

**PLACENTIA-YORBA LINDA UNIFIED
SCHOOL DISTRICT**


MEASURE Y

PERFORMANCE AUDIT

PERIOD ENDED JUNE 30, 2004



**TOTAL SCHOOL SOLUTIONS
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FAIRFIELD, CA 94534**

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Placentia-Yorba Linda Unified School District

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June 30, 2004

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INTRODUCTION

On October 9, 2001, the Placentia-Yorba Linda Unified School District submitted for voter approval a bond measure to authorize the sale of \$102 million in bonds to improve school facilities. Because the bond required only 55 percent of the vote in accordance with Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond 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 is a performance audit, which measures the effectiveness, economy and efficiency of a bond facilities program. The report contained herein represents the second annual performance audit of the Placentia-Yorba Linda Unified School District's Proposition 39 facilities program. This report covers the facilities program and activities from July 1, 2003, through June 30, 2004.

The District engaged the firm Total School Solutions (TSS) to conduct the annual independent performance audits for facilities and report its findings to the Board of Education and to the Independent Citizens' Bond Oversight Committee. In the first annual performance audit for the 2002-03 school year, TSS made nine (9) findings, eighteen (18) commendations and seventeen (17) recommendations. The second annual performance audit follows up on the findings from the first annual report and reviews progress through a broader sampling for the 2003-04 school year.

TSS has undertaken the second annual performance audit in accordance with the applicable laws, rules and regulations. Besides ensuring that the District uses bond funds in conformance with the provisions listed in the Measure Y ballot, 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 regarding facilities and procurement; compliance with funding formulas; and the effectiveness of the public outreach program and communication channels among the stakeholders.

In accordance with the state constitution, the District intends to have a performance audit completed annually until all Measure Y funds have been expended. These reports are designed to meet the requirement of Article XIII of the California State Constitution and to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure Y.

EXECUTIVE SUMMARY

The performance audit, conducted during the period of May 2004 through September 2004, includes an examination of the following components:

- Design and construction schedules and cost budgets
- Change order and claims procedures and results
- Current programmatic goals to ensure compliance with state law, guidelines, and funding formulas and District guidelines for bidding and procurement
- Effectiveness of the public outreach program
- Effectiveness of communication channels among all stakeholders within the bond program
- Compliance with program provisions, restrictions in the bond initiative, and legal requirements such as prevailing wages.

Total School Solutions (TSS) reviewed a total of twenty-six (26) projects in the course of this examination, drawing a sample of nine (9) modernization projects and two (2) growth projects for the audit. All of the sampled projects were funded through Measure Y.

Through the examination of numerous documents, interviews with personnel involved in this process and an evaluation of related documentation, assessments were made and conclusions were reached, which are summarized in this report.

All work performed was in accordance with existing laws and regulations. Data produced by District staff and representations made by the District administration were used, where appropriate, to perform this audit work and to formalize conclusions. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

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 and with the American Institute of Certified Public Accountants' guidelines for performance audits. 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 AUDITOR'S REPORT

**Board of Education
Placentia-Yorba Linda Unified School District
Placentia, CA 93870**

We have conducted a performance audit of the Measure Y funded bond program of the Placentia-Yorba Linda Unified School District (the "District") as of and for the year ended June 30, 2004. The audit's scope is indicated by the table of contents. 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 audit work.

Except as discussed in the following paragraphs, we conducted our examination in accordance with performance auditing standards generally accepted in the United States of America and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform our work to obtain reasonable assurances about the matters included in the scope of our work. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures. An audit also includes assessing the management principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Measure Y funds are being expensed in accordance with Resolution No. 10, inclusive of Exhibit A-1, passed by the Board of Education on October 9, 2001. It is also our opinion, for the period ending June 30, 2004, the expenditures of the funds raised through Measure Y bonds were only for the projects listed in Exhibit A-1 (which was attached to Resolution No. 10 establishing the scope of work to be completed with Measure Y funds). We have also determined that the representations made to the public regarding the availability of state funds for new construction and modernization projects were true and reasonable. Furthermore, we have determined that management's estimates were reasonable and complied with the commonly accepted best practices in modernization and new construction of school facilities.¹

This performance audit was conducted in accordance with the existing standards for performance audits of school facilities programs. The District, however, is required to request and obtain an independent financial audit of Measure Y bond funds. The financial auditor is responsible for evaluating conformance with generally accepted auditing 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 Placentia-Yorba Linda Unified School District, which have taken responsibility in regard to the sufficiency of the scope of work deemed appropriate for this audit.

Total School Solutions

October 15, 2004

¹ Refer to Compliance with State Funding Formulas Section of the report.

DISTRICT FACILITIES PROGRAM

While the scope of the performance audit is limited to Measure Y, it is useful to review the District's entire facilities program and other sources of funds to place Measure Y into its proper context. In addition to Measure Y funds, the District receives funds from the state, local developer fees, a local community facilities district (Mello-Roos), certificates of participation and various redevelopment agencies (RDAs). (The District recently entered into an RDA with the city of Yorba Linda, which should provide significant local funding for schools in the future, estimated at approximately \$240 million over 30 years.)

The District projects the following total revenues from all sources to carry out its facilities program (Board Study Session of May 25, 2004):

Fund	Description	Dollar (Millions)
12	Child Care	\$ 0.3
14	Deferred Maintenance	4.0
21	Measure Y General Obligation Bonds	101.6
25	Developer Fees	27.6
39	State School Building Program	129.7
40	RDA Revenue ¹	189.5
91	CFD#1 Bonds	4.3
	Other (Certificates of Participation, Interest)	27.4
	Total	\$484.4

¹ RDA revenue includes current and projected RDA revenues, including a future certificate of participation. These estimates were prepared prior to the District's settlement with the Yorba Linda Redevelopment Agency.

Over the past two years, the District received \$58.4 million in revenue from the state and \$11.4 million from other local sources in addition to the sale of \$75 million of Measure Y bonds. As of June 30, 2004, the District's combined facilities funds have an ending balance of \$90.7 million.

The tables below present the financial status of the District's facilities program for the past two (2) years, as documented in the fiscal year 2002-03 audit report and the fiscal year 2003-04 unaudited actuals report.

Revenues and Expenditures for Facilities Program, FY 2002/03 – FY 2003-04

	Fiscal Year Ending June 30, 2003	Fiscal Year Ending June 30, 2004
Measure Y Building Fund¹		
Beginning Balance	\$44,622,427	\$26,669,243
Revenues	601,930	320,405
Expenditures	6,354,133	16,142,857
Transfers (Net)	(12,200,981)	21,518,022
Net Change	(17,953,184)	5,695,570
Ending Balance	\$26,669,243	\$32,364,813
Other Capital Outlay Funds²		
Beginning Balance	\$4,461,324	\$23,538,386
Revenues	2,786,828	67,023,593
Expenditures	8,566,167	43,177,228
Transfers (Net)	24,856,401	10,982,088
Net Change	19,077,062	34,828,453
Ending Balance	\$23,538,386	\$58,366,839
Measure Y & Other Capital Outlay Funds		
Beginning Balance	\$49,083,751	\$50,207,629
Revenues	3,388,758	67,343,998
Expenditures	14,920,300	59,320,085
Transfers (Net)	12,655,420	32,500,110
Net Change	1,123,878	40,524,023
Ending Balance	\$50,207,629	\$90,731,652
Outstanding Debt		
Measure Y Bonds	44,997,800	73,172,544
CFD#1 Bonds	5,505,000	5,505,000
COP	5,550,000	5,400,000
Total Debt	56,052,800	84,077,544

¹ Measure Y bonds issued against the \$102 million authorized include the following:

Series A: June 2003	\$44,997,800
Series B: June 2004	<u>29,999,744</u>
Total bonds issued	\$74,997,544

² Other capital outlay funds include the Capital Facilities Fund (developer fees), the Capital School Facilities Fund (state monies), the Special Reserves Capital Outlay Fund (special board-approved projects), CFD#1 bonds and a certificate of participation. See the "Other Capital Outlay Funds" table for detail.

**OTHER CAPITAL OUTLAY FUNDS
FISCAL YEAR 2002-03 (AUDITED) AND FISCAL YEAR 2003-04 (UNAUDITED ACTUALS)**

Fiscal Year Ending June 30, 2003	Capital Facilities Fund¹	Capital School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificate of Participation⁵	Totals
Beginning Balance	\$1,225,831	\$ 965,220	\$2,270,273	\$ 0	\$ 0	\$ 4,461,324
Revenues	2,631,453	44,471	86,480	24,424	0	2,786,828
Expenditures	2,125,577	1,939,259	4,230,456	202,239	68,636	8,566,167
Transfers (Net)	133,780	8,159,144	5,689,343	5,396,708	5,477,426	24,856,401
Net Change	639,656	6,264,356	1,545,367	5,218,893	5,408,790	19,077,062
Ending Balance	\$1,865,487	\$7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$23,538,386

Fiscal Year Ending June 30, 2004	Capital Facilities Fund¹	Capital School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificate of Participation⁵	Totals
Beginning Balance	\$1,865,487	\$ 7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$23,538,386
Revenues	7,188,697	58,312,647	108,773	351,971	1,061,505	67,023,593
Expenditures	1,475,066	36,123,425	1,980,645	2,535,712	1,062,380	43,177,228
Transfers (Net)	(6,557,605)	15,032,327	6,299,207	0	(3,791,841)	10,982,088
Net Change	(843,974)	37,221,549	4,427,335	(2,183,741)	(3,792,716)	34,828,453
Ending Balance	\$1,021,513	\$44,451,125	\$8,242,975	\$3,035,152	\$1,616,074	\$58,366,839

¹ The Capital Facilities Fund is used for developer fees. Level 1 fees were in effect through June 30, 2004. As of July 11, 2004, Level 1 fees will be \$2.24/square foot for residential and \$0.36/square foot for commercial/industrial. As of August 25, 2004, Level 2 fees of \$3.56/square foot will be imposed on new residential houses in lieu of Level 1 fees. Based on a recent study, the Placentia-Yorba Linda Unified School District has 1,714 future housing units to be built, which have at least tentative map approval.

² The Capital School Facilities Fund is used for State Allocation Board (SAB) funds received for modernization, site acquisition and new construction projects for which the District is eligible.

³ The Special Reserve Fund is used to account for funds set aside for board-designated construction projects.

⁴ A District-wide Community Facilities District No. 1 (CFD#1) was approved by the voters on November 12, 2002. A \$5,505,000 bond was issued in December 2002 to fund site acquisition and building construction projects. The bonds will be repaid over thirty (30) years.

⁵ The District issued Certificate of Participation, Series B for \$5,550,000 in May 2003 to be used for various capital project needs. The certificate of participation will be repaid over twenty-five (25) years. (A certificate of participation is a loan, not a source of funds, repaid over time from other District revenues, usually developer fees.)

Commendations

- The District is commended for resolving its litigation with the Yorba Linda Redevelopment Agency, resulting in an estimated \$240 million of revenue over the next 30 years. These funds will provide significant benefits to school facilities projects within the city of Yorba Linda.
- The District is commended for imposing Level 2 developer fees of \$3.56 per square foot on new residential housing units, a 59 percent increase over Level 1 fees, which are currently \$2.24 per square foot.
- The District is commended for aggressively pursuing all sources of revenues to enhance the District's ability to meet its facilities needs.

COMPLIANCE WITH BALLOT LANGUAGE

Processes Utilized

In this examination, Total School Solutions (TSS) reviewed files and conducted interviews with various staff members. TSS also referenced files from various outside agencies to obtain information from independent sources.

Sample

TSS reviewed all current District projects and selected nine (9) school modernization projects from the thirty-one (31) existing campuses. Two (2) of the four (4) proposed new schools were also included in the audit sample. TSS also examined several projects with expenses charged to the Measure Y Bond Program, including the contracts with Bernards Brothers, Turner Construction Company and 3D/I.

Background

The Board of Education of the Placentia-Yorba Linda Unified School District unanimously approved placing a \$102 million bond measure (Measure Y) on the ballot with the adoption of Resolution No. 10 on October 9, 2001. The bond measure was placed on the ballot for voter approval on March 5, 2002. Article XIII of the California State Constitution, amended through Proposition 39, states "that every district that passes a 'Proposition 39' bond measure must obtain an annual independent performance audit."

In accordance with this article of the state constitution, Section 6 of Resolution 10 states that the board shall "conduct an annual independent performance audit to ensure that the funds have been expended only on the projects listed in Appendix A."

Furthermore, Exhibit A, attached to Resolution No. 10, notes the following:

The District has been approved for 57 million dollars from state bond funds to repair and modernize schools within the Placentia-Yorba Linda Unified School District. Additionally, the District is eligible for 69.5 million dollars for the construction of new schools.

Exhibit A-1, Bond Project List, attached to Resolution No. 10, establishes the scope of work to be completed with Measure Y bond funds and state school facilities funds. That exhibit provides a comprehensive list of improvements to be completed at the thirty-one (31) existing schools, with an understanding that the District would not be able to implement all the changes at every school. Exhibit A-1 also specifies that four new schools would be built: two (2) elementary schools, one (1) middle school and one (1) comprehensive high school.

District voters approved Measure Y with a 65.70 percent vote on March 5, 2002. A 55 percent vote was required for the passage of this measure.

The passage of Measure Y, the scope defined by Resolution No. 10 and exhibits A and A-1 provide the range of projects subject to this performance audit, as authorized by the state constitution.

Commendations

- The District is commended for its leadership in obtaining local revenues necessary to acquire all eligible state matching funds. The \$102 million from Measure Y bonds should be sufficient to obtain over \$130 million of state bond funds for modernization, site acquisition and new construction, school facility improvements and expansion. These two revenue sources provide the District with approximately \$232 million for its facility program.
- The District is commended for structuring a bond program management team consisting of District staff and outside professionals to ensure that the facilities program is implemented in a timely and cost-effective manner.
- The District is commended for structuring "multiple-prime" projects under the control of a construction management firm as a means to reduce construction costs.
- The District staff is commended for structuring and maintaining comprehensive project files that are easy to reference. The District's recordkeeping and file management are considered to be above average.
- The District is commended for its timely filing of twenty-three (23) modernization applications to obtain state matching funds. The State Allocation Board (SAB) has approved these twenty-three (23) modernization applications for specific projects (SAB 50-04), with state funds totaling \$53.4 million. It should further be noted that considerable work and coordination of efforts were required to accomplish this task.
- The District is commended for its accuracy in estimating its state match for its modernization program. State modernization funds for the twenty-three (23) apportioned projects and the three (3) additional eligible projects total \$58.1 million, which is consistent with the statement in Exhibit A of Resolution No. 10 that "the District has been approved for 57 million dollars from state bond funds to repair and modernize schools."

- The District is commended for establishing new construction eligibility of 4,963 students under the state school facilities program, with the potential of receiving over \$80 million in state bond funds (50 percent match). This eligibility corresponds with the statement in Exhibit A of Resolution No. 10 that "the District is eligible for 69.5 million dollars for the construction of new schools." In fact, the District's significantly eligibility exceeds the amount specified in Exhibit A.
- The District is in full compliance with all provisions in Resolution No. 10, which authorized the \$102 million Measure Y bond issue.

The District should view TSS's observations below as a status or progress report. At this time, these observations are neither commendations nor findings.

Observations

- The District has filed three (3) eligibility modernization applications (SAB 50-03) that have not yet reached the specific application stage (SAB 50-04). The District could potentially receive \$4.7 million in state funds for these three (3) projects.
- The District has yet to file modernization applications for five (5) existing campuses. The absence of modernization applications could be due to current ineligibility or to other unknown reasons.
- The District has acquired the McFadden Park site for the proposed Melrose Elementary School at a cost of \$3,500,000 (plus associated costs). The new school is under construction, with a scheduled completion date of January 29, 2005.
- The District is preparing an Environmental Impact Review (EIR), including environmental and related technical studies, to obtain the California Department of Education's (CDE) clearance and approval of the land acquired from the North Orange County Community College District (NOCCCD). This land is part of the proposed site for the new Yorba Linda High School. The District has completed the acquisition of the 15.555 acres and a 39,384 square foot building for \$15,000,000 (plus associated costs).

STATE MODERNIZATION STATUS
31 EXISTING CAMPUSES INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10

NO. EXISTING CAMPUS	SAB# ¹	SAB APPROVAL DATE	STATE GRANT AMOUNT ²
1. Adult Education			
2. Bernardo Yorba Middle ³	014	12/18/2002	\$2,952,476
3. Brookhaven Elementary	023	12/18/2002	1,207,631
4. Bryant Ranch Elementary			
5. El Camino Real High (Cont.)	000	9/27/2000	
6. El Dorado High	013	12/18/2002	6,362,659
7. Esperanza High ⁴	001/019	12/18/2002	9,625,288
8. Fairmont Elementary ³	010	12/18/2002	2,236,365
9. George Key TMR	002	7/5/2000	638,244
10. Glenknoll Elementary	022	12/12/2002	1,486,912
11. Glenview Elementary	020	12/18/2002	1,616,209
12. Golden Elementary ³	006	12/18/2002	1,075,825
13. Kraemer Middle ⁴	012	12/18/2002	2,567,599
14. La Entrada High			
15. Linda Vista Elementary	021	12/18/2002	1,258,525
16. Mabel Paine Elementary	003	7/5/2002	1,017,763
17. Morse Avenue Elementary	015	12/18/2002	1,339,514
18. Parkview School			
19. Rio Vista Elementary ⁴	011	12/18/2002	2,843,894
20. Rose Drive Elementary ³	007	12/18/2002	1,174,070
21. Ruby Drive Elementary ³	009	12/18/2002	1,301,062
22. Sierra Vista Elementary	017	12/18/2002	1,404,162
23. Topaz Elementary	024	12/18/2002	2,015,108
24. Travis Ranch Middle			
25. Tuffree Middle	004	7/5/2000	1,556,636
26. Tynes Elementary	000	2/26/2003	
27. Valencia High ⁴	008	12/18/2002	5,492,022
28. Van Buren Elementary	016	12/18/2002	1,294,975
29. Wagner Elementary	018	12/18/2002	1,271,376
30. Woodsboro Elementary	000	2/26/2003	
31. Yorba Linda Middle	005	7/5/2000	1,645,328
Total State Grant Amount			\$53,383,643

¹ A "000" indicates that the District has filed form SAB 50-03, establishing eligibility. A project number is not assigned until the District files form SAB 50-04, which requires DSA-stamped plans and CDE approval. A blank indicates that either the status is unknown or that eligibility has not been established. The most likely cause for lack of eligibility is a school's age. Permanent buildings and portables must be 25 years and 20 years, respectively, to qualify for modernization.

² For project applications (SAB 50-04) filed before April 29, 2002, the state grant is 80 percent of the total state modernization budget. Thereafter, the state grant amount would be 60 percent. The District must provide its share of the project budget from local sources.

³ Projects sampled under the performance audit for the period ended June 30, 2003.

⁴ Additional projects sampled under the performance audit for the period ended June 30, 2004.

STATE SITE ACQUISITION/NEW CONSTRUCTION STATUS
FOUR PROPOSED NEW SCHOOLS
INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10

The District completed the required documentation and filed forms SAB 50-01, 50-02 and 50-03 with the Office of Public School Construction (OPSC) on February 8, 1999, to establish new construction eligibility. The State Allocation Board (SAB) certified the eligibility on July 28, 1999. The District filed updated forms SAB 50-01, 50-02 and 50-03 on February 25, 2004, based on CBEDS data for 2000-01 through 2003-04 and 1,714 new dwelling units. (The District properly compiled and certified the 1,714 dwelling units used to augment enrollment projections [SAB 50-01] in compliance with SAB regulations.) The updated forms show an increase in eligibility from 4,828 students to 4,963.

The chart below reflects the changes in certified eligibility between the initial certification on July 28, 1999, and the District-adjusted eligibility on February 25, 2004.

Grades	SAB Certified Eligibility July 28, 1999	District Adjusted Eligibility February 25, 2004
K-6	1,567	1,704
7-8	599	487
9-12	2,623	2,766
Special Education	39	(35)
Total	4,828	4,963

The certified SAB eligibility and the adjusted eligibility are both sufficient to provide state funding for the construction of four new schools, as proposed in Exhibit A-1 of Resolution No. 10.¹

The chart below reflects how the District plans to configure its eligibility into new District schools.

GRADE LEVELS	ESTIMATED ENROLLMENT	ESTIMATED SITE COSTS	ESTIMATED BUILDING COSTS	ESTIMATED TOTAL COSTS ²
Melrose Elementary ³	875	\$ 3,511,483	\$ 20,113,856	\$ 23,625,339
Lakeview Elementary ⁴	725	8,400,000	15,000,000	23,400,000
Southwest Middle ⁵	900	7,000,000	30,000,000	37,000,000
Yorba Linda High ⁶	1,500	15,004,700	84,425,942	99,430,642
Totals	4,000	\$33,916,183	\$149,539,798	\$183,455,981

Notes

¹ In addition to the four (4) new schools to be funded from Measure Y, a new Eastside Elementary School is planned for construction.

² These cost estimates will be adjusted as architects and District staff process projects through the site acquisition, planning and construction stages.

Notes (continued)

- ³ The State Allocation Board (SAB) approved an application for Melrose Elementary School (SAB 50-04) on May 26, 2005, which includes \$1,823,538 for site acquisition and \$7,833,304 for construction (\$9,656,842 total). The SAB approved the funding application (SAB 50-05) on June 11, 2004, and state funds were released to the District on June 21, 2004. The project consists of thirty-five (35) classrooms with a state capacity of 875 (25 per classroom).
- ⁴ The District acquired a nine-acre site in the Vista Del Verde Planned Community in Yorba Linda on February 26, 2004, for \$8,400,000. The District awarded a construction contract to Woodcliff Corporation for \$13,626,000 on July 14, 2004. The city of Yorba Linda is to reimburse the District \$256,000 for site improvement costs (parking and circulation) on the school site and adjoining park site. Lakeview Elementary School is scheduled to open in 2005.
- ⁵ The 10.5 acre site for the proposed Southwest Middle School planned for acquisition by the District is located at La Jolla and Melrose, adjacent to the McFadden Park site (Melrose Elementary). The site consists of two (2) parcels: an 8.8 acre parcel and a 1.7 acre parcel acquired from the Orange County Flood Control District (OCFCD). Several structures are on the site. The District will relocate one tenant at a cost of \$135,584. The other tenant is leasing 60,000 square feet of space from the District for \$29,000 per month. On July 13, 2004, the board selected WLC Architects, Inc. to design the proposed Southwest Middle School. The District must obtain approvals from the California Department of Education (CDE) and the Department of Toxic Substances Control (DTSC). Board action on August 24, 2004, initiated an Environmental Impact Review (EIR), environmental and geotechnical studies for the site.
- ⁶ The District will build the Yorba Linda High School project with a combination of state and local funds. Local funds will be provided by funds from the Yorba Linda Redevelopment Agency and supplemented, as necessary, with Measure Y funds and CFD#1 funds.

* * *

Assuming that the state match remains at the 50 percent level and that all of the above estimated costs would qualify for state matching funds, the state could provide over \$80 million to the District.

DESIGN AND CONSTRUCTION COSTS AND SCHEDULES

MODERNIZATION

In the 2002-03 report, Total School Solution (TSS) selected and examined five (5) school modernization and/or renovation projects from the thirty one (31) existing campuses. Those five (5) projects were among the first to undergo modernization. Their total project cost summaries are listed below.

School	District Funding ¹	State Funding ¹	Total Funding ¹
Bernardo Yorba Middle School	\$1,541,052	\$2,952,476	\$ 4,493,528
Fairmont Elementary School	2,021,957	2,236,365	4,258,322
Golden Elementary School	1,272,464	1,075,825	2,348,289
Rose Drive Elementary School	1,709,890	1,174,070	2,883,960
Ruby Drive Elementary School	1,386,073	1,301,062	2,687,135
Total Cost	\$7,931,436	\$8,739,798	\$16,671,234
(as Percentage)	(48%)	(52%)	(100%)

¹ The funding amounts shown are for the modernization projects only, and may not include amounts for companion project budgets created separately, such as Interim Housing, Tech labs, Kindergarten Building and electrical upgrades.

The total funding of \$16,671,234 for these five (5) projects as of June 30, 2004, is \$949,989 (6.0 percent) higher than the budget of \$15,721,245, as of June 30, 2003. This increase in project costs, attributable mostly to change orders and higher professional fees, is considered to be under typical increases experienced in modernization projects (7.0 – 8.0 percent).

District funding is primarily from the Measure Y bond program, with supplemental funds coming from other District resources. The state funding is based on the state's providing an "80 percent match" for eligible classrooms and enrollment. (Many districts only receive a "60 percent match." However, the Placentia-Yorba Linda Unified School District successfully filed many modernization applications, the SAB 50-04, prior to April 29, 2002, the deadline for securing the 80:20 ratio.)

The construction schedules and actual dates for these five (5) modernization projects are listed below.

School	Schedule		Actual	
	Start	Complete	Start	Complete
Bernardo Yorba Middle School	6/16/03	8/27/04	6/16/03	In Process
Fairmont Elementary School	6/16/03	8/27/04	6/16/03	In Process
Golden Elementary School	6/16/03	8/24/03	6/1/03	7/3/03
Rose Drive Elementary School	6/16/03	8/25/03	6/1/03	12/31/03
Ruby Drive Elementary School	6/16/03	8/24/03	6/16/03	9/2/03

Fairmont Elementary and Bernardo Yorba Middle schools are under construction utilizing the "multiple-prime" contract approach, with Bernards Brothers providing construction management services. Bernards Brothers is reported to be on schedule for these two (2) "multiple-prime" schools. (Fairmont Elementary and Bernardo Yorba Middle are still under construction as of June 30, 2004.)

Golden, Rose Drive and Ruby Drive elementary schools utilized a "general contractor" approach, with Turner Construction Company providing construction management services. Turner Construction met the schedules for all three (3) schools.

For the current 2003-04 audit, four (4) additional school modernization projects were selected for examination. Their total project costs follow:

School	District Funding	State Funding	Total Funding
Esperanza High	\$4,137,597	\$ 9,625,288	\$13,762,885
Kraemer Middle	1,793,643	2,567,599	4,361,242
Rio Vista Elementary	25,898	2,843,894	2,869,792
Valencia High	2,010,251	5,492,022	7,502,273
Total Cost	\$7,967,389	\$20,528,803	\$28,496,192
(as Percentage)	(28%)	(72%)	(100%)

The schedules for the above four (4) modernization projects are listed below.

School	Schedule	
	Start	Complete
Esperanza High	6/26/03	12/8/04
Kraemer Middle	6/14/04	8/12/04
Rio Vista Elementary	6/14/04	8/12/04
Valencia High	11/10/03	9/15/04

NEW CONSTRUCTION

In the 2002-03 audit report, TSS selected for examination two (2) of the four (4) proposed new schools to be funded out of Measure Y bond funds. Those schools are Melrose Elementary School (the McFadden Park site) and Yorba Linda High School (the North Orange County Community College District site). The examination of the Melrose Elementary School project includes site acquisition, planning, bidding and construction phases. The examination of the Yorba Linda High School project includes pre-acquisition planning, the site acquisition process and funding sources, including Measure Y, the Yorba Linda Redevelopment Agency (RDA) and state matching funds.

The complete project budgets for both schools are listed below.

Melrose Elementary School	District Funding	State Funding	Total Funding ¹
Site Acquisition	\$ 2,084,519	\$1,823,538	\$ 3,908,057
Planning/Construction	8,623,548	7,833,304	16,456,852
Total Cost	\$10,708,067	\$9,656,842	\$20,364,909
(as Percentage)	(53%)	(47%)	(100%)

¹The total does not include \$610,183 for a gymnasium.

Yorba Linda High School	District Funding (Estimated)	State Funding (Estimated)	Total Funding (Estimated)
Site Acquisition (NOCCCD only)	\$ 7,502,350	\$ 7,502,350	\$15,004,700
Site Acquisition (S & S only)	20,000,000	20,000,000	40,000,000
Planning/Construction	22,212,971	22,212,971	44,425,942
Total Cost	\$49,715,321	\$49,715,321	\$99,430,642
(as Percentage)	(50%)	(50%)	(100%)

The construction schedules for Melrose Elementary School and Yorba Linda High School are listed below.

School	Schedule	
	Start	Complete
Melrose Elementary	9/15/03	1/29/05
Yorba Linda High	6/1/05	9/1/07

Commendation

- The District is commended for developing and adhering to design and construction cost budgets and schedules.

Finding

- A detailed, updated planning and construction budget has not been prepared for Yorba Linda High School. Currently, there is a \$20 million discrepancy between the District's and the architect's cost estimates. The projected sources of funds have not been adjusted to accurately reflect state and local funding sources.

Recommendation

- It is recommended that the total District funding be compared to available Measure Y bond funds and other available District resources to ensure that adequate funding is available to complete all planned projects. This comparison should be performed only after all project budgets are updated, including changes to projected District and state funds.

District Response

- The District will continually update and compare the total District funding to available Measure Y bond funds and other available District resources to ensure that adequate funding is available to complete all planned projects.

COMPLIANCE WITH STATE FUNDING FORMULAS

Process Utilized

Total School Solutions (TSS) selected for examination nine (9) school modernization projects from the thirty-one (31) existing campuses that would undergo modernization and/or renovation as part of the bond program. These projects were selected, in part, because they were among the first campuses to undergo modernization.

Background

The nine (9) modernization projects examined and their state facilities program funding summaries follow:

School	OPSC/ SAB#	State Funding (80%)	District Match (20%)	Total State Program
Bernardo Yorba Middle School	014	\$ 2,952,476	\$ 1,541,052	\$ 4,493,528
Esperanza High School	001/019	9,625,288	4,137,597	13,762,885
Fairmont Elementary School	010	2,236,365	2,021,975	4,258,340
Golden Elementary School	006	1,075,825	1,272,464	2,348,289
Kraemer Middle School	012	2,567,599	1,793,463	4,361,062
Rio Vista Elementary School	011	2,843,894	25,898	2,869,792
Rose Drive Elementary School	007	1,174,070	1,709,890	2,883,960
Ruby Drive Elementary School	009	1,301,062	1,386,073	2,687,135
Valencia High School	008	5,492,022	2,010,251	7,502,273
Total Cost		\$29,268,601	\$15,898,825	\$42,297,426
(As Percentage)		(65%)	(35%)	(100%)

Two (2) of the four (4) proposed new schools to be funded out of Measure Y were selected for examination: Melrose Elementary School (the McFadden Park site) and Yorba Linda High School. The examination includes a review of the site acquisition and new construction phases.

To perform the compliance audit, TSS reviewed files from agencies involved in various aspects of the state facilities program funding process, including the following:

- Placentia-Yorba Linda Unified School District (PYLUSD)
- Office of Public School Construction (OPSC)
- State Allocation Board (SAB)
- Department of Toxic Substances Control (DTSC)
- California Department of Education (CDE)
- Division of State Architect (DSA)
- State Clearinghouse (SCH)

In subsequent annual performance audits, TSS may eliminate some projects previously reviewed and may select additional projects for examination as they develop through the planning and construction stages.

Commendations

- The District is commended for maximizing all potential revenues by applying for state school facilities funding (new construction and modernization) and obtaining local matching funds through the imposition of developer fees, the passage of Measure Y and the settlement with the Yorba Linda Redevelopment Agency.
- The District is commended for the timely filing of state modernization applications (SAB 50-04 forms) to obtain 80 percent state funding on many projects prior to the filing deadline of April 29, 2002. (Projects filed after that date would have received 60 percent state funding. The state dollar match would have remained the same, but the District match requirement would have been increased from 20 percent to 40 percent.)

Finding

There are no findings in this section of the report.

Recommendation

- The District should file adjusted construction eligibility forms (SAB 50-01, 50-02 and 50-03) after CBEDS data are available and prior to the project application filing (SAB 50-04, which requires DSA-stamped plans and CDE final plan approval) to ensure timely SAB approval and funding.

DESIGN AND CONSTRUCTION BUDGETS

Process Utilized

In this examination, Total School Solutions (TSS) reviewed files and conducted interviews with various staff members. TSS also referenced files from various outside agencies to obtain information from independent sources.

Background

TSS has verified that the Board of Education has approved the budgets, including design and construction costs, for projects in the audit sample. Planned projects, their budgets and schedules are approved by, and appear on reports to, the Board of Education. Based on a review of documents, projects in the sample appear to be proceeding in a manner consistent with their respective authorized budgets.

Only three (3) projects from the sample have dates of completion before June 30, 2004. Eight (8) of the eleven (11) sample projects are scheduled to be completed by June 30, 2005. For this performance audit, it is too early to draw conclusions about total project costs and their relationship to the approved budgets. It is expected that by the next annual facilities audit period, sufficient data will have accumulated to provide a more comprehensive indication of total project costs for many of the projects.

Commendation

- District staff is commended for developing a tracking system that should provide a clear overview of facilities program budgets and resulting expenditures if applied consistently.

Finding

There are no findings in this section.

Recommendation

- District staff and consultants should continue to ensure that all project expenditures are included in expenditure summaries to accurately reflect total project costs and their consistency with approved budgets. The District should institute a process to review project variances based on the progress billing.

District Response

- The District staff has instituted required expenditure summaries for each progress billing.

PROGRAM/CONSTRUCTION MANAGEMENT COSTS

The table below outlines the totals for each of the three (3) construction management firms under contract with the District and their respective costs for construction services and project management/construction management (PM/CM) services as of June 30, 2004. The data are summarized as follows:

<u>PM/CM Firm</u>	<u>Construction (Total Cost)</u>	<u>PM/CM (Total Fees)</u>	<u>PM/CM Percent of Construction Costs</u>
3D/I	\$32,662,194	3,798,000	11.6
Bernards Brothers ¹	24,041,064	4,454,650	18.5
Turner Construction Co. ²	23,753,288	\$5,681,890	23.9
Totals	\$80,456,546	\$13,934,540	17.3

¹ Includes a number of multi-prime construction projects, which require project/construction management services beyond the traditional general contractor approach.

² Includes design management services in addition to construction management.

Subsequent pages of this section provide backup itemization of construction costs for each PM/CM firm's projects, followed by details on projects within this audit's sampling.

Observation

- While the entire scope of services provided by the PM/CM firms goes beyond normal PM/CM services, it appears that the PM/CM fees experienced are higher than those normally experienced in the industry. In general, PM/CM fees usually do not exceed ten (10) percent of the cost of construction.

Recommendations

- It is recommended that the District's PM/CM fee structure be analyzed to determine whether a more cost-effective approach might be utilized on future projects.
- It is recommended that the "multiple-prime" construction projects be analyzed upon completion to determine if these projects have realized any savings as compared to the traditional "general contractor" construction process.

District Response

- The District concurs with the recommendations. The District will evaluate costs and, as necessary, take the appropriate actions.

Observation

- The totals by fund for Fairmont, Golden and Rio Vista elementary schools do not match their respective total budgets of \$4,258,322, \$2,348,289, and \$2,869,792.

Recommendation

- It is recommended that the fund totals and budget totals be reconciled.

District Response

- All project budgets will be reconciled and validated with State and other District allocations.

Observation

- The state budget revenue for Yorba Linda High School is at variance with the estimated state revenue of \$38,502,350. The budget also does not reflect potential Yorba Linda RDA revenues. (The District settled litigation filed in 1999 with the Yorba Linda RDA, which will result in an estimated \$240 million over 30 years, commencing with the 2004-05 fiscal year.)

Recommendations

- It is recommended that these variances be investigated and the budget be adjusted accordingly.
- It is further recommended that all project budgets be revised and refined continually as additional information becomes available. These updates will help ensure that adequate District funds are available from Measure Y and other District resources to complete the projects set forth in Exhibit A-1, Resolution No.10.

District Response

- All variances will be investigated and budget adjustments will be made accordingly.
- Project budgets will be reviewed quarterly as an adjunct to the sources and uses process.

3D/I

Project	Construction Contract	Contractor
Kraemer Middle Modernization	\$ 2,244,502	JRH Construction
Lakeview Elementary New School	13,626,000	Woodcliff
Melrose Elementary New School	12,458,059	Mallcraft, Inc.
Rio Vista Elementary Modernization	1,946,977	JRH Construction
Topaz Elementary Modernization	2,386,656	JRH Construction
Total Construction Costs	\$32,662,194	
PM/CM Contract Total (As Percentage)	\$ 3,798,000¹ (11.6%)	

¹ Total includes Amendment No. 2 for \$998,000 (Rio Vista, Topaz, Kraemer plus continuing services at Melrose and Lakeview). Rio Vista was apparently originally assigned to Turner Construction Co., but board action assigned the school to 3D/I.

BERNARDS BROTHERS

Modernization Project	Construction Contract	Contractor
Bernardo Yorba Middle	\$ 2,336,012	Multiple-Prime
Esperanza High	9,317,300	Multiple-Prime
Fairmont Elementary	2,592,952	Multiple-Prime
Glenknoll Elementary	2,562,000	Mepco
Glenview and Linda Vista Elementary	5,270,500	Multiple-Prime
Van Buren Elementary	1,962,300	Allied
Total Construction Costs	\$24,041,064	
PM/CM Contract Total (As Percentage)	\$ 4,454,650¹ (18.5%)	

¹ Total includes Amendment No. 3 for \$991,000 (Glenview, Linda Vista, Glenknoll, Van Buren plus continuing services at Bernardo Yorba, Fairmont and Esperanza).

TURNER CONSTRUCTION COMPANY

Modernization Project	Construction Contract ¹	Contractor
Brookhaven Elementary	\$ 1,850,000	Angeles
El Dorado High	5,874,000	PW Construction
Golden Elementary	1,461,620	S.J. Baggett
Morse Avenue Elementary	1,783,000	Sanders Jones
Rose Drive Elementary	1,731,695	Great West
Ruby Drive Elementary.	1,701,820	Sanders Jones
Sierra Vista Elementary	1,959,070	Construct 1
Valencia High	4,482,083	Morillo ²
Wagner Elementary	1,910,000	Sanders Jones
Total Construction Costs	\$22,753,288	
PM/CM Contract Total (As Percentage)	\$ 5,681,890 ³ (23.9%)	

¹ Construction costs exclude projects at Mabel Paine School (8-classroom wing and kindergarten modernization), which probably had construction costs of approximately \$1,000,000 which were included in calculating the 23.9 percent factor above.

² The contract with Morillo Construction was terminated by the District on May 11, 2004.

³ Total includes Amendment No. 4 for \$987,000 (Sierra Vista, Brookhaven, Morse, Wagner plus continuing services at El Dorado and Valencia).

BERNARDO YORBA MIDDLE SCHOOL

Total Budget (June 30, 2004)

Fund 14 – Deferred Maintenance	\$ 72,008
Fund 21 – Building Fund (Measure Y GO Bond)	1,275,064
Fund 39 – School Facilities (State Match)	3,146,456
Total Budget	\$4,493,528

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/16/03	Actual
Complete Construction	8/27/04	Scheduled

ESPERANZA HIGH SCHOOL

Total Budget (June 30, 2004)

Fund 14 – Deferred Maintenance	\$ 66,390
Fund 21 – Building Fund (Measure Y GO Bond)	3,481,717
Fund 39 – School Facilities (State Match)	10,215,481
Fund 40 – Special Reserves (Including RDA)	297
Total Budget	\$13,763,885

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/26/03	Actual
Complete Construction	12/8/04	Scheduled

FAIRMONT ELEMENTARY SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$1,632,195
Fund 39 – School Facilities (State Match)	2,588,127
Fund 14 – Special Reserves (Including RDA)	40,000
Total Budget	\$4,260,322

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/16/03	Actual
Complete Construction	10/1/04	Scheduled

GOLDEN ELEMENTARY SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$1,003,153
Fund 39 – School Facilities (State Match)	1,344,839
Fund 40 – Special Reserves (Including RDA)	297
Total Budget	\$2,348,289

Project Team

Architect	HMC
Construction Management	Turner Construction Co.
Contractor	S.J. Baggett
Inspector	

Construction Schedule

Start Construction	6/1/03	Actual
Complete Construction	8/30/03	Actual
Notice of Completion	1/20/04	Actual

KRAEMER MIDDLE SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$1,151,744
Fund 39 – School Facilities (State Match)	3,209,498
Total Budget	\$4,361,242

Project Team

Architect	LPA, Inc.
Construction Management	3D/I
Contractor	JRH Construction Co., Inc.
Inspector	

Construction Schedule

Start Construction	6/14/04	Actual
Complete Construction	8/12/07	Scheduled

**MELROSE ELEMENTARY SCHOOL
(McFadden Park Site)**

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$ 5,504,627
Fund 39 – School Facilities (State Match) ¹	14,212,655
Fund 40 – Special Reserves (Including RDA)	3,908,057
Total Budget	\$23,625,339

1. The budgeted revenue from the state is at variance with actual state funds received to date, which total \$9,656,842.

Project Team

Architect	LPA, Inc.
Construction Management	3D/I
Contractor	Mallcraft, Inc.
Inspector	Complete Inspections

Site Acquisition (1/24/02)

7.2 acres owned by City at corner of Melrose and La Jolla	
Purchase Price:	\$3,500,000
Fees, taxes, title insurance:	11,483
Total acquisition	\$3,511,483

Construction Costs

Bid	8/26/03	\$11,966,224
Change Order #1	4/6/04	177,491
Change Order #2	5/11/04	76,898
Change Order #3	7/13/04	121,384
Current Contract		\$12,341,997

Construction Schedule

Start Construction	9/15/03	Actual
Complete Construction	1/29/05	Scheduled

RIO VISTA ELEMENTARY SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$ 69,994
Fund 39 – School Facilities (State Match) ¹	3,534,011
Fund 40 – Special Reserves	297
Total Budget	\$3,604,302

1. The total by fund does not match the budget total of \$2,869,792.

Project Team

Architect	LPA, Inc.
Construction Management	3D/I
Contractor	JRH Construction Co., Inc.
Inspector	Ed Ybarra

Construction Schedule

Start Construction	6/14/04	Actual
Complete Construction	8/12/07	Scheduled

ROSE DRIVE ELEMENTARY SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$1,416,076
Fund 39 – School Facilities (State Match)	1,467,588
Fund 40 – Special Reserves (Including RDA)	296
Total Budget	\$2,883,960

Project Team

Architect	LPA, Inc.
Construction Management	Turner Construction Co.
Contractor	Great West Construction
Inspector	Robert Candy

Construction Schedule

Start Construction	6/1/03	Actual
Complete Construction	8/29/03	Actual

RUBY DRIVE ELEMENTARY SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$1,060,806
Fund 39 – School Facilities (State Match)	1,626,329
Total Budget	\$2,687,135

Project Team

Architect	Jubany
Construction Management	Turner Construction Co.
Contractor	Sanders Jones Construction
Inspector	

Construction Schedule

Start Construction	6/16/03	Actual
Complete Construction	9/2/03	Actual
Notice of Completion	1/20/04	Actual

VALENCIA HIGH SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$ 827,067
Fund 25 – Capital Facilities (Developer Fees)	2,880
Fund 35 – School Facilities	3,838
Fund 39 – School Facilities (State Match)	6,668,488
Total Budget	\$7,502,273

Project Team

Architect	HMC
Construction Management	Turner Construction Co.
Contractor	Morillo Construction ¹
Inspector	Ed Ybarra

Construction Schedule

Start Construction	11/10/03	Actual
Complete Construction	9/15/04	Scheduled

¹ The contract with Morillo Construction was terminated by the District on May 11, 2004.

YORBA LINDA HIGH SCHOOL

Total Budget (June 30, 2004)

Fund 21 – Building Fund (Measure Y GO Bond)	\$ 1,160,642
Fund 39 – School Facilities (State Match) ¹	95,770,000
Fund 91 – Community Facilities (CFD#1 Bond)	2,500,000
Total Budget	\$99,430,642

¹ The budget revenue from the state is at variance with the estimated state revenue of \$38,502,350. The budget also does not reflect potential Yorba Linda RDA revenues. (The District settled litigation filed in 1999 with the Yorba Linda RDA, which will result in an estimated \$240 million over 30 years, commencing with the 2004-05 fiscal year.) See finding above.

Project Team

Architect	WLC Architects, Inc.
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Site Acquisition (1/16/04)²

15.555 acres of land and a 39,384 square foot building from the North Orange County Community College District (NOCCCD)

Purchase Price	\$15,000,000
Closing Costs	4,700
Total Acquisition Cost	\$15,004,700

² Before the District can utilize the site as a school, it must receive approval from the California Department of Education, which first requires approval from the Department of Toxic Substances Control (DTSC). To obtain the necessary environmental clearance, a Preliminary Environmental Assessment (PEA) is in process.

WLC Architects, Inc. prepared a preliminary cost estimate on July 15, 2002, for a new 203,304 square foot high school as follows:

Construction Costs	\$ 50,717,077
Site Work	16,946,800
Buildings	28,462,560
Contingency	5,307,717
Plans, tests, inspections, fees, etc.	4,618,249
Furniture & Equipment	3,049,560
Total Architect Estimate	\$109,101,963

The architect's estimate will be updated when DSA-stamped plans are available to reflect the construction cost index and actual design. However, as of June 30, 2004, there appears to be a \$20 million variance between the District's total project cost estimate and the architect's estimate.

Schedule	Start	Complete	Time
Project	7/01/02	9/01/07	5 yrs., 2 mos.
Construction	6/01/05	9/01/07	2 yrs., 3 mos.

CHANGE ORDERS, CLAIM PROCEDURES AND RESULTS

Process Utilized

In the process of this examination, Total School Solutions (TSS) analyzed relevant documents and conducted interviews with the facilities and construction management team.

Background

During the course of construction work, some additional work may be required to mitigate unforeseen conditions or conflicts in plans and specifications. Typically, change orders for modernization cannot be avoided due to the age of the buildings. Inaccuracy of as-built records occurs because, over the years, the maintenance and operations staff performs numerous repairs without making updates to the drawings. The average industry-wide percentage for change orders in modernization is approximately 7 percent of the original contract amount. (The change order standard for new construction is 3 to 4 percent.) The change order contingency amount set by the board appears to be adequate.

Due to the urgent nature of school construction work, issues are sometimes resolved verbally at the weekly construction meetings, typically attended by the architect, construction manager, inspector and contractor's superintendent. These decisions, formalized in the meeting minutes, are followed up with a change directive to authorize the work and eventual payment. The District is not liable for the cost of any extra work or substitutions, changes, additions, omissions or deviations from the drawings and specifications unless the District authorizes the work and the cost is approved in writing through a change order or through a construction change directive.

To initiate a change due to unclear or conflicting drawings, the contractor writes a Request for Information (RFI). The architect of record (AOR) reviews the RFI and submits an answer to the contractor as to whether the additional work is merited. To avoid contractor claims, the construction manager must minimize the processing time for RFIs by following up with the AOR immediately to find a resolution. All RFIs are logged using Orbit, a project management tracking software, which also facilitates the archival of records.

An important part of the change order process is price negotiation. A contractor submits a Proposed Change Order (PCO) to the construction manager. The construction manager reviews the proposal with the inspector, AOR and the District's project manager. If the PCO is accepted, the construction manager issues a change directive or a change order. The resulting increase or decrease in the contract price may be determined, at the District's discretion, by accepting a PCO; by using unit prices from the original bid; or by utilizing a time and materials method, as agreed upon by the District and the contractor. At times, the process may go through several cycles due to disagreements over the appropriate cost or credit of a change order.

When a contractor makes a claim for a contract price increase or time extension, he or she notifies the District but continues to execute the work even if the adjustment has not been agreed upon. By having this language in the general conditions of the contract, the District is protected from work stoppages due to disagreements over the price of a change order.

The contractor is deemed to be in default of the contract if he or she fails to execute a change order when the addition or deletion of work has been formally agreed upon. To prevent contractors from filing frivolous RFIs, the contract language gives the District the right to deduct costs if the District provides information already available to the contractor.

As part of the payment process, contractors are asked to submit a schedule of values to determine the appropriate progress payments for their performance of work. The schedule of values may be used as a tool to determine credits when work is no longer necessary. It also serves as a measure for additional work needed. While not always accurate, the schedule of values can facilitate the negotiation process and may benefit the District.

During construction, contractors may request to substitute their subcontractors listed in their original bids. The process of replacement, outlined in the Public Contract Code, must be followed, and the replacement subcontractors must be properly licensed and meet the criteria established by the contract.

Most of the projects sampled as of June 30, 2004, were sufficiently developed to generate change order and claim activity indicative of the overall performance of the facilities program. This performance indicator may also be used to assess the effectiveness of plans and specifications, budgeting, scheduling, and construction management.

The table below illustrates the construction change orders for each of the projects included in the audit sample.

Project	Approved COs	Pending COs	Contract Amount (%)	% Project Complete
Bernardo Yorba Middle Modernization	\$1,247	-\$2,926	0	66
Esperanza High Modernization	\$259,925	\$222,700	9	25
Fairmont Elementary Modernization	\$38,416	Unknown	2	74
Golden Elementary Modernization	-\$268	0	0	100
Kraemer Middle Modernization	0	0	0	2
Melrose Elementary School	\$76,494	\$111,121	2	76
Rio Vista Elementary Modernization	0	0	0	23
Rose Drive Elementary Modernization	-\$790	0	0	100
Ruby Drive Elementary Modernization	0	0	0	100
Valencia High Modernization	0	0	0	39
Yorba Linda High School	n/a	n/a	n/a	n/a

Based on project data in the audit sample, amounts for construction contract change orders indicate a change order rate at or below accepted industry standards. In general, this rate indicates thorough and accurate plans and specifications, as well as competent project administration and management. However, it is also noted that the data show that several projects experienced significant change orders in professional fees.

Commendations

- District staff is commended for having developed tracking and approval systems that should provide appropriate control over change orders and claims if applied consistently.
- The District is commended for using a project tracking software that tracks all RFIs, including submission dates, architect's response and, if applicable, potential costs.
- The audited projects showed a change order percentage below the industry average, and the District is commended for this accomplishment. (However, while this track record is laudable, it is important to maintain constant control of change order costs.)
- The architects' response times to most RFIs are an acceptable two-week turnaround. Some RFIs require more time due to the need for input from the appropriate engineers.
- District staff is commended for holding weekly meetings with each of the three construction management companies to discuss project issues or potential claims by contractors.
- Project managers are commended for finding a solution to complete work at Valencia High School. Turner Construction proposed the use of a multi-prime delivery to recover from lost time and to avoid work stoppages. The District also used a board-approved electrical contractor with unit prices. Because of the District and the project manager's creativity, Valencia High School will open in September for fall classes.
- Construction managers are commended for performing value-engineering to save costs and to balance the budget in the face of PCOs. One such example was recommending the installation of package units instead of multi-zone heating and ventilation units, which saved the District approximately \$170,000 in ductwork charges.

Finding

- The original contractor for Valencia High School had trouble meeting the requirement of using a California-admitted insurance carrier. The Notice to Proceed was issued on September 26, 2003, and construction was only mobilized on November 10, 2003. While the bid documents protect the District against such delays with the requirement of a bid bond, the District did not take advantage of this provision to protect itself.

Recommendation

- It is recommended that the District adhere to the contractual conditions in regard to the certificate of insurance with a California admitted surety. District counsel has developed these conditions to protect the District's interests.

District Response

- Previous bid documents were ambiguously written on the requirement of certificate of insurance with a California admitted insurance carrier. The District has incorporated counsels' recommendation that includes clearer contract language regarding the requirement of certification insurance with a California admitted surety into the General Conditions for all bid documents.

Findings

- One of the construction managers expressed concerns about the work of one of the project architects. During the first constructability review with construction managers, several requests for clarification or changes were not incorporated into the drawings. These omissions would have caused conflicts in the plans and would have resulted in change orders and/or contractor claims.
- Another construction manager was concerned about the vague instructions in the architect's drawings regarding the connection of acid waste. During the project, it was discovered that the site had glass piping to which the acid waste could not be connected. The architect's drawings should have stated that the piping was glass, so the contractor could have included the proper solution in his bid. The glass piping had to be replaced through a change order, costing the District \$160,000.

Recommendations

- It is recommended that the District allow enough time for constructability reviews of plans and specifications.
- Along with the time given to constructability reviews, it is recommended that architects incorporate changes uncovered during these processes to help avoid potential conflicts and related claims and change orders.

District Response

- While doing a constructability review is always called for, unforeseen conditions such as the glass piping cannot be determined before they are discovered. This piping did not show on any record documentation. We have implemented thorough reviews and periodic audits of the contractors' "Record Drawings" to ensure they are up to date and accurately portray the "as built" condition of the work.

Finding

- Sixty-five percent of the contingency money set aside for Esperanza High School was used in the locker room due to an inadequate survey of the electrical system. The cost was close to the ten percent statutory limit on change orders, which would have required the District to solicit new bids for the installation of lights in the locker room.

Recommendations

- It is recommended that future projects include a thorough examination of existing conditions and hazardous materials to avoid unexpected but preventable costs associated with standard discoveries.
- It is also recommended that the District bid unit price abatement of hazardous materials in order to be prepared and offer a quick turnaround to new hazardous conditions. Such action can help construction projects continue on schedule.

District Response

- The District bids abatement of hazardous material utilizing lump sum proposals. In addition, the District requests that unit price proposals are provided along with the lump sum proposals in order to prepare for unforeseen hazardous material conditions. The District is in compliance with the above recommendations.

Finding

- There was some conflict between two concurrent modernization projects at one site, which caused some confusion. In this case, the District hired a third-party contractor, outside of the other work for the modernization project, to install the intrusion alarm systems. The construction manager was not told about the work progress on the intrusion alarm system, and its installation interfered with the work of the project's main contractor.

Recommendation

- It is recommended that District staff and the construction management team be diligent about communicating information to appropriate persons, especially when part of a project falls outside the scope of the larger facilities projects or when two projects occur at a site at the same time. It may be helpful to have one contact person for each site to help ensure against this kind of oversight.

District Response

- The District concurs with the above recommendation. The District staff and the senior construction administration staff meet weekly to discuss issues and problems. In addition, each site is overseen by a Construction Manager who is responsible for project oversight, issue management and communications with District staff and contractors.

Finding

- Some more recent changes in the buildings were not incorporated into the as-built building drawings. These omissions caused conflicts in the projects when they were bid three years after the drawings were approved. (During that time, District staff modified school buildings out of necessity or through requests from schools. These in-house changes were not captured by the drawings.)

Recommendation

- While it is commonly recognized among public school facilities officials that the timeline for the state approval process for plans and drawings can be extensive, it is recommended that the District have architects resurvey projects to verify field conditions and minimize conflicts in drawings before projects are bid. This diligence will help avoid some change orders.

District Response

- The District concurs with this recommendation and, as necessary, will take appropriate action.

Additional Recommendations

- Because of the delegated authorization to approve change orders, it is recommended that the board be informed of the type of change orders encountered and the difference between the actual cost and the original budget. This report may serve as an accountability tool, as well as a vehicle for information for the community.
- It is recommended that architects and other consultants provide a separate fee structure for change orders.

- District staff and consultants should ensure that all proposed change orders and claims are monitored in a timely manner with diligence and that the approval processes for change orders and claims are adhered to for all projects.

District Response

- We concur with the recommendation and will pursue more specific fee proposals for changes.
- Weekly meetings are set to review Proposed Change Orders with CM and District Staff. After CM has review both the validity of the change and the proposed pricing it is presented for District staff review. When District staff is satisfied that the change is valid and the pricing is fair, a Change Order is prepared and presented to the Board of Education for approval. When a Change Order has been approved by the Board, it is then issued to the contractor for incorporation in the project.

COMPLIANCE WITH STATE LAW (INCLUDING LABOR COMPLIANCE)

Process Utilized

Total School Solutions (TSS) reviewed sample projects for various compliance components, including approvals from the California Department of Education (CDE), the Division of State Architect (DSA), the Office of Public School Construction (OPSC), the Department of Toxic Substances Control (DTSC), local fire marshal and the local health department; possession of required local permits; compliance with storm water requirements and safety plan requirements; and implementation of labor compliance requirements. TSS also examined "boiler plate" language, notice to bidders, bonds and insurance, use of bid alternates and fingerprinting requirements for adequacy.

It must be noted that not all items listed above are applicable to all projects. In some cases, other regulatory or compliance requirements were reviewed based on their applicability to a particular project. The sample provides an adequate measure of overall compliance with various legal and regulatory requirements.

Commendation

- District staff is commended for its development and implementation of the required labor compliance program for relevant projects. The District is also commended for securing full funding from the state for the implementation of the labor compliance program.

Finding

There are no findings in this section.

Recommendation

- District staff and consultants should continue compliance with the regulatory requirements.

District Response

- District concurs with the auditor's recommendation.

**COMPLIANCE WITH DISTRICT POLICIES
AND ADMINISTRATIVE REGULATIONS**

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

BP/AR	Description	Date of Adoption	Date of Revision
7100	The District Master Plan	5/29/73	1/17/89
7101	Facilities Utilization	12/14/71	6/5/90
7101.1	Authorized Use of Classroom/Instructional Space	4/11/83	
7102	District School Organizational Plan	8/22/76	3/25/04
7110	Goals of the Facility Expansion Program	3/8/76	
7112	Forecasting Enrollments	6/25/73	
7142	School District Elections	8/4/75	1/17/89
7143	Community Facilities District	4/16/02	
7551	Naming of Facilities	5/27/75	5/22/01

Most of the board policies and administrative regulations listed were first adopted over twenty years ago, with some revisions within the past five years. These policies and regulations have not kept pace with rapidly changing state statutes and State Allocation Board (SAB) regulations. For example, SB 50, which was enacted in 1999, made major modifications to the state's School Facilities Program, imposed developer fees (Level 1 and 2) and eliminated Mira fees. In 2000, Proposition 39 enabled school districts to pass facility bonds with 55 percent approval. The state also created the Department of Toxic Substances Control (DTSC) to regulate environmental issues related to new school sites. The board policies and regulations are outdated to account for these changes.

Locally, the District charted a new course in contracting with three (3) firms to provide project/construction management services to oversee its projects through the construction phase. The District constructed a number of school modernization projects under a "multiple-prime" approach rather than the traditional "general contractor" approach.

The alternative methods of implementing a facilities construction program should be referenced in local policies and regulations.

Finding

- Due to ever-evolving state statutes and local regulatory changes, it is important for District policies and regulations to be updated regularly. The current policies and regulations do not reflect recent changes in law.

Recommendation

- It is recommended that the District utilize model policy and regulation documents developed by the California School Board Association (CSBA), the Association of California School Administrators (ACSA), the California Association of School Business Officials (CASBO) or policies and regulations developed by other school districts to develop and update facilities program policies and regulations. In developing District policies and regulations, emphasis should be placed on local District conditions and needs.

District Response

- The District concurs with the finding. Staff is engaged in a review of District Policies and Guidelines that impact or define work on the Bond Program.

PAYMENT PROCEDURES

Processes Utilized

Total School Solutions (TSS) interviewed District staff, reviewed documentation, and observed payment procedures and processes in the course of this examination. To clarify issues or questions, subsequent interviews were conducted. Variances and deviations in accounts payables were reviewed closely. TSS also reviewed the closing procedures of reestablishing purchase orders and setting accruals for payments.

Background

The District has assigned a senior account clerk to serve as a single point of contact for all Measure Y funded invoices. This senior account clerk processes invoices by performing the following functions:

- Time-stamping invoices received from the facilities department;
- Checking for approval signatures from the director and the assistant director of the facilities department; and
- Verifying the purchase order information, account string, board approval date and signatures from the contractor, inspector and construction manager.

Accounts payable then batches the payment, and the checks are printed in-house. The District sends the checks to the Orange County Department of Education (OCDE). OCDE approves the checks and returns them to the District to be mailed to the contractor(s). The financial software automatically updates the financial information, and the facilities department updates its budget information.

In regard to payments, the purchasing department is involved with encumbering funds related to change orders and providing notices of completion for the final payment. The facilities department tracks and records payments and expenditures.

Commendations

- The payment process is thorough and systematic. Staff is conscientious in checking for all required approvals. The invoice batches are organized, and backup documentation was almost complete in this audit's sampling (with the exception of the certified payroll or a certification thereof. See a related finding below).
- The facilities department is commended for establishing the process to verify progress payment percentages to prevent overpayment.

- The District is commended for the decrease in confirming purchase orders during the most audit period.
- The District and accounts payable staffs are commended for running accounts payable batches separately for vendors associated with the bond program. (Accounts payable runs separate batches to reduce payment processing time for vendors associated with the facilities program.) If the OCDE has a concern with a vendor's invoice or backup documentation, vendors associated with the facilities program are not affected since their invoices run in different batches. This separation prevents an unnecessary delay of facilities-related vendor payments due to outside causes. Prompt payments decrease the likelihood of claims from vendors.
- The accounts payable staff is commended for its reconciliation of the payment register, which also tracks the return of checks from the OCDE. This same report records the dates when checks are mailed to vendors. Some contractors call the accounting department to find out whether they have been paid or when they will be paid. This process allows for efficient handling of these vendor inquiries.
- The District staff is commended for instituting regular finance meetings to discuss issues such as unpaid invoices, new requisitions and budget revisions.
- The District staff is commended for having and maintaining a well-regulated and monitored process for escrow accounts with sufficient documentation.

Finding

- The District lacks appropriate documentation that the labor compliance program is in effect at all times. The attachment of these records to payment applications is inconsistent and infrequent.

Recommendation

- It is recommended that the District have its consultant, School Construction Compliance, provide a certificate of compliance for each payment application received. Because OCDE does not require certified payroll records as part of the payment process, it is incumbent upon the District to require its labor compliance consultant to submit the certified payroll records to ensure its availability for future audits by the Office of Public School Construction (OPSC). This certification should be kept with the payment file in the accounting and facilities departments. (3D/I should also keep a copy since it is responsible for document control.)

District Response

- The facilities department will work with the purchasing department to help ensure that the documentation and files are complete.

Finding

- Some invoices were not processed in a timely manner. A few invoices have approvals signed more than twenty days after the invoice date. There were some invoices dated prior to accounts payable's receipt of a purchase order from the purchasing department. Some backup documentation was incomplete, namely, proof that prevailing wage had been paid. In some cases, invoices had to be returned to the facilities department for correction(s) because the board had not yet approved billed change orders, thereby delaying payments to vendors.

Recommendations

- It is recommended that the District develop or enforce a plan or policy to eliminate the declining but present use of confirming purchase orders. Whenever possible, a purchase order should be processed and issued prior to the performance of work. Alternatively, the use of open purchase orders might be a better vehicle for certain vendors that have frequent business with the District. However, it must be noted that open purchase orders require detailed backup information and consistent approval processes to avoid misuse and/or duplicate payments.
- It is recommended that the District and its consultants develop or enforce a plan or policy to expedite the approval of invoices. For example, one particular payment for Fairmont Elementary School took thirty-three days to pay. Because accounts payable cannot process invoices until all approvals are received, late approvals or incomplete backup documentation delays the processing of payments. When payments are not timely, vendors and contractors are more likely to factor in a higher margin. Timely payments also encourage bids from high-quality contractors.
- It is recommended that a copy of the board minutes with the approval of change orders be given to the appropriate construction manager so that he or she will know when change orders may be invoiced. (The District's policy requires the minutes for the change order. However, in lieu of timely board minutes and to help ensure prompt payments, the District may want to consider an alternative mechanism to inform construction managers about board-approved change orders.)

District Response

- Processing invoices in a timely manner has been addressed and resolved by implementing measures that include new office policies and notification to vendors requiring complete backup documentation, proper work authorization sequence and Board approval prior to submitting invoices for payment.

Finding

- It appears that communication between the purchasing and facilities departments needs improvement. For example, while the purchasing department ensures that every stop notice is enforceable and coordinates this information with accounts payable, the facilities department is not always informed of these actions. The facilities department, in turn, should inform its construction managers, so they can be better prepared to handle potential claims or work stoppages at the jobsite.

Recommendations

- It is recommended that the District take specific steps to improve communications between the purchasing and facilities departments so that information relevant to both departments is shared. Two possible ways of achieving this goal are (1) instituting additional regular meetings and (2) sharing information during the existing regularly scheduled meetings (cited in one of the District's responses from the performance audit for the 2002-03 school year).
- It is further recommended that concerns brought up during the regular finance meeting among the accounting, facilities and purchasing staffs be shared with the appropriate supervisors so that a plan to correct or address concerns may be developed as they arise.

District Response

- District concurs and will adhere on a more consistent basis.

Finding

- It has been observed that several furniture purchases were coded to the wrong accounting codes, such as instructional supplies and building construction.

Recommendations

- It is recommended that these inconsistencies be corrected for future OPSC audits.
- It is also recommended that the accounting department provide training for facilities and purchasing personnel on the use of Standardized Account Code Structure (SACS).

District Response

- Coding furniture purchases incorrectly has been addressed and resolved with ongoing training and restricted access to coding.
- The District concurs with this recommendation.

Finding

- The financial software is limiting as it does not allow for the rollover of multiyear construction purchase orders. The purchasing department must reenter the purchase order information with the remaining encumbrance. Future reference to the purchase orders may be confusing because of the changing amounts on and between purchase orders.

Recommendation

- It is recommended that clear protocols for multiyear purchase orders be established and that all purchasing and facilities staff be trained or receive orientation on the procedure. Such a procedure would help avoid errors in financial reporting related to multiyear purchase orders. It may also be helpful to standardize reports in this area.

District Response

- The District concurs with this recommendation.

BIDDING AND PROCUREMENT PROCEDURES

Processes Utilized

In the process of this examination, Total School Solutions (TSS) reviewed and analyzed numerous purchasing documents and payment documentation pertaining to new construction and modernization projects. Interviews were also held with various staff members.

Background

The District's legal counsel wrote the bid boilerplate expressly for the construction projects. The purchasing department conducts the bidding process, including advertisements. Purchasing also verifies bids for compliance and completion and checks for the appropriate licenses, bonds, insurance and fingerprinting. Follow-up and solicitation to bids, however, are the responsibility of the three construction managers: Bernards Brothers Construction Management, Turner Construction and 3D/I.

Some projects utilize a unit price bid. (The unit price bid is a predetermined cost for labor and/or materials.) Trades offering such pricing are electrical, plumbing and fencing. This method has been useful when there is insufficient time to bid a project formally as a lump-sum award.

The District also utilized "piggybacking" of bids in the purchase of furniture and equipment to save time and labor in the procurement process.

Commendations

- In many cases, the bid documents carried the stamped approval from the Division of State Architect (DSA). The District is commended for having bid documents fully prepared before the award of contract. During its review, DSA may require certain changes or additional scope of work to accommodate access compliance, fire and life safety and structural safety. By having these changes incorporated before the award of the contract, the District avoids paying premium prices for change orders, which are almost always more expensive than if the changes had been included in the original document set.
- District staff is commended for its mandatory attendance at pre-bid meetings. The law does not require mandatory pre-bid meetings or job walk attendance; however, requiring attendance at both activities helps clarify bid requirements and the scope of work for prospective contractors. It is more likely that bidders are then able to respond with lower bid prices than they would without attending the pre-bid meetings or job walks. The increased clarity also helps reduce the District's exposure to claims.

- District staff is commended for forming a documents control section for the organization of records and access to reporting. Bid documents, contracts and all other pertinent project information should be filed and organized in an accessible and centralized storage area. Indices and other identifying tools should be used to assist in document retrieval. Well-organized archives will help the District prepare for the required progress reports for the Office of Public School Construction (OPSC).

Finding

- In recent bids, the District experienced a low turnout of bidders. Higher bids also tend to be associated with low bidder turnout.

Recommendation

- It is recommended that the facilities department and construction managers make a concerted effort and/or develop a plan to solicit bids actively and recruit more qualified contractors. These efforts can help the District secure more competition and improve the District's prospects for better pricing.

District Response

- Most bid packages had a minimum of three bidders. There were some rebids on the multi-prime packages due to lack of bidders.
- The District does agree that the Construction Managers should be active in soliciting bidder participation.

Finding

- It was observed that DSA required changes to some drawings while their respective bids were in progress. This situation resulted in the issuance of addenda.

Recommendation

- As time permits, it is recommended that the District have DSA completely review drawings prior to the bid so that addenda can be reduced or, if possible, eliminated. (The District was able to plan accordingly in many cases.) Addenda can confuse bidders, who may, in turn, build contingency into their bids, causing the cost of the project to increase unnecessarily.

District Response

- The District concurs with this recommendation.

Finding

- It was observed that the purchasing department does not time-stamp bids received prior to bid opening.

Recommendations

- It is recommended that the purchasing department time-stamp all bids received. Without such a measure, bids may be subject to challenge by disappointed or dissatisfied bidders.
- It is further recommended that staff inform board members about atypical bidding events, such as bid protests or controversial change orders, in advance of board meetings. Such advance notice would help the board understand the risk(s) involved in these activities and would help board members make informed decisions about the action(s) necessary to proceed with a construction or modernization project.

District Response

- The District concurs with this recommendation. The Board of Education is notified of atypical situations or events via a Board memo. This Board memo is sent to all Board members the Friday prior to Board meetings. The memo provides clarification or further information on specific topics in upcoming Board agendas.

**EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND
COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN
THE BOND PROGRAM**

Process Utilized

Total School Solutions (TSS) conducted interviews with key personnel in the facilities, purchasing and other departments; consultants; members of the superintendent's cabinet; and others related to, or involved with, the facilities program. As in the previous audit, separate survey forms were developed and used to assess the effectiveness of the communication channels and the overall public outreach program among the following groups of stakeholders:

- Board Members
- Independent Citizens' Bond Oversight Committee Members
- School Site Council Chairs
- Parent Teachers Association Presidents
- Community Members—Parents
- Community Members—Non-Parents
- Principals of all schools in the District
- Superintendent's Cabinet Members

The survey results are summarized in the chart included in this section. Due to a poor response from the Independent Citizens' Bond Oversight Committee, the results for that group have not been tabulated and included in the chart.

Background

The level of awareness among stakeholders close to the process remains high. The Board of Education, the superintendent's cabinet and school principals indicated a high degree of satisfaction with the communications activities, overall communications program and efforts to educate and inform the school community on the activities and processes to improve existing school facilities and to construct new schools with Measure Y and other funding sources.

It appears that the PTA presidents are well informed about the bond spending issues and satisfied with the level of bond program information they receive. PTA presidents also give a substantially high rating to the effectiveness of the communications program as it relates to the PTAs. However, PTA presidents' rating of the overall effectiveness of the communications program has dropped significantly.

An interesting observation was the continuing variance between opinions held by community members who have children in schools and the community in general. The parent group held the least favorable opinion toward the communications efforts and the overall public outreach program. In contrast, community members who do not have children in schools held a significantly higher and more positive opinion toward the District in these two areas.

Principals and site managers need to take a more active role in disseminating information on the District's communication efforts related to its facilities program. In general, it appears that the District administration's communications efforts are effective and fruitful. It also appears that communication through the school site councils is not as effective as it could have been or could be.

Discussion of Trends

On the one hand, this year's trend parallels last year's survey, indicating that the parent and school communities still lack some awareness of the District's public outreach efforts for the facilities program. The school community may still have a need for more information on facilities. On the other hand, survey results remain consistently high for the Board of Education, school principals and the District administration in terms of satisfaction with, and awareness of, the program.

In order to obtain information not represented in the surveys and to reduce the probability of accompanying biases that may affect survey results, TSS plans to broaden its random sampling of the parent community and reduce its reliance on school site councils and officers as the primary source of information for the parent community.

Commendation

- The District is commended for designing and implementing an effective public outreach program and for keeping stakeholders informed about bond program activities. The efforts of the superintendent's cabinet, facilities department staff and the information officer are especially noteworthy. The Board of Education and other key stakeholders appear to be adequately informed and aware of the pertinent issues regarding the facilities program.

Finding

- The awareness level of the Measure Y bond program and the satisfaction with the overall public outreach appear not to be as high among parent groups as they are among other groups.

Recommendations

- The District should consider conducting a parent outreach campaign directly.
- The District should seek to have principals actively participate in informing and reaching out to their respective school communities.

District Response

- The District has initiated a community-wide information program, which should address the recommendations above.

SURVEY RESULTS

Question	Percent of Affirmative Responses							
	Board Member	Bond Oversight Committee	School Site Council	PTA	Community Parents	Community Non-Parent	Cabinet	Principals
Do you believe that Measure Y funds are being spent on the projects identified in Measure Y ballot language?	100%	N/A	90%	100%	100%	80%	100%	95%
Do you believe the staff of the District is generally knowledgeable and informed in regard to the facilities needs and issues?	100%	N/A	100%	100%	100%	80%	100%	95%
Is the District effectively communicating with all of the groups (including your group)?	100%	N/A	82%	75%	67%	100%	100%	95%
Do you believe that the District is keeping stakeholders informed in regard to Measure Y funded projects?	100%	N/A	73%	100%	67%	80%	100%	100%
Do you believe that the District has an effective public outreach program?	N/A	N/A	82%	75%	67%	80%	N/A	N/A
Rating on a scale of 1-10 (with 10 being the best)								
Rate the effectiveness of the communication program as it relates to your group.	10.00	N/A	6.37	7.75	6.00	8.40	N/A	9.15
Rate the overall effectiveness of the communication program as it relates to all groups.	9.00	N/A	7.00	7.50	5.67	8.40	9.00	8.85

PROJECT ASSESSMENT AND EVALUATION

To address the board's goal of "effectively managing resources in order to achieve the District's mission," the District, with the assistance of consultant Bob Klempen, developed a tool for a team assessment of each construction project.

Projects reviewed were summarized by their respective PM/CM firms, as shown in the table below. The performance ratings were based on scheduling, budgeting, quality of work and quantity of work. Ratings ranged from 5.7 to 9.1 (on a scale of 0-12), all of which were considered to be "average" to "good." The management ratings were based on task management, applied leadership and work ethic. These scores ranged from 3.0 to 3.7 (on a scale of 0-6), also considered to be "average" to "good." Select comments from questionnaire respondents are also presented without reference to the project or parties and/or firms involved.

From a review of the respondents' ratings and the anecdotal comments, it may be concluded that there is considerable room for improvement in most phases of the District's building program. While there were many positive comments, negative comments ranged from communication difficulties to the termination of a contractor.

Commendation

- The District is commended for developing a tool for project assessment and evaluation of construction projects to identify, assess and resolve problems for future projects.

Recommendation

- It is recommended that the District analyze the detailed information provided by the project assessment and evaluation tool and, where appropriate, take corrective action to improve performance for future projects. The District should endeavor to increase ratings on all projects to at least the level of "good."

District Response

- The District concurs with the recommendation.

**Project Assessment and Evaluation¹
As of April 15, 2004**

Turner Construction Company

Project Name	Performance Rating² (Scale = 0-12)	Management Rating³ (Scale = 0-6)
El Dorado Modernization	7.2	3.3
Golden Modernization	7.5	3.4
Mabel Paine 8-CR Wing	9.1	3.6
Mabel Paine K Modernization	8.8	3.5
Rio Vista K Modernization ⁴	9.1	3.6
Rose Drive Modernization	6.7	3.0
Ruby Drive Modernization	7.6	3.4
Valencia Modernization	5.7	3.3

Bernards Brothers

Project Name	Performance Rating² (Scale = 0-12)	Management Rating³ (Scale = 0-6)
Bernardo Yorba Modernization	8.4	3.6
Esperanza Modernization	7.7	3.6
Fairmont Modernization	8.2	3.7

3D/I

Project Name	Performance Rating² (Scale = 0-12)	Management Rating³ (Scale = 0-6)
Kraemer Modernization	7.2	3.1
Lakeview New Construction	7.3	3.4
Melrose New Construction	7.4	3.4
Topaz Modernization	6.8	3.0

¹ Project assessment questionnaires were completed by the school principal, District facilities staff, the architect, the contractor and the project PM/CM. For detailed scores and comments, refer to the full report.

² Performance ratings were based on scheduling, budgeting, quality of work and quantity of work.

³ Management ratings were based on task management, applied leadership and work ethic.

⁴ Rio Vista was apparently originally assigned to Turner Construction Co., but board action assigned the school to 3D/I.

APPENDIX A
BOND PROJECT LIST

EXHIBIT A-1 BOND PROJECT LIST

Every school campus within the Placentia-Yorba Linda Unified School District will receive Measure Y bond funds. Bond funds will be used to make necessary repairs and upgrades to existing school campuses, as well as construct additional classrooms and schools to address overcrowding and increased enrollment. The thirty-one (31) existing campuses listed below will receive the following repair, upgrade and construction projects as necessary:

Adult Education	Golden Elementary School	Sierra Vista Elementary School
Bernardo Yorba Middle School	Kraemer Middle School	Topaz Elementary School
Brookhaven Elementary School	La Entrada High School	Travis Ranch School
Bryant Ranch Elementary School	Linda Vista Elementary School	Tuffree Middle School
El Camino Real High School	Mabel Paine Elementary School	Tynes Elementary School
El Dorado High School	Morse Elementary School	Valencia High School
Esperanza High School	Parkview School	Van Buren Elementary School
Fairmont Elementary School	Rio Vista Elementary School	Wagner Elementary School
George Key School	Rose Drive Elementary School	Woodsboro Elementary School
Glenknoll Elementary School	Ruby Drive Elementary School	Yorba Linda Middle School
Glenview Elementary School		

Repair, Upgrade and Construction Projects at Existing Schools:

1. Replacement of fire alarm and communications systems to increase student safety.
2. Upgrade science labs at middle and high schools as necessary to meet current curriculum/graduation requirement.
3. Upgrade/replace electrical systems, including, add panels, circuit breakers, transformers, wiring and outlets in classrooms and replace systems as necessary to include energy conservation.
4. Upgrade/replace deteriorating plumbing.
5. Replace/upgrade aging HVAC systems.
6. Address facility safety, code compliance and access for the disabled.
7. Repair and upgrade classrooms and school facilities to meet current standards.
8. Enlarge library/media center areas to accommodate growing enrollment and increasing curriculum demands.
9. Replace/upgrade furniture and equipment.
10. Upgrade restrooms as required by current state and federal standards.
11. Expand and improve school drop-off and parking areas to increase student safety.
12. Upgrade and replace as necessary outdoor play equipment and fields to comply with current safety standards.
13. Construct high school performing arts building.
14. Construct lunch shelters in order to protect students from heat and rain while eating.
15. Expand multi-purpose/cafeterias to accommodate student enrollment.
16. Construct standard classrooms to meet growth needs.
17. Construct additional restrooms to accommodate student enrollment.
18. Construct and/or upgrade additional computer labs to enhance student learning and achievement.

New Construction

Voter approved bond funds will be used to satisfy the state required "local funds" portion of the California State School Facilities New Construction Program. This state program will provide partial state funding for the acquisition of land and construction of:

1. One (1) comprehensive high school in Yorba Linda in order to reduce overcrowding at all existing high schools.
2. One (1) middle school in order to reduce middle school overcrowding in Placentia schools.
3. Two (2) elementary schools in order to reduce overcrowding and accommodate growing enrollment district-wide.