DATE: January 26, 2012

TO: MEMBERS OF THE BOARD OF EDUCATION – PALOS VERDES PENINSULA UNIFIED SCHOOL DISTRICT

FROM: CITIZENS’ JOINT OVERSIGHT COMMITTEE
MEASURES R AND S
JOHN J. RESICH, JR., CHAIRPERSON

SUBJECT: REPORT OF COMMITTEE ACTIVITIES, FINDINGS AND RECOMMENDATIONS

BACKGROUND

In 2005 voters approved Measure R (Resolution No. 04 - 2005/2006 Core Academic Facility Repair and Construction Bond of 2005) and Measure S (Resolution No. 05 – 2005/2006 Co-curricular Facility Repair and Construction Bond of 2005) for the Palos Verdes Peninsula Unified School District (District) to sell up to $40 Million ($30 Million—Measure R and $10 Million—Measure S) in general obligation bonds to improve safety and educational facilities within the District.

These improvements include construction, reconstruction, rehabilitation, replacement, modernization and renovation of school facilities in accordance to the District’s Bond Project Lists. Projects under Measure R identified improvements attributed to aging school sites with necessary roof repairs, fire alarm upgrades, water, gas, sewer and plumbing replacement, electrical upgrades, compliance with the American Disabilities Act, and other necessary safety improvements for compliance with regulatory agencies. Measure S improvements include playfields and gyms, perimeter of school sites, roadway emergency access, and school parking lots, and other projects. No individual school has been left out.

As required by Resolution No. 04 - 2005/2006 (Core Academic Facility Repair and Construction Bond of 2005) and Resolution No. 05 – 2005/2006 (Co-curricular Facility Repair and Construction Bond of 2005), once Measures R and S were approved by the voters, the District established an Independent Citizens’ Joint Oversight Committee (CJOC) to ensure that bond proceeds are expended only for the school facilities projects listed in the Bond Project Lists and in accordance with voters’ intention of Measures R and S.
Currently, our Committee consists of 9 members (Dina Aryan-Zahlan, Alvin Hughes, Thomas Knight, John Oda, Maarten Oversier, Donald Reeves, John Resich, David Wagman and John Waldron) appointed by the Board with the following purpose:

A. Oversee the expenditures of bond proceeds on authorized facilities projects.
B. Ensure that expenditures of bond proceeds are consistent with stated purposes of Measures R and S.
C. Ensure that the interests of the community, staff, students and parents are represented on authorized facilities projects related to the bond.
D. Ensure that the funding allocation brings all schools to their original standard with enhancements relating to current building codes, regulations and modern technology.
E. Conduct all business in compliance of the Brown Act.
F. Provide for communication with and from the community on all issues related to Measures R and S.
G. Report to the Board annually on all Measures R and S Activities.

COMMITTEE ACTIVITIES

The Committee along with District Staff, the architectural firms and representatives of Vanir Construction Management meet quarterly with additional meetings scheduled as necessary. At such meetings, the Construction Manager for Vanir presents Construction Project Status Reports with support from the Director of Maintenance and Operations (Matt Covella), presented reports of the progress on each construction project. Each month reports were mailed and/or e-mailed directly to the Committee for review. The architects (HMC, Dougherty + Dougherty and PBWS) also discussed the design status for proposed projects and/or current projects which are in the Division of the State Architect (DSA) for review. The Deputy Superintendent (Pearl Izuka) provided updates on District issues related to the bond program, fund balance information and payments made on each project and other items related to the bond construction project.

As requested by the Committee, site visits were arranged during this past year. These visits were made either prior to discussion of the project, at the time of the job walk and/or before contract bids were accepted for the improvement projects. These visits are intended to confirm the scope of work, the opinion of the school administration’s satisfaction with the proposed scope and schedule for the intended projects.

FINDINGS

For clarification, the school site improvement projects are considered as a total program with various sources of funding, including bond funds (Measures R and
S--$42 million), potential state funding (approximately $19.9 million), developer fees, capital facility funds, and deferred maintenance funds. The program consists of several smaller projects that go through the design-bid-award-construction-completion process and 83% of the improvements called for under the bond resolutions have been paid to date.

The overall Program revenue budget is approximately $86.5 million, the majority of which has been committed to identified projects, with very little left uncommitted.

It should be noted that the Citizens’ Joint Oversight Committee or CJOC is focusing not only on the bond sales funding source, but the overall program funding.

In addition, an independent Audit Report was performed for 2010-2011 and presented to the Board on December 8, 2011, as required under Proposition 39 for Measures R and S. It concluded that the District is in compliance with all the necessary and appropriate internal controls over financial reporting of the Measures R and S Bond Building Fund of Palos Verdes Peninsula Unified School District.

RECOMMENDATIONS

That during the years 2008-2009-2010 and 2011 we have seen decreases in costs (based upon the current economic conditions) in both labor and material costs which were not anticipated when the initial projects were scoped and cost estimates prepared by Vanir Construction Management. Unfortunately due to these decreases we also saw one of our contractors have financial problems that lead to delays in construction which were addressed by the Board and the attorney for the Board. After addressing this problem the attorney for the Board advised the committee that a resolution has been reached with the Bonding Company and construction has commenced to complete the projects.

The Committee would like to present to the Board for consideration the following recommendations:

- That the District continue to design and build those projects so identified and continue to review any projects so identified in those recommendations as adopted by the Board.

- The District continually reviews contract documents and procedures.

- That during this period of economic recession that the District continues to design and build and rehab all building and projects that it has identified.
• That the District keep abreast of the current financial crisis that is occurring within the State of California and the United States keeping in mind the current budget crisis and failure of the State of California to enact a balanced budget which affects the District’s Facilities Construction Program.

• That the District be mindful of the potential loss of revenue or other potential costs or revenue sharing which the State may withhold or delay based upon the current economic condition of the economy. Based on the affects, the District may need to reprioritize and/or delay projects.

• The District continue to acknowledge and disclose to the community recent and ongoing significant construction cost decreases brought about by the poor economic condition or recession which the United States is facing. The District should ensure that positive and negative adjustments are made in budgets for near-term projects and also future projects. The following should be considered: economic conditions, potential savings based upon shortage of work for contractors and subcontractors, and budgeting, and the increased number of bidders for jobs.

• That the District keeps the community advised of the resolution of the Contractor who has been relieved of his Contractual Obligations and the effect of the Bonding Company in undertaking the completion of the two projects at Palos Verdes Peninsula High School.

• That the District reviews its current contract or future contracts with the architects and consultants based upon the current economic conditions and the potential savings of soft costs. This can be achieved through negotiation of current or future contracts.

• The District verifies that the budget at scope and contract costs are closely related. Any large differences between the two should be tracked with a Budget Tracking Report incorporating earned value and cost growth.

• That all projects be designed with serious consideration of the budget as proposed ("design to budget") and not exceed that budget without specific reasons and/or approval by the District and Board.

• The District continues monitoring its contingency planning in the event critical project improvements are delayed, affecting school facilities.

In closing, we would like to thank the Committee members for their time, expertise, and commitment to the Bond Program. We would also like to thank architects HMC, Dougherty + Dougherty and PBWS, Vanir’s Construction Management team for the information and project updates provided to the Committee. In addition, we would like to thank Pearl Iizuka, Deputy

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Superintendent for her years of hard work making sure that the Construction was completed within the Bond Measures and wish her a wonderful retirement. Matt Covella, Director of Maintenance and Operations; the Construction Management team for their insight and knowledge; and a special thanks to Lora Dodell for all her administrative help.

John J. Resich, Jr.
Chairman