



Pajaro Valley Unified School District Bond Measure L

Bonds Make Promises – Are Promises Monitored?

Summary

In November 2012 voters in the Pajaro Valley Unified School District (District or PVUSD) approved Measure L, a \$150 million facilities bond to repair and upgrade the district's campuses. The voter's pamphlet called out in great detail construction projects ranging from district-wide classroom technology installations to school kitchen updates.

Education bonds passed by California voters are governed by the California Education Code. This code stipulates districts must convene citizens' oversight committees to ensure bond funds are spent in accordance with the terms and conditions approved by the voters. Committees are comprised of unpaid community volunteers who work with district staff and boards of trustees and are subject to district bylaws and state law.

We investigated whether the Pajaro Valley Unified School District's Citizens' Oversight Committee (COC) is meeting its mandate for financial oversight of bond expenditures and its responsibility to inform the public about the expenditure of bond revenues. We have concluded that the committee has been mostly ineffective in informing the public, reporting to the Board, and overseeing the project.

The COC's work is further diminished by the limited and inconsistent reporting provided by the District. The Trustees have not worked with or directed the COC and the District to carry out the duties as stated in the COC bylaws and California Education Code.

Background

Prior to the passage of Measure L,^[1] site councils comprised of parents and staff at each school worked closely with the District to develop the final bond project list. Site councils followed up by prioritizing their individual school's project list after the passage of the bond in November of 2012, but staffing departures and transitions have strained implementation. These challenges included the facilities manager's nine-month leave and the departure of the chief business officer and the superintendent, both of whom were instrumental in developing the bond projects. Concurrently there were architectural and project management firm changes. Although these disruptions are now behind the District, they possibly contributed to delays that fomented the discontent of parents and others cited in an article in the Santa Cruz Sentinel.^[2]

That article reported that parents from Mar Vista Elementary School attended a Board of Trustees meeting on February 16, 2016, during which they voiced concerns about the lack of progress on Measure L bond projects at their school, including the number of incomplete repairs and projects not started. Parents also asked why an interim director of facilities maintenance had not been appointed during the prolonged absence of the sitting director. This is only one instance of dismay with the District's delayed implementation of the bond.

Scope

The Grand Jury reviewed Measure L planning, implementation, and compliance with fund use and reporting standards, as carried out by District management, the COC, and the Trustees. We looked at procedures used by the District for tracking and delivery of bond projects and how this information is reported to the Trustees, the COC, site councils, and school administrators.

We assessed the work of the COC, its compliance with state law, and attention paid to cost efficiencies in the agreed-upon plans and specifications within the scope of the bond. We looked for the ways in which the COC reported the progress of the work to the Trustees and community at large. We also explored with the Trustees their oversight of the COC and District staff involved with Measure L projects.

Investigation

The Grand Jury investigated District operations pertaining to Measure L, including receiving funds for the repair, upgrading, and construction of projects outlined in the bond; accounting for the distribution of funds to the various projects; and overseeing the projects by District staff, the Trustees, and the COC. The investigation examined all of the publications on the District website pertaining to Measure L. This included reviews of the Master Plan 2012–22, the Measure L voter's pamphlet project list, COC agendas and minutes, bylaws of the COC, California Financial Services Bond Tracking Database, and independent audits of the project. The Grand Jury attended a COC meeting, visited District headquarters, and toured several schools where Measure L funds have been spent. We also interviewed District staff, COC members, and District board members about their experiences with the projects.

The Grand Jury examined the bond text, legislation governing the use of bond funds for schools, the bylaws established by the District for guiding the COC, and the recommended operating procedures published by the California League of Bond Oversight Committees (CaLBOC). These documents were key in establishing standards for our investigation:

- California Education Code §§15278–15282, as amended by Proposition 39^[3] ^[4] ^[5]
- Measure L - PVUSD Bond Voter’s Pamphlet^[1]
- The Citizens’ Oversight Committee Bylaws adopted by the PVUSD Trustees^[6]
- “Best Practices: School Board Oversight Committees Operations Standards,” a document published by the CaLBOC^[7]

The Grand Jury focused on the COC, its function and interaction with the District and the Trustees. Specifically we looked at the following areas:

- Informing the public
- Reporting requirements, budgets, and facility inspections
- Managing projects and programs

Informing the Public

Legislation, Bylaws and Best Practices

California Education Code states “The purpose of the citizens’ oversight committee shall be to inform the public concerning the expenditure of bond revenues.”^[8] The bylaws of the COC echo this mandate: “The COC shall inform the public concerning the District’s expenditure of bond proceeds.”^[9] CaLBOC’s best practices states: “The citizens’ oversight committee shall advise the public as to whether a district is spending the bond for 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.”^[10]

PVUSD Practice

The District has engaged in long-range planning, sought funding, and worked with builders and suppliers to make their facilities safe, up-to-date, and more educationally productive. Much was done to successfully pass a bond measure for \$150,000,000 to add new facilities, repair deteriorating buildings, bring facilities up to current operational and safety standards, and install classroom technology updates.

The District maintains a Measure L webpage^[11] that includes meeting agendas and minutes, progress reports, outside audit reports, and limited project updates. Although not specifically required by statute, it would be advised that the COC make a bigger effort to inform the public beyond simply publishing the committee’s work on the District’s website. There has been virtually no outreach to the community at large: to neighborhoods where the various schools are located, to particular schools where major changes are planned or completed, to the Trustees, or to taxpayers.

The effectiveness of the COC has been uneven, and efforts to execute their mandate to inform the public have fallen short or are non-existent. Some members have attended some site council meetings. The press, despite its ability to widely disseminate project updates, has been used only twice since project inception.^[2] ^[12]

The COC has not written and presented a complete annual report to the Board and public, as required by the California Education Code.^[13] An annual report is also recommended in District COC Bylaws Section 3.3 and CaLBOC Best Practices.^[14] Such a report would help ensure the expenditures of funds are in compliance with the purposes and standards outlined in the original bond. There has been no aggregate report of fund disbursements meeting the full criteria as called out in the California Education Code^[13] and by CaLBOC best practices.^[14] Finally, some project-level reporting has recently been made available but this, too, falls short of the breadth of information needed for full transparency. Reports should include overall receipts, expenditures, encumbrances, and balances remaining over the life of the funding. The COC's bylaws state not only that a written annual report be presented to the Trustees assessing the degree to which the District is in compliance with the strictures of the bond, but also that it include a summary of the COC's proceedings and activities for the preceding year.

Reporting Requirements, Budgets and Facility Inspection

Legislation, Bylaws, and Best Practices

The California Education Code requires the COC receive and review independent financial audits of expenditures and work done using bond funds.^[15] The law and bylaws require that the COC inspect school facilities and grounds to ensure the bond spending is in compliance with the bond requirements.

PVUSD Practice

The COC receives and reviews independent financial audits of the expenditures and work done using bond funds. The COC receives limited progress and expenditure reports from the Director of Maintenance, Operations, and Facilities and the Chief Business Officer on work at the various school sites. These reports provide some information about what is going on at each site, including the budget for the site, expenditures to date, encumbrances, and balances available, but these reports are not comprehensive. The reports to the COC vary from meeting to meeting with regard to the amount of financial and work detail. Sometimes the presentations to the COC are lists of projects underway at the time of the report, other times the reports include summaries of the finances related to the projects. There is no report that includes all information for all projects. Recent reports include expanded information and are available on COC webpage or through the California Financial Services website.^[16]

Usually the focus of these District reports is on individual projects and provides no opportunity to view the bond's consolidated performance. Some projects have some data reported but few projects have all data reported. It is not possible for the COC to have an overall picture of Measure L's project portfolio, so it cannot critically assess the

current state of each site and the entire project. A complete status report of Measure L would preferably include:

- Funding Source
- Original Estimated Budget
- Approved Change Orders
- Revised Budget
- Paid to Date
- Encumbered / Balance to be paid
- Project Total Cost
- Amount Remaining under / over
- Percent Complete

The Grand Jury was unable to find any information on the Measure L webpage about the approved change orders, bid or revised budgets, site and project total costs, or percent complete.

This dearth of information leaves the COC unable to assess the overall financial condition of the entire project portfolio and unable to evaluate the current bond status. Our review of the COC minutes found no evidence of members having complete information with which to assess Measure L's execution, its compliance with restrictions on fund usage, or its requirement to pursue cost reductions and efficiencies.

It is the District's responsibility to inform the Trustees and the COC as to the progress of bond projects. If the COC is not receiving information about the overall financial condition of the entire project, it cannot inform the public as to the financial situation of Measure L expenditures.

The Grand Jury has been told the District is implementing an accounting and business management software solution that will have customized reporting tools capable of real-time financial reporting and budgeting. This solution is supposed to have the capability to provide reports of project-level expenditures-to-date, change-order tracking, and other financial reports currently unavailable in a timely manner. Once fully implemented many of the reporting deficits our investigation identifies may be resolved.

The COC also has the responsibility to make regular inspections of work in progress and to verify project completion and quality of work. We know of only two official site inspections by the COC over the past four years.

Managing Projects and Programs

Legislation, Bylaws, and Best Practices

The California Education Code^{[17](#)} states that citizens' oversight committees may engage in reviewing efforts by their districts to maximize bond revenues by implementing cost-saving measures such as:

- Mechanisms designed to reduce the costs of professional fees and site preparation and to utilize design efficiencies

- Shared use of core facilities
- Use of cost-effective and efficient reusable facility plans

The COC bylaws support the committee's review of efforts by the District to maximize bond proceeds by implementing cost-saving measures.^[18] CaLBOC encourages review of site designs and re-use of facility plans.^[19] There is another provision in the PVUSD bylaws^[20] stating the COC may review Measure L funding and projects and their interaction with other District facility programs. CaLBOC's Best Practices^[21] recommend oversight committee participation in cost reduction evaluation of projects.

CaLBOC has other relevant recommendations, not all of which are being followed. There should be an oversight committee handbook^[22] that includes the key documents relevant to district policy, bylaws, project description, budgets, schedules, financial reports, and minutes of prior meetings. CaLBOC also supports the idea of training for oversight committees.^[23] A March 13, 2013 *Board Agenda Backup* states "Upon appointment, COC members will undergo extensive training on their roles and responsibilities. Additional training and refresher courses will be provided on an annual basis."^[24]

PVUSD Practice

From the inception of the Measure L Bond there has been significant turnover in key positions related to the management of the District and to the administration of the bond funds. These personnel transitions have impacted the roles of Superintendent of Schools and the Chief Business Officer, as well as the Director of Maintenance, Operations, and Facilities who had an extended leave with no temporary replacement. Major contractors, an architect, and a project management firm were also replaced.

Despite these setbacks the staff, COC, and Trustees have soldiered on and many projects have been completed. The District is striving to inform and receive feedback from their constituent schools and site councils. The current superintendent has by now executed her 100-day plan to meet with District parents. District staff employed drone video in updating the COC on roofing projects, which saved time in showing the COC the magnitude of the roof repairs while not requiring them to travel to each site or climb on rooftops.

COC members are volunteers, purposefully drawn from the community so as to enrich the committee with a range of professional expertise and life experiences. There is no evidence from our research that any efforts are made to develop member skill in overseeing bond budgets and expenditures, assessing the effectiveness of District management, or determining the District's compliance with state law. Nor does the COC receive training in assessing cost reduction possibilities in the project, budget tracking, financial reporting, and projections. Furthermore, the COC lacks a handbook detailing procedures for conducting project and financial compliance with the bond.

The COC was not engaged in cost reduction strategy discussions at the beginning of the project. Since the inception of the COC there has not been an opportunity for them

to join in the process of reviewing or exploring cost saving measures with the Trustees or District staff planning the various projects within the bond measure.

While there has been regular reporting to the COC from District staff, the COC has not received enough information from the District's management team to make meaningful assessments of each project's financial status and its stage of completion. Also lacking is a report of all projects depicting milestones for critical dates, allocation of resources, and objective performance criteria.^[25] Reporting from District staff is inconsistent in format and information. The COC does not receive information about the overall state of remaining funds available and total amounts encumbered or spent by any particular report date.

Investigative Facts Summary

1. The California Education Code states and CaLBOC recommends that oversight committees report regularly to their trustees and the public on the expenditures of bond revenues. The COC bylaws concur.
2. The November 2012 Santa Cruz County *Measure L – PVUSD Bond Voter's Pamphlet* includes a list of proposed projects organized by categories of work within school site.
3. The District received prioritized school site council project lists that may be different than the projects listed in the voter's pamphlet.
4. Changes made by the District and the Trustees are authorized by law to include deletions and additions of bond projects that are different than those listed in the voter's pamphlet or school site council lists.
5. There is no published, comprehensive, and current list of Measure L projects certified by the Trustees for public dissemination.
6. The published COC minutes and reports do not include any annual COC report.
7. The District has not provided a single, comprehensive list of projects for the sequential scheduling of their construction.
8. All reports found on the District's website are reports to the COC, and not reports issued by the COC.
9. Reports issued by the District's Chief Business Officer account for expenditures to-date, but do not include projected costs for completing projects or the balance of remaining funds for completion.
10. The District website posted the Best Practices published by CaLBOC on the Oversight Committee Agenda dated September 17, 2013.
11. The COC has not evaluated or recommended ways to reduce costs by utilizing core facilities for joint use and efficiencies in school design.
12. Although recently implemented reporting from the California Financial Service's website provides some limited activity detail not previously available, the District has not provided on a regular basis to the COC or Trustees a summary report of all projects stating the bond's financial status.

13. No inspection status reports have documented progress showing expenditures of bond revenues compared to work completed.
14. The COC has not made regular site inspection visits.
15. There has been turnover of key District personnel since the inception of Measure L.
16. The COC has not received orientation, on-going training, or a handbook explaining their duties and responsibilities.
17. No COC minutes state there has been any review of the independent auditor's report nor do they contain a statement of acceptance of the auditor reports for fiscal years 2013, 2014, or 2015.
18. The District is in the process of implementing accounting and business software that they expect to provide a wide array of financial and management reports.

Findings

- F1.** The lack of a complete, comprehensive, and updated list of all Measure L projects planned, completed, or approved by the Trustees, makes it impossible for the public to be informed.
- F2.** The COC has not presented to the Trustees in public session a complete Annual Report for Measure L as of May 2017, in violation of state law.
- F3.** The COC has not received adequate training or information to fulfill its role.
- F4.** The District's Maintenance, Operations & Facilities Department has not provided other district departments, school sites, the COC, or Trustees updated scheduling reports that meet industry standards for any project, leading to system inefficiency.
- F5.** The District has not presented the COC or Trustees a composite change order list with a cumulative total cost for each site and project, leaving them unable to properly oversee the bond.
- F6.** The COC and Trustees are unable to oversee the bond due to the District's failure to provide a timely financial summary of the bond's status by site, or a cumulative total cost for Measure L projects.
- F7.** The COC and the District have had no discussion about cost savings with those designing and implementing Measure L projects, limiting the COC's oversight.
- F8.** The COC in its official capacity has visited only two project sites in the past four years to inspect Measure L work progress, failing to adequately inform itself about the status of the projects.
- F9.** Trustees and the COC cannot properly manage the bond because they do not know how much money remains to finish Measure L projects.
- F10.** The COC is not informed of all changes to the projects listed in the voter's pamphlet, undermining their oversight and reporting responsibilities.

F11. Bond reporting may be greatly improved once the District’s new accounting and business software is implemented.

Recommendations

- R1.** The District, under the direction of the Trustees, should regularly provide the public and the COC a project list showing original and amended Measure L projects. (F1, F10)
- R2.** The COC should comply with California Education Code section 15280(b) and deliver annual reports to the Trustees at public meetings. (F2)
- R3.** The District should comply with California Education Code section 15278 by providing to the Trustees and COC a comprehensive Measure L financial report, updated quarterly, and including it in their Annual Report. (F6, F7, F9, F10)
- R4.** The District Trustees should provide the COC a comprehensive orientation program for new members and annual updates for returning members. (F3)
- R5.** The District should provide COC members a Measure L handbook detailing committee procedures, protocols, and responsibilities. (F3)
- R6.** The District should provide the COC and Trustees a scheduling report of all Measure L activities depicting project milestones and sequential activity dependencies. (F4)
- R7.** The District should provide the Trustees and COC a cumulative, quarterly change order list, including budget impacts by project and by site. (F5)
- R8.** The COC and the Trustees should meet at least quarterly to discuss recommendations for reducing costs in accordance with COC bylaws and the California Education Code section 15278(b). (F7)
- R9.** The COC should regularly make on-site inspections of Measure L projects. (F8)
- R10.** The District should ensure its accounting software supports and enhances its efforts in meeting the financial reporting requirements of the California Education Code, the COC’s bylaws, and CaLBOC’s best practices. (F12)

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
PVUSD Board of Trustees	F1–F11	R1–R10	90 Days September 11, 2017

Definitions

Best Practices: Recommended procedures that are accepted or prescribed as being correct or most effective. In this report it refers to CaLBOC’s recommended best practices for oversight committees, published in September, 2009.^[4]

California Financial Services: A for-profit, full-service financial and facilities planning firm serving school districts and providing bond project reporting.

CaLBOC: The California League of Bond Oversight Committees, an all-volunteer, non-partisan association of current and past citizens' oversight committee members, promotes school district accountability for improving training and resources available to bond oversight committees and advocates issues of common concern to all citizens' bond oversight committees.

Independent Audit: An examination of the financial records, accounts, business transactions, accounting practices, and internal controls of an enterprise performed by a third party.

Site Council: A group of parents, teachers, and classified employees that work with the principal to develop, review, and evaluate school improvement programs. Depending on the school district, some site councils also collaborate on school budgets.

Voter's Pamphlet: A document available to voters that includes the text of proposed ballot items, as well as arguments in support of or in opposition to them. When the ballot item is a bond, the pamphlet may also include a project list for upgrades and improvements as in the case of Measure L.

Sources

References

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Site Visits

PVUSD - Central Offices
 PVUSD - Hyde Elementary School
 PVUSD - Ann Soldo Elementary School
 PVUSD - Pajaro Valley High School
 PVUSD - Central Commissary (Food Service Operations)
 PVUSD - Office of Maintenance, Operations, and Facilities (MO&F)
 Attended PVUSD Citizens Oversight Committee (COC) Public Meeting

Websites

Pajaro Valley Unified School District <http://www.pvUSD.net/>