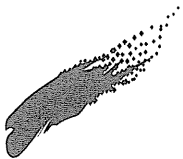


# NATOMAS UNIFIED SCHOOL DISTRICT

**MEASURES M & D  
PERFORMANCE AUDIT  
PERIOD ENDED JUNE 30, 2009**



**TOTAL SCHOOL SOLUTIONS  
4751 MANGELS BOULEVARD  
FAIRFIELD, CA 94534**

# **Natomas Unified School District**

## **BOARD OF EDUCATION**

**June 30, 2009**

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**John H. Christ, Assistant Superintendent, Business Services**

**Michael Cannon, Assistant Superintendent, Facilities and Planning**

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## INTRODUCTION

On November 5, 2002, the Natomas Unified School District (the “District”) submitted for voter approval Measure M, a bond measure to authorize the sale of \$45.88 million in bonds to improve school facilities. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure M passed with 72.4 percent.

On June 6, 2006, the District submitted for voter approval Measure D, a bond measure to authorize the sale of \$145.5 million in bonds to improve school facilities. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure D passed with 62.0 percent.

Because Measures M and D passed pursuant to Proposition 39, the District was required to establish a citizens’ oversight committee and to conduct two independent audits. The first audit is a financial audit similar to a District’s annual financial audit. The second audit is a performance audit, which evaluates the effectiveness, economy and efficiencies of the bond facilities program.

The District engaged Total School Solutions (TSS) to conduct the annual independent performance audit for Measures M and D and report findings to the Board of Education and the independent Citizens’ Bond Oversight Committee. This report is the annual performance audit of the Natomas Unified School District’s bond-funded facilities program from July 1, 2008, through June 30, 2009.

Besides ensuring that the District uses bond proceeds in conformance with the provisions and restrictions listed in the Measures M and D ballot language, the scope of this examination includes a review of design and construction schedules and cost budgets; change orders and claim procedures; compliance with law, District policies, and guidelines on facilities and procurement; payment procedures; the effectiveness of the public outreach program; communication channels among the stakeholders; and other facilities-related areas.

In accordance with the California State Constitution, the District intends to have a performance audit completed annually until all Measures M and D funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measures M and D; and to help the District improve its overall bond program.

## EXECUTIVE SUMMARY

This performance audit, conducted by Total School Solutions (TSS), is the annual audit of the \$45.88 million Measure M and \$145.5 million Measure D bond program for the period July 1, 2008 through June 30, 2009.

TSS, in conducting the audit, reviewed numerous documents produced by District staff and consultants and interviewed persons involved in the bond program. Representations made by District staff and consultants were used, where appropriate, to make assessments and formalize conclusions, which are documented in this report. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

As of June 30, 2009, the District had issued all of its \$45.88 Measure M bond authorization and had issued \$115 million of its \$145.5 million Measure D bond authorization. The District also received \$125.5 million from the State for new construction, modernization, rehabilitation and joint use projects -- \$90.4 million since the passage of Measures M and D to fund M and D projects.

A fourteen-member Citizens' Bond Oversight Committee (CBOC) was appointed by the Board in March 2006, to provide oversight of the Measures M and D bond program, as required by law. The Committee held four meetings during the 2008-09 fiscal year to review facilities projects. A CBOC website, as required by law, exists, and pertinent information is provided, including bylaws, meeting agendas/minutes, facilities projects updates and performance audits, although it was observed that meeting minutes had been posted late and the Committee had not issued an annual report.

Numerous observations about the District's facilities program are included in this performance audit report. Those observations are intended to clarify certain aspects of the facilities program or express concerns that do not rise to the level of a finding.

The performance audit identified deficiencies or non-compliance issues including failure to properly advertise the Notice to Bidders for one project, and failure to prepare and present the Annual Report by the CBOC.

The Sacramento County Grand Jury published a report on May 26, 2009, concluding that the price paid for a 41 acre new high school site was excessive. The District filed a response to the Grand Jury's report on June 24, 2009 (see Appendix E).

Recommendations to clarify or correct internal procedures have been made by TSS. Those recommendations can be found throughout the report.

It is important that strong systems and procedures be in place and understood by all participants in the Measures M and D bond process. The observations and recommendations made throughout this audit report will hopefully help to strengthen those systems and procedures.

It should be noted that this work has been performed to meet the requirements of a performance audit in accordance with Article XIII of the Constitution of the State of California. Any known significant weaknesses and substantial noncompliance items have been reported to the District's management. This performance audit is not a fraud audit, which would be much wider in scope and more significant in nature than this examination.

The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

## INDEPENDENT PERFORMANCE AUDITOR'S REPORT

We have conducted a performance audit of the Measures M and D bond program of the Natomas Unified School District, as of and for the fiscal year ended June 30, 2009. The information provided herein is the responsibility of the District's management. Total School Solutions responsibility is to express an opinion on the pertinent issues included in the scope of this performance audit.

In our opinion, Measure M funds are being expended in accordance with Resolution No. 02-28 passed by the Board of Education on July 17, 2002. It is also our opinion that, for the period ending June 30, 2009, the expenditures of the funds generated through Measure M bonds were only for the projects listed in Appendix A, Exhibit A in this report. We have also determined that the representations made to the public regarding state funds were true and reasonable and complied with the best practices in obtaining state funding for school facilities.

Also, in our opinion, Measure D funds are being expended in accordance with Resolution No. 06-10 passed by the Board of Education on February 8, 2006. It is also our opinion that, for the period ending June 30, 2009, the expenditures of the funds generated through Measure D bonds were only for the projects listed in Appendix B, Exhibit B, in this report. We have also determined that the representations made to the public regarding state funds were true and reasonable and complied with the best practices in obtaining state funding for school facilities.

This performance audit was conducted in accordance with the District's defined scope of a performance audit of the school facilities program. The District is also required to request and obtain an independent financial audit of Measures M and D bond funds. The financial auditor is responsible for evaluating conformance with generally accepted accounting principles and auditing standards pertinent to the financial statement. The financial auditor also evaluates and expresses an opinion on such matters as the District's internal controls, controls over financial reporting, and its compliance with laws and regulations. Our opinion and accompanying report should be read in conjunction with the independent financial auditor's report when considering the results of our performance audit and forming opinions about the District's bond program.

This report is intended solely for the use of the management, the Board of Education, and the independent Citizens' Bond Oversight Committee of the Natomas Unified School District, which have taken responsibility for the sufficiency of the scope of work deemed appropriate for this performance audit.

Total School Solutions

*Total School Solutions*

January 15, 2010

## COMPLIANCE WITH BALLOT LANGUAGE

On July 17, 2002, the Board of Education of the Natomas Unified School District approved the placement of a \$45.88 million bond measure (Measure M) on the November 5, 2002, ballot with the adoption of Resolution No. 02-28.

The full text of the ballot measure is presented in Appendix A. The following excerpt is abbreviated language of the bond proposition as it appears in the ballot:

In order to enable the Natomas Unified School District to continue providing exceptional educational opportunities, shall the District issue \$45.88 million in bonds, at interest rates within legal limits, to acquire, construct, modernize, repair, replace and equip its school facilities to meet safety and instructional needs, accommodate future growth, and create additional space for student class size reduction, additional educational programs and other needs, subject to oversight by an independent citizens' committee as legally required?

Measure M, a Proposition 39 general obligation bond measure, required an affirmative vote of 55 percent of voters. The measure was passed by the voters on November 5, 2002, with 72.4 percent of the vote. As required by Proposition 39 and the State Constitution, the District established an independent citizens' oversight committee to provide the requisite oversight and commissioned annual financial and performance audits.

On February 8, 2006, the Board of Education of the Natomas Unified School District approved the placement of a \$145.5 million bond measure (Measure D) on the June 6, 2006 ballot, with the adoption of Resolution No. 06-10.

The full text of the ballot measure is presented in Appendix B. The following excerpt is abbreviated language of the bond proposition as it appears on the ballot:

To improve the quality of education throughout Natomas, shall the Natomas Unified School District provide additional classrooms, construct facilities, modernize classrooms, renovate playfields, improve access to schools for students, staff and the community, and become eligible for all additional State matching funds by issuing \$145,500,000 in bonds at an interest rate not to exceed the statutory limit, reviewed by a citizens' oversight committee, independent audits, and NO money for administrator salaries?

Measure D, a Proposition 39 general obligation bond measure, required an affirmative vote of 55 percent of voters. The measure was passed by the voters on June 6, 2006, with 62.0 percent of the vote. As required by Proposition 39 and the State Constitution, the District established an independent citizens' oversight committee to provide the requisite oversight and commissioned annual financial and performance audits.



A question regarding the use of general obligation bond funds for program managers and other internal staff was raised during the review period covered by this audit. In legal opinion No.04-110 dated November 9, 2004 the California Attorney General opined that. "A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure." (For the full text of this Attorney General opinion, refer to Appendix D.) The District is in compliance with the Attorney General opinion.

As of June 30, 2009, the District had issued all of its Measure M bond authorization, and \$115 million of the \$145.5 million Measure D bond authorization leaving an available authorization for the future sale of \$30.5 million bonds. Measures M and D expenditures as of June 30, 2009, were for projects with the scope of the ballot language.

TSS finds the Natomas Unified School District in compliance with Measures M and D ballot language.

## DISTRICT FACILITIES PROGRAM

While the scope of the performance audit is limited to Measures M and D, it is useful to review the District's entire facilities program and other sources of funds to place the bond measures into context. In addition to Measures M and D funds, the District has received funds from Developer Fees, the state School Facilities Program, the State Deferred Maintenance Program, and various other sources.

The District funds used to account for facilities revenues and expenditures appear in the table below.

Fund	Description <sup>1</sup>
14	Deferred Maintenance
21	Building (Land Sales and General Obligation Bonds)
25	Capital Facilities (Developer Fees)
35	School Facilities (State Match Monies)
40	Special Reserve Fund

<sup>1</sup>Refer to the following tables for a detailed accounting of funds and for an explanation of the use of the funds.

The table below presents the financial summary of the District's facilities program for fiscal years 2006-07 through 2008-09. As of June 30, 2009, the District's combined facilities funds had an ending balance of \$112.7 million. For more detailed data by fund, refer to the Capital Outlay Funds tables.

<b>Facilities Program (Consolidation of Funds)</b>			
	Fiscal Year	Fiscal Year	Fiscal Year
	Ending June 30, 2007	Ending June 30, 2008	Ending June 30, 2009
<b>Beginning Balance</b>	\$75,626,026	\$93,174,037	\$121,559,367
<b>Revenues</b>	13,450,920	41,431,749	5,128,855
<b>Expenditures</b>	56,995,029	68,607,761	13,680,779
<b>Transfers – Net</b>	1,092,120	561,342	(337,094)
<b>Sources</b>	60,000,000	54,999,999	0
<b>Net Change</b>	17,548,011	28,385,330	(8,889,018)
<b>Ending Balance</b>	\$93,174,037	\$121,559,367	\$112,670,349

The Building Fund (Fund 21) is used to account for the District's Measures M and D bonds as well as funds from previous bond issues and other sources such as sale of land. The cash flows for the Building Fund since the passage of Measures M and D appear in the table below.

<b>Building Fund</b>			
	Fiscal Year	Fiscal Year	Fiscal Year
<b>Building Fund</b>	Ending June 30, 2007	Ending June 30, 2008	Ending June 30, 2009
<b>Beginning Balance</b>	\$52,471,097	\$83,748,575	\$98,240,510
Revenues	4,125,868	5,198,032	1,320,463
Expenditures	2,702,663	13,812,594	6,274,642
Transfers – Net	(30,145,727)	(31,893,502)	79,221
Sources	60,000,000	54,999,999	0
<b>Net Change</b>	\$31,277,478	14,491,935	(4,874,958)
<b>Ending Balance</b>	\$83,748,575	\$98,240,510	\$93,365,552

The District's outstanding debt is presented in the table below. This table includes prior bonds, Measures M and D bond funds, certificates of participation, and capital leases.

<b>Outstanding Debt</b>			
<b>Capital Debt</b>	<b>Fiscal Year Ending June 30, 2007</b>	<b>Fiscal Year Ending June 30, 2008</b>	<b>Fiscal Year Ending June 30, 2009</b>
GO Bonds <sup>1</sup>	\$151,768,898	\$203,286,451	\$198,279,837
COPs <sup>2</sup>	72,528,983	71,221,415	69,851,733
Capital Leases <sup>3</sup>	1,383,937	1,210,646	970,467
<b>Total</b>	<b>\$225,681,818</b>	<b>\$275,718,512</b>	<b>\$269,102,037</b>

<sup>1</sup>General Obligation bond debt includes bonds issued prior to the passage of Measures M and D, as well as bonds issued under Measures M and D, as follows:

<b>General Obligation Bonds Prior to M and D</b>	<b>Outstanding June 30, 2007</b>	<b>Outstanding June 30, 2008</b>	<b>Outstanding June 30, 2009</b>
1997 Refunding	\$23,575,000	\$22,200,000	
1999 Refunding	16,065,000	15,105,000	
2001 General Obligation Bonds	6,315,000	6,115,000	
<b>Total Prior General Obligation Bonds</b>	<b>\$45,955,000</b>	<b>\$43,420,000</b>	
<b>General Obligation Bonds – Measure M</b>	<b>Outstanding</b>	<b>Outstanding</b>	<b>Outstanding</b>
2003 Series A	\$13,839,297	\$13,420,000	
2004 Series B	30,946,274	29,968,889	
<b>Total General Obligation Bonds – Measure M</b>	<b>\$44,785,571</b>	<b>\$43,388,889</b>	
<b>General Obligation Bonds – Measure D</b>	<b>Outstanding</b>	<b>Outstanding</b>	<b>Outstanding</b>
2006 Series A	\$61,028,327	\$59,155,000	
2007 Series B – Capital Appreciation		25,879,999	
2007 Series B – Current Interest		29,120,000	
<b>Total General Obligation Bonds – Measure D</b>	<b>\$61,028,327</b>	<b>\$114,154,999</b>	
<b>Total General Obligation Bonds</b>	<b>\$151,768,898</b>	<b>\$200,963,888</b>	<b>\$198,279,837</b>

General Obligation bond debt as of June 30, 2008, totaled \$203,286,456, and included a deferred premium of \$2,322,563. Detailed data as of June 30, 2009 were not available but is reported in the District's financial audit.

The General Obligation bond status as of June 30, 2009, was the following:

<b>General Obligation Bond Status</b>	<b>Measure M (November 11, 2002)</b>	<b>Measure D (June 6, 2006)</b>
Authorized	\$45,880,000	\$145,500,000
Bond Sales	15,295,000	60,000,000
	(2003 Series A)	(2006 Series A)
	30,584,687	54,999,999
	(2004 Series B)	(2007 Series B)
<b>Total Sales</b>	<b>\$45,879,687</b>	<b>\$114,999,999</b>
Remaining Authorization	-0-	\$30,500,001

Note: The District's assessed value in 2008-09 was \$9.5 billion and in 2009-10 was \$8.8 billion – a decrease of \$0.7 billion. The 2009-10 bonding capacity was \$219.2 million (2.5 percent of A/V). With outstanding bonds of \$198.3 million, the unused bonding capacity is \$20.9 million – below the \$30.5 million remaining authorization. The sale of all of the \$30.5 million authorization must therefore await an increase in A/V and/or payment of some bonds.

<sup>2</sup>Certificates of Participation (COPs) are loans, not a source of revenue. Total outstanding amount as of June 30, 2008, included a COP Deferred Premium of \$4,926,415.

<sup>3</sup>Capital leases are payments for various computers and equipment, which provide for title to pass to the District upon expiration of the lease period.

**CAPITAL OUTLAY FUNDS  
FISCAL YEAR 2006-07 (AUDITED)**

<b>Fiscal Year Ending June 30, 2007</b>	<b>Deferred Maintenance Fund<sup>1</sup></b>	<b>Building Fund<sup>2</sup></b>	<b>Capital Facilities Fund<sup>3</sup></b>	<b>School Facilities Fund<sup>4</sup></b>	<b>Special Reserve Fund Capital Outlay<sup>5</sup></b>	<b>Total</b>
<b>Beginning Balance</b>	<b>\$2,193,464</b>	<b>\$52,471,097</b>	<b>\$11,392,133</b>	<b>\$9,403,186</b>	<b>\$166,146</b>	<b>\$75,626,026</b>
Revenues	431,239	4,125,868	8,210,437	669,901	13,475	13,450,920
Expenditures	270,409	2,702,663	170,663	53,808,903	42,391	56,995,029
Transfers - In	355,000	1,620,500	3,371,105	48,856,231	0	54,202,836
Transfers - Out	0	31,766,227	16,617,234	4,727,255	0	53,110,716
Sources	0	60,000,000	0	0	0	60,000,000
<b>Net Change</b>	<b>515,830</b>	<b>31,277,478</b>	<b>(5,206,355)</b>	<b>(9,010,026)</b>	<b>(28,916)</b>	<b>17,548,011</b>
<b>Ending Balance</b>	<b>\$2,709,294</b>	<b>\$83,748,575</b>	<b>\$6,185,778</b>	<b>\$393,160</b>	<b>\$137,230</b>	<b>\$93,174,037</b>

**CAPITAL OUTLAY FUNDS  
FISCAL YEAR 2007-08 (AUDITED)**

<b>Fiscal Year Ending June 30, 2008</b>	<b>Deferred Maintenance Fund<sup>1</sup></b>	<b>Building Fund<sup>2</sup></b>	<b>Capital Facilities Fund<sup>3</sup></b>	<b>School Facilities Fund<sup>4</sup></b>	<b>Special Reserve Fund Capital Outlay<sup>5</sup></b>	<b>Total</b>
<b>Beginning Balance</b>	<b>\$2,709,294</b>	<b>\$83,748,575</b>	<b>\$6,185,778</b>	<b>\$393,160</b>	<b>\$137,230</b>	<b>\$93,174,037</b>
Revenues	495,879	5,198,032	3,926,866	31,805,430	5,542	41,431,749
Expenditures	373,966	13,812,594	1,328,082	53,079,207	13,912	68,607,761
Transfers – In	380,440	3,702,649	1,768,643	31,964,068	0	37,815,800
Transfers - Out	0	35,596,151	123,948	1,534,358	0	37,254,457
Sources	0	54,999,999	0	0	0	54,999,999
<b>Net Change</b>	<b>502,353</b>	<b>14,491,935</b>	<b>4,243,479</b>	<b>9,155,933</b>	<b>(8,370)</b>	<b>28,385,330</b>
<b>Ending Balance</b>	<b>\$3,211,647</b>	<b>\$98,240,512<sup>2A</sup></b>	<b>\$10,429,257</b>	<b>\$9,549,093</b>	<b>\$128,860</b>	<b>\$121,559,367</b>

**CAPITAL OUTLAY FUNDS  
FISCAL YEAR 2008-09 (UNAUDITED)**

Fiscal Year Ending June 30, 2009	Deferred Maintenance Fund <sup>1</sup>	Building Fund <sup>2</sup>	Capital Facilities Fund <sup>3</sup>	School Facilities Fund <sup>4</sup>	Special Reserve Fund Capital Outlay <sup>5</sup>	Total
<b>Beginning Balance</b>	<b>\$3,211,647</b>	<b>\$98,240,510</b>	<b>\$10,429,257</b>	<b>\$9,549,093</b>	<b>\$128,860</b>	<b>\$121,559,367</b>
Revenues	(298,883)	1,320,463	1,645,993	2,458,268	3,014	5,128,855
Expenditures	268,576	6,274,642	808,755	6,314,468	14,338	13,680,779
Transfers – In	0	4,504,307	4,692,571	201,221	0	9,398,099
Transfers - Out	380,440	4,425,086	4,094,396	835,271	0	9,735,193
Sources	0	0	0	0	0	0
<b>Net Change</b>	<b>(947,899)</b>	<b>(4,874,958)</b>	<b>1,435,413</b>	<b>(4,490,250)</b>	<b>(11,324)</b>	<b>(8,889,018)</b>
<b>Ending Balance</b>	<b>\$2,263,748</b>	<b>\$93,365,552</b>	<b>\$11,864,670</b>	<b>\$5,058,843</b>	<b>\$117,536</b>	<b>\$112,670,349</b>

<sup>1</sup>The Deferred Maintenance Fund (14) is used for projects identified in the District's Five-Year Deferred Maintenance Plan. Funding comes from a District-match contribution (transfer from the General Fund) and a state-match contribution. "The District used the flexibility provided in the 2009-10 State budget to reverse the 2007-08 and 2008-09 State and District match funding."

<sup>2</sup>The Building Fund (21) is used to account for revenues and expenditures from General Obligation bond proceeds (Measures M and D) on acquisition or construction of facilities. Other revenues include proceeds from the sale or lease-with-option-to-purchase of real property and rentals/leases of real property.

<sup>2A</sup> The Ending Balance for the Building Fund as of June 30, 2008, consisted of the following categories:

Measure M	\$1,439,588
Measure D	\$82,439,117
2005 COP	13,538,214
Surplus Property	823,591
Total	\$98,240,510

<sup>3</sup>The Capital Facilities Fund (25) is used to account for developer fees.

<sup>4</sup>The School Facilities Fund (35) is used to account for proceeds received from the State Allocation Board for modernization and new construction projects. Other sources include a transfer from the General Fund.

<sup>5</sup>The Special Reserve Fund (40) for Capital Outlay Projects is used to account for revenues transferred from the General Fund, proceeds from the sale or lease-with-option-to-purchase of real property, rentals/leases of real property and excess amounts sufficient to pay all unpaid bond obligations.

## FACILITIES PROGRAM HISTORY/STATUS

To assist the community in understanding the District's facilities program and the chronology of events and decisions that resulted in changes in scopes and costs for projects, this report documents facilities-related events from July 1, 2008, through June 30, 2009.

While this table of events simply outlines the events of the past year, these chronologies may become more important over time to assist the community, especially those new to the district, with understanding the development of the District's bond-funded facilities program. For a review of prior Board items, refer to previous performance audit reports.

### **Chronology of Facilities Events, July 1, 2008 – June 30, 2009**

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
July 9, 2008	Approve a contract amendment with Gary Douplik Manufacturing, Inc. for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds, Charter School Funds)	\$22,800
July 9, 2008	Approve a contract with Wallace-Kuhl & Associates, Inc. for the construction testing services for shade structures at various school sites. (Measure M Bond Funds, Measure D Bond Funds)	\$7,500
July 9, 2008	Approve a contract with Krazan & Associates, Inc. for the construction testing services for the Monopole Transmission Tower at Inderkum High School. (Other Funds)	\$2,640
July 9, 2008	Facilities Update	
July 9, 2008	Measure D Project Update.	
July 9, 2008	Measure M Project Update.	
August 13, 2008	Approve Change Order No. 1 for the NEC phone equipment at H. Allen Hight Learning Center. (Developer Fees, State Schools Facilities Program)	\$26,346
August 13, 2008	Approve Change Order No. 1 for the Wireless Infrastructure for H. Allen Hight Learning Center. (Developer Fees, State Schools Facilities Program)	\$21,315
August 13, 2008	Approve a Notice of Completion for Field Turf/Tarkett Inc., for the Natomas High School and Inderkum High School Track & Field Renovation Project.	
August 13, 2008	Approve a Notice of Completion for Sports Surfaces Distributing Inc., for the Natomas High School and Inderkum High School Track & Field Renovation Project.	
August 13, 2008	Approve a contract with Wallace Kuhl & Associates, Inc. for Construction Testing Services for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds)	\$2,000
August 13, 2008	Approve a contract with Michael K. Baughman, Inc. for in-plant inspection services for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds)	\$2,400

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
August 13, 2008	Approve a contract with Anicich Construction, Inc. for general contracting services for the ADA related work for the shade structures at Natomas Park Elementary School, Two Rivers Elementary School, Heron Elementary School and Westlake Charter School. (Measure M Bond Funds, Measure D Bond Funds)	\$7,897
August 13, 2008	Approve a contract amendment with Gary Douppnik Manufacturing, Inc. for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds, Charter School Funds)	\$42,722
August 13, 2008	Approve a contract with the lowest responsible bidder (Cabarrus Electric) for electrical services for the Westlake Charter School 2008 Portables Project. (Measure M Bond Funds)	
August 13, 2008	Facilities Update	
August 13, 2008	Measure D Project Update.	
August 13, 2008	Measure M Project Update.	
August 20, 2008	Approve Change Order No. 6, Turner Construction Co. for the H. Allen High Learning Center Project. (SAB Match, Developer Fees, Measure D Bond Funds)	\$1,317,304
August 20, 2008	Approve Contract Amendment No. 2, Professional Inspection Consultants, for the H. Allen High Learning Center Project. (SAB Match, Developer Fees, Measure D Bond Funds)	\$7,620
August 20, 2008	Board Facilities Workshop Presentation	
September 10, 2008	Approve Change Order No. 2 for River City Communications for the Allen High Learning Center. (Developer Fees, State School Facilities Program)	\$1,989
September 10, 2008	Approve Notice of Completion with River City Communications Corporation for the purchase and installation of a Closed Circuit Television System (Video Surveillance) at H. Allen High Learning Center. (Developer Fees, State School Facilities Program)	
September 10, 2008	Approve Notice of Completion with River City Communications Corporation for the purchase and installation of NEC phone equipment at H. Allen High Learning Center. (Developer Fees, State School Facilities Program)	
September 10, 2008	Approve Notice of Completion with AT&T to purchase and install the Intercom/ Clock/ Intrusion/ Sound and Surveillance Infrastructure for the H. Allen High Learning Center. (Developer Fees, State School Facilities Program)	
September 10, 2008	Approve a Notice of Completion for All About Play for the playground retrofitting projects at American Lakes, Two Rivers, Bannon Creek, Jefferson and Natomas Park Elementary Schools. (Measure D Bond Funds)	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
September 10, 2008	Approve Change Order No. 3 for Mascon Incorporated for the Natomas High School and Inderkum High School Track and Field Renovation Projects. (Measure D Bond Funds)	\$6,261
September 10, 2008	Approve a no-cost location change for the contract with National Carport, for the purchase and installation of a shade structure specifically designed for the Natomas Center Based Program for students with autism, from Two Rivers Elementary School to American Lakes Elementary School.	
September 10, 2008	Approve a no-cost location change for the US Communities Program contract with All About Play, for the purchase and installation of playground equipment specifically designed for the Natomas Center Based Program for students with autism, from Two Rivers Elementary School to American Lakes Elementary School.	
September 10, 2008	Approve a Notice of Completion for Shade Structures, Inc. for the shade structure project at Witter Ranch Elementary School.	
September 10, 2008	Facilities Update	
September 10, 2008	Measure D Project Update.	
September 10, 2008	Measure M Project Update.	
October 8, 2008	Approve a Contract with JIG Consulting for inspection work for AT&T additions at Inderkum High School. (Funded by AT&T)	
October 8, 2008	Approve a Contract Amendment No. 3 with Gary Doupnik Manufacturing, Inc. for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds, Charter School Funds)	\$4,500
October 8, 2008	Approve Change Order No. 1 with Cabar Electric Company, Inc. for the Westlake Charter School Electrical Site Work Project. (Measure D Bond Funds, Charter School Funds)	\$1,125
October 8, 2008	Approve Notice of Completion for Cabar Electric Company, Inc. for the Westlake Charter School Electrical Site Work Project. (Measure D Bond Funds, Charter School Funds)	
October 8, 2008	Approve Notice of Completion for Gary Doupnik Manufacturing, Inc. for the Westlake Charter School 2008 Portables Project. (Measure D Bond Funds, Charter School Funds)	
October 8, 2008	Approve the June 30, 2008 Proposition 39 Performance Audit with Total School Solutions. (Measure D Bond Funds, Measure M Bond Funds)	
October 8, 2008	Approve the Witter Ranch Elementary School Playground Addition. (Measure D Bond Funds)	\$100,000
October 8, 2008	Potential opening dates for the H. Allen Hight Middle School.	
October 8, 2008	Measure D Update.	



<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
October 8, 2008	Measure M Update.	
October 8, 2008	Facilities and Planning Update.	
October 29, 2008	Approve contract increase (revised) for California Multiple Awards Schedule (CMAS) for the Natomas High School and Inderkum High School Track and Field Project. (Measure D Bond Funds)	\$53,460
October 29, 2008	Approve Williams + Paddon Architects design contract amendment for the Westlake Charter School portable project to include the parking lot. (Measure D Bond Funds, Charter School Funds)	\$8,000
October 29, 2008	Facilities Five Year Master Plan	
November 12, 2008	Approve a Notice of Completion with River City Communications Corporation for the purchase and installation of Measure D data cabling equipment for Jefferson Elementary School. (Developer Fees, State School Facilities Program)	
November 12, 2008	Approve a Notice of Completion for Turner Construction for the H. Allen High Learning Center Project. (Measure D Bond Funds, State School Bond Funds, Developer Fees)	
November 12, 2008	Approve amendment to existing contract with Williams + Paddon Architects for the correction of non-conforming items for the Natomas Charter School Portables. (Charter School funds, Developer Fees)	\$5,000
November 12, 2008	Approve contract with Gudge Yancey Roofing, Inc. for the 2008 Jefferson Elementary Schools Reroofing Project. (Deferred Maintenance)	\$36,080
November 12, 2008	Approve contract with Golden State Construction for Westlake Charter School for the New Portables Plumbing and Parking Lot Expansion. (Charter School Funds)	\$142,900
November 12, 2008	Approve Resolution No. 08-44 approving the replacement of two old school buses under the "School Bus Replacement Program" of the Sacramento Metropolitan Air Quality District "Lower-Emission School Bus Program". (Grant Funding, Measure D Bond Funds.)	
November 12, 2008	Approve Resolution No. 08-45 approving the retrofit of eligible school buses with particulate traps under the "School Bus Exhaust Retrofit Program" of the Sacramento Metropolitan Air Quality District "Lower-Emission School Bus Program". (Grant Funding, Measure D Bond Funds)	
November 12, 2008	Approve amendment No. 1 with Kirk Brainerd, Architect for the design of the Autism Program at American Lakes Elementary School. (Other State Funds, Developer Fees)	\$7,000
November 12, 2008	Approve Emergency Resolution No. 08-46 for payment of Change Order No. 1 to Gary Douppnik Manufacturing, Inc. for the Westlake Charter School Portables Project. (Measure D Bond Funds)	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
November 12, 2008	Approve Emergency Resolution No. 08-47 for payment of Change Order No. 2 to Gary Douppnik Manufacturing, Inc. for the Westlake Charter School Portables Project. (Measure D Bond Funds)	
November 12, 2008	Approve the revised opening date of August 2009 for H. Allen Hight Middle School. (Measure D Bond Funds)	
November 12, 2008	Review the Conceptual Plan for a K-8 conversion in South Natomas. (Measure D Bond Funds)	
November 12, 2008	Review the Facilities Five Year Master Plan	
November 12, 2008	Review the Facilities Use Fee Structure	
November 12, 2008	Measure D Update.	
November 12, 2008	Measure M Update.	
November 12, 2008	Facilities and Planning Update.	
December 10, 2008	Approve a contract with All About Play for the purchase and installation of playground equipment at Witter Ranch Elementary School. (Measure D Bond Funds)	\$61,553
December 10, 2008	Conceptual Plan for a K-8 Conversion in South Natomas. (Measure D Bond Funds)	
December 10, 2008	H. Allen Hight Middle School Attendance Boundaries.	
December 10, 2008	Five Year Master Plan	
December 10, 2008	Measure D Update.	
December 10, 2008	Measure M Update.	
December 10, 2008	Facilities and Planning Update.	
January 14, 2009	Approve the Request for Qualifications (RFQ) for a design architect for the K-8 conversion at Bannon Creek Elementary School. (Measure D Bond Funds, State School Bond Funds)	
January 14, 2009	Approve the Request for Qualifications (RFQ) for Professional Preconstruction Consulting Services for the K-8 conversion at Bannon Creek Elementary School. (Measure D Bond Funds, State School Bond Funds)	
January 14, 2009	Approve Change Order No. 2 for Golden State Construction Company for Westlake Charter School Plumbing and Parking Lot Expansion. (Measure D Bond Funds, Westlake Charter School Funds)	\$12,795
January 14, 2009	Five Year Master Plan	
January 14, 2009	Proposed Energy Infrastructure Improvements.	
January 14, 2009	Methodologies for State School Bond Funding Eligibility.	
January 14, 2009	Measure D Update.	
January 14, 2009	Measure M Update.	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
January 14, 2009	Facilities and Planning Update.	
February 11, 2009	Approve a Notice of Completion for River City Communications for the purchase and installation of Structured Cabling System and Central Antenna Television Systems (CATV) at H. Allen Hight Middle School. (Developer Fees, State Schools Facilities Program funds)	
February 11, 2009	Approve a Notice of Completion for the purchase and installation of Measure M CCTV Video Surveillance Project. (Developer Fees, State Schools Facilities Program funds)	
February 11, 2009	Approve the June 30, 2008 Performance Audit Report for Measures M and D.	
February 11, 2009	Approve a Notice of Completion for Gary Douppnik Manufacturing, Inc. for the Natomas Charter School Portables. (Measure D Bond Funds, Charter School Funds)	
February 11, 2009	Approve a Notice of Completion for Gary Douppnik Manufacturing, Inc. for the Westlake Charter School Portables. (Measure D Bond Funds, Charter School Funds)	
February 11, 2009	Approve contract for Anicich Construction for Natomas Charter School Portables. (Measure D Bond Funds (\$25,000); Charter School Funds (\$4.971))	\$29,971
February 11, 2009	Approve the Office of Public School Construction (OPSC) submission for State School Bond Funding Eligibility.	
February 11, 2009	Approve Notice of Completion for general contractor, Anicich Construction, Inc. for ADA Work regarding various shade structures (Phase 1). (Measure D Bond Funds)	
February 11, 2009	Approve Notice of Completion for general contractor, Anicich Construction, Inc. for ADA Work regarding various shade structures (Phase 2). (Measure D Bond Funds)	
February 11, 2009	Approve Notice of Completion for National Carport Industries, Inc., for various shade structures. (Measure D Bond Funds, Measure M Bond Funds)	
February 11, 2009	Approve Change Order No. 3 with Golden State Construction Company for Westlake Charter School Plumbing and Parking Lot Expansion. (Measure D Bond Funds, Westlake Charter School Funds).	\$10,449
February 11, 2009	Approve a contract with Sparks Inspection Services, for in-plant inspection services for the American Lakes Elementary Autism and Preschool Portables. (Measure D Bond Funds)	\$6,600
February 11, 2009	Approve Notice of Completion for Golden State Construction Company for Westlake Charter School Plumbing and Parking Lot Expansion. (Measure D Bond Funds, Westlake Charter School Funds)	
February 11, 2009	Approve Change Order No. 7 with Turner Construction Company for the H. Allen Hight Learning Center. Remainder of contract contingency funds. (Measure D Bond Funds, Developer Fees, State Bond Funds)	(\$1,025,266)

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
February 11, 2009	Approve contract amendment with WCS/CA for extended commissioning and maintenance plan for the H. Allen Hight Learning Center. (Measure D Bond Funds)	\$81,800
February 11, 2009	Review of the Energy Infrastructure Improvements Proposal.	
February 11, 2009	Five Year Master Plan	
February 11, 2009	Measure D Update.	
February 11, 2009	Measure M Update.	
February 11, 2009	Facilities and Planning Update.	
March 2, 2009	Public Hearing Regarding the Opening Date of H. Allen Hight Middle School.	
March 11, 2009	Approve the following Board Policies and administrative Regulations; Revised: BP/AR 3311            Bids.	
March 11, 2009	Approve a Notice of Completion for the purchase and installation of Measure D Phase II video project at Natomas High School, Discovery High School and the Education Center. (Developer Fees, State Schools Facilities Program funds)	
March 11, 2009	Approve 2009 Professional Consulting Fee Schedule for Donley Construction Consulting. (Measure D Funds, Litigation Cost Recovery)	\$85,000
March 11, 2009	Approve Change Order No. 1 for Anicich Construction for Natomas Charter School Portables. (Charter School Funds)	\$430
March 11, 2009	Approve the Notice of Completion for Ancich Construction for Natomas Charter School Portables. (Charter School Funds)	
March 11, 2009	Approve contract with Williams+Paddon Architects for Kitchen Design Services for Natomas Charter School. (Charter School funds)	\$6,500
March 11, 2009	Approve contract with KD Anderson & Associates, Inc. for Traffic Studies related to the Bannon Creek Elementary K-8 Conversion Project. (Measure D Bond Funds, State School Bond Funds)	\$24,690
March 11, 2009	Approve the 2009 Facilities and Planning Five Year Master Plan.	
March 11, 2009	Measure D Update.	
March 11, 2009	Measure M Update.	
March 11, 2009	Facilities and Planning Update.	
April 8, 2009	Approve renewal and extension of agreement with Total School Solutions for the Proposition 39 Performance Audits for the three years ending June 30, 2009, 2010 and 2011.	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
April 8, 2009	Approve a contract for Anicich Construction for foundation Work at Natomas Charter School. (Charter School Funds)	
April 8, 2009	Approve amendment to the contract with Kirk S. Brainerd Architects for added scope of work for American Lakes Elementary School Preschool Portables project. (Other State Funds, Developer Fees)	\$6,000
April 8, 2009	Approve a revised Notice of Completion for Turner Construction for the H. Allen High Learning Center Project. (Measure D Bond Funds, State School Bond Funds, Developer Fees)	
April 8, 2009	Approve a contract for Anicich Construction for ADA Compliance work on specified shade structure projects. (Measure D Bond funds)	\$1,975
April 8, 2009	Approve a contract with Designed Mobile Systems Industries, Inc. (DMSI) for a Portable Classroom at American Lakes Elementary School for the Preschool Program. (Preschool Program Grant; \$250,000)	\$220,642
April 8, 2009	2009 Facilities and Planning Five Year Master Plan with updates.	
April 8, 2009	Update on the Natomas Middle School and Natomas Pacific Pathway Prep (NP3) relocation plans.	
April 8, 2009	Measure D Update.	
April 8, 2009	Measure M Update.	
April 8, 2009	Facilities and Planning Update.	
May 13, 2009	Approve contract with Williams + Paddon Architects + Planners, Inc., as Design Architects for the Bannon Creek Elementary School Conversion Project. (Measure D Bond funds)	
May 13, 2009	Approve Notice of Completion for All About Play for the play structure at Witter Ranch Elementary School. (Measure D Bond funds)	
May 13, 2009	Approve corrected contract cost of \$221,175.70 from the February 11, 2009 Board Meeting, for the Notice of Completion for National Carport Industries, Inc. (Measure D and Measure M Bond funds)	\$221,175
May 13, 2009	Approve Resolution No. 09-38, approving the emergency repair of the heating and cooling plant at Natomas High School and authorizing staff to directly purchase essential chiller components. (Deferred Maintenance Fund, State School Bond Funds)	
May 13, 2009	Approve contract with LP Engineering for engineering design services at Natomas High School. (Deferred Maintenance Fund, State School Bond Funds)	\$15,000

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
May 13, 2009	Approve contract with Abide Builders Incorporated for site work at American Lakes Elementary School for the autism and preschool program portables. (Developers Fees, State School Bond Funds)	\$224,900
May 13, 2009	Approve corrected cost of \$32,000 previously approved at the April 8, 2009 Board Meeting for contract amendment with Kirk S. Brainerd Architects for added scope of work at American Lakes Elementary School for the autism and preschool program portables. (Developers Fees, Other State Funds)	\$32,000
May 13, 2009	Approve the Notice of Completion with River City Communications for the purchase and installation of Voice, Data, Clock/Bell, Intrusion and CCTV systems for the Heron Elementary School P. E. Structure. (Developers Fees, State School Facilities Funds)	
May 13, 2009	Approve the Notice of Completion through the California Multiple Awards Schedule (CMAS) with River City Communications for the purchase and installation of Voice, Data, Clock/Bell, Intrusion and CCTV systems for the Heron Elementary School P. E. Structure. (Developers Fees, State School Facilities Funds)	
May 13, 2009	Update on the Natomas Middle School and Natomas Pacific Pathway Prep (NP3) relocation plans.	
May 13, 2009	Measure D Update.	
May 13, 2009	Measure M Update.	
May 13, 2009	Facilities and Planning Update.	
May 27, 2009	Approve Notice of Completion for Bob Leonard & Associates, Inc. for Natomas Charter School D Wing Portables. (Natomas Charter School Funds)	
May 27, 2009	Approve Notice of Completion for Gary Doupnik Manufacturing, Inc. for Natomas Charter School D Wing Portables. (Natomas Charter School Funds)	
May 27, 2009	Approve Notice of Completion for site work for Natomas Charter School D Wing Portables. (Natomas Charter School Funds)	
May 27, 2009	Approve the selection of a contractor for the Professional Services Preconstruction Consulting for the Bannon Creek Elementary School K-8 Conversion Project. (Measure D Bond funds)	
June 17, 2009	Approve Project Audit performed by the Citizens' Bond Oversight Committee.	
June 17, 2009	Approve a piggyback contract through CalNet contract with AT&T for purchase and installation of the Measure D Surveillance project at American Lakes Elementary, Bannon Creek Elementary, Inderkum High, Jefferson Elementary, Leroy Greene Middle, Natomas High, Natomas Park Elementary, Two Rivers Elementary and Witter Ranch Elementary schools. (Measure D Bond funds)	\$157,477

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
June 17, 2009	Approve the following Board Policies and administrative Regulations; Revised: BP 3314                      Payment of Goods and Services.	
June 17, 2009	Approve contract with Wallace Kuhl & Associates, Inc. for construction testing services for the American Lakes Elementary School portable classroom additions. (Measure D Bond funds, Developer Fees)	\$8,984
June 17, 2009	Approve a contract with All About Play for purchase and installation of playground equipment at Heron Elementary School. (Measure D Bond funds)	\$103,838
June 17, 2009	Approve a second corrected contract cost of \$237,644.70 from February 11, 2009 Board Meeting, for the Notice of Completion for National Carport Industries, Inc. (Measure D and M Bond funds).	\$237,644
June 17, 2009	Approve contract with Gary Doupnik Manufacturing, Inc. for the Lease and Relocation of Two Portable Classrooms to Westlake Charter School. (Measure D Bond funds)	\$27,800
June 17, 2009	Approve Professional Services Supplemental Authorization No. 1 for Williams + Paddon Architects + Planners, Inc. for the West Lakeside School project. (Measure D Bond funds)	\$9,600
June 17, 2009	Approve Professional Services Supplemental Authorization No. 1 for Williams + Paddon Architects + Planners, Inc. for the Bannon Creek K-8 Conversion project. (Measure D Bond funds)	\$22,500
June 17, 2009	Approve proposal for Phase I Environmental Site Assessment by J House Environmental Site for the Bannon Creek Elementary School K-8 Conversion project. (Measure D Bond funds)	\$5,200
June 17, 2009	Approve a contract with Turner Construction Company for Preconstruction Professional Consulting Services for the Bannon Creek Elementary School K-8 Conversion project. (Measure D Bond funds)	
June 17, 2009	Potential scope and funding for District energy retrofits. (Measure D Bond funds)	
June 17, 2009	Measure D Update.	
June 17, 2009	Measure M Update.	
June 17, 2009	Facilities and Planning Update.	
June 24, 2009	Approve a Contract Amendment with Turner Construction Company for the H. Allen Hight Learning Center project. (Measure D Bond funds)	\$44,900

### **Grand Jury Final Report**

On May 26, 2009, the Sacramento County Grand Jury published a report regarding the District's purchase of a 41 acre site for a new high school. The Grand Jury concluded that the price paid for the land purchase was excessive and issued findings and recommendations for the District's Board to consider for possible action. As of June 30, 2009, the end of the current performance audit period, the District's Board was preparing its response to the report.

### **District Response**

- The District filed a Response to the Grand Jury's Report on June 24, 2009, (see Appendix E), indicating, on a point-by-point basis, which findings it (the District) concurred either in whole or part, or disagreed with and noting District actions in each instance. In addition, as noted in the response, the District is pursuing legal remedies to recover the monies it believes it was overcharged for the property.



## COMPLIANCE WITH STATE LAW, GUIDELINES, DISTRICT POLICY AND FUNDING FORMULAS

### Process Utilized

TSS examined standard bid documents, contract documents, State of California laws and regulations, District policies, reports, and other relevant documentation related to the District's bond program. Interviews with key District staff were also held to obtain additional information regarding District practices.

### Background

There are numerous legal and regulatory requirements associated with the delivery of California public school construction projects. Various codes and regulations govern these processes.

This review assesses the overall compliance with standards resulting from these legal and regulatory requirements. TSS has developed this assessment of compliance to analyze the functionality of the District's bond facilities program. It should not be viewed or relied upon as a legal opinion. This section does not include a review of compliance with the California Building Code or other related requirements.

TSS has reviewed the following two distinct categories of requirements: (1) compliance with state law and regulations and (2) compliance with District policies and guidelines.

### State Law

Many requirements for the construction of public schools appear in different California Codes, accompanied by regulations from various agencies. The Natomas Unified School District complies with these requirements through the District's bidding and contract documents. The District also provides notices to bidders by referencing and detailing the section requirements, as appropriate.

The following items are required to appear in the bid documents:

- *Document 00700, Article 45 (GC) (page 26 of 50): Division of the State Architect (DSA) approval* for individual project/plans and specifications
- *Document 00300: Notice to Bidders.* The Notice to Bidders includes the required notification for project identity; date, time, and place of bid opening; contractor's license requirements for type and whether it is current; bid bond and certified bid security check requirements; payment bond requirements; performance bond requirements; substitution of securities information; definition of prevailing wage requirements; statement establishing blind bid process; and a reservation of the right to reject all bids.
- *Document 00310 (page 10 of 10): Bid Bond.* A bid bond is present in the package and demanded of the contractor on a form prepared by the District, as required.
- *Document 00310 (page 4 of 10): Non-collusion Affidavit.* A non-collusion affidavit form is provided and demanded of the contractor.
- *Document 00700, Article 20 (GC) (page 13 of 50): Escrow Agreement for Security Deposits in Lieu of Retention.* This item is included as an option, as required.

- *Document 00620: Performance Bond.* A performance bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Document 00610: Payment Bond.* A payment bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Document 00510 (page 2 of 2): Workers' Compensation Certification.* The contractor is required to certify compliance with the state workers' compensation regulations.
- *Document 00700, Articles 57 and 59 (GC) (pages 30-32 of 50): Prevailing Wage and Related Labor Requirements Certification.* The contractor is required to certify compliance.
- *Document 00700, Article 56 (GC) (pages 29-30 of 50): Drug-Free Workplace Certification.* The contractor is required to provide drug-free workplace certification.
- *Document 00700, Article 80 (GC) (pages 49-50 of 50): Hazardous Materials Certification.* The contractor is obligated to provide certification that no hazardous materials were to be furnished, installed, or incorporated in any way into the project.
- *Lead-Based Paint Certification.* The contractor is required to certify compliance with lead-based materials regulations.
- *Document 00700, Article 85 (GC) (pages 49-50 of 50): Criminal Background Investigation/Fingerprinting Certification.* The contractor is required to select a method of compliance and to certify compliance with criminal background investigation/fingerprinting requirements.

State law does not require the items listed below; however, they are required for state funding.

- *Document 00700, Articles 57 and 59 (GC) (pages 30-32 of 50): Prevailing Wage and Related Labor Requirements Certification.* The contractors are required to certify compliance with the State Public Works Contract requirements.
- *Document 00700, Article 66 (GC) (page 39 of 50): Disabled Veteran Business Enterprise (DVBE) Participation Certification.* The contractor is required to certify compliance with the DVBE requirements as set forth in the state's School Facilities Program.

The items below are best practices. They are not required by state law or for state funding.

- *Document 00100OB: Instruction to Bidders*
- *Document 00500: Notice of Award*
- *Document 00500: Notice to Proceed*
- *Document 00510: Agreement*
- *Escrow of Bid Documentation*

## **Prevailing Wage Law/Labor Compliance Program**

In California, contractors and subcontractors on public works projects must comply with the California Prevailing Wage Law (Labor Code 1720 et seq.). This law stipulates that workers must be paid the prevailing rate of hourly wages and fringe benefits, as specified by the State Department of Industrial Relations, for the region where a construction project is located.

Traditionally, a school district ensures that the Prevailing Wage Law is complied with by requiring contractors and subcontractors to maintain certified payroll records for each worker.

In 2002, enactment of AB 1506 created the Labor Compliance Program (LCP), which added an additional requirement to school district construction projects that received state funding from Proposition 47 (2002) and 55 (2004). AB 1506 was intended to ensure that contractors and subcontractors complied with the Prevailing Wage Law. Under AB 1506, a school district must make a written finding that it, or a third-party contractor, will initiate and enforce the required LCP, transmit that finding to the State Allocation Board (SAB) and take all appropriate measures throughout the construction project to verify compliance.

In November 2007, Proposition 1D passed without the additional requirement of a Labor Compliance Program. Subsequent legislation that would have reinstated a LCP (SB 18, 2007) for Proposition 1D funding was vetoed by the Governor.

Regardless of whether a school district is required to have a LCP, it must fully comply with the Prevailing Wage Law. To ensure compliance with the law, a school district should develop and implement policies and procedures to be applied to all construction projects, regardless of the source of funding.

The District internally reviews contractor certified payrolls to ensure that its construction projects comply with the Prevailing Wage Law and, if required, the SAB Labor Compliance Program.

## District Policy

The District has adopted the following Board Policies (BP) and Administrative Regulations (AR) for its business operations and facilities program:

### Series 3000 – Business & Non-Instructional Operations (Select Items)

<b>BP/AR</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Most Recent Date of Revision</b>
BP 3280	Sale, Lease, Rental of District-owned Real Property	3/88	3/13/09
AR 3280	Sale, Lease, Rental of District-owned Real Property	9/90	3/13/09
BP 3300	Expenditures and Purchases	12/89	3/13/09
BP 3310	Purchasing Procedures	3/87	8/20/09
BP 3311	Bids	2/96	7/29/09
AR 3311	Bids	2/96	7/29/09
BP 3312	Contracts	9/88	3/13/09
AR 3312.11	State Allocation Board Contracts	9/91	3/13/09
BP 3314	Payment for Goods and Services	3/11/92	6/22/09
AR 3314	Payment for Goods and Services	10/93	6/22/09
BP 3321	Requesting Goods and Services	3/11/92	3/13/09
BP 3400	Management of District Assets/Accounts	3/11/92	10/13/09
AR 3400	Management of District Assets/Accounts	10/93	10/13/09

### Series 7000 – New Construction

<b>BP/AR</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Most Recent Date of Revision</b>
BP 7000	Concepts and Roles	7/22/92	10/21/09
BP 7100	Planning and Design	7/22/92	10/21/09
BP 7110	Facilities Master Plan	2/86	10/21/09
BP 7111	Evaluating Existing Buildings	7/22/92	10/21/09
AR 7111	Evaluating Existing Buildings	2/86	10/21/09
BP 7130	Relations with Other Governmental Units – City, County, State	7/22/92	10/21/09
AR 7130	Relations with Other Governmental Units – City, County, State	7/22/97	10/21/09
BP 7131	Relations with Local Agencies	2/96	10/21/09
BP 7140	Architectural and Engineering Services	3/92	10/21/09
AR 7140	Architectural and Engineering Services	3/92	10/21/09
BP 7150	Site Selection and Development	2/99	10/21/09
AR 7150	Site Selection and Development	3/00	10/21/09
AR 7160	Charter School Facilities	11/02	10/21/09
BP 7200	New Construction	7/22/97	10/21/09
BP 7210	Facilities Financing	6/90	10/21/09
AR 7210	Facilities Financing	2/96	10/21/09
BP 7211	Developer Fees	2/99	10/21/09

<b>BP/AR</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Most Recent Date of Revision</b>
AR 7211	Developer Fees	2/99	10/21/09
BP 7212	Mello Roos Districts	2/99	10/21/09
BP 7213	School Facilities Improvement Districts	2/99	10/21/09
AR 7213	School Facilities Improvement District	2/99	10/21/09
BP 7214	General Obligation Bonds	7/01	10/21/09
AR 7214	General Obligation Bonds	7/01	10/21/09
BP 7310	Naming of Facility	7/22/92	10/21/09
AR 7310	Naming of Facility	10/13/93	10/21/09

**Funding Formulas**

The State of California, through its School Facility Program, provides funds for new school construction based on a 50/50 State/District match program. While the match is 50/50, the State’s 50 percent generally provides only about 40 percent of the cost of new construction, based on minimum housing standards, and is considered by professionals in school construction to provide insufficient funding for school facilities in terms of space and quality. In practice, most districts provide additional funding to enhance the scope, size and quality of school facilities.

During past interviews with District personnel at all levels, it was consistently reported that the Natomas Unified School District provides funding above the 50/50 funding formula. In practice, in the absence of formal District policy, each school design project is budgeted according to perceived need.

To determine the actual funding practice in Natomas, the following new construction projects that received state grants were analyzed below:

<b>New Construction Project</b>	<b>State Grant (50%)</b>	<b>Actual Cost<sup>1</sup></b>	<b>State Percentage</b>
Two Rivers Elementary	\$5,362,508	\$13,573,392	39.5
Witter Ranch Elementary	6,231,428	13,395,320	46.5
Inderkum High	25,301,371	78,029,382	32.4
Heron Elementary	8,557,869	24,354,933	35.1
H. Allen Hight	29,319,603	\$103,371,250 <sup>1</sup>	28.4
<b>Totals</b>	<b>\$74,772,779</b>	<b>\$232,724,277</b>	<b>32.1</b>

From the above table, it can be seen that, for the five projects listed, the State provided 32.1 percent of the total project costs, while the District provided 67.9 percent.

<sup>1</sup>Source: District records provided by the Facilities and Planning Department via written and oral correspondence. Cost data was presented in the June 30, 2008 performance audit report and is included in the June 30, 2009 report as information on completed projects.

## CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)

California Education Code Sections 15278-15282 (Appendix C) establishes the duties of a school district and its duly formed citizens' oversight committee with respect to Proposition 39 bond measures. This code requires that the governing board establish and appoint members to an independent citizens' bond oversight committee within 60 days of the date that election results are certified.

After passage of Measure D on June 6, 2006, the District created a Citizens' Bond Oversight Committee (CBOC) to oversee Measure M and D. In March 2006, the Board appointed fourteen members to the CBOC, with initial membership representation from the following seven categories: (Note: Some members are assigned to more than one category.)

- Business Community (two members)
- Senior Citizens' Organization (one member)
- Taxpayers' Organization (none – no applications received)
- Parent or Guardian of child enrolled in the District (four members)
- Parent or Guardian of child enrolled in the District, plus Active in a Parent-Teacher Organization (one member)
- Community-At-Large (thirteen members)

To provide direction to the CBOC, in addition to law (Appendix C), the Board approved Bylaws on April 24, 2007. Those Bylaws set forth the duties and responsibilities of the CBOC, including a requirement to hold regular meetings at least quarterly.

The Committee has a website, as required by Education Code Section 15280(b), with access through the District's website under the Business Services Department. The Committee's website includes information on members of the Citizens' Bond Oversight Committee, Bylaws, meeting agenda and minutes, and performance audit reports.

According to District records, the CBOC held four meetings during July 1, 2008 through June 30, 2009: September 30, 2008, November 18, 2008, January 27, 2009 and April 28, 2009, as required by the Bylaws. The website does not identify any future meetings after April 2009.

The Committee website included agendas for all 2008-09 schedule meetings; however, minutes were not available on the website for the November, January and April meetings, as required by the Bylaws. No record or information was provided regarding the Annual Report from the CBOC to the Board of Education, as required by the Bylaws in February of each year.

### **Finding**

- As stated in the Citizens' Bond Oversight Committee Bylaws, Section 3.2; an annual report on behalf of the Committee shall be presented at a public meeting of the Board by the Chairperson in February of each year for the prior fiscal year. A review of all available records indicates that this report was not prepared or presented.

## **Recommendations**

- Staff should ensure the timely posting of all relevant CBOC meeting agendas and minutes and the routine review of the CBOC website to assure that all information regarding activities of this committee are compliant and available to members of the public.
- The CBOC should prepare and publicly present timely annual reports.

## STATE SCHOOL FACILITY PROGRAM

### Background

Board Resolution No. 02-28, dated July 17, 2002, which called for the Measure M bond election on November 5, 2002, included the following statement: “The District’s proposal for the projects may assume the receipt of matching state funds...” In a similar manner, Board Resolution No. 06-10, dated February 8, 2006, which called for the Measure D bond election on June 6, 2006, included the statement: “...become eligible for all additional State matching funds...” Therefore, by reference participation in the State School Facility Program (SFP) became an integral part of the District facilities program.

Both Measures M and D included projects that called for the acquisition of school sites and the construction of new school facilities, which are eligible for State matching funds. Accordingly, the District filed facilities applications under the following State programs:

40	-	Deferred Maintenance – Extreme Hardship
50	-	New Construction
52	-	Joint Use
57	-	Modernization
58	-	Rehabilitation

As of June 30, 2009, the District had received the State grants summarized in the table below<sup>1</sup>. (Detail is provided in the attached table.)

<u>State Program</u>	<u>SAB #</u>	<u>State Grant Amount</u>
<u>New Construction</u>		
Funded prior to M and D	50/001-004	\$35,130,207
Funded after M passed	50/005-012	53,743,756
Funded after D passed	50/013-014	30,559,901
<b>Total New Construction</b>		<b>119,433,864</b>
Deferred Maintenance	40/001	190,272
Joint Use	52/002	2,000,000
Joint Use	52/003	951,199
Modernization	57/001	528,629
Rehabilitation	58/001	2,421,699
<b>Total State Grants</b>		<b>\$125,525,663</b>

<sup>1</sup>Source: Office of Public School Construction/State Allocation Board website, which maintains current project status for all California school Districts.



### State New Construction Eligibility

The SAB initially approved the District's baseline new construction eligibility on May 26, 1999. Since baseline eligibility was established, updated SAB 50-01 (enrollment projection) forms have been submitted and applications have been funded. Based on the OPSC website as of September 30, 2009, the baseline eligibility, adjustments and remaining eligibility was the following:

<u>Category</u>	<u>K-6</u>	<u>7-8</u>	<u>9-12</u>	<u>Non-Severe</u>	<u>Severe</u>
Baseline Eligibility	3,670	1,181	3,792	0	0
SAB Approvals/Adjustments	(1,864)	(760)	(3,372)	218	150
Remaining Eligibility	1,806	421	420	218	150

The above remaining eligibility was based on CBEDS enrollments for the years 2005-06 through 2008-09. As of June 30, 2009, District staff was in the process of updating its SAB 50-01 based on enrollments through 2009-10, and were also considering other projection methodologies recently approved by the SAB, which may increase the District's new construction eligibility for future projects.

### District Response

- On June 11, 2009, the District filed an updated SAB 50-01 utilizing the "Ten Year Population" projection methodology approved by the SAB (see attached). This methodology is based upon projections using the prior eight years of enrollment history to project enrollment forward ten years (using standard survival-cohort projection methodologies), and cannot be augmented with birth data, dwelling unit counts or weighted averages. This methodology has resulted in the following SAB-approved baseline eligibility levels:

Grades: K-6 (10,297) 7-8 (2,893) 9-12 (5,841) Non-Severe (300) Severe (195)

## NEW CONSTRUCTION PROJECTS

<u>SAB #</u> <u>50/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
001	Natomas High	6/25/1999	\$16,734,172
002	Natomas Park Elementary	2/9/2000	5,845,021
003	Natomas Charter	8/9/2000	7,526,232
004	Discovery Continuation High	2/13/2001	4,999,782
004	Discovery Continuation High	5/22/2001	25,000 (LCP)
<b>Total</b>			<b>\$35,130,207</b>

### **Funded After Measure M passed**

<u>SAB #</u> <u>50/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
005	Natomas High	1/29/2003	\$3,421,729
006	Two Rivers Elementary	1/29/2003	5,362,508
007	Natomas Charter	4/2/2004	263,417
008	Natomas Junior High	1/29/2003	4,281,107
009	Jefferson Elementary	1/29/2003	324,327
010	Witter Ranch Elementary	2/19/2003	6,231,428
011	Inderkum High	5/27/2004	25,301,371
012	Heron Elementary	3/23/2005	8,502,877
012	Heron Elementary	5/26/2005	54,992 (LCP)
<b>Total</b>			<b>\$53,743,756</b>

### **Funded After Measure D passed**

<u>SAB #</u> <u>50/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
013	Natomas Charter	3/25/2008	\$1,240,298
014	H. Allen Hight Learning Center	3/17/2008	28,037,103
014	H. Allen Hight Learning Center	10/17/2008	1,282,500
<b>Total</b>			<b>\$30,559,901</b>

### **Modernization Project**

<u>SAB #</u> <u>57/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
001	Natomas Middle	1/19/2003	\$528,629

### **Deferred Maintenance Hardship Project**

<u>SAB #</u> <u>40/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
001	American Lakes Elementary	12/8/2004	\$190,272

### **Rehabilitation Project**

<u>SAB #</u> <u>58/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
001	American Lakes Elementary	9/20/2005	\$2,421,699

### **Joint Use Project**

<u>SAB #</u> <u>52/</u>	<u>School</u>	<u>Funding Date</u>	<u>State Match</u> <u>Amount</u>
002	Natomas Charter	3/25/2008	\$2,000,000
003	Inderkum High	6/9/2009	\$951,199
<b>Total</b>			<b>2,951,199</b>

## **DESIGN AND CONSTRUCTION SCHEDULES AND BUDGETS**

### **Process Utilized**

In preparation for this review, TSS reviewed District documents including Measures M and D bond language, School Board meeting minutes, School Board Facilities Workshop documentation, Proposition 39 legal requirements, capital fund cash flow reports, Citizens' Bond Oversight Committee reports, and the District's facilities master plan. TSS interviewed District staff and consultants to the District who were involved in the design and construction of the facilities projects during the period July 1, 2008 through June 30, 2009.

### **Background Information**

Since the lifting in 1998 of an eight-year building moratorium in the Natomas area of Sacramento County, the Natomas Unified School District was one of the fastest growing Districts in Northern California. This growth has had a significant impact on the District and its building program. The subsequent decline in the housing market over the past two years has had a profound impact as well, significantly slowing enrollment growth.

As a result of the housing market decline, during the 2007-08 audit period the District was completing the construction of new schools without new enrollment to fill the facilities. During the current audit period enrollment appears to be static or slightly declining. (The actual numbers will not be known until the final October 2009 California Basic Enrollment Data System (CBEDS) are available. Current general fund projections use a decline of 153 students for budgeting purposes.)

The District is also faced with a new building moratorium which began in December 2008. This moratorium is expected to be in force until sometime in 2013. It impacts not only the construction of residential and commercial/industrial buildings, but also the construction of school facilities. This situation creates difficulties with the scheduling of construction projects. Factors beyond the control of the District will cause significant delay in what otherwise would have been shorter project schedules.

These moratorium precipitated delays may have a significant impact on the bond program budget due to the possibility that the currently favorable bidding climate may change dramatically by the time the projects can be bid and/or awarded. It is also reasonable to suspect that general economic recovery and the lifting of the construction moratorium may coincide. In this eventuality, the District could be faced with resumed substantial enrollment growth while having been delayed in construction of projects intended to house those new students. It is for these reasons that District efforts to move forward with its bond funded construction program are important.

## **Project Delivery**

The District has used a number of project delivery methods, including the standard Design-Bid-Build process and Lease Lease-Back (LLB) process. In the LLB process an architect and a contractor are hired early in the design process and work collaboratively to develop the design and construction documents for the project. A District may hire both companies as a single entity or contract with each company separately. For both the Inderkum High School and the H. Allen Hight Learning Center projects, the contracts were separate. On May 13, 2009 Williams + Padden Architects + Planners, Inc. were selected as design architects for the Bannon Creek K-8 Conversion Project. Later, on May 27, 2009, Turner Construction, Inc. was selected for the professional services of preconstruction consulting for this project. This process is consistent with the procedures utilized in the previous projects and may be further utilized as a LLB for this project.

In the LLB process, the contractor provides cost and design input to create the most cost effective design. The contractor then bids the trade contracts and presents the District with a Guaranteed Maximum Price (GMP). The contractor assumes responsibility for the cost of any changes to the contract during construction, with the exception of District requested scope changes.

The LLB process is becoming more widely used in school districts, primarily due to the ability of a school district to select a general contractor/construction manager based on qualifications and relationships rather than bid price. Promoters of the LLB process maintain that claims from the contractor and subcontractors are reduced or eliminated; the potential for claims-based litigation is reduced; change orders due to inadequate documentation are reduced; and the total cost of the project is reduced. The LLB process can provide the District with a number of advantages. In the H. Allen Hight Learning Center project, the GC provided all cost estimating for the project during the design and construction document phases. This process also allows the GC an extended period of time to review the documents and establish a firm contract cost.

The LLB process meets the provisions of the Education Code. However, there is the potential that the District is not getting the best value for the bond money by utilizing this process due to the lack of a competitive check on the contractor's pricing. There is a reduction in risk of claims and litigation with this process, which is a benefit to the District.

In the case of the H. Allen Hight Learning Center Project, the final change order, approved on February 11, 2009 consisted of a \$1,025,266 credit. This represents 80 percent of the unused portion of the contractor's contingency fund. This fund is included as a part of the Guaranteed Maximum Price. Any remaining balance is to be divided between the District (80 percent) and the contractor (20 percent). However, there was a change order earlier in the project on August 20, 2008 in the amount of \$1,361,783 which included items attributed to "Architecture and Engineering Issues". The District paid this amount however the final disposition is pending between the District and the architectural firm.

## **District Response**

- The District has subsequently initiated legal proceedings to recover costs in this matter, and on January 13, 2010 approved a proposed settlement in the amount of [REDACTED] to resolve all claims.

## **Project Schedules**

Most of the projects conducted during this audit period had commenced prior to July 1, 2007. Project schedules were established and projects were completed in reasonable timeframes with few exceptions. The new Facilities & Planning 5-Year Master Plan includes construction program scheduling by means of timing of projected revenues.

The H. Allen Hight Learning Center consists of a separate K-5 elementary school and a 6-8 middle school on the same site. The construction project was completed in August 2008 and the elementary school occupied in late August 2008. Due to the slowing enrollment growth as mentioned above the opening of the middle school was delayed. The Board subsequently decided to move the Natomas Middle School to the new buildings. Plans called for this to be accomplished with the beginning of the 2009-10 school year, which did occur as planned.

Since the new building moratorium was put into place, major projects are, by necessity, delayed. However, the District is moving forward with modernization (remodel) of the Bannon Creek K-8 Conversion Project and attempting to manage several variables in an effort to deliver the planned project as soon as possible. These variables include (but are not limited to):

- Only remodel type work may proceed during the moratorium.
- The K-8 conversion project is a combination of remodeling existing buildings and adding new buildings.
- The 2013 ending date of the moratorium is uncertain, at best, meaning construction of the new buildings planned as a part of this project can not start until 2013.
- Plans once stamped out of DSA must be in construction within 18 months of the approval date or be re-checked. (Certain extensions can apply.)
- In order to issue bonds with the remaining \$30,500,000 there must be a plan to expend the proceeds within three years.
- Current uncertainty in the State School Facilities Program funding process.

These variables, and others, have caused difficulties in planning the K-8 conversion. District staff has currently planned to do the modernization work as a separate project as soon as plans are ready, then construction of new structures as soon as the moratorium is lifted. If circumstances change, however, the project is also configured to be shifted to a single-phase construction schedule.

## Project Budgets

The budgets and priorities for Measure D projects were set at a Board of Education Facilities Workshop in June 2008 and are shown in the Project Costs As Of June 30, 2008 column. This process was completed after the District conducted a survey of the community to provide input on priorities. The budgets, priorities and the current updated budgets are indicated below:

Priority	Project Budgets and Priorities <sup>1</sup>	Projected Costs As Of June 30, 2008	Current Projected Costs <sup>2</sup>
1	Computer and Support Infrastructure	\$5,000,000	\$5,000,000
2	Security Cameras	\$0	\$0
2	Security Systems	\$800,000	\$391,976
3	Safe Routes to Schools	\$1,000,000	\$1,000,000
4	Playground Improvements	\$1,000,000	\$991,235
5	Shade Structures	\$480,000	\$122,981
6	Athletic Fields and Track Upgrade	\$7,076,396	\$5,625,793
7	Busses and Service Vehicles	\$500,000	\$500,000
8	Preschool Facilities	\$4,000,000	\$1,000,000
9	Natomas Charter Gym	\$2,761,205	\$2,687,831
9	Natomas Charter Theater	\$314,805	\$333,213
10	Inderkum Supplemental	\$0	\$0
11	HIS - 2005 COP Financing	\$63,419,804	\$63,326,568
12	Heron Supp. Funding (K-8 Conv.)	\$2,525,204	\$1,728,691
13	Grade Conversion	\$28,000,000	\$28,000,000
14	SVTHS Site Facilities Acquisition	\$0	\$0
15	Westlake Charter Site Facilities Acquisition	\$1,129,388	\$1,188,500
16	Forecast Elementary Site	\$0	\$0
17	H. Allen Hight Middle	\$14,514,378	\$13,285,984
18	H. Allen Hight Elementary	\$10,899,500	\$10,021,076
19	West Lakeside Site	\$888,500	\$1,841,540
	Preschool Facilities	\$0	3,000,000
	NB II	\$0	\$9,107
	Natomas Charter Portables	\$0	\$25,000
	Middle School #3	\$0	\$2,500
	Annual Independent Audits	\$38,400	\$137,000
	Project Management	\$821,918	\$935,274
	Cost of Issuance	\$0	\$2,169,788
	<b>Total Projected Allocations</b>	<b>\$145,169,498</b>	<b>\$143,324,057</b>

<sup>1</sup>From the "Board Facilities Workshop – Facilities Use & Planning - June 2008", Presentation by the Facilities & Planning Department

<sup>2</sup>From the "Citizens Bond Oversight Committee Measure "D" General Obligation Bond Report" Reporting Period Through June 30, 2010, as of October 30, 2009.

## **K-8 Conversions**

Funding was included in Measure D for the conversion of K-5 schools to K-8 schools. After consideration of Bannan Creek Elementary and Jefferson Elementary the District Board decided, at its December 10-11, 2008 meeting, the Bannan Creek site would be converted. In March 2009 consultants were selected for traffic studies and project architect services. On May 13, 2009 Williams + Padden Architects + Planners, Inc. were selected as design architects and later, on May 27, 2009 Turner Construction, Inc. was selected for the professional services of preconstruction consulting for this project. The project is currently in the design process and plans are expected to be submitted to the Department of the State Architect (DSA) in the last calendar quarter of 2009. Construction will be accomplished in phases due to the construction moratorium currently in force as discussed above. Refer to the Project Schedules section above for more information.

## **Observation**

- At the June 2008 School Board Facilities Workshop, the need for a comprehensive, program-driven facilities master plan was identified. The District staff has prepared a master plan. The updated Facilities & Planning 5-Year Master Plan was published in April 2009. This is an important tool in planning and timing future facilities needs.

## **Commendation**

- The new construction moratorium has added complexity to the already complex K-8 conversion project. District staff has done a commendable job in its efforts to coordinate and deliver the project in spite of substantial and unusual obstacles. This includes working with DSA to assure plans are ready (not expired approval) for construction when the moratorium is lifted.

## **Findings**

- There are no findings in this section.

## **CHANGE ORDERS, CLAIM PROCEDURES, AND RESULTS**

### **Process Utilized**

During the process of this examination, TSS analyzed relevant documents and conducted interviews with the Facilities and Construction Management Team. Information provided from the 2008-09 Board of Education meeting agendas and minutes related to the bond measure were also used in this review.

### **Background**

Change orders occur for a variety of reasons. The most common reason is a discrepancy between the actual condition of a job site and architectural plans and drawings. Change orders for modernization typically cannot be avoided because of the age of buildings, inaccuracy of as-built records, presence of hidden hazardous materials or other unknown conditions that contribute to the need for authorizing additional work. Change orders for new construction projects can be caused by unknown soils conditions, inaccuracies in project documents and District requested changes.

Most change orders are triggered by a Request for Information (RFI), which is a request for clarification in the drawings or specifications, which is then reviewed and responded to by the architect and/or project engineers. The architect's response or directive determines whether additional or alternative work is necessary. If it is determined that additional work or a reduction/deletion in work is necessary, the contractor submits a Proposed Change Order (PCO) or a Change Order Request (COR), for the additional cost or a reduction in cost and/or time extension based on the determination. Change orders could also be triggered by the owner's request for a change (addition or deletion) to the scope of work. The Project Manager (PM) or Construction Manager (CM) reviews the proposal with the inspector, architect of record, and/or the District representative.

On projects constructed using lease-leaseback contracts such as the H. Allen Hight Learning Center construction project and the Heron Elementary School Physical Education Structure Project, predetermined contingencies or "allowances" are included in the Guaranteed Maximum Price (GMP). These allowances were included for the purpose of setting aside funds within the contract to be used for unforeseen conditions and known but indeterminate issues, such as incomplete design and material quantities and/or prices at the time the GMP was finalized.

### **Change Order Sampling**

Various active construction projects funded under the Measures M and D bond programs were examined as part of this audit process. Change order files and backup documentation for the projects were reviewed to determine if documentation and justification for the changes requested was present and substantiated by the proposed costs. The following table entitled, "Change Orders: Bond Program Projects" summarizes the change orders reviewed for Measure M and D projects during this audit.



**Change Orders: Bond Program Projects.**

School Site	Project Description/ Contractor	Contract Amount/ Award Date	Change Order No. / Date	Date Approved	Amount	% of Original Contract Amount	Adjusted Contract Amount
<b>Measure D.</b>							
H. Allen Hight Learning Center	New School Construction / Turner Construction Co. Increment I	\$4,504,800 (01/27/2006)	1	(10/31/06)	\$414,719	9.21%	\$4,919,519
	Increment II	\$66,113,867 (11/09/2006)	2	(04/27/07)	(\$414,719)	-0.63%	\$65,699,148
	Guaranteed Maximum Price GMP) <sup>1</sup> (Lease-leaseback Contract) Contingency/Allowance (Included)	\$70,618,667	3	(04/27/07)	\$2,192	0.00%	\$65,701,340
			4	(06/05/07)	\$166,700	0.25%	\$65,868,040
			5	(01/31/08)	\$282,660	0.43%	\$66,150,700
			6	(05/14/08)	\$2,983,474	4.51%	\$69,134,174
			7	(08/20/08)	\$1,317,304	1.99%	\$70,451,478
		\$5,153,270	Total	(02/11/09)	(\$1,025,266)	-1.45%	\$69,426,212
				Total	\$3,727,064	5.28%	<b>\$74,345,731</b>
H. Allen Hight Learning Center	NEC Phone Equipment Supply/Install River City Communications Corp.	<b>\$290,000</b>	1	(08/13/08)	\$26,346	9.08%	\$316,346
H. Allen Hight Learning Center	Wireless Infrastructure River City Communications Corp.	<b>\$412,647</b>	1	(08/13/08)	\$21,315	5.17%	\$433,962
			2	(09/10/08)	\$1,990	0.48%	<b>\$435,952</b>
			Total	Total	\$23,305	5.65%	
Heron K-8	P. E. Structure Project Mascon, Inc (Lease-leaseback Contract) Contingency/Allowance (Included) <sup>2</sup>	<b>\$2,015,000</b> (03/08/2006) \$82,341	1	(08/08/07)	\$12,833	0.64%	\$2,027,833
			2	(12/12/07)	\$15,312	0.76%	<b>\$2,043,145</b>
			Total	Total	\$28,145	1.40%	
Natomas Middle	Relocate Westlake Charter School To Natomas Middle School Campus C & C Construction, Inc.	<b>\$615,905</b> (05/23/2007)	1	(07/19/07)	\$38,212	6.20%	\$654,117
			2	(09/12/07)	\$57,126	9.28%	\$711,243
			3	(10/10/07)	\$20,029	3.25%	<b>\$731,272</b>
			Total	Total	\$115,367	18.73%	
Natomas Middle	Relocatable Moving Services/ Doupnik Construction	<b>\$86,000</b> (05/30/2007)	1	(07/018/07)	\$1,280	1.49%	<b>\$87,280</b>
Westlake Charter	Four (4) Additional Portable Classrooms Gary Doupnik Manufacturing	<b>\$191,664</b> (5/28/08)	1	(7/09/08) <sup>3</sup>	\$22,800	11.90%	\$214,464
			2	(8/13/08) <sup>3</sup>	\$42,772	22.32%	\$257,236
			3	(10/08/08)	\$4,500	2.35%	<b>\$261,736</b>
			Total	Total	\$70,072	36.56%	

School Site	Project Description/ Contractor	Contract Amount/ Award Date	Change Order No. / Date	Date Approved	Amount	% of Original Contract Amount	Adjusted Contract Amount
Westlake Charter	Electrical Services for the Four (4) Additional Portables. Cabarr Electric	\$36,367 (8/13/08)	1	(10/08/08)	\$1,125	3.09%	\$37,492
Westlake Charter	Plumbing for the Four (4) Additional Portables/ Parking Lot Expansion Golden State Construction	\$142,900 (11/12/08)	1 2 3	(11/12/08) (01/14/09) (02/11/09) Total	\$0 \$12,795 \$10,449 \$23,244	0.00% 8.95% 7.31% 16.27%	\$142,900 \$155,695 \$166,144
Natomas Charter	Gymnasium Construction Project/ Meehleis Modular Buildings	\$3,834,327 (05/23/07)	1 2 3 4 5 6 7	(06/13/07) (06/25/07) (09/12/07) (09/12/07) (12/12/07) (04/09/08) (05/14/08) Total	(\$103,635) \$0 \$347,918 \$250,660 \$297,844 \$22,319 \$1,920 \$817,026	-2.70% 0.00% 9.07% 6.54% 7.77% 0.58% 0.05% 21.31%	\$3,730,692 \$3,730,692 \$4,078,610 \$4,329,270 \$4,627,114 \$4,649,433 \$4,651,353
Natomas and Inderkum High	Track & Field Renovation/ Mascon, Inc. (Site Work)	\$2,614,850 (11/14/07)	1 2 3	(05/14/08) (05/28/08) (9/10/08) Total	\$78,068 \$84,996 \$6,261 \$169,325	2.99% 3.25% 0.24% 6.48%	\$2,692,918 \$2,777,914 \$2,784,175

<sup>1</sup> The Guaranteed Maximum Price (GMP) includes \$5,153,270 as "Allowance" for certain work that the bid amount has not been secured and for items that have not been fully designed or described to a certain degree where accurate pricing can be obtained at the time of GMP finalization.

<sup>2</sup> The Guaranteed Maximum Price (GMP) includes \$82,431 as "Allowance" for unforeseen conditions and other un-anticipated field changes.

<sup>3</sup> On November 12, 2008 the Board passed Emergency Resolutions #08-46 and #08-47 finding that these contract change orders were required to "permit the continuance of existing classes"(Public Contract Code 20113a). This resolution was required by the audit staff of the Sacramento County Office of Education (SCOE), because the change order amounts are in excess of 10% of the original contract amount (Public Contract Code 20118.4) and in order to properly pay the contractor for the work performed.

## **Reasons for Change Orders**

TSS reviewed descriptions and reasons for changes, approved time extensions and negotiated costs for the change orders generated by six active construction projects and submitted to the Board for approval during the fiscal year 2008-09. The resulting data are shown in the following table entitled, Change Order Analysis FY 2008-09:

The majority of the change orders processed during this period were “Owner Requested Changes”. This category is comprised of District requests to add or delete from the scope of the project and to value engineer (changes and substitutions to specified materials, equipment or design) specific items of concern to the District. Change orders during this period include a total of \$367,193 in additions and \$280,834 in deletions from the scope of work. The major portion of these changes occurred in the H. Allen Hight Learning Center construction project. These changes resulted in a net cost of \$86,359 under this category.

Change orders under the category of “Architect/Engineer Design Issues” generated a total cost of \$1,361,958 to the district. These changes include additions, deletions and revisions in the work triggered by errors, omissions and field generated design changes in various sections or details of the construction drawings and specifications. Under justifiable circumstances, the District has the ability to file a claim and recover costs associated with errors and omissions against the project architect. Change order costs categorized as “Architect/Engineer Design Issues” on the H. Allen Hight Learning Center construction project was \$1,361,783 and on the Westlake Charter School Plumbing/Parking Lot Expansion project was \$175.

An amount of \$1,025,266, which represents 80 percent of the remaining unused portion of the contractor’s contingency for the H. Allen Hight Learning Center new construction project, was returned to the District as a change order under the “Allowance Overages and Returns” column. The Guaranteed Maximum Price (GMP) for the H. Allen Hight Learning Center construction project, a lease-leaseback contract, included a contractor’s contingency fund to cover unforeseen circumstances not included in either the defined scope of work or allowances provided for in the contract. The agreement stipulates that the remaining unused contingency funds at the end of the project will be divided between the contractor (20 percent) and the District (80 percent).

Change orders generated under “DSA Required Changes”, which are changes required by the DSA based on findings during the design/plan review or during field inspections, was minimal during this period. Likewise “Unforeseen Conditions” or changes required as a result of field discovery such as the removal, relocation or replacement of underground utilities (irrigation lines, electrical conduits, and storm and sewage lines) and actual conditions that do not match or are not shown in available drawings, generated minimal change orders during the current reporting period.

**Change Order Analysis (Fiscal Year 2008-09)**

School Site / Project	Contractor / Change Orders	Unforeseen Conditions	Allowance Overages / Returns	DSA Required Changes	A / E Design Issues	Owner Requested Changes		Net Cost
						Scope Additions	Scope Deletions	
<b>Measure D</b>								
<b>H. Allen Hight Learning Center</b> New School Construction	Turner Const., Inc. (CO # 6 and 7)	\$0	(\$1,025,266)	\$0	\$1,361,783	\$236,355	(\$280,834)	\$292,038
<b>H. Allen Hight Learning Center</b> NEC Phone Supply/Install	River City Communications (CO # 1)	\$0	\$0	\$0	\$0	\$26,346	\$0	\$26,346
<b>H. Allen Hight Learning Center</b> Wireless Infrastructure	River City Communications (CO # 1 thru 2)	\$0	\$0	\$0	\$0	\$23,305	\$0	\$23,305
<b>Westlake Charter School</b> 4 Additional Portable Classrooms	Gary Douppnik Mfg, Inc. (CO # 1 thru 3)	\$0	\$0	\$0	\$0	\$70,072	\$0	\$70,072
<b>Westlake Charter School</b> Site Electrical Work	Cabar Electric Co. (CO # 1)	\$1,125	\$0	\$0	\$0	\$0	\$0	\$1,125
<b>Westlake Charter School</b> Plumbing/Parking Lot Expansion	Golden State Construction Co. (CO # 1 thru 3)	\$6,724	\$0	\$5,230	\$175	\$11,115	\$0	\$23,244
	<b>Grand Total</b>	\$7,849	(\$1,025,266)	\$5,230	\$1,361,958	\$367,193	(\$280,834)	\$436,130
							\$86,359	

## **Observations**

- As shown in the “Change Orders: Bond Program Projects” table, the Westlake Charter School Plumbing and Parking Lot Expansion project had a total aggregate change order of 16.27 percent, an amount in excess of 10 percent of the total contract amount set under Public Contract Code 20118.4. However, the District’s legal counsel has opined that individual changes within change orders, and not the aggregate value of all change orders, must be less than 10 percent.
- The District filed a civil lawsuit and a separate request for arbitration against the project architect for the H. Allen High Learning Center Construction project. The District claim is based on damages and cost impacts associated with the design architects errors, omissions and non-conformance with the provisions of Title 24 (life safety). Mediation and arbitration proceedings regarding this claim were initiated in 2009, and subsequent to this audit period, the Board of Trustees approved a proposed settlement at its January 14, 2010 meeting.
- Two change orders that were approved for the Westlake Charter School Supply and Installation of Four Portables Classrooms project were individually in excess of 10 percent of the original contract amount. Because these change orders were in excess of the threshold set under Public Contract Code 20118.4 and in order to properly pay the contractor for the work done, the audit staff of the Sacramento County Office of Education (SCOE) required the Board to pass resolutions finding that these contract change orders were required to “permit the continuance of existing classes”, and proceed for emergency reasons without public bid under Public Contract Code 20113a.

## **Finding**

- There are no findings in this section.

## **Recommendation**

- It is recommended that the District exert more effort in meeting the requirement of Public Contract Code 20118.4. Should critical change orders exceed the 10 percent threshold but qualify as an emergency, the process outlined under Public Contract Code 20113.9 should be followed. Otherwise, a formal bid process should be conducted.

## PAYMENT PROCEDURES

### Process Utilized

In the process of this examination, numerous purchasing and payment documents pertaining to expenditures funded through Measures M and D were reviewed for compliance.

The review consisted of the following:

- Verification that expenditures charged to the Measures M and D Bonds were authorized as Measures M and D projects;
- Compliance with the District's Purchasing and Payment policies and procedures;
- Verification that back up documentation, including authorized signatures, were present on payment requests; and
- Vendor payment timelines.

### Background

Board Policy 3310 Purchasing Procedures states the following:

The Superintendent or designee shall maintain effective purchasing procedures in order to ensure that the maximum value is received for money spent by the District and that records are kept in accordance with laws.

Insofar as possible, goods and services purchased shall meet the needs of the person or department ordering them at the lowest price consistent with standard purchasing practices.

All purchases shall be made by formal contract or purchase orders, or shall be accompanied by a receipt. Purchases made without prior approval by designated District personnel are subject to disapproval and payment of such purchases may be the responsibility of the purchaser.

This policy was revised on August 20, 2009.

Purchase orders are initiated shortly after a contract is awarded by the Board of Education. Staff within the Facilities Department is responsible for initiating the purchase requisition including the appropriate budget information; the requisitions are approved by the Assistant Superintendent of Facilities and Planning.

Invoices for facilities and construction projects are sent directly to the Facilities Department where they are time stamped and reviewed. They are then routed to the Accounts Payable Office where the invoice is formally logged into the system. Once logged, it is returned to the Facilities Department for approval. The Assistant Superintendent of Facilities and Planning is responsible for reviewing and approving all facilities funded invoices; this includes payments funded by Measures M and D.

Change orders are not paid unless formal action has been taken by the Board of Education authorizing a change order. If an unapproved change order is included on a payment application, the contractor is directed to revise the payment application and resubmit. According to staff, the desired timeline in which invoices are to be paid is thirty-days from the receipt of the invoice.

According to staff, in most instances retention is released only after the Notice of Completion is filed and the 35-day waiting period has passed. However, if due to some compelling reason a contractor requests to have retention reduced and has completed seventy-five percent of the project, the Board of Education may approve the request as allowed by Public Contract Code 9203. While this has occurred in the past, it is considered an uncommon practice. In this type of situation, retention would not be reduced below five percent.

### **Sample**

Sixty-seven invoices totaling \$1,713,482.12, expended through Measures M and D funds were reviewed in the course of this examination. The review consisted of verification of approvals (i.e., owner, architect and inspector); verification of the invoice amount; agreement of the invoice amount and the actual amount paid; and processing time to pay vendors or service providers.

The sample of payments included the following Measure M projects:

- Shade Structure at Bannon Creek and Jefferson Elementary Schools
- School Buses with Wheelchair Lifts

The sample of payments included the following Measure D projects:

- Portable Classrooms for West Lake Charter School
- Electrical site work for West Lake Charter School Portables
- Plumbing and Parking Lot Expansion at West Lake Charter School
- Playground Equipment for Witter Ranch Elementary, American Lakes Elementary, Jefferson Elementary, Natomas Park Elementary, and Two Rivers Elementary School
- Computer and Technology Equipment Purchases
- Classroom Furniture Purchases
- DSA Closeout Fees for Natomas Charter School
- Bannon Creek K-8 Conversion Project
- ADA Compliance Work on Shade Structures
- Architecture Fees and Engineering Services for Various Projects
- Track and Field Purchase and Installation

### **Observations**

- All of the invoices included in the sample showed evidence of being appropriately reviewed and approved.
- Invoice payments occurring after the desired thirty-day timeframe in which vendors are to be paid are minimal during this period.

## **BEST PRACTICES IN BIDDING AND PROCUREMENT**

### **Process Utilized**

In the course of this examination, purchasing documents, bid documents and payment documents pertaining to construction projects and equipment purchases/projects funded by Measures M and D during the audit period of July 1, 2008 through June 30, 2009 were reviewed, as well as the board agendas, corresponding minutes and board item backup documents were reviewed and analyzed. Interviews were held with the appropriate staff. The review consisted of the following:

- Verification that items procured through the Measures M and D Bonds were authorized as Measures M and D projects/purchases;
- Verification that the method of procurement was in accordance with public contract code;
- Verification the contract awarded was approved by the board; Verification that bids were advertised in accordance with public contract code;
- Verification of bid results and board approval;
- Project files include contract documents, notice of award, notice to proceed and other pertinent documentation.

### **Background**

Best practices in procurement of materials and services ensure the most efficient use of resources. Efficiency can be gained by enforcement of contract language, management of consultants, and the understanding of cause and effect of a market economy. It is the intent of this portion of the examination to determine that best practices are promoted and utilized.

### **Public Contract Code, Board Policies and Administrative Regulations**

Public Contract Code 20111 requires school districts to seek competitive bids through advertisement for contracts involving an expenditure of \$15,000 or more for public works. Contracts are awarded to the lowest responsible bidder.

Public Contract Code 20111 also requires school districts to competitively bid and award any contract involving an expenditure of more than \$50,000 (adjusted for inflation) including the purchase of equipment, materials, or supplies to be furnished, sold, or leased to the school district to the lowest responsible bidder. From January 1, 2009 through December 31, 2009 the bid threshold was set at \$76,700.

Board Policy 3300(a) Expenditures and Purchases, designates the Superintendent or designee to purchase supplies, materials, apparatus, equipment and services up to the amounts specified in Public Contract Code 20111, beyond which competitive bidding process is required. This policy was updated on March 13, 2009.



Board Policy 3311 Bids, states the District shall seek competitive bids through advertisement for public projects where competitive bidding is required per public contract code sections 20111(b), subject to the limits imposed by the California State Controllers office. Competitive bids shall likewise be sought to comply with the requirements of public contract code section 20111(a) on purchase or lease of equipment, materials or supplies; services, not including construction services, or special services and advice in accounting, financial, legal or administrative matters; and repairs, including maintenance that is not a public project. Unless otherwise authorized by law, contracts shall be let to the lowest responsible bidder who shall give such security as the Board of Trustees requires, or else all bids shall be rejected (Public Contract Code 20111). This policy was updated on July 29, 2009.

Administrative Regulation (AR) 3311 (a) Advertised Bids – The District shall seek competitive bids through advertisement for contracts involving an expenditure of \$15,000 or more for a public project (Public Contract Code 20111).

Administrative Regulation 3311 (b), Bids – No work, project or service or purchase shall be split or separated into smaller work orders or projects for the purpose of evading the legal requirements of Public Contract Code 20111-20118.4 for contracting after competitive bidding (Public Contract Code 20116).

Administrative Regulation 3311 (b) Instructions and Procedures for Advertised Bids – The Superintendent or designee shall call for bids by advertising in a local newspaper of general circulation, at least once a week for two weeks. The notice shall state the work to be done or materials or supplies to be furnished and the time and place where bids will be opened (Public Contract Code 20112).

Administrative Regulation 3311 (b) Bids Not Required - Upon determination that it is in the best interest of the District, the Board may authorize the purchase, lease or contract for data-processing equipment, purchase materials, supplies, equipment, automotive vehicles, tractors and other personal property through a public corporation or agency (“piggyback”) without advertising for bids (Public Contract Code 20118). This Administrative Regulation was updated on July 29, 2009.

Administrative Regulation 3311 (f), Prequalification Procedure – For any contract for which bids are legally required, the Board may require that each prospective bidder complete and submit a standardized questionnaire and financial statement. For this purpose, the Superintendent or designee shall supply a form which requires a complete statement of the bidder’s financial ability and experience in performing public works. Prospective bidders shall submit the questionnaire and financial statement at least five days before the date fixed for public opening of sealed bids. The Superintendent or designee shall establish a uniform system for rating bidders.

### **District Procedures**

The District’s bidding process for facilities funded projects and purchases, including advertisements are handled by the Facilities Department.

According to staff, over the last few years the District's boilerplate has been reviewed by several legal firms and county counsel. A significant modification to the boilerplate occurred through this process to include various provisions pertaining to liability clauses. "Division 0" in the specifications is complete with all components needed for a valid bidding process. These specifications are designed appropriately to protect the District against claims.

For most projects that exceed \$50,000 the District utilizes a prequalification process. A prospective bidder is required to complete the prequalification questionnaire and submit their financial statement. Bidders are qualified on the basis of a uniform rating system established by the District.

According to staff, projects are advertised in the Sacramento Bee and/or Natomas Journal as required. In addition to the minimum publication requirements, project plans and specifications are distributed to several builders' exchanges. The project manager may also follow up with various contractors in an effort to increase participation in the competitive bidding process. This process provides maximum exposure, thereby ensuring a competitive bidding process.

Bids are opened at the District Office; the project manager and administrative assistant are present for the opening of bids. Occasionally, the architect may also attend the bid opening. The bid opening date is coordinated with the next available board meeting date, which usually occurs between 10-days to two weeks from the bid opening date.

At the bid opening, the subcontractor list is verified and the bid results are made public. Within 48 to 72 hours after the bid opening the bid documents are verified for compliance and completion and checked for the appropriate licenses, bonds, insurance, designation of subcontractors, DVBE forms, and other District and legal requirements. The three lowest bidders are notified that their bid is in the top three for potential award.

The notice of award is issued the day after the Board approves the contract. The notice to proceed is issued after the contractor submits all of the required documents. In some projects, the District issues the Notice to Proceed (NTP) the day after the Board approves the award. The NTP authorizes the contractor to begin work subject to the district's receipt of signed contracts, bonds, insurances and other documents.

The piggyback delivery method allows Districts to use pricing from a cooperative purchasing contract held by another school District or public agency to negotiate a contract without conducting additional public bidding. The original or originating District or public agency who conducted the formal bidding process includes a clause in the final contract agreement that allows other public school districts, community college districts and public agencies throughout the state of California to "piggyback" on the same contract.

Some advantages and disadvantages can be attained through the use of the process, such as:

- Districts can use this delivery method to avoid the time, expense, and market uncertainties associated with formal bidding.
- Although a formal bid process is conducted by the originating agency, the public may perceive the end result as a "no bid" contract.

## Samples

The bidding and procurement procedures used for the American Lakes Elementary School Autism and Pre-School Portables project and the Westlake Charter School Portables 2008 project were selected for the compliance review in this audit.

### American Lakes Elementary School Autism and Pre-School Portables Project

The table below provides information regarding the bid process which was conducted by the District:

<b>Description</b>	<b>American Lakes Elementary School Autism and Pre-School Portables Project</b>
Bid Advertisement: 1st 2nd Publication	March 31, 2009 & April 4, 2009 The Sacramento Bee
Pre-Bid Conference	April 16, 2009
Bid Opening Date	April 30, 2009
No. of Bids Received	7
Lowest Bid	\$224,900
Highest Bid	\$293,542
Low Responsive Bidder	Abide Builders, Inc.
Date of Contract Award	May 13, 2009
Contract Amount	\$224,900
Notice To Proceed Date	May 14, 2009

The Notice to Bidders and copies of the plans and drawings for the American Lakes Elementary School Autism and Pre-School Portables project was sent to the following plan rooms and builders' exchanges:

- F. W, Dodge/ McGraw-Hill Builders Exchange – Sacramento Plan Room
- Placer County Builders Exchange – Auburn Plan Room
- Reed Construction Data
- Sacramento County Builders Exchange

The Notice to Bidders provided details and instructions regarding the project, as well as the specified dates and times for the mandatory pre-bid conference, prequalification requirements, bid submittal and bid opening. In addition to the publications at the Builders Exchanges', the architect typically provides a list of contractors experienced in this type of project that the District can invite to bid on the project. A mandatory pre-bid conference took place on April 16, 2009.

A total of seven bids were received and opened on April 30, 2009. Upon review and recommendation by staff and the Superintendent, the Board of Trustees awarded the contract on May 13, 2009 to Abide Builders, Inc., which was the apparent lowest responsive responsible bidder. The Notice to Proceed was issued on May 14, 2009, pending contractor submittal signed agreements and district acceptance of the required securities such as Performance Bond, Payment Bond and Insurance Certificates.

## Westlake Charter Schools Portables 2008 Project

This project was bid and contracts were awarded in three separate construction bid packages;

- Supply and Installation of Four Portable Classrooms
- Electrical Site Work
- Plumbing and Parking Lot Expansion.

On May 28, 2008, the Board approved a “piggyback” contract with Douppnik Manufacturing for the supply and installation of four portable classrooms at the Westlake Charter School site in the amount of \$191,664. The contract was a “piggyback” to the Western Placer Unified School District contract with Douppnik Manufacturing for the supply and installation of portables at Lincoln High School.

Following are the details of the bid process conducted for the Site Electrical Work and the Plumbing and Parking Lot Expansion Work:

<b>Description</b>	<b>Site Electrical Work</b>	<b>Plumbing and Parking Lot Expansion</b>
Bid Advertisement	July 29, 2008 and August 4, 2008	October 10, 2008 and October 17, 2008
Publication	The Sacramento Bee	The Sacramento Bee
Pre-Bid Conference	None	October 24, 2008
Bid Opening Date	August 11, 2008	October 29, 2008
Number of Bids Received	2	2
Lowest Bid	\$36,367	\$142,900
Highest Bid	\$61,421	\$156,000
Low Responsive Bidder	Cabar Electric, Inc.	Golden State Construction
Date of Contract Award	August 13, 2008	November 12, 2008
Contract Amount	\$36,367	\$142,900
Notice to Proceed	August 14, 2008	November 13, 2008

The Notice to Bidders for both the Site Electrical Work and the Plumbing and Parking Lot Expansion Work were advertised at least once a week for two weeks in a local newspaper, The Sacramento Bee. Bids were received at the District office and opened in public on the same day they were received. After review and determination of the lowest responsive responsible bidders, staff submitted their recommendations to the Board during the next Board meeting and received Board approval to award the contracts. Notices to Proceed (NTP) were issued to the successful bidders on the following day after Board approval to award the contracts. The NTPs authorized the contractors to begin work subject to the receipt by the District of the required signed contracts, bonds and other documentation.

The following Measures D and M funded purchases were procured utilizing the piggyback delivery method during the fiscal year 2008-09. The procurement method for each purchase was reviewed for compliance in this examination. Each item showed evidence of being procured utilizing a “piggyback” contract and each of the contracts were formally approved by the Board of Education.

<b>Method of Procurement</b>	<b>Project</b>	<b>Board Approved</b>	<b>Vendor</b>	<b>Funding Source</b>	<b>Amount</b>
Piggyback - US Communities Contract	Purchase and Installation of Playground Equipment at Witter Ranch Elementary School.	December 10, 2008	All About Play	D	\$61,553.33
Piggyback Contract – Cal Net 1	Purchase and Installation of the Measure D Surveillance project at American Lakes Elementary School, Bannon Creek Elementary School, Inderkum High School, Jefferson Elementary School, Leroy Greene Middle School, Natomas High School, Natomas Park Elementary School, Two Rivers Elementary School and Witter Ranch Elementary School.	June 17, 2009	AT & T	D	\$157,477.36
Piggyback - US Communities Contract	Purchase and Installation of Playground Equipment at Heron Elementary School.	June 17, 2009	All About Play	D	\$103,838.67

### **Observations**

- The District obtained seven bids for the American Lakes Elementary School Autism and Preschool Portables project. This high bidder participation could, in part, be attributed to the district's efforts to create a competitive bidding environment in providing Notices to Bidders, plans and drawings to plan rooms and builders' exchanges, where contractors can review project scope and bid requirements.
- The procurement method specified for each of the sampled purchases appears to have been made in compliance with public contract code and Board policy.

### **Finding**

- Bid advertisement for American Lakes Elementary School Autism and Pre-School Portables project were published 5 days apart (March 31, 2009 and April 4, 2009). Public Contract Code 20112 requires public works projects to be published at least once a week for two weeks.

### **Recommendation**

- The District should ensure that projects are formally advertised on two separate occasions, seven days apart and at least fourteen days between the first bid publication and the bid opening date as required by law.

### **District Response**

- The bid advertisements in question were published on a Tuesday (March 31, 2009) and Saturday (April 4, 2009); the latter was originally intended for publication the following Monday, April 6, but was inadvertently published early. The District will take steps to insure that projects are formally advertised as required by law.

## **EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM**

### **Process Utilized**

TSS interviewed the Superintendent, Board members, Citizens' Bond Oversight Committee members, Assistant Superintendent for Facilities, Chief Business Official, and the Facilities Program Manager. TSS also reviewed the District's website and the District's e-newsletters.

The purpose of the interviews and the review of the websites and published information were to examine the systems used by the District to convey information about the bond program to interested parties, school site communities and the community at large. These processes serve as a measurement of the effectiveness of disseminating information to parties not directly involved in the bond program and its operations.

### **Background**

Public outreach is a key component for any successful bond program. It is vital to keep the community informed during each phase of the program. Outreach to the community regarding the status of projects, including priorities, project timelines and updates are important for the District to undertake consistently in their ongoing efforts to manage information and expectations about the bond program.

The District maintains a website and employs a Public Information Officer. As noted in the prior year audit the District home page does not include a link to a Citizens' Bond Oversight Committee and/or a specific Bond Program section. Information about the CBOC is located in the Business Services section of the webpage and specific bond program projects information can be found in the Facilities section. A member of the community who is not familiar with the District website or the organizational structure of the district may find it difficult to locate bond program information.

The CBOC related information that is posted includes committee member contact information, CBOC meeting agendas and minutes and committee by-laws, and the date, time and location of the next meeting. Copies of the Bond Performance Audit from previous periods are also included, as well as an application for community members interested in becoming a member of the CBOC. The section found in the Facilities section of the webpage includes community updates, pictures, descriptions of bond projects, and bond expenditure reports. The information posted, while challenging to locate is comprehensive and provides interested community members with an up to date status of the Bond Program.

The District utilizes their website and an e-newsletter as primary sources of communication with the larger community.

In a review of recent e-newsletters there was some information included about the bond program and the ongoing bond projects. As one of the main vehicles for dissemination of district-wide information to the community it is important that bond program and/or specific project information be included in the e-newsletters whenever appropriate. Staff indicated that quarterly meetings with City Parks and Recreation staff, City Traffic Engineers, and City Planning Department staff have been occurring regularly for purposes of discussing issues that may arise during the course of construction at a school site, to discuss joint-use opportunities between the District and the City and to proactively manage traffic and safe routes to school conditions.

## **Observations**

- The District's website is updated and maintained with current information. To access the CBOC website, it is necessary for visitors to first go to the Business Services Department, where the link to the CBOC website is located.
- The CBOC website is missing minutes from three of the four 2008-09 committee meetings. It is required by the CBOC bylaws that the minutes of each meeting are to be posted.
- Members of the CBOC indicated that no complaints from the community have been brought forward during the 2008-09 reporting period regarding any of the Bond Program projects or staff for which they are providing oversight.
- The District's e-newsletter includes some information about bond projects, providing community members with important updates.

## **Finding**

- There are no findings for this section.

## **Recommendations**

- It is recommended that every issue of the District's e-newsletter include a section specifically providing updated information regarding the overall bond program and specific bond program projects underway throughout the community.
- As noted in the 2007-08 audit, it is recommended that the District add a Bond Program section to the District website and create a link to a separate CBOC webpage, allowing interested members of the community to quickly and easily obtain updated information about the status of the Bond Program and the work of the CBOC.

## **District Response**

- The District concurs, and will work with the District's Public Information Officer to add a periodic update on the overall bond program to the District's e-newsletter; the staff will also work with the Information Technology department to modify the District's website to create a link to a separate CBOC webpage.



## **EFFECTIVENESS OF COMMUNICATION CHANNELS AMONG STAKEHOLDERS WITHIN THE BOND PROGRAM**

### **Process Utilized**

During the process of this examination, TSS interviewed personnel in facilities, the Assistant Superintendent, and other parties involved in the District's facilities program. Some members of the Citizen's Bond Oversight Committee and the School Board were also interviewed. The communication channels among those working in and with the Bond Program were among the topic of discussion in these interviews.

### **Background**

Effective communication between members of the District management staff, the Bond Program and Facilities staff, key consultants, such as architects, and the CBOC are an essential component of a successful Bond Program.

The Assistant Superintendent for Business Services is the primary point of contact for the District to the CBOC. The Assistant Superintendent for Business is not responsible for management of the Facilities and Planning Department, the responsibility for the CBOC is his responsibility. The Assistant Superintendent for Facilities and Planning is in regular attendance at CBOC meetings and provides information about the Bond Program.

Members of the CBOC who were interviewed during the course of this examination indicated that District staff is responsive to the committees needs and provide information on a regular and timely basis. Committee members appear to be knowledgeable about all aspects of the Bond Program. The sub-committee previously formed to conduct post-project reviews remains in existence to ensure that the information the committee is provided has resulted in the expected outcomes. Some committee members requested that an evaluation of the appropriateness of bond funds being utilized for salaries for program managers and other internal facilities staff. See the Compliance with Bond Program Provisions and Restrictions section for information regarding this matter.

Members of the CBOC expressed concern regarding the fact that many current CBOC members will be concluding their second term in March 2010 and there has been limited interest by community members to apply for membership on this important committee.

### **Observations**

- Bond updates and information from the CBOC are topics of discussion at monthly Board Meetings.
- A review of CBOC meeting agendas indicates that District staff is regularly in attendance at CBOC meetings and are providing timely information.

### **Finding**

- There are no findings in this section.

## **Recommendation**

- It is recommended that the District develop a CBOC recruitment plan to ensure that when current member terms expire in March 2010 the committee can seamlessly continue meeting and providing oversight of the Measure M & D Bond Program, as required by law. This plan may include a targeted communiqué to members of the business community, senior citizens' and taxpayers organizations, as well as to the parents of NUSD students, as well as personal outreach by current CBOC and Board members to members of the community.

**APPENDIX A**  
**BOND MEASURE M RESOLUTION AND TEXT**

**DRAFT**

7/18/02  
CJ

**BOARD OF TRUSTEES  
NATOMAS UNIFIED SCHOOL DISTRICT**

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE NATOMAS  
UNIFIED SCHOOL DISTRICT ORDERING AN ELECTION TO  
AUTHORIZE THE ISSUANCE OF SCHOOL BONDS,  
ESTABLISHING SPECIFICATIONS OF THE ELECTION ORDER,  
AND REQUESTING CONSOLIDATION WITH OTHER ELECTIONS  
OCCURRING ON NOVEMBER 5, 2002**

**RESOLUTION NO. 02-28**

**WHEREAS**, in the judgment of the Board of Trustees (the "Board") of the Natomas Unified School District (the "District"), it is advisable to call an election to submit to the electors of the District the question whether bonds of the District shall be issued and sold for the purpose of raising money for the acquisition and improvement of real property and the furnishing and equipping of school facilities of the District; and

**WHEREAS**, as a result of the approval of Proposition 39 on November 7, 2000, Article XIII A Section 1 paragraph (b) of the California Constitution ("Article XIII A") provides an exception to the limit on ad valorem property taxes on real property for bonded indebtedness incurred by a school district approved by 55% of the voters of the district voting on the proposition; and

**WHEREAS**, the Board is specifically authorized to pursue the authorization and issuance of bonds by a 55% vote of the electorate on the question whether bonds of the District shall be issued and sold for specified purposes, under Education Code Section 15264 *et seq.* (the "Act"); and

**WHEREAS**, under Section 10403 *et seq.* of the California Elections Code, it is appropriate for the Board to request consolidation of the election with any and all other elections to be held on Tuesday, November 5, 2002, and to request the Sacramento County Registrar of Voters to perform certain election services for the District;

**NOW, THEREFORE, THE BOARD OF TRUSTEES OF THE NATOMAS UNIFIED SCHOOL DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1. Call for Election.** The Board hereby orders an election and submits to the electors of the District the question of whether general obligation bonds of the District shall be issued and sold in the maximum principal amount of \$45.88 million for the purpose of raising money to finance school facilities and property of the District, and paying costs incident thereto, as set forth more fully in the ballot proposition approved under Section 3. This Resolution constitutes the order of the District to call such election.

**Section 2. Election Date.** The date of the election shall be November 5, 2002, and the election shall be held solely within the boundaries of the District.

**Section 3. Purpose of Election; Ballot Proposition.** The purpose of the election shall be for the voters in the District to vote on a proposition, a full copy of which is attached hereto as Appendix A, containing the question of whether the District shall issue the Bonds for the purposes stated therein, together with the accountability requirements of Article XIII A and the requirements of Section 15272 of the Act. As required by Elections Code Section 13247, the abbreviated form of the measure to appear on the ballot is attached hereto as Appendix B. The Superintendent or his designee is hereby authorized and directed to make any changes to the text of the proposition as required to conform to any requirements of Article XIII A, the Act or the Sacramento County Registrar of Voters.

**Section 4. Authority for Election.** The authority for ordering the election is contained in Section 15264 *et. seq.* of the Education Code and Section 1 paragraph (b) subsection (3) of Article XIII A. The authority for the specification of this election order is contained in Section 5322 of the Education Code.

**Section 5. School Facilities Projects.** As required by Article XIII A, the Board hereby certifies that it has evaluated safety, class size and information technology needs in developing the list of school facilities projects set forth on Appendix A.

**Section 6. Covenants of the Board upon Approval of the Bonds by the Electorate.** As required by Article XIII A and Section 15278 of the Act, if 55% of the voters of the District approve of the Bonds, the Board will:

- (1) conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific school facilities projects listed in Appendix A;
- (2) conduct an annual, independent financial audit of the proceeds from the sale of the Bonds until all of those proceeds have been expended for the school facilities projects listed in Appendix A; and
- (3) establish and appoint members to an independent citizens' oversight committee in accordance with Sections 15278, 15280 and 15282 of the Act.

**Section 7. Delivery of this Resolution.** The Clerk of the Board is hereby directed to send a copy of this Resolution to the Sacramento County Superintendent of Schools, the Sacramento County Registrar of Voters (the "County Registrar") and the Sacramento County Clerk of the Board of Supervisors.

**Section 8. Consolidation of Election.** The County Registrar and the Sacramento County Board of Supervisors are hereby requested to consolidate the election ordered hereby with any and all other elections to be held on November 5, 2002, within the District.

**Section 9. Ballot Arguments; Tax Rate Statement.** Any and all members of this Board are hereby authorized to act as an author of any ballot argument prepared in connection with the election, including a rebuttal argument. The President of the Board, the Superintendent or any designee of the foregoing, are hereby authorized to execute any Tax Rate Statement or other document and to perform all acts necessary to place the bond measure on the ballot.

**Section 10. Effective Date.** This resolution shall take effect on and after its adoption.

\*\*\*\*\*

I hereby certify that the foregoing Resolution was passed and adopted by the Board of Trustees of the Natomas Unified School District at a regular meeting thereof duly held on July 17, 2002, by a vote of at least two-thirds of its members.

Adopted by the following votes:

AYES:

NOES:

ABSENT:

---

Ron Dwyer-Voss  
President of the Board

---

Susan Heredia  
Clerk of the Board

## APPENDIX A

### BALLOT MEASURE FULL TEXT OF MEASURE

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In order to enable the Natomas Unified School District to continue providing exceptional educational opportunities, shall the District issue \$45.88 million in bonds, at interest rates within legal limits, to acquire, construct, modernize, repair, replace and equip its school facilities to meet safety and instructional needs, accommodate future growth, and create additional space for student class size reduction, additional educational programs and other needs, subject to oversight by an independent citizens' committee as legally required?

---

#### BOND AUTHORIZATION

By approval of this proposition by at least 55 percent of the registered voters voting on the proposition, the District will be authorized to issue and sell bonds of up to \$45.88 million in aggregated principal at interest rates below the legal limit and to provide financing for the specific school facilities projects listed in the Bond Project List described below, subject to all the accountability requirements specified below.

#### ACCOUNTABILITY REQUIREMENTS

The provisions in this section are specifically included in this proposition in order that the voters and taxpayers in the District may be assured that their money will be spent wisely. Expenditures to address specific facilities needs of the District will be in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following.)

**Evaluation of Needs.** The School Board has identified detailed facilities needs of the District and has determined which projects to finance from a local bond at this time. The School Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List shown below.

**Independent Citizens' Oversight Committee.** The School Board shall establish an Independent Citizens' Oversight Committee under Education Code Section 15278

and following to ensure bond proceeds are expended only on the school facilities projects listed below. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the School Board.

**Performance Audits.** The School Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed below.

**Financial Audits.** The School Board shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed below.

#### FURTHER SPECIFICATIONS

**No Administrator Salaries.** Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction and/or rehabilitation of school facilities including the furnishing and equipping of school facilities or acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

#### BOND PROJECT LIST

The Bond Project List shown below is a part of the ballot proposition and must be reproduced in any official document required to contain the full statement of the bond proposition.

**Projects Subject to Available Funding.** The following list of projects is subject to the availability of adequate funding to the District. Approval of the Bond measure does not guarantee that the proposed projects will be funded beyond the local revenues generated by the Bond measure. The District's proposal for the projects may assume the receipt of matching state funds, which could be subject to appropriation by the State Legislature or approval of a statewide bond measure.

**Scope of Projects.** Bond proceeds will be expended to modernize, replace, renovate, construct, equip, furnish and otherwise improve the following facilities of the District. The specific school facilities projects which are described below include all related and incidental costs, including costs of design, engineering, architect and other professional services, site preparation, utilities, landscaping and other incidental costs, and construction management (including construction management by District personnel). Whenever any listed project consists of new construction, such project includes the purchase and installation of related furniture and equipment. The District may alter the scope and nature of any of the specific projects which are described below as required by conditions which arise during the course of design and construction.



**American Lakes Elementary School**

Acquire, construct and install new shade structures for student safety  
Install wireless computer lab equipment and related infrastructure  
Make roof drainage improvements  
Repair, renovate and modernize existing school facilities  
Construct new Library

**Jefferson Elementary School**

Acquire, construct and install new shade structures for student safety  
Install wireless computer lab equipment and related infrastructure  
Construct improvements to provide additional cafeteria storage  
Renovate and modernize kindergarten playground and structures

**Natomas Park Elementary School**

Acquire, construct and install new shade structures for student safety  
Install wireless computer lab equipment and related infrastructure

**Witter Ranch Elementary School**

Acquire, construct and install new shade structures for student safety

**Elementary School in Northborough Area**

Acquisition of site for construction of elementary school to accommodate future growth  
Construction of new elementary school facilities as required to supplement local and State funding sources

**Bannon Creek Elementary School**

Acquire, construct and install new shade structures for student safety  
Expand existing parking lot  
Install wireless computer lab equipment and related infrastructure  
Construct improvements to provide additional cafeteria storage  
Renovate and modernize kindergarten playground and structures

**Elementary School in Natomas Crossing Area**

Construction of new elementary school, as required to supplement local and State funding sources

**Two Rivers Elementary School**

Acquire, construct and install new shade structures for student safety  
Install wireless computer lab equipment and related infrastructure

**Elementary School in West Lake Area**

Acquisition of site for construction of elementary school to accommodate future growth  
Construction of new elementary school as required to supplement local and State funding sources

**Future Elementary School Sites 10, 11 & 12**

Acquisition of sites for construction of elementary schools to accommodate future growth

**Natomas Middle School**

Install wireless computer lab equipment and related infrastructure

Purchase school site and facilities constituting the existing middle school, which are currently being leased

**Leroy Greene Middle School**

Install wireless computer lab equipment and related infrastructure

**Future Middle School No. 4**

Acquisition of site for construction of new middle school to accommodate future growth

**Middle School in North Point Area**

Install wireless computer lab equipment and related infrastructure

Construction of new middle school as required to supplement local and State funding sources

**Natomas High School**

Build new swimming pool complex and related facilities including: pool, pump and filtration system with structure, locker rooms, showers, bleachers, diving boards, life guard chairs and necessary safety equipment

**Discovery High School**

Construct Rosin Sewer Extension as required by City of Sacramento  
Paint exterior of high school

**Future Second High School**

Construction of new high school as required to supplement local and State funding sources

**Natomas Charter School**

Construct new theater facility

**Future High School No. 3**

Acquisition of site for construction of new third high school to accommodate future growth, to the extent full cost is not provided in real estate trade with Los Rios Community College District

**District-Wide Improvements**

Purchase and install solar tubes to provide lighting for portable buildings

Purchase and install security television cameras to provide greater campus safety

Purchase and install central freezer for support food service the district-wide cafeteria program to be able to take advantage of large food commodity purchases in order to make the program more cost effective to the students

Construct new a central kitchen for support food service the district-wide cafeteria program to provide more efficient utilization of resources in order to make the program more cost effective to the students

Acquire new buses and other District vehicles to accommodate student growth

Project List for Proposition 39 General Obligation Bond:

<u>Location</u>	<u>Project</u>	<u>Justification</u>	<u>Approx. Cost</u>	<u>Priority</u>
American Lakes	Shade Structures (5)	Student Safety	\$75,000	#2
American Lakes	Wireless Computer Lab's (2)	Equity	\$160,000	#2
American Lakes	Roof Drainage	Fix design flaw	\$380,000	#2
American Lakes	Modernization	80/20 match	\$625,000	#2
American Lakes	Library	Equity	\$1,200,000	#3
Bannon Creek	Shade Structures (5)	Student Safety	\$75,000	#2
Bannon Creek	Parking Lot Expansion	Equity	\$90,000	#2
Bannon Creek	Wireless Computer Lab's (2)	Equity	\$160,000	#2
Bannon Creek	Cafeteria Storage	Health & Safety	\$235,000	#2
Jefferson	Shade Structures (5)	Student Safety	\$75,000	#2
Jefferson	Wireless Computer Lab's (2)	Equity	\$160,000	#2
Jefferson	Cafeteria Storage	Health & Safety	\$235,000	#2
Natomas Crossing	Supplement SB-50 funding	Funding inadequate	\$2,000,000	#2
Natomas Park	Shade Structures (5)	Student Safety	\$75,000	#2
Natomas Park	2 <sup>nd</sup> Wireless Computer Lab	Equity	\$70,000	#2
Two Rivers	Shade Structures (5)	Student Safety	\$75,000	#2
Two Rivers	2nd Wireless Computer Lab	Equity	\$70,000	#2
Witter Ranch	Shade Structures (5)	Student Safety	\$75,000	#2
Northborough	Site Acquisition (10 Acres)	Growth	\$2,100,000	#2
Northborough	Supplement SB-50 funding	Funding inadequate	\$2,000,000	#3
West Lake	Site Acquisition (10 Acres)	Growth	\$2,100,000	#2
West Lake	Supplement SB-50 funding	Funding inadequate	\$2,000,000	#3
Site Acquisition	Elementary Sites 10, 11&12	Growth	\$6,300,000	#3
Leroy Greene M.S.	Wireless Computer Lab's (4)	Equity	\$310,000	#2
Natomas M.S.	Wireless Computer Lab's (3)	Equity	\$210,000	#2
Natomas M.S.	Repay COP "bridge" Loan	Funding inadequate	\$3,000,000	#2
Natomas High	Pool	Finish campus	\$1,800,000	#3
Natomas Charter	Theater	Finish campus	\$2,000,000	#3
North Point M.S.	Supplement SB-50 funding	Funding inadequate	\$3,000,000	#3
2nd High School	Supplement SB-50 funding	Funding inadequate	\$15,000,000	#1
Discovery High	Rosin Sewer Extension	Required by City	\$1,500,000	#2
Discovery High	Exterior trim paint	Color band	\$20,000	#2
Site Acquisition	M. S. #4 & H.S. #3	Growth	\$6,000,000	#3
District-wide	Solar-Tubes for Portables	Day lighting	\$300,000	#2
District-wide	Security T.V. Cameras	Campus Security	\$200,000	#2
District-wide	Central Freezer	Support Food Serv.	\$250,000	#2
District-wide	Central Kitchen	Support Food Serv.	\$1,200,000	#3
		<u>TOTAL</u>	\$55,125,000	

**APPENDIX B**

**BOND MEASURE D RESOLUTION AND TEXT**

RESOLUTION NO. 06-10

RESOLUTION OF THE BOARD OF TRUSTEES OF THE  
NATOMAS UNIFIED SCHOOL DISTRICT  
ORDERING A SCHOOL BOND ELECTION,  
ESTABLISHING SPECIFICATIONS OF THE ELECTION ORDER,  
AND REQUESTING CONSOLIDATION WITH OTHER ELECTIONS

**WHEREAS**, the Board of Trustees (the "Board") of the Natomas Unified School District (the "District") is generally authorized to order elections within the District and to designate the specifications thereof, pursuant to Education Code Sections 5304 and 5322;

**WHEREAS**, the Board is specifically authorized to order elections, pursuant to Education Code Sections 15264 *et seq.*, for the purpose of submitting to the electors the question of whether bonds of the District ("Bonds") shall be issued and sold for specified purposes;

**WHEREAS**, the Board deems it necessary and advisable to submit a bond measure to the electors that, if approved by the requisite number of electors voting on the measure, would permit the District to issue Bonds; and

**WHEREAS**, it is desirable that the election to determine whether Bonds shall be issued and sold be consolidated with such other election or elections as may be held on the same day in the same territory or in territory that is in part the same.

**NOW, THEREFORE**, the Board of Trustees of the Natomas Unified School District does hereby resolve, determine, and order as follows:

**Section 1. Election Order; Ballot Measure.** Pursuant to Education Code Sections 5304, 5322 and 15264 *et seq.*, and Article XVI, Section 18(b), of the California Constitution, an election shall be held within the boundaries of the Natomas Unified School District on June 6, 2006, submitting to the voters of the District the question of whether Bonds of the District, in the amount of \$145,500,000 shall be issued and sold for the purposes described below, including acquiring, constructing, renovating, furnishing, and equipping school facilities and grounds, as specifically set forth in Exhibit B attached hereto. The Bonds proposed to be issued and sold shall bear interest at a rate not exceeding the statutory limit, and the number of years any Bonds are to run shall not exceed twenty-five (25) years from the date of the Bonds or the date of any series thereof if the Bonds are issued pursuant to the Education Code and shall not exceed forty (40) years from the date of the Bonds or the date of any series thereof if the Bonds are issued pursuant to the Government Code.

**Section 2. Use of Bond Proceeds, Facilities Specifications and Audit Requirements.**

(a) **Use of Bond Proceeds.** Proceeds from the sale of Bonds may be used only for the purposes specified in Article XIII A, section 1(b)(3), of the California Constitution.

(b) **Specification of Facilities.** The school facilities projects to be funded are listed in Exhibit B. The Board hereby certifies that it evaluated safety, class size reduction, and information technology needs in developing the list.

(c) **Performance Audit.** The Board shall conduct an annual, independent performance audit to ensure that Bond funds have been expended on the specific projects listed.

(d) **Financial Audit.** The Board shall conduct an annual, independent financial audit of the proceeds from the sale of Bonds until all of the proceeds have been expended for the school facilities projects.

**Section 3. Government Code Accountability Requirements.** The District hereby finds and directs that it will comply with the accountability provisions of Government Code sections 53410 and 53411.

**Section 4. Vote Required.** Pursuant to Section 18(b) of Article XVI and Section 1 of Article XIII A of the California Constitution, the bond measure shall become effective only upon the affirmative vote of fifty-five percent of those voters voting on the measure.

**Section 5. County Registrar of Voters to Conduct Election.** Pursuant to Education Code Section 5303, the Sacramento County Registrar of Voters is hereby requested to take all steps to prepare for and hold the election within the boundaries of the District in accordance with law and these specifications.

**Section 6. Consolidation with Other Elections.** Pursuant to Education Code Sections 5342, 15266, and 15121 and Part 3 (commencing with Section 10400) of Division 10 of the Elections Code, the County is requested to order consolidation of the school bond election with the other elections to be held on the same day in the same territory or in territory that is in part the same.

**Section 7. Canvass of Returns.** The Board of Supervisors of Sacramento County is authorized to canvass the returns of the election pursuant to Section 10411 of the Elections Code.

**Section 8. Services of Registrar of Voters.** Pursuant to Section 5303 of the Education Code and Section 10002 of the Elections Code, the Board of Supervisors of Sacramento County is requested to permit the Registrar of Voters to render all services incident to the preparation for and holding of the election, for which services the District agrees to reimburse the County, such services to include the publication of the Formal Notice of School Bond Election (as described herein) and the mailing of the sample ballot and tax rate statement (described in Section 9401 of the Elections Code) pursuant to the terms of the Education Code and the Elections Code.

**Section 9. Formal Notice of Election.** The Superintendent is hereby directed to prepare and execute a Formal Notice of School Bond Election (the "Notice of Election") for delivery to the Registrar of Voters containing the information specified in Education Code Sections 5361 and 15120, in substantially the form attached hereto as Exhibit A with such changes as may satisfy Sacramento County officials. The District hereby requests the Registrar of Voters to publish the Notice of Election.

**Section 10. Abbreviated Statement of the Bond Measure.** The abbreviated statement of the bond measure is set forth in the Notice of Election attached hereto as Exhibit A and incorporated herein by reference. The District hereby requests the Registrar of Voters to designate the measure on the ballot by a letter printed on the left margin of the square containing the abbreviated statement of the measure as provided in Section 13116 of the Elections Code.

**Section 11. Full Text of the Measure.** The District hereby requests the Registrar of Voters to publish the full text of the measure, which is set forth in Exhibit C, in the ballot pamphlet materials as appropriate.

**Section 12. Specifications of the Election Order.** The foregoing specifications of the election order are made pursuant to Section 5322 of the Education Code.

**Section 13. Tax Rate Statement.** The Board hereby approves the form of the tax rate statement attached hereto as Exhibit D and incorporated herein by reference.

**Section 14. Delivery of Specifications of the Election Order, Notice of Election, and Tax Rate Statement.** The Superintendent is hereby directed to deliver a copy of this resolution, the Notice of Election, and the tax rate statement to the Registrar of Voters and a copy of this resolution to the Board of Supervisors of Sacramento County.

**Section 15. General Authorization with Respect to the Bond Election.** The members of the Board, the Superintendent, and the other officers of the District, and each of them individually, are hereby authorized and directed to do any and all things and to execute, deliver, and perform any and all agreements and documents that they deem necessary or advisable in order to effectuate the purposes of this Resolution, including, without limitation, to prepare and submit for inclusion in the voter information pamphlet an argument in favor of passage of the bond measure. All actions heretofore taken by the officers and agents of the District that are in conformity with the purposes and intent of this Resolution are hereby ratified, confirmed, and approved in all respects.

**Section 16. Encumbrance of Bond Funds.** For the purpose of making bond funds unavailable as rent within the meaning of Education Code section 17032, the Board hereby encumbers all funds to be generated by the sale of Bonds in order to pay for the acquisition and construction of the school facilities and equipment authorized by the bond measure.

**Section 17. Official Intent to Reimburse Expenditures.** (a) The District intends to undertake the acquisition, construction, renovation, furnishing and equipping of school facilities and grounds as described in Exhibit B. The District intends to use \$145,500,000 of Bond proceeds for this purpose. The District may, in anticipation of the issuance of the Bonds, pay certain expenditures for said projects. The District reasonably expects that Bond proceeds will be used to reimburse the District for the items listed in Exhibit B.

(b) The Board hereby declares the District's official intent to use a portion of the proceeds of the Bonds to reimburse the District for the above-described projects. The foregoing statement is a declaration of official intent that is made under and only for the purpose of establishing compliance with the requirements of Treasury Regulations section 1.150-2.

**Section 18. Effective Date.** This resolution shall take effect immediately upon its adoption.

**APPROVED, PASSED, AND ADOPTED** by the Board of Trustees of the Natomas Unified School District on the 8<sup>th</sup> day of February, 2006, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

---

President of the Board of Trustees

**ATTEST:**

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Secretary of the Board of Trustees



**EXHIBIT A**

**FORMAL NOTICE OF SCHOOL BOND ELECTION**

1. NOTICE IS HEREBY GIVEN to the qualified electors of the Natomas Unified School District, Sacramento County (the "District"), that, in accordance with the provisions of the California Education Code, a school bond election will be held on Tuesday, June 6, 2006, in the District.

2. At the election, a measure will be submitted to the qualified electors of the District and voted upon whether to authorize the District to issue \$145,500,000 principal amount of bonds for the purpose of acquiring, constructing, renovating, furnishing, and equipping school facilities and grounds.

3. The statement of the measure shall be abbreviated on the ballot as follows:

MEASURE \_\_: "To improve the quality of education throughout Natomas, shall the Natomas Unified School District provide additional classrooms, construct facilities, modernize classrooms, renovate playfields, improve access to schools for students, staff and the community, and become eligible for all additional State matching funds by issuing \$145,500,000 in bonds at an interest rate not to exceed the statutory limit, reviewed by a citizens' oversight committee, independent audits, and NO money for administrator salaries?"

**BONDS YES**

**BONDS NO**

The measure shall be designated on the ballot by a letter printed on the left margin of the square containing the abbreviated statement of the measure as provided in Section 13116 of the Elections Code of the State of California.

4. All of the purposes enumerated in the foregoing measure shall be united and voted upon as one single measure. The bonds proposed to be issued and sold shall bear interest at a rate not exceeding the statutory limit per annum, and the number of years the whole or any part of the bonds are to run from the date of the bonds or the date of any series thereof shall not exceed 25 years if the bonds are issued pursuant to the Education Code, and 40 years if the bonds are issued pursuant to the Government Code.


5. If 55% of the qualified electors voting on the measure vote "YES," the measure is approved.

6. The polls at the polling places will be open from 7:00 a.m. until 8:00 p.m. on the day of the election. The boundaries of the voting precincts within the District, the location of the

polling places, and the names of the officers selected to conduct the election shall be determined by the Registrar of Voters of Sacramento County.

7. The Board of Trustees of the Natomas Unified School District, by adoption of Resolution No. 06-10 (the "Resolution") on February 8, 2006, has ordered the election in accordance with the provisions of Sections 5322 and 15266 of the Education Code. In all particulars not recited in this Notice, the election shall be held and conducted as provided by law for holding school district elections.

Dated: February 8, 2006.

  
\_\_\_\_\_  
Steve M. Farrar, Ph.D., Superintendent  
Natomas Unified School District

**EXHIBIT B**

Specific School Facilities Projects to be Funded:

I. NEW SCHOOLS – SITE ACQUISITION, CONSTRUCTION, FURNISHING AND EQUIPMENT

- Creekside Elementary School
- Creekside Middle School
- West Lakeside School
- Natomas Central, aka Forecast School
- Westlake Charter School
- Sacramento Valley Technical High School

II. COMPLETION OF SCHOOLS – CONSTRUCTION, FURNISHING AND EQUIPMENT

- Inderkum High School
- Heron School
- Inderkum High School and Creekside School Financing

III. CAMPUS INFRASTRUCTURE, FACILITIES AND EQUIPMENT

- Athletic fields and tracks upgrade
- Security systems
- Shade structures
- Safe walking routes
- Playground improvements
- Preschool facilities
- Grade configuration conversions
- Natomas Charter School facilities

IV. DISTRICT TECHNOLOGY AND EQUIPMENT

- Computers, computer labs and support networks and infrastructure
- Buses and service vehicles

## Natomas Unified School District Potential General Obligation Bond Projects

2/2/2006

### Descriptions

2005 COP Financing Used for Completion of I.H.S. and Creekside Land & Site Preparation	WORKING DRAFT
Creekside - Elementary School Construction	
Creekside - Middle School Construction	
Heron School Supplemental Funding	
West Lakeside School Site Acquisition & Permitting	
Forecast School Site Acquisition & Permitting	
Inderkum H. S. Supplemental Funding	
Charter Theater Phase II Supplemental Funding	
Athletic Fields & Tracks Upgrade	
Computers, Computer Labs, and Support Networks/Infrastructure	
Security Cameras	
Shade Structures	
Buses and Service Vehicles	
Safe Routes to School Charrette's Recommendations	
Playground Improvements	
Pre-School Facilities	
Schools Conversions	
Sacramento Valley Technical High School Charter Site & Facilities Acquisition	
Westlake Charter Site & Facilities Acquisition	
Cost of Issuance of General Obligation Bond	

**APPENDIX C**  
**CITIZENS' OVERSIGHT COMMITTEE**

**CALIFORNIA EDUCATION CODE  
SECTION 15278-15282  
CITIZENS' OVERSIGHT COMMITTEE**

15278. (a) If a bond measure authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution and subdivision (b) of Section 18 of Article XVI of the California Constitution is approved, the governing board of the school district or community college shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board enters the election results on its minutes pursuant to Section 15274.

(b) The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.

(c) In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:

(1) Receiving and reviewing copies of the annual, independent performance audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Receiving and reviewing copies of the annual, independent financial audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(3) Inspecting school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(4) Receiving and reviewing copies of any deferred maintenance proposals or plans developed by a school district or community college district, including any reports required by Section 17584.1.

(5) Reviewing efforts by the school district or community college district to maximize bond revenues by implementing cost-saving measures, including, but not limited to, all of the following:

(A) Mechanisms designed to reduce the costs of professional fees.

(B) Mechanisms designed to reduce the costs of site preparation.

(C) Recommendations regarding the joint use of core facilities.

(D) Mechanisms designed to reduce costs by incorporating efficiencies in schoolsite design.

(E) Recommendations regarding the use of cost-effective and efficient reusable facility plans.

15280. (a) The governing board of the district shall, without expending bond funds, provide the citizens' oversight committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the citizens' oversight committee.

(b) All committee proceedings shall be open to the public and notice to the public shall be provided in the same manner as the proceedings of the governing board. The citizens' oversight committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the citizens' oversight committee and all documents received and reports issued shall be a matter of public record and be made available on an Internet website maintained by the governing board.

15282. (a) The citizens' oversight committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the citizens' oversight committee shall be comprised, as follows:

(1) One member shall be active in a business organization representing the business community located within the district.

(2) One member shall be active in a senior citizens' organization.

(3) One member shall be active in a bona fide taxpayers' organization.

(4) For a school district, one member shall be the parent or guardian of a child enrolled in the district. For a community college district, one member shall be a student who is both currently enrolled in the district and active in a community college group, such as student government. The community college student member may, at the discretion of the board, serve up to six months after his or her graduation.

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the district, such as a member of an advisory council or foundation.

(b) No employee or official of the district shall be appointed to the citizens' oversight committee. No vendor, contractor, or consultant of the district shall be appointed to the citizens' oversight committee. Members of the citizens' oversight committee shall, pursuant to Sections 35233 and 72533, abide by the prohibitions contained in Article 4 (commencing with Section 1090) and Article 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code.

**APPENDIX D**  
**LEGAL OPINION**



TO BE PUBLISHED IN THE OFFICIAL REPORTS

OFFICE OF THE ATTORNEY GENERAL  
State of California

BILL LOCKYER  
Attorney General

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OPINION	:	No. 04-110
of	:	November 9, 2004
BILL LOCKYER	:	
Attorney General	:	
DANIEL G. STONE	:	
Deputy Attorney General	:	

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THE HONORABLE MANNY DIAZ, MEMBER OF THE STATE ASSEMBLY, has requested an opinion on the following question:

May a school district use Proposition 39 school bond proceeds to pay the salaries of district employees who perform administrative oversight work on construction projects authorized by a voter approved bond measure?

CONCLUSION

A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.

## ANALYSIS

On November 8, 2000, California voters approved Proposition 39, which amended the Constitution to allow the issuance of bonds for the construction of school facilities if approved by 55 percent of a school district's voters and if specified conditions are met.<sup>1</sup> Among other things, subdivision (b)(3) was added to section 1 of article XIII A of the Constitution, providing that the one percent property tax limitation does not apply to:

"Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

*"(A) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.*

*"(B) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.*

*"(C) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.*

*"(D) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects." (Italics added.)*

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<sup>1</sup> Normally, approval of a school district's bonded indebtedness would require a two-thirds approval vote of a district's voters. (See Cal. Const., art. XIII A, § 1, subd. (b)(2), art. XVI, § 18, subd. (a).)

We are asked to determine whether the prohibition against using Proposition 39 school bond proceeds for "teacher and administrator salaries and other school operating expenses" (Cal. Const., art. XIII A, § 1, subd. (b)(3)(A)) applies to the payment of salaries of school district employees who perform administrative oversight work on construction projects authorized by a voter approved bond measure. We conclude that the prohibition is inapplicable to such salary expenses.

Preliminarily, we note that Proposition 39 also amended section 18 of article XVI of the Constitution in several respects, including the addition of subdivision (b), as follows:

" . . . [O]n or after the effective date of the measure adding this subdivision, in the case of any school district, community college district, or county office of education, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, shall be adopted upon the approval of 55 percent of the voters of the district or county, as appropriate, voting on the proposition at an election. This subdivision shall apply only to a proposition for the incurrence of indebtedness in the form of general obligation bonds for the purposes specified in this subdivision if the proposition meets all of the accountability requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A."

In addition, to implement the provisions of Proposition 39, the Legislature has enacted "The Strict Accountability in Local School Construction Bonds Act of 2000" (Ed. Code, §§ 15264-15288; "Act"),<sup>2</sup> targeting "unauthorized expenditures" of Proposition 39 school bond proceeds. Section 15264 thus provides:

"It is the intent of the Legislature that all of the following are realized:

"(a) Vigorous efforts are undertaken to ensure that the expenditure of bond measures, including those authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, are in strict conformity with the law.

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<sup>2</sup> All references hereafter to the Education Code are by section number only.

“(b) Taxpayers directly participate in the oversight of bond expenditures.

“(c) The members of the oversight committees appointed pursuant to this chapter promptly alert the public to any waste or improper expenditure of school construction bond money.

“(d) That unauthorized expenditures of school construction bond revenues are vigorously investigated, prosecuted, and that the courts act swiftly to restrain any improper expenditures.”

Section 15278 requires the establishment of a citizens' oversight committee with the following duties:

“The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

“(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

“(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.” (§ 15278, subd. (b).)

Oversight committees are expressly permitted to engage in a number of review and inspection activities, including review of school districts' efforts “to maximize bond revenues by implementing cost-saving measures,” specifically including “[m]echanisms designed to reduce the costs of professional fees.” (§ 15278, subd. (c)(5)(A).)

Finally, section 15284 provides for the filing of expedited civil actions, known as "School Bond Waste Prevention Actions," by persons residing in the school district when, among other things, it appears that bond proceeds are being spent "for purposes other than those specified in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution." (§ 15284, subd. (a)(1).)

With these constitutional and statutory provisions in mind, we return to the language of section 1, subdivision (b)(3)(A), of article XIII A of the Constitution. School bond proceeds may be expended only for "the construction, reconstruction, rehabilitation, or replacement of school facilities" and *not* "for any other purpose, including teacher and administrator salaries and other school operating expenses." In which of these categories are the salaries of district employees whose work involves oversight of the construction projects authorized by a voter approved bond measure?

We believe that the phrase "the construction, reconstruction, rehabilitation, or replacement of school facilities" embraces project administrative costs, such as monitoring contracts and project funding, overseeing construction progress, and performing overall project management and accounting that facilitates timely completion of the construction project. A construction project generates not only the costs of materials and equipment, architectural and engineering design work, and construction worker salaries, but also costs of project administration -- work that the school district would not be required to undertake or to fund *but for* the existence of the construction project. This administrative work is performed, whether by private consultants under contract with the school district or by school district employees with expertise in project management, to ensure that all aspects of the construction project are properly coordinated; that each step satisfies the specifications; that invoices are reviewed, revised where appropriate, and paid in a timely manner; that costs do not exceed the project's budget; and that the project is completed on schedule. (See 78 Ops.Cal.Atty.Gen. 48 (1995).)<sup>3</sup>

Some of these administrative tasks -- specifically, conducting an annual independent performance audit and an annual independent financial audit during the life of the construction project -- are expressly required by Proposition 39 itself, as a condition of qualifying for the 55 percent voter approval requirement. (See Cal. Const., art. XIII A, § 1, subds. (b)(3)(C), (b)(3)(D).) We view these kinds of project administration costs, because they relate directly to the bond projects and are an integral part of the construction process,

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<sup>3</sup> We distinguish these "management costs" from actual construction labor that district employees might contribute to the project -- such as electrical work, carpentry, painting, or plumbing. The use of district employees for construction labor is subject to separate legal restrictions. (See, e.g., Pub. Contract Code, § 20114; cf. Pub. Contract Code, § 22032.) However, the question posed here concerns only those administrative duties required for oversight of the construction project.

as coming within "the purposes specified in Article XIII A, Section 1(b) (3)." (Cal. Const., art. XIII A, § 1, subd. (b)(3)(A); see § 15278, subd. (b).)<sup>4</sup>

Such project management costs may therefore be funded by Proposition 39 school bond proceeds unless the expenditures are specifically prohibited under the phrase "teacher and administrator salaries and other school operating expenses." The "teacher and administrator salaries" in question are limited to those that qualify as "school operating expenses" because of the word "other" contained in the phrase.<sup>5</sup> We believe that "school operating expenses" are those regular, ongoing, day-to-day costs associated with maintaining and operating a school. Among such expenses would be (1) the cost of managing the educational services provided, including the salaries of school administrators, and (2) the cost of providing instruction to students, including the salaries of teachers. (See 22 Ops.Cal.Atty.Gen. 105, 108 (1953) [school district's normal operating expenses include purchase of supplies and payment of salaries of school administrators, teachers, and janitors].)<sup>6</sup>

We distinguish between routine, everyday school operating expenses and the narrow category of costs and salaries of concern here -- costs that arise only in connection with, and are incurred only for the duration of, construction projects authorized by a voter approved school bond measure. The latter expenses are not incurred in the school's ordinary ongoing operation, but are instead an integral part of the construction process and "in the nature of an investment for the future." As the court explained in *Marin U. Junior College Dist. v. Gwinn* (1930) 106 Cal.App. 12:

"For years the legislature has recognized the well-established economic

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<sup>4</sup> To the extent the management services consist of onsite assessment of technical matters involving, for example, design, materials, building standards, or workmanship, a project manager may be required to be licensed and have experience in the particular subject area. (Cf. Gov. Code, §§ 4525-4529.5; 78 Ops.Cal.Atty.Gen. 48, *supra*; 57 Ops.Cal.Atty.Gen. 421 (1974).)

<sup>5</sup> In interpreting the constitutional language added by Proposition 39, "our paramount task is to ascertain the intent of those who enacted it. [Citation.]" (*Thompson v. Department of Corrections* (2001) 25 Cal.4th 117, 122.) In determining that intent, we "look first to the language of the constitutional text, giving the words their ordinary meaning." (*Leone v. Medical Board* (2000) 22 Cal.4th 660, 665.) "A constitutional amendment should be construed in accordance with the natural and ordinary meaning of its words. [Citation.]" (*Hi-Voltage Wire Works, Inc. v. City of San Jose* (2000) 24 Cal.4th 537, 559.)

<sup>6</sup> We read Proposition 39's use of the term "teacher . . . salaries" as meaning salaries for teaching, thus corresponding with "salaries of classroom teachers" as defined for school accounting purposes in section 41011. Appropriate definitions of "teacher" and "administrative employee" are contained in section 41401.

distinction between cost of capital expenditures and cost of maintenance. Throughout the school law this distinction has appeared in the special provisions for taxation (or for the issue of bonds) for the purchase of school lands and erection of school buildings and in the special provisions for maintenance. It is further illustrated by the numerous statutes calling for the creation of special building funds as distinct from the general, or maintenance, funds. It is based upon the sound economic principle that a capital expenditure is in the nature of an investment for the future, whereas the cost of maintenance is a definite present expense." (*Id.* at pp. 13-14.)

Accordingly, we believe that Proposition 39's prohibition against the use of school bond proceeds for "school operating expenses" does not bar use of the proceeds for the payment of salaries of school district employees performing oversight work on construction projects authorized by a voter approved bond measure.

Our interpretation of the language of Proposition 39 allows school districts, where feasible, to implement "cost-saving measures" and "reduce the costs of professional fees" on voter approved construction projects — objectives promoted by the Legislature in implementing Proposition 39. (See § 15278, subd. (c)(5)(A).) School district employees with the requisite expertise may be able to perform project management work at less cost to the district than if the work were performed by private consultants.

It is also consistent with other legislative schemes dealing with similar types of costs. (See, e.g., Gov. Code, § 16727, subd. (a) ["costs of construction or acquisition of capital assets" for which bond proceeds may be expended "include costs incidentally but directly related to construction or acquisition"]; Pub. Resources Code, § 5096.674 [bond proceeds for site acquisition and development of parks and recreation areas may be applied to "costs incurred in connection with administering" bond programs]; Wat. Code, § 13959, subd. (f) [defining "construction" of bond-funded water treatment facilities to include "legal, fiscal, or economic investigations or studies, surveys, designs, plans, . . . or the inspection or supervision of any of the foregoing items"].) Administrative oversight work is an integral part of the construction process.

Finally, we note that a contrary conclusion would permit the use of the school bond proceeds for administrative oversight work if performed by private consultants under contract with a school district while forbidding the use of such proceeds for the same work performed, presumably at lower cost, by district employees. Nothing in the November 8, 2000 ballot pamphlet remotely suggests that California voters intended such a result when they adopted Proposition 39.

**APPENDIX E**  
**GRAND JURY'S REPORT**



June 24, 2009

FILE COPY

The Honorable James M. Mize  
Sacramento Superior Court  
720 Ninth Street, Dept. #47  
Sacramento, CA 95814

Dear Judge Mize:

Pursuant to California Penal Code Sections 933 and 933.05, by this letter I am providing the official response of the Board of Trustees of the Natomas Unified School District to the Sacramento County Grand Jury Report dated May 26, 2009 entitled, "NATOMAS - RIGHT IDEA; WRONG PRICE."

**Finding #1:** The Natomas Unified School District Board and Superintendent did not exercise proper oversight of the land acquisition process. Their lack of due diligence reflects an abdication rather than a delegation of oversight responsibilities.

**Response to Finding #1:** Do Not Concur.

The Natomas Unified School District Board of Trustees is comprised of a diverse group of part-time citizen representatives who are independently elected to set policy and exercise general (not micro-managed) oversight on the operation of the District. Like any such Board, the Trustees are not specific subject-matter experts; they are generalists who must necessarily rely on hired consultants for expertise in those specialized and technical subjects that come before the Board. Otherwise the Trustees would be bogged down in one aspect of District operations, to the probable detriment of the rest of the District's operations. The acquisition of real estate is one of those specialized and technical subjects.

In July 1999, the District hired a prominent California attorney to provide "as needed" legal services "pertaining to the acquisition of school sites." This attorney graduated Phi Beta Kappa from UC Davis and subsequently obtained his law degree from UC Berkeley. This attorney specializes in real estate transactions, was/is licensed by and in good standing with the California State Bar and was/is a member of the Bar's Real Property Law Section. He was/is known as one of the best "dirt lawyers" in Sacramento and was/is peer rated "AV," the highest rating under Martindale-Hubbell's peer rating system. Under his standard engagement letter, this attorney was to "perform those legal services which are requested by [the Superintendent], [the Facilities Director]..., other authorized District staff *and/or* [the District's] broker for those pending transactions." This attorney and his law firm agreed to "exert [their] best efforts to perform the services [the District] require and to be successful on [the District's] behalf." The District had no reason to believe otherwise.

## Sacramento County Grand Jury Report Response (continued)

Shortly before hiring the aforementioned attorney, the District hired a licensed California real estate broker/agent to aid in its acquisition of property for school sites in Natomas. This broker claimed he was “the expert” in commercial real estate in Natomas, that he specialized in the purchase and sale of commercial property within the Natomas Basin and that he could greatly aid the District in its real estate dealings. It was the District’s understanding that the Broker was to be the District’s agent/broker in the acquisition of property unless otherwise disclosed up front. The District rightly believed that as its agent, the Broker had a fiduciary duty to act in the best interests of the District. It had no reason to believe that the Broker would act otherwise. Both these experts remained as a constant throughout the school site acquisition process, even as District Board and staff members came and went. For over seven years prior to the purchase of the West Lakeside parcel, the District relied on both these individuals for their expertise, advice and counsel on the purchase and sale of real estate without a problem. Until the West Lakeside parcel, the District had never purchased property from the Seller of the subject parcel or its managing agent.

Relying on these experts over the years was necessary and appropriate for the District so that the District could quickly and effectively purchase and sell real property during years of huge student population growth within the District. Taking action to add what was then reasonably believed to be competent and specialized expertise and resources demonstrates positive action on the part of the Trustees to fulfill their fiduciary responsibilities to the District – quite the opposite of “abdication of oversight activities.”

The hiring of both the Attorney and the Broker predates the elections of four Natomas Board of Trustee members who were on the Board at the time of the West Lakeside Purchase. Both hirings also predate the hiring of the Assistant Superintendent and the Superintendent who were in place at the time of the West Lakeside Purchase. Said another way, the District was properly relying on the expertise of its Attorney and its Broker years before the West Lakeside transaction was finalized and years before the hiring of its Assistant Superintendent, and later, its Superintendent, with no reason to believe that it would not and was not being well served by these individuals. Indeed, at the time the Assistant Superintendent and later, the Superintendent were hired in 2004, the District, by and through its Broker and Attorney, was already in negotiations with the Seller and its managing agent for the purchase of 10 acres of West Lakeside at a price less than “fair market value,” with the Seller expecting to get a tax deduction for the unpaid remaining value.

There were no “red flags” at the time the District hired the Attorney or the Broker or during the ensuing years up through West Lakeside’s purchase. At the time of the West Lakeside purchase in 2007, on advice of counsel, the District had recently ceased negotiations for school property within the City limits that had been appraised at \$850,000/acre. Because the District’s Attorney, its Broker and its Appraiser all had ethical and professional obligations as well as statutory and fiduciary responsibilities to the District, the District and its Superintendent reasonably relied upon and trusted the following:

1. Its Attorney who hired the Appraiser, oversaw the appraisal, advised the District and the Appraiser that the property should be appraised at its “highest and best use” as single-family housing even when questioned by District staff and failed to disclose anything wrong or even suspicious about the appraisal to the District or its staff;

**Sacramento County Grand Jury Report Response (continued)**

2. The Appraiser, hired by its Attorney, represented that the appraisal was done according to USPAP (the Universal Standards and Procedures for Appraising Property) and could therefore be relied upon; and

3. Its Broker, the self-proclaimed expert on land values in Natomas, who was the primary negotiator on behalf of the District with the Seller as to the purchase price of the West Lakeside property, informed the District of the "great deal" it was getting, that he "felt comfortable" that \$600,000/acre was a "realistic opinion of value" for the West Lakeside property at the time of purchase, that \$325,000/acre for the West Lakeside property was well below "fair market value" for that property and that the Board "ought to be happy" with the appraisal.

Consequently, based on what it was hearing from its advisors (not to mention the Seller), the District Trustees and Superintendent reasonably believed the appraisal presented to them was complete and accurate, and the sale price of the property was well justified.

It is unfortunate and painful to discover after almost eight years and the first time purchasing property from this particular Seller that the District's trusted advisors failed to disclose the connection between themselves and the Seller and failed to secure an appropriate appraisal for the West Lakeside purchase that would have confirmed what was subsequently revealed to be an inflated purchase price. The District was misled if not taken advantage of by those consultants who had fiduciary duties to the District to act in its best interest and place the interest of the District above their own. As noted in the Grand Jury's report, the Trustees had no reason not to rely on the advice of its Attorney until three months after the purchase of the property had been completed.

Similarly, although wholly overlooked by the Grand Jury for unknown reasons, the District had no reason not to rely on the advice of the Broker either until it became known *after the fact* that the Broker had breached his fiduciary duty to the District when it was discovered that he had actively participated in the appraisal process, providing inappropriate "comps" to the Appraiser despite knowing that the transaction was always to be an IRS "Bargain Sale," and deliberately misinformed the District and its Attorney that the inflated appraised value of the property used to set the overall purchase price of the 41 acres was accurate and correct. He knew or should have known that such was not the case.

**Recommendation 1.1:** The California School Boards Association should be invited to conduct training in land acquisition for both the Natomas Unified School District Board and Superintendent.

**Response to Recommendation 1.1:** Do Not Concur in Part, Concur in Principle in Part.

This recommendation as specified will not be implemented as it is not warranted; initial and continuing education for the Trustees and staff has been and will continue to be undertaken.

The Trustees all belong to the California School Boards Association (CSBA) and will continue to attend CSBA initial training, CSBA educational conventions and other educational

**Sacramento County Grand Jury Report Response (continued)**

opportunities offered by the CSBA and other entities. However, as noted above, elected representatives cannot be expected to be experts in all of the matters brought before them for action. Elected officials, especially part-time citizen officials, make policy and must rely on many subject-matter experts, both District staff and hired consultants, for research and recommendations prior to making a decision and for implementation after a decision is made. While it may be a serendipitous bonus when a board member has some subject-matter expertise in a matter brought before the board, it is dangerous and can even be a violation of fiduciary responsibility if a board comes to rely on its own members for technical expertise.

It should be noted that the Superintendent is similar to a County Executive or City Manager - he or she must be a generalist public administrator and not an engineer, attorney, real estate broker or appraiser. However, the Trustees agree that District staff whose responsibilities include real property transactions should be properly trained in this subject matter and will ensure these staff members continue their professional education in this area, whether through the CSBA or other appropriate entities.

**Recommendation 1.2:** The Natomas Unified School District Board should demand more direct involvement of the Superintendent in major financial transactions and he should be held personally accountable for the outcome of those transactions.

**Response to Recommendation 1.2:** Concur in Principle in Part, Do Not Concur in Part.

The Trustees concur that, as the principal executive of the District, the Superintendent is responsible for the implementation of the Trustees' decisions and for the overall general operation of the District, including financial transactions. He is held personally accountable by the Trustees for his performance as Superintendent in the overall operation of the District under the policy set by the Trustees.

However, the Trustees do not concur with the Grand Jury's implication that the Superintendent did not fulfill his responsibilities in this matter. The Superintendent, as a generalist public administrator, reasonably relied in good faith on the advice and counsel of staff and trusted hired expert consultants, who were hired by the Trustees prior to the Superintendent's employment, to represent the interests of the District in real estate dealings and act on the District's behalf and in its best interests. Furthermore, he does not have the specific expertise in real estate matters that either the Attorney or Broker have and was not in a position to challenge their information or advice unless he was on notice that either the Attorney or the Broker was engaged in wrongful conduct, which he was not. This did not occur until after the purchase of the property.

**Finding # 2:** Obtaining a single appraisal under the protection of attorney/client privilege does not allow for full disclosure and transparency of the purchasing process. The appraiser hired and directed by the attorney was provided information based on erroneous facts which were incorporated into the appraisal that was submitted to the Natomas Unified School District Board.

**Sacramento County Grand Jury Report Response (continued)**

**Response to Finding # 2:** Concur.

It was never the intention of the Trustees that the Appraiser would produce anything other than a valid independent appraisal. Based on his own representations, the Trustees reasonably assumed that the licensed professional Appraiser would follow industry standards and professional ethics in creating his independent appraisal. Moreover, the Trustees reasonably believed that since the Attorney who hired the Appraiser was fully aware that the sale of the property was to be an "IRS Bargain Sale," he would inform the Appraiser and know the appropriate parameters for an appraisal in such a situation, as would the Broker who negotiated the deal in the first instance.

**Recommendation 2.1:** The School District and Superintendent should always have direct control over the hiring of any appraiser.

**Recommendation 2.1 [sic]:** In addition, a minimum of three independent appraisals should be required for any subsequent land purchase.

**Response to Recommendation(s) 2.1:** Concur in Part, Do Not Concur in Part.

The Trustees agree with the first Recommendation 2.1, but in regard to the second Recommendation 2.1, the Trustees do not concur.

Recently, contact was made with Dr. June Francis Rono, Director of Facilities for the Eastside Union High School District and Chair of the Facilities Committee of the CASBO Northern California Chapter (covering the Bay Area counties). He indicated that in his experience, the standard practice, both in the past and currently, is to use a single appraisal prepared by an appraiser utilizing Appraisal Institute (MAI) standards. He indicated that the only time there would be three appraisals used in a school district land transaction would be when the district (buyer) and the seller each have a MAI appraisal which cannot be reconciled as to assumptions and comparative values. In that instance, the two parties may (but are not required to) agree on the selection of a third appraiser and, using MAI appraisal assumptions, agree to be bound by the results of that third appraisal.

Contact was also recently made with Jim Bush, the President of School Site Solutions, Inc. and former Deputy Director of the School Facilities Planning Division, California Department of Education. He also indicated that he had not heard of a school district using three appraisals in a site purchase, **except** for the scenario set forth above by Dr. Rono. He also stated that using three appraisals would unnecessarily complicate transactions, causing confusion in negotiations (which appraisal are you using?) and complicate the OPSC/SAB application and funding process. He suggested that the Grand Jury may have been confusing the concept of getting three proposals for appraisal service (the bid process) with three appraisals (the actual work product).

**Finding # 3:** The Superintendent's solicitation of a contribution from a related party to West Lakeside LLC, for a foundation on whose board the Superintendent sat, during the course of purchasing negotiations, reflects poor judgment. The solicitation lays open the appearance of a "quid pro quo" agreement for purchase of the Natomas land site at an inflated price.

**Sacramento County Grand Jury Report Response (continued)**

**Response to Finding # 3:** Concur in Principle.

The Trustees agree that with the benefit of hindsight (disclosures made after the transaction was complete), despite the fact that there was no impropriety, this solicitation may now appear questionable to many.

**Recommendation 3:** The Superintendent should be sanctioned by the Natomas Unified School District Board for carrying out such an ill timed solicitation.

**Response to Recommendation 3:** Do Not Concur.

This recommendation will not be implemented as it is not warranted. The Superintendent did not act inappropriately. To support special school functions the Foundation must solicit aid from the community ranging from the purchase of a raffle ticket at a fund-raising event to a major donation for large capital projects. There are few donors of substance in the Sacramento community and even fewer with connections to the Natomas area. As an ex-officio member of the Foundation, it is part of the Superintendent's job to make these solicitations for major donations to the Foundation. At the time of the instant solicitation, the Superintendent and the Trustees had no reason to believe there were issues with the underlying real property transaction and could not have reasonably known that the solicitation could later educe an appearance of impropriety.

The Superintendent and administrative staff have been directed by the School Board to avoid the appearance of conflict by refraining from soliciting for donations before or during any contract negotiations. The School Board will adopt policies regarding the solicitation of denations by district officials.

**Finding # 4:** The attorney retained by the School Board failed in his fiduciary responsibility to make the Natomas School District and Superintendent aware of his past dealings with West Lakeside LLC and AKT Development and the conflict of interest.

**Response to Finding # 4:** Concur, With Additional Remarks.

The District's Broker also failed in his fiduciary responsibilities to the District, knowing he too had a conflict with West Lakeside LLC and AKT Development that was never disclosed. He failed to disclose up front that he was the Seller's sole agent in the transaction even when he was acting as the District's "real estate representative." He actively participated as the District's broker in the appraisal process without informing the Appraiser that the transaction was to be an IRS "Bargain Sale." He failed to inform the District of the probable "as is" value of the property based on appropriate "comps." Furthermore, he actively informed the District what a "great deal" the District was getting at \$325,000/acre and how the "Board should be happy" with the appraised value at \$600,000 an acre, when he knew or should have known this not to be true.

**Recommendation 4:** A complaint should be filed with the California State Bar by the Natomas Unified School District Board against the attorney and his law firm.

**Sacramento County Grand Jury Report Response (continued)**

**Response to Recommendation 4:** This recommendation was implemented prior to the Grand Jury's investigation. The Trustees made a complaint to the State Bar soon after they became aware of the Attorney's actions in this matter. Unfortunately, the Bar chose not to pursue the complaint. We encourage the Grand Jury to likewise file a complaint with the State Bar and include their report on this matter. Hopefully, a second complaint will reinforce the Trustee's earlier complaint and encourage the Bar to follow through with disciplinary action.

The District also believes that a complaint should be filed with the California Department of Real Estate concerning the Broker's actions in this matter. Contrary to the facts stated in the Grand Jury report, it was the Broker (who is not an attorney) who negotiated and interfaced with the Seller regarding the pricing and initial terms of the West Lakeside purchase. The District has learned after the fact that the Broker actively participated in providing improper "comps" for the appraisal, working directly with the Appraiser to arrive at the appraised price, all the while knowing this was to be an "IRS Bargain Sale" for County agricultural land that should have been appraised in conformance with the IRS rules, failing to tell the Appraiser of the "IRS Bargain Sale" aspect of the sale, then consistently informing the District and the Attorney what a great deal the District was getting at \$325,000/acre, when he knew or should have known otherwise.

The Broker, who was also a Broker for the Seller, personally gained because his commission was based on the sales price of the property. Obviously, the higher the sales price, the higher the Broker's commission. Moreover, the Seller, the Broker and/or the Attorney caused to have buried within 27 pages of the executed sales contract, a paragraph that the Broker was the Seller's sole agent, even though in every other iteration of the contract, the Broker was a dual agent for both the Seller and the District and the Broker had been either the sole or dual agent for the District throughout the negotiations. The Broker never informed the District of this switch. The Broker's actions, combined with the actions of the Attorney, are in large part to blame for the erroneous price of the West Lakeside property.

**Finding # 5:** The Assistant Superintendent and the School District's attorney were involved in instructing the appraiser as to the assumptions that he should use. The appraisal contained false and misleading assumptions which greatly inflated the sales price paid by the Natomas Unified School District. Standard appraisal practices were not followed. The appraiser failed to recognize his obligations to maintain his objectivity and independence.

**Response to Finding # 5:** Concur.

The District also adds that it has learned that the Broker was actively involved in the preparation of the appraisal, actively providing invalid "comps" for the Appraiser which were consistent with the erroneous assumptions when he knew or should have known that the sale of the West Lakeside property was to be an IRS "Bargain Sale" and he should have known that in light of IRS rules pertaining to "fair market" evaluations of such property, such assumptions and "comps" supporting the assumptions were wholly inappropriate.

**Recommendation 5:** This matter should be referred to the Sacramento District Attorney's Office and the State Attorney General as well as any other governmental agency for any further investigation they deem appropriate.

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Sacramento County Grand Jury Report Response (continued)

Response to Recommendation 5:

This recommendation was implemented prior to the Grand Jury's investigation. The Trustees initiated an investigation of this transaction when facts indicating impropriety were revealed. The Trustees have made complaints to agencies when appropriate and will continue to share their findings with and assist the District Attorney, Attorney General and other appropriate agencies in their investigations and subsequent actions. Additionally, this matter should be referred to the California Real Estate Licensing Board for further action.

Thank you for this opportunity to respond to the Grand Jury Report. If you have any further questions please contact me at the District office at (916) 567-5401.

Respectfully submitted,

By:   
B. Teri Burns, President  
Natomas Unified School District of Board of Trustees



**APPENDIX F**

**GLOSSARY OF TERMS AND ACRONYMS**

## GLOSSARY OF TERMS AND ACRONYMS

<b>ACSA</b>	<b>Association of California School Administrators</b>
<b>AOR</b>	<b>Architect of Record</b>
<b>CASBO</b>	<b>California Association of School Business Officials</b>
<b>CBOC</b>	<b>Citizens' Bond Oversight Committee</b>
<b>CDE</b>	<b>California Department of Education</b>
<b>CEQA</b>	<b>California Environmental Quality Act</b>
<b>CM</b>	<b>Construction Manager</b>
<b>CO</b>	<b>Change Order</b>
<b>COR</b>	<b>Change Order Request</b>
<b>CSBA</b>	<b>California School Boards Association</b>
<b>CUPCCAA</b>	<b>California Uniform Public Construction Cost Accounting Act</b>
<b>DSA</b>	<b>Division of State Architect</b>
<b>DTSC</b>	<b>Department of Toxic Substances Control</b>
<b>DVBE</b>	<b>Disabled Veteran Business Enterprise</b>
<b>EIR</b>	<b>Environmental Impact Report</b>
<b>GO Bond</b>	<b>General Obligation Bond</b>
<b>HVAC</b>	<b>Heating, Ventilation, AirConditioning</b>
<b>IOR</b>	<b>Inspector of Record</b>
<b>LCP</b>	<b>Labor Compliance Program</b>
<b>OPSC</b>	<b>Office of Public School Construction</b>
<b>PCO</b>	<b>Proposed Change Order</b>
<b>PEA</b>	<b>Preliminary Environmental Assessment</b>
<b>PM</b>	<b>Project Manager</b>

<b>RFI</b>	<b>Request for Information</b>
<b>RFP</b>	<b>Request for Proposal</b>
<b>RFQ</b>	<b>Request for Qualifications</b>
<b>SAB</b>	<b>State Allocation Board</b>
<b>SFP</b>	<b>School Facility Program</b>
<b>TBD</b>	<b>To Be Determined</b>