

PASADENA UNIFIED SCHOOL DISTRICT

CITIZENS' OVERSIGHT COMMITTEE

STANDARDS FOR THE EXPENDITURE OF MEASURE TT FUNDS

Approved by the COC on June 21, 2017

1. Purpose

- 1.1. In deciding whether to approve or disapprove expenditures of Measure TT bond proceeds, the Citizens' Oversight Committee shall adhere to the following standards.
- 1.2. Deviations from these standards shall require a two-thirds vote of the Committee, shall be justified in writing, and shall be recorded in the minutes of the meeting where such action was taken.

2. Historical background

- 2.1. On November 4th, 2008, the voters in Pasadena, California passed a \$350 million Measure TT bond initiative to repair and upgrade Pasadena Unified School District's aging and deteriorating schools. The measure passed with 74.5% of 85,998 votes cast in favor of the Measure.
- 2.2. The text of the approved ballot initiative reads as follows:

“To repair or replace deteriorating and outdated plumbing, heating, ventilation, and fire alarm systems; replace aging portable classrooms, make disabled access improvements, implement energy and water saving projects, modernize or reconstruct kindergartens, cafeterias, multipurpose facilities and gyms, and make the District eligible for millions in State matching grants, shall Pasadena Unified School District issue \$350,000,000 of bonds at lawful interest rates, with no money for administrative salaries, and spending annually reviewed by an independent citizens' oversight committee.”

3. Governing Laws

3.1. California Constitution

3.1.1. Article 13A, sec. 1(b)(3) provides that Measure TT bond proceeds may be expended only “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 . . .”

3.1.2. California Constitution Article 13A, sec. 1(b)(3)(A) provides that Measure TT bond proceeds may not be used “for any other purpose, including teacher and administrator salaries and other school operating expenses.”

3.2. California Education Code

3.2.1. Section 15278(b) provides that the “citizens’ oversight committee shall actively review and report on the proper expenditure of taxpayers’ money for school construction . . . [and] 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.”

3.2.2. Section 15278(b)(1) provides that the citizens’ oversight committee’s oversight functions include ensuring that bond revenues are expended only for the purposes permitted in that paragraph of the California Constitution.

3.2.3. Section 15278(b)(2) also requires a citizens’ oversight committee to insure that “no funds are used for any teacher or administrative salaries or other school operating expenses.”

3.3. Citizens’ Oversight Committee Bylaws

3.3.1. Section 4.1(c) of the Committee’s bylaws, revised December 17, 2015, also authorizes the Committee to “[r]eview 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. Permissible expenditures

4.1. Permissible expenditures are (1) capital expenditures (2) that relate directly to the acquisition, construction, reconstruction, rehabilitation, replacement, or equipping (3) of a school listed in Ballot Measure TT or to the acquisition or lease of real property for such a school (“Qualifying Activities” for “Listed Schools”). Thus, the three essential requirements for a permissible expenditure are (1) capital in nature, (2) directly related to a Qualifying Activity, and (3) made to benefit a Listed School.

4.2. “Capital” expenditures

4.2.1. Capital expenditures are those that are incurred for the creation, acquisition, or improvement of capital assets—real property, fixtures, or tangible personal property with a useful life of more than three years.

4.2.2. Capital expenditures include the cost of services and other intangibles directly related to the acquisition, construction, or improvement of capital assets.

4.3. Examples of permissible expenditures. The following list, which is illustrative and not comprehensive, assumes that these expenditures are directly related to a Listed School.

4.3.1. The cost of acquiring land, leaseholds, or easements

4.3.2. Hard construction costs, namely, labor and materiel

4.3.3. The cost of land surveys, soil analysis, grading, architecture, and engineering.

4.3.4. Permitting costs

4.3.5. Construction management costs

4.3.6. Construction testing costs

4.3.7. The cost of upgrading electrical, mechanical, communication, and plumbing systems

4.3.8. The cost of installing or upgrading computer networks

4.3.9. The cost of structural changes, fixtures, or equipment required to comply with applicable law.

4.3.10. The cost of insurance of a project during construction

4.3.11. The cost of security for a project during construction

4.3.12. The cost of utilities for a project during construction

4.3.13. Legal and accounting fees directly related to construction

4.3.14. The cost of laboratory equipment (not including consumable supplies)

4.3.15. The cost of school furniture and fixtures

4.4. The cost of construction period insurance, security, utilities, and professional services cited above become ineligible for payment from Measure TT funds once the project to which they pertain has been placed in service or is ready to be placed in service, whichever occurs first.

5. Impermissible expenditures

5.1. Any expenditure of Measure TT funds that is not a permissible expenditure is an impermissible expenditure and shall be disapproved by the Committee.

5.2. Impermissible expenditures include those which constitute “period expenses” for financial accounting purposes or deductible expenses for federal income tax purposes and all other non-capital expenditures.

5.3. Impermissible expenditures include those expenditures that might facilitate the acquisition or creation of capital assets in the future but which cannot be linked directly to one or more specific projects or which are not reasonably expected to be financed out of Measure TT bond proceeds.

5.4. Examples of impermissible expenditures. The following list is illustrative and not comprehensive.

5.4.1. The salaries and benefits of teachers and teacher aides.

5.4.2. Administrator salaries and benefits, except to the extent directly attributable and properly chargeable to Qualifying Activities for Listed Schools.

5.4.3. General school operating expenses, for example,

5.4.3.1. Supplies, such as books, chalk, erasers, pens and pencils, paper, or chemicals

5.4.3.2. Computers and computer software (absent reliable evidence that they have a useful life of more than 3 years)

5.4.4. Utilities

5.4.5. Insurance

5.4.6. Janitorial services

- 5.4.7. Outside professional services
- 5.4.8. Routine maintenance and repairs
- 5.4.9. Landscape maintenance
- 5.4.10. Transportation
- 5.4.11. Telephone and Internet access
- 5.4.12. Quality testing after the completion of construction
- 5.4.13. Community outreach
- 5.4.14. Public relations surveys and polls
- 5.4.15. Advertising
- 5.4.16. Travel
- 5.4.17. Entertainment
- 5.4.18. Meals
- 5.4.19. Prizes
- 5.4.20. Lobbying
- 5.4.21. Administrative support of the Citizens' Oversight Committee
- 5.4.22. General planning for future activities, except to the extent that the cost thereof is shown to be directly related to a Qualifying Activity for a Listed School.

6. Dual purpose expenditures

- 6.1. A “dual purpose” expenditure is one which is partly permissible and partly impermissible under the foregoing standards.
- 6.2. Examples of dual purpose expenditures
 - 6.2.1. The compensation of District employees or contractors not all of whose work is directly related to Qualifying Activities for Listed Schools
 - 6.2.2. Professional fees not entirely attributable to Qualifying Activities for Listed Schools
 - 6.2.3. The cost of security services covering both projects under construction and completed projects

6.3. In order for the Committee to approve a dual-purpose expenditure, the District must have allocated the total amount between Measure TT funds and other funds and provided a reasonable factual basis for that allocation.

7. Other problematic expenditures: historical surveys and “needs assessments”

7.1. These expenditures, like dual-purpose expenditures, may or may not qualify for payment out of Measure TT funds depending on their nature, purpose, and objective. As always, the test is whether these expenditures are (1) capital in nature, (2) for a Qualifying Activity, and (3) to benefit a Listed School.

7.2. Historical surveys, which are intended to minimize confrontation with preservationists and to expedite future Qualifying Activities, must be evaluated on a case-by-case basis according to their particular facts. In determining whether to approve or disapprove the payment of an historical survey from Measure TT bond funds, the Committee must ask whether the proposed historical survey pertains directly to Qualifying Activities that are reasonably anticipated to occur in the near future or is it being undertaken merely to lay the groundwork and smooth the path for non-project specific activities that may or may not occur.

7.3. Needs assessments may be paid out of Measure TT funds only if they meet the usual standards for permissible expenditures.

7.3.1. Examples:

7.3.1.1. The cost of a needs assessment performed to determine whether the construction, reconstruction, rehabilitation, replacement or equipping of a Listed School is necessary or appropriate and the estimated cost thereof is eligible to be paid out of Measure TT bond proceeds.

7.3.1.2. If the needs assessment pertains to a non-Qualifying Activity, or to a future project that is not expected to be funded from Measure TT bonds proceeds, then the cost thereof cannot be paid out of Measure TT bond proceeds.

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