

Eureka City Schools  
**Citizens' Oversight Committee**  
For Bond Measures S and T

**FIRST ANNUAL REPORT TO THE COMMUNITY**

Year 1: July 1, 2002--June 30, 2003

**Executive Summary:**

This is the first annual report to the community by the Citizens' Oversight Committee (COC) concerning the status of the school improvement bond measures approved by Eureka voters in March 2002. Bond Measure S authorized \$32.5 million for the middle and high schools, while Bond Measure T authorized \$10.6 million for the elementary schools. In August 2002 the first series of bond sales resulted in \$21.6 million of proceeds for Measure S and \$6.5 million for Measure T. The next bond issuance is expected to occur in June 2004.

Three months after the bond election, nine committee members were appointed by the Eureka City Schools Governing Board. The Committee began holding monthly meetings, adopted by-laws, learned about their duties, and toured ECS facilities scheduled for renovation. Committee members provided input in the selection of two architectural/engineering firms and a project management firm. As of the end of the District's most recent fiscal year (June 30, 2003), spending plus commitments totaled \$440,000 for Measure S and \$566,000 for Measure T. Most of the spending covered work done during the summer vacation period.

The COC believes that expenditures of Measures S and T bond proceeds have been properly made, and only for projects identified in the bond measures, and no bond monies have been spent on District operating expenses as of June 30, 2003. These expenditures are subject to required independent financial and performance audits to be completed by this December and reviewed by the COC. Audit results will be communicated to the community in a subsequent report. The COC, in its advisory and oversight capacity, will continue to work closely with District staff and the Project Manager in developing project priorities and financial performance reporting.

**Background:**

On November 7, 2000, California voters passed Proposition 39, which reduced the voter approval threshold for school district and community college district general obligation bonds from two-thirds (2/3) voter approval to 55% voter approval. With this legislation in place, and after an assessment of the facility needs at the elementary, middle schools and High School sites, the Eureka City Schools Governing Board at their November 27, 2001 meeting, ordered a school facilities bond election. On March 5, 2002 Eureka voters passed the school improvement bonds, Measure S for the high school and middle schools, and Measure T for the elementary schools. Combined, the bonds will provide approximately \$43 million to modernize and make safe the classrooms and facilities of the Eureka Unified School District. There may also be \$16.5 million in state matching grants available to the District.

Included in the language of Proposition 39, and subsequently required by State law, the governing body must appoint a citizens' oversight committee. The Governing Board appointed the Citizens' Oversight Committee (COC) in June 2002 and expanded the state mandated seven COC members to nine, providing for a wider representation of the community. The COC members represent local businesses, senior citizen organizations, taxpayer organizations, parents of students in the affected schools, and community members at large. The primary purpose of the COC is to ensure that the

expenditure of taxpayers' money is consistent with the bond language and that bond revenues are expended only for the construction, reconstruction rehabilitation or replacement of school facilities and that no funds are used for salaries or general operating expenses. The COC also has the responsibility to report its activities to the public annually, and alert the public to any waste or improper expenditure of school construction bond money. The COC is an independent group of concerned citizens; all volunteering their time to monitor the progress of the Bond projects, and all wanting to ensure that the end result will be a safer and more effective learning and teaching environment for the future. It should be noted, that while the COC can make recommendations in an advisory capacity to the Governing Board, they cannot establish education policy nor authorize the expenditure of taxpayer funds.

## **COC Activities to Date:**

### Structure and Organization

Meeting for the first time on June 24, 2002, the Committee spent the first several meetings discussing its role as an oversight committee, getting acquainted with each other and District staff, meeting the consultants and getting up to speed with the projects and the process. A Chairman and Vice-Chair were elected and committee operating by-laws were adopted in accordance with the Brown Act and Robert's Rules of Order. The COC meets on the 4<sup>th</sup> Monday of the month from 4:30 PM to 6:00 PM in the Governing Board chambers located at 3200 Walford Avenue in Eureka. The meetings are open to the public. The Superintendent and the District staff have been very helpful and cooperative in providing the COC with the necessary background information on the Bond measures and the anticipated projects. The District's Business Services Administrative Assistant acts as the secretary for the COC, posting the meeting agendas and taking minutes. As part of community outreach, the COC has a dedicated web page on the District's official web site that contains the minutes of each meeting and is updated regularly by District staff. It can be found on the internet at [www.eurekacityschools.org/bonds/measuresandt](http://www.eurekacityschools.org/bonds/measuresandt) .

### Bond Issuance

The COC met with District staff and members from the financial firm, California Financial Services, who are handling the sale of the Bonds. The proceeds from the August sale of the first series of the 2002 General Obligation Bonds grossed \$21,602,605 for Measure S (the Middle and High Schools Bond), and \$6,496,987 for Measure T (the Elementary Schools Bond). There is a second Bond sale scheduled for June 2004.

### Input to Selection of Major Contractors

The first order of business for the COC was to visit each school site with District staff to see first hand the current conditions of the facilities and the work that is being considered as Bond projects. These tours were truly an educational experience for the COC. The COC recommended at its August, 2002 meeting that a Project Manager position would be essential in order to assist the Governing Board in establishing project priorities, project timelines, oversee the design process and generally keep multiple projects on task and on budget. Two COC members participated in the screening process with District staff, which culminated in August of 2003, with the Board selecting 3D/International as the Project Management firm.

Two COC members also participated with District staff in reviewing the proposals and making recommendations to the Board for architectural and engineering services. LPA, Inc. was selected for the middle and high schools' projects. A Eureka firm, Matson & Vallerga, was selected for the elementary schools' projects. The COC was made aware of the cumbersome plan review process at the Division of the State Architect (DSA), and because of that, it is very important to have plans approved by the DSA as soon as possible in order to "get in line" for the state matching funds.

Closing Worthington Elementary School

District staff advised the COC at its October 2002 meeting that the Governing Board was considering closing an elementary school site due to budget constraints. The COC was provided with a copy of the District’s Facility Utilization Plan, which outlined declining enrollment and the census at each school site. The COC did not give an opinion, but monitored the process as it related to bond spending decisions at specific school sites. In January 2003 the Board decided to close Worthington Elementary School as of the end of the 2002-2003 school year.

Two specific issues were determined to be bond relevant: Would the bond projects slated for that specific site be completed despite closure? Could the idled school be used for displaced students from other elementary schools as each site undergoes major construction work? At this time, it has been determined that because the school will be inhabited during the district modernization process, only those projects that ensure safety at the school site will be completed. Cost savings may be realized by utilizing Worthington School and not having to lease temporary, portable classrooms.

**Status of Projects:**

The following is a list of Bond funded projects that were in progress as of June 30, 2003 and their estimated costs. Most of the projects are being performed by local area contractors (a practice encouraged by the COC) subject to vendor qualifications and pricing.

Commenced 2003 Summer Projects:	<u>Estimated Bond Funding</u>
• New classroom casework (Lafayette, Grant, Washington, Zane, Winship)	\$75,000
• Concrete foundation work – relocatables (Lafayette and Washington)	\$67,000
• Re-roofing work at Lafayette	\$59,000
• New exterior siding at Lincoln	\$30,000
• Re-roofing work – Corporation Yard (total cost is \$199,000 with \$93,000 covered by Federal Renovation Funds)	\$106,000
• Replace computerized information system with "Power School" system (software, servers, etc.)	\$357,000
• Purchase 4 modular classrooms—delivered August, 2003 to Washington & Lafayette	\$306,000

**Financial Report:**

The following are Bond expenditures and commitments (spending plus open purchase orders) through the end of the fiscal year of June 30, 2003 (subject to audit):

	<u>Elementary Measure T</u>	<u>Secondary Measure S</u>
Contracted Services	\$ 40,000	\$ 23,000
Advertising (for bids)	3,000	1,000
Buildings & Improvements	61,000	53,000
Architect Fees	25,000	131,000
Portable Buildings	306,000	-
Computer Software	51,000	95,000
Computer servers/peripherals	<u>80,000</u>	<u>137,000</u>
Total	\$566,000	\$440,000

### **Issues and Concerns:**

The Citizens' Oversight Committee is required by law to receive and review copies of the annual independent financial audit. The Committee was advised at its August 2003 meeting that the Board had contracted with a local accounting firm to include the financial audit of Measures S and T as part of the regular audit for all District funds. Also, the COC is required by law to receive and review the annual independent performance audit. This audit has yet to be scheduled, and the COC hopes to be informed of the scope of this audit prior to the District contracting for it.

The tracking of costs related to Bond funded projects is of interest to the COC. There are many projects on the table and some entail "blended funding," that is, funding from more than one source. The newly hired Project Management firm will provide a financial tracking, budgeting and reporting system that will clearly account for the Bond monies spent and committed.

One of the largest single Bond projects to date is for the replacement of the District-wide computer information system. At a Committee meeting the COC was advised in a presentation by District staff of the Governing Board's prior decision to fund the "Power School" project with Bond funds. The project falls within the Bond language ("repair, replace and upgrade information technology systems"), and the COC supports the need for up-to-date technology and the necessary infrastructure to accommodate it.

Project prioritization is crucial to future planning and spending. A function given by the Board to the COC is to provide prioritization advice. The Project Manager will develop critical timelines relative to project prioritization in order to determine both schedule and financial performance.

As in any renovation project, hidden defects are often encountered. The District has taken steps to mitigate unforeseen costs as much as possible. Aging facilities, particularly at the high school, could have hidden problems that may not be discovered until demolition begins, such as hazardous materials, infrastructure issues, or lack of as-built drawings.

### **Findings and Conclusion:**

As of June 30, 2003, the Citizens' Oversight Committee believes that expenditures of Measures S and T bond proceeds have been properly made, subject to independent audits that are to be completed in December. The COC believes the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution which provides that Bond revenues are expended only for the construction, reconstruction, rehabilitation or replacement of school facilities, including furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities; and, no funds are used for any teacher or administrative salaries or other school operating expenses.

### **Summary of Future COC Activities:**

The COC will provide input to parameters for the required annual independent financial and performance audits of the Bond projects. Results of the first annual financial and performance audits will be available in December 2003 and communicated to the community.

The COC will work with the District to establish a periodic public financial & performance reporting system, which will show estimated versus actual costs as Bond projects progress. The COC will provide input in establishing project priorities and will continue to monitor all Bond related projects, including the Eureka High School seismic retrofit.

The Committee members look forward to seeing Eureka City Schools' facilities renovated and upgraded for the benefit of the students, the staff, and the community.

**Citizens' Oversight Committee Members:**

Melinda Ciarabellini  
Marge Custis  
Larona Farnum  
Kurt Kramer  
Fred Nelson

Bob Marino  
Susan Seaman  
Liana Simpson, Vice-Chair  
Ken Skaggs, Chairman

*October 27, 2003*