

Agenda Item B.6

August 13, 2005

TO: Citizens' Bond Oversight Committees (CBOC)

FR: Audit Subcommittee

Cathy Swift, Chair, Ludmyrna Lopez, and Anton Jungherr

RE: Facilities Program Budget

Background

This matter was discussed at the June 22, 2005 CBOC meeting and referred to the Audit Subcommittee for consideration. The Audit Subcommittee considered this matter at its August 8, 2005 meeting. This report is the results of that consideration and discussions with Bill Savidge and Total School Solutions.

Item Requiring Attention – Board of Education memos are prepared by staff and submitted to the Board for construction expenditures. Each memo has a ***Fiscal Impact*** section.

A recent fiscal impact statement stated: "Additional costs paid from project contingency funds in Measure M Phase 1A and 1B project budgets with adjustments already incorporated by staff into Proposed Adjusted Program Budget." (Agenda item E.11, June 1, 2005)

This language does not inform the Board or the public as to the budgets being charged. The Board on a regular basis does not approve an updated facilities program budget.

As of June 22, 2005, there was \$31,878,748 of proposed budget changes that had not been approved by the Board. However, the Board routinely approves construction expenditures against the unapproved budgets.

As of June 22, 2005, the facilities program had a deficit of \$3,875,000.

RE: Facilities Program Budget (continued)

In addition to Measure M and Measure D bond funds, other sources of funding are used for facilities projects including:

- Routine Restricted Maintenance Funds
- Deferred Maintenance Funds
- Maintenance Recreational Assessment District Funds
- Developer fees
- State funding
- Interest earnings
- E-Rate reimbursement
- FEMA reimbursement
- County funding

In our opinion all of the funds available for facilities projects should be included in a Facilities Program Budget presented to the Board of Education for approval in January of each year. The Facilities Program Budget should include all facilities projects funded from all sources. This budget should show the multi year budget for each uncompleted/planned project from the start of the project through the completion of the project. A Facilities Program Budget would be a useful planning tool for the Board, CBOC and public. It would also serve as a basis for certifying the availability of funds for facilities project and change order expenditures.

Recommendations

1. That the Board of Education review and approve an annual **Facilities Program Budget** in each year starting in 2006.
2. That the **Facilities Program Budget** approved each year includes the multi year budget for all uncompleted and planned facilities projects.
3. That the **Facilities Program Budget** approved each year includes all funds available for facility projects.
4. That staff identify the budget by fund and account code on each Board action memo that recommends the expenditures of funds for facility projects.

RE: Facilities Program Budget (continued)

5. That the Associate Superintendent, Business Services certifies on each Board action memo that recommends expenditures for facility projects the availability of funds.
6. That the **Facilities Program Budget** be formally amended by the Board of Education during the calendar year, as needed, for new and revised projects and change orders.