

**San Mateo Union High School District  
Measure M Capital Facilities Program**

**Third Annual Report  
of the  
Measure M Citizens' Oversight Committee**

**June 23, 2011**

To: The Board of Trustees and Citizens of the San Mateo Union High School District  
From: The Measure M Citizens' Oversight Committee  
Date: June 23, 2011

The Citizens' Oversight Committee is pleased to forward its third annual report on the Measure M \$298 million 2006 School Facilities Bond Program. This report covers the 2010-11 fiscal year.

The principal duties of the Committee are to:

- Ensure Measure M Bond proceeds are expended for the purposes described in the Bond ballot language
- Report the expenditure of bond revenues and the program's progress to the public
- Affirm that required annual performance and independent audits have been conducted

In 2011, the District used a mixture of different financing options to fund Measure M projects. The Qualified School Construction Bond Program is a new tax credit program created under the American Recovery and Reinvestment Act (ARRA). QSCBs provide federally subsidized borrowing to school districts where a significant portion of the interest cost is paid for. The District submitted an application to the California Department of Education in October 2010 for the 2010 Qualified School Construction Bonds (QSCBs) allocation. In January 2011 it was awarded a \$25M allocation. Because the Qualified School Construction Bonds incur minimal interest expense, the issuance of the QSCB bonds will save the local taxpayers approximately \$15-17M, depending on the final terms of the bonds. In February 2011, \$65 million of Bond Anticipated Notes were sold at a very favorable rate of approximately 2.90%. The District intends on issuing the QSCB bonds on July 14, 2011, along with \$35 million of general obligation bonds or bond anticipation notes.

As of June 30, 2011 it is anticipated that \$123,202,357 will have been expended on Measure M projects. The fund is projected to retain a balance of \$174,797,643. Construction in the amount of \$110,134,092 is scheduled for 2011 – 2012.

On October 28, 2010, the Citizen's Oversight Committee recommended to the Board of Trustees that it make provision for deferred maintenance of Measure M facilities. In response to this recommendation, the Board of Trustees ordered an analysis of the long-term school facilities needs after Measure M projects are complete to determine the necessary size of a sinking fund to address deferred maintenance. The analysis was brought to the Board on January 20, 2011. The proceeds from the sinking fund would be used to maintain the facilities to the current standard for twenty years forward. As responsible stewards of the District's assets, the Board of Trustees has agreed with the Citizen Oversight Committee's recommendation and at the January 20 board meeting the Board requested that a formal policy be brought forward that would approve the creation of a sinking fund. To ensure adequate funds are set aside, staff has developed a policy

that funds the sinking fund on an annual basis. The policy will be presented to the Board of Trustees for final approval after adoption of the State budget, as the Board needs to know how the State budget directly affects the District's financial well-being before it makes any additional decisions regarding funds. In times of financial uncertainty, it is important the District to be fiscally responsible both in the present and in preparation for the future.

Nigro and Nigro, PC, completed the required annual financial and performance audits of bond expenditures. The audit report disclosed no instances of non-compliance with the terms of Proposition 39 or the terms of the Measure M Bond approved by the District voters.

The Committee members, relying on this audit report, is pleased to report that to the best of their knowledge the San Mateo Union High School District is in full compliance with its responsibilities as described in Article XIII A, Section 1(b) (3) of the California State Constitution.

Sincerely,

Patricia L. Griffin  
Chair, Citizens' Oversight Committee

**San Mateo Union High School District**  
**Measure M Capital Facilities Program**  
**Third Annual Report of the Measure M Citizens' Oversight Committee**  
**Activities through June 30, 2011**

**Introduction and Background**

On November 7, 2006, the voters within the geographical boundary of San Mateo Union High School District approved Measure M, which is a \$298 million Proposition 39 bond election funding the continued renovation and rehabilitation of 45 to 83 year-old buildings and facilities on District campuses 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 M Bond Citizens' Oversight Committee**

As outlined in Education Code Section 15278, a Citizens' Oversight Committee was formed by the San Mateo Union High School District's Board of Trustees on January 18, 2007. The Committee is composed of members who represent the business community, senior citizens, taxpayers, Parent Teachers Organization, and parents of students.

The purpose of the Committee is to inform the public concerning the expenditure of Measure M 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.

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.

The Committee also:

Identified the need for a long-term deferred maintenance plan to be developed and funded. Staff conducted an analysis and the findings were presented to the Board of Trustees. A long term deferred maintenance plan was established by the Board. A resolution was developed and acted upon by the Board to memorialize the interest and funding commitment. With the upcoming retirement of the 2007 Certificates of Participation, dedicated resources will be available to fund the plan and ensure that the District safeguards its past, current and newly constructed assets.

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 requires 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 include:

Patricia Griffin (Current Chair)  
Sheila Surmanek  
Richard Bojack  
Mark Jones  
Lee Manus-McNutt  
John Doyle  
Julie Hoffman  
Mike Loy (Retired Chair, Termed Out)  
Evelyn Long (Termed Out)  
Mildred Swan (Termed Out)  
Al Pucci (Retired)

## 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 six times during fiscal year 2010-11. The Citizen Oversight Committee has met on:

2011 (to date)

- January 25, 2011
- March 16, 2011
- June 1, 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

The Committee members and District staff have had frank and open discussions on financial, technical and transparency issues relating to the expenditures of Measure M funds, progress in bond projects, and other Measure M 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 items affiliated with the Measure M bond program and these are posted to the Board meeting website. The District has been cooperative and responsive to the Committee's requests for information, questions, comments and concerns. All Committee meetings are open to the public and citizens are welcome and encouraged to attend.

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. These documents are as follows:

- District Measure M Personnel Contacts
- Citizen Oversight Committee Members
- Citizen Oversight Committee Agendas
- Citizen Oversight Committee Minutes
- Measure M 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
- Citizen Oversight Committee Annual Report
- Citizen Oversight Committee Application Form

## Issuance of Measure M Bonds

Since the passing of the Measure M bonds in November 2006, a series of events has led to considerable savings for taxpayers.

Highly competitive fees were negotiated with the District's consultants including the bond underwriter, financial advisor and bond counsel. Prior to Measure M being repackaged in March of 2008, a different bond team (underwriter and bond counsel) was on contract. This team was previously compensated 1.1 percent of the principal of each financing amount. At the time Measure M was being repackaged, requests for proposals were conducted for bond counsel, financial advisor and underwriter. In March of 2008, a new and exemplary team was hired and highly competitive fees negotiated.

In January of 2010, the District received two rating upgrades due to the strong improvement of the District's financial position and the District's adherence to due diligence. The resulting improved bond rate will reduce the taxpayers' liability by more than \$1,500,000 over the lifetime of the bonds.

The second series of bonds was issued on February 17, 2010, under the \$298 million authorization. The proceeds from the bond authorization have been allocated based on the spending plan authorized by the Board of Trustees. The debt repayment for the bond is funded by the property taxpayers that reside within the boundaries of the San Mateo Union High School District. The bonds were issued in the most fiscally prudent manner, utilizing economically sound instruments for the taxpayers.

For the February 2010 issuance, the District and its financial team worked with the County of San Mateo to develop an agreement to use a negotiated bond sale versus a competitive sale. This resulted in a financially advantageous outcome for the taxpayers in the extremely difficult financial markets that existed at that time and continue to prevail now. The current underwriter is compensating .35 percent for Capital Interest Bonds. This will save the local taxpayers approximately \$2.9 million in issuance fees over the issuance schedule of the bonds. Also in this issuance, the District took advantage of the Build America Bonds program authorized under the federal American Recovery and Reinvestment Act (ARRA). This program allowed the District to issue taxable bonds with a Federal subsidy of 35 percent of the interest rate, saving taxpayers another \$12 million.

## Maximizing Taxpayers Bond Funds and Matching Funds:

The District continues to explore opportunities to obtain matching funds 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 grant program.

## Financial and Performance Review and Audit:

Under the provisions of the California Constitution as amended by Proposition 39, the 2008 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 2010. In December 2010, Nigro and Nigro presented the audits to the Board of Trustees. The Financial and Performance 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 which are 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 exception of the civil projects.

As stated above, to maximize the Measure M bond resources, the District applied for 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. Assemblyman Jerry Hill's office is working with the State Allocation Board and the Office of Public School Construction to explore options for funding this grant.

The Solar PV systems at Aragon, Hillsdale and Mills, Phase 1, are being commissioned and will be online around the beginning of June. Burlingame will follow thereafter. The CSI Incentive Claim Form package is being completed and submitted to PG&E. Commissioning verification will be performed over the next month on these systems to make sure everything is working properly and installed to contract.

The following are some highlights and a progress summary of the Measure M projects from July 1, 2010 through June 30, 2011:

### Aragon High School

- Swimming Pool Renovation and New pool is complete and in use. Minor punch list and ancillary work nearing completion.
- New 600 Seat Theater footings placement is underway and should be



complete by the first week of June. Structural Steel fabrication is ongoing and installation will begin in June. Current anticipated completion date is February 2012.

- Solar PV & Re-roof Phase I, roofing, electrical infrastructure and P.V. installation is now complete. Commissioning is ongoing and the system will be live by June. Phase II is only the Gym roofs and will take place when the Gym modernization is complete.
- New CTE Building Project has been awarded and is scheduled to break ground on May 30<sup>th</sup> and be completed in January 2012.
- Gym / Locker Room Renovation is scheduled for bid and award in the coming weeks. The renovation schedule is June 2011-July 2012.

### Burlingame High School

- Gyms / Locker Room Renovation/Expansion is complete. Project renovated existing 2 gyms with new hardwood flooring, athletic equipment, mechanical and electrical systems, and new low-energy efficient lighting.
- Cafeteria Renovation is complete. Project expanded the food service area and provided all new state-of-the-art cooking equipment, new day lighting of the cafeteria eating space and new mechanical and electrical systems.
- New Industrial Arts Building is 70% complete. The building structural work is complete, the metal stud framing is near completion. The mechanical and electrical system is near completion. Exterior skin installation will begin in the coming weeks.
- Theater Renovation is 60% complete. The historic architectural moldings were preserved. The abatement, demolition and structural work is complete. The mechanical and electrical rough-in is complete. Drywall is currently being installed.
- Solar PV & Re-roof and infrastructure work is complete. PV panels are currently being installed. Commissioning begin by the end of May or beginning of June.



### Capuchino High School

- Gyms / Locker Room Renovation Expansion is in progress. The small gym is complete. The gym received all new equipment and new hardwood flooring. The natural day-lighting is sufficient for play without artificial lighting during

the daytime. The large gym is 65% complete. All the structural work is complete in this gym and the painting at the interior is near completion. The girl's locker room, weight room and dance rooms are complete and being punched out in late May.

- Swimming Pool is complete and in use. Minor punch list and ancillary work nearing completion.
- New Humanities Building is 30% complete. The foundation and slab work is complete. The steel subcontractor went bankrupt and thus the project's duration has been extended.

- New CTE Humanities Satellite Building is 25% complete. The foundation is underway and steel is currently being fabricated with an erection timeframe beginning in June.
- Theaters / Music Wing Renovation-Replacement is 25% complete. The abatement is complete and the demolition is near completion. Structural work is underway.

### Hillsdale High School

- Swimming Pool is complete and has passed inspection by the Public Health Department. The pool has been turned over to the District as of May 27.
- Industrial Arts / Cafeteria/Small Theater Renovation Project is in progress. Kitchen renovation and Phase I of the Industrial Arts are nearing completion; the kitchen is in use. Phase II including the Cafeteria and Little Theater is scheduled for completion by the start of the 2011/12 school year.
- CTE Recording Studio / Video Production Project is now complete and in use. Minor punch list and close out work is nearing completion.
- Solar PV & Re-roof Phase I roofing, electrical infrastructure and P.V. installation are now complete. Commissioning is ongoing and system will be live by June. Phase 1.5 is limited to the small roofs above the Industrial Arts Building and will take place when that modernization is complete.



### Mills High School

- New Classroom building is complete. This project provides Mills with a new state-of-the-art, nine-classroom building dedicated to math that features natural day lighting and the latest in educational technology.
- Building A, Cafeteria and Locker Room Renovations are complete. The four state-of-the-art classrooms feature the latest in educational technology. The labs include a new woodshop with computer-aided routing equipment and a Computer-Aided Drafting lab, a new art room with an adjacent outside work station, a new state-of-the-art biotech lab room with all the latest equipment, and a new video production room with new computer work stations, a sound booth and a green screen. The project includes a full gut and rebuild of the current locker rooms and coaches' and team rooms.
- Swimming Pool is complete and in use. Areas of the pool deck and fencing have been deferred to allow access for the theater modernization project. Minor punch list and ancillary work is ongoing.



- Solar PV & Re-roof Phase I, roofing, electrical infrastructure and P.V. installation is now complete. Commissioning is ongoing and system will be live

by June. Phase II is only the Gym / Theater roofs and will take place when that modernization is complete.

### San Mateo High School

- New Biotech Building Project is complete and in use. Punch list work is in its final stages and close out is in progress.
- New Bus Wash & Fueling Facility Project is complete and in use. Punch list work is in its final stages and close out is in progress.

Since the inception of Measure M funding the following capital facilities projects have been completed:

- San Mateo High School
  - Modernized Music Building renovation
  - New Biotech Classroom Building
- Aragon High School
  - Modernized Kitchen
  - Modernized Student Services Building
  - Renovated stadium field with new artificial turf, all-weather track and new bathroom building
  - New swimming pool
- Burlingame High School
  - Modernized small and large gym
  - Modernized locker room
  - New gym lobby
  - Swimming pool pump
- Capuchino High School
  - New preschool facility
  - Renovated stadium field, all-weather track and new bathroom building
  - New stadium field and new restroom building
  - New swimming pool
- Mills High School
  - Skylight shades
  - Modernized career technology classroom
  - Modernized ceramics room
  - Modernized locker room
  - Modernized weight room
  - Modernized cafeteria
  - New student lockers
  - New math classroom building
  - New swimming pool
  - Renovated stadium field, all-weather track and new bathroom building
- Hillsdale High School
  - Modernized small and large gym
  - Modernized dance room

- Modernized locker room
- Modernized weight room
- New student lockers
- New piping
- Re-roof and solar photo voltaic system
- New swimming pool
- Renovated stadium field with new artificial turf, all-weather track and new bathroom building
- District-wide
  - Columbine-style classroom locks for improved security
  - Technology

### Select Citizen Oversight Committee Activities:

- Reviewed project updates
- Reviewed project financial statements
- Reviewed project schedules
- Reviewed contractor prequalification requirements
- Reviewed project construction financials
- Reviewed project schedules
- Reviewed, discussed and provided feedback on Project Stabilization Agreement
- Reviewed the responsibilities of the Citizen 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 Career Technology Grants
- Reviewed request for qualification for architects
- Reviewed architects' selection
- Reviewed updates on Division of the State Architect
- Reviewed solar photo voltaic 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

### Citizen Oversight Committee Recommendation to the Board:

- Establish deferred maintenance sinking fund to cover costs of facilities upkeep and replacement.

### 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>

The Citizen's 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.