



New Central Kitchen @ Old Foster Site

## Measures A, B & J Independent Citizens' Bond Oversight Committee

2017—2018 Annual Report *and progress report to August 2019*

# Executive Summary

## PURPOSE OF THE OAKLAND USD CITIZENS BOND OVERSIGHT COMMITTEE (CBOC)

A Citizens Bond Oversight Committee is convened as a result of the Districts using the 55% voter approval threshold for passage of the General Obligation Bond Measures A, B and J. This legislation is referred to as "The Strict Accountability in Local School Construction Bonds Act of 2000". It states the following "taxpayers directly participate in the oversight of bond expenditures" and "the members of the oversight committee appointed pursuant to this chapter promptly alert the public to any waste or improper expenditure of school construction bond money."\* Ed Code 15278 through Ed Code 15282 regulates the process of appointing "an independent oversight committee" and expresses the oversight role of the committee.\*

## BOND BACKGROUND

In June 2006, Oakland voters passed **Measure B**, a **\$435 million** School Facilities Improvement Bond which provided funding to the Oakland Unified School District (OUSD) for educational facilities such as science labs, computer labs, and art and music rooms. The Bond also provided funding for construction, renovation and repair of classrooms, multi-purpose rooms, playgrounds, gymnasiums, Pre-School/Early Childhood Development Centers and student health centers.

In June 2012, Oakland voters passed **Measure J**, a **\$475 million** School Facilities Improvement Bond, for OUSD to enhance the educational environment for the students and communities of Oakland and better prepare students for college and jobs. Bond funds will be used to upgrade science labs, classrooms, computers and technology; improve student safety and security; repair bathrooms, electrical systems, plumbing and sewer lines; improve energy efficiency; and make seismic upgrades.

## BOND PROGRAM ADMINISTRATION WORK

Joe Dominguez was OUSD Facilities Chief from June 2018 through January 2018. His contract was terminated by the District in January 2018. During the period of June 2015 and June 2016 and outside consultant held the position of Chief Facilities Officer.

Tim White the prior OUSD Facilities Chief returned to OUSD in March 2018 as Chief Deputy Superintendent of Facilities. Tim White immediately took on the task of reprioritizing projects to realign them with the original 2012 Bond Measure J project list. This action was necessary as the previous superintendent Antwan Wilson with the school board's approval identified new projects and added them to the existing project list with no identified resources for funding the \$160 million of new projects to the school modernization project list. Some of the projects that were originally listed to be completed under Measures J and B now will need to be funded by a future bond Measure.

In December of 2018 OUSD put out Request for Proposal (RFP) for Bond Program Auditor to perform the required financial and performance audit. The previous Chief Business Officer Marcus Battle facilitated the process. In January of 2019 Moss Adams LLP was recommended by the RFQ selection team. Moss Adams three year contract was Board in late January 2019 and amended and approved in May Of 2019.

Marcus Battle's contract as OUSD Chief Business was terminated by District leadership in March of 2019.

Moss Adams LLP performed the 2017-18 Bond Performance Audit discussed on page 4 of this report. The District is also required to do an annual Bond Financial Report. As of the date of this report OUSD has not completed the Bond Financial Report for 2017/18. At the August 12, 2019 joint meeting of the CBOC and Board Facilities Committee the OUSD State Trustee, Christopher Learned recommended that this audit could be accomplished by Varink, Trane and D as they already have a yearly contract with OUSD to provide the general fund audit. No date for completion of the 2017/18 Bond Financial Audit has been provided.

Also in January 2019 the District selected a new Bond Financial Advisor. ISOM Advisors was selected and board approved. Their role is to advise the District on bond program financing and to manage the sale of the local Bonds that fund the capital program construction projects. ISOM Advisors facilitated the sale of the last series of \$175,000 million in general obligation bonds. The bonds were sold at competitive borrowing rates, with the sale closing on August 13, 2019.

*(BOND PROGRAM ADMINISTRATION WORK CONTINUED)*

Under Tim White and Tadashi Nakadegawa leadership, major projects have moved forward in the last year 2018 and 2019:

- New Central Commissary Kitchen (cover photo). The project is scheduled to complete in October 2019. It will provide a new district nutrition program providing Oakland schoolchildren with healthier and fresher meals.
- Madison Upper Campus Addition. The project is scheduled for completion in December 2019. The expanded facility will provide a K-12 pathway for students in the Sobrante Park neighborhood.
- New Glenview K-5 Elementary School. The building is scheduled to complete December 2019, with other campus improvements to complete in May of 2020.
- Fremont High School phases I completed in August 2018 and phase 2 completed in August 2018. Phases 3 and 4 are scheduled to complete in June of 2020. The project consists of new campus entry, new two-story classroom wing to replace portables, and renovation of the main classroom wing, new gym, sports field and stadium.
- New artificial turf fields at Claremont, Westlake, Frick and Bret Harte Middle Schools, giving kids more recreation opportunities.

## Citizens Bond Oversight Committee Work

The committee's responsibility is to actively review and report on the expenditure of taxpayers' money for school construction in accordance with voter-approved projects in accordance with Cal. Educ. Code § 15278. As required by Education Code Section 15278, the District appointed a Committee of local residents. The Committee is comprised of up to 9 appointees, including a Chairperson, Vice Chairperson and Secretary.

The committee met monthly and reviewed program expenditures and other facility reports pertinent to expenditures of bond revenues. Other activities included visiting project sites to observe construction progress, getting updates from prior years, and monitoring on-going developments to capital improvements related to the bond program.

In the year 2017-18 the CBOC continued to keep an attentive watch on the ongoing progress of Measure J and B bond-funded projects. This annual report summarizes and highlights the work of the independent Citizen's Bond Oversight Committee (CBOC) and our review of the expenditures in the Measure B and Measure J School Facilities Improvement Bond for the fiscal year 2017-2018.

### 2017-18 CBOC MEMBERS:

Andrea Dawson, Chair  
Chan U Lee\*, Vice Chair  
Saleem Shakir Gilmore, Secretary

Joyce Nilo  
Renee Swayne  
Brendan Havenar-Daughton\*\*

Daniel Chesmore  
Victor Valerio  
Andrew Nelsen

*\* Resigned in April 2019; \*\* Resigned in May 2019*

**Following is a list of Project Site Visits for 2017-2018 Fiscal Year that some CBOC members visited:**

### CBOC OBSERVATIONS and CONCERNS

- Lack of transparent and formal process for decision-making related to scoping and funding of projects named in the original bond language.
- Lack of formal policy allowing Chief Facilities Officer to control decision making for Bond program and funding allocations.
- Lack of formal process to communicate to CBOC about important changes that affect the bond program.
- Possible misuse of accrued interest from bonds including from Measure A.
- Districts continued use Bond funds to pay for rent for administration offices at 1000 Broadway. In June 2019 the District Board approved a modernization plan Cole Elementary School for administration headquarters put forth by Facilities Chief Tim White. Approximately \$10million of Measure J bond money has been earmarked for lease payments at 1000 Broadway in years 2019, 2020, and 2021 until the Cole project renovation. Funds from a future bond measure will be required to complete the new Cole Administration Building Project.
- The District used \$2.063 million in 2-17/18 of Measure J funds on the "Blue Print for Quality Schools Plan". CBOC has questioned what portion of this Plan updates the district facilitates master plan – is an assessment of the physical building condition and therefore would be considered an allowable expenditure of Bond measure funds.

# Audit Review and Findings

## ANNUAL EXPENDITURE REVIEW

CBOC's primary duty is provide a written statement on compliance based on our review of the program expenditures and activities and the independent auditors Financial and Performance Audit to ensure that the Measure B and J funds are spent in accordance with the Bond language...

CBOC received the official outside Auditors Measures B & J Annual Performance Report for Measures B & J on March 29, 2019 in accordance with Section 15286 of Education Code, receiving the report at the same time it was submitted to the District (no later than March 31 of each year.).

The expenditure summary provided at the end of this report reflects the project expenditures for the Fiscal Year ended June 30, 2018 as presented by the District. The report is organized to reflect the life of each project commencing with the Pre-Design Phase and concluding with the Completed Phase. The cumulative expenditures reported by the District for the Measure B and J bond program totaled \$ million through June 30, 2018. This report has not been audited because the District has not performed the required annual financial audit.

## FINANCIAL and PERFORMANCE AUDIT

Each fiscal year a financial and performance audit of Measures B and J expenditures is required to be conducted. Moss Adams LLP was contracted to conduct the performance audit on of Measures B and J year ending June 30, 2018. The Performance Audit evaluates the District's compliance to ensuring all proceeds were spent on bond-approved projects. The yearly Bond Financial Audit was not contracted for by the District for the fiscal year 2017/18.

## CBOC STATEMENT Regarding COMPLIANCE

The 2017/2018 CBOC Statement of Compliance opinion on the Measure J and B Bond program is submitted to OUSD Board of Education in accordance with Education Code § 15278 (b). The committee advises that, based on available information provided by the District and the Moss Adams 2017/2018 Performance Audit that was submitted to the District and CBOC on March 29, 2019 and further due to the District not providing the annual GO Bond Financial Report, CBOC is unable to find the District is in compliance with the requirements of Article XXIIA, Section 1(b)(3) of the California Constitution.

Identified findings from the MOSS ADAMS LLP Bond Performance Audit Report included:

- Ballot language addresses projects at the District and school site levels; however it is unclear if some expenditures are allowable per Bond language:
  - \$3,472.831 rent for 1000 Broadway for housing administration services. Previous legal counsel in October of 2014 supported the expenditure and on February 26, 2018 the State Trustee appointed to oversee the District concluded "District has authority to use Measure J funds for lease payments of 1000 Broadway".
  - Using Measures' J and/or B funds for Community Outreach
  - Using Measures' J and/or B funds for Non-Site-Specific Equipment for Use in Facilities
  - The District could not provide adequate documentation to support staff charge allocations to the Bond Program.

Moss Adams also identified good management practices as described:

- OUSD has a master schedule that visually represents each phase of projects in the form of a timeline
- The budget presented to CBOC on June 11, 2018 agreed with the budget that was approved by the Board on June 28, 2018.
- The District reported historical expenditures date for the projects and clearly separated Measure J and B expenditures.
- The District used other revenue sources to maximize the impact of Measure J and B funds.

(Link to entire report: 2017/2018 Measures "B & J" Performance Audit Report)



# Building a Better Community

## PROJECT HIGHLIGHT PHOTOS

Glenview Elementary School

Madison Middle and High School

Bret Harte Field Project

Bond Program Activity for July, 2017 through June 2018 is provided on the following Pages:

- General Obligation Bond Issue Schedule
- Bond Measure J – Master Plan Detail by draw
- Measure J – Historical Expenditures by Sites
- Measure B – Historical Expenditures by Sites

END OF REPORT