



March 2018

Citizens' Bond Oversight Committee First Annual Report to the Community



The Citizens' Bond Oversight Committee (CBOC) for the Measure H1 Facilities Bond Program is pleased to present its first Annual Report to the Piedmont community. Thanks to voter approval of Measure H1 on November 8, 2016, the District is embarking on a program to modernize and improve school facilities to better support our educational programs. The CBOC is responsible for inspecting bond program projects during construction, reviewing the expenditure of bond funds, and ensuring that expenditures were made for purposes authorized by voters. This first annual report covers the period from November 2016 through June 30, 2017.

The CBOC consists of community members from local businesses and organizations, legal, technical, and financial advisors, and parents of children enrolled in the Piedmont Unified School District. The CBOC members are: Grier Graff, Chair; Julie Caskey, Vice Chair; Adam Christensen; Kim Dao; Andrew Hempeck; Kyung-Hee Howard; Jonathan Levine; and Melissa Wilk. CBOC meetings are open to the public and all are welcome and encouraged to attend and participate.

The Citizens Bond Oversight Committee

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History of the Measure H1 Bond Program

During 2015-16, the Piedmont Unified School District assessed its facilities to determine whether they support changing educational programs and goals, and developed a plan to ensure that facilities enhance educational programs now and in the future. This “Facilities Master Plan” is intended to address current and future educational needs of students and ensure that facilities provide both the functionality and capacity to support educational excellence. (For more information about the development and content of the Facilities Master Plan, see <http://measureh1.org>.)

Among other findings, the Facilities Master Plan states that many of the middle and high school building systems have reached the end of their useful life and should be replaced. Also, educational needs have changed since the middle and high schools were constructed, and both additional and different kinds of facilities are needed. Since these school buildings were constructed, course offerings have become more varied and some courses require specialized classrooms and labs – particularly in the fields of science, technology and engineering. Course work now incorporates collaboration in small groups and presentations, but undersized classrooms and heavy, inflexible furnishings make it difficult to reconfigure classrooms to support these activities. Lab work requires safe and suitable space for group projects and project storage, and inadequate labs, in fact, constrain teaching and learning opportunities. Additional specialized facilities are needed to offer or expand courses in film, web design, theater arts (including set and lighting design), graphic arts, culinary arts, and sports medicine, among others.

To address the most pressing needs identified in the Facilities Master Plan, the District proposed Measure H1 to the Piedmont voters. On November 8, 2016, 74% of the voters approved the measure,

authorizing \$66 million in school construction bonds. The complete text of the measure is set forth in the Appendix at page 6.

Financial Summary of the Measure H1 Bond Program

The District will issue the H1 bonds as needed. Although high school construction will not start until 2019, bond funds were needed during 2016-17 to pay for “soft costs” such as design, engineering, surveys, program/construction management, and improvements to the middle school. In addition to this cash demand, other factors that were considered in planning the initial bond sale included current interest rates, the potential for interest rates to rise in the near future, and capacity (which depends on the assessed value of real property in Piedmont).

The first sale of Measure H1 bonds was in April 2017 for \$26 million. The District expended \$143,896 of this revenue, leaving a balance of \$25,314,855 as of June 30, 2017. The balance is invested with the Alameda County Treasury, as required by the California Education Code. Bond proceeds must be expended within three years of the date of sale.

The District plans to sell the remaining bonds in one or two tranches, depending on cash demand. The District will use one tranche if possible, to reduce transaction costs. Based in part on the projected growth in assessed real property values in Piedmont, the District expects the H1 bonds to be fully repaid around the year 2045.

2016-17 Progress Report

During the first year of the Measure H1 Bond Program, HKIT Architects met with students, teachers, and other stakeholders in the Piedmont community and developed several concept designs for a new high school STEAM (Science, Technology, Engineering, Art, Mathematics) building and new Alan Harvey Theater. To promote awareness and understanding about the various concepts for locating the new facilities, the District created a website (www.measureh1.org), a short animated [video](#), and two public service announcements, and held three community town hall meetings to solicit [community input](#) on these options. The District held a similar meeting with Piedmont High School ASB Students. Also, the District created an online feedback form for anyone who was not able to attend one of the three town hall meetings.

Over two hundred community members, students, and staff attended town hall meetings or provided comments through the District’s website; the animated video has been viewed over 750 times. Based on this input, HKIT Architects developed schematic designs, including floor plans and exterior elevations, for a new high school STEAM building on the current site of Alan Harvey Theater, and a new Alan Harvey Theater on the site of the current “10’s building”. The designs will be submitted to the California Division of State Architect for review and approval in the Spring or Summer of 2018. Construction is expected to begin in the Summer of 2019.

First Annual Audit

Article XIII of the California Constitution requires the District to conduct an annual [Performance Audit](#) and an annual [Financial Audit](#) of the Measure H1 Bond Program. The District’s independent auditor, Vavrinek, Trine, Day and Company, LLP (VTD), completed audits covering the fiscal year ending June 30, 2017 in January 2018. VTD determined:

“The financial statements . . . present fairly, in all material respects, the financial position of the Building Fund (Measure H1) of the Piedmont Unified School District at June 30, 2017, and the results of its operations for the period then ended in conformity with accounting principles generally accepted in the United States of America.”

VTD stated:

“As part of obtaining reasonable assurance about whether Piedmont Unified School District’s Building Fund (Measure H1) financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. . . . The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.”

The CBOC utilized VTD’s audit reports to conduct its review, to confirm that the bond funds were used only as authorized by the voters. The CBOC reviewed summaries and reports of expenditures made between November 2016 and June 30, 2017 and, based on these summaries, concluded that the use of bond funds was appropriate and expended only for the purposes of construction,

reconstruction, rehabilitation or replacement of school facilities, program management and construction management, as limited by the text of Measure H1, and that no bond funds were used for teacher or site administrator salaries or other school operating expenses.

The 2016-17 expenditures include the use of bond funds to reimburse the District's general fund for improvements to Piedmont Middle School (PMS) that were completed over the summer of 2016. Specifically, the District made non-structural improvements to PMS, including the replacement of non-functional "movable" walls with permanent classroom walls. These changes improved climate control, sound insulation and the overall learning environment. The text of Measure H1, as confirmed by the District's bond counsel, authorizes the use of bond funds for these purposes, and the CBOC determined that use of Measure H1 funds to reimburse the District general fund for the costs associated with this work at PMS is appropriate.

Ongoing Review

The CBOC generally meets quarterly and all members of the community are encouraged to attend and participate. Information about meetings dates, times, and locations can be found at measureh1.org. The CBOC's next annual report will be issued in March 2019, covering the period from July 1, 2017 through June 30, 2018.

Questions about the Measure H1 Bond Program can be addressed at any time to the Bond Program Coordinator, Michael Brady, at mbrady@piedmont.k12.ca.us, or to the District's Director of Facilities and Construction Manager, Pete Palmer, at ppalmer@piedmont.k12.ca.us.

Appendix: Text of Measure H1

The complete text of the Measure H1 ballot measure follows:

This proposition may be known and referred to as the Piedmont School Improvement and Modernization Bond Measure, or Measure H1.

BOND AUTHORIZATION

By approval of this proposition by at least 55% of the registered voters voting on the proposition, the Piedmont Unified School District (the “District”) shall be authorized to issue and sell bonds of up to \$66 million in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List below, and in order to qualify to receive State matching grant funds, subject to all of the accountability safeguards specified below.

ACCOUNTABILITY SAFEGUARDS

The provisions in this section are specifically included in this proposition in order that the District’s voters and taxpayers may be assured that their money will be spent wisely to address specific facilities needs of the District, all in compliance with the requirements of Article XIII A, Section 1(b)(3) of the State Constitution, and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified at Education Code Sections 15264 and following).

Evaluation of Needs. *The Board of Education hereby certifies that it has evaluated safety, class size reduction and information technology needs in developing the Bond Project List.*

Limitation on Use of Bond Proceeds. *The State of California does not have the power to take locally approved school district bond funds for any State purposes. The Constitution allows proceeds from the sale of bonds authorized by this proposition to be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities listed in this proposition, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses. Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff only when performing work on or necessary and incidental to the bond projects.*

Independent Citizens' Oversight Committee. The Board of Education shall establish an independent Citizens' Oversight Committee (pursuant to Education Code Section 15278 and following), to ensure bond proceeds are spent only for the school facilities projects listed in the Bond Project List. The committee shall be established within 60 days of the date on which the Board of Education enters the election results on its minutes.

Annual Performance Audits. The Board of Education shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in the Bond Project List.

Annual Financial Audits. The Board of Education shall conduct an annual, independent financial audit of the bond proceeds (which shall be separate from the District's regular annual financial audit) until all of those proceeds have been spent for the school facilities projects listed in the Bond Project List.

Special Bond Proceeds Account; Annual Report to Board. Upon approval of this proposition and the sale of any bonds approved, the Board of Education shall take actions necessary pursuant to Government Code Section 53410 and following to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Superintendent or the Chief Business Official of the District (or such other employee as may perform substantially similar duties) shall cause a report to be filed with the Board no later than December 31 of each year, commencing December 31 of the year in which bonds are first issued, stating (1) the amount of bond proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as such officer shall determine, and may be incorporated into the annual budget, audit, or other appropriate routine report to the Board.

FURTHER SPECIFICATIONS

Specific Purposes. All of the purposes enumerated in this proposition shall be united and voted upon as one single proposition, pursuant to Education Code Section 15100, and shall constitute the specific purposes of the bonds, and proceeds of the bonds shall be spent only for such purposes, pursuant to Government Code Section 53410.

Joint Use. *The District may enter into agreements with the City of Piedmont, or other public agencies or nonprofit organizations for joint use of school facilities financed with the proceeds of the bonds in accordance with Education Code Section 17077.42 (or any successor provision). The District may seek State grant funds for eligible joint-use projects as permitted by law, and this proposition hereby specifies and acknowledges that bond funds will or may be used to fund all or a portion of the local share for any eligible joint-use projects identified in the Bond Project List or as otherwise permitted by California State regulations, as the Board of Education shall determine.*

Rate of Interest. *The bonds shall bear interest at a rate per annum not exceeding the statutory maximum, payable at the time or times permitted by law.*

Term of Bonds. *The number of years the whole or any part of the bonds are to run shall not exceed the legal limit, though this shall not preclude bonds from being sold which mature prior to the legal limit.*

BOND PROJECT LIST

The Bond Project List below describes the specific projects the Piedmont Unified School District proposes to finance with proceeds of the bonds. Listed projects will be completed as needed at a particular school site according to Board-established priorities, and the order in which such projects appear on the Bond Project List is not an indication of priority for funding or completion. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. Certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Until all project costs and funding sources are known, the Board of Education cannot determine the amount of bond proceeds available to be spent on each project, nor guarantee that the bonds will provide sufficient funds to allow completion of all listed projects. Completion of some projects may be subject to further government approvals or appropriation by State officials and boards, to local environmental review, and to input from the public. For these reasons, inclusion of a project on the Bond Project List is not a guarantee that the project will be funded or completed.

The Bond Project List contains more projects than the District currently estimates the Bonds can fund to provide flexibility should additional efficiencies be realized or should Board priorities change.

Unless otherwise noted, the projects in the Bond Project List are authorized to be completed at each or any of the District's sites, as shall be approved by the Board of Education:

- *Construction of a new Piedmont High School building, focused on Science, Technology, Engineering, Arts and Mathematics ("STEAM"), with size, scope and location to be determined following additional public input;*
- *Renovation, refurbishment, or replacement of existing Piedmont High School, Piedmont Middle School, and Millennium High School buildings, including classrooms, infrastructure and landscaping;*
- *Addition of classrooms to elementary schools sufficient to meet higher educational standards for kindergarten;*
- *Energy efficiency measures to reduce long term operational expense and environmental impact;*
- *Addition or expansion of security measures, safe playground and outdoor structures, and "green" areas at existing schools;*
- *Furnish and equip new, renovated and existing buildings, including modern technology and infrastructure;*

The listed projects will be completed as needed. Each project is assumed to include its share of furniture, equipment, architectural, engineering, and similar planning costs, program/project management, and a customary contingency for unforeseen design and construction costs. In addition to the listed projects stated above, the list also includes the acquisition of a variety of instructional, maintenance and operational equipment, and interim funding incurred to advance fund projects from the list; installation of signage and fencing; payment of the costs of preparation of all facility planning, facility studies, assessment reviews, facility master plan preparation and updates, environmental studies (including environmental investigation, remediation and monitoring), design and construction documentation, and temporary housing of dislocated District activities caused by construction projects.

In addition to the projects listed above, the repair and renovation of each of the existing school facilities may include, but not be limited to, some or all of the following: renovation of restrooms; repair and replacement of heating and ventilation systems; upgrade of facilities for energy efficiencies; repair and replacement of roofs, windows, walls, doors and drinking fountains; improvements to comply with access

requirements of the Americans with Disabilities Act; installation wiring and electrical systems to accommodate computers, technology and other electrical devices and needs; upgrades or construction of support facilities; acquisition of property; repair and replacement of fire alarms, emergency communications and security systems; resurfacing or replacing of hard courts, and campus landscaping; parking; install interior and exterior painting and floor covering; demolition; repair, upgrade and install interior and exterior lighting systems; replace outdated security systems; and upgrade technology infrastructure.

The allocation of bond proceeds will be affected by the District's receipt of State matching funds and the final costs of each project. The budget for each project is an estimate and may be affected by factors beyond the District's control. Some projects throughout the District may be undertaken as joint use projects in cooperation with other local public or non-profit agencies. The final cost of each project will be determined as plans and construction documents are finalized, construction bids are received, construction contracts are awarded and projects are completed. Based on the final costs of each project, certain of the projects described above may be delayed or may not be completed. Demolition of existing facilities and reconstruction of facilities scheduled for repair and upgrade may occur, if the Board determines that such an approach would be more cost-effective in creating more enhanced and operationally efficient campuses. Necessary site preparation/restoration may occur in connection with new construction, renovation or remodeling, or installation or removal of relocatables, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, relocating fire access, and acquiring any necessary easements, licenses, or rights of way to the property.

Proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to bond projects and the costs of issuing the bonds. Bond proceeds shall only be expended for the specific purposes identified herein. The District shall create an account into which proceeds of the bonds shall be deposited and comply with the reporting requirements of Government Code § 53410.

The Bond Project List shall be considered a part of this ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition.