

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

THIRD ANNUAL REPORT TO THE COMMUNITY
July 1, 2004--June 30, 2005

Summary:

This is the third annual report to the community by the Citizens' Oversight Committee (COC) concerning the status of two school improvement bond measures approved by Eureka voters in March 2002. Bond Measure S authorized \$32.5 million for the middle and high schools, and Bond Measure T authorized \$10.6 million for the elementary schools. Pursuant to state law, the Eureka City Schools' Governing Board appointed the Citizens' Oversight Committee primarily to help ensure that bond funds are spent only on bond projects and that independent audits of the two improvement bonds are prepared annually by a CPA firm.

During the fiscal year ended June 30, 2005, \$14,796,009 was spent for bond projects: \$12,381,787 for Measure S and \$2,414,222 for Measure T. Spending to date now totals \$19,190,255 (comprised of \$13,730,908 for Measure S, \$3,770,046 for Measure T, and \$1,689,301 for the Central Kitchen).

The COC believes that expenditures of Measures S and T bond proceeds have been properly made for projects generally described in the bond measures, and that no bond funds have been spent on District operating expenses through June 30, 2005. These expenditures have been verified by required independent financial and performance audits completed on February 7, 2006 and reviewed by the COC.

Background:

On March 5, 2002 Eureka voters passed two school improvement bonds, Measure S for the high school and middle schools, and Measure T for elementary schools. Combined, the bonds provided approximately \$43 million to modernize and make safe the classrooms and facilities of the Eureka Unified School District with an anticipated \$16.5 million in state matching grants.

The Citizens' Oversight Committee 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 general operating expenses or salaries. 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, who volunteer their time to monitor the progress of the Bond projects to ensure that the end result will be a safer and more effective learning and teaching environment for the future. While the COC can make recommendations in an advisory capacity to the Governing Board, it cannot establish education policy nor authorize the expenditure of taxpayer funds.

COC Activities 2004-2005:

The COC generally meets on the 4th Monday of the month from 4:30 PM to 6:00 PM in the Governing Board chambers located at 3200 Walford Avenue in Eureka. In accordance with the Brown Act, the meetings are open to the public. The Superintendent, District staff, and the Program Manager have been very helpful and cooperative in providing the COC with updated 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.

In May, 2005, Fred Nelson, the taxpayers' organization representative, resigned from the committee. In December the ECS Governing Board selected Lynn McKenna as the new committee member. Committee members are limited by statute to serve a maximum of two, two-year terms.

Status of Major Projects:

Subject to vendor qualifications and pricing, most projects are being performed by local area contractors—a practice encouraged by the COC. As of the date of this report, the following work had been completed, or was in progress.

Central Kitchen—this new facility, located at the Corporation Yard along with the conversion of all school site kitchens to warming/serving facilities, has been financed with interest earned from bond proceeds held in the county treasury and transcends both bonds. This project was completed in September, 2005 for \$1.8 million.

Measure S Bond Work at Secondary Schools:

Eureka High School Phase 1—due to extremely high estimated costs for a complete FEMA 310 seismic retrofit of the Eureka High main building and gymnasium (*i.e.*, using seismic codes for brand new buildings), the District decided to follow a 2-phased plan to modernize the campus. Phase 1 uses Measure S bond funds to update the main building to the minimum, safe, 1961 Field Act seismic and ADA code requirements, and a new gym may be built in front of the old Jay Willard facility, subject to the findings of an EIR currently in progress. Also, industrial education (IE) programs will be relocated to a new building adjacent to the Ag Department. The IE Building will be upgraded to a community technology center. Other campus improvements are to be incorporated, bringing the total Phase 1 budget to \$25.4 million. Phase 2 will be funded from sources other than Measure S at sometime in the future. To date, ADA access to the sports stadium and field has been completed; work has begun on the new agriculture Shop Building; foundation work began for the new Woodshop in the agriculture area; the design package for the new gym was submitted to the Division of State Architect (DSA); and a Mitigated Negative Declaration of the EHS Modernization was in process.

Eureka High Annex (Marshall)—work commenced on the new Pottery Lab and classroom upgrades with completion this year; a CEQA Categorical Exemption was processed.

Winship Middle School—new Multipurpose Building completed in 2005; and Modernization Package work underway to be completed this year.

Zane Middle School—Modernization Package is nearly complete with new bus turn-around loop, ADA access walkway to lower playground area, and new covered walkways.

Jacobs Education Center—all work is on hold, after an extensive engineering re-evaluation and completion of a long-term facilities plan.

District Corporation Yard—major re-roofing was completed in 2003.

Measure T Bond Work at Elementary Schools:

Alice Birney—construction on modernization project proceeded slowly after encountering unanticipated structural pest damage, but was completed in 2005.

Grant—kitchen remodel work completed in 2005; major work to be completed this summer.

Jefferson—exterior painting, roofing, and siding fix-up done in 2004; due to Measure T budget constraints and detailed engineering analysis, the Board decided to minimize scope of work in 2005.

Lafayette—kitchen remodel work completed in 2005; summer of 2004 saw two new modular kindergarten classrooms with pitched roofs and installed on permanent foundations; remaining major modernization work to be done next summer (2006).

Lincoln—due to Measure T budget constraints, the Board decided to minimize scope of work in 2005; exterior painting, roofing, and siding fix-up done in 2004.

Washington—construction on modernization project proceeded slowly after encountering unanticipated structural pest damage; two new modular classrooms with pitched roofs were installed during summer 2004 on permanent foundations; new office is under construction.

Worthington—school modernization plans were cancelled when the school was closed in 2003 due to declining enrollment.

Financial Report:

In the March 2004 election California voters approved Proposition 55, which provided a pool of state matching funds for local school construction projects. All qualifying plans for the elementary and secondary schools have been submitted and approved by the DSA. They have qualified for more than \$20 million in state matching funds that augment the \$43.1 million provided by the S and T bonds, plus \$2.1 million of bond interest income.

Attached to this report is a spreadsheet (see Attachment) that summarizes project spending through June 30, 2005 by school facility, which has been audited by the CPA firm of May & Abrahamsen. Also included is cumulative spending through this month by facility, unaudited.

Issues and Concerns:

Project Management firm 3D/I has provided a financial tracking, budgeting and reporting system that accounts for the Bond monies spent and committed to date, plus spending projections, and project timelines. This information can be found on the District's website and updated monthly.

As in any renovation project, hidden defects continue to be encountered. The District has taken steps to mitigate unforeseen costs as much as possible. Aging facilities have hidden problems (such as hazardous materials, infrastructure issues, or lack of as-built drawings) that are not discovered until demolition begins. High inflation has taken its toll on construction spending. The requirement to pay State-approved "prevailing wages" for public works projects has impacted the

bond budgets, as has additional, more extensive ADA requirements. It remains to be seen how much of the scope of the original projects contemplated by the bond measures will actually be accomplished, even with the Proposition 55 state matching funds. The District and its Project Manager continue to search for additional, innovative funding such as hardship grants for major seismic retrofit, in addition to innovative modernization techniques.

Due to declining enrollment the District decided to close Worthington Elementary in 2003 and Jefferson Elementary in 2006. Also this year, but due to extremely high renovation costs, Jacobs Learning Center will close, with the Eureka Adult School relocating to Jefferson and Zoe Barnum and other programs relocating to Worthington. Measure T bond funds were spent at Worthington and Jefferson, and Measure S money was spent at Jacobs, primarily for detailed architectural and engineering analysis. These expenditures, as reported in the latest financial audit, are now considered "abandoned." If any more bond funds are spent on these facilities, they should come from the appropriate funding source: the electorate that voted for modernization at the elementary schools was not the same electorate that voted for modernization at the secondary facilities.

In June, 2006 the entire Citizens Oversight Committee membership will be replaced after serving the maximum tenure of four consecutive years. Nearly two years ago the COC raised the issue of the potential for lack of continuity of oversight activity, if all members are replaced at the same time. We hope that somehow any problems that may arise from lack of continuity will be minimal.

Findings and Conclusion:

As of June 30, 2005, the Citizens' Oversight Committee believes that expenditures of Measures S and T bond proceeds have been properly made and are supported by the recently completed independent audits. 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.

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

Citizens' Oversight Committee Members:

Melinda Ciarabellini
Marge Custis
Larona Farnum
Kurt Kramer
Lynn McKenna

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

March 27, 2006

(See Attachment, following page.)

Attachment:

Eureka City Schools - Status of Bond Measures			
<i>(\$ in thousands)</i>	Cumulative Expenditures		Funding
	thru 6/30/2005 (audited)	thru 3/20/2006 (unaudited)	from Bonds, State Match. & Earned Interest
	Measure S		
District Wide/Corp Yard	\$ 1,316	\$ 1,352	
Eureka High School	3,793	5,898	
EHS Annex (Marshall)	777	3,854	
Jacobs Education Center	237	237	
Winship Middle School	3,484	7,118	
Zane Middle School	4,125	8,198	
Total Measure S	\$ 13,731	\$ 26,657	\$ 46,525
Measure T			
District Wide/Corp Yard	\$ 666	\$ 681	
Alice Birney Elementary	481	1,990	
Grant Elementary	452	741	
Jefferson Elementary	287	340	
Lafayette Elementary	767	983	
Lincoln Elementary	452	480	
Washington Elementary	652	3,113	
Winzler Children's Center	5	5	
Worthington Elementary	8	8	
Total Measure T	\$ 3,770	\$ 8,342	\$ 16,805
Interest Income Project			
Central Kitchen	\$ 1,689	\$ 1,860	\$ 2,100
Grand Total	\$ 19,190	\$ 36,860	\$ 65,430