

**San Mateo Union High School District  
Proposition 39 Capital Facilities Programs**

**Fifth Measure M Citizens Oversight Committee Annual Report**

**Second Measure O Citizens Oversight Committee Annual Report**

**June 28, 2013**

To: The Board of Trustees and Citizens of the San Mateo Union High School District  
From: The Measure M and Measure O Citizens Oversight Committee  
Date: June 28, 2013

As Chair of the Citizens Oversight Committee, it is my pleasure to once again present the Measure M and Measure O Annual Report to the Board of Trustees of the San Mateo Union High School District (District). Upon passage of Measure M in 2006, the Board of Trustees established a citizens oversight committee in compliance with Education Code Section 15278 and Proposition 39. The original Measure M Citizens Oversight Committee was consolidated into the Measure M and Measure O Citizens Oversight Committee (Committee) after passage of Measure O in 2010. The first meeting was held on December 8, 2009; to date, the Committee has met 23 times. As the Board of Trustees is aware, the Committee membership has changed as of July 1, 2012. I am pleased to welcome new members Dan Freeman and Jonathan Ng, and I wish to express my appreciation and thanks to outgoing members Richard Bojack, John Doyle and Sheila Surmanek.

As in the past, the meetings of the Citizens Oversight Committee have been well-organized, well-attended and substantive. Information presented and reviewed at each meeting includes the most recent financial reports, current project expenditure summaries, and general project construction and legal updates, as well as unique circumstances that impact the issuance of bonds, such as the long term financial commitment needed to provide the resources to maintain the facilities. District staff and administrators have been very helpful in providing timely information to the Committee as well as responding to the Committee's questions. As a Committee, we are excited about the projects completed and those currently under construction, as well as those that are planned for the future. The Committee would like to express its gratitude to the voters of the community, without whom the Measure M and Measure O bond construction program would not exist.

It is the Committee's opinion, based upon information presented to the Committee by District staff, the Committee's oversight activities and a review of the independent financial and performance audits, that the District is in compliance with the requirements of Article X111A, Section 1(b)(3) of the California Constitution, which outlines accountability requirements for school districts which incur bonded indebtedness. With the presentation of this Annual Report, the members of the Citizens Oversight Committee assure voters that the Measure M and Measure O Bond expenditures have been properly made and have been utilized for projects consistent with those identified in the bond measures. It is our sincere hope that you will find this Annual Report informative and comprehensive.

Sincerely,

Patricia L. Griffin  
Chair, Measure M and Measure O Bond Citizens Oversight Committee

**San Mateo Union High School District  
Proposition 39 Capital Facilities Programs  
Citizens Oversight Committee  
Activities for Measure M and Measure O through June 2013**

## **Executive Summary**

Several projects were completed in 2012-13. Some projects were constructed throughout the year while others were developed through the planning and the design process. The following summary presents updates on projects that have been completed or are under construction, several of which were also featured in previous years' Annual Reports, as well as information on new and upcoming projects.

2012-13 Bond projects include:

### **COMPETED CONSTRUCTION PROJECTS:**

#### **Aragon High School**

##### *Measure M*

- New 600 seat Theater was completed in October 2012
- New Arts Building (CTE building), funded in part by a California Department of Education Career Technology Education (CTE) grant, was completed in September 2012.
- Gym/Locker Room renovation; the contract was awarded using design-build statute in November 2011 and was completed in December 2012.
- Civil Improvements Project was awarded in May 2012 and completed in December 2012.
  - Civil Improvements Project includes paving, landscaping and site lighting.

#### **Burlingame High School**

##### *Measure M*

- Civil Improvements Project was awarded in May 2012 and completed in October 2012.
  - Civil Improvements Project includes paving parking lots, site lighting and a handicapped ramp.

#### **Capuchino High School**

##### *Measure M*

- Phase II Solar Photo Voltaic, 435.12 kW DC system, parking lot and roof mounted, was completed in January 2013.

#### **Hillsdale High School**

##### *Measure M*

- Civil Improvements Project was completed in August 2012.

- Civil Improvements Project includes paving, landscaping, site lighting and courtyard concrete work.

## **San Mateo High School**

### *Measure M*

- Phase II Solar Photo Voltaic, 796.50 kW DC system, parking lot and roof mounted, was completed in January 2013.

## **District-wide Projects**

### *Measure O*

- Digital Radio System, which included filing for wideband licenses, replacing and upgrading all two-way emergency communications equipment and replacing and upgrading all transportation two-way radio communications equipment that operates on 25 kHzs, was completed in January 2013.
- 3<sup>rd</sup> Year Technology Replenishment was funded at \$500,000 and laptops, routers and wireless equipment were purchased with these funds.

## **PROJECTS UNDER CONSTRUCTION:**

### **Capuchino High School**

#### *Measure M*

- Renovation /Expansion of Gyms and Locker Rooms (contractor punch list).
- Theaters and Music Classroom modernizations (contractor punch list).
- Civil Improvements Project awarded May 2013 and scheduled for completion in August 2013.
  - Civil Improvements Project includes repaving, site lighting, handicapped ramp and removing portable buildings.

### **Hillsdale High School**

#### *Measure M*

- Theater and Gyms Renovation/ Expansion Projects were awarded in November 2011 using design-build statute. The renovations are scheduled to be completed in August 2013.

### **Mills High School**

#### *Measure M*

- Civil Improvements Project was awarded in May 2013 and is scheduled for completion in August 2013.
  - Civil Improvements Project includes paving, landscaping, site lighting and resurfacing athletic courts.
- Large Theater Renovation /Expansion and modernization of gyms and new courtyard; contract awarded in November 2011 using design-build statute.

## **San Mateo High School**

### *Measure M*

- Civil Improvements Project was awarded in May 2013 and is scheduled for completion in August of 2013.
  - Civil Improvements Project includes repaving parking lot and site lighting.
- Biotech Building greenhouse, scheduled for completion in August 2013.

## **PROJECTS IN DESIGN AND PLANNING PROCESS:**

### **Burlingame High School**

#### *Measure O*

- Stadium bleacher replacement
- New Special Education building

### **San Mateo High School**

#### *Measure O*

- Stadium bleacher replacement
- Modernize brick building

During 2012-13, there were four Citizens Oversight Committee meetings, at which all aspects of ongoing and upcoming projects were presented. In addition, Committee members made two tours, visiting all sites to see the progress of the projects first-hand. The Committee is pleased with the progress to date and looks forward to completion of the projects underway. The Committee also welcomes members of the public to its meetings (dates and times are published on the COC website at [www.smuhsd.org/COCagendas](http://www.smuhsd.org/COCagendas)), and encourages continued support of the District and Measures M and O through completion of the projects and beyond.

The Citizens Oversight Committee remains committed to the success of the District and will continue to monitor and provide reports on the status of the bond programs. Through the judicious use of Measure M and Measure O funds, the bond program will allow San Mateo Union High School District to continue to educate students and prepare for the future by replacing and supplementing existing facility infrastructure.

## **BOND MEASURE OVERVIEW**

### **Measure M**

On November 7, 2006, the voters within the geographical boundary of the District approved Measure M, a \$298 million Proposition 39 bond election to fund the continued renovation and rehabilitation of 45 to 83 year-old buildings and facilities on District campuses. The purpose of Measure M is to ensure safe and healthy teaching and learning environments; further upgrade fire safety, accessibility, electrical, security, and sewer systems; repair, remodel, expand, and replace old and inadequate classroom buildings and other facilities; and build new classroom buildings and other facilities.

## **Measure O**

On November 2, 2010, the voters within the geographical boundary of the District approved Measure O, which is a \$186 million Proposition 39 bond election to fund classrooms and laboratories for science, math, and job-training; update educational facilities to meet current safety codes; provide modern classroom technology and computers; support academic programs and teachers; repair, construct and acquire equipment, sites, schools and facilities; and eliminate debt.

## **The Role of the Citizens Oversight Committee**

As outlined in Education Code Section 15278, a Measure M Citizens Oversight Committee was formed by the District's Board of Trustees on January 18, 2007. During the past year, the scope of the Citizens Oversight Committee was expanded to include Measure O. The Committee is composed of members who represent the business community, senior citizens, taxpayers, the Parent Teachers Organization, and parents of students.

The purpose of the Committee is to inform the public concerning the expenditure of Measure M and Measure O bond revenues. The Committee's charge is to actively review and report on the proper expenditure of taxpayers' money for school construction. The Committee is also charged with advising the public on the District's compliance with the expenditure requirements.

Other responsibilities also include providing oversight in the following areas:

- (1) Ensure bond revenues are expended only for the purposes of construction, reconstruction, rehabilitation or replacement of District facilities as outlined in the ballot language.
- (2) Ensure no funds are used for teacher or administrator salaries or other District operating expenses.

## **Citizens Bond Oversight Committee Members**

To fulfill its collective role, the Committee has:

- (1) Received and reviewed copies of the annual independent performance audit.
- (2) Received and reviewed copies of the annual independent financial audit.
- (3) Inspected school facilities and grounds to view completed projects, projects in process and location of future projects.
- (4) Reviewed efforts of the District to maximize bond proceeds by applying for matching funds and/or implementing cost effectiveness in the construction schedules.

Of necessity, over time the membership of the Committee changes. Some members' terms are extended beyond the initial term. After two two-year terms, a member's term automatically expires. In some cases unanticipated events transpire which require a member to resign during a term or at the end of one term.

The Committee must be composed of at least seven members serving terms of two years without compensation and for no more than two consecutive terms. The Committee must be composed of members with different backgrounds and qualifications:

- (1) Active in a business organization.
- (2) Active in a senior citizens organization.
- (3) Active in a bona fide taxpayers' organization.
- (4) A parent or guardian of a student enrolled in the District.
- (5) A parent or guardian of a student enrolled in the District and active in a parent-teacher organization.

The members of the Committee during the past fiscal year included:

<b>ACTIVE MEMBERS As of 6/30/13</b>	<b>First Term Start Date</b>	<b>First Term End Date</b>	<b>Second Term End Date</b>	<b>NOTES</b>
Patricia Griffin (chair)	9/28/2011	9/27/2013		
Lee Manus-McNutt	9/28/2011	9/27/2012	9/27/2014	
Mark Jones	9/28/2011	9/27/2013		
Julie Hoffman	9/28/2011	9/27/2013		
Mike Loy	11/17/2011	11/16/2013		
Dan Freeman	11/15/2012	11/14/2014		
Jonathan Ng	11/15/2012	11/14/2014		
<b>PREVIOUS MEMBERS</b>				
Sheila Surmanek	9/28/2011	9/27/2012		resigned 7/1/12
Richard Bojack	9/28/2011	9/27/2012		did not opt for second term
John Doyle	9/28/2011	9/27/2013		resigned 5/15/13

## **Citizen Oversight Committee Meetings**

The Committee is required by law to meet a minimum of once a year to review the annual performance and financial audits. The Committee has determined it is prudent to meet minimally at quarterly intervals. The Committee met four times during fiscal year 2012-13. The Citizens Oversight Committee has met on:

2013

- February 27, 2013
- May 15, 2013
- June 8, 2013 (Tour)

2012

- February 15, 2012

- April 18, 2012
- June 23, 2012 (Tour and Meeting)
- September 18, 2012 (Tour and Meeting)
- December 5, 2012

2011

- January 25, 2011
- March 16, 2011
- June 1, 2011
- September 28, 2011
- November 5, 2011
- December 7, 2011

2010

- March 3, 2010
- September 7, 2010
- October 9, 2010 (tour and meeting)
- December 14, 2010

2009

- January 20, 2009
- March 11, 2009
- April 25, 2009 (tour and meeting)
- May 26, 2009
- August 26, 2009
- December 8, 2009

## **Capital Construction Project Status**

The Committee members and District staff have had candid and open discussions on financial, technical and transparency issues relating to the expenditures of Measure M and Measure O capital facilities funds, progress in bond projects, and other pertinent topics. The Committee is informed of any substantive information that may impact the program or may be useful to the members. The Committee also receives all Board of Trustees items affiliated with the Measure M and Measure O bond programs and these are posted to the Board of Trustees meeting website. The District has been cooperative and responsive to the Committee's requests for information, questions, comments and concerns.

Proposition 39 requires the sponsoring school district to establish a website dedicated to the bond program activities. All documents received by the Committee or issued by the Committee are a matter of public record and are available on the website, as follows:

- District Measure M Personnel Contacts
- Citizens Oversight Committee Members
- Citizens Oversight Committee Agendas

- Citizens Oversight Committee Minutes
- Measure M Project List
- Measure O Project List
- Construction Quarterly Updates
- Architect Schematic Project Designs
- Measure M Performance and Financial Audits
- Green Policies and Projects
- Measure M Project Stabilization Agreement
- Contractor's Prequalification Questionnaire
- Citizens Oversight Committee Annual Report
- Citizens Oversight Committee Application Form

## **Citizen Oversight Committee Activities**

The Citizens Oversight Committee raised concerns about what measures the District intended to take to ensure the modernized facilities are maintained in the future. The Committee identified a need for a long-term deferred maintenance plan that included identifying resources to fund it. District staff conducted an analysis and the findings were presented to the Citizens Oversight Committee and the Board of Trustees. The Board of Trustees concurred with the need for a long term deferred maintenance plan and a policy was drafted and approved to fund the plan on an annual basis.

The Citizens Oversight Committee, recognizing that 128,000 additional square feet were added to District facilities under Measure M, requested District staff conduct an analysis of the appropriate level of operational and maintenance support needed to adequately maintain all facilities and prevent their deterioration. District staff authorized a report which was then reviewed with the Committee. The recommendations contained in the report will be reviewed again in the fall by the Committee and the next steps determined.

The Citizens Oversight Committee requested that an analysis be conducted on the Phase I Solar Photo Voltaic project, comparing the actual solar production levels with the actual performance levels. Sage Renewable Energy Consulting company conducted a review of calendar year 2012 performance of all Phase I PV systems and found the following:

- Phase I systems produced 3.7% more energy than anticipated in 2012.
- CSI PBI incentives received were 3.7% greater than anticipated.
- PG&E energy cost offset of 9.5% was less than anticipated.
- Overall, energy savings plus incentives received were 1.75% less than anticipated.

The report determined that the underperformance of the PG&E energy cost offset was due to two factors:

1. PG&E energy cost did not escalate in 2011 and 2012 as anticipated. This was due to a much lower cost of natural gas in the U.S. market as a result of fracking. Natural gas prices are expected to remain somewhat depressed in the U.S. market for another 2-3

- years, after which a return to historical levels and escalation is anticipated. Thus, it is anticipated that the modeled PG&E energy pricing will be valid over the longer term.
- Two of the Phase I sites, Aragon and Hillsdale, could not be immediately transitioned to PG&E's A-6 tariff<sup>1</sup>. Sage has conducted an evaluation of usage since the PV systems were installed and has determined that Aragon can now be transitioned to the A-6 tariff, which should eliminate any potential energy cost offset shortfall in the coming years. The future transition of Hillsdale remains uncertain, as Hillsdale is currently using too much energy to transition to the A-6 rate.

## Bond Issuances

### Measure M:

<u>Date</u>	<u>Financing</u>	<u>Amount</u>
7/2011	Series 2011A Bonds	\$35 million
2/2012	Series 2012A Bonds	\$10.9 million
2/2012	2012 Bond Anticipation Notes	\$40.15 million

The Series 2011A and Series 2012A bonds utilized an optimum combination of current interest, capital appreciation, and convertible capital appreciation bonds that allowed the District to receive bond proceeds while minimizing the cost to taxpayers.

Over the course of the financing process, the District's stellar credit ratings of Aa1/AA with Moody's and Standard & Poor's were reaffirmed. These top-notch ratings were instrumental in achieving aggressive interest rate pricing on the bonds.

The 2012 Bond Anticipation Notes were also issued with a very favorable interest rate (1.35% for a three-year term). For this financing, the District received the highest short-term credit rating possible from Standard & Poor's, a SP-1+.

### Measure O:

<u>Date</u>	<u>Financing</u>	<u>Amount</u>
6/2011	Series 2011A	\$90 million

The first series issued from Measure O (Series 2011A) was issued on June 15, 2011, in the amount of \$90 million. The Series 2011A bonds also received stellar credit ratings of Aa1/AA from Moody's and Standard & Poor's, thereby allowing the District to obtain a very low cost of borrowing.

The District developed a list of potential projects for the Board of Trustees to consider for approval. Unfortunately there was more need than available funds. The majority of the bond

---

<sup>1</sup> PG&E has different tariff categories which determine how energy is charged. The A-6 tariff adjusts its rate based on current load; ie: the higher the demand, the higher the rate. The A-6 tariff is beneficial for the District because Aragon is generating excess energy at the higher rate and that gets credited towards energy usage at Aragon.

proceeds were used to eliminate Certificate of Participation (COP) debt<sup>2</sup>. The District refined the bond project list and the Board of Trustees authorized the District to proceed with five construction projects. The Board of Trustees is currently analyzing options for placement of Peninsula High School and a new District Office facility. All options are being reviewed including using existing sites or purchasing land. Requests for proposals have been conducted for construction managers, as well as for architects, and exemplary firms have been identified.

## **Maximizing Taxpayers Bond Funds and Matching Funds**

The District continues to explore funding opportunities to obtain matching revenues from other sources. Funds were applied for from the State Office of Public School Construction for Career Technology Education Grants (CTE). Additional funding of \$13M was awarded to the District under this program.

## **District Achieves 0% Borrowing Through Federal Bond Program**

During the era of the American Recovery and Reinvestment Act (ARRA), the federal government introduced the Qualified School Construction Bond (QSCB) program, which allowed school districts to issue taxable bonds with a subsidy from the federal government. The amount of the subsidy was set daily by the United States Treasury. Numerous districts across the nation and in California took advantage of the program, issuing bonds through public offerings and achieving extremely low costs of borrowing. The District explored both public and private offerings. In comparing the two options, the District determined that the private offering would allow the District to achieve 0% borrowing, once the subsidy was factored in, while the public offering did not match this. On July 14, 2011, the District issued \$25 million of QSCBs at a 0% interest rate to taxpayers.

## **Capturing Savings for District Taxpayers**

On November 7, 2012, the District refinanced \$35.275 million of its Measure D bonds, saving taxpayers over \$3.1 million in interest cost. The refinancing decreased the interest rate on these particular bonds from 5% to 2.63%. The District was able to garner aggressive interest rate pricing due to its continued maintenance of stellar credit ratings with both Standard & Poor's and Moody's Investor Service.

## **Financial and Performance Review and Audit**

Under the provisions of the California Constitution as amended by Proposition 39, the 2008 Measure M School Facilities Bond Program must undergo an annual financial audit and performance audit by an independent auditing firm. The District utilized the certificated public accountant firm of Nigro and Nigro PC to perform the required financial and performance audits for the fiscal year ending June 30, 2012. In December 2012, Nigro and Nigro presented the

---

<sup>2</sup> The 2007 Certificates of Participation (COP) were issued as part of Measure D, which was approved by voters in November of 2000. The defeasance of this COP has generated additional funds to support educational programs and reduce maintenance.

audits to the Board. The financial and performance audits were subsequently reviewed by the Citizens Oversight Committee with the auditor in attendance. The District was found to be in compliance with all requirements. The audit report is available on the District's web site.

## **Measure M Capital Facilities Projects**

Measure M construction projects have been designed with input from the District staff, District architects, a construction management firm and District administration. The projects that have been completed as well as the projects under construction have been submitted and approved through the Division of the State Architect (DSA) review process. A number of approved projects are in various stages of construction. All projects have been approved by the Division of the State Architect with the current exception of the Capuchino Civil Improvement Project.

In order to maximize Measure M bond resources, the District applied for Career Technical Education (CTE) grants and was awarded seven grants totaling \$13M by the California Department of Education. The State Allocation Board categorized one of the grants as unfunded because resources were not available. Then-Assemblyman Jerry Hill's office worked with the State Allocation Board and the Office of Public School Construction and was instrumental in funding this grant.

The Solar Photo Voltaic Systems at Aragon, Hillsdale, Mills and Burlingame High Schools, Phase 1, were commissioned in January 2012. The District has received Performance Based Incentive (PBI) payments beginning in late 2011. All of the systems underwent enhanced commissioning by independent consultants to verify they are working properly and installed per the contract. Additionally, an independent consultant performed a detailed review of Phase 1 system performance for calendar year 2012 and found that the systems are producing 3.5% more energy than anticipated and that the energy cost offset and California Solar Initiative (CSI) incentives together were 1.75% less than anticipated. These results have been discussed in greater detail above.

The Solar Photo Voltaic Systems at Capuchino and San Mateo High Schools, Phase 2, were commissioned in January 2013. The CSI Incentive Claim Form package was submitted to PG&E for all sites and the District recently received its first Performance Based Incentive (PBI) payment. All of these systems have undergone enhanced commissioning by independent consultants to verify they are working properly and installed per the contract.

### **The following bond projects were completed through June 2013:**

#### **Measure M Projects**

##### District-wide

- Columbine-style classroom locks for improved security.

##### Aragon High School

- Solar Phase 1 and roofing projects were completed and commissioned in January, 2012. A grand opening was held September 26, 2011, and was chaired by Tom Torlakson, State Superintendent of Education. District-wide, the Solar Phase I

project is anticipated to save the District an average of \$750,000 in utility expense annually. In addition, the District will be receiving \$4,000,000 in Performance Based Incentive (PBI) payments over the next five years from Phase I.

- Kitchen modernization
- Student Services Building modernization /expansion
- Renovated stadium field including new artificial turf, all-weather track and new restroom building and bleachers
- Swimming pool replacement

#### Burlingame High School

- New Industrial Arts Building
- Modernized Theater
- Modernized Small and Large Gyms and Locker Rooms
- Swimming pool pump
- Solar Phase 1

#### Capuchino High School

- New Career Technical Education (CTE) humanities arts classroom building
- New Child Development Center
- Renovated stadium field, all-weather track and new restroom building and bleachers
- Swimming pool replacement

#### Hillsdale High School

- Little Theater modernization
- Cafeteria/Multi-use Room modernization
- Industrial Art Building modernization
- Modernized Gyms, Wrestling and Dance Rooms
- Student locker replacement
- Installation of chillers and chilled water piping to complete heating, ventilation and air conditioning (HVAC) systems
- Solar photovoltaic, Phase 1 and 1.5
- Swimming pool replacement
- Renovated stadium field with new artificial turf, all-weather track and new restroom building and bleachers
- Heating hot water pipe replacement

#### Mills High School

- Re-roofing and solar photovoltaic system
- Skylight replacement
- Arts Building/Cafeteria renovation
- Modernization of Locker Rooms
- Student Locker replacement
- New classroom building
- Swimming pool replacement

- Renovated stadium field, all-weather track and new restroom building and bleachers
- Solar photovoltaic, Phase 1
- Boiler and HVAC piping replacement
- Installation of chillers and chilled water piping to complete HVAC systems

#### San Mateo High School

- Music Building modernization
- New Biotech Classroom building

### **Measure O Projects**

#### District-wide

- Retired \$75 M Certificate of Participation (COP)
- Technology upgrade (3<sup>rd</sup> year)
- Digital radio upgrade

#### Capuchino High School

- Main electrical service replacement

### **Selected Citizens Oversight Committee Activities**

- Reviewed project updates
- Reviewed project financial statements
- Reviewed design build delivery method
- Reviewed project schedules
- Reviewed contractor prequalification requirements
- Reviewed project construction financials
- Reviewed, discussed and provided feedback on project stabilization agreement
- Reviewed responsibilities of the Citizens Oversight Committee
- Reviewed sale of series of general obligation bonds and federal bonds updates
- Reviewed and discussed Bloomberg article of cash-back refunding
- Reviewed membership status
- Reviewed status of CTE Grants
- Reviewed request for qualification for architects
- Reviewed architects' selection
- Reviewed updates from Division of State Architect
- Reviewed solar photovoltaic project updates
- Discussed methods to improve external communication
- Reviewed performance and financial audits
- Reviewed Measure M revised bond issuance schedule, cash flows and project schedules
- Reviewed construction delivery methods
- Reviewed/deliberated District deferred maintenance plan
- Reviewed custodial staffing analysis
- Discussed District use of Capital Appreciation Bonds (CAB)

- Reviewed production of solar arrays

## **Information**

More detailed information about the District's bond projects, timelines and expenditures-to-date are available on the District's Citizens Oversight Committee website page

<http://www.smuhsd.org/COCinfo>

Members of the Citizens Oversight Committee can be contacted at [Pchavez@smuhsd.org](mailto:Pchavez@smuhsd.org).

The San Mateo Union High School District Citizens Oversight Committee invites community members to attend its meetings, held at the District Office, Conference Room A, 650 North Delaware Street, San Mateo, CA 94401. All meetings are open to the public. Meeting dates and agendas are posted on the District web site.