

## **Pasadena Unified School District's Citizens' Oversight Committee Report to the School Board and Community**

November, 2014

*This is the sixth annual report provided by the Citizens' Oversight Committee (the "Committee") to the School Board and Community, and this report covers the July 1, 2013 - June 30, 2014 fiscal year.*

### **The Committee's Observations and Recommendations**

#### ***Expenditure of Proposition TT bond funds—Financial Audit***

The principal function of the Citizens' Oversight Committee is to insure that Proposition TT school construction bond proceeds are spent in accordance with governing law: Article XIII A, section 1(b) (3) of the California Constitution and Education Code section 15278(b). In carrying out that function, the Committee receives and reviews the annual financial and performance audits of the Pasadena Unified School District and then reports to the public whether the bond proceeds have been properly spent.

The Committee has reviewed the October 9, 2014 Independent Auditor's Report on the Financial Audit of the Measure TT General Obligation Bond Building Fund and the Associated Reports on Internal Control over Financial Reporting and on Performance for the fiscal year ended June 30, 2014, submitted by Nigro & Nigro, PC, which were prepared in accordance with applicable Government Accounting Standards. Those reports and the financials to which they pertain appear on the Proposition TT website, [www.measurett.org](http://www.measurett.org), and the Committee encourages all members of the public to read them.

The Independent Auditor reports that, "In our opinion, the financial statements... present fairly, in all material respects, the financial position of the Measure "TT" General Obligation Bond Building Fund of Pasadena Unified School District, as of June 30, 2014, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America."

Thus, for the fifth consecutive year, the financial audit was, in technical terms, "clean" -- that is, the auditors found no problems or issues, and they could assure our Committee, and the public, that all proceeds from bond sales were fully accounted for and that all funds had been expended for properly authorized and eligible purposes. The auditors reviewed transactions totaling approximately \$21.5 million, representing over 60% of all expenditures, and found no deficiencies in policies, practices or internal controls.

In addition to the financial audit, the auditors conducted a "Performance Audit" to ensure that bond funds were spent only on appropriate capital projects, and only on projects that fell within the scope of the original bond measure approved by the voters. Here, too, the District received a clean audit, certifying that all expenditures were appropriate and within the letter of the law, that proper bidding procedures were followed and that change orders fell within legal and expected limitations.

Further, as part of this review, the auditors visited construction sites at Altadena Elementary, Hamilton Elementary, and Sierra Madre Middle schools to verify that expenditures made corresponded with actual work conducted at those sites.

Thus, based upon the unqualified opinion of the Independent Auditors, the Committee can report to the public that, to the best of its knowledge, the District is fully in compliance with the requirements of Article XIII A, section 1(b) (3) of the California Constitution and Education Code section 15278(b) for the fiscal year ended June 30, 2014.

The Committee is pleased to report that the Independent Auditor's Report for the fiscal year just ended was again completed only four months after the close of the fiscal year to which it pertains, much more rapidly than in most other jurisdictions within California. This significant improvement is attributable in large part to the diligence, commitment, and professionalism of the Committee's and the District's auditor, Nigro & Nigro, PC. It is also worth noting that the Oversight Committee's Audit Subcommittee continues to work closely and effectively with the administration and the audit firm, and deserves a significant amount of credit for the quick turnaround in this year's audit.

In addition to the site visits by the audit team, the Oversight Committee itself, independent of the audit process, visited several sites during the 2013 – 2014 fiscal year, including McKinley, Hamilton, Marshall, Willard and Wilson, observing construction in process as well as sites nearing completion, and those site visits are continuing this year. Further, through a Sub-committee led by Dr. Kossler, the Committee is working with staff to improve the monthly reporting so that both the Committee, and the PUSD Board, can have a better understanding of, and provide better oversight to, the District's construction program.

#### ***Second series of Measure TT bonds sold***

The District so far has sold two series of Measure TT bonds – the first for \$125 million in 2009, and the second for an additional \$125 million in 2012. The bonds have maturities that range from one to twenty years, with interest rates up to 5%, depending upon the maturity. The final series, amounting to \$100 million, is expected to be sold in 2015 and will complete the funding authorized by Measure TT.

The revenue from those bond sales, along with interest earned, is held in trust for the District and accounts for the \$130 million account balance (after subtracting accounts payable) at the end of the last fiscal year.

#### ***Planning and policies***

In the 2013 - 2014 fiscal year, the District continued efforts to adjust the Master Plan to account both for lower capital funding levels and anticipated demographic changes that could lead to significantly lower enrollments at some sites. The Oversight Committee is particularly aware of the impact this might have on the Blair High School site, given that lower projected enrollment figures raise concerns as to whether a new classroom wing can be justified. The Committee recognizes the District's efforts with the Master Plan /

Boundaries Committee, and that no school closures are anticipated for the 2015 – 2016 school year. Nonetheless, the Committee remains concerned that the District try to avoid, if possible, making significant capital improvements to school sites that might, in the near future, be closed.

### ***Infrastructure***

During the 2013- 2014 fiscal year, the Facilities group staff has stabilized. Dr. John Pappalardo continues both to manage the Facilities group as well as direct Business Services for the District. Despite having a smaller group than in past years, the Facilities staff seem to be meeting all their project management responsibilities effectively.

### ***Project execution***

During the July 1, 2013 - June 30, 2014 period covered by the independent audits, by far the two largest projects have been at Sierra Madre Middle School and at McKinley K-8, with smaller projects underway Hamilton, Marshall, Willard, Wilson and numerous other sites. The Sierra Madre Middle School has a construction budget of approximately \$33 million, and that project is on budget and on schedule. The McKinley K-8 project has a construction budget of approximately \$20 million, and while the spending remains on target, the schedule is lagging by about 1 year. Curiously, both projects are being built by the same general contractor. While unforeseen conditions at the McKinley site have contributed to the delay, it is also clear that the contractor's construction management team at McKinley has not performed as well as their team at Sierra Madre. The District's staff has been working closely with the contractor to attempt to remedy some of these problems and prevent further schedule slippage.

The District appears to be continuing its success in holding "soft costs" (architectural fees and other non-construction expenses) at a level less than 25% of overall costs. The District now provides monthly reports showing the aggregate soft costs and hard costs for all projects financed through Measure TT.

### ***Oversight Committee***

The current Committee members are listed in Appendix A.

As of the 2013 - 2014 fiscal year, two Committee members resigned for personal reasons, thereby leaving the Committee with two vacancies. PUSD residents are encouraged to consider applying for those vacancies. Information on which representative positions are available and application forms are posted on the Measure TT website ([www.measurett.org](http://www.measurett.org)).

In addition to having the minutes and all materials reviewed by the Committee posted on the Measure TT website ([www.measurett.org](http://www.measurett.org)), the Committee has established an Outreach Sub-Committee. This Committee is tasked with ensuring that information about the Committee and its meetings is disseminated broadly and that community members can easily and effectively provide input to the Committee. Committee members have also volunteered to serve as liaisons to each school in the District and have committed to

attend school site council meetings to solicit feedback from the school community on the progress of the Measure TT projects at each of the school sites.

#### Appendix A

Oversight Committee members

Ed Barnum

Joanna Bauer

Roy Boulghourjian

Pamela Boxley

Clifton Cates, III

David Crocker

Jon Fuhrman, Chair

Delores Gibbs

James Kossler

Hagop Ohannessian

Sheryl Turner

Gretchen Vance

Augustin Zuniga