

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ANNUAL REPORT OF THE CITIZENS' OVERSIGHT COMMITTEE
YEAR ENDED DECEMBER 31, 2015

In November 2008 voters approved Measure E, which authorized the sale of \$334 million of general obligation bonds under the rules of California Proposition 39. State Assembly Bill AB 1908 required the formation of a Citizens' Oversight Committee (Committee) whose primary duties are to oversee the bond expenditures and to advise the public as to whether the Beverly Hills Unified School District (District) is in compliance with California law.

The Board of Education selects the members to serve on the Committee. The Committee meets regularly, and the meetings are open to the public. Information about the Committee and its activities is available on the District's website.

Each year the Committee publishes an Annual Report that is based on reports it receives throughout the year. The full text of the Committee's Annual Report may be found on the [District's website](#),

Measure E expenditures during the years ended June 30, 2014 and 2015 at all of the District's schools in thousands of dollars are as follows:

Budgetary Category	2014	2015	Increase (Decrease) in 2015	Percentage of Total in 2015
Design and Construction	\$14,805	\$35,250	\$20,445	94%
Facilities Planning and Management	1,113	781	(332)	2%
Geotechnical/ Legal MTA Subway	2,989	1,606	(1,373)	4%
Total	\$18,907	\$37,637	\$18,740	100%

Expenditures for the last six months of 2015 have not been audited.

Measure E Bond sales during the year totaled \$75.71 million.

Horace Mann School Building B became operational at the start of the 2016-2017 school year. While the completion of the first major new construction project since the passage of Measure E is significant, the Committee is concerned that the anticipated costs through completion are 2.9% (approximately \$1.34 million) over budget.

Financial and performance reports

The District received both a performance audit and a financial statement audit for the fiscal year ended June 30, 2015. Harvey M. Rose Associates, LLC conducted the performance audit. The District is required by state law to respond to all issues raised in the performance audit. Christy White Associates conducted the required financial statement audit. The performance audit and financial audit reports are available on the District's website, [Performance & Financial Audits](#).

Twenty two recommendations were identified in the performance audit. Three recommendations remain outstanding:

- Overhauling and expanding the Measure E website
- Updating the Policies and Procedures Manual
- Acquiring/implementing an electronic Facilities Management Software Program for improved efficiency and accuracy of data entry and reporting

The Facilities Department intends to implement these recommendations by June 30, 2017.

No issues were identified in the financial audit.

Measure E Financial Updates are prepared monthly by the District's project management firm, Totum Consulting. These reports provide comprehensive and detailed financial information District-wide as well as by site, by project and by vendor. The updates are available on the District's website, [Measure E Update/Master Calendar/Finance](#).

Design and construction progress

Design and construction activities under the Bond Program affect all the five District's Schools. The Master Schedule is updated monthly and is available on the District's website, [Measure E Update/Master Calendar/Finance](#).

Construction progress is also documented by chronological photo exhibits, updated weekly, and documented per school and per each affected structure. The Monthly Updates of the Capital Facilities Plan, which are produced by the District's Program/Construction Management Team, provide the best source of current status of the entire program.

Current status and progress for each District school is available on the District's website:

- [Beverly Hills High School Progress](#)
- [Horace Mann School Progress](#)
- [El Rodeo School Progress](#)
- [Hawthorne School Progress](#)
- [Beverly Vista School Progress](#)

Of particular significance is the completion of the first major construction project, which is the 60,000 square foot Horace Mann School, Building B, occupied in August 2016. Building B contains classrooms and labs with state of the art technology, a Multi-Purpose Room, a 100 space underground parking structure, and a new athletic field. Photos of the project are available at the District's website, [Horace Mann Update July 15, 2016](#).

Need for additional funding

The Measure E funds, \$334 million, are inadequate to perform the requisite work at the four elementary schools and high school. The Board of Education, the Chief Facilities Officer, and the District's project management firm are taking steps to address the shortfall. These efforts include developing proposed updates to the Capital Facilities Plan, seeking State seismic mitigation funds, and splitting projects into two phases. The first phase (Phase 1) will enable the District to pursue higher priority projects to be completed within the limits of Measure E bonding authority as well as to plan other necessary projects that will require additional bonding authority from the voters (Phase 2). The District should continue to pursue this strategy to ensure that project budget remains within the District's bonding authority.

The District's staff is seeking supplemental funds from various sources which include the State's Seismic Mitigation Program (SSMP), the City's development agreements, and Proposition 39 energy savings grants. The SSMP funds depend on the availability of these funds by the State, and are subject to competition among the applying jurisdictions. The current status of the SSMP applications is available on the District's website, [SSMP](#).

A total of 13 projects were submitted to the State Office of Public School Construction for SSMP matching funds. The first project in line is the Horace Mann Building A, for which the District anticipates receipt of between \$5 and \$7M in the spring of 2017. As of October 2016, \$2.7 million has been spent to apply for SSMP funds at all five District schools.

Expenditures for legal services

Measure E funds expended for legal services may be inappropriate. As of December 2015, approximately \$9.64 million was expended on legal and geotechnical costs for the District's legal challenges to the Metropolitan Transportation Authority (MTA) and for general construction support. The Committee has requested redacted legal invoices, and also has attempted to obtain a legal opinion addressing whether Measure E funds can be used for the litigation. The Board of Education has not facilitated the requests basing its refusal on attorney-client privilege. In addition to the amounts already spent, the Committee is concerned about unknown future legal fees, which may severely affect funds now allocated for construction in Phase 1. The Committee has also expressed concern about certain hourly rates charged for legal consulting services. The Committee encourages the Board to engage in full transparency regarding the expenditure of all public bond funds.

Citizens' Oversight Committee
Beverly Hills Unified School District
February 2, 2017