



February 10, 2015

ISSUE 70



### REGISTER NOW!

Limited Seating -Free Event

CaLBOC Presents: "Better Way Training"

February 21, 2015 - Saturday

District Offices, Natomas Unified, 1931 Arena Blvd., Sacramento 95834

#### Basics of Bond Oversight

9:00 am - 12:00 noon

- Roles and responsibilities of BOC Members - Resources
- All the basic information needed to be an effective BOC member

#### Best Practices in School Construction

1:00 pm - 3:00 pm

- Reduced First cost - Reduced cost of borrowing
- Management Best Practices

Learn the basics of being a Bond Oversight Committee from the California League of Bond Oversight Committees. Also, learn from the Better Way to Build Schools Initiative about critical cost effective best practices: what they are, how to score a District, and how to move forward.

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### SAVE THE DATE:

CaLBOC Annual Conference

May 19, 2015 Tuesday - "Value in a Changing World"

Sacramento - Chamber of Commerce

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Feb. 21 - FREE EVENT

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Feb. 13, 2015, Friday  
May 7, 2015, Thursday

CaLBOC  
Feb. 21, 2015 - Sat.  
Better Way Training  
Basics of Bond Oversight  
&  
Best Practices in School  
Construction  
**REGISTER!**

CaLBOC Annual  
Statewide Conference:  
May 19, 2015, Tuesday

West Contra Costa Unified School District

## Private Firms Wield Large Influence Over WCCUSD Bond Program As Costs Soar

Feb. 3, 2015 | By Theresa Harrington | [www.contracostatimes.com](http://www.contracostatimes.com)

**EXCERPT:** ... While some large school districts that run multibillion dollar bond programs closely manage spending with in-house staff, two large outside firms have long wielded enormous influence over how much West Contra spends to design and build its schools. Critics say that management approach has left the public in the dark about how taxpayer money is being spent, the justification for cost increases, and which projects will be completed before about \$600 million in remaining bond money is depleted. ...

... Of the approximately \$1.1 billion in bond money spent through June, nearly \$320.3 million -- or about 29 percent -- went toward non-construction costs, including program management and architects' fees. About \$138 million -- 12 percent -- was split through Aug. 31 between SGI Construction, which manages the district's overall bond program and provides design management and construction management on individual projects, and WLC Architects, district records show. ...

SGI, a Pasadena-based construction-management firm also known as The Seville Group, has overseen the district's bond-funded school building program since 2001. It has pumped about \$250,000 into a campaign committee that supported bond and parcel tax election campaigns, according to election finance records. WLC Architects, based in Rancho Cucamonga, has contributed more than \$361,000 to the committee. WLC has also worked extensively on the district's bond-financed projects since the program began.

Both SGI and WLC have also made political contributions to election campaigns of board member Madeline Kronenberg and to former board President Charles Ramsey's unsuccessful runs for city and state offices. Ramsey and Kronenberg ran the district's facilities construction subcommittee, which has recommended numerous construction cost increases to the full board. ...

... A June 2013 audit of the bond program concluded that the percentage of bond money being spent on actual construction was "considerably lower than has been experienced by other districts." About 59 percent of the \$945.3 million spent at that time was construction-related, with the rest devoted to architects, program and construction management, engineers, consultants and other costs, district records show. ...

WLC recently requested and was granted a \$7.5 million increase in design fees for the company's work on Pinole Valley High -- its sixth contract amendment for the school -- without any independent written staff report or analysis. The bump pushed the design contract for the school to \$16.1 million, nearly double the amount originally budgeted. The increase came about because the overall construction costs rose to \$134 million and the project timeline was extended, prompting WLC to ask for 12 percent of the total.

Others contacted for this story said it is not in the best interest of districts to pay architects based on a percentage of construction costs, because it leaves no incentive for the contractors to keep down costs.

"Architects are never paid as percentage of project or construction cost," San Diego school district spokeswoman Cynthia Reed-Porter wrote in an email, adding that her district negotiates a maximum fixed fee and pays monthly invoices based on hours worked. ...

... Trustees have routinely approved hundreds of thousands of dollars in fees for the company on the consent calendar at board meetings, with no discussion and without substantial backup materials explaining the need for the added costs.

"This type of agreement lacks the controls necessary to ensure that the time spent ... and charged to the district is appropriate," the 2013 performance audit by Total School Solutions reported. Districts are legally required to hire independent auditors to review their bond construction programs each year. ...

... Although construction costs for Pinole Valley High were originally budgeted at \$85 million, by 2013 the estimate had grown to \$134 million, or \$184.2 million with management, design and overhead costs factored in. Last year, the district's previous associate superintendent for operations said the final tally for the school could reach \$250 million.

SGI's contract requires it to "build a more efficient and economical project" without reducing quality. It also requires the company to pay for the cost of construction change orders caused by errors or omissions. But the district has routinely paid the full cost of such change orders, a practice the bond oversight committee has begun to question. ...

... Tom Rubin, an Oakland-based certified public accountant hired by the Los Angeles district as a consultant to its bond oversight committee, expressed surprise at the way in which West Contra Costa officials have managed many aspects of their program, and said such a passive approach would never happen in Los Angeles, which operates the largest bond program in the state. He said the West Contra school board's eagerness to make quick and costly decisions on individual projects without a clear understanding of their impact on the big picture is a red flag, and delaying a project because of cash-flow constraints, such as happened with Pinole Valley High, was a cause for concern. ...

... Unlike the Los Angeles district, which provides its bond oversight committee with a detailed list of projects to be completed with bond funding, West Contra Costa has rebuffed repeated requests from its oversight committee for information showing how remaining funds will be spent, saying the board has decided to approve one project at a time, as funding allows.

If the Los Angeles district told its bond oversight committee that it didn't have a plan for how its remaining funds would be spent, Rubin said, "The response would be: 'OK, when you have that, come back and see us, because we are not going to even listen until we've got that and until we can believe it.' This is horse pucky." ...

To read the complete article, please visit:

[http://www.contracostatimes.com/breaking-news/cj\\_27432992/private-firms-wield-large-influence-over-west-contra](http://www.contracostatimes.com/breaking-news/cj_27432992/private-firms-wield-large-influence-over-west-contra)

Pay to Play in School Bond Measures-What it is and Why it is Wrong  
[2014CaLBOC\\_PaytoPlay.pdf](#)  
Presented by Lori Raineri of Government Financial Strategies, GFS

#### Mission Statement

To promote school district accountability by improving the training and resources available to California's Proposition 39 School Bond Oversight Committees and educating the state legislature, local school boards and the public about the oversight and reporting powers these Citizens' Bond Oversight Committees (CBOCs) have, and to advocate on a state level, where appropriate, on issues of common concern to all CBOCs.

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