

SALINAS UNION HIGH SCHOOL DISTRICT
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
for SCHOOL BOND MEASURES B & M
ANNUAL REPORT TO THE VOTERS for 2017
December 13, 2017

Executive Summary

The "Committee", includes both bond measures M and B, has reviewed all available data on the expenditures of the bond funds, and found that none of the funds were spent on projects not included in the bond measure specifications nor for any expenses not allowed under the law.

Background

On March 8, 2016 the Board of Trustees approved the newly formed "Committee" for the Measure B and Measure M bonds. This report is issued by the Committee.

Measures M a general obligation school bond measure was passed in November 2002 and Measure B a general obligation school bond measure was passed in November 2014, by the voters of the Salinas Union High School District (hereinafter "District") in accordance with Proposition 39. The funds raised by Measure B are dedicated specifically to the repair, maintenance, physical improvement and expansion of the District's high schools (including construction of the new high school). Funds raised by Measure M are dedicated specifically to the repair, maintenance, physical improvement and expansion of the District's middle schools, and purchase of a site for and construction of a new middle school.

The Committee

Under Proposition 39, applicable implementing legislation relating thereto, and the California Education Code (together hereinafter "Law"), the District was required to establish a Citizens' Oversight Committee for each of the bond measures. This was done in 2002 for Measure M. That committee was disbanded and the newly formed "Committee" now encompasses Measure B and Measure M (hereinafter "Committee"). The Law and the Committee's current Bylaws (available for viewing on the District's website: www.salinasuhd.org) set forth the required membership of the Committee.

As of this report, the Committee consists of the following members:

Richard Giffin, Taxpayers' Representative, Chairperson, current term expires 3/31/2018.

Margie Martin, Community at Large, Vice-Chairperson, current term expires 12/31/2019.

Juan Flores, Community at Large, current term expires 12/31/2019.

Jesse Lopez, Parent Representative, current term expires 3/31/2019.

William Sullivan, Seniors Representative, current term expires 3/31/2018.
Vacant, Business Representative.
Vacant, PTA or SSC Representative.

As of the date of this report, all but two position on the Committee required by the Law are occupied. Vacant positions are the Business Representative and PTA/School Site Council.

Serving as non-voting advisors in a resource capacity to the Committee are:
Ana Aguillon, Manager Business Services/CBO, Salinas Union High School District.
Karen Luna, Manager of Maintenance, Facilities and Planning, Salinas Union High School District.
Lisa Gonzales, secretary of the Salinas Union High School District Business Services Department and Secretary to the Committee.

The Committee met two times in 2017. Agendas for and approved Minutes of these meetings are posted to the District's website: www.salinasuhd.org.

Committee Responsibilities

Applicable California law states that the Committee shall actively review and report on the expenditures of school bond revenues raised under the provisions of Proposition 39. Specifically these responsibilities are listed in the Committee's Bylaws. In summary they include the following:

- Ensuring that Measure M and B bond funds are spent only as allowed by the Law.
- Reviewing copies of annual performance and financial audits.
- Inspecting projects financed by Measure B and M funds at school sites.
- Reviewing cost-saving efforts by the District to maximize the efficient use of bond funds.
- Reporting annually to the voters on the results of its activities.

Findings of the Committee

The Committee has received full cooperation and all data requested from the District for the facilitation of its review of the expenditure of Measures B and M funds as required by the Law.

The status of all the bond projects, as well as an accounting for fund expenditures and balances, may be found in Appendix 1 for Measure B and in Appendix 2 for Measure M. These appendices are attached to and made a part of this report.

Measure B project is the construction of High School #5, now named as Rancho San Juan High School and design and planning of the Mount Toro High School Child Care Development Center and Kitchen/MPR Building and is shown in Appendix 1.

Only two Measure M projects, plans and specifications and construction required to complete the middle school, remain to be completed. The latter is not shown in Appendix 2 yet because it has not yet been scheduled. The unsold remainder of the Measure M bonds (\$8,501,072) will eventually be sold to help finance this construction.

As of this date the cash balance of Measure M bond funds is \$4,190,977 and in Measure B funds it is \$50,418,011. These balances reflect initial bond sales, plus any refinancing bond sales, plus interest received on fund balances, held pending payments on projects, and less the costs to date of the projects. These cash balances, plus the revenue from the sale of the yet unsold Measure M bonds (\$8,501,072), will be used to complete the remaining uncompleted projects (including construction of a new middle school), the construction of Rancho San Juan High School and any of the Board approved projects for Measure B, to pay any legitimate bills outstanding on approved projects, and to expand projects where allowable under law and within the project definitions approved in the ballot measure specifications.

The Committee has reviewed periodic reports submitted by the District on the expenditures of Measures B and M funds, and has found no indication that any expenditures to date of Measures B or M funds were made in violation of the Law. No Measures M or B funds have been spent on salaries, operating expenses or projects not included in the Measures M and B specifications, and no administrative expenses have been charged to Measures M or B funds except as permitted by Law.

The Committee has reviewed the legally required performance audits for Measures M and Measure B by an independent third party (Vavinek, Trine, Day & Co., LLP) for the fiscal year ending June 30, 2016, the latest such audit reports available at this writing. In these performance audits a random sampling of the projects in progress during the audit period were examined, and, within these samples, the auditors found no violations of law in the expenditure of Measure B or Measure M funds. This audit has been accepted and approved by the District's Board of Trustees and by the Committee.

The financial audit of the District's financial condition, practices and accounting by an independent third party (Vavinek, Trine, Day & Co., LLP) for the fiscal year ending June 30, 2016 was last financial audit report reviewed by the Committee financial statements and internal controls and found no violations of law in the financial statements and internal controls of Measure M and Measure B funds.

The Committee continues to monitor the District's efforts to maximize efficiency and effectiveness in the expenditure of Measures M and B funds, and is satisfied that the District is spending those funds for achievement of the best long-term value to the District rather than simply contracting for the cheapest products.

Conclusions

The District appears to be in full compliance with the Law with respect to the use of Measures M and B bond funds. Further, the District appears to be spending Measures M and B bond funds effectively and efficiently.

Respectfully submitted for the Committee by



Richard Giffin, Chairman

SALINAS UNION HIGH SCHOOL DISTRICT
FACILITIES AND PLANNING
MEASURES BOND OVERSIGHT COMMITTEE
FUND BALANCE

MEASURE B

| | District Adjusted Budget | Dist Paid Expenditures 6/30/2017 | Current Expenditures to 11/30/17 | Distict Paid Total Expenditures 11/30/2017 | Project Balance |
|---|--------------------------------|--|--|--|--------------------|
| Rancho San Juan HS #5 Phase I Construction | 89,454,504.78 | 27,410,487.01 | 13,150,597.13 | 40,561,084.14 | 48,893,420.64 |

Administrative Cost

| | | | | | |
|--------------------|------------|----------|--|----------|-----------|
| * Costs Include: | 100,000.00 | 3,325.00 | | 3,325.00 | 96,675.00 |
| Bank Fees & Audits | | | | | |
| Consulting Fees | | | | | |
| Other Costs | | | | | |

| | | |
|--|----------------------------|---------------|
| Bond Revenues | 40,564,409.14 | |
| 1st Bond Issuance: \$89,454,504.78 | | |
| Interest to Date: = \$ 1,527,915.12 | Interest not yet allocated | 1,427,915.12 |
| | Actual Cash Balance | 50,418,010.76 |
| Total Funds for Meas B: \$90,982,419.90 | | |

Bond Revenue - Expenditures= Actual Cash Balance
\$90,982,419.90 - 40,564,409.14 = \$ 50,418,010.76

* Interest allocation is budget.

SALINAS UNION HIGH SCHOOL DISTRICT
MEASURE M FUND BALANCE

| | District Adjusted Budget | Expenditures thru 06/30/2017 | Current Expenses to 11/30/17 | Total thru 11/30/17 | Balance |
|----------------------------------|--------------------------------|---------------------------------|------------------------------------|------------------------|-----------|
| New Middle School Site | | | | | |
| Land Acquisition/IMP | 6,903,451 | 6,903,451 | 0 | 6,903,451 | 0 |
| Site Costs Include: | 558,491 | 558,491 | | 558,491 | 0 |
| Site Surveys/other expenses | | | | | |
| legal fees, CEQA (environmental) | | | | | |
| Escrow, etc | | | | | |
| Planning/Design Fees | 1,175,000 | 137,411 | 810,965 | 948,376 | 226,625 |
| Planning Other Costs | 688,058 | 198,509 | 369,250 | 567,759 | 120,299 |
| (EIR,DSA,CDE,TEST) | | | | | |
| | 9,325,000 | 7,797,861 | 1,180,215 | 8,978,076 | 346,924 |
| Construction Phase | 3,707,165 | | | | 3,707,165 |
| Administrative Cost | | | | | |
| Costs Include: | 100,000 | 73,684 | 0 | 73,684 | 26,316 |
| Bank Fees & Audits | | | | | |
| Election Expenses | | | | | |
| Consulting Fees | | | | | |
| Other Costs | | | | | |
| | 13,132,165 | 7,871,545 | 1,180,215 | 9,051,760 | 4,080,405 |

Interest thru 11/30/17 110,572

Cash Balance at 11/30/17 4,190,977