

Measures B, J & Y Independent Citizens' Bond Oversight Committee

Annual 2023 Progress Report and
Review of Fiscal Year 2022-23 Audit Reports



SUMMARY

This report was prepared by the Measures B, J, and Y Independent Citizens' Bond Oversight Committee (CBOC) for the Oakland Unified School District (OUSD) in accordance with California Education Code §15280(b) and OUSD Board Bylaw 9131, Section 2, Subparagraph 4. The purpose of this report is twofold: (1) provide a publicly available annual report of bond activities and expenditures; and (2) provide a review of the annual financial and performance audits of OUSD that are required by Article XIII A of the California Constitution. The first component primarily covers the period when CBOC meetings were held from August 2022 through May 2023. Due to the timing of the audit reports, the second component is a review of the auditor's finding for the fiscal year that ended June 30, 2022 (i.e., FY 2021-22).

PURPOSE OF THE OUSD CITIZENS' BOND OVERSIGHT COMMITTEE

The OUSD CBOC is a state-mandated committee of local residents that oversees the approximately \$1.645 billion in School Facilities bonds approved by voters. According to state law (Cal. Educ. Code § 15278-15282), our job is to inform the public about the expenditure of bond revenues by reviewing and reporting on "the proper expenditure of taxpayers' money for school construction". California Law requires that "taxpayers directly participate in the oversight of bond expenditures" and "the members of the oversight committee appointed pursuant to this chapter promptly alert the public to any waste or improper expenditure of school construction bond money" Cal. Educ. Code § 15264.



In addition to the state-mandated oversight authority, in January 2021, the OUSD School Board approved additional oversight authority for the CBOC in Resolution No. 2021-0031, which is codified in Section 2 of Board Bylaw (BB) 9131. In addition to authorizing us to review the annual financial and performance audits, this resolution tasks us with "[p]reparing a publicly available annual report of bond activities and expenditures." OUSD BB § 9131(2)(4). The Board Bylaws further provide that the CBOC's authority includes "reviewing and making advisory recommendations to the OUSD Board of Directors regarding proposed alterations to project budgets, timelines, and other changes to bond program expenditures that are subject to OUSD Board of Directors approval." OUSD BB § 9131(2)(8).

BOND BACKGROUND

In June 2006, Oakland voters passed **Measure B**, a **\$435 million** School Facilities Improvement Bond which provided funding to the Oakland Unified School District (OUSD). Except for some remaining fire alarm projects, all Measure B funds have largely been spent prior to fiscal year 2019-2020.

In June 2012, Oakland voters passed **Measure J**, a **\$475 million** School Facilities Improvement Bond, for OUSD to enhance the educational environment for the students and communities of Oakland and better prepare students for college and jobs. Bond funds have been allocated to upgrade science labs, classrooms, computers, and technology; improve student safety and security; repair bathrooms, electrical systems, plumbing and sewer lines; improve energy efficiency; and make seismic upgrades.

In November 2020, Oakland voters passed **Measure Y, a \$735 million** School Facilities Improvement Bond, for OUSD to provide, among other things, classroom repair and school safety improvements, upgrading classrooms, science labs and technology; improving student safety and security; repairing bathrooms, electrical systems, plumbing and sewers; and improving energy-efficiency and earthquake safety.



BOND PROGRAM OVERSIGHT

Kenya Chatman is the OUSD Executive Director of Facilities Planning and Management. Ms. Chatman and her staff are the primary points of contact for this committee. Publicly noticed meetings of the CBOC are typically held on the second Monday of each month from August through June. Scheduling information and meeting agendas are available at www.ousd.org/domain/67 under the body “Measures B, J, and Y Independent Citizens’ School Facilities Bond Oversight Committee. CBOC Meetings are typically held in person at Committee Room, KDOL TV Studio, B-237, Met West High School Entrance, 314 East 10th Street, with an option for the public to participate remotely.

OUSD provided the 2022-2023 Financial and Performance Reports to this committee on April 8, 2024 (together, the “Audit Reports”). Eide Bailly, a third-party CPA and business advisor firm, prepared the Audits Reports, which are discussed in more detail below. According to the most recent materials provided to CBOC, as of January 1, 2024, 1.5% of Measure B funds remain; 7.4% of Measure J funds remain; and 42.2% of Measure Y funds remain.

BOND PROJECT OVERVIEW

Among projects utilizing funding under Measures B, J, and Y (as described above), OUSD saw significant progress in the construction, design, and planning of facilities improvements between 2023 and 2024, including projects that are scheduled for completion this spring. Please see the CBOC’s May 2021 annual report for a list of projects completed with Measure J funding that year. Several projects discussed below were in the planning, demolition

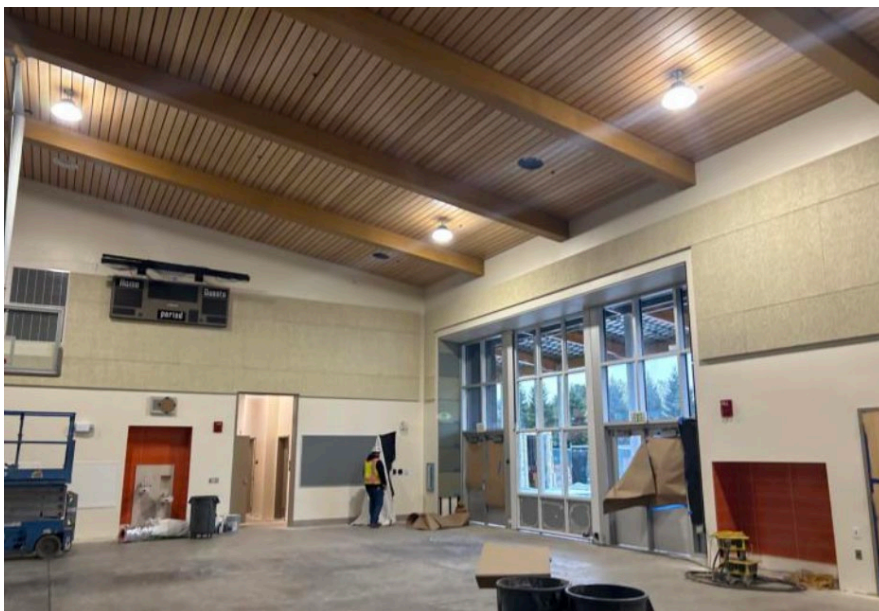
and/or construction phases in 2022-23.

The following are notable projects that remain in-progress and rely on, or will rely on, Measure J and Measure Y funds:

- **Cole Administrative Office Conversion:** OUSD is in the process of converting what used to be Cole Elementary School into district administrative office space. The project consists of a new 56,176 sf two-story Administration building. Site improvements include landscaping, fences, parking lots, and driveways on the 2.6-acre site. The construction phase began in 2021, currently scheduled for completion in Q2 of 2024. OUSD originally identified \$57 million in Measure J and Y funding for this project. The Board subsequently approved \$6,588,513.88 in change orders for this project.



- **McClymonds High School:** The project consists of modernizing various aspects of the school's facilities. Modernization of the entire campus which includes interior and exterior improvements and building systems improvements. Since our last report, delivery of 100 percent schematic design set pricing has been provided to the District for review, and the Design Development Phase has begun. A Hazmat RFP has been issued. Project construction is to begin Q2 of 2025, with completion scheduled for Q1 2027. OUSD originally identified \$65 million in Measure Y funding for this project, and subsequently increased that allocation to \$91.25 million to account for increased construction costs and to adhere to DSA standards and state specifications. A change order of \$1,238,252 has been approved by the Board.

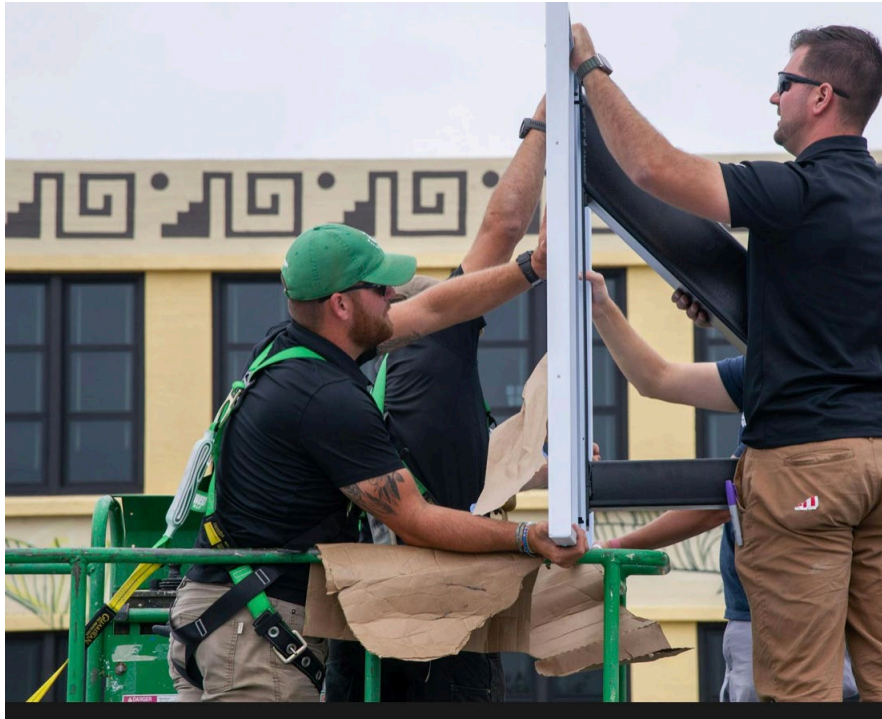


- **Claremont Multi-Purpose Building:** Continuation of construction to replace the kitchen that was destroyed by a fire and build a new multi-purpose room at Claremont Middle School. Construction began in summer 2022, with a currently planned completion in Q1 2024 (according to the most recent materials presented to CBOC). OUSD has identified \$21 million in Measure Y funding for this project.

- **Laurel CDC:** The project consists of building new classrooms, administrative, foodservice, and other spaces. Site work includes new paved play and learning spaces. Construction began in summer 2023, with a planned completion of Q2 2024 (according to the most recent materials provided to CBOC). OUSD has identified \$17.5 million in Measure J and Y funding for this project.



- **Coliseum College Prep Academy (CCPA):** The project consists of demolition of eight existing portable classrooms and construction of 16 new classrooms in a two-story modular building, to include classrooms, two science laboratories and rooftop solar panels; and construction of a new gymnasium building. Since our last report, the approved classroom building and gymnasium building designs have been completed and presented to the community for final recommendations. Bridging documents are nearly done. Construction is to commence in Q1 2026, with completion scheduled for Q4 2027. OUSD originally identified \$35,500,000 and subsequently increased that allocation to \$55,000,000 to account for increased construction costs and to adhere to DSA standards and state specifications.
- **Roosevelt Middle School:** The project consists of structural upgrades to the main building; upgrades to indoor spaces, mechanical heating, cooling, ventilation, plumbing, re-roofing, lighting, main entry, fire, intrusion, and sprinkler systems; right-sizing of classrooms, and upgrades to outdoor spaces site utilities, landscaping, and garden. Since our last report, project scoping has been completed and a General Contractor has been selected. Construction is planned to start Q2 of 2025. Completion is anticipated in Q3 of 2028. Project completion is scheduled for Q1 2027. This timeline was adjusted to account for delays to interim housing approvals. OUSD originally identified a budget of \$70,600,000 and subsequently increased that allocation to \$90,550,000 to account for increased construction costs and to adhere to DSA standards and state specifications. While no change orders have been requested, staff's financial outlook identified possible increases in the range of \$6 to \$7.5, based on current information.



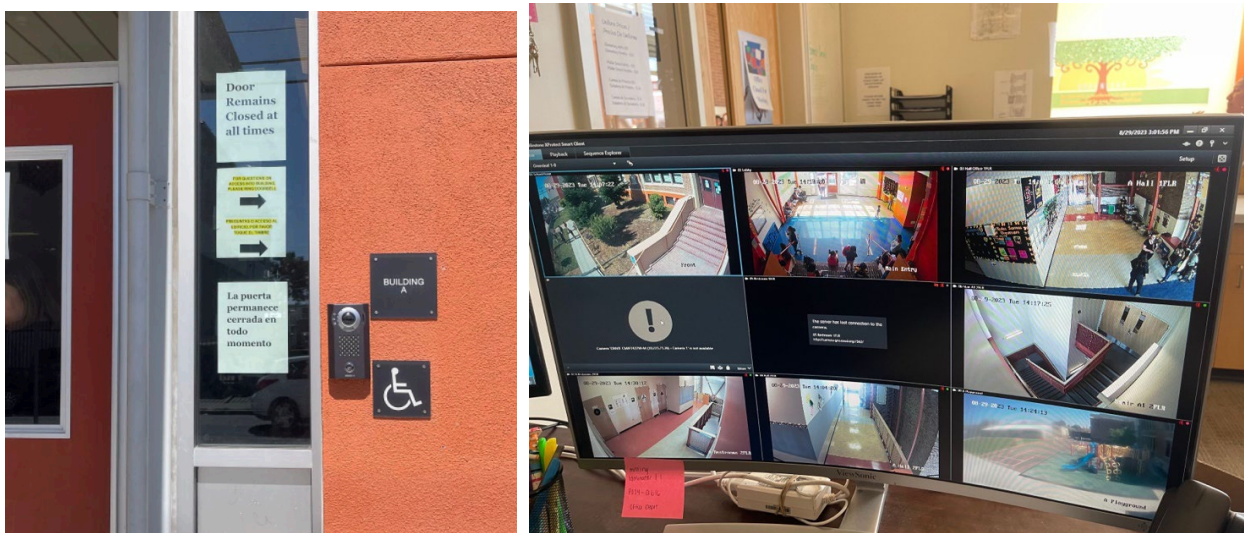
- **MELROSE LEADERSHIP ACADEMY:** A modernization or expansion of the Maxwell Park campus to be determined in coordination with the school site. Base scope will include structural, ADA compliance, fire alarm, HVAC, and electrical systems upgrade. Scope was reduced by \$13 million to address Maxwell Campus only as part of a change in spending plan to address rising construction costs and other projects needs. Architects have started schematic design and an RFQ/P has been prepared to select lease/lease-back entity.
- **GARFIELD ELEMENTARY SCHOOL:** The project consists of modernization to address major deficiencies identified in the 2019 Facilities Conditions Assessment and provide upgraded learning environments. Scope is expected to be completed by the end of Q2, 2024, pending input by site-based Project Advisory Committee. Construction is expected to start in Q2 of 2026, with completion in Q4 of 2027. OUSD has identified a budget of \$56.7 million for this project.



- OUSD Solar Projects:** As presented during the August 2023 CBOC meeting, seven solar projects were started during the summer of 2023. Five other OUSD sites were planned to have solar improvement projects kickoff during the 2023-2024 school year. OUSD has identified \$1.2 million in Measure Y funding for this project. Projects vary by site, and current projects have included roof solar array panels, a play yard, play field, or parking shade structures to house the solar panels.



- Security & Safety Improvements – Summer 2023:** As presented to CBOC during the August 2023 meeting, over the summer of 2023, twelve OUSD school sites received (completed) facilities improvements related to safety and security. These improvements include additional security cameras, and updated door locks for improvement in controlled access into school campuses. Seven additional OUSD sites had projects underway at the time of the presentation. For these security and safety projects, one or more funding sources may apply.



Security Improvements: Wall-mounted Aiphone Door Station



2023-2024 CBOC MEMBERS

- Andrea Dawson, *Chairperson*
- Andrew Butler, *Vice Chairperson*
- Sarah Price, *Secretary*
- Andrew Nelsen
- Leslie Ayers
- Alexandra Park
- Viola Gonzales
- John Jones III
- Angela Darby



Above: CBOC Members and others During a Site Visit to Roosevelt Middle School

Citizens' Bond Oversight Committee Observations

CBOC's responsibility is to actively review and report on the expenditure of taxpayers' money for school construction with voter-approved projects in accordance with Cal. Educ. Code § 15278. In addition, OUSD Resolution No. 2021-0031, which is codified in Section 2 of Board Bylaw (BB) 9131, requires Staff to present to this committee for review and advise any substantial changes to project scope, budget or timeline that are subject to Board of Education approval.

Over the past year, the committee held in person public meetings on our regular monthly schedule and reviewed program expenditures and other facility reports pertinent to expenditures of bond revenues. We have begun to once again conduct project site visits as part of our regular work, which had been suspended due to the COVID-19 pandemic.

OBSERVATIONS AND CONCERNS



We appreciate the efforts of OUSD Facilities Staff and Board Office Staff to manage CBOC meetings and present information to our committee each month. Facilities Staff members are generally responsive to our concerns and strive to provide the information that our committee requests in a format that is most helpful to us.

The CBOC notes the following specific observations related to bond expenditures:

- **Continued Improvements in Financial Reports and Inclusion in Process for Substantial Change:** Staff continues to be responsive to requests for changes to the financial reports. For the most part these reports are clear and presented to us in a timely manner. In fall of 2023, staff presented change orders to the Cole Administrative project which enabled us to share concerns and feedback to the Board in a timely fashion.

The major project Facts Sheets are an important addition to the information we receive. They enable us to track projects and be able to report to the community spending and timeline changes. We are in consultation with staff

about some improvements to the Fact Sheet formats, which we expect to see in the coming months.

- **Change Order Reporting to Board and CBOC Process Needs Improvement:** We note that the current process for reporting change orders lacks any meaningful review opportunities for either the CBOC or the Board. While some change orders are both unavoidable and must be expedited in order to conform to construction timelines, many others are not. We discovered this year that change orders are routinely reported to the Board **after** a commitment to the expenditure has been made to the payee. For instance, we found that a change order to add a stairwell at Cole at staff’s discretion had been executed with no review by the Board or CBOC. CBOC by-laws require that project alterations, including change orders, are reported to CBOC at the same time that they are reported to the Board, yet as the audit notes “there is no defined policy for reporting meaningful change orders to key stakeholders.” We want to work with staff and the Board to create a process whereby, at a minimum, change orders initiated at staff discretion (i.e. owner-initiated change orders) are available for review prior to expenditure approval.
- **Increasing Construction Costs and Equity Considerations:** Construction costs in California increased by about 28% between 2020 and 2024. Costs are expected to continue to escalate 8-10% per year, far above expectations when the Bond was written. The District has already had to make a decision to cut some planned Bond activities and will undoubtedly have make more difficult adjustments to the Bond program going forward. We encourage the Board to develop equity standards in addition to facilities condition standards when spending plans and timeline are altered going forward, so that students and communities in highest need are prioritized under this Bond.
- **Need for improved due diligence at the beginning of projects.** We have learned that the Cole project didn’t budget for the RAW (soil work) and that the Lowell window project uncovered fairly large structural issues. While all projects have unforeseen circumstances, we think these issues could likely have been anticipated with adequate due diligence and proper budgeting.
- **Facilities Master Plan Update:** The Facilities Master Plan (FMP) is the foundational document to guide the District’s decisions related to its facilities needs. The Board of Directors should be aware that the Facilities Master Plan is due to be updated in its entirety in 2025. As the Audit notes, Board Policy (BP 7110) mandates that the District update the FMP “every five years in its entirety and also updated annually as to work accomplished in the prior year as well as the District’s demographics.”



Annual Financial and Performance Audit Review and Findings

CBOC's primary duty is to provide a written statement on compliance for the public on both our review of the bond program expenditures and activities and the independent auditor's Financial and Performance Audit to ensure that Measure B, J and Y bond funds are spent in accordance with the bond language.

Each fiscal year a financial and performance audit of Measures B, J, and Y expenditures is required to be conducted. Eide Bailey LLP was contracted to conduct the performance and financial audit of Measures B, J and Y for the year ending June 30, 2022. This committee received the Audit Reports on March 31, 2023 and received a presentation of the findings from Eide Bailey LLP during our regular meeting on April 10, 2023.

The Audit Reports are available for review on the District website (www.ousd.org/domain/67) by searching for file number 24-0878.



The following are a summary of specific findings from the Audit Reports:

This year's audit shows continued improvement in the management of the Bond program. Overall, the auditor notes that "In all significant respects, the District has properly accounted for the expenditures of Measure B, J, and Y, bond funds and that such expenditures were made for listed projects. Furthermore, the District expended bond funds for salaries only to the extent employees perform administrative oversight work on construction projects; and that "The District continues making progress on implementing the prior year's bond performance audit recommendations and following the published OUSD Facilities Department Standard Operating Procedures manuals."



The District has continued improving the completeness and accuracy of the reports presented to the CBOC. Reports included the September 2023 Budget & Expenditures report presented 12/11, the “total resources against the total expenditures” reported as of June 30, 2023, a project reconciliation report for the major projects requested by the CBOC, and “Project Fact Sheets” prepared regularly for major projects identified by the CBOC. The budget information presented to the Citizens’ Bond Oversight Committee accurately reconciled to the District’s accounting records.

Expenditures were made for authorized projects

and show evidence of compliance with the District’s internal controls, with one minor exception amounting to a missing signature.

The District was found to be following its established process for compliance with the Local Business Participation policy in 13 out of 14 contracts examined. Staff cited urgency and time sensitivity for the one contract not in compliance.

As is typical of an audit of most Bond programs, several areas for continued improvement were noted.

1. The District does not have a documented basis for distributing salary between the narrow category of bond compliant construction projects, and routine everyday school facilities administrator expenses. The Auditor recommends several specific improvements.
2. The auditor recommends additional reporting, including an overall bond performance fact sheet, reports on specific change orders with amounts and descriptions as well as specific budget changes with amounts and description for the change showing which fund the change is related to.
3. While the audit notes improvements in change order documentation and reporting, it points out several issues regarding change orders. Auditors were provided no evidence that an internal control in the Procedures Manual was followed for 7 out of 8 change orders reviewed over \$5000. The audit also notes that there is no defined policy for reporting meaningful change orders to key stakeholders; and recommends “establishing a threshold for reporting accepted change orders....., to key decision-makers.” And notes that change order reporting “should include itemized change amount, percentages, descriptions, change responsibility, and approval date.”



And that “(w)ithin the bond program, change order documentation should be available at the project and program levels with detailed and summary information.”

4. Although the District is following its established process over procurement/bidding overall, there are some exceptions. In four of fourteen awarded contracts reviewed, auditors found discrepancies in the amount approved by the Board and the actual awarded contracts, amounting to an increase of approximately \$2.2 million, with no documentation of the reason for the changes.
5. The District’s standardized items list for Bond Program materials procurement is not current and potentially incomplete. Standardized specifications promote efficiency, energy conservation and include a consideration of the community’s educational needs. Lack of standardization could also lead to increased owner-initiated changes orders. Recommendations are that District regularly update its standardized items and educational specifications list, to accurately reflect the most current standards and guidance local and state governments provide, and to establish a defined process to ensure regular updates to the Standards Specifications document.
6. The District did not provide a Conflict of Interest disclosure for all specific positions defined in the District’s board policy within facilities department and appears to be out of compliance with the District’s Conflict of Interest Code Board Policy (BP 10000).



CBOC COMPLIANCE STATEMENT

In accordance with Cal. Educ. Code § 15278 (b), the CBOC is tasked with advising the Board of Education and the public on OUSD’s compliance with the California Constitution’s requirements related to the expenditure of bond funds. None of the observations and concerns with the expenditure of bond funds noted in the report rise to a level that constitutes improper use of bond funds. We therefore **find that OUSD is in compliance** with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution.