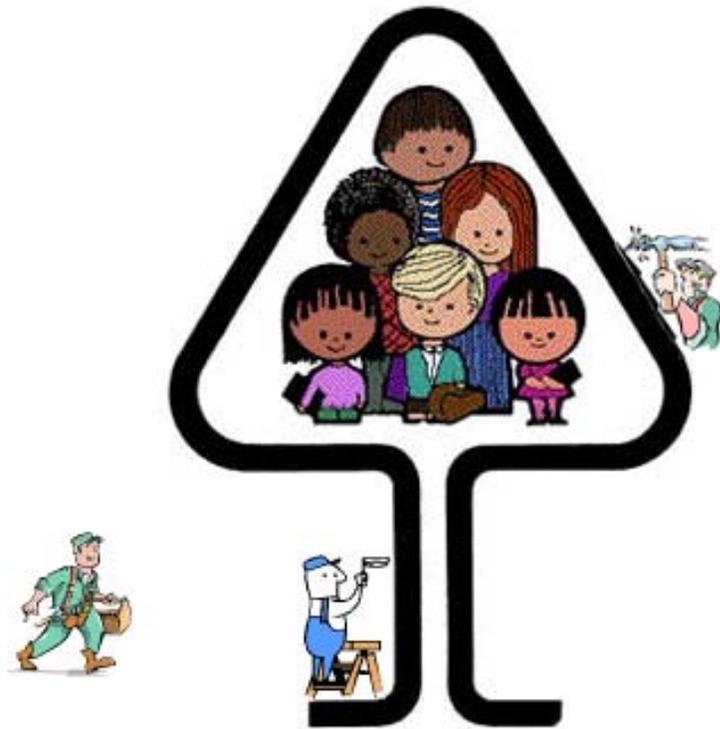


MEASURE A — STRONG SCHOOLS BOND



PALO ALTO UNIFIED SCHOOL DISTRICT

CITIZENS' OVERSIGHT COMMITTEE
2009 – 2010 ANNUAL REPORT

Letter from Committee Chair

November 9, 2010

To: The Board of Education and the Citizens of the Palo Alto Unified School District

The Citizens' Oversight Committee is pleased to forward its second Annual Report, covering the 2009-10 fiscal year, on the \$378 million general obligation Strong Schools Bond.

The purpose of the Citizens' Oversight Committee (COC) is to inform the public concerning the expenditure of bond revenues. As required by State law, the COC provides oversight and advises the public whether the District is spending the Strong Schools Bond funds for school capital improvements within the scope of projects outlined in the Strong Schools Bond Project List. In fulfilling its duties, the COC reviews, among other things, the District's annual independent performance and financial audits of Strong Schools Bond activity.

In this second year, the Committee again gave special attention to the mechanisms and systems established by the District to oversee its contractors and monitor the effective planning and staging of the projects on the Strong Schools Bond list. At each of our meetings, we met with appropriate District officials and with senior representatives of the project management and construction management firms employed by the District to oversee planning and operations.

As of June 30, 2010, projects budgeted at over \$260 million were specifically planned by the District. The remaining Strong Schools Bond projects will be prioritized and scheduled by the Board of Education. A few highlights for the 2009-2010 year included the completion of renovations to the Gunn High School Industrial Arts Building; groundbreaking for the Palo Alto High School Multi-Use Field improvements; and the award of Qualified School Construction Bond tax credits under the Federal economic stimulus plan, which will save Palo Alto taxpayers the interest payments on up to \$25 million in bonds issued under this program. Please see pages 5 and 6 for descriptions of additional projects that are underway.

The Committee reviewed the Financial Audit and the Performance Audit issued by the independent auditing firm of Christy White, Professional Accountancy Corporation. The firm conducted its audits in compliance with Generally Accepted Government Auditing Standards. Under these standards, the audit firm independently determined which tests to use in arriving at its opinions. The audits found that the program was materially in compliance with the terms of Proposition 39 and Strong School Bond.

In sum, the Committee wishes to report that, to the best of its knowledge, the Palo Alto Unified School District is in full compliance with its responsibilities as described in Article XIII A, Section 1(b)(3) of the California State Constitution, the section that governs the terms and conditions of Proposition 39 bonds like the District's Strong Schools Bond.

The composition of the Committee will be changing for the 2010-2011 year as the members' two-year terms have ended. Jim McFall, Caroline Maser and Steve Shevick chose not to seek a second term so that the Committee membership could be staggered for continuity. I wish to thank them for their service to the community. They will be replaced by Todd Collins, Catharine Garber, and Mary Marth. Existing Committee members, Ray Bacchetti, Gary Hornbeek, Deepak Kanungo and myself have been appointed by the District to serve another two-year term.

The work of the Citizens' Oversight Committee is conducted under the Brown Act. All meetings of the Committee are open to the public; observers are welcome. The 2009-2010 audits and further information on expenditures, minutes of the Committee's meetings, and detailed monthly progress reports can be found on the District's Web site, <http://pausd.org/community/StrongSchoolsBond/>.

Sincerely yours,



Scott Darling

Committee Members as of June 30, 2010

Ray Bacchetti, Member, Senior Citizen and Taxpayer Organizations
Scott Darling, Member At Large
Gary Hornbeek, Parent, PTA Member
Deepak Kanungo, Parent
Caroline Maser, Parent
Jim McFall, Business Organization Member
Steve Shevick, Parent

Board of Education, 2009-2010

Barbara Klausner, President

Melissa Baten Caswell, Vice President

Barb Mitchell

Dana Tom

Camille Townsend

Senior District Officials

Kevin Skelly, Superintendent of Schools

Bob Golton, Co-Chief Business Official & Bond Program Mgr

Cathy Mak, Co-Chief Business Official

About the District

The District was founded on March 20, 1893. The first school opened in September 1893, with two teachers and 70 pupils crowded into a temporary two-room schoolhouse. The District grew until 1967, when enrollment peaked at 15,575 students. At that

About Strong Schools Bond

Strong Schools Bond is a \$378 million bond measure passed on June 3, 2008, that authorizes funding to provide safe and modern schools; accommodate enrollment growth; upgrade aging classrooms, libraries, computer and science labs; improve athletic facilities; repair or replace roofs, plumbing, heating, ventilation and electrical systems; improve fire alarms and school security; meet current earthquake standards; provide current technology; replace old portables with permanent classrooms; and purchase land within the Palo Alto Unified School District.

To ensure the Strong Schools Bond funds are spent in a way that best meets the needs of the District, the individual sites, and the community at large, a variety of strategies are being used. These include Site Steering Committees comprised of principals, teachers, parents and community members that make recommendations on site specific issues. Community meetings are held during the planning phases of the major projects to ensure that the concerns of neighbors, parents and the community are addressed. Finally, the Board of Education approves all Bond expenditures with an eye toward the needs of the District today and well into the future.

To ensure the Strong Schools Bond program is being managed effectively, the Board of Education approved O'Connor Construction Management, Inc. to provide program management services for this work. Tom Hodges, a principal with O'Connor having experience with the District since 2002, serves as the Program Director for Strong Schools Bond and provides program administration duties and manages early project development. The Board of Education also approved Gilbane Building Company to provide design administration and construction management services for the program. Arnold Teten, Gilbane's Senior Construction Manager, and his staff work closely with O'Connor to provide seamless management and coordination of all Strong Schools Bond projects.

In 2009-10, the State accepted applications from school districts to issue Qualified School Construction Bonds (QSCBs) a part of the federal stimulus program for schools. The District was one of 45 selected by lottery, out of 231 that applied, to be authorized to issue bonds under this program and issued the maximum \$25 million in QSCB bonds. This does not provide additional construction funds to the bond program, but does provide maximum savings to the taxpayers who pay back not only bond principal but also bond interest cost. The QSCBs interest is almost 100% subsidized in this federal government program, making these bonds essentially 0% loans. The total estimated savings in interest payments over the life of the bonds to the PAUSD property owners is estimated at \$27 million.

time the District operated 22 Grade K–6 elementary schools, three Grade 7-9 junior high schools and three Grade 10-12 high schools. Enrollment began to decline in the 1970s and continued to decline through the 1980s. The bottom of the decline was reached in 1989 when total enrollment stood at 7,452. The configuration of schools then showed eleven elementary schools, one middle school and two high schools. Jordan Middle School since reopened as enrollment increased, and in September 1998 a twelfth elementary school, Barron Park, was opened. In August 2001, Terman Middle School reopened as a third middle school.

During the 2000's the number of elementary students migrating into the District has been much larger than in past decades. Total District enrollment stood at 11,680 for the 2009-2010 school year. The District utilizes the services of Lapkoff & Gobalet Demographic Research, Inc. for annual enrollment forecasts. The most recent report was issued in February 2010 and projected continued increases in enrollment. The medium-range scenario in the latest forecast anticipates growth of 10% over the next five years to a total enrollment of 12,823 in 2014.

Committee Meetings

The Citizens' Oversight Committee meets on a quarterly basis. All meetings are open to the public. Scheduled upcoming meetings are: February 2,, 2011; April 20, 2011; and July 20, 2011.

Proceedings of the meetings held included:

January 20, 2010: Election of Chair/Vice Chair, Monthly Reports, Member Attendance at Board of Education Meeting, Performance Audit Finding Implementation, Quality School Construction Bonds Information Discussion, and Site Visit—Gunn Industrial Arts Building.

April 21, 2010: Monthly Reports, Program Status Updates, Change Order Status, COC Members Service, COC Membership Terms, Update on Quality School Construction Bonds, Performance Audit/Financial Audit Timeline.

July 14, 2010: Monthly Reports, Change Order Status, COC Membership, Performance Audit and Financial Audit Planning, COC Annual Report Planning Discussion, Election Dates for Future Chair Terms, Interim Chair, Hedging for Future Price Increase, Site Visit—Palo Alto High School Multi-Use Field.

October 20, 2010: Monthly Reports, Annual Report Review, Performance Audit and Financial Audit Review, Board Presentation Preparation, Site Visit—Palo Alto High School Multi-Use Field.

Independent Audit Reports

In compliance with Proposition 39, performance and financial audits were conducted for the year ended June 30, 2010. These audits were conducted in accordance with Generally Accepted Governmental Auditing Standards by the firm of Christy White Accountancy Corporation.

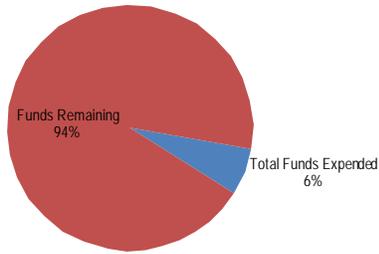
The audit firm rendered an opinion that the District's financial statements present fairly, in all material respects, the financial position of the Strong Schools Bond Building Fund as of June 30, 2010. The audit further found that the expenditures tested were in compliance with the terms of the ballot measure and applicable State laws and regulations. The auditors reported: "We found all expenditures tested to be in compliance with the terms of the Strong Schools Bond ballot measure and applicable State laws and regulations, without exception. Also, our analysis indicated that the District is receiving program management services that are reasonable as compared to other school districts, with regard to billing rates, hours charged, and the ratio of consultants to District employees."

The auditors made one finding regarding financial reporting for the program and this will be implemented by the District. To view the complete audit report, please visit <http://pausd.org/community/StrongSchoolsBond/annual/html>

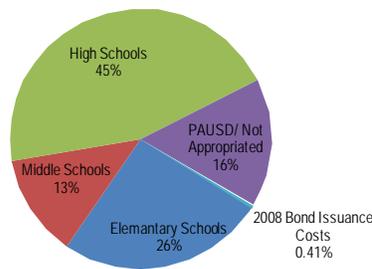
Palo Alto Unified School District

Strong Schools Bond Expenditures as of June 30, 2010

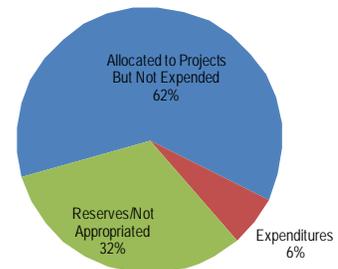
Expended Status



Overall Allocation



Budget Status



Expended Status

Total Bonds Issued	119,999,249
Bonds Authorized, Not Issued	258,000,751
Interest Earned*	3,357,249
State CTE Grant Income **	2,271,512
2008 Bond Issuance premiums	1,583,200
Total Funds	385,211,961
Total Funds Expended	23,802,958
Funds Remaining	361,409,003

Overall Allocation

Elementary Schools	98,678,279
Middle Schools	49,126,150
High Schools	174,904,617
PAUSD/ Not Appropriated	60,919,715
2008 Bond Issuance Costs	1,583,200
Total	385,211,961

Budget status

Allocated to Projects But Not Expended	238,134,126
Expenditures	23,802,958
Reserves/Not Appropriated	123,274,877
Total	385,211,961

*Interest earned is based on total bond issued as of 6/30/10.

** The District applies State Career Technical Education (CTE) grant money to replace Bond funds previously expended on CTE qualifying projects. This allows funding for additional Bond projects.

School Name - Project Name	Budgeted	Committed	Expenditures
1 Gunn High School - High School Master Plan	145,000	132,391	115,845
2 Gunn High School 1 - Aquatic Center	5,013,750	4,865,424	4,860,823
3 Gunn High School 2 - I.A Building	5,511,500	5,019,103	4,963,839
4 Gunn High School 3 - AD2- close out	5,777	5,777	5,777
5 Gunn High School 4 - New classroom Buildings	24,120,000	2,536,324	1,606,781
6 Gunn High School 5 - Parking & Drop Off improvements	3,940,000	217,770	3,530
7 Gunn High School 6 - New/Auxiliary Gymnasium	13,830,000	930,769	523,357
8 Gunn High School 7 - A/C	2,600,000	161,050	1,781
9 Palo Alto High Schools - High School Master Plan	145,000	132,773	117,739
10 Palo Alto High School 1 - Stadium Field	1,358,437	168,448	164,606
11 Palo Alto High School 2 - Multi-Use Field (Multi-Fund)	3,002,063	2,908,082	583,371
12 Palo Alto high School 3 - New classroom & Media Art Building	34,220,000	3,215,847	1,561,423
13 Palo Alto High School 4 - New Theater	17,720,000	1,026,210	48,867
14 Jordan Middle School - MS Pre-Design	33,665	18,890	17,826
15 Jordan Middle Schools 1- Interim Classrooms	600,342	170,645	160,877
16 Jordan Middle School 2- Improvements	17,943,194	1,547,169	271,468
17 J.L.S Middle School - MS Pre-Design	33,669	18,799	18,408
18 J.L.S Middle School 1 - Interim Classrooms	446,844	337,590	318,995
19 J.L.S Middle School 2- Improvements	17,184,699	1,395,712	219,057
20 Terman Middle School - MS Pre-Design	33,666	18,799	18,423
21 Terman Middle School 1- Improvements	12,850,071	1,151,225	195,340
22 PAUSD Elementary Schools - Elem. Growth Plan	145,000	55,560	55,560
23 Addison Elementary School 1-Phase I	5,199,727	-	-
24 Briones Elementary School 1-Phase I	701,925	-	-
25 Duveneck Elementary School 1-Phase I	7,019,083	27,501	8,048
26 Garland Elementary School 1- Phase I	22,178,544	281,279	280,113
27 El Camelo Elementary School 1-Phase I	641,760	-	-
28 Escondido Elementary School 1-Phase I	6,202,343	-	-
29 Fairmeadow Elementary School 1- Phase I	9,327,500	780,409	117,824
30 Hays Elementary School 1-Phase I	4,793,814	-	-
31 Hoover Elementary School 1-Phase I	8,575,389	47,500	4,630
32 Nixon Elementary School 1-Phase I	802,200	-	-
33 Ohlone Elementary School 1- Phase I	11,667,965	1,504,547	1,066,965
34 Palo Verde Elementary School 1-Phase I	3,482,885	-	-
35 Barron Park Elementary School 1-Phase I	641,760	-	-
36 Elementary Schools 1 - Elementary Classroom Improvements	8,887,522	106,548	106,548
37 PAUSD - Program Management	3,353,101	2,258,763	2,258,763
38 PAUSD - Technology	5,995,689	2,543,174	2,543,174
Subtotal-Projects	260,353,884	33,584,078	22,219,758
Reserves/ Not Allocated			
39 Gunn High School - Reserve	20,945,045	-	-
40 Palo Alto High School - Reserve	42,348,045	-	-
41 Elementary Schools - Reserve	8,410,862	-	-
42 PAUSD - Technology -Reserve	7,911,676	-	-
43 PAUSD - Reserve	6,335,945	-	-
44 PAUSD-Not Appropriated	37,323,304	-	-
Subtotal-Reserve	123,274,877		
45 Series 2008 Bond Issuance Costs	1,583,200	1,583,200	1,583,200
Total	385,211,961	35,167,278	23,802,958

STRONG SCHOOLS BOND

Strong Schools for a Strong Community

Palo Alto Unified School District
Citizens' Oversight Committee
2009 - 2010 Annual Report

Below is a sampling of the projects within the Strong Schools Bond. To see a complete list and additional detail on the status, expenditures and schedule of current Strong Schools Bond projects, please visit <http://pausd.org/community/StrongSchoolsBond/>

Gunn High School - Industrial Arts Addition and Renovation

Budget: \$5,511,500 Occupancy: January 2010

This project renovated and expanded the existing Industrial Arts building at Gunn. The addition includes two new biotechnology labs and support space. The existing building has the same labs as before, but with upgraded electrical and mechanical systems as well as new finishes and casework. The project was completed on-time and within budget, and began hosting classes in January 2010.



Gunn High School - New Classroom Buildings

Budget: \$24,120,000 Planned Occupancy: July 2013

This project consists of two new classroom buildings on the Gunn campus. A two story classroom wing will house new classrooms, resource rooms and offices for the Math and English departments. The Math department will be located on the upper floor, and English on the ground floor. The second building will house new World Languages classrooms and offices adjacent to the L wing complex and the Science building along Arastradero. Planning and design have been completed. The project has been submitted to the Division of State Architect (DSA) for review and is scheduled to be bid in the spring of 2011.



Gunn High School - New Gymnasium

Budget: \$13,830,000 Planned Occupancy: August 2012

A new gymnasium will be constructed at Gunn to provide a second venue for school athletics and physical education instruction on the campus. The gym is planned to accommodate approximately 1,900 students for basketball or volleyball games, and will include a new ticket booth, restrooms, team rooms and a fitness room for weightlifting and dance programs. In addition to the gym, the project will rebuild the outdoor tennis courts and outdoor basketball courts on the northern edge of the student parking lot. Planning and design have been completed. The project has been submitted to DSA for review and is scheduled to be bid in the spring of 2011.



Palo Alto High School - Multi-Use Field

Budget: \$3,002,063 Planned Occupancy: February 2011

This project will re-construct the existing baseball and softball fields on the southern end of campus. The new fields will include new dugouts, bullpens, batting cages and bleachers for each venue, and will improve fencing, scoreboards and drainage around the field. Reconfiguration of the south parking lot is also included in this project, which will include new striping and landscaping. The project is under construction. The parking lot is open for use, and the fields will be completed for the opening of the 2011 baseball and softball seasons.



Palo Alto High School - New Classroom Building and Media Arts Building

Budget: \$34,220,000 Planned Occupancy: July 2013

This project consists of the addition of two large buildings to the Palo Alto high school campus. The Math and Social Sciences classroom building will house new classrooms in a two story structure, with Math classrooms, offices and resource areas on the upper floor and similar spaces for Social Sciences on the ground floor. The Media Arts building will house new classrooms for the English department, as well as several lab spaces for Media Arts, including video production, photography, editing and journalism. Planning and design have been completed, the project was submitted to DSA August 4, 2010 for review and is scheduled to be bid in the spring of 2011.



Strong Schools Bond Projects (Continued)

Jordan Middle School

Budget: \$17,943,194 Planned Occupancy: August 2013

Improvements at Jordan will include a new classroom wing, a new Cafetorium and renovations in several existing classrooms. The new classroom wing will be located in the Middlefield parking lot. The new Cafetorium will be located on the tennis courts just east of the existing building, which will be renovated to accommodate new music classrooms. The existing music classrooms will be renovated to accommodate new art labs, and the science wing will also be renovated to convert three small labs into two larger science labs. The project is currently in design development, with submittal to DSA planned for the end of 2010 and construction planned for October 2011.



J. L. Stanford Middle School

Budget: \$17,184,699 Planned Occupancy: August 2013

Improvements at JLS will include a new classroom wing and renovations in several existing classrooms. The new classroom wing will be a two story building, located on the existing playground area south of the industrial arts wing. Improvements in the existing classrooms will include additional storage, technology walls and sound assist systems. The campus will also be enhanced with improvements to exterior spaces to improve drainage and student use of the outdoor space. The project is currently in design development, with submittal to DSA planned for the end of 2010 and construction planned for December 2011.



Terman Middle School

Budget: \$12,850,071 Planned Occupancy: July 2013

The Administration and Library building at Terman will be expanded and renovated to accommodate a new office at the front of the school, two new computer labs and a new, larger library in an addition on the east side of the building. Improvements will also include renovations to the Cafetorium, a new drama classroom, and a new science lab where the existing drama classroom is. The project is currently in design development, with submittal to DSA planned for the end of 2010 and construction planned for October 2011.



Ohlone Elementary School - New Classroom Building and Modernization

Budget: \$11,667,965 Planned Occupancy: January 2012

A new classroom building is being constructed on the Ohlone campus to accommodate anticipated enrollment growth at the elementary schools. The project includes new classrooms, a flex room and a special day classroom in a two story structure adjacent to the existing library. The project will also include some modernization of the existing classrooms, including improved lighting, ventilation and new technology walls. Construction began in August 2010, and is planned for completion in early 2012.



Fairmeadow Elementary School - New Classroom Building and Modernization

Budget: \$9,327,500 Planned Occupancy: August 2013

A new classroom building is being constructed on the Fairmeadow campus to accommodate anticipated enrollment growth at the elementary schools. The project includes a new, two story classroom wing adjacent to the Jackson Center. The project will also include some modernization of the existing classrooms, including improved lighting, ventilation and new technology walls. The project is still in the preliminary design phase.



Elementary Schools - Elementary Classroom Improvements

Budget: \$8,887,522 Completion: Present to August 2013

This project established budgets for each elementary school campus to receive a technology wall, new lighting, new windows and shades, ventilation improvements and ceiling tiles. With the installation of the technology wall, each elementary school classroom will receive an interactive whiteboard and a sound assisted listening device proven to enhance student learning.

