

MEASURE A STRONG SCHOOLS BOND



PALO ALTO UNIFIED SCHOOL DISTRICT

CITIZENS' OVERSIGHT COMMITTEE 2012 – 2013 ANNUAL REPORT

Committee Members as of June 30, 2013

Todd Collins, Chair Person, Taxpayer Organization Member
Helene Leichter, Vice-Chair, Parent
Jim Cowie, Member, Parent, PTA Member
Catharine Garber, Member, Business Organization Member
Walt Hays, Member, Senior Citizen
Bruce Whitson, Member, Business Organization Member
Arianne Teherani, Member, Parent

Board of Education as of June 30, 2013

Dana Tom, President
Barb Mitchell, Vice President
Melissa Baten Caswell
Heidi Emberling
Camille Townsend

Letter from Committee Chair

October 9, 2013

To: The Board of Education and the Citizens of the Palo Alto Unified School District

The Citizens' Oversight Committee is pleased to forward its fifth Annual Report, covering the 2012-13 fiscal year, on the \$378 million general obligation Strong Schools Bond.

The purpose of the Citizens' Oversight Committee (COC) is to inform the public concerning the expenditure of bond revenues. As required by State law, the COC provides oversight and advises the public whether the District is spending the Strong Schools Bond funds for school capital improvements within the scope of projects outlined in the Strong Schools Bond Project List. In fulfilling its duties, the COC reviews, among other things, the District's annual independent performance and financial audits of Strong Schools Bond activity.

The Bond building program continues in full swing. Major projects have now been delivered at all five secondary school campuses as well as two elementary school expansions. Additional projects are slated for completion in the coming year at Palo Alto High School and Duveneck Elementary School. A list of those projects is included in the "Highlights" section on the next page.

From a financial perspective, the Bond Program expended \$65.6 million during the fiscal year, consistent with last year's rate of expenditure. Approximately 52% of the full Bond amount has been contractually committed, and 43% has been expended. The current rate of building and spending is expected to continue.

To fund the expenditures, \$70 million in bonds were issued in March, 2013. The District maintained its historical AAA bond rating. Importantly, the issuance did not include any capital appreciation bonds (CABs), use of which has recently been significantly restricted by the state legislature due to the controversial use of these bonds in other districts. It is noteworthy that while PAUSD did issue approximately \$110 million in CABs in 2008, these bonds would still be permitted under the new legislation due to their relatively low interest rate and conventional duration.

As in previous years, the Committee reviewed the Financial Audit and the Performance Audit issued by the independent auditing firm of Christy White, Professional Accountancy Corporation. The firm conducted its audits in compliance with Generally Accepted Government Auditing Standards. Under these standards, the audit firm independently determined which tests to use in arriving at its opinions. The audits found that the program was materially in compliance with the terms of Proposition 39 and Strong School Bond.

In sum, the Committee wishes to report that, to the best of its knowledge, the Palo Alto Unified School District is in full compliance with its responsibilities as described in Article XIII A, Section 1(b)(3) of the California State Constitution, the section that governs the terms and conditions of Proposition 39 bonds like the District's Strong Schools Bond.

The work of the Citizens' Oversight Committee is conducted under the Brown Act. All meetings of the Committee are open to the public; observers are welcome. The 2012-2013 audits and further information on expenditures, minutes of the Committee's meetings, and detailed monthly progress reports can be found on the District's Web site, <http://pausd.org/community/StrongSchoolsBond/>.

Sincerely yours,



Todd Collins
Chair, Citizens' Oversight Committee
E-mail: coc@pausd.org



COC Members with Bond Program Staff Reviewing Gunn Construction
July 2013

2008 Measure A Strong Schools Bond - At A Glance (as of June 30, 2013)

Authorized Amount:	\$378.0	Issued: \$215.0 (57%)	Expended: \$167.0
Purpose (per ballot language):	Provide safe and modern schools, accommodate enrollment growth, upgrade aging classrooms, libraries, computer and science labs, repair or replace roofs, plumbing, heating, ventilation, and electrical systems, improve fire alarms and school security, meet current earthquake standards; provide current technology, and replace old portables with permanent classrooms.		
District Superintendent:	Kevin Skelly	Bond Program Manager:	Robert Golton
Program Management:	fs3 Hodges	Construction Management:	Gilbane Building Co. & OCMI
Auditor:	Christy White Accountancy Corp.	Audit Findings:	No significant deficiencies or material weaknesses Only one minor item of noncompliance

About Strong Schools Bond

Strong Schools Bond is a \$378 million bond authorization measure passed on June 3, 2008 to support growth, modernization and improvement of the facilities and fixtures of the Palo Alto Unified School District.

To ensure the Strong Schools Bond funds are spent in a way that best meets the needs of the District, the individual sites, and the community at large, a variety of strategies are being used. These include Site Facilities Steering Committees comprised of principals, teachers, parents and community members that make recommendations on site specific issues. Community meetings are held during the planning phases of the major projects to ensure that the concerns of neighbors, parents and the community are addressed. Finally, the Board of Education approves all Bond expenditures with an eye toward the needs of the District today and well into the future. The COC exercises oversight regarding expenditures.

The Bond program, now starting its sixth year, is in full swing, with multiple projects completed, as well as in the planning and building phases. Over \$65.6M was expended during 2012-13, and over \$201M in contracts have been either awarded or completed. Both high schools and all three middle schools have substantial projects completed or underway.

Tax Rate Update

In anticipation of the bond issuance in March 2013, in June 2012 the Board approved an increase in the tax rate for the Strong Schools Bond to \$60 per \$100,000 in assessed value (AV). Combined with the remaining payments on the 1995 Building for Excellence bonds, property owners were assessed \$95.30 per \$100,000 AV in fiscal year 2013, with the amount expected to decline each year until reaching \$60 in 2022. The Board's analysis indicated that higher tax rates today would lower the total cost of borrowing by as much as \$1.3 billion over the life of the bond.

Bond Program Highlights - 2012-13

		Budget	Completion
		(millions)	Date
Under Construction in 2012-13 and Completed by August 2013			
Gunn	New math/english building and new world languages	\$25.0	2013
Gunn	New gymnasium	\$12.9	2013
Paly	Athletic stadium field improvements	\$5.1	2013
Jordan	New classroom building and modernization	\$19.9	2013
JLS	New classroom building and modernization	\$17.2	2013
Fairmeadow	New classroom building and modernization	\$7.8	2013
Under Construction to be Completed After August 2013			
Terman	New construction, expansion and modernization	\$13.3	2013
Paly	New classroom and media arts building	\$37.1	2014
Duveneck	New classroom buildings and modernization	\$9.8	2014

Independent Audit Reports

In compliance with Proposition 39, performance and financial audits were conducted for the year ended June 30, 2013. These audits were conducted in accordance with Generally Accepted Government Auditing Standards by the firm of Christy White Accountancy Corporation.

The audit firm rendered an opinion that the District's financial statements present fairly, in all material respects, the financial position of the Strong Schools Bond Building Fund as of June 30, 2013.

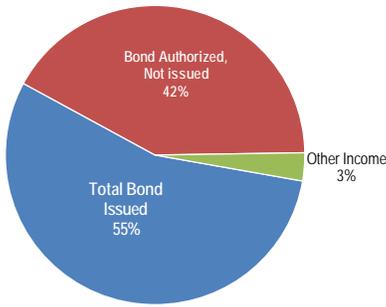
The audit further found that the expenditures tested were in compliance with the terms of the ballot measure and applicable State laws and regulations.

The auditors reported: "We found all expenditures tested to be in compliance with the terms of the Measure A - Strong Schools Bond ballot measure and applicable State laws and regulations, without exception. Also, our analysis indicated that the District is receiving program management services that are reasonable as compared to other school districts, with regard to billing rates, hours charged, and the ratio of consultants to District employees. Furthermore, it appeared that the District's site projects were competitive in price with similar projects size and scope to other school construction bond programs included in our benchmarking."

The auditors identified no significant deficiencies or material weaknesses, related to the financial statements and no findings or recommendations related to the performance audit. Only one minor finding of noncompliance was noted related to retention of trade journal advertising. Ultimately, the audits found that the program was materially in compliance with the terms of Proposition 39 and Strong Schools Bond, which is the highest level of assurance which auditors can provide. To view the complete audit report, visit: <http://pausd.org/community/StrongSchoolsBond/annual.shtml>

Expenditures from July 1, 2008 Through June 30, 2013 (All amounts in \$1,000s)

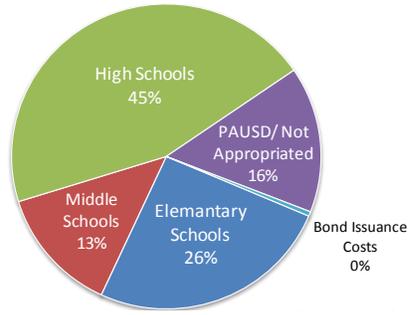
Bond Issued



Bond Issued

Total Bond Issued	214,999
Bond Authorized, Not issued	163,001
Other Income	11,736
Total Funds	389,736

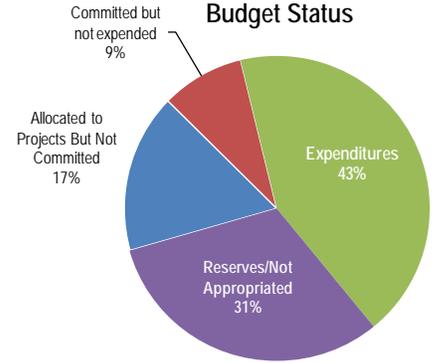
Overall Allocation



Overall Allocation

Elementary Schools	98,678
Middle Schools	51,493
High Schools	177,625
PAUSD/ Not Appropriated	59,771
Bond Issuance Costs	2,169
Total	389,736

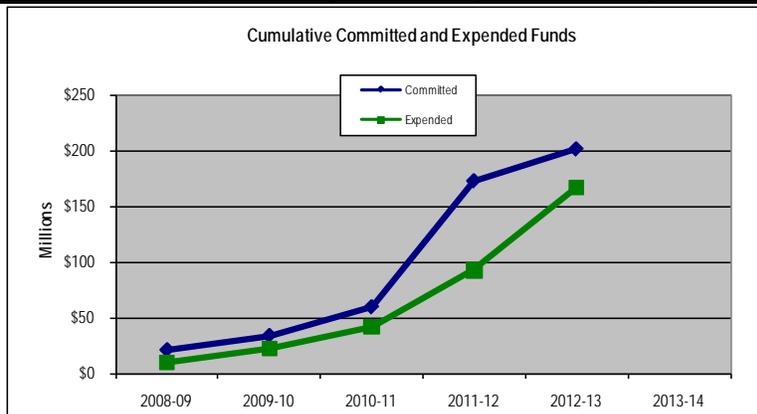
Budget Status



Budget status

Allocated to Projects But Not Committed	65,658
Committed but not expended	34,215
Expenditures	167,025
Reserves/Not Appropriated	122,838
Total	389,736

Projects	Budgeted	Committed	Total Expenditures	12-13 FY Expenditures	08-12 FY Expenditures
Gunn High School	56,737	50,180	44,946	16,553	28,393
Palo Alto High School	76,440	45,614	36,669	16,325	20,344
Jordan Middle School	20,511	19,601	16,317	9,444	6,873
J.L.S. Middle School	17,650	16,862	12,620	9,786	2,834
Terman Middle School	13,332	12,959	11,224	6,076	5,148
Ohlone Elementary	10,598	10,577	10,459	405	10,054
Duveneck Elementary	9,778	9,227	1,280	530	750
Fairmeadow Elementary	7,797	7,478	5,064	2,258	2,806
All Other Elementary	24,420	2,350	2,328	19	2,309
Technology	10,485	9,169	8,965	2,265	6,701
Program Management	8,482	6,553	6,484	1,586	4,897
Subtotal - Projects	256,230	190,571	156,356	65,246	91,110
Reserves					
Gunn High School	19,374	-	-	-	-
Palo Alto High School	25,074	-	-	-	-
Elementary Schools - Reserve	37,585	-	-	-	-
Technology - Reserves	3,422	-	-	-	-
PAUSD - Reserve	6,056	-	-	-	-
PAUSD-Not Appropriated	31,326	-	-	-	-
Subtotal - Reserves/Not Allocated	122,838	0	0	0	0
525 San Antonio -Property Acquisition	8,500	8,500	8,500		8,500
Other - Bond Issuance Costs	2,169	2,169	2,169	328	1,841
Total	389,736	201,240	167,025	65,574	101,451



STRONG SCHOOLS BOND

Strong Schools for a Strong Community

Palo Alto Unified School District
Citizens' Oversight Committee
2012 - 2013 Annual Report

Below is a sampling of the projects within the Strong Schools Bond from inception. Budgeted numbers below may differ from those on page 4 due to Board of Education approved changes subsequent to June 30, 2013. To see a complete list and additional detail on the status, expenditures and schedule of current Strong Schools Bond projects, please visit <http://pausd.org/community/StrongSchoolsBond/>

Strong Schools Bond Projects – Completed Projects

Gunn High School - Aquatic Center

Budget: \$4,865,423 Final Cost: \$4,862,530 Occupancy: June 15, 2009

This project constructed a new 35 meter pool facility to replace the original pool. The pool accommodates swimming, diving and water polo, and includes a new deck, bleachers, lighting and shade structures for events. The project also constructed a new building housing restrooms, outdoor showers, storage and a team room for the aquatics teams. The project was completed within budget and began hosting events in June 2009.



Gunn High School - Industrial Arts Addition and Renovation

Budget: \$5,082,403 Final Cost: \$5,059,668 Occupancy: January 2010

This project renovated and expanded the existing Industrial Arts building at Gunn. The addition includes two new biotechnology labs and support space. The existing building has the same labs as before, but with upgraded electrical and mechanical systems as well as new finishes and casework. The project was completed on-time and within budget and began hosting classes in January 2010.



Gunn High School - Air Conditioning of Existing Buildings

Budget: \$2,600,000 Final Cost: \$2,102,336 Completion: August 8, 2011

This project converted existing heating systems to provide cooling to the L, M, S, IA, and A buildings on the Gunn High School campus. Installation of a 'cool' roof system on these buildings was also included as part of this project. The project was completed on-time and within budget and began cooling classrooms at the start of school in August 2011.



Strong Schools Bond Projects – Completed Projects (Continued)

Palo Alto High School - Multi-Use Field

Budget \$3,616,935 Final Cost: \$3,601,302 Completion: February 2011

This project renovated the existing baseball and softball fields on the southern end of the Paly campus. The new fields include new dugouts, bullpens, batting cages and bleachers for each venue, and improve fencing, scoreboards and drainage around the field. Reconfiguration of the south parking lot was also included in this project. The project was completed on-time and within budget and was ready for the opening of the 2011 baseball and softball seasons.



Elementary Schools - Elementary Classroom Improvements: Smartboard and integrated sound assist listening systems

Budget: \$2,004,889 Final Cost: \$1,879,695 Completion: April 2011

This project funded a technology wall for each elementary school campus. The technology walls include an interactive whiteboard and a sound assisted listening device to enhance student learning. The installation of new Smartboards and integrated sound assist systems for all elementary classrooms was completed in April 2011.



Ohlone Elementary School - New Classroom Building and Modernization

Budget: \$10,597,870 Final Cost: \$10,459,227 Occupancy: January 3, 2012

A new classroom building is being constructed on the Ohlone campus to accommodate anticipated enrollment growth at the elementary schools. The project includes new classrooms, a flex room and a special day classroom in a two story structure adjacent to the existing library. The project also includes modernization of existing classrooms, including improved lighting, ventilation and new technology walls. Construction was completed in December 2011 and occupied in January 2012.



525 San Antonio Avenue – Site Acquisition

Budget: \$8,500,000 Final Cost: \$8,500,000 Acquired: November 8, 2012

This is a 2.6 acre parcel acquired from Summer Hill Homes. It is anticipated that this property will be used with the adjoining Greendell site for Palo Alto Unified School District classroom purposes. At the present time it is being leased to Athena Academy.



Strong Schools Bond Projects – In Progress

Gunn High School - New Classroom Buildings

Budget: \$25,035,200 Occupancy: August 15, 2013

This project consisted of two new classroom buildings on the Gunn campus. A two story classroom wing will house new classrooms, resource rooms and offices for the Math and English departments. The Math department is located on the upper floor, and English on the ground floor. The second building houses new World Languages classrooms and offices adjacent to the L wing complex and the Science building along Arastradero. Construction for the World Languages building was completed in January 2013 and occupied in August 2013, with construction being completed July 2013 and occupied in August 2013 for the Math/English building.



New Math and English Bldg.



New World Languages Bldg..

Gunn High School - New Gymnasium

Budget: \$12,914,800 Occupancy: June 8, 2013

A new gymnasium provides a second venue for school athletics and physical education instruction on the campus. The gym accommodates approximately 1,900 students for basketball or volleyball games, and includes a new ticket booth, restrooms, team rooms and a fitness room for weightlifting and dance programs. In addition to the gym, the project rebuilt the outdoor tennis courts and outdoor basketball courts on the northern edge of the student parking lot. Construction was completed in May 2013 and occupied in June 2013.



Strong Schools Bond Projects – In Progress (Continued)

Palo Alto High School - Tower Building Improvements

Budget: \$1,500,000 Completion: August 1, 2013

This multi-phase project is providing improvements to the Tower Administration building at Paly. The first phase replaced the boilers in the basement of the Haymarket Theater. The second phase included replacing exterior trim, roofing, dry-rot repairs and painting the exterior, which was completed in August 2012. The most recent phase replaced all the exterior windows. Construction was completed in July 2013 and occupied in August 2013. Future phases will provide restrooms and ADA improvements to the building.



New Tower Bldg Windows - Before



New Tower Bldg Window – Large Window Replacement 2012



Boiler Replacement - Before



Boiler Replacement - After



Tower Bldg New Windows - During

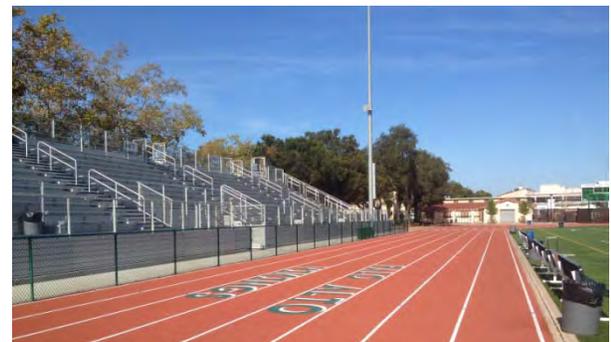


Tower Bldg New Windows - After

Palo Alto High School - Athletic Stadium Improvements

Budget: \$5,090,000 Occupancy: August 15, 2013

This project included a new building to house restrooms, concessions, equipment storage, and ticket sales. Additional site improvements included new picnic areas, track resurfacing, and new bleachers for both the home and visitor's side of the field. The project was completed in August 2013.



Athletic Stadium Improvements

Strong Schools Bond Projects – In Progress (Continued)

Palo Alto High School - New Classroom Building and Media Arts Building

Budget: \$37,140,000 Planned Occupancy: August 2014

This project consists of the addition of two large buildings to the Paly campus. The math and social sciences building will house new classrooms in a two story structure, with Math classrooms, offices and resource areas on the upper floor and similar spaces for social sciences on the ground floor. The Media Arts building will house new classrooms for the English department, as well as several lab spaces for media arts, including video production, photography, editing and journalism. Construction began in August 2011 and is scheduled for occupancy in August 2014.



New Math and Social Sciences Bldg. – At Completion



New Math and Social Sciences Bldg. – August 2013



New Media Arts Bldg. – At Completion



New Media Arts Bldg. – August 2013

Palo Alto High School - New Performing Arts Center

Budget: \$24,395,049 Planned Occupancy: January 2016

The Performing Arts Center at Paly will provide a new, 592 seat building to house performances for the Performing Arts department and assemblies for the campus. The facility includes a single level of seating, with single-row side boxes around the perimeter on two levels. It will have a mechanical orchestra pit, a full fly tower for staging, and a trap room below the stage. The building will also include a classroom specifically designed for the drama program. The project has been under DSA review since December 2012, with construction planned to begin after the new Media Arts building is completed.



New Performing Arts Center - Rendering



New Performing Arts Center - Rendering

Strong Schools Bond Projects – In Progress (Continued)

Jordan Middle School

Budget: \$19,891,564 Occupancy: August 15, 2013

This project consisted of a new classroom wing, a new cafeteria and renovations in several existing classroom wings. The new classroom wing is located in the Middlefield parking lot. The new cafeteria is located on the tennis courts just east of the existing cafeteria. The existing cafeteria building was renovated to accommodate new music classrooms. Jordan's existing music classrooms were renovated to accommodate new art labs and the science wing was renovated to convert three small labs into two larger science labs. Construction was completed in July 2013 and occupied in August 2013.



New Classroom Bldg.



New Cafeteria Bldg.

J. L. Stanford Middle School

Budget: \$17,184,699 Planned Occupancy: August 15, 2013

Improvements at JLS included a new classroom wing and renovations in several existing classrooms. The new classroom wing is a two story building housing ten new classrooms, located on the existing playground area south of the industrial arts wing. Improvements in the existing classrooms included technology walls and sound assist systems, which were completed via separate contract in 2011. Another contract this summer completed improvements to exterior spaces to improve drainage and student use of the outdoor courtyard spaces. Construction was completed in July 2013 and occupied in August 2013.



New Classroom Wing



Landscape and Sitework Improvements

Strong Schools Bond Projects – In Progress (Continued)

Terman Middle School

Budget: \$13,312,971 Planned Occupancy: October 2013

The Administration and Library building at Terman was expanded and renovated to accommodate a new office at the front of the school, two new classrooms and a new library located in an addition on the east side of the building. Improvements also included renovations to the cafeteria, a new drama classroom and all new heating units. The new library and classrooms were occupied in August 2013, while the renovations in the cafeteria are scheduled to be complete in October 2013.



New Library Expansion

Fairmeadow Elementary School - New Classroom Building and Modernization

Budget: \$7,796,550 Occupancy: August 15, 2013

A new classroom building was constructed on the Fairmeadow campus to accommodate anticipated enrollment growth. The project included a new, two story classroom wing adjacent to the Jackson Center that houses eight new classrooms with new restrooms on each level. The project also included an expanded library and relocation of kindergarten classrooms and play areas. Construction was completed in July 2013 and occupied in August 2013.



New 4th and 5th Grade Classroom Bldg.

Strong Schools Bond Projects – In Progress (Continued)

Duveneck Elementary School - New Classroom Building and Modernization

Budget: \$9,778,358 Planned Occupancy: August 2014

The project includes a new, two-story classroom building housing eight classrooms, and two one-story classroom buildings for two kindergarten and three primary grade classrooms. These new buildings will replace the eight portable classrooms and add three additional classrooms to the campus. The project will also include an expanded library and modernization of existing classrooms. Construction began in May 2013 and is scheduled for completion in August 2014.



New 4th and 5th Grade Classroom Bldg. - Rendering



New 4th and 5th Grade Classroom Bldg.- August 2013



New Kindergarten Classroom Bldg. - Rendering



New Kindergarten Classroom Bldg. – August 2013

District-wide — Technology

Budget: \$10,485,054 Completion: On-going

The District purchased computers, utilizing bond funds, throughout the 2012/13 school year. There has been a notable shift from desktops and laptops to handheld devices, primarily at the elementary school level. Implementation of the Voice-over-IP (VoIP) telephone system and a major upgrade to the District's broadband of wireless access points both completed in August 2012. Also, installation of wireless antennas at each school to enhance the District's broadband network is underway and scheduled to be complete by December 2013.