

Placentia-Yorba  
Linda Unified School  
District

**MEASURE Y  
PERFORMANCE AUDIT  
PERIOD ENDED JUNE 30, 2009**



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

# **Placentia-Yorba Linda Unified School District**

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**June 30, 2009**

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## **INTRODUCTION**

On October 9, 2001, the Placentia-Yorba Linda Unified School District placed on ballot for voter approval a Proposition 39 bond measure (Measure Y) to authorize the sale of \$102 million in bonds for school facilities. On March 5, 2002, Measure Y was approved by the voters with a 65.7 percent affirmative vote.

Because Measure Y required only 55 percent of the vote pursuant to 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 the District's annual financial audit; the second is a performance audit, which measures the effectiveness, economy and efficiency of the bond facilities program.

The District engaged the firm Total School Solutions (TSS) to conduct the annual independent performance audit and report its findings to the Board of Education and to the Independent Citizens' Bond Oversight Committee. The report contained herein is the seventh annual performance audit of Measure Y. This report covers the facilities program and related activities funded by Measure Y from July 1, 2008 through June 30, 2009.

Besides ensuring that the District used bond funds in conformance with the provisions listed in the Measure Y ballot, the scope of this examination included a review of design and construction schedules and budgets; change orders and claim procedures; compliance with law, District policies and guidelines regarding facilities and procurement; and the effectiveness of the public outreach program and communication channels among the stakeholders.

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

## **EXECUTIVE SUMMARY**

This performance audit, conducted by Total School Solutions (TSS), is the annual audit of the \$102 million Measure Y bond program for the period July 1, 2008 through June 30, 2009.

TSS, in conducting the audit, reviewed numerous documents produced by District staff and consultants and interviewed individuals involved in the bond program. Representations made by District staff and consultants were used, where appropriate, to make assessments and formalize conclusions, which are documented in this report. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

As of June 30, 2009, the District had received \$155.8 million from the State for new construction and modernization projects funded by Measure Y and other projects, \$24.5 million more than the estimate. As of June 30, 2009, only \$0.2 million of Measure Y funds remained unspent, which consisted of interest earnings. The Measure Y bond funds have been virtually exhausted.

A Citizens' Bond Oversight Committee (CBOC) was appointed by the Board to provide oversight of the Measure Y bond program, as required by law. A CBOC website, as required by law, exists, and pertinent information is provided, including bylaws, meeting agendas/minutes, facilities projects updates and performance audits. By agreement with the newly created Measure A CBOC, remaining Measure Y projects were transferred to the Measure A CBOC for oversight, and the Measure Y CBOC declared the District in compliance with ballot language and disbanded.

In the current audit report, numerous commendations have been made in many aspects of the bond program. There are no findings in the 2008-09 performance audit report. However, the report includes a number of observations regarding the District's facilities program which, while not rising to the level of findings, provide insight into the District's practices that should be subject to review and consideration by management.

It is clear from this report, and prior performance audit reports, that the District's facilities program has matured, and the systems and procedures in place should serve the District well in the implementation of the Measure A bond program. The District has been compliant with law and has been faithful to the community in carrying out, to the extent that resources were available, the projects identified in the Measure Y bond language.

It should be noted that this work has been performed to meet the requirements of a performance audit in accordance with Article XIII of the Constitution of the State of California. Any known significant weaknesses and substantial noncompliance items have been reported to the District's management. This performance audit is not a fraud audit, which would be much wider in scope and more significant in nature than this examination.

The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

## INDEPENDENT PERFORMANCE AUDITOR'S REPORT

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

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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, 2009. The information provided herein is the responsibility of the District's management. Our responsibility is to express an opinion on the pertinent issues included in the scope of this performance audit.

In our opinion, the Measure Y funds are being expended in accordance with Resolution No. 10, inclusive of Exhibit A-1 (Appendix A), passed by the Board of Education on October 9, 2001. It is also our opinion, for the period ending June 30, 2009, that the expenditures of the funds generated 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 cost estimates were reasonable and complied with the best practices in modernization and new construction of school facilities.

This performance audit was conducted in accordance with the District defined scope of performance audit of the school facilities program. The District, however, is also required to 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 performance audit.

Total School Solutions

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

February 28, 2010

## **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 a proper context. In addition to bond funds, the District receives funds from the State, local developer fees, a local community facilities district (Mello-Roos), certificates of participation (COPs) and various redevelopment agencies (RDAs).

The District funds used to account for facilities revenues and expenditures are as follows:

<u><b>Funds</b></u>	<u><b>Description</b></u>
21-23	Building (Measures Y General Obligation Bond)
25	Capital Facilities (Developer Fees)
26	Building (Measure A General Obligation Bond)
35	County (State) School Facilities (State Allocation Board)
40	Special Reserves – Capital Outlay
91	Capital Projects Component Unit

The following tables present the financial status of the District's facilities program for the past seven years, as documented in the fiscal year 2002-03 through 2007-08 annual audit reports and the fiscal year 2008-09 unaudited actuals report. As of June 30, 2009, all Measure Y bonds have been issued (Series A, B and C, totaling \$102 million). This performance audit only covers the Measure Y bond program.

### **Building Fund**

In the "Measures Y and A Building Fund" table, as of June 30, 2008, the combined ending balance was \$82.7 million, including the proceeds from the sale of \$80 million of Measure A bonds. As of June 30, 2009, the ending balance declined to \$50.7 million as funds were expended on various projects.

From the "Building Fund – 2007-08 (Audited)" table that shows Measures Y and A financial data separately, it can be seen that the Measure Y ending balance has been reduced from \$5.1 million, as of June 30, 2008, to \$196,000, as of June 30, 2009, virtually completely exhausting the Measure Y bond funds.

**Revenues and Expenditures for Facilities Program, FY 2002-03 – FY 2008-09**

	<b>FY Ending June 30, 2003</b>	<b>FY Ending June 30, 2004</b>	<b>FY Ending June 30, 2005</b>	<b>FY Ending June 30, 2006</b>	<b>FY Ending June 30, 2007</b>	<b>FY Ending June 30, 2008<sup>3</sup></b>	<b>FY Ending June 30, 2009</b>
<b>Measures Y and A Building Fund<sup>1</sup> (21-23 &amp; 26)</b>							
<b>Beginning Balance</b>	\$44,622,427	\$26,669,243	\$32,080,589	\$36,997,374	\$29,293,812	\$10,887,922	\$82,685,726
<b>Revenues</b>	601,930	320,405	579,400	1,289,623	1,140,988	709,767	1,545,333
<b>Expenditures</b>	6,354,133	17,009,911	24,420,871	7,786,183	22,231,276	9,319,522	33,511,912
<b>Transfers (Net)</b>	(12,200,981)	22,100,852	28,758,256	(1,207,002)	2,684,398 <sup>4</sup>	80,407,560	0
<b>Net Change</b>	(17,953,184)	5,411,346	4,916,785	(7,703,562)	(18,405,890)	71,797,805	(31,966,579)
<b>Ending Balance</b>	\$26,669,243	\$32,080,589	\$36,997,374	\$29,293,812	\$10,887,922	\$82,685,727	\$50,719,147
<b>Other Capital Outlay Funds<sup>2</sup></b>							
<b>Beginning Balance</b>	\$4,461,324	\$23,538,386	\$56,278,189	\$26,023,507	\$81,015,002	\$23,976,656	\$81,445,635
<b>Revenues</b>	2,786,828	67,023,593	15,288,099	7,600,302	15,908,221	99,819,813	8,909,015
<b>Expenditures</b>	8,566,167	44,487,332	45,711,513	18,013,787	68,142,271	38,075,303	50,098,762
<b>Transfers (Net)</b>	24,856,401	10,982,088	168,732	65,404,978	(4,804,296)	(4,275,531)	0
<b>Net Change</b>	19,077,062	33,518,349	(30,254,682)	54,991,493	(57,038,346)	57,468,979	(41,189,747)
<b>Ending Balance</b>	\$23,538,386	\$57,056,735	\$26,023,507	\$81,015,000	\$23,976,656	\$81,445,635	\$40,255,888
<b>Measure Y and A &amp; Other Capital Outlay Funds</b>							
<b>Beginning Balance</b>	\$49,083,751	\$50,207,629	\$88,358,778	\$63,020,881	\$110,308,812	\$34,864,578	\$164,131,361
<b>Revenues</b>	3,388,758	67,343,998	15,867,499	8,889,925	17,049,209	100,529,580	10,454,348
<b>Expenditures</b>	14,920,300	61,497,243	70,132,384	25,799,970	90,373,547	47,394,825	83,610,674
<b>Transfers (Net)</b>	12,655,420	33,082,940	28,926,988	64,197,976	(2,119,898)	76,132,029	0
<b>Net Change</b>	1,123,878	38,929,695	(25,337,897)	47,287,931	(75,444,236)	129,266,784	(73,156,326)
<b>Ending Balance</b>	\$50,207,629	\$89,137,324	\$63,020,881	\$110,308,812	\$34,864,578	\$164,131,362	\$90,975,035
<b>Outstanding Debt</b>							
<b>Measure Y Bonds</b>	\$45,753,028	\$73,303,093	\$97,999,671	\$97,888,212	\$95,153,164	\$94,055,459	\$85,776,101
<b>Measure A Bonds</b>	0	0	0	0	0	80,000,000	80,000,000
<b>CFD#1 Bonds</b>	5,505,000	5,505,000	5,505,000	5,410,000	5,315,000	5,315,000	5,315,000
<b>COPs #A (September 2003)</b>	0	16,635,000	16,635,000	0	0	0	0
<b>COPs #B (May 2003)</b>	5,550,000	5,400,000	5,250,000	5,100,000	4,940,000	4,775,000	4,775,000
<b>COPs (2005-06)</b>	0	0	0	86,860,315	87,201,485	87,450,299	87,285,299
<b>Capital Leases</b>	39,123	4,926,109	15,052,482	14,088,424	13,463,091	12,379,123	11,412,131
<b>Total Debt</b>	<b>\$56,847,151</b>	<b>\$105,769,202</b>	<b>\$140,442,153</b>	<b>\$209,346,951</b>	<b>\$206,072,740</b>	<b>\$283,974,881</b>	<b>\$274,563,531</b>

<sup>1</sup>Measure Y bonds issued against the \$102 million authorized and Measure A bonds issued against the \$200 million authorized include the following:

<u>Measure Y</u>		<u>Measure A</u>	
Series A: June 2002	\$44,997,800	Series A: 2008	\$80,000,000
Series B: May 2004	29,999,744		
Series C: May 2005	<u>26,999,610</u>		
Total bonds issued	\$101,997,154		

<sup>2</sup>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 certificates of participation. See the "Other Capital Outlay Funds" table for detail.

<sup>3</sup>The Building Funds 21 & 23 are used to account for Measure Y and Fund 26 is used to account for Measure A Funds. See separate tables for a breakdown of Measures Y and A.

<sup>4</sup>Net transfers include the receipt of \$3,184,543 from the refunding of Measure Y, Series A Bond and a transfer out of (\$500,145) for debt service principal and interest payment.



**Building Fund – Fiscal Year 2007-08 (Audited)**

<b>Fiscal Year Ending June 30, 2008</b>	<b>Measure Y (Funds 21-23)</b>	<b>Measure A (Fund 26)</b>	<b>Totals</b>
Beginning Balance	\$10,887,922	\$ 0	\$10,887,922
Revenues	456,312	253,455	709,767
Expenditures	5,459,841	3,859,681	9,319,522
Transfers (Net)	(828,090)	(1,235,650)	(2,063,740)
Sources	0	82,471,300	82,471,805
Net Change	(5,831,619)	77,629,424	71,797,805
Ending Balance	\$5,056,303	\$77,629,424	\$82,685,727

**Building Fund – Fiscal Year 2008-09 (Unaudited)**

<b>Fiscal Year Ending June 30, 2009</b>	<b>Measure Y (Funds 21-23)</b>	<b>Measure A (Fund 26)</b>	<b>Totals</b>
Beginning Balance	\$5,056,302	\$77,629,424	\$82,685,726
Revenues	104,126	1,441,207	1,545,333
Expenditures	4,963,639	28,548,273	33,511,912
Transfers (Net)	0	0	0
Sources	0	0	0
Net Change	(4,859,513)	(27,107,066)	(31,966,579)
Ending Balance	\$196,789	\$50,522,358	\$50,719,147

**OTHER CAPITAL OUTLAY FUNDS**  
**FISCAL YEARS 2002-03 Through 2007-08 (AUDITED) AND FISCAL YEAR 2008-09 (UNAUDITED ACTUALS)**

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

<b>Fiscal Year Ending June 30, 2004</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>	<b>CFD#1<sup>4</sup></b>	<b>Certificates of Participation<sup>5</sup></b>	<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$1,865,487	\$7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$0	\$23,538,386
Revenues	7,188,697	58,312,647	108,773	351,971	1,061,505	0	67,023,593
Expenditures	1,475,066	37,433,529	1,980,645	2,535,712	1,062,380	0	44,487,332
Transfers (Net)	(6,557,605)	15,032,327	6,299,207	0	(3,791,841)	0	10,982,088
Net Change	(843,974)	35,911,445	4,427,335	(2,183,741)	(3,792,716)	0	33,518,349
<b>Ending Balance</b>	<b>\$1,021,513</b>	<b>\$43,141,021</b>	<b>\$8,242,975</b>	<b>\$3,035,152</b>	<b>\$1,616,074</b>	<b>\$0</b>	<b>\$57,056,735</b>

<b>Fiscal Year Ending June 30, 2005</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>			<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$1,021,513	\$43,141,021	\$8,242,975			\$3,872,680	\$56,278,189
Revenues	4,357,032	10,676,809	211,171			43,087	15,288,099
Expenditures	831,694	43,113,874	927,206			838,739	45,711,513
Transfers (Net)	35,822	13,185	1,402,458			(1,282,733)	168,732
Net Change	35,822	(32,423,880)	686,423			(2,078,385)	(30,254,682)
<b>Ending Balance</b>	<b>\$4,582,673</b>	<b>\$10,717,141</b>	<b>\$8,929,398</b>			<b>\$1,794,295</b>	<b>\$26,023,507</b>

<b>Fiscal Year Ending June 30, 2006</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>			<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$4,582,673	\$10,717,141	\$8,929,398			\$1,794,295	\$26,023,507
Revenues	1,732,905	1,158,460	3,800,975			907,962	7,600,302
Expenditures	2,171,793	9,313,050	5,015,613			1,513,331	18,013,787
Transfers (Net)	0	1,207,002	64,053,013			144,963	65,404,978
Net Change	(438,888)	(6,947,588)	62,838,375			(460,406)	54,991,493
<b>Ending Balance</b>	<b>\$4,143,785</b>	<b>\$3,769,553</b>	<b>\$71,767,773</b>			<b>\$1,333,889</b>	<b>\$81,015,000</b>

<b>Fiscal Year Ending June 30, 2007</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>	<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$4,143,785	\$3,769,555	\$71,767,773	\$1,333,889	\$81,015,002
Revenues	7,305,851	200,181	5,530,257	2,871,932	15,908,221
Expenditures	5,682,096	1,645,719	60,497,783	316,673	68,142,271
Transfers (Net)	0	0	(1,288,935)	(3,515,361)	(4,804,296)
Net Change	1,623,755	(1,445,538)	(56,256,461)	(960,102)	(57,038,346)
<b>Ending Balance</b>	<b>\$5,767,540</b>	<b>\$2,324,017</b>	<b>\$15,511,312</b>	<b>\$373,787</b>	<b>\$23,976,656</b>
<b>Fiscal Year Ending June 30, 2008</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>	<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$5,767,540	\$2,324,017	\$15,511,312	\$373,787	\$23,976,656
Revenues	1,447,081	78,822,868	19,532,261	17,603	99,819,813
Expenditures	3,632,593	25,638,923	8,490,280	313,507	38,075,303
Transfers (Net)	185,046	0	(4,460,577)	0	(4,275,531)
Net Change	(2,000,466)	53,183,945	6,581,404	(295,904)	57,468,979
<b>Ending Balance</b>	<b>\$3,767,074</b>	<b>\$55,507,962</b>	<b>\$22,092,716</b>	<b>\$77,883</b>	<b>\$81,445,635</b>
<b>Fiscal Year Ending June 30, 2009</b>	<b>Capital Facilities Fund<sup>1</sup></b>	<b>County School Facilities Fund<sup>2</sup></b>	<b>Special Reserves Capital Outlay<sup>3</sup></b>	<b>Capital Projects Component Unit<sup>6</sup></b>	<b>Totals</b>
Beginning Balance	\$3,767,074	\$55,507,962	\$22,092,716	\$77,883	\$81,445,635
Revenues	1,084,411	970,031	6,854,573		8,909,015
Expenditures	1,674,360	39,784,187	8,640,215		50,098,762
Transfers (Net)	0	0	0		0
Net Change	(589,949)	(38,814,156)	(1,785,642)	0	(41,189,747)
<b>Ending Balance</b>	<b>\$3,177,125</b>	<b>\$16,693,806</b>	<b>\$20,307,074</b>	<b>\$77,883</b>	<b>\$40,255,888</b>

<sup>1</sup>The Capital Facilities Fund (Fund 25) is used for developer fees.

<sup>2</sup>The County School Facilities Fund (Fund 35) is used for State Allocation Board (SAB) funds received for modernization, site acquisition and new construction projects for which the District is eligible. Revenues for 2007-08 included \$77,692,968 of State funds.

<sup>3</sup>The Special Reserve Fund (Fund 40) is used to account for funds set aside for Board-designated construction projects. For 2005-06, includes the proceeds from a COP issued against the future Yorba Linda Redevelopment Agencies monies.

<sup>4</sup>A District-wide Community Facilities District No. 1 (CFD#1) (Fund 91) 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.

<sup>5</sup>The District issued Certificates of Participation (COPs), Series B for \$5,550,000 in May 2003 to be used for various capital project needs. The District issues COPs, Series A, for \$16,635,000 in September 2003 to be used for various capital project needs. The new COPs will be repaid over thirty (30) years. The old COPs will be repaid over twenty-five (25) years. (A certificates of participation is a loan, not a source of funds, repaid over time from other District revenues, usually from a designated revenue stream such as developer fees.)

<sup>6</sup>The Capital Projects Component Unit Fund is used to account for COPs/CFD funds for District designated construction projects. It replaces the CFD #1 and Certificates of Participation funds. Accounting data for 2008-09 were not available in the unaudited actuals report, and will be updated when the financial audit report is available.

## **Cost-saving Measures**

As a part of this audit, a review of efforts by the District to maximize use of the bond revenues by implementing cost-saving measures was conducted. The results of this review are as follows:

a) **Mechanisms designed to reduce the cost of professional fees.**

Professional fees are typically paid for the services provided by various consultants including architects, engineers, construction and program managers, testing laboratories, inspectors, etc. The District reviews existing professional services contracts and fee schedules periodically, usually on an annual basis or at the contract renewal. These reviews include a comparative analysis of the fee schedules and, where appropriate, a renegotiation of more favorable terms is conducted. Recently this process resulted in a renegotiated rate schedule for program/construction management services, causing a reduction of approximately 11 percent in professional fees for these services.

b) **Mechanisms designed to reduce the costs of site preparation.**

Site preparation often involves civil surveys, materials testing, and in some cases demolition. The District often engages these services on a direct contract to avoid the general contractor mark-up by an architectural or engineering firm. The District also utilizes unit bids that establish core trades (electrical, plumbing, paving, landscaping, and low voltage electrical) rates to deal with minor site issues.

c) **Recommendations regarding joint use of core facilities.**

Typically, interagency joint use of core facilities at school sites is limited due to the proprietary nature of the facilities and the security aspects of those facilities. Whenever possible, joint use agreements are employed to help reduce the initial cost of project development and construction as well as ongoing operational costs.

The cities in the District have been approached in an effort to develop interagency joint use projects. Unfortunately, with the exception of the Yorba Linda High School joint use area field, none of the cities has, to date, been able to commit capital funds to such a project. Consequently, there are no interagency joint use projects currently planned in the Measure Y program.

d) **Mechanisms designed to reduce costs by incorporating efficiencies on school site design.**

The District consistently employs energy efficient mechanical and electrical systems in all project designs. The District also utilizes an Energy Management System (EMS) through Siemens Building Technologies, whereby most of the major systems that consume electricity are monitored and remotely controlled at the District Maintenance and Operations department. All newly constructed facilities are integrated into this EMS system.

## Commendation

- The District is commended for utilizing bid mechanism to reduce the cost of site prep and periodically reviewing professional fees to identify areas where savings could be utilized.

## Modernization vs. Reconstruction

During the process of developing a school facilities bond ballot language for submission to the electorate, estimates are generally used regarding the scope and the cost of projects. The significant amount of data, needed to develop detailed plans and specifications required to accurately project cost and scope, is not available until after the passage of a bond measure. Consequently, what may be listed as a “modernization”, “rehabilitation”, or “remodel” project may become a demolition and reconstruction project once the actual condition of the existing structure is fully evaluated.

The following scenarios may cause reconstruction:

- An existing structure cannot be made to accommodate current codes. For example, an aging structure may not be large enough and/or have dimensions that prohibit compliance with handicap accessibility requirements.
- An existing structure has hidden damage rendering it as costly, or perhaps even more costly, to modernize as reconstruction.
- Modernizing an existing structure may not be a responsible use of taxpayer funds. The existing structure may be poorly located and demolishing it and reconstructing it at a new location may be more advantageous programmatically.
- If the cost of modernizing a building exceeds 50 percent of replacement cost, Title 24 requires the building be brought up to the current codes in all respects. This requirement may cause a modernization project to become economically infeasible causing the school district to pursue reconstruction instead. (In most cases, modernization itself triggers limited code upgrades instead of full current compliance.)

The State School Facility Program Regulations, Section 1859.79.2, Use of Modernization Grant Funds, state:

*“Modernization funding, with the exception of savings, is limited to expenditure on the specific site where the modernization grant eligibility was generated. The grant may not be used for the following:*

*(a) New building area with the exception of the following:*

*(1) Replacement of building area with like kind. Additional classrooms constructed within the replacement area will reduce the new construction baseline eligibility for the district.*

*(2) Building area required by the federal Americans with Disabilities Act (ADA) or by the Division of the State Architect’s (DSA) handicap access requirements.”*

At Placentia-Yorba Linda Unified School District, a few bond funded projects, originally listed as modernizations, appear to have become replacement/reconstruction projects. These projects appear to be in conformance with the intent of bond measure language.

## **COMPLIANCE WITH BALLOT LANGUAGE**

### **Process Utilized**

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

### **Examination**

TSS reviewed all current District projects and selected several modernization and new construction projects for a more extensive examination.

### **Background – Measure Y**

The Board of Education of the Placentia-Yorba Linda Unified School District unanimously approved placing a \$102 million Proposition 39 bond measure (Measure Y) on the ballot with the adoption of Resolution No. 10 on October 9, 2001. The bond measure was approved by voters on March 5, 2002, with a 65.7 percent affirmation vote, exceeding the 55 percent threshold required for passage. 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.” Article XIII further provides that monies obtained through the successful passage of the bond measure may be expended only on those projects listed in the bond measure language.

In accordance with Article XIII 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, Appendix 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 of the desired improvements at every school. Exhibit A-1 also specifies that four (4) new schools would be built: two (2) elementary schools, one (1) middle school and one (1) comprehensive high school.

### **Compliance**

The use of Measure Y funds, the scope defined by Resolution No. 10, and Appendix A, Exhibit A-1, provide the range of projects subject to this performance audit, as required by the State Constitution. As of June 30, 2009, all Measure Y funds were expended with a small residual ending balance consisted of interest earnings.

All expenditures of Measure Y bond funds were for projects listed in the bond measure language. Furthermore, the District received \$58.9 million in State modernization funding and \$92.1 million in State new construction funding, exceeding the estimated \$57 million and \$69 million respectively from these sources included in the bond measure language.

The District is in compliance with all provisions of Resolution No. 10, which authorized the \$102 million Measure Y bond measure.

## FACILITIES PROGRAM HISTORY/STATUS

To assist the community in understanding the District's facilities program and the chronology of events and decisions that impacted the scope and cost of projects (from all sources). This report documents facilities-related actions of the Board of Education from July 1, 2008 through June 30, 2009.

### **Chronology of Facilities Events, July 1, 2008 – June 30, 2009**

DATE	ACTION	AMOUNT
July 15, 2008	Approved Independent Contractor Agreements - Facilities & Planning as listed in accordance with Board Policy No. 4124, Retention of Consultants. (3 contracts).	\$34,940
July 15, 2008	Approved Change Order No. 4 to Purchase Order No. 704550, Bid No. 207-17 to Advance Mechanical Contractors, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$25,171
July 15, 2008	Approved Change Order No. 5 to Purchase Order No. 704546, Bid No. 207-19 to American Electric Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$14,816
July 15, 2008	Approved Change Order No. 2 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School , Project No. YLH-9608	\$45,920
July 15, 2008	Approved Change Order No. 5 to Purchase Order No. 704533, Bid No. 207-07 to Bledsoe Masonry, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$8,543)
July 15, 2008	Approved Change Order No. 6 to Purchase Order No. 704532, Bid No. 207-06 to Edge Development for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$47,968
July 15, 2008	Approved Change Order No. 2 to Purchase Order No. 800835, Bid No. 207-38 to Industrial Masonry, for Yorba Linda High School, Project No. YLH-9606	(\$15,163)
July 15, 2008	Approved Change Order No. 3 to Purchase Order No. 706633-BA, Bid No. 207-32 to McKenna General Engineering Contractor for Yorba Linda High School, Project No. YLH-9606	\$13,999
July 15, 2008	Approved Change Order No. 1 to Purchase Order No. 801607-BA, Bid No. 207-59 to Mel Smith Electric for Yorba Linda High School, Project No. YLH-9606	\$12,573
July 15, 2008	Approved Change Order No. 1 to Purchase Order No. 801610-BA, Bid No. 207-60 to T.B. Penick & Sons, Inc. for Yorba Linda High School, Project No. YLH-9606	\$159,005
July 15, 2008	Approved Change Order No. 2 to Purchase Order No. 800834, Bid No. 207-34 to USS Cal Builders for Yorba Linda High School, Project No. YLH-9606	(\$1,256,618)



<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
July 15, 2008	Approved extension of time to the attached list of contracts. (3 contracts).	
July 15, 2008	Approved agreement with Total School Solutions to conduct the annual, independent performance audit of Proposition 39 (Measure "A") bond funds for five years, commencing July 1, 2008, renewable on an annual basis. Subsequently, Measure Y audit was added to the scope of work for FY 2008-09.	
July 15, 2008	Approved Professional Services Agreement with TBP Architecture, Inc. for conceptual design services for the Food Service Relocation Project. Contract No. 0809-04. Project Numbers DEC-9239-9302 and DEC-9239-9303. Contract Period is June 1, 2008 through December 31, 2009.	\$33,600
August 26, 2008	Approve as complete the project (s) listed and authorize filing of Notice (s) of Completion. (2 contracts).	
August 26, 2008	Approved Independent Contractor Agreements - Facilities & Planning as listed in accordance with Board Policy No. 4124, Retention of Consultants. (4 contracts).	\$30,900
August 26, 2008	Approved Change Order No. 2 to Purchase Order No. 704531, Bid No. 207-05 to ACCU Construction, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$16,752
August 26, 2008	Approved Change Order No. 6 to Purchase Order No. 704546, Bid No. 207-19 to Kincaid Enterprises, Inc. dba American Electric Company for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$64,849
August 26, 2008	Approved Change Order No. 6 to Purchase Order No. 704533, Bid No. 207-07 to Bledsoe Masonry, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$2,749
August 26, 2008	Approved Change Order No. 2 to Purchase Order No. 704548, Bid No. 207-21 to Borbon Incorporated for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$9,778
August 26, 2008	Approved Change Order No.5 to Purchase Order No. 704529, Bid No. 207-04 to Edwin G. Bowen Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$27,867
August 26, 2008	Approved Change Order No. 4 to Purchase Order No. 704691, Bid No. 207-10 to Coast Roof Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$5,218
August 26, 2008	Approved Change Order No. 6 to Purchase Order No. 704534, Bid No. 207-08 to Columbia Steel, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$21,175
August 26, 2008	Approved Change Order No. 1 to Purchase Order No. 706665, Bid No. 207-29 to Continental Flooring, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$12,424

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
August 26, 2008	Approved Change Order No. 7 to Purchase Order No. 704532, Bid No. 207-06 to Edge Development for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$8,519
August 26, 2008	Approved Change Order No. 1 to Purchase Order No. 706279, Bid No. 207-28 to Inland Pacific Tile, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$1,825
August 26, 2008	Approved Change Order No. 3 to Purchase Order No. 704549, Bid No. 207-13 to Preferred Ceilings, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$5,177
August 26, 2008	Approved Change Order No. 3 to Purchase Order No. 706278, Bid No. 207-11 to Superior Wall Systems for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$10,459
August 26, 2008	Approved Change Order No. 1 to Purchase Order No. 706634, Bid No. 207-33 to TC Construction Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$13,618
August 26, 2008	Approved Change Order No. 2 to Purchase Order No. 800834, Bid No. 207-37 to Verne's Plumbing, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$76,223
August 26, 2008	Approved Amendment No. 1 for Labor Compliance Services with Golden State Facilities Services for the Labor Compliance Program auditing services for Gualberto J. Valadez Middle School Academy. Contract No. 0607-12. Project No. SW-9533. P.O. No. 705126.	\$11,088
August 26, 2008	Approved Amendment No. 3 to Professional Services Agreement with John Byerly for grading observation and fill compaction testing services at the Yorba Linda High School site. Contract No. 0607-17. Project No. YLH-9606. P.O. No. 707026.	\$178,600
August 26, 2008	Approved Amendment No. 7 to Professional Services Agreement with John Byerly for additional geotechnical investigation services at the Yorba Linda High School site. Contract No. 0506-26. Project No. YLH-9606. P.O. No. 607387.	\$5,000
August 26, 2008	Approved Amendment No. 3 to the Construction Management Agreement with 3D/International (3DI) in association with California Construction Management for Program Management and Construction Management Services at Gualberto J. Valadez Middle School Academy. Contract No. 0506-22. Project No. SW-9533. P.O. No. 607268.	\$285,000
August 26, 2008	Approved extension of time to the attached list of contracts.	
September 16, 2008	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (4 projects).	
September 16, 2008	Approved award of bids to lowest responsive and responsible bidders and approve Multi-Prime contracts to Bid No. 209-1 and 209-2 for the construction of Yorba Linda High School. Project No. YLH-9606.	\$1,515,000

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
September 16, 2008	Approved Change Order No. 3 to Purchase Order No. 704531, Bid No. 207-5 to ACCU Construction, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$18,587
September 16, 2008	Approved Change Order No. 7 to Purchase Order No. 704546, Bid No. 207-19 to American Electric Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$19,481
September 16, 2008	Authorize the continued use of the La Habra City School District Bid No. 2003-1 Lease of DSA Approved Relocatable Buildings District wide from Mobile Modular Management Corp. for the period of May 2008 through May 2010.	\$65,680
September 16, 2008	Approved Resolution No. 6 authorizing the use of the Riverside Unified School District Award Bid No. 2004/05-12 Lease of DSA Approved Relocatable Buildings District wide from Mobile Modular Management Corp. for the 2008/2009 school year. (Multiple funding sources)	Not to exceed \$700,000
September 16, 2008	Approved the extension of time to the attached list of contracts. (2 contracts).	
September 16, 2008	Approved Agreement with the City of Yorba Linda to improve traffic circulation and reduce congestion at the Lakeview Elementary School. Project No. LKV-9234-9302.	\$100,000
October 14, 2008	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (21 contracts).	
October 14, 2008	Approved the Agreement for Consultant Services between Los Angeles County Office of Education, Geomatrix Consultants and Placentia-Yorba Linda Unified School District, effective July 1, 2008 through June 30, 2009.	\$2,200
October 14, 2008	Approved Change Order No. 6 to Purchase Order No. 704529, Bid No. 207-04 to Edwin G. Bowen Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533	\$9,262
October 14, 2008	Approved Change Order No. 4 to Purchase Order No. 704531, Bid No. 207-05 to ACCU Construction, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$14,298
October 14, 2008	Approved Change Order No. 8 to Purchase Order No. 704532, Bid No. 207-06 to Edge Development for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$66,789
October 14, 2008	Approved Change Order No. 4 to Purchase Order No. 706728, Bid No. 207-11 to Superior Wall Systems for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$36,019
October 14, 2008	Approved Change Order No. 4 to Purchase Order No. 704549, Bid No. 207-13 to Preferred Ceilings, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$11,941

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
October 14, 2008	Approved Change Order No. 8 to Purchase Order No. 704546, Bid No. 207-19 to American Electric Company for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$2,671
October 14, 2008	Approved Change Order No. 3 to Purchase Order No. 704548, Bid No. 207-21 to Borbon Incorporated for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$15,981
October 14, 2008	Approved Change Order No. 2 to Purchase Order No. 706665, Bid No. 207-29 to Continental Flooring, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$6,896
October 14, 2008	Approved Change Order No. 3 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$112,051
October 14, 2008	Approved Change Order No. 4 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
October 14, 2008	Approved Change Order No. 1 to Purchase Order No. 808046, Bid No. 208-1 to Angeles Contractor, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$44,315
October 14, 2008	Approved Change Order No. 2 with Fuscoe Engineering for additional construction survey services at Yorba Linda High School. Contract No. 0708-07. Project No. YLH-9606.	\$11,533
October 14, 2008	Approved Amendment No. 4 to Professional Services Agreement with John Byerly for grading observation and fill compaction testing services at the Yorba Linda High School site. Contract No. 0607-17. Project No. YLH-9606. Purchase Order No. 707026.	\$14,100
October 14, 2008	Approved extension of time to the attached list of contracts.	
October 14, 2008	Approved Resolution No. 8, intent to Dedicate Easement to Yorba Linda Water District for water service at the Yorba Linda High School Site.	
October 28, 2008	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (3 contracts).	
October 28, 2008	Approved Reduction of Retention to Purchase Order No. 704532, Bid No. 207-06 to Edge Development for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	
October 28, 2008	Approved Reduction of Retention to Purchase Order No. 706728, Bid No. 207-11 to Superior Wall Systems for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	
October 28, 2008	Approved Resolution No. 10, to Dedicate Easement to Yorba Linda Water district for water service at the Yorba Linda High School site.	
November 18, 2008	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (6 Contracts).	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
November 18, 2008	Approved award of bids to lowest responsive and responsible bidders and approved contract to K.A. R. Construction, Inc. Bid No. 209-8 for the concrete portion of the Construction of Yorba Linda High School. Project No. YLH-9606.	\$1,872,000
November 18, 2008	Approved Change Order No. 7 to Purchase Order No. 704529, Bid No. 207-04 to Edwin G. Bowen Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$19,949
November 18, 2008	Approved Change Order No. 9 to Purchase Order No. 704532, Bid No. 207-06 to Edge Development, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$47,416
November 18, 2008	Approved Change Order No. 7 to Purchase Order No. 704533, Bid No. 207-07 to Bledsoe Masonry, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$34,279
November 18, 2008	Approved Change Order No. 5 to Purchase Order No. 706728, Bid No. 207-11 to Superior Wall Systems, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$22,506
November 18, 2008	Approved Change Order No. 4 to Purchase Order No. 704548, Bid No. 207-21 to Borbon, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$9,880
November 18, 2008	Approved Change Order No. 2 to Purchase Order No. 706279, Bid No. 207-28 to Inland Pacific Tile Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$12,589
November 18, 2008	Approved Change Order No. 1 to Purchase Order No. 801606, Bid No. 207-41 to Coutts Heating and Cooling, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
November 18, 2008	Approved Change Order No. 2 to Purchase Order No. 800842, Bid No. 207-48 to Inland Pacific Tile, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
November 18, 2008	Approved Change Order No. 1 to Purchase Order No. 800843, Bid No. 207-49 to ProSpectra Contract Flooring, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
November 18, 2008	Approved Change Order No. 1 to Purchase Order No. 800845, Bid No. 207-51 to Time and Alarm Systems, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
November 18, 2008	Approved Change Order No. 2 to Purchase Order No. 800841, Bid No. 207-46 to Crown Fence Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
November 18, 2008	Approved substitution of subcontractor for the plumbing insulation outfit portion for this project to Karcher Insulation on Bid No. 207-37 new construction project at Yorba Linda High School.	\$0
November 18, 2008	Approved Amendment No. 2 to the agreement for architectural services with HMC Architects for the Bradford Stadium Field Upgrades project. Contract No. 0708-59. Project No. VHS-9224-9301-071.	\$201,619

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
November 18, 2008	Approved Professional Services Agreement with Johnston DLM & Associates for DSA Closeout services for various projects. Contract Period October 1, 2008 through June 30, 2009. Contract No. 0809-25.	\$45,000
November 18, 2008	Approved Amendment No. 1 to Purchase Order No. 706634, Bid No. 207-33, to TC Construction Inc. for Yorba Linda High School, Project No. YLH-9606.	\$149,289
December 16, 2008	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (7 contracts)	
December 16, 2008	Approved Change Order No. 3 to Purchase Order No. 704538, Bid No. 207-14 to ABC School Equipment, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$1,517
December 16, 2008	Approved Change Order No. 4 to Purchase Order No. 704551, Bid No. 207-22 to Econo Fence, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$13,184)
December 16, 2008	Approved Change Order No. 3 to Purchase Order No. 706665, Bid No. 207-29 to Continental Flooring, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$527)
December 16, 2008	Approved Change Order No. 5 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$27,649
December 16, 2008	Approved Change Order No. 3 to Purchase Order No. 800834, Bid No. 207-37 to Verne's Plumbing, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$81,461
December 16, 2008	Approved Change Order No. 1 to Purchase Order No. 800836, Bid No. 207-39 to Construction Steel Works, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$167,326
December 16, 2008	Approved Change Order No. 2 to Purchase Order No. 800844, Bid No. 207-50 to Preferred Ceilings, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
December 16, 2008	Approved Change Order No. 1 to Purchase Order No. 800846, Bid No. 207-53 to Preferred Ceilings, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
December 16, 2008	Approved Change Order No. 1 to Purchase Order No. 800848, Bid No. 207-55 to Dow Diversified, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$0
December 16, 2008	Approved award of bids to lowest responsive and responsible bidders and approved contract Bid No. 209-3 to America West Landscape, Inc. for Landscape and Irrigation at Yorba Linda High School. Project No. YLH-9606.	\$1,599,705
January 13, 2009	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (7 contracts)	

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
January 13, 2009	Approved Change Order No. 5 to Purchase Order No. 704549, Bid No. 207-13 to Preferred Ceilings, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$6,874
January 13, 2009	Approved Change Order No. 6 to Purchase Order No. 706728, Bid No. 207-11 to Superior Wall Systems, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$11,220)
January 13, 2009	Approved Change Order No. 2 to Purchase Order No. 704536, Bid No. 207-09 to K & Z Cabinet Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$17,911
January 13, 2009	Approved Change Order No. 3 to Purchase Order No. 800835, Bid No. 207-38 to Industrial Masonry, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$70,376
January 13, 2009	Approved Change Order No. 2 to Purchase Order No. 706634, Bid No. 207-33 to TC Construction Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$20,667
January 13, 2009	Approved Change Order No. 3 to Purchase Order No. 704553, Bid No. 207-23 to Hardy & Harper, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$34,600
January 13, 2009	Approved Amendment No. 1 to Purchase Order No. 801607, Bid No. 207-59 to Mel Smith Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$138,502
January 13, 2009	Approved Change Order No. 2 to Purchase Order No. 801607, Bid No. 207-59 to Mel Smith Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$74,247
January 13, 2009	Approved Amendment No. 2 to the Construction Management Agreement with 3D/International in Association with California Construction Management for Program Management and Construction Management Services at Yorba Linda High School, Contract No. 0506-21.	\$1,973,155
January 13, 2009	Approved Amendment No. 1 Knowland Construction Services for DSA Inspection Services at the Yorba Linda High School, Contract No. 0607-22.	\$535,000
February 10, 2009	Approved Award of Bid No. 209-11, Landscaping and Irrigation Services, to Sunwest Landscape Services and approved contract. Unit Price contract to be utilized as needed for various landscaping projects. (Multiple funding sources)	Not to exceed \$700,000
February 10, 2009	Approved as complete the project (s) listed and authorize filing of Notice (s) of Completion. (10 contracts)	
February 10, 2009	Approved Independent Contractor Agreements - Facilities & Planning as listed in accordance with Board Policy No. 4124, Retention of Consultants. (2 contracts).	\$29,500

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
February 10, 2009	Approved award of bids to lowest responsive and responsible bidders and approved contract to JRH Construction Company, Inc. Bid No. 209-9 for the General Construction 2 Portion of Yorba Linda High School. Project No. YLH-9606.	\$1,996,000
February 10, 2009	Approved Change Order No. 8 to Purchase Order No. 704529, Bid No. 207-04 to Edwin G. Bowen Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$63,228
February 10, 2009	Approved Change Order No. 5 to Purchase Order No. 704531, Bid No. 207-05 to ACCU Construction, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$21,544)
February 10, 2009	Approved Change Order No. 5 to Purchase Order No. 704691, Bid No. 207-10 to Coast Roof Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	(\$3,912)
February 10, 2009	Approved Change Order No. 5 to Purchase Order No. 704550, Bid No. 207-17 to Advance Mechanical Contractors, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$101,454
February 10, 2009	Approved Change Order No. 2 to Purchase Order No. 704545, Bid No. 207-18 to Coutts Heating and Cooling, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$2,576
February 10, 2009	Approved Change Order No. 9 to Purchase Order No. 704546, Bid No. 207-19 to American Electric Company, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$16,528
February 10, 2009	Approved Change Order No. 7 to Purchase Order No. 704534, Bid No. 207-08 to Columbia Steel, Inc. for Gualberto J. Valadez Middle School Academy, Project No. SW-9533.	\$67,363
February 10, 2009	Approved Change Order No. 6 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School , Project No. YLH-9606.	\$35,975
February 10, 2009	Approved Change Order No. 4 to Purchase Order No. 800835, Bid No. 207-38 to Industrial Masonry, Inc. for Yorba Linda High School , Project No. YLH-9606.	\$25,343
February 10, 2009	Approved Change Order No. 2 to Purchase Order No. 800836, Bid No. 207-39 to Construction Steel Works, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$115,462
February 10, 2009	Approved Change Order No. 2 to Purchase Order No. 800837, Bid No. 207-40 to Best Roofing & Waterproofing, Inc. dba BEST Contracting Services, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$28,599
February 10, 2009	Approved substitution of subcontractor for the site concrete portion for this project to CC Construction Company, Inc, Bid No. 208-1 Site Concrete at Yorba Linda High School.	



<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
February 10, 2009	Approved authorization to select the California Multiple Award Schedule (CMAS) Contract with Network Integration Company Partners, Inc. Contract No. 3-07-70-2473C to purchase basic network maintenance at Topaz, Rio Vista, Ruby Drive, Morse, Tynes, Melrose and Kraemer Middle Schools for the 2009-2010 fiscal year.	
February 10, 2009	Approved authorization to select AT & T Datacom's California Multiple Award Schedule (CMAS). Contract No. 3-08-70-02550Q for the purchase of Cisco equipment for Valadez Middle School Academy for the 2009-2010 fiscal year.	
February 10, 2009	Approved authorization to select the California Multiple Award Schedule (CMAS). Contract No. 3-01-70-0310C with Digital Telecommunications Corporation for the purchase and warranty of hardware and software for the 2009-2010 fiscal year. (Multiple funds)	
February 24, 2009	Approved as complete the project(s) listed and authorize filing of Notice (s) of Completion. (6 contracts)	
February 24, 2009	Approved Independent Contractor Agreements - Facilities & Planning as listed in accordance with Board Policy No. 4124, Retention of Consultants.	\$31,050
February 24, 2009	Approved Agreement between the Placentia-Yorba Linda Unified School District and the Orange County Head Start Program for the development and construction of the Ruby Drive Head Start Program.	
February 24, 2009	Approved Resolution No. 21, Authorization To Utilize the State of California Multiple Award Schedule No. 3-07-70-2382A, Extron Electronics.	\$500,000
February 24, 2009	Approved Change Order No. 7 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$8,175
February 24, 2009	Approved Change Order No. 2 to Purchase Order No. 801606, Bid No. 207-41 to Coutts Heating and Cooling, Inc. for Yorba Linda High School, Project No. YLH-9606.	(\$146,551)
February 24, 2009	Approved Change Order No. 1 to Purchase Order No. 800839, Bid No. 207-43 to Standard Drywall Inc. for Yorba Linda High School, Project No. YLH-9606.	\$17,349
February 24, 2009	Approved Change Order No. 3 to Purchase Order No. 800841, Bid No. 207-46 to Crown Fence Inc. for Yorba Linda High School, Project No. YLH-9606.	\$12,598
February 24, 2009	Approved Change Order No. 2 to Purchase Order No. 800845, Bid No. 207-51 to Time and Alarm Systems, Inc. for Yorba Linda High School, Project No. YLH-9606.	(\$42,120)
February 24, 2009	Approved Change Order No. 2 to Purchase Order No. 801610, Bid No. 207-60 to TB Penick & Sons, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$22,373

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
March 10, 2009	Approved amendment to unit bid contracts to reflect a change in the bonding requirements.	
March 10, 2009	Approved Change Order No. 2 to Purchase Order No. 800838, Bid No. 207-42 to Perlite Plastering Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$90,699
March 10, 2009	Approved Change Order No. 3 to Purchase Order No. 801610, Bid No. 207-60 to T.B. Penick & Sons, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$55,757
March 10, 2009	Approved Change Order No. 2 to Purchase Order No. 808046, Bid No. 208-01 to Angeles Contractor, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$19,954
March 10, 2009	Approved Change Order No. 3 to Purchase Order No. 706634, Bid No. 207-33 to TC Construction Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$21,014
March 10, 2009	Approved Change Order No. 5 to Purchase Order No. 800835, Bid No. 207-38 to Industrial Masonry, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$30,797
March 10, 2009	Approved Change Order No. 3 to Purchase Order No. 800844, Bid No. 207-50 to Preferred Ceilings, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$7,714
March 10, 2009	Approved Change Order No. 2 to Purchase Order No. 800848, Bid No. 207-55 to Dow Diversified, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$13,610
April 7, 2009	Approved as complete the project (s) listed and authorized filing Notice (s) of Completion. (4 contracts).	
April 7, 2009	Approved Independent Contractor Agreements - Facilities and Planning - as listed in accordance with Board Policy No. 4124, Retention of Consultants. (2 contracts).	\$15,465
April 7, 2009	Approved Change Order No. 3 to Purchase Order No. 800837, Bid No. 207-40 to Best Roofing and Waterproofing, Inc., dba BEST Contracting Services, inc. for Yorba Linda High School, Project No. YLH-9606.	\$5,507
April 7, 2009	Approved Change Order No. 3 to Purchase Order No. 800838, Bid No. 207-42 to Perlite Plastering Company, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$76,122
April 7, 2009	Approved Change Order No. 2 to Purchase Order No. 800839, Bid No. 207-43 to Standard Drywall, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$19,426
April 7, 2009	Approved Change Order No. 4 to Purchase Order No. 801610, Bid No. 207-60 to T.B. Penick & Sons, Inc. for Yorba Linda High School, Project No. YLH-9606.	\$13,854

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
April 7, 2009	Approved Change Order No. 4 to Purchase Order No. 800834, Bid No. 207-37 to Verne's Plumbing, for Yorba Linda High School, Project No. YLH-9606.	\$46,328
April 7, 2009	Approved Addendum No. 2, Bid No. 207-31, Annual Telephone Maintenance and Services of PYLUSD Telephone Systems and extend the contract with Digital Telecommunications Corporation through June 30, 2010.	\$86,566
May 12, 2009	Approved contractors for Open Field Service Agreement(s). (1 contract.)	
May 12, 2009	Accepted as complete the project (s) listed and authorized filing Notice (s) of Completion. (6 contracts.)	
May 12, 2009	Approved Independent Contractor Agreements - Facilities and Planning - as listed in accordance with Board Policy No. 4124, Retention of Consultants. (1 contract).	\$15,000
May 12, 2009	Approved Change Order No. 03 to Purchase Order No. 800939, Bid No. 207-43 to Standard Drywall, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$30,962
May 12, 2009	Approved Amendment No. 2 to Professional Services Agreement with TGR Geotechnical, Inc. for additional geotechnical and material inspection and testing services at Gualberto J. Valadez Middle School Academy. Contract No. 0607-19. Project No. SW-9533. Purchase Order No. 707174.	\$40,000
May 12, 2009	Approved Resolution No. 32, Intent to Dedicate Easement to City of Yorba Linda for public sidewalk purposes at the Yorba Linda High School site.	
May 12, 2009	Approved Resolution No. 28, Authorizing the use of The State of California, department of General Services CMAS Contract #3-09-00-0493B. (Multiple funding sources)	Not to exceed \$350,000
May 12, 2009	Approved Resolution No. 30, Authorizing the use of The State of California, department of General Services CMAS Contract #3-09-00-0494B. (Multiple funding sources)	Not to exceed \$350,000
May 26, 2009	Accepted as complete the project (s) listed and authorized filing Notice (s) of Completion. (1 contract.)	
May 26, 2009	Approved Change Order No. 03 to Purchase Order No. 800966, Bid No. 207-34 to USS Cal Builders, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$6,309
May 26, 2009	Approved Change Order No. 03 to Purchase Order No. 800836, Bid No. 207-39 to Construction Steel Works Inc., for Yorba Linda High School, Project No. YLH-9606.	\$20,843
May 26, 2009	Approved Change Order No. 03 to Purchase Order No. 801607, Bid No. 207-59 to Mel Smith Electric, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$36,824

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
May 26, 2009	Approved Change Order No. 03 to Purchase Order No. 800842, Bid No. 207-48 to Inland Pacific Tile, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$17,091
May 26, 2009	Approved Change Order No. 04 to Purchase Order No. 800837, Bid No. 207-40 to Best Roofing & Waterproofing, Inc. dba BEST Contracting Services, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$3,136
May 26, 2009	Approved Change Order No. 04 to Purchase Order No. 800839, Bid No. 207-43 to Standard Drywall, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$10,398
May 26, 2009	Approved Change Order No. 04 to Purchase Order No. 800841 Bid No. 207-46 to Crown Fence, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$141,776
May 26, 2009	Approved Change Order No. 05 to Purchase Order No. 801610, Bid No. 207-60 to T. B. Penick & Sons, Inc., for Yorba Linda High School Project No. YLH-9606.	\$5,074
May 26, 2009	Approved Change Order No. 08 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$17,608
May 26, 2009	Approved an increase in funding on Piggyback Bid No. 2004/05-12, Lease DSA Relocatable Buildings District Wide with Mobile Modular Management Corp. (Multiple funding sources)	Not to exceed \$800,000
May 26, 2009	Approved Resolution No. 29, Modification of Existing Easement to Yorba Linda Water District for extension to the water service line at the Yorba Linda High School site.	
May 26, 2009	Approved Resolution No. 33, Dedicate Easement to the City of Yorba Linda for public sidewalk purposes at the Yorba Linda High School site.	
May 26, 2009	Authorized Orange County Department of Education to retain services of Best, Best & Krieger and HMC Engineering to represent the Consortium of Orange County Districts in negotiations and possible litigation with the Orange County Sanitation District.	\$15,000
May 26, 2009	Accepted the Measure Y Performance Audit Report for the 2007-08 fiscal year.	
June 23, 2009	Accepted as complete the project (s) listed and authorized filing Notice (s) of Completion. (7 projects.)	
June 23, 2009	Approve addendum to extend the contract for Bid No. 208-5, Asphalt/Earth Moving/Grading, with Hardy & Harper, Inc. through June 30, 2010. (Multiple funding sources)	Not to exceed \$750,000
June 23, 2009	Approve addendum to extend the contract for Bid No. 208-6, Concrete/Masonry/Earth Moving/Grading, with Hardy & Harper, Inc. through June 30, 2010. (Multiple funding sources)	Not to exceed \$450,000

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
June 23, 2009	Approve addendum to extend the contract for Bid No. 205-14, Plumbing Services with Wicketts International Plumbing Contractors, Inc. through June 30, 2010. (Multiple funding sources)	Not to exceed \$750,000
June 23, 2009	Approve addendum to extend the contract for Bid No. 206-2, Low Voltage with Time and Alarm Systems, Inc. through June 30, 2010. (Multiple funding sources)	Not to exceed \$750,000
June 23, 2009	Approved Professional Service Agreement with WLC Architects for architectural services at the Yorba Linda High School Interim Housing Project. Project No. YLH-9606-7. Contract Period June 01, 2009 through December 31, 2010. Contract No. 0809-82.	\$39,600
June 23, 2009	Approved Change Order No. 04 to Purchase Order No. 800966, Bid No. 207-34 to USS Cal Builders, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$6,227
June 23, 2009	Approved Change Order No. 09 to Purchase Order No. 800967, Bid No. 207-36 to Baker Electric, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$68,804
June 23, 2009	Approved Change Order No. 06 to Purchase Order No. 800835, Bid No. 207-38 to Industrial Masonry, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$32,376
June 23, 2009	Approved Change Order No. 04 to Purchase Order No. 800844, Bid No. 207-50 to Preferred Ceilings, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$6,295
June 23, 2009	Approved Change Order No. 03 to Purchase Order No. 808046, Bid No. 208-1 to Angeles Contractor, Inc., for Yorba Linda High School, Project No. YLH-9606.	\$65,833
June 23, 2009	Approved extension of time to the attached list of contracts. (7 contracts).	
June 23, 2009	Adopted Resolution No. 39 Building - General Obligation Bond Fund 27 (Subfund 2127) for Proposition 39 monies.	\$85,000,000

## **CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)**

Statutes governing a Citizens' Bond Oversight Committee (Education Code Sections 15278-15282) were included in Assembly Bill 1908 (2000) and took effect upon passage of Proposition 39 on November 7, 2000. (See Appendix B.)

Education Code Section 15278 requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified. A Citizens' Bond Oversight Committee must consist of at least seven members to meet the following requirements:

### **Statutory Requirements (Seven Members Minimum)**

- Business Community
- Senior Citizens' Organization
- Taxpayers' Organization
- Parent or Guardian of child enrolled in the district
- Parent or Guardian of child enrolled in the district, plus Active in a Parent-Teacher Organization
- Two additional members

### **Measure Y CBOC**

The Board of Education certified Measure Y election results and appointed members to the CBOC, in compliance with statute. The CBOC initially had nine members; there are currently eight members serving during the 2008-09 audit period.

In addition to State of California statutes that set forth the activities of a Citizen's Oversight Committee (Appendix B), the District developed bylaws to clarify the Committee's role and duties. Included within the bylaws is a requirement to hold regular meetings. Throughout the Measure Y bond program, the CBOC held the following number of meetings:

<u><b>Fiscal Year</b></u>	<u><b>Number of Meetings</b></u>
2002-03	3
2003-04	3
2004-05	3
2005-06	2
2006-07	2
2007-08	2
2008-09	2

As the Measure Y bond program matured, the CBOC scheduled fewer meetings in order to fulfill its oversight duties. On January 8, 2008, the Measure Y CBOC met to approve the Measure Y Performance Audit and discuss the transition of responsibilities to the Measure A CBOC, in anticipation of passage of the new bond measure on February 5, 2008. Measure A did pass, and at the Measure Y CBOC meetings of March 31, 2009 and May 7, 2009, there was a discussion regarding transfer of duties to the Measure A CBOC, as discussed below.

## Transition of Responsibility from Measure Y CBOC to Measure A CBOC

To enable the Measure Y CBOC to conclude its business and disband, it was recommended that the oversight responsibility for the remaining Measure Y projects be transferred to the Measure A CBOC. The events that enabled this transfer were the following:

<b>Date</b>	<b>Event</b>
May 7, 2009	Measure Y CBOC meeting, with action to approve the transfer of projects identified in the table below.
May 13, 2009	Measure A CBOC meeting, with action to accept the responsibility for oversight of the remaining Measure Y projects.
May 26, 2009	Measure Y CBOC communication to the Board of Education regarding “Notification of Completion of Activities by Measure Y Citizens’ Bond Oversight Committee.” With its final statement of District’s compliance with the Measure Y bond language and the transfer of responsibilities completed, the Measure Y CBOC disbanded.

### **Measure Y – Projects Transition List**

<b>Project</b>	<b>Estimated Remaining Budget<sup>1</sup></b>
Melrose – New Elementary School	\$82,652
Valadez – New Middle School	11,532,872
Yorba Linda High – New High School	59,501,647
County Administration Fees	46,999
<b>Total</b>	<b>\$71,164,170</b>

<sup>1</sup>Includes Measure Y funds of \$5,269,397 (estimated), State funds of \$51,368,628 and other funds of \$14,526,145 (estimated).

**Source:** The CBOC acknowledged acceptance of the estimated Measure Y balance at the May 13, 2009 CBOC meeting.

### Commendation

- The Measure Y CBOC is commended for its faithful services to the District during its seven year tenure from 2002 to 2009, in compliance with stature and the Committee’s bylaws.

### Finding

- There are no findings in this section.

## STATE SCHOOL FACILITY PROGRAM

### Historical State Applications

The District previously filed facilities applications under the following programs that were funded as a part of Measure Y or prior to the passage of Measure Y:

- 50 - New Construction
- 57 - Modernization
- 58 - Rehabilitation

The fifty-six previously funded applications brought \$150,272,409 of State funds to the District's facility program.

<b>State Program</b>	<b>SAB#</b>	<b>State Grant Amounts</b>	<b>Status</b>
New Construction	50/001-50/027 <sup>1</sup>	\$4,107,686	Completed
New Construction	50/028 <sup>2</sup>	9,698,509	Completed
New Construction	50/029 <sup>3</sup>	10,197,557	Completed
New Construction	50/030 <sup>4</sup>	18,829,060	98% Complete (11/18/08)
New Construction	50/031 <sup>5</sup>	53,343,934	60% Complete (1/16/09)
Modernization	57/001-57/024 <sup>6</sup>	53,383,643	Completed
Rehabilitation	58/001 <sup>7</sup>	712,020	Completed
<b>Total State Grant Amount</b>		<b>\$150,272,409</b>	

<sup>1</sup>These 27 projects were funded by the State in 2000, prior to the passage of Measure Y.

<sup>2</sup>Melrose Elementary was included in Measure Y.

<sup>3</sup>Lakeview Elementary was included in Measure Y.

<sup>4</sup>Gualberto J. Valadez Middle School was included in Measure Y.

<sup>5</sup>Yorba Linda High School was included in Measure Y.

<sup>6</sup>These 24 projects were part of the 31 existing campuses included in Measure Y.

<sup>7</sup>Mabel Paine Elementary School



## Measure A

With the close-out of Measure Y projects, any future State applications will provide State monies to augment Measure A projects. The approved Measure A program budget includes \$12,000,000 of anticipated State revenues. As of June 30, 2009, the District has received the State grant amounts as summarized in the following table:

<b>State Program</b>	<b>SAB#</b>	<b>State Grant Amounts</b>	<b>Status</b>
Modernization	57/025 <sup>1</sup>	3,537,938	80% Complete (5/15/09)
Modernization	57/026 <sup>2</sup>	1,982,036	98% Complete (5/15/09)
<b>Total State Grant Amount</b>		<b>\$5,519,974</b>	

<sup>1</sup>Tynes Elementary School is included in Measure A.

<sup>2</sup>Woodsboro Elementary School is included in Measure A.

As additional Measure A modernization applications are filed, additional State grant amounts may be received by the District.

By utilizing the various State programs available to the District, the total amounts of State grant received as of June 30, 2009, are the following:

<b>State Program</b>	<b>Measure Y Projects</b>	<b>Measure A<sup>1</sup> Projects</b>	<b>Other Projects</b>	<b>Total State Grants</b>
New Construction	\$92,069,060	\$0	\$4,107,686	\$96,176,746
Modernization	53,383,643	5,519,974	0	58,903,617
Rehabilitation	0	0	712,020	712,020
<b>Totals</b>	<b>\$145,452,703</b>	<b>\$5,519,974</b>	<b>\$4,819,706</b>	<b>\$155,792,383</b>

<sup>1</sup>The State modernization grants were approved based on Measure Y funded architectural plans, but construction will be funded by Measure A.

## Commendation

- The District is commended for aggressively pursuing State funding under the State School Facility Program, resulting in receipt of \$151 million of State funds for Measures Y and A bond projects (excluding “other” projects), exceeding the District’s estimate of \$126.5 million by \$24.5 million.

**STATE MODERNIZATION STATUS**

**31 EXISTING CAMPUSES INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10**

<b>NO.</b>	<b>EXISTING CAMPUS</b>	<b>SAB#<sup>1</sup> 57</b>	<b>SAB 50-04 APPROVAL DATE</b>	<b>SAB 50-05 GRANT AMOUNT<sup>2</sup></b>	<b>RELEASE DATE</b>	<b>STATUS</b>
1.	Adult Education					
2.	Bernardo Yorba Middle	014	12/18/2002	\$2,924,090 28,386	7/16/2003 9/29/2003	Complete 8/10/2006
3.	Brookhaven Elementary	023	12/18/2002	1,207,631	5/27/2004	Complete 5/9/2007
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	10/29/2003	Complete 11/27/2007
7.	Esperanza High	001	12/18/2002	160,098	11/20/2000	Closed 1/31/2002
7.	Esperanza High	019	12/18/2002	9,465,190	9/22/2003	Complete 11/27/2007
8.	Fairmont Elementary	010	12/18/2002	2,209,242 27,123	7/16/2003 9/29/2003	Complete 8/10/2006
9.	George Key TMR	002	7/5/2000	638,244	11/20/2000	Closed 6/27/2002
10.	Glenknoll Elementary	022	12/12/2002	1,486,912	6/14/2004	Complete 7/5/2007
11.	Glenview Elementary	020	12/18/2002	1,616,209	6/14/2004	Complete 7/18/2007
12.	Golden Elementary	006	12/18/2002	1,058,883 16,942	7/16/2003 9/29/2003	Complete 8/10/2006
13.	Kraemer Middle	012	12/18/2002	2,567,599	5/27/2004	Complete 5/9/2007
14.	La Entrada High					
15.	Linda Vista Elementary	021	12/18/2002	1,258,525	6/14/2004	Complete 7/5/2007
16.	Mabel Paine Elementary	003	7/5/2002	1,017,763	11/20/2000	Closed 3/30/2004
17.	Morse Avenue Elementary	015	12/18/2002	1,339,514	6/14/2004	Complete 6/11/2007

NO.	EXISTING CAMPUS	SAB# <sup>1</sup> 57	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT <sup>2</sup>	RELEASE DATE	STATUS
18.	Parkview School					
19.	Rio Vista Elementary	011	12/18/2002	2,843,894	5/27/2004	Complete 5/9/2007
20.	Rose Drive Elementary	007	12/18/2002	1,155,581 18,489	7/16/2003 9/29/2003	Complete 8/10/2006
21.	Ruby Drive Elementary	009	12/18/2002	1,280,573 20,489	7/16/2003 9/29/2003	Complete 8/10/2006
22.	Sierra Vista Elementary	017	12/18/2002	1,404,162	6/14/2004	Complete 6/11/2007
23.	Topaz Elementary	024	12/18/2002	2,015,108	7/6/2004	Complete 7/5/2007
24.	Travis Ranch Middle					
25.	Tuffree Middle	004	7/5/2000	1,556,636	11/20/2000	Closed 10/6/2005
26.	Tynes Elementary <sup>3</sup>	025	2/26/2003	3,537,938	4/25/2008	80% Complete 5/15/2009
27.	Valencia High	008	12/18/2002	5,492,022	11/4/2003	Complete 11/27/2007
28.	Van Buren Elementary	016	12/18/2002	1,294,975	6/21/2004	Complete 7/5/2007
29.	Wagner Elementary	018	12/18/2002	1,271,376	6/14/2004	Complete 6/11/2007
30.	Woodsboro Elementary <sup>3</sup>	026	2/26/2003	1,982,036	4/25/2008	90% Complete 5/15/2009
31.	Yorba Linda Middle	005	7/5/2000	1,645,328	11/20/2000	Closed 1/16/2004
<b>Total State Grant Amount</b>				<b>\$58,903,617</b>		

<sup>1</sup>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 old and 20 years old, respectively, to qualify for modernization.

<sup>2</sup>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 although unchanged in amount, would be 60 percent, requiring a higher amount in District share. The District must provide its share of the project budget from local sources. Second grant amounts entered under the primary entry are for the required Labor Compliance Program.

<sup>3</sup>Tynes and Woodsboro will be completed with Measure A bond funds.

**STATE NEW CONSTRUCTION STATUS**

**Four New Schools Included in Exhibit A-1, Resolution No. 10**

<b>NO.</b>	<b>NEW SCHOOL</b>	<b>SAB# 50/</b>	<b>SAB 50-04 APPROVAL DATE</b>	<b>SAB 50-05 GRANT AMOUNT</b>	<b>RELEASE DATE</b>	<b>STATUS</b>
1.	Melrose Elementary <sup>1</sup>	028	5/26/04	\$9,656,842	6/21/04	Complete 3/18/2008
	Melrose Elementary (LCP)			41,667	3/29/05	
2.	Lakeview Elementary <sup>2</sup>	029	3/30/05	10,197,557	6/23/05	Complete 6/6/2008
3.	Gualberto J. Valadez (formerly Southwest) <sup>3</sup>	030	9/26/07	18,829,060	10/30/07	90% Complete 10/18/2008
4.	Yorba Linda High <sup>4</sup>	031	12/12/07		1/16/08	60% Complete 1/16/2009
	<b>Total State Grant Amount</b>			\$53,343,934		

**Notes**

<sup>1</sup>The State Allocation Board (SAB) approved an application for Melrose Elementary School (SAB 50-04) on May 26, 2004, which included \$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. An additional \$41,667 for labor compliance was released on March 29, 2005.

<sup>2</sup>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. Lakeview Elementary School opened in 2005.

<sup>3</sup>The 10.02 acre site at La Jolla and Melrose consists of four parcels.

<sup>4</sup>The District built the Yorba Linda High School project with a combination of State and local funds. Local funds were provided through the proceeds from the Yorba Linda Redevelopment Agency and supplemented, as necessary, with Measure Y funds and CFD#1 funds.

## **DESIGN AND CONSTRUCTION COSTS AND SCHEDULES**

### **Process Utilized**

In the process of this examination, Total School Solutions (TSS) reviewed relevant documents and interviewed various staff members, architects and construction/project managers. A number of reports were also analyzed to verify data referenced from various sources.

### **Measure Y Bond Program Projects**

In the past seven fiscal years, 2002-03 through 2008-09, the Measure Y Bond Program, (Funds 21, 22, and 23), District Developers Fees, Deferred Maintenance Funds, State Facilities Funds and other funding sources were utilized for the District's capital improvement projects within the facilities program. When all sources of funds are considered, these projects collectively incurred a seven-year total expenditure of \$367,052,243. By June 30, 2009, only two major Measure Y bond program projects remained under construction; the construction of the new Yorba Linda High School and Valadez Middle School. These two projects experienced delay in completion due to disagreements with the contractors on issues involving steel fabrication. The issues were resolved satisfactorily and construction completed without a negative impact on the school calendar and/or delivery of instruction. Most of the Measure Y capital improvement projects were either complete or in the process of project closeout. Appendix D, "Measure Y Bond Program Projects, Expenditures – All Funds", summarizes the expenditures and status of projects as of June 30, 2009. The District-prepared Measure Y expenditure report is presented in Appendix D.

### **Finding**

- There are no findings in this section.

## **DESIGN AND CONSTRUCTION BUDGETS**

### **Process Utilized**

In this examination, Total School Solutions (TSS) reviewed records and documents, and conducted interviews with appropriate staff members. TSS also referenced files from various outside agencies including the Division of State Architect and Office of Public School Construction, to obtain information from independent sources.

### **Measure Y Bond Program Budgets**

TSS verified that the Board of Education had approved the budgets, including design and construction costs, for projects in the Measure Y program. Planned projects, their budgets and schedules are approved by, and appear on reports to the Board of Education. On March 22, 2005, the District presented an updated “Capital Improvement Program – Fiscal Overview Sources and Uses” report to the Board of Education. Based on a review of documents, projects appear to be generally proceeding within their respective authorized budgets as demonstrated in the table in Appendix D titled “Measure Y Bond Program Projects, Budgets-All Funds.” Annually, District staff updates the projected revenues and expenditures through a Capital Improvement Program Worksheet. The most current update, dated October 2, 2009, was utilized for this audit report.

### **Finding**

- There are no findings in this section.

## PROGRAM/CONSTRUCTION MANAGEMENT COSTS

In previous audit reports, it was reported that PM/CM costs, as a percentage of construction costs, varied from 11.6 percent for traditional PM/CM services, to 18.5 percent for numerous multiple-prime contracts (which require services beyond the traditional level of service), to 23.9 percent when additional design management services are included. Those percentages remained consistent with the industry standards during the current audit period ending June 30, 2009.

At the beginning of the Measure Y program, the District made a decision to fund District personnel, as well as performance audit costs, through general fund. Although it would be appropriate to fund these expenses through Measure Y (see Appendix C), the Board and administration of the District decided, at the time, to fund these expenses by the general fund.

Subsequently, the District made a decision to appropriately charge a portion of personnel costs to Measure Y for the 2007-08 fiscal year. That decision resulted in a total of \$828,090 in expense to Measure Y during 2007-08. However, during the 2008-09 fiscal year, no District personnel costs were charged to Measure Y.

The table below lists four construction management firms under contract with the District and their respective aggregate contracted amounts for program/construction management (PM/CM) services as of June 30, 2009.

<b>PM/CM Firm</b>	<b>PM/CM Total Current Contract</b>
CCM	\$380,000
CCM/3DI	9,098,658
Phase One	1,376,478
Paragon	798,405
<b>Total</b>	<b>\$11,273,541</b>

### Finding

- There are no findings in this section.

## **CHANGE ORDER AND CLAIM PROCEDURES**

### **Process Utilized**

In the process of this examination, relevant documents were analyzed and interviews were held with the Facilities and Construction Management Team.

### **Background**

During the course of construction, 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, and conflicts between existing records and actual conditions that do exist. The industry-wide acceptable percentage for change orders, based on the auditor's experience, for modernization projects is about seven to eight percent of the original contract amount. (The prevailing change order standard for new construction, based on the auditor's experience, is three to four percent). The change order contingency amount set by the District appears to be adequate.

Due to the nature of school construction work, issues are often resolved verbally at the weekly construction meetings where the architect, construction manager, inspector and contractor's job superintendent are present. These decisions are then formalized in the meeting minutes and followed up, where appropriate, 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 construction drawings, the contractor issues a Request for Information (RFI). The architects of record (AORs) review the RFI and submit an answer to the contractor indicating whether additional work is merited. To avoid delay claims, the construction manager must minimize the distribution time of RFI's and collaborate with the AORs to find a resolution.

An important part of the change order process is price negotiation. The 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 accepted, the construction manager issues a change directive or a change order. The increase or decrease in the contract price caused by a change order may be determined at the District's discretion through the acceptance of a PCO, through unit prices from the original bid, or by utilizing a time and material method as agreed upon by the District and the contractor. At times, this process may go through several cycles due to a disagreement over cost.

When a contractor makes a claim for a contract amount increase or time extension, they notify the District, but continue 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 stoppage due to a disagreement over the cost of a change order.



As part of the payment process, contractors are asked to submit a schedule of values to determine the appropriateness of the progress payments for their work. The schedule of values may be used as a tool in determining credits when work is no longer necessary. It can also serve as a measure of cost for any additional work.

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.

### **Measure Y Projects**

Facilities project files, Board agendas and any backup data were reviewed to obtain information pertaining to this section of the audit report. The pertinent data is shown in the table below titled, "Change Orders for Measure Y Funded Projects".

By the end of the 2008-09 reporting period, two major remaining Measure Y funded projects were in construction, Valadez Middle School and Yorba Linda High School. These two new school construction projects are multi-prime contracts with 23 contractors each. The aggregate percentage of processed change orders over the original contract amounts for these projects were 5.06 percent for Valadez Middle School and 0.56 percent for Yorba Linda High School. These percentages are within the change order limits, in the auditor's experience, for new construction work. The change order percentages for individual contractors ranged up to 8.10 percent. Documentation and records (RFI's, PCO's and signed off Change Order documents) were readily available in the project files.

Although the desirable industry-wide range for change orders for new construction projects is between 3 to 4 percent, the audit team takes in consideration the difficulty in execution and complexity of projects, including any external factors beyond the District's control, in determining an appropriate change order range for a project. In this specific incident, 5.06 percent has been determined to be an appropriate variance caused by the change orders.

### **Observations**

- Four individual construction projects were reviewed during the process. The files adequately provide a trail of records that document the evaluation, review and approval process that is currently being implemented by the construction team. Change order documents and related supporting documents (CO's, CCD's, RFI's, PCO's, plan/drawing cut sheets, cost estimate sheets, e-mail correspondence, letters, etc.) were available and accessible for review.
- The aggregate total of change orders processed for the Yorba Linda High School "New Construction" Project, a multiple-prime project, was 0.56 percent. Change orders generated by individual sub-contractors ranged from 3 percent to 7 percent of the original contract amounts. However, in addition to the change orders, contract amendments were issued to TC Construction and Mel Smith Electric Co. The amendments increased the original TC Construction's contract amount (\$632,019.00) by \$149,289.00 and Mel Smith Electric's original contract amount (\$1,376,000) by \$138,502.10. The total increase (contract amendment and change orders) was \$204,587.62 or 32.37 percent for

TC Construction while the total increase in the contract with Mel Smith Electric was \$262,147 or 19.05 percent.

### **Commendation**

- The District is commended for establishing and maintaining project files complete with documents from the bidding process through construction and completion. Files are well arranged and easy to retrieve for reference and review purposes.

### **Finding**

- There are no findings in this section.

### **Recommendation**

- It is recommended that the District obtain legal counsel's advice regarding the practice of issuing contract amendments and change orders in regard to the construction contracts.

### **District Response**

- The District has obtained advice from its legal counsel as well as the County Counsel and determined that the use of amendments to the contracts was in compliance with the existing law. Once adjusted for contract amendments, the change order ratios for the projects in question would be within the acceptable margin for change orders as identified by the performance auditors.

**Change Orders for Measure Y Bond Funded Projects, As of June 30, 2009.**

<b>Site</b>	<b>Project / (Contractor)</b>	<b>Contract Amount/ (Award Date)</b>	<b>Change Order Number</b>	<b>Change Order Amount</b>	<b>Board Approval Date</b>	<b>Adjusted Contract Amount</b>	<b>Change Order %</b>	<b>Notice of Completion</b>
Valadez Middle  (Formerly Southwest MS)	New School Construction  ( Multi-prime Contract; 23 Contractors) SW-9533	\$30,162,636  (09/11/2006 thru 03/27/2007)		\$7,102	2005-06	\$30,169,738	0.02%	Multi-prime Various dates
				239,656	2006-07	30,409,394	0.79%	
				437,416	2007-08	30,846,810	1.45%	
				842,109	2008-09	31,688,919	2.79%	
			Total	1,526,283			5.06%	
Yorba Linda High	New School Construction (Multi-Prime Contract 23 Contractors) YLH-9606	51,782,945 (03/27/2007 thru 12/11/2007)	Total	(573,167) 862,516 289,349	2007-08 2008-09	51,209,778 52,072,294	-1.11% 1.67%	
Valencia High	New Construction (Sanders Const. Services) HVS-9573	4,039,000 (05/23/2006) Bid # 206-7	1	119,912	11/14/06	4,158,912	2.97%	
			2	41,495	2/13/07	4,200,407	1.03%	
			3	51,497	7/17/07	4,251,904	1.28%	
			4	32,400	8/28/07	\$4,284,304	0.80%	
			Total	245,304			6.07%	
Esperanza High	Pool Renovation (Condor Inc.) ESP-9223-4	538,000 (10/24/2006) Bid # 207-27	1	10,479	1/16/07	548,479	1.95%	
Yorba Linda High	Demolition of Topaz Lunch Shelter (RE Schultz) YLH-9606	17,890  (06/25/2007) Bid # 207-58	0	0	n / a	17,890	0.00%	
District Office	New Construction (ASR Construction) DEC-9550	118,500 (5/23/2006 Bid #206-31	1	7,050	12/12/06	125,550	5.95%	
District Office	New Construction (Pre-Fab Builders, Inc.) DEC-9587	49,829 (10/10/2006) Bid # 207-25	1	4,877	5/24/07	54,706	9.79%	

<b>Site</b>	<b>Project / (Contractor)</b>	<b>Contract Amount/ (Award Date)</b>	<b>Change Order Number</b>	<b>Change Order Amount</b>	<b>Board Approval Date</b>	<b>Adjusted Contract Amount</b>	<b>Change Order %</b>	<b>Notice of Completion</b>
Valencia High	Swimming Pool Renovation (South Coast Pool Plastering, Inc) VHS-9224-9304-074	\$384,000  (10/28/08)  Bid # 209-6	1	\$1,426	5/12/09	\$385,426	0.37%	05/12/09
Yorba Linda High	Landscape & Irrigation (America West Landscape) YLH-9606	1,599,705  (12/16/2008)  Bid # 209-3						
Yorba Linda High	General Construction 2 Portion (JRH Construction Co.) YLH-9606	1,996,000  (02/10/2009)  Bid # 209-9						
Yorba Linda High School	General Construction 3 Portion (KAR Construction Co.) YLH-9606	\$1,872,000  (11/18/2008)  Bid # 209-8						

# **COMPLIANCE WITH STATE LAW, GUIDELINES AND DISTRICT POLICIES**

## **Process Utilized**

TSS examined standard bid documents, contract documents, applicable State of California laws and regulations, District policies, reports and other relevant documentation related to the District's bond program.

## **Background**

There are numerous legal and regulatory requirements associated with the delivery of California public school construction projects. Various codes and regulations govern these processes.

This review is intended to assess the overall compliance with these legal and regulatory requirements. TSS has developed this assessment of compliance to analyze the functionality of the District's bond program. It should not be viewed or relied upon as a legal opinion. This section does not include a review of compliance with the California Building Code or other related requirements.

TSS has reviewed the following two distinct categories of requirements: (1) compliance with State law and regulations and (2) compliance with District policies.

## **State Law**

Many requirements for the construction of public schools appear in different California codes, accompanied by regulations from various agencies. The District complies with these requirements through the District's bidding and contract documents.

The District's legal counsel has prepared and periodically revises the General Conditions section that is included in the District's bid documents. To verify that the District's bid documents conformed to law and regulations, the following projects were reviewed:

<b><u>Bid No.</u></b>	<b><u>Project Description</u></b>
209-3	Landscape and irrigation, Yorba Linda High School
209-8	Concrete 3, Yorba Linda High School
209-9	General Construction 2, Yorba Linda High School

The District's legal counsel has prepared and periodically revises the General Conditions section that is included in the District's bid documents. The most recent revision by legal counsel was in March 2009, which contained Articles 1-27 (74 pages).

The following items, which are required to appear in the bid documents, were included in the District's bid documents according to the numbers cited.

- *Introductory Information, DSA Form 103-1: Division of the State Architect (DSA) approval* for individual project/plans and specifications
- *Notice To Bidders*: The Notice To Bidders includes the required notification for project identity; date, time, and place of bid opening; contractor's license requirements for the type construction and the validity of that license; bid bond and certified bid security check requirements; payment bond requirements; performance bond requirements;

substitution of securities information; definition of prevailing wage requirements; statement establishing blind bid process; and a reservation of the right to reject all bids.

- *Bid Bond*: A bid bond is present in the package and demanded of the contractor on a form prepared by the District, as required.
- *Non-collusion Affidavit*: A non-collusion affidavit form is provided and demanded of the contractor.
- *Contract Forms, Escrow Agreement for Security Deposits in Lieu of Retention*: This item is included as an option, as required.
- *Performance Bond*: A performance bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Payment Bond*: A payment bond for 100 percent of the contract price, on a form prepared by the District, is demanded of the contractor and included in the bid package.
- *Workers' Compensation*: The contractor is required to certify compliance with the State workers' compensation regulations.
- *Prevailing Wage and Related Labor Requirements Certification*: The contractor is required to certify compliance.
- *Drug-Free Workplace Certification*: The contractor is required to provide drug-free workplace certification.
- *Hazardous Materials Certification*: The contractor is obligated to provide certification that no hazardous materials were to be furnished, installed, or incorporated in any way into the project.
- *Lead-Based Materials Certification*: The contractor is required to certify compliance with lead-based materials regulations.
- *Criminal Background Investigation/Fingerprinting Certification*: The contractor is required to select a method of compliance and to certify compliance with criminal background investigation/fingerprinting requirements.

State law does not require the items listed below; however, they are required for State funding and are included in the District's bid documents.

- *Prevailing Wage and Related Labor Requirements Certification*: The contractors are required to certify compliance with the State Public Works Contract requirements.
- *Disabled Veteran Business Enterprise (DVBE) Participation Certification*: The contractor is required to certify compliance with the DVBE requirements as set forth in the State's School Facilities Program.

The items below are best practices which are included in the District's contract documents. They are not required by law or for the State funding.

- *Instructions to Bidders*
- *Notice of Award*
- *Notice to Proceed*
- *Agreement*
- *Escrow of Bid Documentation*

## **Prevailing Wage Law/Labor Compliance Program**

In California, contractors and subcontractors on public works projects must comply with the California Prevailing Wage Law (Labor Code 1720 et seq.). This law stipulates that workers must be paid the prevailing hourly wages and fringe benefits, as specified by the State Department of Industrial Relations, for the region where a construction project is located.

Traditionally, a school district ensures that the Prevailing Wage Law is complied with by requiring contractors and subcontractors to maintain certified payroll records for each worker.

In 2002, enactment of AB 1506 created the Labor Compliance Program (LCP), which added an additional requirement for school district construction projects that received State funding from Proposition 47 (2002) and Proposition 55 (2004). AB 1506 was intended to ensure that contractors and subcontractors complied with the Prevailing Wage Law. Under AB 1506, a school district must provide assurances in writing, that it, or a third-party contractor, will enforce the required LCP, transmit that information to the State Allocation Board (SAB) and take all appropriate measures throughout the construction project to verify compliance.

In November 2007, Proposition 1D passed without the requirement of a Labor Compliance Program. Subsequent legislation that would have reinstated LCP (SB 18, 2007) for Proposition 1D funding was vetoed by the Governor.

On February 20, 2009, SBX2 9 was signed into law which re-established the Labor Compliance Program for school district facility construction projects that receive State bond funds. Previous LCP programs required school districts to provide LCP services directly or through third-party providers. SBX2 9 requires the Department of Industrial Relations (DIR) to directly enforce prevailing wage requirements. Funding for this process would be provided by a fee from the School Facilities Program equaling 0.25 percent of the State funding. This fee would be provided directly to the DIR for enforcement of labor compliance. (Note: The SAB grant amounts will be increased accordingly.) School districts that have an approved in-house LCP at the time the new regulations are established may apply for an exemption from the new fee. If a school district contracts with a third-party LCP provider, such services may not be eligible for this exemption.

Regardless of whether a school district is required to have a LCP for State-funded projects, it must fully comply with the Prevailing Wage Law. To ensure compliance with the law, a school district should develop and implement policies and procedures to be applied to all construction projects, regardless of the source of funding.

The District currently contracts with a third party provider for labor compliance services to review contractor payrolls and ensure that construction projects comply with the District's Labor Compliance Program, the prevailing wage law and, if required, the SAB Labor Compliance Program. In light of enactment of SBX2 9, the District should review its options for meeting legal requirements on the new projects.

## **District Policy**

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

<b>BP/AR</b>	<b>Description</b>	<b>Date of Adoption</b>	<b>Date of Revision</b>
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

## **Observation**

- Many Board Policies and Administrative Regulations were initially adopted over twenty years ago, with several revisions within the past five years. Some 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 School Facility 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. Some of the Board Policies and Administrative Regulations are outdated and do not account for these changes.

In the performance audit report for the period ending June 30, 2007, the District reported the following:

“The Placentia-Yorba Linda Unified School District has been working on updating Board policies including those of Facilities and Planning. This process has taken longer than anticipated. The Board policy revisions for Facilities and Planning are scheduled to be presented to the Board of Education within the next year.”

Although the task had not been completed by June 30, 2009, the District was in the process of taking the Board policies to the Board of Education as each section is completed. Since the District is in compliance of laws governing the construction of public school facilities, the absence of newly revised and/or adopted policies has not caused any significant compliance issues. However, the best school district management practices would require up-to-date board policies and accompanying administrative regulations to be established and enforced.



## **Finding**

- There are no findings in this section.

## **Recommendation**

- The District should expedite the process of updating and revising the board policies pertaining to its facilities program.

## **PAYMENT PROCEDURES**

### **Process Utilized**

In the process of this examination, numerous purchasing and payment documents pertaining to expenditures funded through Measure Y were reviewed for compliance. Interviews were held with Fiscal Services, Purchasing and Facilities departments' staff regarding payment procedures and processes.

The review consisted the following:

- Verification that expenditures charged to the Measure Y bond were for authorized Measure Y bond projects;
- Verification of compliance with the District's purchasing and payment policies and procedures;
- Verification that back up documentation, including authorized signatures, were present on payment requests; and
- Verification of timeliness of Vendor payments.

### **Background**

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California's public school districts. Section 1(b) (3) (c) of Article XIII of the California Constitution requires the District to conduct an annual independent performance audit to ensure the proceeds of the bonds deposited into the Bond Building Fund have been expended only for the authorized bond projects.

The District has assigned a senior account clerk to serve as a single point of contact for all of the facilities program related invoices. Before an invoice is processed, the senior account clerk verifies that all of the appropriate signatures are in order, the description of work and/or the goods received matches the description on the purchase order/contract and the cumulative totals reported on the payment application are consistent with the progress payment.

The Purchasing Department provides accounts payable with a copy of the notices of completion and board minutes approving the filing. Payments for retention are processed upon verification of these items. Payments that include work approved by way of a change order are processed upon verification of the board minutes approving the change order.

Payments are processed in batches 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).

### **Sample**

Thirty-two payments totaling \$1,195,883.43 expended through Measure Y were reviewed in the course of this examination.

The review consisted of verification that the expenditures charged to the Measure Y bonds were for authorized projects; proper authorizations were present; the invoice amount and the amount paid were in agreement; and the processing time to pay vendors or service providers was appropriate.

The sample of payments included the following Measure Y projects:

- Yorba Linda High School – General Construction
- Yorba Linda High School – Landscaping and Irrigation
- Yorba Linda High School – Site Utilities
- Yorba Linda High School – Soil Testing and Surveying
- Valadez Middle School – Furniture and Equipment
- Valadez Middle School – Relocation and Moving
- Valadez Middle School – Technology Purchases

### **Observations**

- All of the invoices reviewed appear to be for authorized projects and expenditures under the Measure Y bond program.
- All of the invoices reviewed showed evidence of appropriate review and approval. The backup documents were found to be well organized and complete.
- Three out of the thirty-two invoices reviewed were paid after thirty-days.

### **Finding**

- There are no findings in this section.

## **BIDDING AND PROCUREMENT PROCEDURES**

### **Process Utilized**

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

The review consisted of the following:

- Verification that bids were advertised in accordance with public contract code;
- Verification of bid results and Board approval;
- Verification that project files include contract documents, Notice of Award, Notice to Proceed and other pertinent documentation.

### **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 of bids are the responsibility of the construction managers. In an effort to maximize exposure and a competitive bidding process, staff contacts contractors and local union halls to encourage bidding.

Once a project is ready for bid, the Facilities Department is responsible for providing the Purchasing Department with the initial documents, advertisement dates, specified conditions, content and standard boilerplate language. The Purchasing Department is then responsible for placing the Notice to Bidders in the Orange County Register, presiding over the job walks, and overseeing the bid opening.

Depending upon the type of project, the District may require mandatory attendance at the pre-bid conference or job walk. 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. The legal notice to bidders specifies if attendance is mandatory for the job walk or pre-bid conference.

Staff tries to coordinate the bid opening date with the next available Board meeting in an effort to expedite the award of contract and Notice to Proceed.

Bids are received by the Purchasing Department. Purchasing notifies the Director of Facilities and Planning of the bid results who then prepares the Board agenda item for the Award of Bid. Once approved, the Purchasing Department issues the Notice of Award. The contractor has seven days to submit all of the required documents. The Notice to Proceed is then issued.

## Sample

The table below details all of the Measure Y projects that were bid and contracts awarded during 2008-09. The table provides the bid opening date, date of award, the number of participants and bid results.

### **Bid Schedule and Results - Yorba Linda High School**

<b>Project Description</b>	<b>Bid No.</b>	<b>Bid Opening</b>	<b>Bids</b>	<b>High/Low Bidder</b>	<b>Contract Awarded</b>	<b>Award of Bid</b>	<b>Amount</b>
Grading	209-1	9/3/2008	2	\$545,000 \$895,000	DOJA, Inc.	9/16/2008	\$545,000
Paving	209-2	9/3/2008	2	\$970,000 \$1,162,864	DOJA, Inc.	9/16/2008	\$970,000
Landscaping and Irrigation	209-3	11/8/2008	5	\$1,599,704 \$2,110,000	America West Landscape, Inc.	12/16/2008	\$1,299,704
Concrete	209-8	11/7/2008	3	\$1,872,000 \$2,267,000	K.A.R. Construction, Inc.	11/18/2008	\$1,872,000
General Construction 2	209-9	1/29/2009	4	\$1,996,000 \$2,436,499	JRH Construction Company, Inc.	2/10/2009	\$1,996,000

The following bids were reviewed and analyzed for completeness and compliance.

The District elected to use the Multiple-Prime construction management delivery method for each of the bids reviewed. This method utilizes a construction manager that serves as an agent for the District. Trade contracts are awarded to multiple contractors who have a direct contract and relationship with the District or District's construction manager, rather than with a general contractor. This method allows the District to select the firm or individual providing the construction management services through a qualifications-based selection, rather than lowest cost/price bid. The District is required to use the low bid process to select contractors providing the actual construction work.

### **Yorba Linda High School Bid No. 209-8 Concrete 3**

The notice to bidders was advertised on October 13, 2008 and October 20, 2008 in the Orange County Register. The notice to bidders was advertised on two separate occasions, seven days apart; there were at least fourteen days between the first publication and the bid opening, as required by law. The bids were opened on November 7, 2008 and three bids were received. The table below summarizes those bids.

<b><u>Contractor</u></b>	<b><u>Base Bid</u></b>
<b>K.A.R. Construction, Inc.</b>	<b>\$1,872,000</b>
Precision Concrete Construction, Inc.	\$2,177,000
T.B. Penick & Sons, Inc.	\$2,267,000

K.A.R. Construction, Inc. was determined to be the apparent lowest responsive bidder. The Board of Education awarded the bid and approved the contract on November 18, 2008. The Notice of Award was issued on November 19, 2008. Upon receipt of the required documentation, the Notice to Proceed was issued on December 8, 2008.

Evidence of the following documentation was provided:

- Notice (legal publication)
- Instruction to Bidders
- Notice of Award
- Notice to Proceed
- Agreement
- Escrow Bid Documents
- Bid Bond
- Non-Collusion
- Performance Bond
- Payment Bond
- Insurance Certificates and Endorsements
- Workers' Compensation Certification
- Prevailing Wage and Related Labor Requirements Certification
- Drug-Free Workplace Certification
- Hazardous Materials Certification
- Lead-Based Materials Certification
- Criminal Background Investigation/Fingerprinting Certification
- Prevailing Wage & Related Labor Requirement Certification
- Disabled Veteran Business Enterprise (DVBE)

**Yorba Linda High School  
 Bid No. 209-3  
 Landscape and Irrigation**

The notice to bidders was advertised on October 20, 2008 and October 27, 2008 in the Orange County Register. The notice to bidders was advertised on two separate occasions, seven days apart; there were at least fourteen days between the first publication and the bid opening, as required by law. The bids were opened on November 18, 2008 and five bids were received. The table below summarizes the outcome of the bid.

<b>Contractor</b>	<b>Base Bid</b>	<b>Add Alternate</b>	<b>Total Bid</b>
<b>America West Landscape</b>	<b>\$1,431,019</b>	<b>\$168,685</b>	<b>\$1,599,705</b>
Belaire-West Landscape, Inc.	\$1,490,000	- 0 -	\$1,490,000
East Bay Construction, Inc.	\$1,695,082	\$168,488	\$1,863,570
Marina Landscape, Inc.	\$1,830,000	\$206,000	\$2,036,000
Valley Crest Landscape Dev.	\$1,979,432	\$130,568	\$2,110,000

America West Landscape, Inc. was determined to be the apparent lowest responsive bidder. The Board of Education awarded the bid and approved the contract on December 16, 2008. The Notice of Award was issued on December 17, 2008. Upon receipt of the required documentation, the Notice to Proceed was issued on January 12, 2009. Evidence of the required documents (refer to the list above) were reviewed and found to be in order.

**Yorba Linda High School**  
**Bid No. 209-9**  
**General Construction 2**

The notice to bidders was advertised on December 29, 2008 and January 5, 2009 in the Orange County Register. The notice to bidders was advertised on two separate occasions, seven days apart; there were at least fourteen days between the first publication and the bid opening, as required by law. The bids were opened on January 29, 2009 and four bids were received. The table below summarizes those bids.

<b><u>Contractor</u></b>	<b><u>Base Bid</u></b>
<b>JRH Construction Company</b>	<b>\$1,996,000</b>
HCH Construction-Mangers, Inc.	\$2,084,000
Construct 1 One, Corp.	\$2,186,542
Meadows Construction Services, Inc.	\$2,436,499

JRH Construction Company was determined to be the apparent lowest responsive bidder. The Board of Education awarded the bid and approved the contract on February 10, 2009. The Notice of Award was issued on February 11, 2009. Upon receipt of the required documentation, the Notice to Proceed was issued on February 25, 2009. Evidence of the required documents (refer to the list above) were reviewed and found to be in order.

**Observations**

- Proper bidding procedures were utilized for the bids examined in this audit period, including advertisement, bid documents and bid evaluation.
- The bid documents and contract files were complete, well organized and easily accessible.

**Finding**

- There are no findings in this section.

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

### **Process Utilized**

During the process of this examination, Total School Solutions (TSS) conducted interviews with key personnel in the Facilities and Purchasing departments and with the District's Public Information Officer (PIO), as well as the consultants and other individuals related to, or involved with, the bond program. The communication channels and public outreach were among the topics of discussion in these interviews.

The District's website and the Bond Program/CBOC websites were also reviewed for content and ease of access to information.

### **Background**

To facilitate communication regarding the Placentia-Yorba Linda Unified School District facilities bond program, the District utilizes several methods of communication.

### **Measure Y Bond Website**

The District's website contains informational items regarding Measure Y. The bond program link provides information regarding the Citizens' Bond Oversight Committee, including committee member information, meeting agendas and minutes. The website also contains copies of the 2007-08 Performance Audit and District Financial Audit, a complete list of all Measure Y projects by school, Measure Y ballot measure, Measure Y video and copies of all of the board reports regarding Measure Y.

The websites containing this information are:

- Placentia-Yorba Linda Unified School District: [www.pylusd.org](http://www.pylusd.org)
- Bond Program: [www.pylusd.org/bond/index.asp](http://www.pylusd.org/bond/index.asp)

Interested members of the community with access to the Internet would be able to obtain current information about the bond program.

### **Newsletters and Correspondence**

News articles and newsletters are another form of communication the District uses to inform the community and provide information regarding the bond program.

Periodically the Yorba Linda Star and Placentia News-Times (both are publications of the Orange County Register Communications) publish articles about the District, including coverage on programs and projects that are funded through the Measure Y bond program.

School site newsletters often include updates on the status of modernization and/or new construction for that specific site.



## **Public Information Officer (PIO)**

The District's Public Information Officer (PIO) is also involved in the bond communication efforts. She attends all of the CBOC meetings and various other community meetings. She is responsible for keeping current on the bond program and communicating relevant and timely information to the community. The PIO is also responsible for contacting various media outlets with informational stories and highlighting various programs and/or events that may be of interest to the community.

## **Meetings**

In February 2008, the District held its annual Education Forum, which is open to the entire community. The purpose of the forum was to provide current information about the District and an opportunity for questions from the audience. The facilities and bond program was one of the topics for discussion. The meeting was taped and later broadcast on the local community channel.

Bond information, updates and presentations are routinely provided at the Board meetings. During the school year, members of the press typically attend Board meetings, and stories about the bond program have been written and published from time to time.

The Citizen's Bond Oversight Committee (CBOC) for Measures A and Y meet on a quarterly basis, although during the audit period, Measure Y CBOC did not meet on a quarterly basis. The meetings are attended by the members of the committee, Superintendent, two Assistant Superintendents, Director of Facilities and Planning, and two to three other staff members. The meetings are open to the public.

## **Commendation**

- The District is commended for its efforts to enhance awareness of the bond program, within the school community and community at large.

**APPENDIX A**

**MEASURE Y BOND RESOLUTION INCLUDING BOND PROJECT LIST**

RESOLUTION NO. 10

RESOLUTION OF THE BOARD OF EDUCATION OF THE  
PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT  
OF THE COUNTY OF ORANGE, CALIFORNIA,  
ORDERING AN ELECTION TO AUTHORIZE THE ISSUANCE OF  
SCHOOL BONDS, ESTABLISHING SPECIFICATIONS OF THE  
ELECTION ORDER, AND REQUESTING CONSOLIDATION  
WITH OTHER ELECTIONS OCCURRING ON  
MARCH 5, 2002

WHEREAS, in the judgment of the Board of Education (the "Board") of the Placentia-Yorba Linda Unified School District (the "District"), it is advisable to call an election to submit to the electors of the District the question whether bonds of the District shall be issued and sold for the purpose of raising money for the acquisition and improvement of real property, and the furnishing and equipping of school facilities; and

WHEREAS, as a result of the approval of Proposition 39 on November 7, 2000, Article XIII A, Section 1, paragraph (b), of the California Constitution ("Article XIII A") provides an exception to the limit on ad valorem property taxes on real property for bonded indebtedness incurred by a school district approved by 55 percent of the voters of the district voting on the proposition; and

WHEREAS, the Board is specifically authorized, upon approval by a two-thirds vote of the Board, to pursue the authorization and issuance of bonds by a 55 percent vote of the electorate on the question whether bonds of the District shall be issued and sold for specified purposes, pursuant to Education Code Section 15264 *et seq.* (the "Act"); and

WHEREAS, pursuant to the California Elections Code, it is appropriate for the Board to request consolidation of the election with any and all other elections to be held on Tuesday, March 5, 2002, and to request the Orange County Registrar of Voters to perform certain election services for the District;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Education of the Placentia-Yorba Linda Unified School District the following:

**Section I. Call for Election.** The Board hereby orders an election and submits to the electors of the District the question of whether general obligation bonds of the District shall be issued and sold in the maximum principal amount of \$102,000,000 for the purpose of raising money to finance school facilities and property of the District, and paying costs incident thereto, as set forth

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more fully in the ballot proposition approved pursuant to Section 3. This Resolution constitutes the order of the District to call such election.

**Section 2. Election Date.** The date of the election shall be March 5, 2002, and the election shall be held solely within the boundaries of the District.

**Section 3. Purpose of Election; Ballot Proposition.** The purpose of the election shall be for the voters in the District to vote on a proposition, a full copy of which is attached hereto and marked Exhibit A, containing the question of whether the District shall issue the Bonds for the purpose stated therein, together with the accountability requirements of Article XIII A and Government Code Section 53410 and the requirements of Section 15272 of the Act. As required by Elections Code Section 13247, the abbreviated form of the measure to appear on the ballot is attached hereto and marked as Exhibit B. The Superintendent or his designee is hereby authorized and directed to make any changes to the text of the proposition as required to conform to any requirements of Article XIII A, the Act, or the Orange County Registrar of Voters.

**Section 4. Authority for Election.** The authority for ordering the election is contained in Section 15264 *et. seq.* of the Education Code and Section 1, paragraph (b), subsection (3), of Article XIII A. The authority for the specification of this election order is contained in Section 5322 of the Education Code.

**Section 5. School Facilities Projects.** As required by Article XIII A, the Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the list of school facilities projects set forth on Exhibit A-1.

**Section 6. Covenants of the Board upon Approval of the Bonds by the Electorate.** As required by Article XIII, Section 15278 of the Act, and Government Code Section 53410, in the event 55 percent of the voters voting in the District approve of the Bonds, the Board shall:

1. Conduct an annual, independent performance audit to ensure that the funds have been expended only on the projects listed in Exhibit A-1;
2. Conduct an annual, independent financial audit of the proceeds from the sale of the Bonds until all of those proceeds have been expended for the school facilities projects listed in Exhibit A-1;
3. Establish and appoint members to an independent citizens' oversight committee in accordance with Sections 15278, 15280, and 15282 of the Act;

4. Apply the bond proceeds only to the specific purposes stated in the ballot proposition;
5. Cause creation of accounts into which bond proceeds shall be deposited; and
6. Cause the preparation of an annual report pursuant to Government Code Sections 53410 and 53411.

**Section 7. Delivery of This Resolution.** The Clerk of the Board is hereby directed to send a copy of this Resolution to the Orange County Superintendent of Schools, the Orange County Registrar of Voters (the "County Registrar") and the Orange County Clerk of the Board of Supervisors.

**Section 8. Consolidation of Election.** The County Registrar and the Orange County Board of Supervisors are hereby requested to consolidate the election ordered hereby with any and all other elections to be held on March 5, 2002, within the District.

**Section 9. Ballot Arguments; Tax Rate Statement.** Any and all members of this Board are hereby authorized to act as an author of any ballot argument prepared in connection with the election, including a rebuttal argument. The Superintendent, President of the Board, or their designees, are hereby authorized to execute any Tax Rate Statement or other document and to perform all acts necessary to place the bond measure on the ballot.

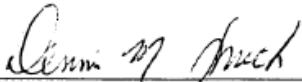
**Section 10. Effective Date.** This resolution shall take effect on and after its adoption.

PASSED AND ADOPTED by the Board of Education of the Placentia-Yorba Linda Unified School District the ninth day of October 2001.

Signed:

  
\_\_\_\_\_  
President of the Board of Education

  
\_\_\_\_\_  
Clerk of the Board of Education

  
\_\_\_\_\_  
Secretary to the Board of Education  
Placentia-Yorba Linda Unified School District  
County of Orange, State of California

CLERK'S CERTIFICATE

I, Judy Miner, Clerk of the Board of Education of the PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 10 adopted at a regular meeting place thereof on the 9th day of October, 2001, of which meeting all the members of said Board of Education had due notice and at which a majority thereof were present, and that at said meeting said resolution was adopted by the following vote:

AYES: 5

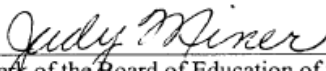
NOES: 0

ABSENT: 0

An agenda of said meeting was posted at least 72 hours before said meeting at 1301 East Orangethorpe Avenue, Placentia, California, a location freely accessible to members of the public, and a brief general description of said resolution appeared on said agenda.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing resolution is a full, true and correct copy of the original resolution adopted at said board meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: October 9, 2001

  
\_\_\_\_\_  
Clerk of the Board of Education of the  
PLACENTIA-YORBA LINDA UNIFIED  
SCHOOL DISTRICT

**EXHIBIT A**  
**BALLOT MEASURE**  
**FULL TEXT OF MEASURE**

This proposition may be known and referred to as the Placentia-Yorba Linda Unified School District Improvement Bond of 2002 or Measure \_\_\_\_\_

**FINDINGS**

The Placentia-Yorba Linda Unified School District (the "District"), which serves the communities of Placentia and Yorba Linda and portions of Anaheim, Brea, Fullerton and unincorporated Orange County, is a recognized leader in providing top quality education to Orange County students. Since 1987, 11 of the District's 31 schools have been recognized as California Distinguished Schools, two have been named National Blue Ribbon Schools and one was named a California Model School. Placentia-Yorba Linda Unified School District students have won honors in county, state, and national competition, including CIF championships, Science Olympiad, Academic Decathlon and Pentathlon tournaments, and mock trials. Graduating classes earn over \$2.3 million annually in academic and athletic scholarships and receive appointments to West Point, Annapolis, and the Air Force Academy. The district averages 11 National Merit Scholarship winners each year.

The achievements have been accrued by the District as a result of the long history of visionary leadership from the Board of Education of the District (the "Board"), as well as from staff members, parents, and members of the District communities. During its long history, the District has benefited from a community which supports its educational institutions by establishing high standards for academic achievement while at the same time providing the means required to meet and even to surpass those expectations.

The Placentia-Yorba Linda Unified School District has grown by an average of 482 students per year over the past five years, which is equivalent to 19 classrooms annually. In the last five years, student enrollment of the resident population has grown by 2,414 students, requiring 96 classrooms. Forecasts based on the current population and current overcrowded conditions project a need for additional classrooms and five new schools to support an additional 3,395 students who will be residents of the District in the next ten years.

In order to provide our local students with classrooms and school facilities comparable to other California school districts, major repairs, upgrades, and classroom and school construction are necessary to ensure these buildings—all of which are 10 to more than 65 years old—will remain functional for future generations.

The Board has prepared a facilities plan and identified significant repairs, upgrades, and classroom construction needs due to increased enrollment that are more than the District is able to fund from currently available sources or annual revenues

The District has sought, and continues to seek, all available outside sources of funding to improve our school buildings, including local, state, and federal grants and state bond funds.

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.

Historically, as is the case presently, the state requires that local school districts provide local funds as a condition of receipt of state funds. Should the Placentia-Yorba Linda Unified School District not be able to raise the requisite funds, state bond funds presently allocated to the district will be allocated to other California school districts who possess the local required funds.

It is necessary to seek voter approval of a bond measure in order to provide the local funding for identified school facility repairs, modernization projects, and growth needs to address student enrollment.

#### **BOND AUTHORIZATION**

By approval of this proposition by at least 55 percent of the registered voters voting on the proposition, the District shall be authorized to issue and sell bonds of up to \$102,000,000 in aggregated principal at interest rates below the legal limit, to provide finance for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A-1, subject to all the accountability requirements specified below.

#### **BOND PROJECT LIST**

The Bond Project List attached to this resolution as Exhibit A-1 shall be considered a part of the ballot proposition and shall be reproduced in any official document required to contain the full statement of the bond proposition.

Approval of this Bond Measure (the "Measure") does not guarantee that the proposed project or projects in the District that are the subject of bonds under the Measure will be funded beyond the local revenues generated by the Measure. If state matching funds become available, they will be used for and applied to the Bond Project List as per Exhibit A-1. The District's proposal for the project or projects assumes the receipt of matching state funds, which could be subject to appropriation by the Legislature or approval of a statewide bond measure.



## **ACCOUNTABILITY REQUIREMENTS**

The provisions in this section are specifically included in this proposition in order that the voters and taxpayers in the District may be assured that their money will be spent wisely to address specific facilities needs of the District all in compliance with the requirements of Article XIII A, Section 1(b)(3), of the State Constitution and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following.)

**Evaluation of Needs.** The Board, after a year long process involving staff members, parents, students, and community members at each school site throughout the District, has prepared an updated facilities plan in order to evaluate and address all of the facilities needs of the District and determine which projects to finance from a local bond at this time. The Board hereby certifies that it has evaluated safety, class size reduction, enrollment growth, and information technology needs in developing the Bond Project List contained in Exhibit A-1.

**Independent Citizens' Oversight Committee.** The Board shall establish an Independent Citizens' Oversight Committee pursuant to Education Code Section 15278 and following to ensure bond proceeds are expended only on the school facilities projects listed in Exhibit A-1. The committee shall be established within 60 days of the date when the results of the election appear in the minutes of the Board.

**Performance Audits.** The Board shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in Exhibit A-1.

**Financial Audits.** The Board shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed in Exhibit A-1.

**Special Bond Proceeds Account: Annual Report to Board.** Upon approval of this proposition and the sale of any bonds approved, the Board shall take actions necessary to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Superintendent of the District shall cause a report to be filed with the Board no later than January 1 of each year, commencing January 1, 2003, stating (1) the amount of bond proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as the Superintendent shall determine and may be incorporated in the annual budget, audit, or another appropriate routine report to the Board.

## **FURTHER SPECIFICATIONS**

**No Administrator Salaries.** Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction and/or rehabilitation of

school facilities including the furnishing and equipping of school facilities or acquisition or lease of real property for school facilities and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

The proceeds of the bonds will be deposited into a Building Fund to be held by the Orange County Treasurer, as required by the California Education Code.

**EXHIBIT B**

**BALLOT MEASURE  
(ABBREVIATED FORM)**

**Measure   Y**

To repair/upgrade and improve all Placentia-Yorba Linda Unified School District schools, acquire/construct additional classrooms, science/computer labs, restrooms, libraries, furniture, equipment, and school facilities, construct a high school, middle school and elementary schools to alleviate overcrowding/accommodate enrollment growth, qualify for state grants, address building safety/health issues including: upgrade electrical wiring/power, repair/upgrade deteriorating restrooms/plumbing/HVAC and make other improvements to school sites and buildings, shall the District issue \$102,000,000 of bonds at interest rates within the legal limit with annual audits and citizens' oversight.

**EXHIBIT A-1**

**BOND PROJECT LIST**

Every school campus within the Placentia-Yorba Linda Unified School District will receive Measure \_\_\_ 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 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.**

**APPENDIX B**

**CITIZENS' OVERSIGHT COMMITTEE**

**CALIFORNIA EDUCATION CODE  
SECTION 15278-15282  
CITIZENS' OVERSIGHT COMMITTEE**

15278. (a) If a bond measure authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution and subdivision (b) of Section 18 of Article XVI of the California Constitution is approved, the governing board of the school district or community college shall establish and appoint members to an independent citizens' oversight committee, pursuant to Section 15282, within 60 days of the date that the governing board enters the election results on its minutes pursuant to Section 15274.

(b) The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.

(c) In furtherance of its purpose, the citizens' oversight committee may engage in any of the following activities:

(1) Receiving and reviewing copies of the annual, independent performance audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(2) Receiving and reviewing copies of the annual, independent financial audit required by subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(3) Inspecting school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

(4) Receiving and reviewing copies of any deferred maintenance proposals or plans developed by a school district or community college district, including any reports required by Section 17584.1.

(5) Reviewing efforts by the school district or community college district to maximize bond revenues by implementing cost-saving measures, including, but not limited to, all of the following:

(A) Mechanisms designed to reduce the costs of professional fees.

(B) Mechanisms designed to reduce the costs of site preparation.

(C) Recommendations regarding the joint use of core facilities.

(D) Mechanisms designed to reduce costs by incorporating efficiencies in school site design.

(E) Recommendations regarding the use of cost-effective and efficient reusable facility plans.

15280. (a) The governing board of the district shall, without expending bond funds, provide the citizens' oversight committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose and sufficient resources to publicize the conclusions of the citizens' oversight committee.

(b) All committee proceedings shall be open to the public and notice to the public shall be provided in the same manner as the proceedings of the governing board. The citizens' oversight committee shall issue regular reports on the results of its activities. A report shall be issued at least once a year. Minutes of the proceedings of the citizens' oversight committee and all documents received and reports issued shall be a matter of public record and be made available on an Internet website maintained by the governing board.

15282. (a) The citizens' oversight committee shall consist of at least seven members to serve for a term of two years without compensation and for no more than two consecutive terms. While consisting of a minimum of at least seven members, the citizens' oversight committee shall be comprised, as follows:

(1) One member shall be active in a business organization representing the business community located within the district.

(2) One member shall be active in a senior citizens' organization.

(3) One member shall be active in a bona fide taxpayers' organization.

(4) For a school district, one member shall be the parent or guardian of a child enrolled in the district. For a community college district, one member shall be a student who is both currently enrolled in the district and active in a community college group, such as student government. The community college student member may, at the discretion of the board, serve up to six months after his or her graduation.

(5) For a school district, one member shall be both a parent or guardian of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or schoolsite council. For a community college district, one member shall be active in the support and organization of a community college or the community colleges of the district, such as a member of an advisory council or foundation.

(b) No employee or official of the district shall be appointed to the citizens' oversight committee. No vendor, contractor, or consultant of the district shall be appointed to the citizens' oversight committee. Members of the citizens' oversight committee shall, pursuant to Sections 35233 and 72533, abide by the prohibitions contained in Article 4 (commencing with Section 1090) and Article 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code.

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**APPENDIX C**

**LEGAL OPINION**



JONES HALL

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March 24, 2009

Dr. Dennis Smith  
Superintendent  
Placentia-Yorba Linda Unified School District  
1301 East Orangethorpe Avenue  
Placentia, CA 92870

RE: Payment of Staff Costs

Dear Dr. Smith:

The Citizens Oversight Committee for Measure A has inquired regarding the legal authority for using general obligation bond funds to pay for District staff time spent on accomplishing bond projects.

Proposition 39 amended the California Constitution to allow school bonds to be approved by 55% of the voters for the purpose of financing school improvements. One condition to the use of a 55% election is that the bond proceeds may only be used for school improvements, including furniture and equipment, but not for teacher and administrator salaries and other school operating expenses.

The Attorney General of California issued Opinion No. 04-110 dated November 9, 2004 which concluded that Proposition 39 school bond proceeds may be used to pay the salaries of district employees to perform administrative oversight work on projects authorized by the voters. A copy of that Opinion is attached.

This Attorney General opinion was relied upon by the Appellate Court in the case of San Lorenzo Valley Community Advocates for Responsible Education v. San Lorenzo Valley Unified School District 139 Cal App. 4<sup>th</sup> 1356 to conclude that bond funds can be used to pay school employees who administer and oversee bond financed project.

Very truly yours,

William J. Kadi

TO BE PUBLISHED IN THE OFFICIAL REPORTS

OFFICE OF THE ATTORNEY GENERAL  
State of California

BILL LOCKYER  
Attorney General

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OPINION	:	No. 04-110
of	:	November 9, 2004
BILL LOCKYER	:	
Attorney General	:	
DANIEL G. STONE	:	
Deputy Attorney General	:	

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THE HONORABLE MANNY DIAZ, MEMBER OF THE STATE ASSEMBLY, has requested an opinion on the following question:

May a school district use Proposition 39 school bond proceeds to pay the salaries of district employees who perform administrative oversight work on construction projects authorized by a voter approved bond measure?

CONCLUSION

A school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.

## ANALYSIS

On November 8, 2000, California voters approved Proposition 39, which amended the Constitution to allow the issuance of bonds for the construction of school facilities if approved by 55 percent of a school district's voters and if specified conditions are met.<sup>1</sup> Among other things, subdivision (b)(3) was added to section 1 of article XIII A of the Constitution, providing that the one percent property tax limitation does not apply to:

"Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters of the district or county, as appropriate, voting on the proposition on or after the effective date of the measure adding this paragraph. This paragraph shall apply only if the proposition approved by the voters and resulting in the bonded indebtedness includes all of the following accountability requirements:

*"(A) A requirement that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses.*

*"(B) A list of the specific school facilities projects to be funded and certification that the school district board, community college board, or county office of education has evaluated safety, class size reduction, and information technology needs in developing that list.*

*"(C) A requirement that the school district board, community college board, or county office of education conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed.*

*"(D) A requirement that the school district board, community college board, or county office of education conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects." (Italics added.)*

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<sup>1</sup> Normally, approval of a school district's bonded indebtedness would require a two-thirds approval vote of a district's voters. (See Cal. Const., art. XIII A, § 1, subd. (b)(2), art. XVI, § 18, subd. (a).)

We are asked to determine whether the prohibition against using Proposition 39 school bond proceeds for "teacher and administrator salaries and other school operating expenses" (Cal. Const., art. XIII A, § 1, subd. (b)(3)(A)) applies to the payment of salaries of school district employees who perform administrative oversight work on construction projects authorized by a voter approved bond measure. We conclude that the prohibition is inapplicable to such salary expenses.

Preliminarily, we note that Proposition 39 also amended section 18 of article XVI of the Constitution in several respects, including the addition of subdivision (b), as follows:

" . . . [O]n or after the effective date of the measure adding this subdivision, in the case of any school district, community college district, or county office of education, any proposition for the incurrence of indebtedness in the form of general obligation bonds for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, shall be adopted upon the approval of 55 percent of the voters of the district or county, as appropriate, voting on the proposition at an election. This subdivision shall apply only to a proposition for the incurrence of indebtedness in the form of general obligation bonds for the purposes specified in this subdivision if the proposition meets all of the accountability requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A."

In addition, to implement the provisions of Proposition 39, the Legislature has enacted "The Strict Accountability in Local School Construction Bonds Act of 2000" (Ed. Code, §§ 15264-15288; "Act"),<sup>2</sup> targeting "unauthorized expenditures" of Proposition 39 school bond proceeds. Section 15264 thus provides:

"It is the intent of the Legislature that all of the following are realized:

"(a) Vigorous efforts are undertaken to ensure that the expenditure of bond measures, including those authorized pursuant to paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, are in strict conformity with the law.

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<sup>2</sup> All references hereafter to the Education Code are by section number only.

“(b) Taxpayers directly participate in the oversight of bond expenditures.

“(c) The members of the oversight committees appointed pursuant to this chapter promptly alert the public to any waste or improper expenditure of school construction bond money.

“(d) That unauthorized expenditures of school construction bond revenues are vigorously investigated, prosecuted, and that the courts act swiftly to restrain any improper expenditures.”

Section 15278 requires the establishment of a citizens' oversight committee with the following duties:

“The purpose of the citizens' oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens' oversight committee shall actively review and report on the proper expenditure of taxpayers' money for school construction. The citizens' oversight committee shall advise the public as to whether a school district or community college district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The citizens' oversight committee shall convene to provide oversight for, but not be limited to, both of the following:

“(1) Ensuring that bond revenues are expended only for the purposes described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.

“(2) Ensuring that, as prohibited by subparagraph (A) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution, no funds are used for any teacher or administrative salaries or other school operating expenses.” (§ 15278, subd. (b).)

Oversight committees are expressly permitted to engage in a number of review and inspection activities, including review of school districts' efforts “to maximize bond revenues by implementing cost-saving measures,” specifically including “[m]echanisms designed to reduce the costs of professional fees.” (§ 15278, subd. (c)(5)(A).)

Finally, section 15284 provides for the filing of expedited civil actions, known as "School Bond Waste Prevention Actions," by persons residing in the school district when, among other things, it appears that bond proceeds are being spent "for purposes other than those specified in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution." (§ 15284, subd. (a)(1).)

With these constitutional and statutory provisions in mind, we return to the language of section 1, subdivision (b)(3)(A), of article XIII A of the Constitution. School bond proceeds may be expended only for "the construction, reconstruction, rehabilitation, or replacement of school facilities" and *not* "for any other purpose, including teacher and administrator salaries and other school operating expenses." In which of these categories are the salaries of district employees whose work involves oversight of the construction projects authorized by a voter approved bond measure?

We believe that the phrase "the construction, reconstruction, rehabilitation, or replacement of school facilities" embraces project administrative costs, such as monitoring contracts and project funding, overseeing construction progress, and performing overall project management and accounting that facilitates timely completion of the construction project. A construction project generates not only the costs of materials and equipment, architectural and engineering design work, and construction worker salaries, but also costs of project administration -- work that the school district would not be required to undertake or to fund *but for* the existence of the construction project. This administrative work is performed, whether by private consultants under contract with the school district or by school district employees with expertise in project management, to ensure that all aspects of the construction project are properly coordinated; that each step satisfies the specifications; that invoices are reviewed, revised where appropriate, and paid in a timely manner; that costs do not exceed the project's budget; and that the project is completed on schedule. (See 78 Ops.Cal.Atty.Gen. 48 (1995).)<sup>3</sup>

Some of these administrative tasks -- specifically, conducting an annual independent performance audit and an annual independent financial audit during the life of the construction project -- are expressly required by Proposition 39 itself, as a condition of qualifying for the 55 percent voter approval requirement. (See Cal. Const., art. XIII A, § 1, subds. (b)(3)(C), (b)(3)(D).) We view these kinds of project administration costs, because they relate directly to the bond projects and are an integral part of the construction process,

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<sup>3</sup> We distinguish these "management costs" from actual construction labor that district employees might contribute to the project -- such as electrical work, carpentry, painting, or plumbing. The use of district employees for construction labor is subject to separate legal restrictions. (See, e.g., Pub. Contract Code, § 20114; cf. Pub. Contract Code, § 22032.) However, the question posed here concerns only those administrative duties required for oversight of the construction project.

as coming within "the purposes specified in Article XIII A, Section 1(b) (3)." (Cal. Const., art. XIII A, § 1, subd. (b)(3)(A); see § 15278, subd. (b).)<sup>4</sup>

Such project management costs may therefore be funded by Proposition 39 school bond proceeds unless the expenditures are specifically prohibited under the phrase "teacher and administrator salaries and other school operating expenses." The "teacher and administrator salaries" in question are limited to those that qualify as "school operating expenses" because of the word "other" contained in the phrase.<sup>5</sup> We believe that "school operating expenses" are those regular, ongoing, day-to-day costs associated with maintaining and operating a school. Among such expenses would be (1) the cost of managing the educational services provided, including the salaries of school administrators, and (2) the cost of providing instruction to students, including the salaries of teachers. (See 22 Ops.Cal.Atty.Gen. 105, 108 (1953) [school district's normal operating expenses include purchase of supplies and payment of salaries of school administrators, teachers, and janitors].)<sup>6</sup>

We distinguish between routine, everyday school operating expenses and the narrow category of costs and salaries of concern here -- costs that arise only in connection with, and are incurred only for the duration of, construction projects authorized by a voter approved school bond measure. The latter expenses are not incurred in the school's ordinary ongoing operation, but are instead an integral part of the construction process and "in the nature of an investment for the future." As the court explained in *Marin U. Junior College Dist. v. Gwinn* (1930) 106 Cal.App. 12:

"For years the legislature has recognized the well-established economic

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<sup>4</sup> To the extent the management services consist of onsite assessment of technical matters involving, for example, design, materials, building standards, or workmanship, a project manager may be required to be licensed and have experience in the particular subject area. (Cf. Gov. Code, §§ 4525-4529.5; 78 Ops.Cal.Atty.Gen. 48, *supra*; 57 Ops.Cal.Atty.Gen. 421 (1974).)

<sup>5</sup> In interpreting the constitutional language added by Proposition 39, "our paramount task is to ascertain the intent of those who enacted it. [Citation.]" (*Thompson v. Department of Corrections* (2001) 25 Cal.4th 117, 122.) In determining that intent, we "look first to the language of the constitutional text, giving the words their ordinary meaning." (*Leone v. Medical Board* (2000) 22 Cal.4th 660, 665.) "A constitutional amendment should be construed in accordance with the natural and ordinary meaning of its words. [Citation.]" (*Hi-Voltage Wire Works, Inc. v. City of San Jose* (2000) 24 Cal.4th 537, 559.)

<sup>6</sup> We read Proposition 39's use of the term "teacher . . . salaries" as meaning salaries for teaching, thus corresponding with "salaries of classroom teachers" as defined for school accounting purposes in section 41011. Appropriate definitions of "teacher" and "administrative employee" are contained in section 41401.



distinction between cost of capital expenditures and cost of maintenance. Throughout the school law this distinction has appeared in the special provisions for taxation (or for the issue of bonds) for the purchase of school lands and erection of school buildings and in the special provisions for maintenance. It is further illustrated by the numerous statutes calling for the creation of special building funds as distinct from the general, or maintenance, funds. It is based upon the sound economic principle that a capital expenditure is in the nature of an investment for the future, whereas the cost of maintenance is a definite present expense." (*Id.* at pp. 13-14.)

Accordingly, we believe that Proposition 39's prohibition against the use of school bond proceeds for "school operating expenses" does not bar use of the proceeds for the payment of salaries of school district employees performing oversight work on construction projects authorized by a voter approved bond measure.

Our interpretation of the language of Proposition 39 allows school districts, where feasible, to implement "cost-saving measures" and "reduce the costs of professional fees" on voter approved construction projects -- objectives promoted by the Legislature in implementing Proposition 39. (See § 15278, subd. (c)(5)(A).) School district employees with the requisite expertise may be able to perform project management work at less cost to the district than if the work were performed by private consultants.

It is also consistent with other legislative schemes dealing with similar types of costs. (See, e.g., Gov. Code, § 16727, subd. (a) ["costs of construction or acquisition of capital assets" for which bond proceeds may be expended "include costs incidentally but directly related to construction or acquisition"]; Pub. Resources Code, § 5096.674 [bond proceeds for site acquisition and development of parks and recreation areas may be applied to "costs incurred in connection with administering" bond programs]; Wat. Code, § 13959, subd. (f) [defining "construction" of bond-funded water treatment facilities to include "legal, fiscal, or economic investigations or studies, surveys, designs, plans, . . . or the inspection or supervision of any of the foregoing items"].) Administrative oversight work is an integral part of the construction process.

Finally, we note that a contrary conclusion would permit the use of the school bond proceeds for administrative oversight work if performed by private consultants under contract with a school district while forbidding the use of such proceeds for the same work performed, presumably at lower cost, by district employees. Nothing in the November 8, 2000 ballot pamphlet remotely suggests that California voters intended such a result when they adopted Proposition 39.

We conclude that a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure.

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**APPENDIX D**

**MEASURE Y BOND PROGRAM PROJECTS, BUDGETS-ALL FUNDS**

Measure Y Bond - Project Expenditures - All Funds

Unaudited Actuals

Site	All Expenditures 2002-03	All Expenditures 2003-04	All Expenditures 2004-05	All Expenditures 2005-06	All Expenditures 2006-07	All Expenditures 2007-08	All Other Expenditures 2008-09 <sup>2</sup>	Measure Y Expenditures 2008-09 Actual	Total Expenditures
Bernardo Yorba Middle School	549,180	3,451,592	770,387	17,111	2,282	64,925	3,031	0	4,858,508
Brookhaven Elementary	266,458	699,537	3,563,354	205,133	-1,641	875	0	0	4,733,716
Bryant Ranch Elementary	-4,900	93,746	53,221	41,694	270,600	0	0	0	454,361
District Ed Center (DEC)	165,386	261,072	314,510	292,418	586,135	71,393	-1,903	0	1,689,011
Eastside Elementary	0	0	0	0	0	0	0	0	0
El Camino High School	0	24,109	9,993	308,333	463,198	130,579	0	-113	936,099
El Dorado High School	557,616	7,529,340	2,833,202	254,287	653,363	186,331	107,643	-1,300	12,120,482
Esperanza High School	562,575	9,912,543	6,995,389	423,550	1,099,582	256,949	24,056	-1,915	19,272,729
Fairmont Elementary	734,122	4,555,119	1,061,356	172,698	19,276	1,310	-6,738	-5,538	6,531,605
George Key Elementary	57,345	39,322	612	0	489	300	0	0	98,068
Glenknoll Elementary	12,826	777,800	4,546,485	261,603	-61	0	1,805	0	5,600,458
Glenview Elementary	186,434	387,931	4,697,405	277,826	615	0	1,303	-664	5,550,850
Golden Elementary	828,088	2,469,435	-14,034	35,275	143,324	16,955	16,390	-1,755	3,493,678
Kraemer Middle School	21,284	683,473	3,239,449	1,743,860	113,431	-2,396	2,500	-7,192	5,794,409
Lakeview Elementary	438,715	648,808	10,097,668	7,145,487	36,062	28,987	82,647	78	18,478,452
Linda Vista Elementary	42,088	430,372	4,437,053	581,730	26,261	12,050	849	0	5,530,403
Mabel Paine Elementary	252,616	2,314,383	65,843	-6,466	3,363	11,220	0	0	2,640,959
Mabel Paine Emergency <sup>1</sup>	0	0	807,449	706,755	276,998	168,958	11,637	0	1,971,797
Melrose Elementary <sup>3</sup>	159,404	10,901,366	6,745,283	577,101	172,405	83,008	2,500	35,866	18,676,933
Morse Elementary	131,431	977,720	3,014,908	193,752	19,431	-2,619	0	0	4,334,623
Parkview School	142,887	1,795	-1,795	0	0	0	0	0	142,887
Rio Vista Elementary	179,639	990,764	3,144,990	1,188,017	45,677	151,502	74,365	0	5,774,954
Rose Drive Elementary	506,324	2,348,078	161,136	103,849	4,032	0	0	-4,032	3,119,387
Ruby Drive Elementary	1,146,905	2,358,049	58,144	31,684	10,030	-3,416	2,500	0	3,603,896
Sierra Vista Elementary	159,468	739,682	3,299,910	351,282	33,313	0	0	-1,395	4,582,260
Southwest Middle School <sup>3</sup>	226,589	112,538	985,226	1,814,280	21,652,820	19,755,789	8,100,990	2,454,087	55,102,319
Topaz Elementary	444,286	306,459	4,435,476	1,264,707	130,428	194,757	14,263	-16,429	6,773,947
Travis Ranch School Elementary	5,218	13,811	258,783	1,479,347	131,290	-55	2,500	0	1,890,894
Travis Ranch Middle	704	25,495	19,957	0	0	0	0	0	46,156
Tuffree Middle School	117,745	0	57,020	500,848	118,028	8,709	1,350	0	803,700
Tynes Elementary	189,357	200,981	177,028	705,458	59,319	143,741	0	-10,739	1,465,145
Valencia High School	541,543	4,081,707	5,289,363	1,617,619	5,469,333	1,199,690	213,398	-14,832	18,397,821
Van Buren Elementary	188,194	631,419	4,019,469	233,502	3,255	961	0	0	5,076,800
Wagner Elementary	269,837	611,074	3,137,573	160,547	24,276	0	0	0	4,203,307
Woodsboro Elementary	295,029	35,202	58,655	529,873	87,358	126,339	0	-536	1,131,920
Yorba Linda High School <sup>3</sup>	546,635	14,849,397	320,938	2,180,869	58,715,027	20,734,190	30,995,150	2,535,147	130,877,353
Yorba Linda Middle School	871,213	112,546	62,443	142,982	78,457	19,812	0	0	1,287,453
County Admin								4,903	4,903
<b>Total Expenditures</b>	<b>10,792,241</b>	<b>73,576,665</b>	<b>78,723,849</b>	<b>25,537,012</b>	<b>90,447,756</b>	<b>43,360,844</b>	<b>39,650,236</b>	<b>4,963,640</b>	<b>367,052,243</b>

<sup>1</sup> Expenditures include the Emergency Flood Project of \$1,971,797; that project was not funded through Measure Y

<sup>2</sup> Source: Measure Y Sources & Uses, 2008-09 estimated actuals.

<sup>3</sup> Measure Y Projects passed onto the Citizens' Bond Oversight Committee

Measure Y Bond - Project Budgets - All Funds

Site	Original Budgets	2005-2006 Adjusted Budgets	2008-2009 Adjusted Budgets	Total Expenditures 2002-03 thru 2008-09 <sup>3</sup>	Measure Y Remaining Estimated Budget Allocations	Percent of Budget
Bernardo Yorba Middle School <sup>1</sup>	5,189,865	4,929,108	4,858,508	4,858,508		100.00%
Brookhaven Elementary <sup>1</sup>	2,689,448	4,759,591	4,733,716	4,733,716		100.00%
Bryant Ranch Elementary <sup>1</sup>	794,100	933,361	454,361	454,361		100.00%
District Ed Center (DEC) <sup>2</sup>	785,000	1,766,997	1,689,011	1,689,011		100.00%
Eastside Elementary	8,600,000	8,600,000	0	0		0.00%
El Camino High School <sup>1</sup>	790,330	5,120,784	936,099	936,099		100.00%
El Dorado High School <sup>1</sup>	25,558,092	26,507,674	12,120,482	12,120,482		100.00%
Esperanza High School <sup>1</sup>	21,955,569	21,981,910	19,272,729	19,272,729		100.00%
Fairmont Elementary <sup>1</sup>	4,533,428	6,884,571	6,531,605	6,531,605		100.00%
George Key Elementary <sup>1</sup>	609,000	505,279	98,068	98,068		100.00%
Glennhol Elementary <sup>1</sup>	3,097,902	5,838,984	5,600,458	5,600,458		100.00%
Glenview Elementary <sup>1</sup>	3,735,050	5,936,514	5,550,850	5,550,850		100.00%
Golden Elementary <sup>1</sup>	2,427,164	3,621,691	3,493,678	3,493,678		100.00%
Kraemer Middle School <sup>1</sup>	6,449,240	6,202,166	5,794,409	5,794,409		100.00%
Lakeview Elementary <sup>1</sup>	18,371,800	18,396,723	18,478,452	18,478,452		100.00%
Linda Vista Elementary <sup>1</sup>	2,946,972	5,800,751	5,530,403	5,530,403		100.00%
Mabel Paine Elementary <sup>1</sup>	2,638,225	2,990,959	2,640,959	2,640,959		100.00%
Mabel Paine Emergency <sup>4</sup>	3,000,000	3,000,000	1,971,797	1,971,797		100.00%
Meiross Elementary <sup>5</sup>	19,149,500	18,719,694	18,676,933	18,676,933	2,164	99.99%
Morse Elementary <sup>1</sup>	3,056,809	4,337,242	4,334,623	4,334,623		100.00%
Parkview School <sup>1</sup>	0	142,887	142,887	142,887		100.00%
Rio Vista Elementary <sup>1</sup>	5,848,239	8,675,159	5,774,954	5,774,954		100.00%
Rose Drive Elementary <sup>1</sup>	2,961,789	3,242,296	3,119,387	3,119,387		100.00%
Ruby Drive Elementary <sup>1</sup>	3,368,167	3,961,067	3,603,896	3,603,896		100.00%
Sierra Vista Elementary <sup>1</sup>	2,881,972	4,708,864	4,582,260	4,582,260		100.00%
Southwest (Valadez) Middle School <sup>5</sup>	39,634,000	54,649,894	56,149,877	56,102,318	12,238	98.11%
Topaz Elementary <sup>1</sup>	4,564,237	6,931,111	6,773,947	6,773,947		100.00%
Travis Ranch School Elementary <sup>1</sup>	1,036,804	2,121,903	1,890,894	1,890,894		100.00%
Travis Ranch Middle <sup>1</sup>	465,500	392,811	46,156	46,156		100.00%
Tuffree Middle School <sup>1</sup>	3,037,737	6,107,311	803,700	803,700		100.00%
Tynes Elementary <sup>1</sup>	2,838,228	13,812,765	1,465,145	1,465,145		100.00%
Valencia High School <sup>1</sup>	14,180,871	20,298,614	18,397,821	18,397,821		100.00%
Van Buren Elementary <sup>1</sup>	2,998,730	5,756,134	5,076,800	5,076,800		100.00%
Wagner Elementary <sup>1</sup>	3,043,532	4,249,785	4,203,307	4,203,307		100.00%
Woodsboro Elementary <sup>1</sup>	2,642,553	9,073,449	1,131,920	1,131,920		100.00%
Yorba Linda High School <sup>6</sup>	124,667,768	152,395,703	156,048,205	130,877,868	181,815	88.76%
Yorba Linda Middle School <sup>1</sup>	2,975,400	3,407,984	1,287,453	1,287,453		100.00%
County Admin			4,903	4,908	672	100.00%
<b>Total Expenditures</b>	<b>353,523,021</b>	<b>456,762,826</b>	<b>393,270,653</b>	<b>387,052,243</b>	<b>196,769</b>	

<sup>1</sup> Budgets/projects at these sites have been revised and are now funded through Measure A

<sup>2</sup> District Education Center projects include ADA compliance, growth project and various other projects. (A total of \$863 was charged to Measure Y for these projects)

<sup>3</sup> Source: Measure Y Sources & Uses 2008-2009 Actuals

<sup>4</sup> The Mabel Paine Emergency Flood Project is neither a Measure Y Project nor a Measure A Project

<sup>5</sup> Measure Y Projects passed onto the Citizens' Bond Oversight Committee