

**Manhattan Beach Unified School District
Measure BB Oversight Committee
Report Dated March 31, 2011**

This report covers the period from January 1 through March 31, 2011

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 bonds 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 ensure 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. This report addresses activities during the period from January 1, 2011 to March 31, 2011.

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 literature; (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 (see the list on the attached “**Exhibit A**”), 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.

Due to limited activity with the Measure BB Project in 2009 and 2010, and limited project spending during the months since Measure BB was adopted, this is the fourth report issued by the Committee. Future reports will be made on a quarterly basis or as the Committee deems necessary.

III. Project Highlights and Recent Developments

The Measure BB project involves three major construction phases as shown in “**Exhibit B**”, including, but not limited to: (1) addition of a math and science building, (2) modernization of the “finger buildings” and (3) modernization of the performing arts buildings and quad development. Each of these three phases contributes to the majority of the planned capital spending. The new academic instructional building (Building B) will not be built. Instead, a larger math-science building and renovation rather than demolition of existing “finger buildings” was found to be more cost effective in meeting the intent of the Project List in “**Exhibit A**”. Additional program elements and the full list of voter-approved projects, not all of which are required to be constructed as part of the Measure BB program, are presented in attached “**Exhibit A.**”

With construction scheduled to first begin on the new math and science building in June 2011, the primary Project activities in the first quarter of 2011 related to the final approval stages of the construction, as well as additional project budget updates. The Measure BB project design has and will continue to be led by Harley Ellis Devereaux (“the Architect”), and has been organized into three phases.

The schematic design (first phase) has been completed. The final phase of design (construction documents) was completed and submitted to the Division of State Architect (DSA) for approval on November 3, 2010. A full review by the DSA of the Measure BB construction documents continued during this

reporting period, and the DSA has sent back portions of the reviewed plans with comments which are being addressed by the design team. The construction documents will be resubmitted to the DSA for back check and approval prior to bidding and construction.

Concurrent with the DSA review, Bernards performed a constructability review and provided comments to the design team that will be addressed prior to bidding and construction.

Based on the results and completion of the working drawings phase, Bernards completed their projection of total spending for the three construction phases. Bernards' projected spending by major construction phase varies from what was presented previously by the MBUSD Board. The spending variances were determined based on more specific information on design scope and materials as developed by the Architect.

A summary of the Bernards' March 2011 construction cost estimate (which was included in the Bernards Status Report #4), as compared to the most recent budget prepared and reported by the MBUSD Board, is as follows (amounts in thousands). The updated budget from Bernards was provided to the Committee at the March 14, 2011 Committee Meeting.

	<u>MBUSD (000's)</u>	<u>Bernards (000's)</u>
<u>Construction Costs:</u>		
Phase I	\$24,360	\$26,273
Phase II	13,983	6,924
Phase III	<u>9,420</u>	<u>15,182</u>
Sub-total Construction	\$47,763	\$48,379
All Soft Costs	<u>7,012</u>	<u>6,720</u>
Total Projection	\$54,775	\$55,099
Potential Cost Increase		\$324

The projected budget of Bernards, as reported in the previous report of the Committee, dated December 31, 2010, was \$54,671,000. The budget provided to the Committee in March 2011 totals \$55,099,000, which represents a potential construction cost change of \$428,000 over the previous budget from Bernards. This construction cost estimate includes a 10% contingency. Due to the level of contingencies in the budget, MBUSD management believes that the change in the construction cost estimate is not significant, as the change from the initial MBUSD budget is an incremental cost increase of \$324,000. In addition, since the Measure BB project is still in the pre-construction and bid stages, the MBUSD Board has elected to maintain the current budget until the Architect's independent estimate has been completed. Additionally, MBUSD staff is working with the Architect and Bernards to identify potential cost savings that would minimize impacts to project functionality and durability.

IV. Measure BB Project Scope, Budget and Spending 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 B**” outlines the Measure BB budget as revised and reported in the Committee’s report dated March 11, 2010. In addition, actual spending as of March 31, 2011 is compared to the budgeted amounts in “**Exhibit B**”.

As of March 31, 2011, the following amounts have been disbursed related to Measure BB (as summarized on the Attached “**Exhibit B**”):

Existing Debt: a total of \$5,149,856 from Measure BB funds was 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: \$2,912,205 has been spent on the Measure BB initiatives through March 31, 2011. (The Committee approved during the April 11, 2011 meeting that once the spending as of March 31, 2011 was provided by MBUSD management, the spending could be included in this report.) Expenditures to date include the following, which are all within the expected spending levels:

Architect Fees	\$2,232,377
Engineer & Consultant Fees	143,626
Legal Fees	221,734
Construction Manager	232,330
All Other	<u>82,138</u>
Total	\$2,912,205

V. Recent Committee Activities and Measure BB Highlights this Reporting Period

The following activities have been conducted and milestones achieved during the period from January 2011 through March 2011 by the Committee:

1. The Committee held two meetings during the quarter: January 10, 2011 and March 14, 2011. Bernards presented their status update on January 10, and MBUSD management presented the updated budget and progress status report as prepared by Bernards on March 14.

2. The audit of the Measure BB spending was completed by the firm Vavrinek, Trine, Day & Co. (“the auditors”), and the report was issued December 20, 2010. The audit was performed using financial information as of June 30, 2010. The report includes a summary of the procedures performed by the auditors, which is attached as “**Exhibit C**”. The auditors also adjusted the total spending reported as of June 30, 2010 for Measure BB, from \$510,637 to \$966,859. The adjustment does not reflect incremental spending, but an accrual of expenditures that shifted some spending from the third quarter of 2010 to the second quarter of 2010.
3. The Committee was presented with the background of the proposed “Lease / Leaseback” financing alternatives during the March 14 Committee meeting. MBUSD management and the Board will continue to pursue the bids provided by two organizations to provide the Lease / Leaseback financing for Measure BB. Bernards is one of the organizations being considered for the Lease / Leaseback agreement with MBUSD. If Bernards were to assume the new role, their continued involvement as construction manager would need to be terminated.
4. The Committee has discussed the potential to form sub-committees within the Committee, as the Measure BB project increases in activities in the coming months. The Committee will discuss this further with MBUSD management and the Board at future meetings.

VI. 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 thirteen Committee members, and all of the above committee member requirements have been met.

VII. 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 one outstanding item: an annual audit will need to be performed of the project spending since the most recent audit was performed as of June 30, 2010.
- All Measure BB spending incurred as of March 31, 2011 appears to be appropriate based on the projected budget of Measure BB. Completion of the annual audit will provide an additional opinion as to its accuracy.
- 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:	Parent of MBUSD student
Timothy Flake:	Parent of MBUSD student and PTA member
Michael Kling:	Parent of MBUSD student
Ed Lear:	Parent of MBUSD student
Tim Lilligren:	Manhattan Beach business member
Gary Osterhout:	Taxpayers' Organization member
Noel Palm:	Senior Citizens member
Kathleen Paralusz:	Manhattan Beach citizen
George Reppucci:	Manhattan Beach citizen
Kimberly Robinson:	Parent of MBUSD student and PTA member
Jim Sepanek:	Parent of MBUSD student
Rod Spackman:	Manhattan Beach member
Rachel Vandenberg:	Parent of MBUSD student and PTA member

EXHIBIT "A"

PROJECT LIST

The District intends to use the proceeds of the Bonds to finance or refinance some or all of the below-listed projects, upon voter approval:

MIRA COSTA HIGH SCHOOL

NEW MATH/SCIENCE INSTRUCTIONAL BUILDING (Building A)

- Replace deteriorated, outdated classrooms with 20 new math/science classrooms
- Replace 58-year-old obsolete science labs with 6 new science labs aligned to current science curriculum standards and graduation requirements
- Construct 3 science/math teacher preparation rooms
- Replace deteriorated restrooms, plumbing and water/sewer systems with new facilities
- Replace all deteriorated electrical, mechanical, heating, cooling, ventilation and utility systems and improve energy efficiency to meet new construction high efficiency standards

NEW ACADEMIC INSTRUCTIONAL BUILDING (Building B)

- Replace aging classrooms with 27 new academic classrooms
- Construct a multi-purpose large lecture hall for large group instruction/events
- Construct 2 lecture classrooms.
- Replace deteriorated restrooms, plumbing and water/sewer systems with new facilities
- Replace all deteriorated electrical, mechanical, heating, cooling, ventilation and utility systems and improve energy efficiency to meet new construction, high efficiency standards

TECHNOLOGY UPGRADES: Improve educational technology infrastructure throughout campus, including upgrading outdated cable, fiber-optics, hardware, technology and telecommunications infrastructure

CAREER/TECHNICAL SKILLS CENTER: Repair and renovate large multi-purpose classroom for high-tech job training (Career Technical Education) including auto diagnostics, computer aided design (CAD), sheet metal fabrication, etc.

ARTS INSTRUCTIONAL BUILDING: Repair/renovate/reconfigure deteriorated 58-year old classrooms, studios, art labs, practice rooms, etc. in this building

SAFETY: Upgrade fire safety, emergency communications systems indoor/outdoor lighting, walkways, hardscape, fencing and security systems for improved safety/security

STUDENT SERVICES: Relocate/reconstruct/reconfigure school spaces/facilities to improve one-stop access for student support services—e.g. counseling, administration, special education, speech therapy, occupational therapy, health services, Independent Study, food services, etc.

HIGH SCHOOL MAINTENANCE BUILDING: reconstruct facility to replace 58-year old deteriorated, inadequate maintenance/grounds building.

DISTRICT-WIDE

- Pay or prepay certain existing long-term debt obligations of the District

AT LOCATIONS WHERE RENOVATION, MAJOR REPAIRS AND/OR NEW CONSTRUCTION IS UNDERTAKEN

- Remove hazardous materials (asbestos, lead, mold, mildew, etc.) where necessary
- Address unforeseen conditions revealed by construction/modernization (e.g. plumbing, or gas line breaks, dry rot, seismic structural, etc.)
- Improve schools as required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act
- Provide adequate furniture and equipment for all classrooms, and spaces to be newly constructed or reconstructed, including classroom technology, computer and science equipment, and book storage, and replacement of worn/broken/out-of-date furniture and equipment
- Demolition of existing buildings to be replaced
- Acquisition of any of the facilities on the Project List through temporary lease or lease-purchase arrangements, or execution of purchase options under a lease for any of these authorized facilities
- Necessary site preparation/restoration in connection with new construction, renovation or remodeling, including ingress and egress, removing, replacing, or installing irrigation, utility lines, trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to property
- Replacement construction if Board of Trustees determines that replacement is more economical than rehabilitation/renovation of existing classrooms
- Provide temporary (interim) classrooms and other school facilities as needed to accommodate students and school functions displaced during construction

MBUSD Measure BB Oversight Committee
 Exhibit B to Report Dated March 31, 2011
 Actual Spending through March 31, 2011

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

Exhibit B

REVISED BOND PROJECT BUDGET

Budget as of 9-27-09, revised 2-16-10

	Budget	Revised Budget	Expenditures	Encumbrances	Balance Available
1 Phase I:					
2 meadows parking area	\$ 350,000	\$ -	\$ -	\$ -	\$ 350,000
3 math science building	\$ 17,500,000	\$ -	\$ -	\$ -	\$ 17,500,000
4 peck ave parking and traffic management	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
5 m and o building and parameter fire lane	\$ 850,000	\$ -	\$ -	\$ -	\$ 850,000
6 Total Construction cost	\$ 18,800,000	\$ -	\$ -	\$ -	\$ 18,800,000
7 Construction Support and Services	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 1,500,000
8 Contingency	\$ 4,060,000	\$ -	\$ -	\$ -	\$ 4,060,000
9 Total Cost Phase I	\$ 24,360,000	\$ -	\$ -	\$ -	\$ 24,360,000
10 Phase II:					
11 modernization of finger buildings A, M, N	\$ 5,250,000	\$ -	\$ -	\$ -	\$ 5,250,000
12 administration building classrooms renovation	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
13 Total Construction cost	\$ 5,750,000	\$ -	\$ -	\$ -	\$ 5,750,000
14 Construction Support and Services	\$ 862,500	\$ -	\$ -	\$ -	\$ 862,500
15 Contingency	\$ 1,322,500	\$ -	\$ -	\$ -	\$ 1,322,500
16 Sub-total	\$ 7,935,000	\$ -	\$ -	\$ -	\$ 7,935,000
18 Renovation of English, foreign languages, and learning center	\$ 4,200,000	\$ -	\$ -	\$ -	\$ 4,200,000
19 Total Construction cost	\$ 4,200,000	\$ -	\$ -	\$ -	\$ 4,200,000
20 Construction Support and Services	\$ 840,000	\$ -	\$ -	\$ -	\$ 840,000
21 Contingency	\$ 1,008,000	\$ -	\$ -	\$ -	\$ 1,008,000
22 Sub-total	\$ 6,048,000	\$ -	\$ -	\$ -	\$ 6,048,000
23 Total Cost Phase II	\$ 13,983,000	\$ -	\$ -	\$ -	\$ 13,983,000
24 Phase III:					
24 Demolition of old administration building and buildings C, D, K	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
25 Renovation of Building S new career technical center	\$ 600,000	\$ -	\$ -	\$ -	\$ 600,000
26 Construction of multipurpose hall, satellite food service	\$ 2,900,000	\$ -	\$ -	\$ -	\$ 2,900,000
27 renovation to exterior of Cafeteria	\$ 500,000	\$ -	\$ -	\$ -	\$ 500,000
28 Total Construction cost	\$ 4,250,000	\$ -	\$ -	\$ -	\$ 4,250,000
29 Construction Support and Services	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
30 Contingency	\$ 1,050,000	\$ -	\$ -	\$ -	\$ 1,050,000
31 Sub-total	\$ 6,300,000	\$ -	\$ -	\$ -	\$ 6,300,000
33 Hardscape and landscape of new commons	\$ 800,000	\$ -	\$ -	\$ -	\$ 800,000
34 Campus wide safety improvements	\$ 500,000	\$ -	\$ -	\$ 43,805	\$ 456,195
35 furniture and equipment	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
36 Total Construction cost	\$ 2,300,000	\$ -	\$ -	\$ 43,805	\$ 2,256,195
37 Construction Support and Services	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000
38 Contingency	\$ 520,000	\$ -	\$ -	\$ -	\$ 520,000
39 Sub-total	\$ 3,120,000	\$ -	\$ -	\$ 43,805	\$ 3,076,195
Total Cost Phase III	\$ 9,420,000	\$ -	\$ -	\$ 43,805	\$ 9,376,195
40 Total for Construction and Contingencies	\$ 47,763,000	\$ -	\$ 2,912,205	\$ 43,805	\$ 47,719,195
41 Architect, CM, Services and Attorney	\$ 5,600,000	\$ -	\$ -	\$ -	\$ 2,687,795
42 Architect, CM and Attorney Contingency	\$ 1,120,000	\$ -	\$ -	\$ -	\$ 1,120,000
43 Available for Future Design Enhancement	\$ 292,000	\$ -	\$ -	\$ -	\$ 292,000
44 Grand Total	\$ 54,775,000	\$ 2,912,205	\$ 43,805	\$ 43,805	\$ 51,818,990
Debt Payments	\$ 12,705,000	\$ 5,149,856	\$ 0	\$ 0	\$ 7,555,144
Total Measure BB Proceeds & Forecasted Spending	\$ 67,480,000	\$ 8,062,061	\$ 43,805	\$ 43,805	\$ 59,374,134

**ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES
JUNE 30, 2010**

The Manhattan Beach Unified School District requested that the following agreed-upon procedures be performed:

Procedures Performed

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the Building Fund.
3. Select the expenditures at each location and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials and District resolutions that were distributed.

Results of Procedures

1. The General Obligation Bond fund expenditures were accounted for separately in the Building Fund of the District.
2. The net proceeds from the sale of the General Obligation Bonds were deposited into the appropriate accounts within the Building Fund and the Bond Interest and Redemption Fund.
3. Our review of the expenditures for the period ended June 30, 2010, did not reveal any items that were paid from the General Obligation Bond Funds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on November 4, 2008.