

**OVERSIGHT COMMITTEE STATUTES,  
AUTHORITY, AND RESPONSIBILITIES TO THE PUBLIC**  
**Presentation for Pasadena Unified School District Citizens' Oversight Committee**  
**September 17, 2009**

- A. Education Code Sections on Independent Citizens' Oversight Committee (Education Code Section 15278 et.seq.)
  
- B. Bylaws for the Oversight Committee (Adopted May 12, 2009)
  
- C. Integration with Facilities Oversight Subcommittee. (Charter Revised November 20, 2007)
  
- D. Pasadena Citizens' Oversight Committee Web Page
  
- E. Example Report from Santa Ana Unified School District

# **EXHIBIT “A”**

## CALIFORNIA EDUCATION CODE

### SECTIONS 15278-15282

#### 15278.

1. 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.
2. 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.
3. 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 schoolsite design.
  - (E) Recommendations regarding the use of cost-effective and efficient reusable facility plans.

15280.

1. 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.
2. 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.

3. 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:
  - (6) One member shall be active in a business organization representing the business community located within the district.
  - (7) One member shall be active in a senior citizens' organization.
  - (8) One member shall be active in a bona fide taxpayers' organization.
  - (9) 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.

- (10) 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.
4. 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.

# **EXHIBIT “B”**



**PUSD**

Pasadena Unified School District

**BOND OVERSIGHT COMMITTEE  
BYLAWS – REVISED 5-12-09**

**Sec. 1.0 COMMITTEE ESTABLISHED**

The Board of Trustees of the Pasadena Unified School District (the “Board”) hereby establishes the Citizens’ Bond Oversight Committee (the “Committee”) which shall have the purposes and duties set forth in these Bylaws.

**Sec. 2.0 PURPOSE**

The purpose of the Committee is to inform the public at least annually by issuing a written report concerning the expenditure of bond proceeds approved by the voters (the “bond proceeds”).

**Sec. 3.0 DUTIES**

To carry out its stated purpose as set forth in Section 2.0, the Committee shall serve in an informational capacity to the public and the Board of Education performing the following duties:

3.1 Review Expenditures. The Committee shall review quarterly expenditure reports of bond funds produced by the District and other related bond fund documents to (a) ensure that bond proceeds are expended only for the purposes set forth in the ballot measure; and (b) ensure that no bond proceeds are used for any teacher salaries.

3.2 Review Progress of Projects. The Committee shall be apprised in writing by the District of significant changes or irregularities in the progress and completion dates of bond funded projects.

3.3 Annual Report and Interim Reports. The Committee shall present to the Board interim reports at the Committee’s discretion and an annual written report which shall at a minimum include the following:

(a) A statement indicating whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution; and

(b) A summary of the Committee’s proceedings and activities for the preceding year.

Relevant excerpts of the Annual Report shall be posted to the District’s Internet website, and provided to the Sierra Madre City Council, Altadena Town Council, Pasadena City Council, and the local media.

3.4 Internet Website. Minutes and Agenda of the proceedings of the Committee and all other public documents including but not limited to the Annual Report shall be a matter of public record and be made available on an Internet website maintained by the District. Relevant documents received and reports issued shall be maintained by the District for review pursuant to Public Records Act request.

3.5 Annual Audits. An Annual Independent Financial Audit and Independent Performance Audit shall be conducted and the results posted on the District's Internet website.

#### **Section 4.0 AUTHORIZED ACTIVITIES**

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

(a) Receive and review copies of the District's annual independent performance audit and annual independent financial audit, required by Article XIII A of the California Constitution.

(b) Inspect school site facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the Assistant Superintendent.

(c) Review the District's efforts to maximize bond proceeds in ways designed to: (1) reduce costs of professional fees or site acquisition; (2) incorporate efficiencies in school site design; (3) encourage joint use of core facilities; or (4) involve cost-effective and efficient reusable facility plans.

4.2 Any Committee requests for copies or inspection of District records shall be made in writing to the District's Superintendent or designee.

#### **Sec. 5.0 MEMBERSHIP**

5.1. Number. The Committee shall consist of between nine and fifteen members.

(a) After interviewing potential members, the Board shall appoint members of the committee.

(b) The Committee shall include:

- (1) one member who is active in a business organization representing the business community located within the District;
- (2) one member active in a senior citizens' organization;
- (3) one member who is the parent or guardian of a child enrolled in the District;
- (4) one member who is both a parent or guardian of a child enrolled in the District and active in parent-teacher organization;

- (5) one member who is active in a bona fide taxpayers' organization;  
and
- (6) four general members.

5.2. Qualification Standards.

(a) To be a qualified person, he or she must:

- (1) be at least 18 years of age and a resident of the state in accordance with Government Code section 1020;
- (2) not be an employee of the District who is directly related to the construction of school facilities in the District or an official of the District.
- (3) not be a vendor, contractor, or consultant of the District.

(b) If a member fails to meet the qualification standards set forth above at any time during the term of service, the member shall be disqualified and the position shall be declared vacant. The Board shall appoint a new person to serve the remainder of the term, in accordance with the appointment process set forth in Section 5.3 below.

5.3. Appointment. The Board shall appoint members to the Committee. Prior to appointment, the District Superintendent shall conduct a nomination process to ensure that each person nominated meets the qualification standards set forth in Section 5.2. The Superintendent shall establish a process that provides reasonable notice to Board members and specified nominating organizations. When an appointment is necessary to fill a vacancy, the Superintendent shall ensure that a nomination is received from the same organization or category as the Committee member whose position is vacant.

5.4 Ethics; Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Articles 4 (commencing with Section 1090) and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 et seq.), and to complete the Form 700 as required by all "designated employees" of the District. Additionally, each member shall comply with the Committee Ethics Policy attached as Attachment A to these Bylaws.

5.5 Term. Except as otherwise provided herein: members shall serve a term of two (2) years beginning March 1, 2009; with successive terms, if any, to be for a term of two years. No member may serve more than two (2) consecutive terms. Initial term for simple majority of members shall be three years with the minority total of members to serve two years.

5.6 Removal; Vacancy. The Board may remove any Committee member for cause, including failure to attend three consecutive Regular Committee meetings or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the appointment process set forth in Section 5.3 shall fill any vacancies on the Committee.

5.7                    Compensation. The Committee members shall not be compensated for their services.

**Sec. 6.0            MEETINGS OF THE COMMITTEE**

6.1                    Regular Meetings. The Committee shall establish a schedule for the date and time of regular meetings to be held at least quarterly to include an annual organizational meeting to be held in June.

6.2                    Location. All meetings shall be held at the District's administrative offices at 351 South Hudson Ave. Pasadena, California or other District facilities.

6.3                    Procedures. All meetings shall be open and public in accordance with the Ralph M. Brown Act, Government Code Section 54950 et seq. Meetings shall be conducted according to such procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

**Sec. 7.0            DISTRICT SUPPORT**

7.1                    The District shall provide to the Committee necessary technical and administrative assistance as follows:

(a)                    preparation of and posting of public notices as required by the Brown Act, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;

(b)                    provision of a meeting room, including any necessary audio/visual equipment;

(c)                    preparation and copies of any documentary meeting materials, such as agendas, minutes and reports; and

(d)                    retention of all Committee records, and providing public access to such records.

7.2                    District staff shall attend all Committee proceedings in order to report on the status of projects and the expenditures of bond proceeds.

7.3                    The Committee may request the Board to authorize legal counsel to advise the Committee on legal matters relating to the operation and/or subject matter of the Committee.

**Sec. 8.0            REPORTS**

In addition to the Annual Report required in Section 3.2, the Committee shall report to the Board not less than semi-annually in order to inform the Board on the activities of the Committee. Such report shall be in writing and at a minimum shall summarize the proceedings and activities conducted by the Committee. Committee minutes shall be circulated to Board members, administrative staff as well as Committee Members.

**Sec. 9.0 OFFICERS**

The board shall appoint the first chair who will serve for the first year. The committee shall elect the chair after the first year. The Committee shall elect a vice-chair who shall act as chair only when the chair is absent and a clerk which positions shall continue for up to two (2) year terms. No person shall serve as Chair for more than two consecutive terms.

**Sec.10. AMENDMENT OF BYLAWS**

Any amendment to these Bylaws shall be approved by a majority vote of the Board.

**Sec. 11.0 TERMINATION**

The Committee shall terminate and disband by a majority vote of the Board. Normally this will occur at the earlier of the date when (a) the committee issues a final report after all bond proceeds are spent, or (b) the committee issues a final report after all projects funded by bond proceeds are completed.

## ATTACHMENT A

### BOND OVERSIGHT COMMITTEE ETHICS POLICY STATEMENT

This Ethics Policy Statement provides general guidelines for Committee members to follow in carrying out their roles. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as form concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this Ethics Policy.

#### POLICY

- **CONFLICT OF INTEREST.** A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the Committee member's outside employment, business, or personal finances or benefit an immediate family member, such as a spouse, child or parent.
- **OUTSIDE EMPLOYMENT.** A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interests of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of three (3) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of three (3) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.
- **COMMITMENT TO UPHOLD LAW.** A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California (particularly the Education Code) and all other applicable government entities, and the policies, procedures, rules and regulations of the Pasadena Unified School District.
- **COMMITMENT TO DISTRICT.** A Committee member shall place the interests of the District above any personal or business interests of the member.

# **EXHIBIT “C”**



# PUSD

Pasadena Unified School District

Board of Education

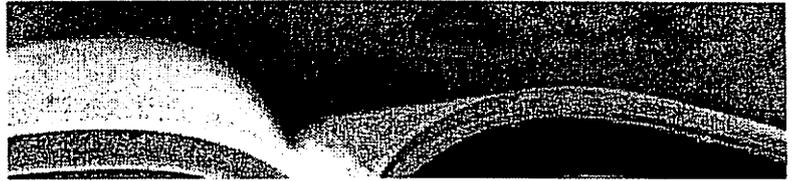
## Facilities Subcommittee Charter 2007-08

Revised 11-20-07

Element	Definition
Purpose	<p>The Facilities Committee exists to provide strategic oversight of the District's facilities activities and to support communication of these activities to the School Board and community at large. The committee discussions will provide an understanding of project priorities, funding, and goals that will enable committee Board members to give input to staff, communicate to the full School Board and make recommendations as appropriate.</p>
Goals	<ul style="list-style-type: none"><li>▪ Provide an environment for extended research and discussion of issues that allows staff to vet ideas and suggestions before making final recommendations.</li><li>▪ Prioritize available resources and projects for recommendation to the Board</li><li>▪ Participate in consultant selection for major strategic projects</li><li>▪ Identify opportunities for lease income</li><li>▪ Ensure Board member awareness and understanding of project priorities, funding, and goals of the facilities programs.</li><li>▪ Coordinate with communications director on strategic level internal and external communications related to facilities</li><li>▪ Review and make recommendations about any agreements for use of PUSD facilities by outside agencies including 'joint use' and civic center permits</li><li>▪ Create a master schedule and work plan to guide Facilities Committee meeting agenda setting</li><li>▪ Review facilities master plan and develop recommended priority actions and timing</li><li>▪ Explore and develop funding options for capital investment in facilities</li><li>▪ Ensure linkages between facilities activities and other District programs and curriculum decisions</li><li>▪ and make appropriate recommendations and decisions</li></ul>

<p><b>Membership</b></p>	<p><b>Chair:</b> Scott Phelps  <b>Board Members:</b> Ed Honowitz, Tom Selinske  <b>Staff:</b> Michelle McClowry, Interim Assistant Superintendent for Business Services, Patrick Kennedy, Interim Facilities Director, Communications Director and other staff as assigned by the committee and/or the Superintendent  <b>Facilitator:</b> Rick Kiel</p>
<p><b>Committee Operation</b></p>	<p><b>Guiding Principles:</b></p> <ul style="list-style-type: none"> <li>▪ This Committee must be 'value added' for all members and the District</li> <li>▪ Committee members are committed to using time wisely and staying productive.</li> </ul> <p><b>Committee Process:</b></p> <ul style="list-style-type: none"> <li>▪ Committee will provide a small group setting for staff to share challenges and options and get board input</li> <li>▪ Staff will have a forum to present ideas, get board input, and revise recommendations to be presented to full Board</li> <li>▪ Board will be able to add context and vet ideas from staff</li> <li>▪ All meetings will observe the protocols of the Brown Act and will conform to the usual standards and bylaws of PUSD.</li> <li>▪ Meetings will be held regularly as determined by the Committee.</li> <li>▪ The committee will make regular reports to the Board at large, and will from time to time present recommendations for action.</li> </ul>
<p><b>Meeting Calendar</b></p>	<p>1<sup>st</sup> and 3<sup>rd</sup> Tuesday through March then monthly:  November 20, 2007  December 4 and 18  January 15 and 29, 2008  February 5 and 19  March 4 and 18</p>

# **EXHIBIT “D”**



Schools Academics Enrollment Student Support Staff

USD

Your changes have been published. Previous versions of this page may be viewed by clicking the "Settings" button.

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# Measure TT

es

The Citizens' Oversight Committee is responsible for monitoring project management and expenditures for the \$350 million local school facilities bond passed by voters in November. The Citizens' Oversight Committee members will play a critical role in ensuring fiscal accountability and transparency to the public about progress on construction projects undertaken with Measure TT funds. The Committee works closely with the Board of Education and the Superintendent to ensure that projects are completed as planned, within budget, and in accordance with the law. For more information, visit the Measure TT page.

## Citizens' Oversight Committee

### Description

The Board appointed the Citizens' Oversight Committee as representatives to oversee bond activities. More than 50 applications were reviewed by a subcommittee representing the communities of Pasadena, Altadena and Sierra Madre. State law requires that the members of the Citizens' Oversight Committee include parents, representatives from the business community, senior citizen groups, taxpayer organizations and individuals experienced in finance and construction.

The Board of Education evaluated the applicants based on the following criteria: balanced representation of each PUSD community, satisfaction of basic eligibility requirements, prior outstanding service, broad understanding of Facilities Master Plan goals, and special skills. The members bring a range of experience and perspectives in business, education and community service.

### Membership

Chair: Sid Tyler

**Members:**

- Arthur Aviles
- Carolyn Carlburg
- Carolyn Ellner
- Charles Bryant
- George Fatheree
- Gregory Barna
- James Kossler
- Joanna Bauer
- Joel Sheldon
- Jon Fuhrman
- Kenneth Hargreaves
- Lee Johnson
- Paul Hunt

### Meeting Information

2009		
T	F	S
3	4	5
10	11	12
17	18	19
24	25	26

Submit

Forgot your password?

# **EXHIBIT “E”**

**SANTA ANA UNIFIED SCHOOL DISTRICT  
INDEPENDENT CITIZENS BOND  
OVERSIGHT COMMITTEE**



**Annual Report**

**July 1, 2003 – June 30, 2004**

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We, the members of the Santa Ana Unified School District Independent Citizens Measure C Citizens Bond Oversight Committee (the Committee), submit this report to the Board of Trustees (the School Board) of the Santa Ana Unified School District (SAUSD, the District). As instructed by our by-laws, this report states whether or not the District is in compliance with Article XIII A Section 1(b)(3) of the California State Constitution and reviews the activities of the Committee during the past twelve months. The School Board has instructed us to operate according to the Strict Accountability in Local School Construction Bond Act of 2000, also known as Proposition 39, requiring that the School Board form an independent citizens oversight committee, and that this committee report to the public on the proper expenditure of bond funds at least once annually.

The Committee wishes to thank those members of the District staff and the School Board who have so diligently worked with us to set up the review processes to ensure that vigorous and independent oversight will endure throughout the lifetime of the Measure C construction program. We appreciate this opportunity to serve the children, parents, residents, voters and taxpayers of the District.

The Committee looks forward to continuing its efforts to ensure bond funds are spent wisely and keep the community informed. Thank you for your continued support.

Respectfully submitted,

Michael Metzler, Chair  
Santa Ana Unified School District 2003-2004  
Measure C Independent Citizens Bond Oversight Committee

## Statement of Compliance

The Santa Ana Unified School District Independent Citizens Bond Oversight Committee submits this Annual Report to the Board of Trustees in conformance with the standards of the Strict Accountability in Local School Construction Bond Act of 2000, also known as Proposition 39.<sup>1</sup>

Based on the information provided by the District for the reporting period of July 1, 2003 through June 30, 2004, the Committee finds that the Santa Ana Unified School District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution.

\*During this fiscal year, no funds were used for any teacher or administrative salaries or other operating expenses prohibited by Article XIII A, Section 1(b)(3)(a) of the California Constitution. Proceeds from the sale of bond funds in this reporting period were used only for the permitted purposes of construction, rehabilitation, and replacement of school facilities. We note also that bond revenue was spent only as specified in the voters' ballot and board resolution of Measure C.

\*During this fiscal year, bond revenue has been expended only on new construction and modernization of projects listed in the School Board bond resolution <sup>2</sup> and the SAUSD website <sup>3</sup>.

\*Independent performance and financial audits will be conducted for the reporting period.

Respectfully Submitted,

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Michael Metzler, Chairperson  
Santa Ana Unified School District  
Independent Citizens' Bond Oversight Committee

<sup>1</sup> California Education Code Sections 15264 et seq.  
<sup>2</sup> SAUSD Resolution No. 98/99-2230  
<sup>3</sup> [www.saUSD.k12.ca.us](http://www.saUSD.k12.ca.us)

## I. Executive Summary

In a special election on November 2, 1999, the Santa Ana Unified School District succeeded in obtaining authorization from the District's voters to issue \$145,150,000 in general bonds (the "Bond Measure" or "Measure C"). Proceeds from the sale of the bond were intended to relieve severe overcrowding, improve safety for children, repair and renovate school facilities; obtain eligibility for State funding for construction and renovation, including replacing portables with permanent classrooms; and to establish a citizens' oversight committee.

On May 27, 2003, the School Board voluntarily reorganized the Measure C Independent Citizens' Bond Oversight Committee in accordance with strict accountability requirements of Proposition 39 and Article XIII A Section 1(b)(3). New bylaws tasked this Committee with publication of an Annual Report to advise the public on: 1) whether or not the bond program is in compliance with the accountability requirements of Article XIII A Section 1(b)(3); 2) the activities of the Committee during the year under report. <sup>4</sup>

Under our new bylaws, the Committee's responsibility is straightforward. We are charged with reviewing the use of Measure C proceeds and informing the public about the proper use of their tax dollars. In this annual report, we must determine whether the Bond Program has been conducted in accord with Article XIII A Section 1(b)(3) of the State Constitution during this particular twelve (12) month period and report on our activities of the past year. <sup>5</sup>

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<sup>4</sup> The Measure C bond program is not legally required to comply with many of the strict accountability requirements imposed on later bond measures by Proposition 39 and Title XIII A Section 1(b)(3) of the California State Constitution. The special election was conducted before the passage of Proposition 39, also known as the Strict Accountability in Local School Construction Bond Act of 2000, which enabled just 55% of the voters to pass such a bond as long as certain strict accountability requirements were met. The district voters approved the Measure C Bond with a 2/3 vote as opposed to just 55% vote permitted under Proposition 39, with 3,406 no votes, and 8,207 yes votes out of 11,7444 cast, including 6,598 absentee votes.

<sup>5</sup> It is beyond the scope of this first Annual Report to discuss the difficult beginnings of the Measure C bond program from 1999 through June 30, 2003. The Committee is well aware of the importance of accurately reporting on those developments and of our fiduciary responsibility to state our findings and opinions to the taxpayer and voter on the status of the bond program before July 1, 2003. The Committee has conducted an extensive review of the reported problems and questionable policies and actions within the District for the period November 1999 through June 30, 2003, and will issue supplemental reports on our finding, opinions, and recommendations. We believe this is essential to restore the credibility of the Bond program.

It is the consensus of the Committee that the Measure C bond program must be held not only to the provisions of Article XIII A Section 1(b)(3) but also to the promises of the language of the bond resolution of June 1999 and ballot language of the special election of November 1999.

At times, we found it inappropriate to retroactively hold the District strictly accountable for complying with the stringent accountability provisions of Article XIII A Section 1(b)(3). In those circumstances, we used our common sense and sound judgment to apply the standard of substantial compliance with the spirit and purpose of the requirements.

After reviewing basic information updates on all construction and modernization projects currently underway or completed, the accountability requirements of Article XIII A, Section 1(b)(3), and the original ballot and resolution language, we uncovered no instances where bond proceeds were spent on purposes not authorized by the bond resolution, ballot language, or Article XIII A Section 1(b)(3) for the period July 1, 2003 through June 30, 2004, except where noted in Section X of this report.

We note with approval that during the reporting period July 1, 2003 through June 30, 2004, District staff greatly improved the process of securing and presenting timely, useful, accurate, and understandable data on bond program expenditures and aggressively and successfully sought and acquired State-matching funds for Measure C construction projects as required by the Bond language.

This first annual report reviews the 2003-2004 activities and findings of the Measure C Independent Citizens' Bond Oversight Committee and is organized into the following topics:

- **Executive Summary**
- **Measure C Ballot Proposition**
- **Original Intent of Measure C Bond**
- **Article XIII A Section 1 (b) (3) and Proposition 39**
- **Responsibilities**
- **Membership**
- **Meeting Dates**
- **Activities**
- **Statement of Compliance**
- **Findings**
- **Exceptions**
- **Recommendations**
- **Attachments**
  - Committee Minutes and Selected Correspondence
  - Master Plan Report (CPM)
  - Status Report on Construction (SAUSD Facilities Department)

## II. Original Intent of Measure C Bond

Five years ago, SAUSD went to the voters to raise money to construct two (2) high schools for just under \$100 million, eleven (11) elementary schools for \$121 million, renovation and expansion works at twenty (20) schools and additional improvements at all schools for \$86 million. SAUSD citizens voted to pay for these projects through the approval of the Measure C school construction bond. According to the ballot language, SAUSD would maximize the impact of the proceeds of the Measure C bond to build and modernize these schools by seeking state matching funds.

A citizens oversight committee would guarantee funds were spent only for specified purposes.

## III. Measure C Resolution and Ballot Proposition

The first Bond Oversight Committee was established under the requirements of the School Construction Bond program known as Measure C. The following is the full ballot proposition presented to the voters by the Santa Ana Unified School District on their ballots in the special election on November 2, 1999.

**"To relieve severe overcrowding, improve safety for children, repair and renovate school facilities, and obtain eligibility for State funding for construction and renovation, including replacing portables with permanent classrooms, shall the Santa Ana Unified School District be authorized to issue \$145,150,000 of bonds at interest rates within the legal limit, to acquire, construct, and improve school sites and facilities, and establish a citizens' oversight committee to guarantee funds are spent only for the specified purposes?"<sup>6</sup>**

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<sup>6</sup> The following **ARGUMENT IN FAVOR OF MEASURE C** by bond proponents in favor of Measure C were published by the Orange County Registrar of Voters in the materials accompanying the ballot proposition:

### **ARGUMENT IN FAVOR OF MEASURE C**

**MEASURE C MAKES URGENTLY NEEDED REPAIRS AT EVERY NEIGHBORHOOD SCHOOL WITH STRICT TAXPAYER SAFEGUARDS.** Our schools are deteriorating, run down and in desperate need of repair. Many schools are 30 or 40 years old. Roofs leak, Sewage pipes have burst. Electrical Systems, heating and plumbing need replacement. Wood is rotting. Foundations and floors are cracked. Tiles are falling.

**MEASURE C REPAIRS OUTDATED FIRE AND SAFETY EQUIPMENT PROVIDES SCHOOLS WITH EARTHQUAKE RETROFITTING. Measure C will replace outdated:**

- Fire/security alarms, smoke detectors, and emergency lighting.
- Intercoms for better emergency communication.
- Fire doors and sprinklers.

**BY LAW, NO MONEY CAN BE SPENT ON ADMINISTRATORS' SALARIES. MONEY CAN ONLY BE SPENT ON SCHOOL BUILDINGS AND CLASSROOMS.**

- An Independent Citizens Oversight Committee will oversee all expenditures.
- An Annual Audit will be conducted and the results published in the Orange County Register and posted on the Internet.

Strict Taxpayer Safeguards guarantee Measure C money will be spent efficiently and without waste.

**MEASURE C ADDRESSES THE MOST URGENT AND BASIC REPAIRS THAT WILL MAKE CLASSROOMS CLEAN AND SAFE FOR LEARNING. MEASURE C WILL:**

- Replace deteriorated wiring/electrical systems and rewire classrooms for technology.
- Help continue class size reduction to alleviate overcrowding.
- Repair restrooms.
- Build new classrooms to replace termite infested portable classrooms.
- Add libraries to schools without libraries.

Unlike later Bond measures that were legally subject to higher levels of scrutiny, in 1999 the District was not required to post a certified list of specific construction and modernization projects to be funded by the bond, and did not do so. However, the Bond resolution unanimously passed by the Board of Education to hold the special election and subsequent bond campaign materials identified the following specific list of projects for which bond money would be used:

**Spending Plan: It is the intent of the Board of Education that the following projects be completed with these funds: two (2) new high schools, eleven (11) new elementary schools; expansion of Santa Ana Valley High; expansion of Carr Intermediate; modernization of: Adams Elementary; Fremont Elementary; Hoover Elementary; Jackson Elementary; Jefferson Elementary; Lincoln Elementary; Lowell Elementary; Madison Elementary; Monroe Elementary; Remington Elementary; Roosevelt Elementary; Taff Elementary; Carr Intermediate; Lathrop Intermediate; McFadden Intermediate; Saddleback High; Valley High; and additional improvements at all schools. (Resolution No. 98/99-2230, Section 10)**

The Board did not certify that evaluation of safety, class size reduction, and information technology needs were taken into account in developing that list.

#### **IV. Reorganization of Bond Program and Committee**

As of March 2003, none of the new schools had been built, and the bond program had come under considerable public criticism. To restore public confidence in the program, a newly constituted School Board reorganized the Bond Oversight Committee, relying on Article XIII A Section 1 (b) (3) and Proposition 39 as the model. These laws provide the scope and standard of review for this Annual Report.

1. Proposition XIII A Section 1 (b) (3) and the original bond language require that proceeds from the sale of bond funds in this reporting period be used only for construction, rehabilitation, or replacement of school facilities. Unlike Article XIII A Section 1 (b) (3), the original bond ballot language does not permit furnishings, equipping of school facilities or the lease of real property for school facilities.
2. Proposition XIII A Section 1 (b) (3) requires that a list of the specific school facilities projects to be funded using Measure C funds be published, generally in the bond ballot language, along with certification by the School Board that evaluation of safety, class size reduction, and information technology needs have been taken into account in developing that list.

3. Proposition XIII A Section 1 (b) (3) requires the District to conduct:

- a) An annual, independent performance audit to ensure that funds have been expended only on the specific projects listed.
- b) 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.

According to our bylaws, the Committee must oversee the Bond program's compliance with these accountability requirements.

**IV. Committee Responsibilities**

Under our new bylaws, the mission of the Committee is focused on overseeing the expenditures of taxpayer money for the construction, repair and modernization of schools by the District and to communicate its findings and recommendations to the School Board and the public so that Measure C bond funds are invested as the voters intended and projects are completed prudently and efficiently. The Committee oversees both internal and external controls and provides feedback to the School Board and public by highlighting successes, shortcomings and identifying areas for improvement. We monitor if our recommendations are acted on so the controls are constantly improved and updated.

**V. Committee Membership**

Under our new bylaws, the Committee is composed entirely of district residents, including those with experience in business, government, finance, law, and education, as well as parents of school children, and members of parent-teacher organizations and a taxpayer association.

Name	Representative Group	Term
Michael Metzler, Chair	Business Community	Three Year Term 6/1/03 – 5/31/06
Oscar Garza, Vice Chair	Taxpayers Organization	Three Year Term 6/1/03 – 5/31/06
Joseph J. Gerda, Clerk	General Member	Three Year Term 6/1/03 – 5/31/06
Ellen M. Koldewey, Member	General Member	Three Year Term 6/1/03 – 5/31/06
Alfredo Amezcua, Member	General Member	Two Year Term 6/1/03 – 5/31/05

Manuel Esqueda, Member	Senior Citizens Organization	Two Year Term 6/1/03 – 5/31/05
Roland Lujan, Member	Parent of SAUSD Student	Three Year Term 6/1/03 – 5/31/06
Robert Muñoz, Member	General Member	Two Year Term 6/1/03 – 5/31/05
Irma Macias, Member	Parent of SAUSD Student & Active PTO Member	Three Year Term 6/1/03 – 5/31/06

## **VI. Meeting Dates**

Committee bylaws require only that regular meetings be held quarterly. The committee met their requirement of meeting quarterly and included eight (8) special meetings. The Committee decided it was necessary to meet monthly to keep abreast of all the construction projects in progress.

The Committee met on June 19, 2003; July 17, 2003; August 21, 2003; September 18, 2003; October 16, 2003; November 20, 2003; January 15, 2004; February 19, 2004; March 18, 2004; April 22, 2004; May 20, 2004 and June 24, 2004. At its March meeting, the Committee held a public hearing to invite public input into the Annual Report and Committee proceedings.

## **VII. Committee Activities**

During the past year, the Committee focused on improving the procedures followed to obtain data from the District concerning project progress, budget information, and work quality. The data gathering systems are now in place to provide the committee with the essential reports needed to make it possible to conduct oversight of expenditures, and the status of the construction program.

### **Oversight of Budget and Expenditures**

The Committee

1. Received regular monthly budget and expenditure reports and financial statements from the Financial Program Consultant, Capital Program Management (CPM). CPM presented the Bond Program Master Plan Budget and Expenditure Report, covering funding sources, budgets, expenditures and status of all construction and modernization projects, according to their status as: projects under construction; projects with filed notice of completion; or pending projects with or without allocated state funding.

2. Reviewed the pertinent portions of the SAUSD Annual Financial Report with District staff to determine the impact of the District budget concerns on the Bond program.
3. Requested and reviewed an agreed-upon procedures analysis of 50 measure C contracts over \$200,000. This financial analysis of 50 major vendors was conducted by Gelman and Associates. The analysis followed standard government procedures for an independent performance audit, and did not reveal any *significant* exceptions to Article XIII A Section 1 (b) (3) in the expenditure of bond revenues.
4. Provided guidelines for the methodology and scope of the Article XIII A Section 1 (b) (3) performance and financial audits. When the records of this fiscal year are closed in late fall, the Committee looks forward to receiving the reports of these audits.
5. Reviewed the procedures and status of District efforts to secure Proposition 47 state matching funds.
6. Reviewed information pertaining to the resolution of litigation with the previous bond program management consultant.
7. Based on concern expressed by some members and the general public, analyzed the following 2001-3 particular expenditures to ensure compliance with the purpose of the bond:
  - a) El Sol Academy loan of interest proceeds from Measure C funds and district policy on use of Measure C bond proceeds, including interest and funds from sales of property.
  - b) Use of proceeds from sale of Farmer's Insurance site, purchased with Measure C funds in 2003 for original Lorin Grisette school site.
  - c) Attorney's fees for litigation – Tustin Settlement Agreement.
  - d) Middle College expenditure of \$1.1 million.

**Oversight of the progress and management of the School Construction Program**

The Committee

1. Reviewed Monthly Measure C facilities and construction status reports, listing projects in priority order and showing what projects are in planning or construction phase, including new school construction and additions (P2P) and modernization projects.
2. Reviewed the organization and adequacy of District staffing of the Bond program.
3. Inspected new construction and modernization sites.

### **Response to Allegations of Fraud and Waste in the Bond Program**

#### The Committee

1. Secured the complete Rutan & Tucker "Report of Independent Review of Contract Selection and Negotiation for Measure C programs" conducted by independent counsel for the District in 2002 in response to two anonymous letters submitted to this Committee, District Board members, and the media in March and June of that year complaining about the conduct of the bond program at that time.
2. Requested that a forensic audit be conducted to verify that no fraud or waste had occurred in the bond program expenditures. We are waiting for the results of an examination by Capital Program Management to inform us whether bond revenues have been expended only for authorized purposes, and expect it to be concluded by the end of the calendar year.

### **Improvement of Committee Practices**

1. Adopted the February 2003 standards of conduct enacted by the School Board for trustees and staff.
2. Requested that the School Board provide independent legal counsel as needed. This request was declined.
3. Interviewed representatives of administration and consultants on a broad range of topics.
4. Provided feedback, guidance, and regular updates of Committee activities to members of the Board and District.
5. Held a Public Hearing inviting comments on Annual Report content.

6. Began a written supplemental report on Committee activities and topics of concern to the public.

### **VIII. Statement of Compliance**

The Committee unanimously finds that the District is currently, as of this reporting period, July 1, 2003 through June 30, 2004, in compliance with the standards of Article XIII A Section 1 (b) (3) of the California State Constitution as described below.

### **IX. Findings and Conclusions on Accountability Requirements**

Based on information provided by the District, the Committee finds and concludes that from July 1, 2003 to June 30, 2004, the School District is currently in compliance with the accountability requirements of Article XIII A, Section 1 (b) (3) and the original bond ballot and resolution language as follows.

1. Except for the transactions noted in Section X below, proceeds from the sale of bond funds in this reporting period are being used only for construction, rehabilitation, or replacement of school facilities. In compliance with the original bond ballot and resolution language, funds have not been used for furnishings, equipping of school facilities, or the lease of real property for school facilities.
2. Except as noted in Section X below, the District is in compliance with the requirement of publishing a list of the specific school facilities projects to be funded using Measure C funds. This list has been published on the District website.

### **X. Exceptions to the Accountability Requirements of Article XIII A, Section 1(b) (3) during this Reporting Period**

1. During the reporting period, the Committee discovered that the District has spent \$3.5 million on projects not contemplated in the original bond resolution, ballot language, or Article XIII A Section 1(b)(3): \$2.4 million on a loan for El Sol Academy and \$1.1 million to Rancho Santiago Community College District for modernization of Middle College High School.
  - a) El Sol Academy loan: This year El Sol Science & Arts Academy, an independent charter school, defaulted on its loan repayment of \$2,224,487 plus interest to the District. In June 2004, the District took title of the property located at 1010-1016 and 1020 N. Broadway, in lieu of repayment of the loan. The original loan was funded in closed session by the School Board in 2001 through

interest accrued from the sale of Measure C Bonds, contrary to the guideline that funds should be used only for the purposes specified in the bond ballot and resolution language. This loan was not within the scope of projects reasonably contemplated by the original ballot and bond resolution language or Article XIII A Section 1 (b) (3).

- b) Middle College High School grant: In June 2001, the Board authorized a \$1.1 million expenditure of Measure C funds to Rancho Santiago Community College District for sixteen portables at \$68,750 each, as part of the modernization of Middle College High School for District students in a collaborative effort with Rancho Santiago College. The funds were used to modernize a high school dedicated to the education of District students. The expenditure, however, is listed under "New Construction Seat Counts" However, this expenditure of Measure C funds for this school modernization project cannot be considered to fall inside the reasonable limits of in the bond resolution language. First, although the bond resolution authorizes "improvements at all schools," the common sense understanding of this phrase would limit improvements to District property. As the high school is permanently located in a permanent facility located on the SAC campus, the land and buildings, including the portables, belong to Rancho Santiago College rather than SAUSD. The Middle College payment was thus essentially a gift of Measure C funds made directly to Rancho Santiago Community College District with no accountability or collateral. Next, the transaction bypassed the bond program's usual accounting mechanisms and had no requirement for itemized detail of how the money was spent. Finally, this partnering effort could have relied on funding sources other than Measure C, such as Qualified Zone Academy Bonds and Higher Education Centers (QZAB).
2. Legal fees for the litigation involving the Tustin settlement were paid from the Measure C fund, contrary to the guideline that no funds be used for any purpose other than construction, rehabilitation, or replacement of school facilities, such as teacher and administrator salaries and other school operating expenses.
  3. The Board did not publish a list of projects in the ballot language, and has never certified that evaluation of safety, class size reduction, and information technology in developing the list. The list of the specific school facilities projects to be funded using Measure C funds published on the District website fulfils the purpose of this requirement, but it is out of date and inaccurate.

## **XI. Recommendations**

The Committee recommends that the District, under the guidance of the Board,

1. Develop a policy for use of interest money related to Measure C bond issuance. In particular, we strongly recommend that interest bond monies be used for only the publicly approved Measure C projects listed in on the District's official website. When loans are made using Measure C funds, full disclosure to the public and the bond oversight committee regarding of the terms, conditions and status of repayment should be made in a timely manner.
2. Reimburse Measure C Bond, Fund 21, for expenditures related to the legal costs for the Tustin Settlement Agreement.
3. At the close of escrow, deposit all net proceeds into Measure C Bond, fund 21, from the sale of the Farmer's site.
4. Adopt a "Best Practices Procedure" that addresses the awarding and hiring of Measure C Professional Services contracts over \$15,000 to include Request For Qualifications, Request For Proposal and Board authorization.
5. Conduct an Annual Independent Financial and Performance Audit of the Measure C Bond expenditures (Fund 21), as required by Article XIII A Section 1(b) (3), for the period July 1, 2003 through June 30, 2004 to be included in our next Annual Report.
6. Require Board certification that evaluation of safety, class size reduction, and information technology needs have been taken into account in developing that list.
7. Require detailed itemization of all expenditures of bond proceeds, including collaborative efforts.
8. Fund only those projects that cannot be funded from other sources.
9. Pay only for property and land that will be owned and operated by SAUSD.

## **XII. Attachments:**

**(1) Status Report On Construction Program (SAUSD Facilities Department)**

**(2) Measure C Master Program and Expenditures (Capital Program Management)**

**(3) Committee Minutes and Selected Correspondence**

Our Meeting minutes and various other documents are attached to this annual report, which provide further detail on BOC activities. Additional information is also available on the District website, [www.sausd.k12.ca.us](http://www.sausd.k12.ca.us). If you have any questions about the local construction program, please contact the Oversight Committee at (714) 480-5371.