

**Manhattan Beach Unified School District
Measure BB Oversight Committee
Annual Report Dated March 11, 2010**

I. Purpose of the Report

The Manhattan Beach Unified School District (“MBUSD”) Resolution No. 2008-12 called for an election authorizing the issuance of general obligation bond of MBUSD at an election to be held November 4, 2008. The Bond Measure (more commonly referred to as “Measure BB”), which was passed by the voting residents of Manhattan Beach, read as follows:

“To attract and retain quality teachers, improve instruction, and ensure college and career readiness for local students, shall Manhattan Beach Unified School District rehabilitate 58-year old Mira Costa High School including replacing deteriorated classrooms with new classrooms and science labs, upgrading technology, replacing deteriorated plumbing/restrooms, and improving safety/energy-efficiency, by issuing \$67,480,000 in bonds at legal rates, with independent oversight, mandatory audits, no money for administrator salaries, and all funds staying local to improve Manhattan Beach schools.”

In conjunction with the passing of Measure BB, the MBUSD Board appointed a Citizens Oversight Committee (“the Committee”) to insure the MBUSD’s compliance with Proposition 39 (as discussed below).

The purpose of this report is to inform the MBUSD Board and the public, concerning the expenditure of the bond proceeds and compliance with Proposition 39 and the MBUSD Measure BB Bylaws.

II. Purpose and Responsibility of the Committee

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Within the text of Proposition 39 various accountability requirements, including requirements for certain types of audits, were specifically required. In addition, Assembly Bill 1908 (“AB 1908”) was passed, which provided additional requirements relative to school district general obligation bond elections conducted pursuant to Proposition 39. Those requirements included provisions for school districts conducting Proposition 39 elections and thereafter establishing and appointing members to a Citizens Oversight Committee.

As stated by AB 1908, the purpose of the Committee is to inform the public at least annually in a written report concerning the expenditure of the bond proceeds. In carrying out this purpose the Committee will:

- a. Actively review and report on the proper expenditure of the taxpayers' money for school construction.
- b. Advise the public as to whether the school district is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution, which provides that: (i) bond funds are expended only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities; (ii) no bond funds are used for any teacher or administrative salaries or other school operating expenses; (iii) a list of projects to be funded was included in the ballot; (iv) an annual independent performance audit is performed; and (v) an annual independent financial audit is performed.

The Manhattan Beach Unified School District Board of Trustees ("the Board") has further clarified that the objectives for the Committee shall include the following purpose and goals:

Purpose: To ensure that General obligation Bond funds are used in accordance with the intention of the voters and with the highest possible level of efficiency so that Mira Costa High School is renovated and improved to better serve the educational needs of the students in our community.

Goals: To validate to the community and to the Board of Trustees that all funds are expended as stated in the bond proposal and as approved by voters on November 4, 2008.

To provide progress reports to the Board of Trustees, MBUSD staff, parents, and members of the community.

The MBUSD Board also established Bylaws for the Measure BB Committee which identified additional duties and responsibilities of the Committee. In addition to the responsibilities required by Proposition 39, the following are highlights from those Bylaws.

Committee's Mission: The Measure BB Committee is to independently review and authenticate the planning and execution of the MBUSD Measure BB bond program and inform the public and Board concerning the expenditure of bond proceeds and to ensure that such bond proceeds are expended in accordance with the intention of the voters and state law.

The Committee is required by Proposition 39 to issue a report on an annual basis. The Measure BB Committee By-Laws, however, require that a report be issued on a quarterly basis. The By-Laws require that each quarterly report

concern the events of the preceding calendar quarter, each report is to be issued within 60 days of the end of the calendar quarter to which it pertains.

At the time that Measure BB was approved by the voters, a list of proposed projects, along with the initial estimates of spending, was provided to the voters. The intent of the MBUSD was to allocate spending based on a preliminary construction plan for the high school. MBUSD is not required to complete all projects on the initially adopted project list, but Measure BB funds cannot be used for work outside of the project list. The Committee is required to report on whether the project expenditures are consistent with Measure BB.

During 2009, the Committee meetings were suspended until the first bond sale was completed. As previously communicated by MBUSD management through local newspaper articles and other sources, the early months of 2009 were not active months for the bond market. As further discussed below, the first Measure BB bond was not issued until June 2009. Due to limited activity with the Measure BB Project in 2009, and limited activity and spending, this is the first report issued by the Committee. Future reports will be made on a quarterly basis.

III. Report Summary, Recommendations and Other Highlights

- A. Measure BB was approved by Manhattan Beach voters on November 4, 2008.
- B. The members of the Committee held its first regularly scheduled meeting on December 3, 2009 (which was within the 60 day timeline required by Proposition 39).
- C. The Committee typically meets on a monthly basis, on the second Monday evening of each month, unless otherwise scheduled.
- D. As discussed further below, the current budget of the Measure BB project is in compliance with the terms as set forth in the Measure and project list as approved by Manhattan Beach voters.
- E. On October 5, 2009, Committee members met and reviewed “lessons learned” from the previous MBUSD school bond issuance, with the intention of ensuring that purpose and objectives of the Measure BB Committee are met.
- F. On January 11, 2010, the Committee provided the MBUSD Board with comments for inclusion in the agreement for architectural services between the MBUSD and Harley Ellis Devereaux (“the Architect”). On

January 13, 2010, the Board of Trustees approved award of the Architect's agreement, of which MBUSD agrees to pay a basic service fee totaling \$3,050,480 (subject to adjustments for contingencies) for design and construction phase services, subject to resolution of Committee comments as deemed appropriate by the Board's Measure BB sub-committee.

- G. As discussed further below, based upon the research and recommendation of the Architect and input from the community, the planned Measure BB scope has been modified to enhance the objectives of the bond program. The programmatic changes avoid the use temporary buildings during construction, eliminate the need for one of the new academic instructional buildings (building B), and provide for the remodeling rather than demolition of several existing buildings. These changes are consistent with the commitments to voters under Measure BB.
- H. The Committee has reviewed the Measure BB budget data provided by the MBUSD management and has made recommendations regarding how to summarize and report on the information. In addition, the Committee has reviewed certain components of the budgeted expenditures, such as contingency amounts and existing debt pay-down amounts, and recommended changes to the MBUSD management. Many recommendations made by the Committee have been incorporated into the revised budget prepared by the MBUSD.
- I. Additional recommendations have been made by the Committee to the MBUSD Board and management. Key recommendations have included:
- Inclusion of adequate project-level contingency in the Measure BB budget;
 - Advisory review by Committee of Measure BB-related contracts in excess of \$500,000;
 - Clear definition of roles and responsibilities among project consultants, including Architect, Construction Manager, and others ;
 - Committee review of project scope definition, cost projections, and contingency at each major design milestone;

Recommendations not included in this report have been made available to the public for their review. The BOC minutes are located on the MBUSD website at <http://www.manhattan.k12.ca.us/Measure%20BB%20OC.htm>.

IV. Measure BB Project Scope and Budget Summary

The Measure BB initial project scope and budget, totaling \$67,480,000, included: (1) \$13,500,000 for the payoff of exiting debt and (2) \$53,980,000 for new construction and enhancements. The Attached "**Exhibit A**"

compares the projected spending from the initial Measure BB initial project scope and budget to the adopted project master plan. Exhibit A was prepared on information provided to the Committee by MBUSD management.

The updated Measure BB forecasting spending is \$67,480,000, which is equal to the amount of the Measure BB approval. The updated budget also reflects that \$786,389 of interest payments on the existing bond debt will be paid from funds other than Measure BB. These interest payments were initially included in the Measure BB budget.

The initial project scope and budget was based upon programmatic identification of the needs to improve the quality of the school buildings and the entire campus. Over the past year, the Architect has performed a thorough review of the campus and all buildings. The Architect has determined that some of the existing buildings are of sound condition and can be remodeled at a lower cost than demolition and new construction. Further, the revised program and proposed project phasing avoid use of temporary buildings during construction, which support the efficient use of Measure BB funds.

In addition, the Architect and its employees have conducted various workshops, of which the public was invited, to explore the priorities and desires of the community members. Community members attending the workshops help the Architect make certain decisions regarding the design of the Mira Costa “school of the future”.

The updated and revised Measure BB project budget includes reallocations of funds to spend less on demolition and new construction, with a shift in planned spending to upgrade utility and energy efficiencies for longer term cost savings.

For example, certain of the finger buildings with windows facing to the north and south will not be demolished because they are designed in a way to maximize utilization of natural light.

V. Project Revenues and Spending to Date

As of February 1, 2010, the following amounts have been disbursed related to Measure BB:

Existing Debt: a total of \$4,410,876 was partially used to pay down the existing debt (incurred during previous MBUSD projects). Payments have and will be made to pay down the unretired debt during the years 2009 through 2016 in compliance with the financing agreement. These payments were made in compliance with the Measure BB guidelines.

Current Project Expenses: a total of \$114,000 has been spent as of February 1, 2010, primarily for Architect fees, legal and other costs. These payments were made in compliance with Measure BB guidelines.

The payments referred to above were funded through revenues received from the first Measure BB Series A Bond issuance in June, 2009, totaling \$8,035,275.20. Funds generated from the bond issuance which were not spent in 2009 are anticipated to be used in 2010 and beyond for Architect and other design costs during the early phases of the Measure BB project. Additional bonds will be sold during the course of the Measure BB project to fund the planned expenditures.

The attached “**Exhibit B**” represents the MBUSD Measure BB spending by Phase and project as compared to the updated budget. Exhibit B was prepared based on information provided by MBUSD management and modified based on recommendations made to and agreed with MBUSD management.

As referred to above, MBUSD has entered into an agreement with the Architect to make payments during the course of the Measure BB project of \$3,050,480.

VI. Project Progress

The following activities have been conducted and milestones achieved during the period from December 2008 through January 2010:

1. Citizens’ Bond Oversight Committee appointed by the Board of Trustees - December 3, 2008
2. Bonds sale generated \$8,035,275.20 in revenue for retirement of debt and support of planned project expenditures in 2009 and 2010, June 2009
3. Architect selected to conduct master planning and engage the community in refining the program of projects for the Mira Costa High School renovation and improvement, January 7, 2009.
4. Mira Costa High School master plan adopted, November 18, 2009.
5. Solicitation issued by MBUSD for selection of a Construction Manager, December 7, 2009.
6. Architect contract for design and construction support services awarded by the Board of Trustees, January 13, 2010.

VII. Committee Appointment and Membership

Pursuant to Proposition 39 and the MBUSD Bylaws, the Committee shall consist of at least seven members (and may be larger) to serve for a term of two years, without compensation, and for no more than two consecutive terms. The committee may not include any employer or official of the school district or any vendor, contractor, or consultant of the school district. The committee must include all of the following:

- One member who is active in a business organization representing the business community located within the school district;
- One member active in a senior citizen's organization
- One member active in a bona fide taxpayer association;
- One member shall be the parent or guardian of a child enrolled in the district.
- One member shall be both a parent (or guardian) of a child enrolled in the district and active in a parent-teacher organization, such as the Parent Teacher Association or school site council.

As of the date of this report, there are twelve Committee members, and all of the above committee member requirements have been met. The MBUSD is in the process of selecting another member.

VIII. Conclusion

It is the opinion of this Committee that:

- The projected budget for Measure BB is in compliance with Proposition 39 and with the Measure BB as approved by the Manhattan Beach community voters on November 4, 2008, with two exceptions: (1) an annual audit will need to be performed of the project spending, and (2) \$786,389 of existing bond interest payments will be paid from other MBUSD funds and not Measure BB funds. (see Exhibit A). MBUSD management has made arrangements for an audit of Measure BB in conjunction with the audit of the MBUSD spending.
- All Measure BB spending incurred as of February 2, 2010 appears appropriate and based on the projected budget of Measure BB. Completion of the annual audit will provide a further opinion as to its accuracy. Regular and timely reporting of budget status, contractual commitments, estimates-to-complete, and contingency status should be made by the MBUSD management to the Committee.
- The Committee and the Committee members meet the requirements as set forth in Proposition 39 and the Bylaws.

- The MBUSD Board and management have been cooperative with requests for information from the Committee, and have been attentive and responsive to the Committee's recommendations.

Respectively submitted by Measure BB Oversight Committee Members:

Robert Daviduk
Timothy Flake
Michael Kling
Ed Lear
Tim Lilligren
Gary Osterhout
Noel Palm
Kathleen Paralusz
George Reppucci
Kimberly Robinson
Rod Spackman
Rachel Vandenberg

Exhibit A

Manhattan Beach Unified School District
Measure BB Project Summary
Comparison of Measure BB Initial Budget to Current Forecast
As of February 1, 2010

Initial Measure BB Budget Estimate			
Exhibit A Bond Projects			
Building A: Math/Science Relocate M/O Building	\$ 12,210,000		Budget
	\$ 860,000		\$ 17,500,000
Subtotal Construction Cost	\$ 13,070,000		\$ 350,000
Building B: General Academic	\$ 11,200,000		\$ 100,000
Subtotal Construction Cost	\$ 11,200,000		\$ 850,000
Arts Facility Modernization/Relocation	\$ 2,000,000		\$ 18,800,000
Subtotal Construction Cost	\$ 2,000,000		
Student Support Facility Career/Technical Skills Center Enhance Café/Multipurpose Addition	\$ 5,850,000		
	\$ 1,835,000		\$ 5,250,000
	\$ 2,200,000		\$ 500,000
Subtotal Construction Cost	\$ 9,885,000		\$ 5,750,000
Phase 1			
Current Measure BB Budget Estimate Per Adopted Master Plan			
Building A: Math/Science Meadows parking area Peck ave parking and traffic management M and O building and parameter fire lane			
Subtotal Construction Cost			
Phase 2			
Building B: General Academic Modernization of finger buildings A, M, N Administration building classrooms renovation			
Subtotal Construction Cost			
Phase 3			
Renovation of English, foreign languages, and learning center			
Subtotal Construction Cost			
Phase 4			
Demolition of old administration building and buildings C, D, K Renovation of Building S new career technical center Construction of multipurpose hall, satellite food service Renovation to exterior of Cafeteria			
Subtotal Construction Cost			
Phase 5			
Hardscape and landscape of new commons Campus wide safety improvements Furniture and Equipment			
Subtotal Construction Cost			
Total Construction Cost	\$ 37,540,000		\$ 35,300,000
Construction Support (25%)	\$ 9,307,500		\$ 10,103,000
Contingency/Inflation (20%)	\$ 7,446,000		\$ 9,372,000
Total Bond Projects	\$ 54,293,500		\$ 54,775,000
Existing Debt Paydown	\$ 13,500,000		\$ 12,705,000
Total Measure BB Forecasted Spending	\$ 67,793,500		\$ 67,480,000
Measure BB Bond Proceeds	\$ 67,480,000		\$ 67,480,000
Difference	\$ 313,500		\$ -
Previous Bond Interest Payments, to be paid with Other Funds			\$ 786,389
Total Spending (Measure BB and Other Funds)			\$ 68,266,389

Manhattan Beach Unified School District
 Measure BB Project Summary
 Comparison of Measure BB Budget to Actual Spending
 As of February 1, 2010

**Current Measure BB Budget Estimate
 Per Adopted Master Plan**

	Budget	Expenditures	Encumbrances	Balance Available
Phase 1				
Building A: Math/Science	\$ 17,500,000	\$ -	\$ -	\$ 17,500,000
Meadows parking area	\$ 350,000	\$ -	\$ -	\$ 350,000
Peck ave parking and traffic management	\$ 100,000	\$ -	\$ -	\$ 100,000
M and O building and parameter fire lane	\$ 850,000	\$ -	\$ -	\$ 850,000
Subtotal Construction Cost	\$ 18,800,000	\$ -	\$ -	\$ 18,800,000
Phase 2				
Building B: General Academic	\$ -	\$ -	\$ -	\$ -
Modernization of finger buildings A, M, N	\$ 5,250,000	\$ -	\$ -	\$ 5,250,000
Administration building classrooms renovation	\$ 500,000	\$ -	\$ -	\$ 500,000
Subtotal Construction Cost	\$ 5,750,000	\$ -	\$ -	\$ 5,750,000
Phase 3				
Renovation of English, foreign languages, and learning center	\$ 4,200,000	\$ -	\$ -	\$ 4,200,000
Subtotal Construction Cost	\$ 4,200,000	\$ -	\$ -	\$ 4,200,000
Phase 4				
Demolition of old administration building and buildings C, D, K	\$ 250,000	\$ -	\$ -	\$ 250,000
Renovation of Building S new career technical center	\$ 600,000	\$ -	\$ -	\$ 600,000
Construction of multipurpose hall, satellite food service	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000
Renovation to exterior of Cafeteria	\$ 500,000	\$ -	\$ -	\$ 500,000
Subtotal Construction Cost	\$ 4,250,000	\$ -	\$ -	\$ 4,250,000
Phase 5				
Hardscape and landscape of new commons	\$ 800,000	\$ -	\$ -	\$ 800,000
Campus wide safety improvements	\$ 500,000	\$ -	\$ -	\$ 500,000
Furniture and Equipment	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
Subtotal Construction Cost	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
Total Construction Cost	\$ 35,300,000	\$ -	\$ -	\$ 35,300,000
Professional Services (including Architect, CM, and legal)	\$ 10,103,000	\$ 114,000	\$ -	\$ 9,989,000
Contingency	\$ 9,372,000	\$ -	\$ -	\$ 9,372,000
Total Bond Projects	\$ 54,775,000	\$ 114,000	\$ -	\$ 54,661,000
Debt Payments	\$ 12,705,000	\$ 4,410,876	\$ -	\$ 8,294,124
Total Measure BB Forecasted Spending	\$ 67,480,000	\$ 4,524,876	\$ -	\$ 62,955,124
Measure BB Bond Proceeds	\$ 67,480,000			\$ 67,480,000
Difference	\$ -			
Previous Bond Interest Payments, to be paid with Other Funds	\$ 786,389	\$ -	\$ -	\$ 786,389
Total Spending (Measure BB and Other Funds)	\$ 68,266,389			\$ 63,741,513