have been submitted and approved through the Division of the State Architect (DSA) review process. A number of approved projects are in various stages of construction. All projects have been approved by the Division of the State Architect with the exception of the Capuchino Civil Improvement Project.

As stated above, to maximize the Measure M bond resources, the District applied for CTE grants and was awarded seven grants totaling \$13M by the California Department of Education. The State Allocation Board categorized one of the grants as unfunded because resources were not available. Assemblyman Jerry Hill's office worked with the State Allocation Board and the Office of Public School Construction and was instrumental in securing funding for this grant.

The Solar PV systems at Aragon, Hillsdale, Mills and Burlingame High Schools, Phase 1, were commissioned in January 2012. The CSI Incentive Claim Form package was submitted to PG&E for all sites and the District recently received its first PBI payment. All of the systems underwent enhanced commissioning by independent consultants to verify they are working properly and installed as per the contract.

The following are selected highlights and a progress summary of the Measure M projects from July 1, 2011 through June 30, 2012:

### Aragon High School

- Solar Phase 1 and roofing projects completed and commissioned in January, 2012. A grand opening was held September 26, 2011 and was chaired by Tom Torlakson, State Superintendent of Education. District-wide, the Solar Phase I project is anticipated to



save the District an average of \$750,000 in utility expense annually. In addition, the District will be receiving \$4,000,000 in PBI's over the next five years from Phase I.

- New 600 Seat Theater
- New Arts Building funded in part by CTE grants
- Gym / Locker Room renovation awarded utilizing design-build in November 2011
- Civil Improvements Project awarded in May 2012



### Burlingame High School

- New Industrial Arts Building funded in part by CTE grants
- Theater renovation
- Solar Phase I and roofing projects completed and commissioned in January, 2012
- Civil Improvements Project awarded in May 2012



## Capuchino High School

- Renovation / Expansion of Gyms and Locker Rooms
- New Humanities Building scheduled for completion in July, 2012
- New Humanities Arts Satellite Building funded in part by CTE grants
- Theaters / Music Wing renovation-replacement is 60% complete
- Solar PV Phase 2 is underway and will be 479 kW DC at Capuchino. The project will include parking lot shade structures and some roof mounted systems. Phase 2 systems are scheduled to be commissioned in October, 2012 and are anticipated to save the District an average of \$380,000 in utility expense annually. In addition, the District will be receiving \$1,750,000 in PBI's over the next five years from Phase 2.



## Hillsdale High School

- Industrial Arts/Cafeteria/Small Theater renovation project completed fall 2011. The scope included a recording studio/video production facility funded in part by CTE grants
- Little Theater renovation
- Solar PV Phase 1 and 1.5, commissioned in January 2012
- Large Theater renovation / expansion awarded November 2011 using design-build statute
- Civil Improvements Project awarded May 2012





## Mills High School

- Solar PV and Re-roofing Phase 1 completed. The system was commissioned in January 2012 and is performing to design
- Theater and Gyms renovation / expansion project was awarded in November 2011 using design-build statute



## San Mateo High School

- The Performing Arts Theater renovation / expansion project was awarded November 2011 using design-build statute
- Solar PV Phase 2 is underway and will be 811 kW DC at San Mateo High School. The project will include parking lot shade structures and some roof mounted systems.



**Since the inception of Measure M funding, the following capital facilities projects have been completed:**

- San Mateo High School
  - Music Building Modernization
  - New Biotech Classroom Building
  
- Aragon High School
  - Kitchen Modernization
  - Student Services Building Modernization/Expansion
  - Renovated Stadium field with new artificial turf, all-weather track and new restroom building and bleachers
  - Swimming Pool Replacement
  - Solar Phase 1
  
- Burlingame High School
  - New Industrial Arts Building
  - Modernized Theater
  - Modernized Small and Large Gyms and Locker Rooms
  - Swimming Pool Pump
  - Solar Phase 1
  
- Capuchino High School
  - New CTE Humanities Arts classroom building
  - Renovation/Expansion of Gyms and Locker Rooms
  - New Child Development Center
  - Renovated Stadium field, all-weather track and new restroom building and bleachers
  - Swimming Pool Replacement
  
- Mills High School
  - Re-roof and solar PV system
  - Skylight Replacement
  - Arts Building / Cafeteria Renovation
  - Modernization of Locker Rooms
  - Student Locker Replacement
  - New Classroom Building
  - Swimming Pool Replacement
  - Renovated Stadium field, all-weather track and new restroom building and bleachers
  - Solar Phase 1
  - Boiler and HVAC Piping Replacement
  - Installation of Chillers and Chilled Water Piping to complete HVAC systems
  
- Hillsdale High School
  - Little Theater Modernization



- Cafeteria/Multi-use Room Modernization
  - Industrial Art Building Modernization
  - Modernized Gyms, Wrestling and Dance Rooms
  - Student Locker Replacement
  - Installation of Chillers and Chilled Water Piping to complete HVAC systems
  - Solar Phase 1 and 1.5
  - Swimming Pool Replacement
  - Renovated Stadium field with new artificial turf, all-weather track and new restroom building and bleachers
  - Heating Hot Water Pipe Replacement
- District-wide
    - Columbine-style classroom locks for improved security
    - Technology upgrades

## **Measure O**

The first series issued from Measure O (Series 2011A) was issued on June 15, 2011, in the amount of \$90 million. The Series 2011A bonds also received stellar credit ratings of Aa1/AA from Moody's and Standard & Poor's, thereby allowing the District to obtain a very low cost of borrowing.

The District developed a list of potential projects for the Board to consider for approval, but unfortunately there was more need than funds available. The majority of the proceeds were used to eliminate Certificate of Participation (a debt instrument) debt. The District has refined the bond project list and the Board has authorized the District to proceed with five construction projects. The Board is currently analyzing options for placement of the Peninsula High School replacement as well as a new District Office facility. All options have been reviewed including using an existing site, placing the facility on a comprehensive school site or purchasing land. Request for proposals were conducted for construction managers as well as for architects and exemplary firms were selected for construction.

The following are some highlights and a progress summary of the Measure O projects from July 1, 2011 through June 30, 2012:

- District-wide
  - \$75.0M Certificate of Participation paid off and retired
  - Technology Upgrade
  - Request for Proposals for architects conducted and three architects selected
    - Artik
    - Quattrocchi Kwok Architects
    - MVE Institutional Inc.
  - Presented options for the location of a new alternative school
  - Board approved a partial list of capital facilities projects
    - CHS Main Electric Service Replacement

- New classroom building at BHS
- Modernization of the brick building at SMHS
- Bleacher modernization at BHS
- Bleacher modernization at SMHS
- Architects selected for Board approved projects
  - CHS electrical panel upgrade- O'Mahoney & Myers
  - BHS new classroom building-Artik
  - SMHS modernization of new brick building-Quattrocchi Kwok Architects
  - BHS Bleacher modernization-MVEI
  - SMHS Bleacher modernization-MVEI

### Select Citizens Oversight Committee Activities:

- Reviewed project updates
- Reviewed project financial statements
- Reviewed design build delivery method
- Reviewed project schedules
- Reviewed contractor prequalification requirements
- Reviewed project construction financials
- Reviewed project schedules
- Reviewed, discussed and provided feedback on Project Stabilization Agreement
- Reviewed the responsibilities of the Citizens Oversight Committee
- Reviewed sale of series of general obligation bonds and Federal bonds updates
- Reviewed and discussed Bloomberg article of cash-back refunding
- Reviewed membership status
- Reviewed status of CTE Grants
- Reviewed request for qualification for architects
- Reviewed architects' selection
- Reviewed updates on Division of the State Architect
- Reviewed solar photo voltaic project updates
- Discussed methods to improve external communication
- Reviewed performance and financial audits
- Reviewed Measure M revised bond issuance schedule, cash flows and project schedules
- Reviewed construction delivery methods
- Reviewed revised COC By-Laws

### Citizens Oversight Committee Recommendation to the Board:

- Establish deferred maintenance sinking fund to cover costs of facilities upkeep and replacement.

## Information:

More detailed information about the District's bond projects, timelines and expenditures-to-date are available on the District's Citizens Oversight Committee website page <http://www.smuhsd.org/COCinfo>

The Citizens Oversight Committee members can be contacted at [Pchavez@smuhsd.org](mailto:Pchavez@smuhsd.org).

The San Mateo Union High School District Citizens Oversight Committee invites community members to attend its meetings held at the District Office, Conference Room A, 650 North Delaware Street, San Mateo, CA 94401. All meetings are open to the public. Meeting dates and agendas are posted on the District web site.