



TO: Board of Education
M. Magdalena Carrillo Mejia, Ph.D., Superintendent

FROM: Bond Oversight Committee Members

SUBJECT: 2007 Annual Report

I. Site Visit Report – 2007

New South Elementary School

New South Elementary is a new K-6 campus of over 50,000 square feet. It is substantially complete and administration staff are moving furnishings in. There appears to be plenty of room for growth and the space functions well.

The design team and construction manager were not pleased with the contractor's work and we were told that the contractor required a lot of "pushing" to complete the project. The contract delivery is Lease Lease-back which requires a GMP from the contractor; however, the contractor is requesting change orders for items being disputed by the District. We were also told that the construction manager has had to respond to over 500 letters from the contractor.

Luther Burbank High School

Luther Burbank High School is a modernization project that includes renovating existing spaces for additional classrooms, ADA and HVAC scope of work. There was a minimum amount of abatement required. A few of the rooftop units were moved that required additional structural support.

The project is still under construction awaiting moisture test results for completion of flooring. There are other items, i.e. doors, base and painting outstanding.

Sacramento High School (St. Hope Charter School)

Sacramento High School is still under construction. Scope of work includes modernization of Administration, Multi-Purpose, Gymnasium, Classrooms and Courtyards. Phase II construction and site work has not begun. There was moisture behind some existing walls that required removal of the exterior framing and finishes. This unforeseen condition raised the cost of the modernization to approximately \$24M. The State is expected to reimburse the District 60% of the cost of the change order.

Albert Einstein Middle School

Albert Einstein is a modernization project that includes Administration, Classrooms, Restrooms and Gymnasiums. The project is currently in progress. We learned that DSA has implemented unscheduled site visits. During one of these visits the inspector observed wall framing in a restroom that no longer met code requirements. Re-framing this wall added approximately \$20,000 to the cost of construction.

Sub-Committee Recommendations

The district and its project manager are doing a tremendous job on these projects. Our recommendation would be that Luther Burbank High School program be reviewed. Items that should be replaced, such as existing sinks, remain and there are some classrooms that do not have any natural ventilation. Overall, the program design does not appear to have been given the attention both Einstein and Sacramento High School were given.

II. Value Assessment Sub-Committee Report - 2007

The Value Assessment Sub-committee would like to commend the activities of district staff with regards to changes made in bond expenditure processes since our last report. The changes made have been significant, and more than meet our requests for both examination and potential change in areas that were noted of concern by the CBOC.

One area of particular concern to the CBOC was the contracting procedure known as "lease-lease back". The original lease-lease back contracts that the District entered into had limited numbers of firms participating and no public bid opening. While this met the letter of the law it also raised concerns as to whether the District was getting the most value for its dollar. Led by Jim Dobson and Bill West, the latest version of the process is nothing short of remarkable. Where previously there was a negotiated project with a small number or even a single team, there is now a much larger pool of candidate partners for the District to work with. Going beyond what was required, District staff put out a request for qualifications that drew in over a dozen respondents. From this list a rather healthy eight qualified bidders were invited to submit proposals. This significant increase in competition should be enough to calm any

developments in technology, but also to ensure that the public has confidence in the wisdom of District policies in expending limited funds.

The last item concerns the project stabilization agreement (PSA). When approved this controversial measure was enacted for two years to allow evaluation of its performance. At the time of the PSA's enactment, the CBOC stated that it did not have sufficient information on which to base a recommendation as to whether the PSA was in the interest of all concerned. Now that one complete building cycle under the PSA has been completed it is appropriate to review its performance.

Both proponents and opponents of the PSA made claims. Those claims which were not possible to verify prior to the enactment of the PSA can now be fairly evaluated. Some of the claims included:

- **How many additional SCUSD students have entered into apprenticeship training due to the PSA?**
- **Did the number of subcontracting bidders increase, decrease, or remain the same after the enactment of the PSA?**
- **Is there a way to gauge whether the quality of the work performed under the PSA was better than it was previously?**
- **Comparing actual costs with estimated costs, did the work on SCUSD projects increase more, less, or about equally to the construction cost increases at K-12 districts that did not adopt a PSA?**

Answering these questions should be a task included in the next performance audit.

In closing, the value assessment sub-committee again wishes to thank SCUSD staff for acknowledging our concerns and improving the processes by which bond dollars are spent.

III. Deferred Maintenance Report – 2007

On September 17, 2007 the SCUSD Bond Oversight sub-committee on Deferred Maintenance met with Maintenance director Luis Freese at the District's Maintenance offices. The discussion focused on Deferred Maintenance (DM) funding and program process.

The DM program is a dollar for dollar state match program which contributes to projects for major repair or replacement of existing school building components such as roofing, plumbing, HVAC and various other building system components. Currently the full budget for DM at SCUSD is just under \$4 million per year. Prior to fiscal year 2006/07 the school districts portion of the matching funds has come from a "one-time" funding source labeled Local Agency Investment Fund (LAIF). Starting this fiscal year, the district has begun funding DM with general fund dollars and in fiscal year 2007/08 the plan is to fund the entire DM program out of the general fund. Past BOC committees have

recommended that the District's State match component be funded via the bond. If the bond were to fund the DM state match, it would leave more funding in the general maintenance fund. If the funding source remained the same, more funding would remain in the bond program. The fact that the DM program is fully funded, regardless of the source, is a positive fact. As stated above, the DM program is for major repairs necessary for building integrity and safety that potentially may go un-funded if not for the additional state funds.

The DM program is requirer

California Middle School	Exterior Beam Replacement and AC Paving Design	\$89,886
Kennedy High School	HVAC Upgrades	\$424,862