

San Mateo Union High School District Proposition 39 Capital Facilities Programs

Ninth Measure M Citizens Oversight Committee Annual Report

Sixth Measure O Citizens Oversight Committee Annual Report

June 30, 2017

San Mateo Union High School District Citizens Oversight Committee

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 30, 2017

As Chair of the Citizens Oversight Committee, it is my pleasure to 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 new Measure M and Measure O Citizens Oversight Committee (Committee) after the passage of Measure O in November 2010. The first meeting of the Committee was held on December 8, 2009. Since the consolidation of the new Citizen Oversight Committee, the Committee has met 40 times.

As in the past, the meetings of the Committee this year have been well-organized, well-attended and substantive in content. Information presented and reviewed at each meeting includes the most recent financial reports, current project expenditure summaries, project construction accomplishments and challenges, as well as legal updates. The Committee also reviews 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 and in responding to the Committee's questions.

As Measure M sunsets, the Committee is pleased with its overwhelming success. The 2006 bond measure allowed the District to make vast improvements at every comprehensive high school. The construction program has extended the lifespan of each educational facility, implementing CHIPs standards, providing sustainable facilities, reducing operating costs and making ADA and safety improvements. Additional teaching spaces were constructed, solar panels were installed at every comprehensive high school, and technology continues to be updated and replaced.

Specialized career technology education classrooms, including the Biotechnology building at San Mateo High School, the Industrial Arts facilities at Burlingame High School, the Engineering, Industrial Arts and the Biotech facilities at Aragon High School, the Art facility at Capuchino High School, and the Green Technology and Video Production classrooms at Hillsdale High School, are all new teaching facilities added and funded using a matching grant from the State. All theaters, which are used by the community as well as by students were modernized, upgraded or newly constructed. The District has successfully enhanced each of these facilities to prepare students for 21st century colleges and careers.

The Committee is pleased with the responsible and accountable use of the Measure M resources. The last remaining Measure M project currently underway is the CTE biotech facility at Aragon High School. This project was approved in 2010 by the California Department of Education but it was not funded at that time. It has, however, been recently funded by the State, and with the District's match, the facility is near completion.

Eight Measure O projects have been completed and five projects are underway. The Committee is pleased that the Board of Trustees embraced the staff recommendation for the new District Office and the centrally located facility for Maintenance, Technology and Student Nutrition. However, **the Committee is very concerned that years of delay in reaching a decision has caused a long term facilities solution for Peninsula High School to more than double in cost.** Peninsula High School is the only school in the District where students reside in antiquated facilities. A 21st century teaching and learning facility is overdue for the District's neediest students. The Committee urges the Board in the strongest possible terms to make and implement a decision on a Peninsula High School facility prior to the end of this calendar year.

While the Committee is pleased that the Board of Trustees has considered and agreed with the two recommendations the Committee has presented to the Board of Trustees in the past: ongoing funding of deferred maintenance and sufficient staffing to maintain the expanded new facilities, **we are deeply concerned that facility upkeep and maintenance is woefully understaffed.** Operations staffing ratios with the completion of SMUHSD's Measures D, M and O expanded square footage, have fallen significantly. This means that Operations staff is not sufficient to maintain a clean, safe environment conducive to learning. More importantly, most of the Measure D facilities are over 15 years old, some of Measure M are over 10 years old and the earliest Measure O are 5+ years old. This means that

without proper maintenance, our assets are deteriorating at a faster rate than originally forecasted.

Finally, the Committee is deeply concerned with the safety and the health of Hillsdale High School students due to the degradation of specific walls containing asbestos (“transite panels”) at Hillsdale High School. These panels are over 50 years old and are now deteriorating rapidly as rats have broken into the panels and are likely spreading asbestos. The Committee has recommended that the Board take action in each of the past five COC Annual Reports to the Board. To our knowledge, no action has yet been taken. The Committee strongly urges the Board to use remaining Measure M and/or unallocated Measure O funds to replace the exposed transite panels particularly at Hillsdale High School. (There is one exposed panel wall at Mills High School, however it is no longer being used as a baseball backstop and with some smart coating and/or barrier, can be made more safe.) Transite panels are an inherently “invisible” infrastructure project, in the Committee’s opinion replacing these failing panels, which are composed of cement and asbestos, is essential to the safety of the students and staff. Additionally, the degradation of specific panels at Hillsdale High School has resulted in a significant loss of energy.

The Committee would like to again express its gratitude to the voters of the community, without whom the Measure M and Measure O bond construction programs would not exist.

Based upon information presented to the Committee by District staff, the Committee’s ongoing oversight activities and the Committee’s review of the independent financial and performance audits, the Committee believes 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 that incur bonded indebtedness under Proposition 39. With the presentation of this Annual Report, the members of the Committee can assure voters that the Measure M and Measure O Bond funds have been properly expended and have been utilized for projects consistent with those identified in the bond measures.

It is the Committee's sincere hope that the Board of Trustees and the members of the community will find this Annual Report both informative and comprehensive.

Sincerely,

Dan Freeman
2016-17 Chair
Measure M and Measure O Citizens Oversight Committee

Cindy Montgomery
2017-18 Chair
Measure M and Measure O Citizens Oversight Committee

San Mateo Union High School District
Proposition 39 Capital Facilities Programs
Citizens Oversight Committee
Activities for Measure M and Measure O
July 1, 2016 through June 30, 2017

EXECUTIVE SUMMARY

The Measure M capital facilities projects were substantially completed in 2014-15. The last Measure M capital facility project is the Aragon High School Biotech CTE building and it is near completion. One open health and safety issue remains: Board action with the Hillsdale High School asbestos/cement walls (“transite panels”). Five Measure O capital facilities projects are underway and eight Measure O projects have been completed. One Measure O project remains to be determined: Peninsula High School. The summary below highlights the projects that were in process or were completed in 2016-17.

2016-17 BOND PROJECTS COMPLETED

DISTRICTWIDE

Measure O

Stadium Lights and Sound System

On October 8, 2015, the Board of Trustees approved the Stadium Lights and Sound System project. District athletic programs have grown over the years and sufficient field space was not available to accommodate all the teams. The District was using construction lighting fueled with diesel gas to light the fields, but this created more problems, including light pollution and air quality concerns. New state of the art LED lights creates focused light and minimize glare. Numerous community meetings were held.

The California Environmental Quality Act (CEQA) requires that new projects be examined for their impact to the environment and that mitigation measures be implemented if it is found that a new project will/could affect the environment. On June 23, 2016, the Board of Trustees adopted a resolution certifying the final Environmental Impact Report and approving the Mitigation

Monitoring and Reporting Program and the CEQA Findings and Fact and Statement of Overriding Considerations.

		<u>Projected Cost</u>
Project Budget=	\$ 8,210,556	\$7,974,811
Measure O Portion=	\$ 2,200,000	
Other Funds=	\$ 6,010,556	
Change Orders to Date=	\$ 0	
Actual Expenses through June 30 th =	\$ 6,925,517	

HILLSDALE HIGH SCHOOL

Measure O

New Science Classroom Building

The new science classroom building is composed of 37,000 square feet. It is two stories and will house ten new science labs, eight classrooms, and the school's childcare program. Last year, the CEQA process was completed and the contract was awarded on September 11, 2015. Construction has been completed and an open house was held in February 2017. Since that time, the old science classrooms that are smaller than the California Department of Education recommended size are being converted to standard classrooms. Current construction activities include interior finishes, exterior cement plaster, paving, site electrical, and landscape irrigation.

		<u>Projected Cost</u>
Original Contract Amount =	\$ 23,247,960	\$21,575,511
Change Orders to Date =	\$ 382,278	
Current Contract Amount =	\$ 23,630,238	
Actual Expenses through June 30 th =	\$ 21,327,280	

2016-17 BOND PROJECTS IN PROCESS

ARAGON HIGH SCHOOL

Measure M

CTE Biotech Facility Matching Grant

In 2010, the District applied for a matching funding CTE grant from California Department of Education for a biotech facility at Aragon High School. While the grant was awarded, the State of California did not have the resources to fund the grant and it was deemed approved but unappropriated. In 2015, the District

was notified that the grant would be funded. The Board of Trustees approved the project on February 11, 2016. The construction contract was awarded on April 27, 2016. The space outlined in the grant includes a lecture space and a lab, a teacher office and a teacher work area. Estimated completion date: August 4, 2017

		<u>Projected Cost</u>
• Project Budget=	\$ 4,897,688	\$4,630,943
• Measure M allocation=	\$ 2,476,224	
• CDE OPSC Grant=	\$ 2,421,464	
• Actual Expenses through June 30 th =	\$ 3,223,721	

DISTRICTWIDE

Measure O

Technology Replenishment-6th year

A total of \$5,000,000 was set aside for technology replacement. For ten years \$500,000 would be allocated to replenish antiquated equipment. We just completed the sixth year of this program.

Project Budget=	\$ 5,000,000
Actuals Expense through June 30 th =	\$ 2,477,263

DISTRICT OFFICE

Measure O

Maintenance, Technology and Student Nutrition

A warehouse facility located at 839 Hinckley, Burlingame, California, was purchased and will be renovated to house the maintenance, student nutrition, and technology departments. This centrally located facility will allow staff to be deployed expeditiously to the school sites. After the facility was purchased, it was re-roofed and new HVAC units were installed. It will be utilized as a temporary facility while the new District Office is constructed as one of the old District buildings needs to be demolished for the new site. Upon completion of the new District Office, the Hinckley facility will be reconfigured for the maintenance, student nutrition and technology departments. Estimated completion date January 2019.

Project Budget=	\$ 8,600,000
Property Purchase=	\$ 4,557,705
Change Orders through June 30 th	\$ 0

Actuals through June 30th=

\$ 506,390

DISTRICT OFFICE

Measure O

Educational Center

The New District Office Building is proposed as a state-of-the-art, flexible and practical solution to the District’s administrative needs. Its three-story, 28,500 square foot compact structure has been carefully designed to include modern technology and energy conserving features within a layout focused on occupant comfort and effectiveness.

Its exterior has been developed to fit in well with the San Mateo High School brick architecture and features a stepped-back design to reduce street-side impact.

The new building is proposed to house the office of the Superintendent and the following departments: Human Resources, Curriculum and Instruction, Fiscal Services, Purchasing, Facilities Use, Student Services and a portion of Technology. Its simple organization, open circulation system and emphasis on transparency will benefit visitors and District staff alike. Openness and access to natural lighting are key concepts throughout the building.

Special building features include a pleasant courtyard leading to a multistory atrium entry and a lobby that includes a student gallery and large conference/training facilities. The facility has been configured to be easily converted into a classroom building to house students. Estimated completion date September 2018.

		<u>Projected Cost</u>
Project Budget=	\$ 25,319,435	\$24,348,976
Actual Expenses through June 30 th	\$ 2,673,050	

SAN MATEO HIGH SCHOOL

Measure O

Air Conditioning Brick Building

The new brick building was retrofitted with air conditioning. The project was approved by the Board of Trustees on March 10, 2016. The project has been opened for bidding twice and with the exceptionally overheated construction market, bids submitted were substantially over the budget. Estimated completion date: end of September 2017.

Original Contract Amount =	\$550,000
Actuals through June 30 th =	\$ 26,700

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. In June of 2011, the scope of the Committee was expanded to include Measure O. An Education Code change allows Committee members to hold up to three consecutive terms consisting of two years each. 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. The Education Code change permits members to hold up to three two-year terms. After the three two-year terms, a member's membership 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 requested the Board of Trustees in 2014 to change its Bylaws to increase the number of member terms to three, as allowed by the Education Code. The Board of Trustees approved the request and the current Committee Bylaws state that the Committee must be composed of at least seven members serving terms of two years without compensation and for no more than three consecutive terms. The Committee must be composed of members with different backgrounds and qualifications, including those who are:

- (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.

Committee Members as of June 30th:

Active Members As of June 30, 2017	First Term Start Date	First Term End Date	Second Term End Date	Third Term End Date
Dan Freeman (Chair)	11/15/2012	11/14/2014	11/14/2016	11/14/2018
Pat Griffin	9/28/2011	9/27/2013	9/27/2015	9/27/2017
Mike Loy	11/17/2011	11/16/2013	11/16/2015	11/16/2017
Cindy Montgomery*	6/19/2016	6/18/2018	6/18/2020	
Kerry Hyman	12/8/2016	12/7/2018	12/6/2020	

Members who served all or some of 2016-17 and subsequently resigned for various reasons or completed their terms:

- Lee McManus-McNutt (Dec 2016)
- Lori Whitney (Jan 2017)
- Jonathon Ng (Jun 2017)
- Brian Beswick (June 2017)

* Chair, 2017-2018

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 has met on:

2017

- June 14, 2017
- March 11, 2017 (Tour and Meeting)
- June 14, 2017

2016

- February 24, 2016
- May 19, 2016
- September 29, 2016
- December 8, 2016

2015

- February 5, 2015
- June 6, 2015 (Tour and Meeting)
- September 17, 2015
- December 2, 2015

2014

- January 11, 2014 (Tour and Meeting)
- March 6, 2014
- June 4, 2014
- October 16, 2014

2013

- February 27, 2013
- May 15, 2013
- June 8, 2013 (Tour and Meeting)
- October 8, 2013
- December 5, 2013

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

Citizen Oversight Committee Agendas and Materials

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 of 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 Measures M & O 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
- Measure O Performance and Financial Audits
- Green Policies and Projects
- Measure M Program Stabilization Agreement
- Contractor's Prequalification Questionnaire
- Citizens Oversight Committee Annual Report
- Citizens Oversight Committee Application Form

Citizen Oversight Committee Activities

Four meetings, including a facility tour, were held in 2016-17. The committee toured the new Hinckley satellite temporary district office, Aragon High School CTE Biotech facility and stadium lights and sound system, and Hillsdale High School new science building and stadium lights and sound system. At each meeting a detailed project update was provided and questions were answered. Financial reports were reviewed and balances scrutinized. The committee discussed the challenges locating a viable property for Peninsula High School. An update on the employee housing project was provided. Cahill, general contractor was selected as the Design Build contractor for the new District Office, Cahill General Contractor implemented a student internship for students providing critical construction insight. Maintenance and custodial staffing was reviewed to ensure adequate support is available to maintain the facilities.

During 2015-16, there were four Committee meetings, at which ongoing and upcoming projects were presented. A tour will be scheduled when greater progress has been made at Hillsdale High School Science Building. The Committee is pleased with the progress to date and looks forward to completion of the projects currently underway. The Committee also welcomes members of the public to its meetings (dates and times are published on the Committee's website at www.smuhsd.org/COCagendas), and encourages continued support of the District and Measures M and O through completion of the projects and beyond.

On January 11, 2014, the Committee toured Aragon, Hillsdale and Mills High Schools. The Committee observed serious or significant issues that affect health and safety and need to be addressed either with funds remaining from Measure M

or funds yet-to-be determined from Measure O. A letter was drafted, outlining the specific areas of concern, and was sent to the Board of Trustees. The letter was placed on the May 8, 2014, Board agenda and discussed. The letter is attached to this report as Attachment A.

At its meeting on February 27, 2013, the Committee requested that an analysis be conducted on the Phase I Solar Photovoltaic project, comparing the actual solar production levels with the actual performance levels. Sage Renewable Energy Consulting Company (Sage) conducted a review of calendar year 2012 performance of all Phase I PV systems and on May 15, 2013, reported to the Committee:

- 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, largely because PG&E costs have not risen as much as originally expected.

In August 2014, the Committee requested a solar update from Sage for the 2013 – 2014 school year and they reported that they expect the solar PV systems to generate approximately \$1.18M in CSI incentives plus \$836,000 in energy cost reduction for a total of approximately \$2.02M in General Fund savings for the year. This is generally in line with expectations despite some issues with production data reporting at both Capuchino and San Mateo high schools. Data loss was largely offset by better than expected insolation and production at the other sites. Production data at San Mateo High School was lost in June, July and August of 2013 due to an IP network outage. PG&E has agreed to extend the CSI reservation period for that site approximately three months to make up for the lost production data. Production data for Capuchino High School has also not been recorded for the latter half of June, 2014 due to an IP network issue. Sage anticipates that this data will be backfilled when the network issue is fixed. The systems at Aragon, Burlingame, Hillside and Mills continue to outperform anticipated production overall.

The Committee, recognizing that substantial square feet of new facilities and athletic fields 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. In late 2012, District staff authorized a report which was then

reviewed with the Committee at its February 27, 2013, meeting. Because of this report, the School Plant Manager positions were approved to be reinstated at the September 26, 2013, Board meeting. The Committee was also informed at its October 8, 2013, meeting that the District had posted for seven new custodians. In early 2014 an Auditorium Manager and two Auditorium Technicians were also added. The staffing needs of the District for proper maintenance of all District facilities will be regularly reviewed by the Committee.

During the 2010/11 school year, the Committee raised concerns about what measures the District intended to take to ensure that 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 Committee and on February 10, 2011 to 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 on February 9, 2012, to fund the plan on an annual basis.

FINANCING GENERAL OBLIGATION BOND ISSUANCES

Measure M:

<u>Date</u>	<u>Financing</u>	<u>Amount</u>
6/2008	Series 2008A Bonds	\$62.7 million
2/2010	Series 2010A Bonds	\$ 4.9 million
2/2010	Series 2010B Bonds	\$65.1 million
2/2010	2010 Bond Anticipation Notes	\$65 million
2/2011	2011 Bond Anticipation Notes	\$65 million
6/2011	Series 2011A-1 Bonds	\$25 million
7/2011	Series 2011A Bonds	\$35 million
2/2012	Series 2012A Bonds	\$10.9 million
2/2012	2012 Bond Anticipation Notes	\$40.15 million
12/2013	Series 2013A Bonds	\$94.4 million

The District has accessed the full \$298 million in Measure M authorization through a combination of general obligation bonds and bond anticipation notes.

Bond anticipation notes were utilized to allow the District to access Measure M funds earlier than typical bonds would allow. The District received the highest short-term credit rating possible from Standard & Poor’s for each of the bond anticipation note issuances (an SP-1+).

Over the course of the Measure M bond issuance process, the District’s stellar bond ratings were upgraded to Aa1/AA+ with Moody’s and Standard & Poor’s. These top-notch ratings were instrumental in achieving aggressive interest rate pricing for Measure M. On December 2, 2015, the District’s Moody’s rating was upgraded to Aaa, the highest possible credit rating nationwide. The District’s ratings are a testament to District management, the local economy and tax base, and status as a Basic Aid district.

In total, the District’s Measure M bonds utilized 5.53% capital appreciation bonds and 8.28% convertible capital appreciation bonds. The total debt service for Measure M Bonds was approximately \$688.2 million, resulting in a repayment ratio of 2.31 to 1 (assuming the subsidies provided for federally subsidized bonds). Under Assembly Bill 182, repayment ratios are now legally capped at 4 to 1. The ratio for Measure M is significantly below the legal limits.

Measure O:

<u>Date</u>	<u>Financing</u>	<u>Amount</u>
6/2011	Series 2011A	\$90 million
12/2013	Series 2013A Bonds	\$40 million
5/2015	Series 2015A Bonds	\$56 million

On May 19, 2015, the District sold the remaining \$56 million in Measure O funds. The Election of 2010 General Obligation Bonds, Series 2015A (the “Bonds”) utilized 100% current interest bonds and had a repayment ratio of 1.64 to 1. The all-inclusive cost was 3.34%. 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.

In aggregate, Measure O utilized 8.36% capital appreciation bonds and 26.8% convertible capital appreciation bonds. The remaining bonds were sold as current interest bonds. The total debt service for the Measure O Bonds was approximately \$526.7 million, resulting in a repayment ratio of 2.83 to 1.

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). As a result, 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 percentage. On July 14, 2011, the District issued \$25 million of QSCBs at a 0% interest rate to taxpayers (as shown in the Measure M overview as the 2011A-1 Bonds).

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%.

On November 13, 2014, the District refinanced \$50.19 million of its Measure M bonds, saving taxpayers over \$6.7 million in interest cost. The refinancing decreased the interest rate on these particular bonds from 4.78% to 2.80%.

On March 24, 2016, the District refinanced \$9.47 million of its Measure M and Measure O bonds, saving taxpayers over \$2.8 million in interest cost. The refinancing decreased the average interest rate on these particular bonds from 5.49% to 2.98% and also converted prior capital appreciation bonds into current interest bonds.

On September 21, 2016, the District refinanced \$127.27 million of its Measure M bonds and Measure O bonds, saving taxpayers over \$16.4 million in interest cost. The refinancing decreased the average interest rate on these particular bonds from 5.67% to 2.56% and also converted prior capital appreciation bonds into current interest bonds.

In 2011, 2012 and 2013, Measure M utilized capital appreciation bonds (CABs) for overall tax rate management. They further allowed the District to take full advantage of special bond programs (Build America Bonds and Qualified School Construction Bonds) made available by the Federal Government. Significant portions of the interest expense would be subsidized by using these programs. Because the Federal bond programs stipulated that those bonds must be issued as current interest bonds only, the District created capacity for them by issuing other tax-exempt bonds as capital appreciation bonds. Had the District not utilized a blended bond structure for this specific issuance, it would not have been able to participate in the Federal programs and the local taxpayers would have incurred increased bond expense.

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 James Marta and Company to perform the required financial and performance audits for the fiscal year ending June 30, 2017. In December 2017, James Marta and Company will present the audits to the Board. The financial and performance audits will be subsequently reviewed by the Citizens Oversight Committee with the auditors in attendance. It is anticipated that the District will be compliant with all requirements, as they have been in prior years. When the audit report is available, it will be posted on the District's web site.

Measure M Capital Facilities

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 have been submitted and approved through the Division of the State Architect (DSA) review process, with the current exception of the San Mateo High School Civil Improvement Project. The Civil Improvement project consisted only of lighting and paving and did not require approval from the Division of the State Architect, however it was publicly bid, like all the other construction projects.

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 systems underwent enhanced commissioning by independent consultants to verify they are working properly and installed per the contract.

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. 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 2017:

Measure M Projects:

Aragon High School

- Solar Phase 1 and roofing projects
- Kitchen modernization
- Student Services Building modernization /expansion
- New Theater
- Renovated stadium field including new artificial turf, all-weather track and new restroom building and bleachers
- Swimming pool replacement
- Gyms construction and modernization including a new weight room and locker room modifications
- Career Technology Building
- Install air conditioning at classrooms
- Misc. civil improvements
- Security Lock Replacement
- *CTE Biotech Facility Matching Grant*

Burlingame High School

- New Industrial Arts Building
- Modernized Theater
- Modernized Cafeteria and Multi-use Room
- Bleacher replacement
- Modernized Small and Large Gyms and Locker Rooms

- Swimming pool pump
- Solar Phase 1
- Misc. civil improvements
- Security Lock Replacement

Capuchino High School

- New Career Technical Education (CTE) humanities arts classroom building
- New Child Development Center
- Science Building roof and windows
- Renovated stadium field, all-weather track and new restroom building and bleachers
- Modernized gyms, locker rooms
- Swimming pool replacement
- New Classroom building
- Theaters and music classrooms
- Misc. civil improvements
- New Main Electrical Service
- Solar photovoltaic-phase 2
- Replace electrical switchgear
- Security Lock Replacement

Hillsdale High School

- Little Theater modernization
- Cafeteria/Multi-use Room modernization
- Industrial Art Building modernization including Special Education and Fine Arts
- Modernized Gyms, Wrestling and Dance Rooms
- Student locker replacement
- Installation of chillers and chilled water piping to complete air condition of classrooms.
- Replace heating hot water piping and controls.
- 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
- Misc. civil improvements
- Large theater
- Emergency fire line and gas line replacement
- Security Lock 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 classroom air conditioning.
- Misc. civil improvements
- New theater
- Gyms modernization
- Security Lock Replacement

Peninsula High School

- Security Lock Replacement
- Fire life Safety

San Mateo High School

- Music Building modernization
- New Biotech Classroom building
- Modernized and expanded Performing Arts Center
- All-weather track replacement and new restroom building and replacement bleachers
- Solar Photovoltaic, Phase 2
- Green House
- Misc. civil improvements
- Security Lock Replacement

Measure O Projects

Aragon High School

- Drainage project
- Stadium lights and sound system

Burlingame High School

- New classroom building
- Stadium sound system and sound system

Capuchino High School

- Stadium lights and sound system

District-wide

- Retired \$75 M Certificate of Participation (COP)
- Digital radio upgrade
- *Technology upgrade (ten years)*

District Office

- Educational Center
- Maintenance, Technology and Student Nutrition

Hillsdale High School

- New science classroom building
- Stadium lights and sound system

Mills High School

- Stadium lights and sound system

Peninsula High School

- *New teaching facility*

San Mateo High School

- Renovated Brick Building
- Stadium lights and sound system
- *Air Conditioning Brick Building*

Measure O Projects Underway

Aragon High School

- CTE bio technology classrooms

District Office

- New administration facility
- New Maintenance, Technology and Student Nutrition facility

District-wide

- Technology replenishment

San Mateo High School

- Brick Building air conditioning

Measure O Project to Start

Peninsula High School

- New educational facility

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 program stabilization agreement
- Reviewed responsibilities of the 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
- Reviewed production of solar arrays

- Identified incomplete projects that need to be addressed to improve energy efficiency, secure premises, ensure safety and enhance facility longevity, should residual Measure M funds be available

The 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 the District to continue to educate students and prepare them for the future by replacing and supplementing existing facility infrastructure.

Citizen Oversight Committee Special Request to the Board of Trustees

Unappropriated Funding

A very high priority for the District should be the health and safety of the students. There is currently nearly \$2 million of excess funds after the completion of Measure M and there may be more from Measure O. We urge the Board of Trustees to replace, seal or protect students from the asbestos/cement (“transite”) panels at Hillsdale High School.. The transite panels are failing, result in a significant loss of energy and has become an entry point for rodents. In fact, the panels are now deteriorating more rapidly as rats break into them and likely spread the asbestos to classrooms.

Meetings Open to the Public

The San Mateo Union High School District Citizens Oversight Committee invites community members to attend its meetings, which are held at the new conference room at 839 Hinckley Avenue, Burlingame, CA 94401. All meetings are open to the public. Meeting dates and agendas are posted on the District web site.

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 Committee can be contacted at pchavez@smuhsd.org