

**Manhattan Beach Unified School District (“MBUSD”)
Measure EE Citizen’s Bond Oversight Committee**

Semi-Annual Report Dated August 2, 2018

This report covers the period from January 1 through June 30, 2018

I. Purpose of the Report

In conjunction with the passing of “Measure EE”, the MBUSD Board of Trustees (the “Board”) appointed a Citizens Bond Oversight Committee (the “Committee”) to ensure the MBUSD’s compliance with Proposition 39 (as discussed below).

Community voters approved Measure EE on November 8, 2016 to authorize the issuance of \$39,000,000 of MBUSD general obligation bonds to fund the replacement of the gymnasium at Mira Costa High School (collectively, the “Measure EE Project”).

For more information regarding Measure EE, please refer to the MBUSD Bond Oversight Committee website at:

http://www.mbusd.org/apps/pages/index.jsp?uREC_ID=723955&type=d&pREC_ID=1146946

The purpose of this report is to inform the Board and the public regarding the expenditure of the bond proceeds and compliance with Proposition 39 and the MBUSD Measure EE Bylaws (the “Bylaws”). This report covers the period from July 1, 2017 to December 31, 2017.

II. Purpose and Responsibility of the Committee

The MBUSD Board established Committee Bylaws, which states the duties and responsibilities of the Committee in accordance with Proposition 39, with additional guidance identified by the Board. These Bylaws were adopted by the Board’s Resolution 2017-4. The Committee is to issue a written report, provided semi-annually, detailing its review of the expenditure of the Bond Proceeds. The following mission and purpose are excerpts from those Bylaws:

Mission:

The Measure EE Citizen’s Bond Oversight Committee is to independently review 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.

Purpose:

To inform the public and the Board concerning the expenditure of Measure EE bond proceeds. In carrying out this purpose the Committee will:

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1. Actively review and report on the expenditure of the Bond Proceeds.
2. Advise the public as to whether MBUSD is in compliance with the requirements of Article XIII A, Section 1(b) (3) of the California Constitution.
3. Convene to ensure that Measure EE Bond Proceeds are not used for any teacher or administrative salaries or other school operating expenses.

III. Project Description, Overall Status and Spending

Project Description:

The Measure EE Project is further defined in Measure EE as replacement of the 65-year-old Mira Costa High School gymnasium utilized by the community and MBUSD by constructing and equipping a new gymnasium, physical education and activities center located at the school. The improvements may include constructing and equipping a main gymnasium, a second, smaller gymnasium, and a variety of adjacent rooms for instruction, athletics, and physical education, including physical education classrooms, a study learning center, team rooms, locker rooms, activity rooms, coaches' rooms, and storage. The improvements may also include adding bathrooms, air conditioning, heating, electrical and plumbing systems needed for the gymnasium, physical education and activities center.

In preparing the list of projects, MBUSD evaluated safety, class size reduction, and informational technology needs.

Overall Status:

Project Timeline -

Construction plans were submitted to the Division of the State Architect (DSA) in February and have not yet been approved. It was reported that DSA could approve plans by December 2018. Demolition is dependent on DSA approval but would start as soon as possible thereafter.

The Measure EE Bond sale was successful via a Single Series bond sale, resulting in the County Treasury receiving proceeds of \$38,847,473 on May 10, 2018. The final bond ratings are S&P AA and Moody's Aa1.

Budget Status –

Emily Kay with Balfour Beatty reviewed the current budget calculations and discussed additive alternates with the Committee at their May 3, 2018 meeting. The adjusted total budget was revised to \$38,700,295 down from \$39,140,312². Ms. Kay noted that the change in calculations was primarily due to changes in the materials selections. Ms. Kay indicated that the estimate is probably 95% accurate, with further refining to be done once DSA provides feedback on the design plans that were submitted in February, 2018. Even with DSA comments it is not anticipated that there will be significant visual changes to the February 2018 design.

The following details were provided for the list of Current Bid Additive Alternates:

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- Alt #1 - Flex room #25 (design still includes classrooms – committee inquired about square footage in plan and how much was cut)
- Alt #2 - Entrance Canopy size reduction
- Alt #3 - Flushing out walls (just for looks)
- Alt #4 – Storage buildings (MBX may fund outside of bond funds if necessary)
- Alt #5 – Backstops (2)

Measure EE Bond Spending -

At the Committee's February 1, 2018 meeting, Mr. Joseph Moussa, Audit Manager with Simpson & Simpson, presented Measure EE Bond audit report to the Committee. The committee found the report to be comprehensive and complete. No amendments were requested by the BOC.

For the six month period ending June 30, 2018, \$1,002,631.06¹ has been paid out related to Measure EE Project, with approximately 62% of that paid to Gensler and 35% paid to Division of State Architect.

Prior to receiving Measure EE bond proceeds, MBUSD was using general fund dollars for costs relating to the Measure EE Project. As of May 9, 2018, Fund 25 (Developer Fee fund) was reimbursed the full \$390,000 that had been transferred to cover expenses for Measure EE. From a cash perspective, the fund has a current balance of \$37,062,832.14.

Cumulative expenditures as of June 30, 2018, for Measure EE Project amounts to \$1,784,640.82¹.

Additionally, the committee requested an update on what other facility options the District has lined up for athletics to use during construction, what the cost of using these other facilities would be, and to report back if these costs could be charged to the bond. The District noted that these expenses could be paid for by bond funds, but the District also has the option of paying for anything outside of the bond if other funds available.

IV. Committee Activities for this Reporting Period

The Committee convened two times during this six month period ending June 30, 2018, including February 1st and May 3rd. Discussion was focused on project progress and budget updates, including the refinements made to the contract calculations by Balfour Beatty.

V. Summary

Based on the information provided to this Committee, it is the opinion of this Committee that:

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- 1) Expenditures to date have been consistent with expectation for supporting the intent of Measure EE.
- 2) The district is in compliance with the requirements of paragraph (3) of subdivision (b) of Section 1 of the Article XIII A of the California Constitution and in Measure EE.
- 3) The progress to date is consistent with expectations of Measure EE regarding performance to financial responsibilities and schedule.
- 4) Considering the amount of expenditures that have been realized to date and the refinements made to the budget, the Committee is satisfied that the Measure EE Project continues to strive for an "on-budget" goal. The Committee will maintain its focus on ensuring that the use of the \$39 million bond amount will be maximized to deliver the Measure EE Project in a manner consistent with the expectations of the voters and community.

References

- (1) See attachment "Measure EE Construction Progress"
- (2) See attachment "Balfour-Beatty – May 3, 2018 BOC Presentation/Measure EE: Mira Costa Athletic Complex"

[End Report]

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Respectfully submitted by the Measure EE Oversight Committee Members:

Jonathan Beutler, Member
John Bushman, Member
Tim Flake, Member
Stewart Fournier, Member
Michael Kiely, Vice Chairman and Member
Larry Kleinberg, Member
Harry Langenberg, Member
Steven Nicholson, Member
Gregory Reynolds, Member
Claudia Schloss, Secretary and Member
Mark Sprague, Chairman and Member
A. Craig Underwood, Member
T. Tolga Yaprak, Member
Larry Zimbalist, Member