

CALIFORNIA ASSOCIATION OF BOND OVERSIGHT COMMITTEES

First Annual Virtual Statewide Conference

October 16, 2021

9:45 am

Panel A

Ask the Experts

Panel A Agenda

Carolyn Castillo, Moderator

- **Nick Marinovich – Proposition 39**
CABOC Director
- **Carolyn Castillo – Citizens' Bond Oversight Committee**
CABOC Director
- **Chris Hanson – Independent Citizens' Bond Oversight Committee**
CABOC Director
- **Sallie DeWitt – Facilities Master Plans**
CABOC Director
- **Nick Marinovich – Project Lists**
CABOC Director

Proposition 39

Origin of Bond Oversight – Proposition 39: School Facilities

55% Local Vote • Bonds • Taxes • Accountability Requirements

- Constitutional amendment in response to California trends in school needs
- Lowered voter threshold for approval of school district bond measures from 2/3 to 55%
- Focus on accountability as condition of lower threshold
- Significant increase in school district bond measures and bond programs resulted due to lower threshold
- Specific list of projects must be listed in ballot measure
- Funds cannot be used for operating expenses
- Financial and performance audits required
- Education Code (15274-15276) established oversight committees and their role in support of accountability

Proposition 39

What are the Overarching Functions of a Citizens' Bond Oversight Committee?

Overarching approach is found in the legislative intent to education code relating to bond oversight:

- **Vigorous efforts** are undertaken to ensure that the bond measures are in **strict conformity** to the law
- Taxpayers **directly participate** in the oversight of bond revenues
- The members of the oversight committees **promptly alert** the public to any **waste** or **improper expenditure** of school construction bond money
- Unauthorized expenditures of school bond revenues are **vigorously investigated**, and the courts act swiftly to restrain any improper expenditures

Citizens' Bond Oversight Committee

What are the functions of a Citizens' Bond Oversight Committee?

- Inform the public concerning the expenditure of bond revenue
- The Citizens' Oversight Committee shall actively review and report on the proper expenditure of taxpayers' dollars for school construction
- Make specific findings (addressed in a basic performance audit)
 - Bond/capital project expenditures
 - On projects listed in the ballot measure
 - No operating expenses

CBOC does not approve any expenditures or contracts, however CBOC can have input on future actions

Citizens' Bond Oversight Committee

What is their purpose?

- Ed Code §15278
 - To inform the public of bond expenditures
 - Bond language: are expenditures tied into the stated purpose of the Bond?
 - Review expenditures (invoices) and copies of audit reports
 - Visit school sites: inspect construction



Simple?

- **How do you inform the public?**
- **Bond Language** – it's important; but it can be a stretch.
- **Expenditures** – cost not always well defined resulting in not building what was expected.
- **Audits** – only validate that funds were in-line with bond spending; not the process gaps
- **Visiting sites** – having your feet on the ground and observing what's being built

Citizens' Bond Oversight Committee

Common Problems

- **Communication from CBOC depends on the district:** website, community newsletters updates
- **Identified projects listed in the bond language** missing or found in the “also” list.
- **Expenditures**
 - Summaries vs detailed invoices. Also includes unexpected items such as printing costs, mailing costs, inspections, environmental testing, abatement
 - Administrative cost: publicity, social media, event planning?
- **Visiting sites:**
 - Reviewing construction drawings and looking – placement of equipment/furnishings, quality of materials
 - Is work being performed?



Citizens' Bond Oversight Committee

What can you do?

- **Understand**
 - Your role and responsibility as a CBOC member
 - The bond and projects
- **Ask questions**
 - Why did it cost so much?
 - What was that construction change notice for? Isn't it too much?
 - What happened to the schedule? (remember the longer to construct, the more money spent).
 - If it looks and smells fishy, it is. Remember, misuse of funds happens.
- **Becoming an Independent CBOC – what it means?**



Reporting to the school board

- Your report is critical – include pictures
- The School Board is looking for your comments and observations
 - The school board is not your only audience, the public is listening.

CBOC Independence

- **An independent CBOC determines its own process**
- **The framework, outlined in Ed Code 15278 calls for governing boards to establish “an independent citizens’ committee” within 60 days of passage of a bond.**
- **Is your CABOC independent?**
 - See the CABOC checklist on the web.
 - Can you prepare your own agenda?
 - Can you meet whenever you want?
 - Can you approve your own bylaws?

CBOC Independence

What's so important about an independent CBOC?

- While education code requires independence, most CBOCs are not.
- The District positions itself as being the higher authority because they impose the agenda, informational content and communication channels.
- Independence means:
 - CBOC has their own identity and brand
 - Website that can be found on the District website by a page tab or link and easily found by the public
 - CBOC provides own content to the website including bylaws

CBOC Independence

What can an individual member do?

Do your own research

Attend school board meetings – a lot of information is covered, including:

- Projected bond spending
- Non-bid purchase orders that fall below threshold level for a formal bid
- Resolutions on proposed bond spending
- Facilities contracts submitted for approval
- Annual district budget presentations
- Facilities master planning presentations

Facility Master Plans

Ideal School District Facilities Project Planning & Management



District's Facilities Master Plan development & implementation is overseen by the school board and general public

Facility Master Plans

A Well-Founded Facility Master Plan (FMP)

- ◆ **A living document** - changed & updated as needed to include *ALL* facilities' projects regardless of funding sources
- ◆ **Fully transparent** - priorities & implementation schedule posted online ensures equity and trust

Facility Master Plan Critical Components

- **Space Standards and Space Utilization**

Identifies how space is used and indicates growth or consolidation of space requirements

- **Demographics**

Identifies student population trends
Indicator of enrollment requirements and trends

- **Facilities Assessment**

List of building assets including structural, electrical and mechanical systems
Identifies condition of building equipment and age

Facility Master Plans

Facility Master Plan Output: Funding, Capital and Maintenance Plans

- Major construction is typically funded all or partly by bonds
- Examples of funding sources other than bonds: developer fees and state grants
- Capital Plan includes all FMP projects
- All facilities projects serve as a renewal or update of the FMP Facilities Assessment

School Bond Project Lists



- Section 13A states: “A list of the specific school facilities’ projects to be funded” (a requirement of lower voter 55% threshold for approval)
- 2/3 voter approved bonds do not require a project list
- Ballot language should have a list of projects i.e., how the money will be spent

School Bond Project Lists

Issues for Bond Project Lists

- Ballot language is inconsistent or contains broad spending categories (e.g. modernization and repair of buildings)
- Case law is inconsistent and confusing for guidance
- Ballot language is often crafted to be vague enough so most any expenditure is “allowable”

School Bond Project Lists

Role of Bond Oversight Committee



- Remind yourself to review project expenditures periodically and compare to ballot language
- Question priorities given ballot language (e.g. health life safety emphasis yet spending on athletic facilities)
- Report questionable spending to public
- Performance Audit makes finding whether project expenditures are Proposition 39 compliant

Panel A Q&A?

QUESTIONS?

- **Proposition 39**
- **Performance Audits**
- **Independent Citizens' Bond Oversight Committee**
 - **Facilities Master Plans**
 - **Project Lists**