

NATOMAS UNIFIED SCHOOL DISTRICT

**MEASURES M & D
PERFORMANCE AUDIT
PERIOD ENDED JUNE 30, 2010**



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

Natomas Unified School District

BOARD OF EDUCATION

June 30, 2010

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TABLE OF CONTENTS

INTRODUCTION.....	1
EXECUTIVE SUMMARY	2
INDEPENDENT PERFORMANCE AUDITOR’S REPORT	4
COMPLIANCE WITH BALLOT LANGUAGE.....	5
DISTRICT FACILITIES PROGRAM.....	7
FACILITIES PROGRAM HISTORY/STATUS	13
COMPLIANCE WITH STATE LAW, GUIDELINES, DISTRICT POLICY AND FUNDING FORMULAS.....	19
CITIZENS’ BOND OVERSIGHT COMMITTEE (CBOC)	26
STATE SCHOOL FACILITY PROGRAM.....	28
DESIGN AND CONSTRUCTION SCHEDULES AND BUDGETS.....	31
CHANGE ORDERS, CLAIM PROCEDURES, AND RESULTS	38
PAYMENT PROCEDURES.....	45
BEST PRACTICES IN BIDDING AND PROCUREMENT	47
EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM	53
EFFECTIVENESS OF COMMUNICATION CHANNELS AMONG STAKEHOLDERS WITHIN THE BOND PROGRAM.....	55
APPENDIX A	56
BOND MEASURE M RESOLUTION AND TEXT	56
APPENDIX B	65
BOND MEASURE D RESOLUTION AND TEXT	65
APPENDIX C	74
CITIZENS’ OVERSIGHT COMMITTEE	74
APPENDIX D.....	80
GLOSSARY OF TERMS AND ACRONYMS	80

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, 2009, through June 30, 2010.

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, 2009 through June 30, 2010.

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, 2010, 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. Because all Measure M funds have been expended, this will be the final performance audit report for that bond.

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 2009-10 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. The Committee issued an annual report at the May 12, 2010 Board meeting. At that same Board meeting, all sitting committee members were termed out and six new members were appointed.

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

The Sacramento County Grand Jury published a report on May 26, 2009, alleging 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. As of June 30, 2010, the District was involved in litigation regarding the site purchase, and negotiations with the various participants were ongoing.

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, 2010. 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, 2010, 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 were expended in accordance with Resolution No. 06-10 passed by the Board of Education on February 8, 2006. 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

A handwritten signature in blue ink that reads "Total School Solutions". The signature is written in a cursive, flowing style.

December 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.

As of June 30, 2010, the District issued all of its Measure M bond authorization. The only remaining Measure M project to be funded is the purchase of buses. After that purchase, any residual funds will be transferred to Measure D and the Measure M bond program will be deemed completed.

As of June 30, 2010, the District had issued \$115 million of the \$145.5 million Measure D bond authorization, leaving an available authorization for the future sale of \$30.5 million bonds. Measure D expenditures as of June 30, 2010, were for projects within 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 ¹
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

¹Refer 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 2009-10. As of June 30, 2010, the District's combined facilities funds had an ending balance of \$41.0 million. For more detailed data by fund, refer to the Capital Outlay Funds tables.

Facilities Program (Consolidation of Funds)				
	Fiscal Year Ending June 30, 2007	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2010
Beginning Balance	\$75,626,026	\$93,174,037	\$121,559,367	\$112,670,348
Revenues	13,450,920	41,431,749	5,128,855	1,099,518
Expenditures	56,995,029	68,607,761	13,680,780	72,850,019
Transfers – Net	1,092,120	561,342	(337,094)	75,588
Sources	60,000,000	54,999,999	0	0
Net Change	17,548,011	28,385,330	(8,889,019)	(71,674,913)
Ending Balance	\$93,174,037	\$121,559,367	\$112,670,348	\$40,995,435

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.

Building Fund				
Building Fund	Fiscal Year Ending June 30, 2007	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2010
Beginning Balance	\$52,471,097	\$83,748,575	\$98,240,510	\$93,365,552
Revenues	4,125,868	5,198,032	1,320,463	319,119
Expenditures	2,702,663	13,812,594	6,274,642	70,780,149
Transfers – Net	(30,145,727)	(31,893,502)	79,221	(572,474)
Sources	60,000,000	54,999,999	0	0
Net Change	\$31,277,478	14,491,935	(4,874,958)	(71,033,504)
Ending Balance	\$83,748,575	\$98,240,510	\$93,365,552	\$22,332,048

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

Fiscal Year Ending June 30, 2007	Deferred Maintenance Fund¹	Building Fund²	Capital Facilities Fund³	School Facilities Fund⁴	Special Reserve Fund Capital Outlay⁵	Total
Beginning Balance	\$2,193,464	\$52,471,097	\$11,392,133	\$9,403,186	\$166,146	\$75,626,026
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
Net Change	515,830	31,277,478	(5,206,355)	(9,010,026)	(28,916)	17,548,011
Ending Balance	\$2,709,294	\$83,748,575	\$6,185,778	\$393,160	\$137,230	\$93,174,037

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

Fiscal Year Ending June 30, 2008	Deferred Maintenance Fund¹	Building Fund²	Capital Facilities Fund³	School Facilities Fund⁴	Special Reserve Fund Capital Outlay⁵	Total
Beginning Balance	\$2,709,294	\$83,748,575	\$6,185,778	\$393,160	\$137,230	\$93,174,037
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
Net Change	502,353	14,491,935	4,243,479	9,155,933	(8,370)	28,385,330
Ending Balance	\$3,211,647	\$98,240,512^{2A}	\$10,429,257	\$9,549,093	\$128,860	\$121,559,367

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

Fiscal Year Ending June 30, 2009	Deferred Maintenance Fund¹	Building Fund²	Capital Facilities Fund³	School Facilities Fund⁴	Special Reserve Fund Capital Outlay⁵	Total
Beginning Balance	\$3,211,647	\$98,240,510	\$10,429,257	\$9,549,093	\$128,860	\$121,559,367
Revenues	(298,883)	1,320,463	1,645,993	2,458,268	3,014	5,128,855
Expenditures	268,576	6,274,642	808,756	6,314,468	14,338	13,680,780
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
Net Change	(947,899)	(4,874,958)	1,435,412	(4,490,250)	(11,324)	(8,889,019)
Ending Balance	\$2,263,748	\$93,365,552	\$11,864,669	\$5,058,843	\$117,536	\$112,670,348

**CAPITAL OUTLAY FUNDS
FISCAL YEAR 2009-10 (UNAUDITED)**

Fiscal Year Ending June 30, 2010	Deferred Maintenance Fund¹	Building Fund²	Capital Facilities Fund³	School Facilities Fund⁴	Special Reserve Fund Capital Outlay⁵	Total
Beginning Balance	\$2,263,748	\$93,365,552	\$11,864,669	\$5,058,843	\$117,536	\$112,670,348
Revenues	36,715	319,119	125,831	616,719	1,134	1,099,518
Expenditures	858,309	70,780,149	658,156	545,553	7,852	72,850,019
Transfers – In	229,124	56,896,016	856,566	1,002,403	0	58,984,109
Transfers - Out	0	57,468,490	21,668	1,417,819	544	58,908,521
Sources	0	0	0	0	0	0
Net Change	(592,470)	(71,033,504)	302,573	(344,250)	(7,262)	(71,674,913)
Ending Balance	1,671,278	22,332,048	12,167,242	4,714,593	110,274	40,995,435

¹The 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.”

²The 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.

^{2a} 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

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

⁴The 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.

⁵The 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.

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.

Outstanding Debt				
Capital Debt	Fiscal Year Ending June 30, 2007	Fiscal Year Ending June 30, 2008	Fiscal Year Ending June 30, 2009	Fiscal Year Ending June 30, 2010
GO Bonds ¹	\$151,768,898	\$203,286,451	\$198,825,695	\$193,884,417
COPs ²	72,528,983	71,221,415	69,851,732	0
Capital Leases ³	1,383,937	1,210,646	970,467	738,986
Total	\$225,681,818	\$275,718,512	\$269,647,894	\$194,623,403

¹General 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. Debt includes General Obligation Bonds and Certificates of Participation deferred premiums.

²Certificates of Participation (COPs) are loans, not a source of revenue. Total outstanding amount included Deferred Premiums of: 2008, \$4,926,415; 2009, \$4,821,732; 2010, \$4,636,281.

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

General Obligation Bonds Prior to M and D	Outstanding June 30, 2007	Outstanding June 30, 2008	Outstanding June 30, 2009	Outstanding June 30, 2010
1997 Refunding/2008 Refunding	\$23,575,000	\$22,200,000	\$21,170,000	\$19,645,000
1999 Refunding	16,065,000	15,105,000	14,090,000	13,010,000
2001 General Obligation Bonds	6,315,000	6,115,000	5,905,000	5,685,000
Total Prior General Obligation Bonds	\$45,955,000	\$43,420,000	\$41,165,000	\$38,340,000
General Obligation Bonds – Measure M	Outstanding	Outstanding	Outstanding	Outstanding
2003 Series A	\$13,839,297	\$13,420,000	\$13,290,000	\$13,125,000
2004 Series B	30,946,274	29,968,889	29,466,920	28,841,920
Total General Obligation Bonds – Measure M	\$44,785,571	\$43,388,889	\$42,756,920	\$41,966,920
General Obligation Bonds – Measure D	Outstanding	Outstanding	Outstanding	Outstanding
2006 Series A	\$61,028,327	\$59,155,000	\$57,560,000	\$57,560,000
2007 Series B – Capital Appreciation		25,879,999	25,880,000	24,682,181
2007 Series B – Current Interest		29,120,000	29,120,000	29,120,000
Total General Obligation Bonds – Measure D	\$61,028,327	\$114,154,999	\$112,560,000	\$111,362,181
Total General Obligation Bonds	\$151,768,898	\$200,963,888	\$196,481,920	\$191,669,101
Deferred Premium		2,322,563	2,343,775	2,215,316
Total Bonds and Premiums		\$203,286,451	\$198,825,695	\$193,884,417

The General Obligation bond status as of June 30, 2010, was the following:

General Obligation Bond Status	Measure M (November 11, 2002)	Measure D (June 6, 2006)
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)
Total Sales	\$45,879,687	\$114,999,999
Remaining Authorization	-0-	\$30,500,001

Proposition 39 Bond Sale Limitations

Proposition 39, passed by California voters on November 7, 2000, Assembly Bill 1908, which became law on June 27, 2000 and Assembly Bill 2659, which became law on September 22, 2000, established limitations on bonds that may be issued.

1. Education Code Section 15106

“Any unified school district or community college district may issue bonds that, in aggregation with bonds issued pursuant to Section 15270, may not exceed 2.5 percent of the taxable property of the district as shown by the last equalized assessment of the county or counties in which the district is located. However, the 2.5 percent limitation may be waived by the California Board of Education if a school district demonstrates sufficient justification for a waiver.”

2. Education Code Section 15270

“The tax rate levied to meet the requirements of Section 18 of Article XVI of the California Constitution in the case of indebtedness incurred pursuant to this chapter at a single election, by a unified school district, shall not exceed sixty dollars (\$60) per one hundred thousand dollars (\$100,000) of taxable property.”

The District’s assessed valuation and bonding capacity over the past three fiscal years was the following:

<u>Fiscal Year</u>	<u>Assessed Valuation</u>	<u>Bonding Capacity</u>
2008-09	\$9,483,113,904	\$237.1 million
2009-10	\$8,768,819,185	\$219.2 million
2010-11	\$8,091,437,320	\$202.3 million

As of June 30, 2010, the District had outstanding bonds of \$193.9 million, leaving an available unused bonding capacity of \$8.4 million, below the remaining authorization of \$30.5 million. The sale of all of the \$30.5 million authorization must therefore await an increase in A/V and/or payment of some bonds. (Note: \$4.8 million of bond principal is scheduled for payment during the 2010-11 fiscal year.)

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, 2009, through June 30, 2010.

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, 2009 – June 30, 2010

DATE	ACTION	AMOUNT
July 15, 2009	Approve Professional Services Supplemental Authorization No. 2 with Williams + Paddon Architects + Planners, Inc. for Bannon Creek K-8 Conversion Project. (Measure D Bond Funds)	\$34,498
July 15, 2009	Approve contract with Gary Doupnik Manufacturing, Inc. for the site work for two portable classrooms at Westlake Charter School. (Measure D Bond Funds)	\$17,100
July 15, 2009	Approve payment for inspection services by Michael J. Baughman, Inc. for a 108ft x 40ft portable at Natomas Charter School. (Natomas Charter School Funds)	\$3,600
July 15, 2009	Approve contract with Wallace Kuhl & Associates, Inc. for testing and inspection services for the Natomas High School Central Plant mechanical equipment replacement. (Deferred Maintenance Funds)	\$7,000
July 15, 2009	Update on the Natomas Middle School and Natomas Pacific Pathways Prep (NP3) relocation plans.	
July 15, 2009	Measure D Project Update.	
July 15, 2009	Measure M Project Update	
July 15, 2009	Facilities and Planning Update	
July 28, 2009	Approve contract with JJG Consulting, Inc. for inspection services related to the American Lakes Elementary School Autism and Preschool Portables Project. (Developer Fees)	\$18,000
July 28, 2009	Approve contract with Trane U.S.A., Inc. for the repair and replacement of the Central Heating and Cooling Plant at Natomas High School. (Deferred Maintenance Funds)	\$365,635

DATE	ACTION	AMOUNT
July 28, 2009	Approve Resolution No. 09-44, authorizing the filing of an application with the State of California Department of Education for funds from the Qualified School Construction Bonds. (Measure Bond Funds)	
August 12, 2009	Approve contract with Kirk S. Brainerd, Architect for architectural and engineering design services for 4 th R Portables at Allen Hight Learning Center. (City of Sacramento Funds)	\$21,000
August 12, 2009	Update on the Natomas Middle School and Natomas Pacific Pathways Prep (NP3) Relocation plans.	
August 12, 2009	Facilities & Planning Update.	
August 12, 2009	Measure D Update	
August 12, 2009	Measure M Update	
September 9, 2009	Approve Change Order No. 1 for Gary Doupnik Manufacturing, Inc. for repairs to irrigation mains for the Westlake Charter School portables.	\$1,595
September 9, 2009	Approve Supplemental Authorization No. 4 for Williams + Paddon Architects for the design and documentation of a new entry drive to the parking lot at Westlake Charter School. (Measure D Bond Funds).	\$2,500
September 9, 2009	Approve the Notice of Completion for Doupnik Manufacturing, Inc. for the site work for two portables at Westlake Charter School.	
September 9, 2009	Approve Change Order No. 1 for Abide Builders, Inc. for site work at American Lakes Elementary School for Autism and preschool program portables.	\$16,888
September 9, 2009	Approve the Notice of Completion for the 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 Green Middle School, Natomas High School, Natomas Park Elementary School, Two Rivers Elementary School and Witter Ranch Elementary School. (Measure D Bond Funds)	
September 9, 2009	Update on the Natomas Middle School and Natomas Pacific Pathways Prep (NP3) relocation plans.	
September 9, 2009	Measure D and Measure M Update.	
September 9, 2009	Facilities and Planning Update.	

DATE	ACTION	AMOUNT
September 23, 2009	Approve "Natomas West Charter Center" as the new name for the old Natomas Middle School site located on Del Paso Road.	
September 23, 2009	Approve the proposal from the City of Sacramento for the construction of the Westlake Charter School driveway Improvements. (Measure D and Westlake Charter School Funds)	\$13,591
September 23, 2009	Proposed changes to the language of the pre-qualifications for General Contractors.	
October 14, 2009	Update on Bannon Creek K-8 conversion process. (Measure D Bond Funds).	
October 14, 2009	School closure process update.	
October 14, 2009	Approve an agreement with U.S. Communities; a Government Purchasing Alliance for various commodities.	
October 14, 2009	Approve Change Order No. 1 for All About Play, Inc. for installation of playground equipment at Heron School. (Measure D Bond funds)	\$1,185
October 14, 2009	Approve the Notice of Completion for Abide Builders, Inc. for the site work at American Lakes Elementary School for the autism and preschool program portables. (Measure D + Autism and First Five Preschool Programs)	
October 14, 2009	Approve Change Order No. 2 for Abide Builders, Inc. for the site work at American Lakes Elementary School for the autism and preschool program portables. (Measure D + Autism and First Five Preschool Programs)	\$8,820
October 14, 2009	Approve the Notice of Completion for All About Play, Inc. for installation of playground equipment at Heron School. (Measure D Funds)	
October 14, 2008	Approve the proposal for Geotechnical Engineering and Engineering Geologic Consulting Services from Wallace-Kuhl & Associates Inc. for the Bannon Creek K-8 conversion. (Measure D and State Facilities Funds)	\$13,500
October 14, 2008	Approve Supplemental Authorization No. 3 for Williams + Paddon Architects for the Bannon Creek K-8 conversion. (Measure D Funds)	\$0
October 14, 2008	Approve reallocation of Measure D funds.	(\$3,467,417)
October 14, 2008	Measure D and Measure M Update.	
October 14, 2008	Facilities and Planning Update.	

DATE	ACTION	AMOUNT
November 10, 2009	Approve Amendment No. 4 for Williams + Paddon Architects for the adoption of LEED Design Standards for the Bannon Creek K-8 Conversion. (Measure D Funds)	\$60,372
November 10, 2009	Approve Change Order No. 1 for Trane U.S.A., Inc. for additional parts for the Natomas High School Central Heating and Cooling Plant. (Deferred Maintenance Funds)	\$4,193
November 10, 2009	Approve the final draft for the Safe Routes to School Infrastructure Contract.	
November 10, 2009	Approve of Resolution No. 09-52 for the adoption of a categorical exemption from CEQA for the Bannon Creek K-8 Conversion project.	
November 10, 2009	Approved Resolution No. 09-53 Exempting Bannon Creek K-8 Conversion project from City Zoning and Use Ordinances.	
November 10, 2009	Approve Change Order No. 1 for National Carport Industries, Inc. to comply with new DSA requirements for the shade structure at American Lakes Elementary School. (Measure D Funds)	\$13,340
November 10, 2009	Approve Change Order No. 1 for the City of Sacramento for fencing, a vehicle gate and parking lot striping as part of the Westlake Charter School Driveway Project. (Measure D and Westlake Charter Funds)	\$2,250
November 10, 2009	Measure D and Measure M Update.	
November 10, 2009	Facilities and Planning Update.	
December 9, 2009	Approve the Notice of Completion for All About Play for the purchase and installation of playground equipment for the autism program at American Lakes Elementary School. (Measure D Funds)	
December 9, 2009	Approve the contract with JYG Consulting, Inc. for inspection services for the American Lakes Elementary School autism program shade structure. (Measure D Funds)	\$5,000
December 9, 2009	Proposed Changes to Pre-qualification Requirements for Contractors.	
December 9, 2009	Measure D and Measure M Update.	
December 9, 2009	Facilities and Planning Update.	

DATE	ACTION	AMOUNT
January 13, 2010	Approve the contract with River City Communication Corporation for the installation of security cameras at Westlake Charter School. Approve the purchase of a dedicated server for the security system from HP Computers. (Measure D Security System Funds)	\$15,270
January 13, 2010	Approve the Notice of Completion for National Carport, Inc. for the installation of a shade structure for the autism and preschool programs at American Lakes Elementary School. (Measure D)	
January 13, 2010	Approve the Notice of Completion for Trane U.S.A., Inc. for the Natomas High School Central Heating and Cooling Plant. (Deferred Maintenance)	
January 13, 2010	Measure D and Measure M Update.	
January 13, 2010	Facilities and Planning Update.	
February 10, 2010	Approve the Notice of Completion for the City of Sacramento for the driveway improvements, parking lot restriping and fencing at Westlake Charter School. (Measure D and WCS Funds)	
February 10, 2010	Measure D and Measure M Update.	
February 10, 2010	Facilities and Planning Update.	
March 10, 2010	Measure D and Measure M Update.	
March 10, 2010	Facilities and Planning Update.	
March 23, 2010	Approve going to bid for Phase 1A of the Bannon Creek K-8 Conversion Project. (Measure D, SETA/Headstart and CDC Funds)	
April 14, 2010	Approve issuance of Request for Qualifications (RFQ) for Design Services for portable placement at NP3 Middle School. (NP3 Funds & Developer Fees)	\$11,000
April 14, 2010	Measure D and Measure M Update.	
April 14, 2010	Facilities and Planning Update.	
May 12, 2010	Approve Appointments to the Citizens Bond Oversight Committee: Michal Bratman, Ron Brown, Scott Dosick, Brett Hopkins and William Stanglin.	
May 12, 2010	Approve June 30, 2009 Performance Audit for Measures M and D.	

DATE	ACTION	AMOUNT
May 12, 2010	Approve awarding the design contract for Natomas Pacific Pathways Prep (NP3) portable project (Developer Fees)	
May 12, 2010	Approve the 2008-09 Citizen's Bond Oversight Committee's Annual report.	
May 12, 2010	Measure D and Measure M Update.	
May 12, 2010	Facilities and Planning Update.	
May 19, 2010	Approve awarding the construction services contract for Phase 1A of the Bannon Creek K-8 Conversion project to Mascon. (Measure D Funds)	\$608,000
May 19, 2010	Approve going to bid for Construction Services for the Portable Relocation Project at Natomas Pacific Pathways Prep (NP3). (Developer Fees + NP3 Funds)	
June 9, 2010	Approve June 30, 2009 Performance Audit for Measures M and D.	
June 9, 2010	Approve awarding the construction services contract for the Portable Relocation Project at Natomas Pacific Pathways Prep (NP3). (Developer Fees + NP3 Funds)	
June 9, 2010	Approved transfer of fund categories for Measure M and D Bond funds.	
June 9, 2010	Measure D and Measure M Update.	
June 9, 2010	Facilities and Planning Update.	
June 22, 2010	Approve the contract with JGG Consulting, Inc. for Inspection Services for Phase IA of the Bannon Creek K-8 Conversion. (Measure D Funds)	\$21,600
June 22, 2010	Approve the contract N.D. Montgomery Contractors Inc. for the relocation of two portables as part of the Natomas Pacific Pathways Prep (NP3) Middle School portable project. (Developer Fees)	\$38,000
June 22, 2010	Approve the contract with General Modular Construction for the relocation of two portables and removal of one as part of Phase 1A of the Bannon Creek K-8 Conversion. (Measure D Funds).	\$39,728

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. Verification of the items appearing in the bid documents was made by review of the bid for "Bannon Creek K-8 Conversion Phase 1A-Portables Relocation and Site Improvements Project" with the bid opening occurring on May 18, 2010. Page numbers in the bid documents related to items are cited. In addition to the pages cited, many of the mandatory and recommended items are included in the General Conditions (GC) – Pages 52-145.

- *Document 00700, Article 45 (GC) (page 26 of 50): Division of the State Architect (DSA) approval for individual project/plans and specifications.*

- *Notice to Bidders (pages 1-5)*. 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.
- *Bid Bond (pages 18-20)*. A bid bond is present in the package and demanded of the contractor on a form prepared by the District, as required.
- *Non-collusion Affidavit (page 16)*. A non-collusion affidavit form is provided and demanded of the contractor.
- *Escrow Agreement for Security Deposits in Lieu of Retention (pages 42-44)*. This item is included as an option, as required.
- *Performance Bond (pages 38-41)*. 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.
- *Payment Bond (pages 35-37)*. 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.
- *Workers' Compensation Certification (page 27)*. The contractor is required to certify compliance with the state workers' compensation regulations.
- *Prevailing Wage and Related Labor Requirements Certification (pages 2-4, 33)*. The contractor is required to certify compliance.
- *Drug-Free Workplace Certification (pages 47-48)*. The contractor is required to provide drug-free workplace certification.
- *Hazardous Materials Certification (GC, Article 10, pages 122-128)*. 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 (GC, Article 10, pages 122-128)*. The contractor is required to certify compliance with lead-based materials regulations.
- *Criminal Background Investigation/Fingerprinting Certification (pages 50-51)*. 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.

- *Prevailing Wage and Related Labor Requirements Certification (pages 24, 33)*. The contractors are required to certify compliance with the State Public Works Contract requirements.

- *Disabled Veteran Business Enterprise (DVBE) Participation Certification (page 29).* 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.

- *Instruction to Bidders (pages 6-13)*
- *Notice of Award*
- *Notice to Proceed*
- *Agreement (pages 30-34)*
- *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 provide assurances in writing, that it, or a third-party contractor, will enforce the required LCP, transmit that information 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 requirement of a LCP. Subsequent legislation that would have reinstated LCP (SB 18, 2007) for Proposition 1D funding was vetoed by the Governor.

On February 20, 2009, SBX2 9 was signed into law which re-established the LCP for school district facility construction projects that receive State bond funds. Previous LCP required school districts to provide LCP services directly, or through third-party providers. SBX2 9 requires the Department of Industrial Relations (DIR) to directly enforce prevailing wage requirements. Funding for this process would be provided by a fee from the School Facilities Program equal to 0.25 percent of the State funding. This

fee would be provided directly to the DIR for enforcement of labor compliance. School districts that have an approved in-house LCP at the time the new regulations are established may apply for an exemption from the new fee. If a school district contracts with a third-party LCP provider, such services may not be eligible for this exemption.

Regardless of whether a school district is required to have a LCP for state-funded projects, 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 currently contracts with a third party provider for labor compliance services to review contractor certified payrolls and ensure that construction projects comply with the District's Labor Compliance Program, the prevailing wage law and, if required, the SAB Labor Compliance Program. In light of the enactment of SBX 2-9, the District should review its options for meeting the legal requirements on new projects.

Contractor Prequalification Requirements

On December 9, 2009, the Board approved changes to the District's prequalification requirements for contractors. This action was taken against the recommendations of the District's legal counsel and superintendent, as language in the revised requirements were deemed to expose the District to potential legal challenge.

The Board item for December 9, 2009, included the following statement summarizing the past and proposed prequalification process:

“In 2004 the Board adopted prequalification criteria for general contractors wishing to bid on the District's major capital facilities projects. Those original criteria dealt with prior experience, financial viability, bonding and legal history of the General Contractor. These criteria were amended in 2005 to add additional evaluation points for the General Contractor based upon provision of specified medical and dental benefits to employees, and disqualification for specified violations of statutory apprenticeship requirements.

A coalition of regional labor organizations has proposed a review and amendment of the current criteria, to make changes regarding the evaluation criteria and standards of review, including mandatory inclusion of subcontractors as well as general contractors in the prequalification review; inclusion of a requirement for general and subcontractors to have both an immediate prior 180-day history and current project commitment to carry medical insurance for their employees; requiring apprentices used on District projects to come from Department of Industrial Relations/Division of Apprenticeship Standards-approved programs with specified graduation requirements; inclusion of a local hire requirement; and inclusion of an appeal process for disqualified general contractors. District staff and legal counsel have reviewed the proposals, had a series of meeting with the

sponsors, and have raised questions and concerns regarding those proposals to the sponsors.”

The new prequalification requirements will be imposed on future construction projects.

Factors Impacting School Construction Costs

Many factors impacted school construction costs including, but not limited to, the following:

- Contractor prequalification requirements;
- Labor compliance law requirements;
- Passage of Proposition 39 and the 55 percent threshold for the passage of local bonds and resulting construction;
- Passage of Proposition 1A (November 1998), a \$9.2 billion State wide school facilities bond measure and resulting construction;
- Passage of Proposition 47 (November 2002)l a \$13.05 billion State wide school facilities bond measure and resulting construction;
- Passage of Proposition 55 (March 2004), a \$10.0 billion State wide school facilities bond measure and resulting construction;
- Passage of Proposition 1D (November 2007), a \$7.3 billion State wide school facilities bond measure and resulting construction;
- Economic recession in late 2007 which created the trend of declining construction costs starting in mid-2008 through the current period.

To demonstrate the impact of construction costs during the past few years, the Class B Construction Cost Index is presented below:

Class B Construction Cost Index¹	Index Change	10 Western States Percent Increase	8 CA Cities Percent Increase
January 2002 – January 2003	1.43-1.46	2.10	1.85
January 2003 – January 2004	1.46-1.51	3.42	5.45
January 2004 – January 2005	1.51-1.68	11.263	12.07
January 2005 – January 2006	1.68-1.74	3.657	4.62
January 2006 – January 2007	1.74-1.88	8.05	6.62
January 2007 – January 2008	1.88-1.94	3.219	2.07
January 2008 – January 2009	1.94-2.09	7.73	6.00
January 2009 – January 2010	2.09-1.96	(6.22)	(6.74)

District Policy

The District has adopted the following Board Policies (BP) and Administrative Regulations (AR) for its business operations and facilities program, most of which were revised during the 2009-10 fiscal year:

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

BP/AR	Description	Date of Adoption	Most Recent Date of Revision
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

BP/AR	Description	Date of Adoption	Most Recent Date of Revision
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
AR 7211	Developer Fees	2/99	10/21/09
BP 7212	Mello Roos Districts	2/99	10/21/09

BP/AR	Description	Date of Adoption	Most Recent Date of Revision
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 officially 50/50, the State's match generally provides less than 40 percent of the cost of new construction is 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 provided 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 and reported in the performance audit report for 2008-09. For information only, those data are also included in the current performance audit report.

New Construction Project	State Grant (50%)	Actual Cost¹	State Percentage
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 ¹	28.4
Totals	\$74,772,779	\$232,724,277	32.1

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.

¹Source: District records provided by the Facilities and Planning Department via written and oral correspondence. Cost data was originally presented in the June 30, 2008 performance audit report and was included in the June 30, 2009 and June 30, 2010 reports 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. Membership on the CBOC is intended to be representative of the community at-large and initial membership on the Districts CBOC was designated in following seven categories:

- Business Community
- Senior Citizens' Organization
- Taxpayers' Organization
- Parent or Guardian of child enrolled in the District
- Parent or Guardian of child enrolled in the District, plus Active in a Parent-Teacher Organization
- Community-At-Large/Additional Members

Committee Meetings and Membership

During the July 1, 2009- June 30, 2010 audit period, the CBOC met three times, on October 27, 2009, January 26, 2010, and April 27, 2010.

<u>Meeting Date</u>	<u>Attendance</u>	<u>Absent</u>	<u>Quorum</u>
October 27, 2009	8	5	Yes
January 26, 2010	4	9	No
April 27, 2010 ¹			

¹ The agenda for the CBOC meeting of October 27, 2010, includes an item for the approval of minutes for the April 27, 2010 meeting, but minutes are not posted.

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.

The committee prepared a “2008-09 Annual Report”, which was presented in writing to the Board of Education on May 12, 2010, with a report on the committee’s activities and the status of Measures M and D projects.

Finding

- As stated in the Citizens’ Bond Oversight Committee Bylaws, Section 6.1; the committee shall establish a schedule for the date and time of regular meeting to be held at least quarterly. A review of all available records indicates that the committee met on only three occasions during the 2009-10 fiscal year.

Observations

- 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. The annual report presented to the Board of Education for the 2008-09 fiscal year was not presented until May 2010.
- District records indicate that as of March 30, 2010, the terms of the fourteen members of the current CBOC expired, and on May 12, 2010 the Board of Education voted to approve the appointments of six new committee members.

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, per the CBOC bylaws.
- The District should recruit a minimum of one additional member to serve on the CBOC to meet the minimum of seven member requirement outlined in Citizen’s Bond Oversight Committee Bylaws, Section 5.1. Further, the District should consider an annual appointment of additional committee members to ensure that terms of service are staggered such that at no time do all member terms expire at the same time.

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, 2010, the District had received the State grants summarized in the table below¹. (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
Total New Construction		119,433,864
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
Total State Grants		\$125,525,663

¹Source: 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 June 30, 2010, the baseline eligibility, adjustments and remaining eligibility was the following:

Category	K-6	7-8	9-12	Non-Severe	Severe
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

On June 11, 2009, the District filed an updated SAB 50-01 utilizing the "Ten Year Population" projection methodology approved by the SAB. This methodology is based upon projections using the prior eight years of enrollment history, 2001-02 to 2008-09, 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 resulted in the following SAB-approved ten-year enrollment projections:

Grades	10-Year Projections
K-6	10,297
7-8	2,893
9-12	5,841
Non-Severe	300
Severe	195
Total	19,526

The above SAB 50-01 ten-year enrollment projections and approved District projects resulted in SAB action on September 23, 2009 to certify the remaining eligibility presented in the table above.

The District has no pending new construction applications on file as of June 30, 2010. When the District files a new construction application in the future, the District's eligibility must be re-certified based on an updated form SAB 50-01 that includes the most recent CBEDS/CALPADS enrollment (compiled in October of each year).

STATE CONSTRUCTION PROJECTS

Funded Prior to Measures M and D			
SAB #	School	Funding Date	State Match Amount
50/			
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)
Total			\$35,130,207

Funded After Measure M passed			
SAB #	School	Funding Date	State Match Amount
50/			
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)
Total			\$53,743,756

Funded After Measure D passed			
SAB #	School	Funding Date	State Match Amount
50/			
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
Total			\$30,559,901

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

Deferred Maintenance Hardship Project			
SAB #	School	Funding Date	State Match Amount
40/			
001	American Lakes Elementary	12/8/2004	\$190,272

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

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

DESIGN AND CONSTRUCTION SCHEDULES AND BUDGETS

Process Utilized

As part of this audit process, TSS reviewed District documents including Measures M and D bond language, School Board meeting agenda and minutes, capital fund cash flow reports, Citizens' Bond Oversight Committee reports, and the District's facilities master plan. In addition, TSS interviewed District staff and management involved in the construction of the facilities projects during the period of July 1, 2009 through June 30, 2010.

Background Information

In the years that followed the lifting of the eight-year building moratorium in the Natomas area of Sacramento County in 1998, 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 three years has had a profound impact as well, significantly slowing enrollment growth in many school districts. However, it has not significantly slowed down the District's enrollment growth. Data from the California Basic Enrollment Data System (CBEDS) reported that District enrollment for the school year 2008-09 continued to show a significant increase over the previous school year. Staff attributes the increase to the rise in multi-family occupied residential units in the area that resulted from the mortgage market crash and increase in housing foreclosures. During the current school year (2009-10), initial student attendance reports indicate a slightly decreasing enrollment which could be attributed to several factors including the out-migration of families who previously lived in multiple-family dwellings and those leaving the area for employment opportunities elsewhere.

The City of Sacramento mandated a new building moratorium beginning December 8, 2008, resulting from a U.S. Army Corp of Engineers finding that the levees surrounding the Natomas Basin and several other locations in the Sacramento area were substandard for urban safety. This moratorium is expected to be in force until sometime in 2013 when the levees are sufficiently repaired. The moratorium 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 delays in what otherwise would have been shorter project schedules.

The 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 speculate 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.

At the June 2008 School Board Facilities Workshop, the need for a comprehensive, program-driven facilities master plan was identified and recognized. District staff prepared a comprehensive five-year master plan which coordinated the projects designed to meet projected needs, schedules, cash-flow, budgets and scope of the projects. This master plan was presented and approved by the Board in 2008. The Facilities and Planning Department staff, with direction from the Board of Education, reviews and publishes updates to the master plan annually. The latest update of the master plan was published in April 2009, and covers the period from year 2009 through 2014.

Program and Construction Management

The District currently provides “in-house” program and construction management for the bond program projects with District staff; the Assistant Superintendent for Facilities and Planning and the Project Manager. This traditional approach to facilities management typically results in a highly cost-effective construction management program, especially during periods when only smaller scale projects such as portable classroom relocations and replacements, playground equipment, shade structures and modernization projects occur. Program and construction management service costs are allowable bond fund expenditures. To ensure accuracy of records, staff developed and implemented a tracking system to account for all staff man-hours utilized directly on the oversight and management of the bond projects to be paid out of the Measure M and D Bond fund (Fund 21).

Project Delivery

In the administration of the facilities construction program, the District has several project delivery methods from which to choose to deliver the best value with the available funds. These methods include Design-Bid-Build, Design-Build, Multi-Prime, and Lease-Leaseback. Each one of these methods has its own advantages and disadvantages. The District can utilize one or several of the project delivery methods, depending on the nature, size and scope of a project. For the Measure M and D program, the District has effectively used the traditional Design-Bid-Build process and Lease Lease-Back (LLB) process.

When utilizing the LLB process, an architect and a contractor are hired early in the design process to work collaboratively in developing the design and construction documents for the project. The architect primarily develops design and construction documents while the contractor provides pre-construction services such as cost and design inputs and constructability reviews 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. A District may hire both the architect and contractor as a single entity

(joint venture) or contract with each separately. The District utilized the LLB process for the Inderkum High School and the H. Allen Hight Learning Center Projects with separate contracts for architect and contractor.

The LLB process is becoming 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 District has used the Design-Bid-Build process instead of the LLB process for most projects. The Design-Bid-Build method is the more prevalently used construction procurement method in California. With this method, architects prepare construction documents with input from the district, construction managers and various stakeholders. The plans are put out to bid using a competitive, public bid process. Per the Public Contract Code, the District then selects the lowest responsive responsible bidder for construction contract award.

Although a district may not selectively pick the contractor in the Design-Bid-Build method, it can be a highly competitive way to procure construction contracts. With a well prepared and defined set of construction documents, all bidders are bidding on the same exact items. District staff stated that for most jobs, the Design-Bid-Build process allows them the opportunity to get a fair and competitive bid by soliciting to all bidders a more defined set of bid construction documents. For most of the remaining bond projects, the District intends to utilize this method.

Project Schedules

The updated Master Plan issued in April 2009 included a Capital Funds Cash Flow document that identified all projected activities in the facilities program for 2008-09 through 2011-12 and a corresponding schedule of projected expenses. Funding sources included Measure D and M Bond funds, Developer Fees, State Funds and other sources.

Completed projects during the current audit period included playground equipment installation projects (Heron K-8 School, American Lakes), shade structure installation projects (American Lakes), portable classroom relocations/replacements (Westlake Charter, Bannon Creek K-8) and driveway additions at Westlake. A major construction project awarded during the year was the Bannon Creek Phase IA project.

Remaining projects in the program include construction of pre-school facilities, Safe Routes to School program, purchase of buses and vehicles and the construction of new

buildings as part of the Bannon Creek K-8 conversion project. The status of all projects, budget allocations and actual expenditures are shown in table entitled, "Project Budgets and Expenditures As of June 30, 2010". Since the new building moratorium was put into place, the Bannon Creek K-8 conversion project, by necessity, is delayed. However, the District is moving forward with Phase 1A of the conversion process which includes the relocation of SETA/Head Start and CDC Child Care programs buildings and the extension of specified utility infrastructure. To deliver the subsequent phases of the project, which include construction of new buildings (classrooms, gymnasium) and expansion/modernization of existing buildings (kitchen, administrative offices, staff workrooms, etc.), the District has to manage the following inter-related variables:

- Only remodel type of work that does not increase in building square footage may proceed during the moratorium.
- 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.)
- 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 have caused difficulties in planning the K-8 conversion. District staff may plan to proceed with the modernization work as a separate project when plans are ready, as long as plans do not include expansion of the buildings.

Project Budgets and Expenditures

Priorities for Measure D projects were established through community surveys, finalized at a Board of Education Facilities Workshop in June 2008 (see table). Project Budget Allocations which were initially set and approved during the workshop are updated on a periodic basis, together with actual expenditures, and submitted as information to the Board monthly.

On June 23, 2009, staff submitted a recommendation and obtained approval from the Board of Education to replace Measure D funds allocated to the construction of the H. Allen Hight Learning Center with the remaining unallocated funds from Measure M bond and then replace Developer Fee funds originally allocated for the same project with Measure D bond program funds. This move would allow the use of Developer Fees funds (Fund 25) for a variety of non-bond projects and operational expenses.

On October 14, 2009, staff submitted a recommendation and obtained Board approval to reallocate budget savings from completed Measure D projects. These savings were realized from Measure D projects which were successfully bid and constructed under budget. Out of the total savings of \$4,831,783 realized from nine projects, staff proposed to reallocate \$1,364,336 to seven projects that needed additional budget allocations and keep the remaining \$3,467,417 of the savings with Measure D unallocated fund balances for future use.

The current adjusted project budget allocations and actual expenditures as of June 30, 2010 are shown in the table entitled, "Project Budgets and Expenditures as Of June 30, 2010".

Project Budgets and Expenditures as of June 30, 2010:

Priority ¹	Project Number	Project	Project Budget Allocations ²	Total Actual Expenditures ²	Status
1	D2	Computer and Support Infrastructure	\$5,000,000	\$2,217,914	Continuing
2	D9	Security Systems	391,681	354,164	Complete
3	D10	Safe Routes to Schools	1,000,000	11,298	Design/Coordination with City of Sacramento
4	D8	Playground Improvements	763,536	763,566	Complete
5	D14	Shade Structures	100,349	100,349	Complete
6	D6, D5	Athletic Fields and Track Upgrade	5,683,918	5,683,918	Complete
7	D12	Busses and Service Vehicles	500,000	0	Planning
8	D11	Preschool Facilities	4,000,000	3,119	Planning
9	D7	Natomas Charter Gym	2,511,355	2,611,354	Complete
9	M18	Natomas Charter Theater	329,735	328,735	Complete
11	D15	HIS - 2005 COP Financing	62,915,444	62,915,194	Complete
12	D4	Heron K-8 Conversion	1,585,815	1,628,516	Complete
13	D13	Bannon Creek K-8 Conversion West Lakeside Site	28,000,000	1,617,562	Phase 1A – In-Construction ³
15	D1	Acquisition	1,188,500	968,883	Complete
17	D17	H. Allen High Middle	12,611,838	11,315,777	Complete
18	D16	Elementary	9,344,887	8,944,887	Complete
19	D3, D18	Westlake Charter Site Relocation	1,841,541	1,767,295	Complete
		NB II	9,107	9,107	Complete
		Natomas Charter Portables	25,000	24,734	Complete
		Annual Independent Audits	233,780	56,280	Continuing
		Project Management	896,650	117,582	Continuing
		Cost of Issuance	2,169,788	1,305,965	Continuing
Total Projected Allocations			\$141,102,954	\$102,746,198	

¹ From the “Board Facilities Workshop – *Facilities Use & Planning* - June 2008”, Presentation by the Facilities & Planning Department

² From the “*Citizens Bond Oversight Committee 2006 Measure “D” General Obligation Bond Report*”, Reporting Period through June 30, 2010, as of June 30, 2010.

³ Bannon Creek K-8 Conversion Phase 1A includes the relocation of SETA and CDC Child Care programs and buildings and the extension of specified utility infrastructure. Plans for the remaining scope of the project which includes the construction of two New Two-Story Classroom Buildings, a new Gymnasium Building and the expansion/modernization of the existing Kitchen and Food Service Facilities and the Administration and Staff Workroom is under DSA review and approval.

K-8 Conversions

On December 10, 2008, the Board approved Bannon Creek Elementary School as the South Natomas site to be converted from a K-5 to a K-8 school. Phase 1A of the conversion process includes the relocation of SETA/Head Start and CDC Child Care programs buildings and the extension of specified utility infrastructure. The remaining scope of the project includes construction of two new Two-Story Classroom Buildings, a new Gymnasium Building and expansion/modernization of existing facilities such as the Kitchen and Food Service Facilities, the Administration building and the Staff Workroom. In March 2009 consultants were selected for traffic studies and project architect services. On May 13, 2009 Williams + Paddon Architects + Planners, Inc. were selected as design architects and on May 27, 2009, Turner Construction, Inc. was selected for preconstruction services for this project. Plans were submitted to the Department of State Architect (DSA) for review and approval on December 23, 2009. Phase 1A was bid and awarded to Mascon, Inc. on May 19, 2010. Bidding for the construction of new buildings and the expansion and modernization of existing buildings will not occur until the lifting of the new building moratorium, anticipated to occur in 2013.

CHANGE ORDERS, CLAIM PROCEDURES, AND RESULTS

Process Utilized

As part of this audit process, TSS analyzed relevant documents and conducted interviews with the Facilities and Construction Management Team. All available information obtained from the District website and the 2009-10 Board of Education meeting agendas and minutes related to Measure M and D bond measures were also used in this review.

Background

Public Contract Code 20118.4.(a) stipulates that the governing board of a district may authorize changes or alterations of a contract (change orders) without the formality of securing bids if the cost does not exceed ten percent of the original contract price. In addition, Public Contract Code 20113. (a) allows a board to authorize, by a unanimous vote and with the approval of the county superintendent of schools, the performance of work in an emergency without advertising for or inviting bids. In this context, an emergency exists if the work is necessary for a facility of a public school to permit the continuance of existing school classes, or to avoid danger to life or property.

Change orders occur for a variety of reasons. The most common reason is a discrepancy between the actual condition of a job site and the 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 soil conditions, inaccuracies in project documents and District requested additions or deletions to the scope of work.

In prior audit reports, TSS raised concerns that authorizing “aggregate” change orders in excess of 10 percent of the original contract amount may be inconsistent with Public Contract Code 20018.4. To resolve the issue, the District had its legal counsel review District practices. The District’s legal counsel validated the current practice of allowing “aggregate” change orders in excess of 10 percent of the contract amount and confirmed that the 10 percent limitation applies to “individual” change orders.

Typically, change orders are triggered by a Request for Information (RFI) - a request for clarification in the drawings or specifications or a request for resolution of actual conditions that are not consistent with information provided in the construction drawings/documents. These RFIs are then reviewed and responded to by the architect and/or project engineers. The architect’s response 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, 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.

Lease-leaseback contracts such as the H. Allen Hight Learning Center construction project and the Heron Elementary School Physical Education Structure project include predetermined contingencies or “allowances” as part of the Guaranteed Maximum Price (GMP). These allowances are added to the GMP for the purpose of setting aside funds within the contract, primarily to mitigate unforeseen conditions and known but indeterminate issues, such as incomplete design and material quantities and/or prices at the time the GMP was finalized. At the completion of a project, the unused portion of the contractor’s contingency fund is usually returned to the District or divided between the District and the contractor. In the case of H. Allen Hight Learning Center, the contract agreement stipulated that the remaining unused allowances or contingency funds at the end of the project will be divided between the contractor (20 percent) and the District (80 percent).

Change Order Sampling

Change orders generated during this audit period for active construction projects funded under the Measure D bond program were examined. Board agenda items and backup documentation for change orders submitted to and approved by the Board on identified projects were reviewed to verify documentation and justification for the requested changes were present and substantiated by the proposed costs. The following table entitled, “Change Orders: Bond Program Projects” summarizes the change orders generated for the listed Measure D projects from start of construction through contract completion. Projects that did not incur increases or reductions in contract costs or scope of work are not included in the list.

Change Orders: Measure D Bond Program Projects.

School Site	Project Description/ Contractor	Contract Amount/ Award Date	Change Order No.	Date Approved	Amount	% of Original Contract Amount	Adjusted Contract Amount	Notice of Completion (NOC)
H. Allen Hight Learning Center	New School Construction / Increment I New School Construction / Increment II (Contingency/Allowance Included in the GMP = \$5,153,270) Lease-Leaseback Contract Guaranteed Maximum Price (GMP) ¹ Turner Construction Co.	\$4,504,800 (01/27/06)	1	(10/31/06)	\$414,719	9.21%	\$4,919,519	04/08/09
		\$66,113,867 (11/09/06)	1	(04/27/07)	(\$414,719)	-0.63%	\$65,699,148	
			2	(04/27/07)	\$2,192	0.00%	\$65,701,340	
			3	(06/05/07)	\$166,700	0.25%	\$65,868,040	
			4	(01/31/08)	\$282,660	0.43%	\$66,150,700	
			5	(05/14/08)	\$2,983,474	4.51%	\$69,134,174	
			6	(08/20/08)	\$1,317,304	1.99%	\$70,451,478	
	7	(02/11/09)	Total	\$3,727,064	5.28%	\$74,345,731		
H. Allen Hight Learning Center	NEC Phone Equipment Supply/Install River City Communications Corp.	\$290,000	1	(08/13/08)	\$26,346	9.08%	\$316,346	09/10/08
H. Allen Hight Learning Center	Wireless Infrastructure River City Communications Corp.	\$412,647	1	(08/13/08)	\$21,315	5.17%	\$433,962	
			2	(09/10/08)	\$1,990	0.48%	\$435,952	
				Total	\$23,305	5.65%		
Heron K-8	P. E. Structure Project/ Mascon, Inc (Lease-leaseback Contract) Contingency/Allowance ² = \$82,341	\$2,015,000 (03/08/06)	1	(08/08/07)	\$12,833	0.64%	\$2,027,833	12/12/07
			2	(12/12/07)	\$15,312	0.76%	\$2,043,145	
				Total	\$28,145	1.40%		
Heron K-8	Installation of Playground Equipment/ All About Play, Inc.	\$103,839 (06/17/09)	1	10/14/2009	\$1,185	1.14%	\$105,024	10/14/09
				Total	\$1,185	1.14%		
Natomas Middle	Relocate Westlake Charter School To Natomas Middle School Campus/ C & C Construction, Inc.	\$615,905 (05/23/07)	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%	\$731,272	
				Total	\$115,367	18.73%		
Natomas Middle	Relocatable Moving Services/ Doupnik Construction	\$86,000 (05/30/07)	1	(07/18/07)	\$1,280	1.49%	\$87,280	
Westlake Charter	Four (4) Additional Portable Classrooms/ Gary Doupnik Manufacturing	\$191,664 (5/28/08)	1	(7/09/08) ³	\$22,800	11.90%	\$214,464	02/11/09
			2	(8/13/08) ³	\$42,772	22.32%	\$257,236	
			3	(10/08/08)	\$4,500	2.35%	\$261,736	
				Total	\$70,072	36.56%		
Westlake Charter	Electrical Services for the Four (4) Additional Portables/ Cabarc Electric	\$36,367 (8/13/08)	1	(10/08/08)	\$1,125	3.09%	\$37,492	10/08/08

School Site	Project Description/ Contractor	Contract Amount/ Award Date	Change Order No.	Date Approved	Amount	% of Original Contract Amount	Adjusted Contract Amount	Notice of Completion (NOC)
Westlake Charter	Plumbing for the Four (4) Additional Portables & Parking Lot Expansion/ Golden State Construction	\$142,900 (11/12/08)	1	(11/12/08)	\$0	0.00%	\$142,900	02/11/09
			2	(01/14/09)	\$12,795	8.95%	\$155,695	
			3	(02/11/09)	\$10,449	7.31%	\$166,144	
			Total		\$23,244	16.27%		
Westlake Charter	Lease/Relocation of Two Portable Classrooms/ Gary Douppnik Mfg.	\$44,900 ⁴ (07/15/09)	CO # 1	(09/09/09)	\$1,595	5.74%	\$46,495	09/09/09
Westlake Charter	Driveway Improvements/ City of Sacramento	\$13,951 (09/23/09)	1	11/10/2009	\$2,250	16.13%	\$16,201	02/10/10
Natomas Charter	Gymnasium Construction Project/ Meehleis Modular Buildings	\$3,834,327 (05/23/07)	1	(06/13/07)	(\$103,635)	-2.70%	\$3,730,692	
			2	(06/25/07)	\$0	0.00%	\$3,730,692	
			3	(09/12/07)	\$347,918	9.07%	\$4,078,610	
			4	(09/12/07)	\$250,660	6.54%	\$4,329,270	
			5	(12/12/07)	\$297,844	7.77%	\$4,627,114	
			6	(04/09/08)	\$22,319	0.58%	\$4,649,433	
			7	(05/14/08)	\$1,920	0.05%	\$4,651,353	
Total		\$817,026	21.31%					
Natomas and Inderkum High	Track & Field Renovation/ Mascon, Inc. (Site Work)	\$2,614,850 (11/14/07)	1	(05/14/08)	\$78,068	2.99%	\$2,692,918	05/28/08
			2	(05/28/08)	\$84,996	3.25%	\$2,777,914	
			3	(9/10/08)	\$6,261	0.24%	\$2,784,175	
Total		\$169,325	6.48%					
Natomas and Inderkum High	Supply & Install Artificial Turf/ Field Turf/ Tarkett, Inc.	\$924,041 (11/14/07)	1	(05/28/08)	\$94,483	10.22%	\$1,018,524	08/13/08
			2	(06/18/08)	\$53,460	5.79%	\$1,071,984	
			Total		\$147,943	16.01%		
American Lakes Elementary	Sitework for the Autism and Preschool Program Portables/ Abide Builders, Inc.	\$224,900 (05/13/09)	1	9/9/09	\$16,888	7.51%	241,788	10/14/09
			2	10/14/09	\$8,820	3.92%	\$250,608	
Total		\$25,708	11.43%					
American Lakes Elementary	Shade Structures for the Autism and Preschool Program National Carport Industries	\$26,580 (04/10/08)	1	11/10/2009	-\$13,240	-49.81%	\$13,340	01/13/10

¹ 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.

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

³ 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 percent of the original contract amount (Public Contract Code 20118.4) and in order to properly pay the contractor for the work performed.

⁴ The contract amount shown is the new adjusted contract amount (\$44,900). The original contract amount approved on June 17, 2009 was \$27,800. On July 15, 2009, the Board approved a contract amendment to include the construction of new building pads and flat work for the two new portable classrooms at Westlake Charter School, in the amount of \$17,100, to the June 17, 2009 Douppnik Manufacturing, Inc..

Reasons for Change Orders

As part of the audit process, TSS reviewed back-up documentation on descriptions and reasons for changes, approved time extensions and negotiated costs for the change orders generated by five active construction projects and submitted to the Board for approval during 2009-10. The resulting data are shown in the table entitled, Change Order Analysis (Fiscal Year 2009-10).

Change orders processed during this period under the category “Owner Requested Changes” resulted in a net cost of -\$3,379. 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. “Owner Requested Changes” during this period include a total of \$10,861 in additions and \$14,240 in deletions from the scope of work. Requested scope additions include extensions and modifications to fences, replacements to sidewalks and irrigation controllers. Deletions in the scope of work was necessary when the shade structure intended for installation at Twin Rivers Elementary School was diverted to American Lakes Elementary School and found to be oversized for the new location.

There were no change orders generated under the category of “Allowance Overages and Returns” during this period. The category represents District share of the remaining unused portion of the contractor’s contingency/allowance included in Lease-Leaseback (LLB) contracts. No LLB contracts achieved substantial completion during this audit period.

Change orders totaling \$1,920 were generated under the category “DSA Required Changes”, based on findings by DSA during design/plan review or field inspections. These changes include the addition of reinforcing bars to shade structure posts and additional signs for new portables, such as exit signs and Americans with Disability Act (ADA) parking signs.

Under the category of “Unforeseen Conditions” are changes required as a result of field discovery items 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. A total amount of \$18,957 was generated due to damage to unknown irrigation mains, relocating of electrical pull boxes, rerouting of electrical lines and sprinkler mains discovered in the work area.

During this audit period, there were no change orders generated under the category of “Architect/Engineer Design Issues” which are intended to mitigate costs as a result of 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.

Change Order Analysis (Fiscal Year 2009-10)

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	
Measure D								
Heron K-8 School/ Installation of Playground Equipment	All About Play, Inc. (CO # 1)	\$1,185	\$0	\$0	\$0	\$0	\$0	\$1,185
Westlake Charter School/ Lease/Relocation of Two Portable Classrooms	Gary Doupnik Mfg., (CO # 1)	\$1,595	\$0	\$0	\$0	\$0	\$0	\$1,595
Westlake Charter School Driveway Improvements	City of Sacramento (CO # 1)	\$0	\$0	\$0	\$0	\$2,250	\$0	\$2,250
American Lakes Elementary School/ Site Work for Autism/ Pre-school Program Portables	Abide Builders, Inc. (CO # 1 & 2)	\$16,177	\$0	\$920	\$0	\$8,611	\$0	\$25,709
American Lakes Elementary School/ Shade Structures for Autism/Pre-school Program Portables	National Carport Industries (CO # 1)	\$0	\$0	\$1,000	\$0	\$0	(\$14,240)	(\$13,240)
	Grand Total	\$18,957	\$0	\$1,920	\$0	\$10,861	(\$14,240)	\$17,499
							(\$3,379)	

Observation

- Although change orders under the category of “Architect/Engineer Design Issues” are inherent in construction contracts, some issues like conflicts in elevations, dimensions or locations and a lack of coordination between drawings from various engineering disciplines involved in a project, are issues that can be prevented and minimized. When the magnitude and costs of change orders due to architect errors and omissions are beyond a certain level or standard, staff extends its’ best efforts in recouping these costs for the District. In the H. Allen Hight Learning Center Construction Project, the staff conducted a review and analysis of change order costs related to “Architect/Engineer Design Issues”, initiated legal proceedings and claim actions against the architect. The District’s effort resulted in a settlement in the amount of \$591,212, in the favor of the District, to resolve all claims.

PAYMENT PROCEDURES

Process Utilized

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

The review consisted of the following:

- Verification that expenditures charged to the Measure D Bonds were authorized as Measure 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

Relevant sections of Board Policy 3310 Purchasing Procedures state the following:

“The Superintendent or designee shall maintain effective purchasing procedures that are consistent with sound financial controls and that ensure the district receives maximum value for items purchased. He/she shall ensure that records of expenditures and purchases are maintained in accordance with law.

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. Maintenance costs, replacement costs, and trade-in values shall be considered when determining the most economical purchase price. When price, fitness, and quality are equal, recycled products shall be preferred when procuring materials for use in district schools and buildings.

All transactions entered into by the Superintendent or designee on behalf of the Board shall be reviewed by the Board every 60 days.

All purchases shall be made by formal contract or purchase order. Buyouts must be accompanied with 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. 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-four invoices totaling \$1,673,441.30, expended through Measure 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 D projects:

- Security System, Two New Portables and Driveway Improvements at West Lake Charter School
- Playground Equipment for Heron Elementary School
- Bannon Creek Elementary School K-8 Conversion
- Property line exhibit at Bannon Creek and Jefferson Elementary Schools
- Computer and Technology Equipment Purchases

Observations

- All of the invoices included in the sample showed evidence of being appropriately reviewed and approved.
- Seventy-seven percent were paid within 30 days from the time of receipt which is the District's preferred payment timeline. Twenty-three percent took longer than thirty days for processing. One of the invoices paid after the thirty-day timeline was for computer lease payments, payment was delayed in order for the District to investigate the lease terms and the exact payment amount due.

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 Measure D during the audit period of July 1, 2009 through June 30, 2010 were reviewed, as well as Board agendas, minutes and backup documents. Interviews were held with the appropriate staff. The review consisted of the following:

- Verification that items procured through the Measure D Bonds were authorized as Measure 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. The current bid threshold is 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 managed 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.

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, insurance 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.

There are advantages and disadvantages to 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.

Contractor Pre-qualification Process

For most construction 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. The District recently revised the prequalification program; the new program was adopted by the Board on December 9, 2009. The new program requirements are controversial in nature and have been entered into against the advice of the District's Legal Counsel.

In the staff report presented to the Board on September 9, 2009, it was stated that a coalition of regional labor organizations proposed significant changes to the prequalification program. Staff investigated the proposed amendments at the direction of the Board. These changes included items such as;

- Requiring contractors to provide and show proof of medical coverage for all employees and their families for 180 consecutive days immediately prior to the submission of the pre-qualification documents.

- Requiring contractors to hire apprentices from a State of California Division of Apprenticeship Standards approved apprenticeship program that have a graduation rate of 50 percent or higher or have at least one apprentice each consecutive year for the five years immediately preceding submission of pre-qualification documents.
- Requiring contractors to provide a signed agreement stipulating a 25 percent local hire rate on projects including more than four employees within the same job classification. Local hire shall be defined as consisting of employees who have a permanent and primary residential address within the Greater Sacramento Region and that said employee has established residency in that area for at least 180 days prior to the commencement of work.

After much research, staff presented additional information and potential revised wording to the Board at three subsequent Board meetings; September 23, 2009, October 14, 2009 and December 9, 2009. At the December 9, 2009 Board meeting, the District Superintendent recommended that the Board not adopt the proposed changes to the pre-qualification program upon the advice of legal counsel. Specifically, the District's legal counsel from the firm Kronick, Moskovitz, Tiedemann & Girard cited in a letter to the District that the local hire provision would violate the California Public Contract Code Section 20111. This section requires districts to award bids to the lowest responsive bidder for projects of \$15,000 or more. If the District invoked a local hire provision, this might result in a District not awarding a bid to the lowest responsive bidder. Legal counsel further cited that a local hire percentage requirement might also violate the United States Constitution per a court decision on a similar measure.

The Board voted to adopt the new pre-qualification language against the recommendations of staff but with the clarification that medical coverage would not be required for contractor's employees if the employees were covered under other spouses' policies. Also, the Board directed staff to remove the local hire act provision, but instead offer a three percent price point advantage for those contractor's within the Sacramento Regional Market area which includes several surrounding counties.

Design-Bid Build Samples

Due to a new housing building moratorium in the area, the District has put many remaining Measure D bond projects on hold. Most of the Measure M bond projects were completed in prior fiscal years. There was only one Measure D bond project formally bid and awarded during the 2009-10 fiscal year; the Banner Creek K-8 Conversion Phase 1A project. TSS reviewed the bid documents for conformance with the California Public Contract Code and applicable Board policies.

Banner Creek K-8 Conversion Phase 1A

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

Description	Banner Creek K-8 Conversion Phase 1A
Bid Advertisement: 1st 2nd Publication	April 29, 2010 and May 6, 2010 <i>The Sacramento Bee</i>
Pre-Bid Conference	May 11, 2010
Bid Opening Date	May 18, 2010
No. of Bids Received	3
Lowest Bid	\$608,000
Highest Bid	\$769,000
Low Responsive Bidder	Mascon, Inc.
Date of Contract Award	May 20, 2010 (Board Award May 19, 2010)
Contract Amount	\$608,000
Notice To Proceed Date	May 25, 2010

The Notice to Bidders and copies of the plans and drawings for the project was sent to the following plan rooms and builders' exchanges:

- Brownie's Planwell
- Placer County Builders Exchange
- Placerville 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 May 11, 2010.

A total of three bids were received and opened on May 18, 2010. Upon review and recommendation by staff and the Superintendent, the Board awarded the contract on May 19, 2010 to Mascon, Inc., which was the apparent lowest responsive responsible bidder. The Notice to Proceed was issued on May 25, 2010, after the contractor submitted signed agreements and the required securities such as a Performance Bond, Payment Bond and Insurance Certificates.

District Use of 'Piggyback' Bids

The following Measure D funded purchases were procured utilizing the piggyback delivery method during the fiscal year 2009-10. 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.

Method of Procurement	Project	Board Approved	Vendor	Funding Source	Amount
Piggyback – Western Placer Unified School District	Site work for two portable classrooms at Westlake Charter School	July 15, 2009	Douppnik Manufacturing	D	\$17,100
Piggyback	Relocation of two portables and removal of one as part of the Phase 1A Banner Creek K-8 Conversion	June 22, 2010	General Modular Construction	D	\$39,727.50

Observations

- The procurement method specified for each of the sampled construction contracts were made in compliance with Public Contract Code and Board policy.
- The Board adopted new changes to the contractor pre-qualification program on December 9, 2009. The two most significant changes involved requiring contractor's to provide medical coverage to all employees and to only hire apprentices from a State of California Division of Apprenticeship Standards approved apprenticeship program. The revised pre-qualification program was made mandatory for all contractor's bidding on the Banner Creek K-8 Phase 1A project.

EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM

Process Utilized

TSS interviewed the Assistant Superintendent for Facilities, members of the Board of Education, members of the Citizens' Bond Oversight Committee and the Facilities Program Manager. TSS also reviewed the District's website and other District communications.

The purpose of the interviews and the review of the websites and published information was 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 until recently employed a Public Information Officer. Budget reductions in the District precipitated the decision to eliminate this position and disseminate the duties of the Office of Public Information to others, most assumed by the Office of the Superintendent.

The CBOC related information that is posted includes a list of committee members and information about their current term of service; however contact information for committee members was not included. CBOC meeting agendas and minutes and the date, time and location of the next meeting is included on the website, although meeting minutes for the most recent meeting of the committee was not posted. 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. There is a link for committee by-laws on the webpage; however, it appears to have been de-activated. The webpage includes community updates, pictures, descriptions of bond projects, and bond expenditure reports, which is comprehensive and provides interested community members with the status of the Bond Program.

The District appears to utilize their website as the primary source of communication with the larger community. There was no evidence of other forms of communication, such as the previously published e-newsletters available for review.

A concern was expressed that there may be confusion in some segments of the community regarding the difference between the District's bond measure and other taxes or parcel tax measures. It is important that the larger community understand how these other funds are generated and utilized by the District, especially given the challenging fiscal times faced by the District.

Observations

- The CBOC website is missing minutes for a 2009-10 committee meeting. 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 2009-10 reporting period regarding any of the Bond Program projects or staff for which they are providing oversight.
- The District's previously published e-newsletter appears to have been discontinued.

Recommendations

- The District should assign responsibility for communication regarding the bond and construction program to a staff member to ensure timely and consistent information is provided to the community.

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 however 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. Members of the Board who were interviewed indicated that the regular reports from CBOC members were very positive, although acknowledgement regarding the difficulty in recruiting new committee members was noted.

Newer members of the CBOC expressed concern that there was a 100 percent turnover of the committee, leaving new members with little knowledge or information about the current work of the committee. Additionally, given the limited amount of activity in the program during the current building moratorium, new CBOC members are concerned that recruiting and retaining members will be more difficult.

Observations

- Although large scale facility projects have been put on hold due to the moratorium, the district has used the opportunity to complete smaller scale projects, such as shade structures and traffic flow issues.
- Facility program and bond updates and information from the CBOC are regular topics of discussion at Board Meetings.
- A review of CBOC meeting agendas indicates that District staff is regularly in attendance at CBOC meetings and are providing timely information.

APPENDIX A
BOND MEASURE M RESOLUTION AND TEXT

DRAFT

7/18/02
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**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**

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 nd 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	<u>Support Food Serv.</u>	<u>\$1,200,000</u>	#3
	TOTAL		\$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 8th day of February, 2006, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

President of the Board of Trustees

ATTEST:

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.

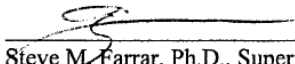
5. If 55% of the qualified electors voting on the measure vote "YES," the measure is approved.

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

CITIZENS' OVERSIGHT COMMITTEE

The structure and role of a Citizens' Oversight Committee is set forth in Education Code Sections 15278-15282. Because the law is broad, most school districts adopt by-laws and/or policies to enable their committee to better understand their role and responsibility.

A number of resource materials are available to CBOC members, as summarized below, including:

- Proposition 39 Best Practices Handbook (California Coalition for Adequate School Housing (CASH))
- Bond Spending: Expanding and Enhancing Oversight (Little Hoover Commission)
- California League of Bond Oversight Committees
- California State Controller

Because the scope of a performance audit is not defined, there is often confusion and uncertainty regarding its proper role. Some school districts have contracted with their financial auditor to also conduct a performance audit under "agreed-upon procedures". The distinction between a performance audit and agreed-upon procedures has been clarified by the California State Controller in an audit done for the San Joaquin Delta College. While that clarification may not be binding on all school districts, it provides useful information that could assist a school district in determining how to conduct a performance audit.

California Coalition for Adequate School Housing (CASH)

CASH prepared a publication, "Proposition 39 Best Practices Handbook," which documents the bonding process under Proposition 39, the Citizens' Oversight Committee, and applicable laws, including Proposition 39 text (2000), A.B. 1908 (2000) and A.B. 2659 (2000). It is an excellent resource document for CBOC members.

Little Hoover Commission

The State of California's Little Hoover Commission issued a report entitled "Bond Spending: Expanding & Enhancing Oversight" in June 2009. (www.lhc.ca.gov/studies/197/report197.html). That report discussed the role of citizens' oversight committees, some of the perceived limitations of the existing oversight approach, and made recommendations for improvement, specifically the following:

Recommendation 4: To improve local oversight of school and community college school facility construction projects passed under the reduced threshold established by Proposition 39, the state should bolster the capabilities of local bond oversight committees. Specifically, the state must:

- Require mandatory independent training for bond oversight committee members. The State Allocation Board and the California Community Colleges should develop and host a Web site with easy-to-access training materials and easy-to-understand descriptions of the roles and responsibilities of the local citizens' oversight committee members. The Web site should include a mandatory online training course.

- Require civic groups to nominate local committee members, allowing veto power for the school or community college district.
- Clearly delineate the role and responsibility of the local oversight committees and define the purpose and objectives of the annual financial and performance audits.
- Encourage county grand juries to review the annual financial and performance audits of expenditures from local school and community college bond measures.
- Impose sanctions for school and community college districts that fail to adhere to constitutional and statutory requirements of Proposition 39, such as preventing the district from adopting future bond measures under the reduced voter threshold.

California League of Bond Oversight Committees

The California League of Bond Oversight Committees (CALBOC) was formed in 2008 and has a stated mission “to help CBOC members perform the civic duties they have taken on in the best manner possible.” According to their website (www.calboc.org), “CALBOC is an all volunteer, non-partisan association of BOC members, current and past, who are interested in helping other Citizens’ Bond Oversight Committee (CBOC) members.” The CALBOC website includes information on training and various resource materials.

California State Controller

The California State Controller issued an audit report on the San Joaquin Delta College bond program entitled “Measure L and Proposition 1D Bond Proceeds” dated November 2008. While most of the audit report dealt with items specific to the San Joaquin Delta College bond program, some of the findings and recommendations were broader in scope, and could be considered as being applicable to all Proposition 39 bond programs.

In Finding 5 of the audit report, the State Controller stated:

“An agreed-upon procedure review does not constitute a “performance audit” under Generally Accepted Government Auditing Standards. Unlike a performance audit, which requires the auditor to apply appropriate procedures and assume responsibility for accomplishing the audit objectives, an agreed-upon procedure review limits the auditor to performing procedures that were specifically agreed-upon by the auditor and the auditor’s client.”

In response to the above State Controller’s finding, San Joaquin Delta College stated:

“Delta College asserts that it has more than sufficiently met the requirement and objective of the performance audit required under Proposition 39 and related laws.” “The objective of the performance audit has been achieved by the four agreed upon procedures...”

The State Controller, in turn, responded to Delta College's response as follows:

“Under GAGAS, a clear distinction exists between a “performance audit” and an attestation engagement which includes the performance of “agreed-upon procedures.” “As stated in the external auditors’ report, the auditors performed “agreed-upon procedures” as dictated by the contract between Delta College and its auditors. Yet, Delta College continues to mischaracterize it as a performance audit.”

EDUCATION CODE SECTION 15278-15282

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

GLOSSARY OF TERMS AND ACRONYMS

GLOSSARY OF TERMS AND ACRONYMS

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

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