



SFUSD BOND PROGRAM
PROP A 2003/PROP A 2006
 135 Van Ness Ave. 2nd Floor
 San Francisco, CA 94102
 (415) 241-6152

MEMORANDUM

DT: November 29, 2011

TO: Prop A 2003/2006 Citizen’s Bond Oversight Committee
Patricia Crawford, Craig Issod, Nan McGuire, Jim Quadra, Lourdes Garcia, Walter Haub, Mike Theriault, Brian Liles, Monica Pressley

FM: Leonard Tom, Bond Program Financial Manager *LT*

RE: Financial Report – September 2011

I have enclosed for your review the most recent financial report for the SFUSD Bond Program (Prop A 2003 and 2006). This report reflects completed transactions in the school district’s Management Budget Status Report (MBSR) as of September 30, 2011 and has been reconciled to the fiscal year to ensure that expenditures concur with both the accounting and appropriations systems. This report includes audited final expenses through the end of Fiscal Year 09/10.

The format of the data tables recognizes reporting of information for Fiscal Year 11/12. Please note that columns (b) through (d) now show figures aggregated for FY 04/05 through FY 10/11 for the Prop A 2003 Bond and FY 06/07 through FY 10/11 for the Prop A 2006 Bond. Columns (e) through (g) show FY 11/12.

Prop A 2003

The program budget increased just slightly to \$368.470 million in September. That is due to accrued Bond interest of \$0.003 million recorded for September. \$15 million of bonds for the SOTA project are unsold out of a total authorization of \$295 million.

The State has provided \$47.5 million in grant awards for 17 bond schools (\$48.2 million with accrued interest). These State funds have been used to reimburse the advance of Prop A Bond funds when sufficient eligible expenses have been incurred. The Bond Program also received a \$200,000 grant from the National Football League for field replacement at Galileo High School and \$196,000 in additional private/other funding for field replacement at Washington High School. \$48.6 million at 19 sites have been reimbursed through September 2011.

One of the important financial tasks at this stage of the Prop A 2003 program is to determine how much was actually spent against the budgets set forth for the completed projects. Final financial closure on construction projects is not always quick and easy to accomplish as final approval by the District and regulating agencies, follow up contracts, final agreement on contract values, and receiving and processing of final invoices can take extended periods of time. We are pleased to report final financial results for the following projects.

FINAL FINANCIAL RESULTS

<u>School</u>	<u>Budget</u>	<u>Expense</u>	<u>Surplus/(Deficit)</u>	<u>+/- diff</u>
Bryant ES	\$2,495,543	\$2,184,114	\$311,429	-12.5%
Bret Harte ES	\$4,168,372	\$3,910,973	\$257,399	-6.2%

Dr. Charles Drew ES	\$3,670,001	\$3,982,900	(\$312,899)	+8.5%
Rosa Parks/JBBP ES	\$4,979,439	\$5,052,475	(\$73,036)	+1.5%
Commodore Sloat ES	\$3,873,515	\$3,538,858	\$334,659	-8.6%
Sherman ES	\$3,504,263	\$3,174,013	\$330,351	-9.4%
Gloria Davis MS	\$1,577,881	\$1,447,708	\$130,174	-8.2%
Alvarado ES	\$4,469,605	\$4,062,453	\$407,153	-9.1%
Leonard Flynn ES	\$5,691,720	\$5,514,536	\$177,184	-3.1%
ER Taylor ES	\$4,637,205	\$4,252,777	\$384,428	-8.3%
Clarendon ES	\$6,231,443	\$5,880,497	\$350,946	-5.6%
Hillcrest ES	\$6,499,161	\$5,685,811	\$813,280	-12.5%
Horace Mann MS	\$11,969,367	\$11,294,596	\$674,771	-5.6%
SF Community K-8	\$4,853,097	\$4,811,612	\$41,485	-0.1%
West Portal ES	\$4,612,475	\$4,712,101	(\$99,626)	+0.2%
Harvey Milk ES	\$3,048,475	\$3,035,413	\$13,062	-0.4%
Everett MS	\$13,177,776	\$12,736,524	\$441,252	-3.3%
Claire Lilienthal ES (3-8)	\$4,062,471	\$3,059,009	\$1,003,462	-24.7%
Thurgood Marshall Imps	\$4,811,000	\$4,094,193	\$716,807	-14.9%
Thurgood Marshall Modrn.	\$17,446,302	\$17,528,125	(\$81,823)	+0.5%
Lowell HS	\$13,070,895	\$12,147,360	\$923,535	-7.1%
AP Giannini MS (Phase I)	\$8,565,773	\$7,650,446	\$877,375	-10.2%
Marina MS	\$11,940,857	\$12,476,308	(\$535,451)	+4.5%
Malcolm X ES	\$5,817,624	\$5,762,038	\$55,586	-1.0%
Mission HS	\$27,093,289	\$25,423,441	\$1,669,848	-6.1%
Galileo HS	\$20,171,458	\$19,468,749	\$684,709	-3.4%
Balboa HS	\$20,387,497	\$20,808,720	(\$421,223)	+2.1%
James Denman MS	\$12,682,296	\$12,488,054	\$194,242	-1.5%
Lincoln HS new construction	\$14,526,727	\$14,845,215	(\$318,488)	+2.2%
John O'Connell HS build out	\$1,916,570	\$1,985,858	(\$69,288)	+3.6%
George Washington HS	\$41,210,216	\$41,465,816	(\$255,600)	+0.6%
Lincoln HS modernization	\$35,217,459	\$35,727,585	(\$510,126)	+0.1%

Of the 32 projects considered financially complete, 22 ended with a surplus and ten ended with a deficit. At Dr. Charles Drew, additional construction was required to meet fire code standards. At Rosa Parks, additional construction was required to accommodate the relocation of JBBP West to that site. At West Portal, unforeseen conditions were discovered during construction, which contributed significantly to increased costs. At Marina, change orders during construction came in higher than planned. At Balboa and Thurgood Marshall, the addition of a security upgrade contract and higher than budgeted change orders accounted for increased costs. For Lincoln HS new construction, relatively high construction change orders, furnishings and an extended completion schedule caused the deficit. At John O'Connell labor compliance issues with the general contractor required unplanned construction management services to bring the project to a successful conclusion. Washington High School and Lincoln High School Modernization were long and complicated projects that required many phases and no single element caused the relatively small budget overruns.

Funding from the programwide contingency fund has been transferred into the ten projects with deficits to be able to close those projects in balance. For the short term, the budgets for projects that ended with a surplus will keep those amounts while it is determined if additional work will be completed at those sites. In general, budget surpluses are outweighing budget deficits.

At the end of September, the programwide contingency fund was at \$0.762 million (0.2% of the program budget). The contingency fund amount will be fluctuating as financial closures are made with final projects under construction.

For this report, the project budget at Lincoln HS Modernization has been revised to reflect final costs.

Lincoln HS Modernization	\$35,217,459	\$35,727,585	+\$510,126
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Green schoolyard design and construction are complete at all Prop A 2003 elementary schools. Total green schoolyard expenses through September were \$2.042 million.

Green Schoolyards have been extended to middle and high schools in the Prop A 2003 program. Construction contracts valued at \$0.87 million for the ten sites were started in May. \$1.102 million had been spent through September on this \$1.6 million program.

By the end of September, the Board of Education had approved \$337.1 million of contracts for the 2003 Bond Program and the program had actually expended \$350.300 million*. The amount paid during September was \$0.835 million.

(*This figure includes about \$13 million of salary/fringe and other expenses, where resolutions are not separately approved by the Board of Education).

In September, primary construction was complete at all 30 Bond sites. The program was funding six follow-up projects at six sites. Green Schoolyard construction was also complete or underway at ten middle and high school sites. Total construction value (awarded contracts, as modified) of the program was \$260.0 million. \$259.8 million of that total (99.9%) was complete. The following table summarizes construction status for current projects:

School	Construction Value	% Complete	Duration
100% complete at 30 sites	\$257.32 million	100%	71 mos
Alvarado Window Replacement	\$0.89 million	97%	8 mos
Balboa HS yard resurfacing	\$0.07 million	79%	5 mos
Dr. Charles Drew ES renovations	\$0.35 million	86%	4 mos
MS/HS Greening (10 sites)	\$0.87 million	90%	6 mos
WHS/RPES/WPES renovations	\$0.53 million	93%	6 mos

Prop A 2003 maintained control of its expenses. Collectively, construction contract awards came in 0.8% below budget. Combined with construction change orders, "hard costs" were 1% over budget. Accrued interest, increased State grant awards, and the cancellation of one project also contributed to the positive financial position of the program. We were conservative in design and maintained strict control over the scope of work allowed at each school site. That was due to the focus on accessibility and fire/life safety and the very strict deadlines imposed on the Prop A 2003 projects by the *Lopez v. SFUSD* stipulated judgment.

Prop A 2006

Prop A 2006 is a significantly larger program than Prop A 2003, with \$450 million in general obligation bond authorization and about \$42 million of eligibility for State grants among the program's projects. \$100 million of the bonds was sold in April 2007 to fund the early stages of the program. \$150 million of the bonds was sold in February 2009 to continue the design and construction of bond projects. An additional \$185 million of bonds was sold in May 2010. \$15 million of bonds for the SOTA project remains unsold.

Prop A 2006 has about \$41.7 million in its budget from State school modernization grants, allocated among 19 school sites. \$14.94 million of Bond fund expenses have been reimbursed with State funds at seven sites (Chinese Ed Center, Jefferson ES, Cleveland ES, Fairmount ES, Buena Vista ES, Mission Ed Center, and Grattan ES). By the end of September, the State Allocation Board had awarded unfunded grants totaling \$20.8 million to nine additional sites; Alamo ES, Marshall ES, GW Carver ES, John Muir ES, Rooftop ES, Hoover MS, Sutro ES,

Edison Charter and Sunset ES. Grant applications for three additional sites with eligibility of about \$6.7 million have been submitted to the State for approval. The combined reimbursements, unfunded approvals and eligibility amounts add up to \$42.5 million. The budgeted amount in the program will remain unchanged until further State reimbursements are actually received.

Due to California's on-going fiscal crisis, the future delivery of State grants is uncertain at this time. Following discussions with California's State Allocation Board in February, we are cautiously optimistic that some portion of the unfunded grants can be delivered in 2011. **Recent communication from the State indicates a decision to release some unfunded grants to school districts will be made in December.** We are still assuming the eventual delivery of all State funding for which we are eligible.

With previously announced changes, the 2006 Program currently consists of 60 projects located at 56 District sites. One project, the County Community School at the 43rd Ave. campus, has been placed on hold, pending the potential transfer of that school to another location.

The current budget for Prop A 2006 is \$503.592 million, a net increase of \$0.043 million from the previous month. The increase is due to interest accrued in September (\$0.013 million).

In September, 28 projects were considered financially complete. 21 of the projects ended with budget surpluses and seven ended with a deficit, for a consolidated surplus of about \$4.6 million.

FINAL FINANCIAL RESULTS

<u>School</u>	<u>Budget</u>	<u>Expense</u>	<u>Surplus/(Deficit)</u>	<u>+/- diff</u>
Chinese Ed Center	\$2,976,979	\$2,798,635	\$178,344	-6.0%
Jefferson CDC	\$910,635	\$851,461	\$59,174	-6.5%
Claire Lilienthal K2	\$847,602	\$891,192	(\$43,590)	+5.1%
Marshall ES	\$3,515,272	\$3,259,748	\$255,524	-7.3%
Raphael Weill CDC	\$2,411,382	\$2,233,866	\$177,516	-7.4%
Mission Ed Ctr/KKennedy	\$6,646,006	\$6,325,856	\$320,150	-4.8%
Jefferson ES	\$6,793,017	\$6,343,693	\$449,324	-6.6%
Sutro ES	\$6,080,377	\$5,967,653	\$112,724	-1.8%
Mission CDC	\$2,151,384	\$1,503,251	\$648,133	-30.1%
Dr. GW Carver ES	\$6,283,218	\$5,867,137	\$416,081	-6.6%
Cabrillo Admin Center	\$5,576,007	\$6,060,026	(\$504,019)	+9.0%
Sunset ES	\$8,032,007	\$7,613,197	\$418,810	-5.2%
Ulloa ES	\$6,507,091	\$6,003,414	\$503,677	-7.7%
Spring Valley ES	\$6,170,710	\$7,460,036	(\$1,289,326)	+20.9%
San Miguel CDC	\$7,501,986	\$7,268,611	\$233,375	-3.1%
Lawton ES	\$7,100,289	\$6,617,942	\$482,387	-6.8%
Rooftop ES (Burnett)	\$2,640,226	\$2,564,678	\$75,548	-2.9%
Noriega CDC	\$3,442,481	\$3,509,408	(\$66,297)	+1.9%
Fairmount ES	\$5,651,561	\$5,827,421	(\$175,860)	+3.1%
Sanchez ES	\$6,931,172	\$6,927,948	\$3,224	-0.04%
Junipero Serra Annex CDC	\$2,359,509	\$2,707,425	(\$347,916)	+14.7%
Burnett CDC	\$6,705,282	\$5,641,246	\$1,064,036	-15.9%
Mission CDC	\$2,151,384	\$1,504,162	\$647,222	-30.0%
School Health Admin Office	\$2,392,632	\$2,196,158	\$196,474	-8.2%
New Traditions ES	\$4,931,513	\$5,266,383	(\$334,870)	+6.8%
Lakeshore ES	\$11,258,578	\$11,158,038	\$100,540	-0.9%
Theresa Mahler CDC	\$3,918,010	\$3,620,058	\$297,952	-7.6%
Alamo ES	\$7,836,503	\$7,103,239	\$733,264	-9.4%

Construction change orders came in higher than budgeted at Claire Lilienthal K2. At Cabrillo Admin Center, late additions to the project scope added significantly to design, construction and construction management expenses. In general, the project at Noriega CDC proved to be a little more complicated than originally anticipated, so it ended up just slightly over budget. The replacement of old, portable classrooms at Fairmount ES were more expensive than planned.

Spring Valley ES came in significantly over budget. This was a 100-year old building at a difficult site that required extensive work to bring it up to accessibility and life/safety standards. The entire school population had to be relocated for the duration of construction. The initial construction contract was 20% over budget and change orders were high. During construction, additional problems were identified with terra cotta elements on the exterior. Temporary repairs were made and additional construction will be needed to complete the project.

At Junipero Serra Annex CDC the physical connection with Junipero Serra ES and previously unforeseen structural problems complicated design, extended the construction period and generally caused the high cost of that project. At New Traditions ES, the cost of supplemental construction came in higher than estimated.

For this report, no project budgets were modified to reflect changes in final costs.

Project Site	Prior Budget	Final Budget	Net Change
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The programwide contingency fund at the end of September was \$14.073 million (2.8% of the total budget). The design process is complete and transfers to and from the contingency fund have been made to reflect changes in project scope or project cancellations. We are also bringing completed projects to "financial closure" meaning final costs have been determined and surpluses or deficits are being moved into or out of the programwide contingency fund.

Due to the continuing uncertainty of future State grant funding (see above) the programwide contingency fund will be increased as more financial closures are achieved. We are currently "fronting" the delivery of the grant funds and need to have a reserve in case a significant portion of the State money never materializes. Our current goal is to grow the programwide contingency to between \$15 and \$20 million until there is more clarity on the situation. To achieve this goal we have restricted project scopes, carefully monitored construction bid results and change orders and have made other programwide cost reductions.

The Green Schoolyards program for Prop A 2006 has completed its master program strategy for the 27 elementary schools that are included in this five million dollar program. 18 sites have completed predevelopment assessments. The results of that process enable school communities to determine the nature of their green schoolyard and provide the general blue print for detailed design at each site. Construction contracts were underway at additional six sites (Buena Vista, Jefferson ES, Marshall, Mission Ed Center, Sanchez and Sunset). Construction is complete at New Traditions, Rooftop and Ulloa. By the end of September, the 2006 greening program had spent \$1.460 million.

By the end of September, the Board of Education had authorized \$402.233 million of contracts to continue design, construction and related work. \$351.170 million had been expended*, primarily on construction and construction management services. The amount paid during the month of September was \$9.812 million.

(*This figure includes about \$18 million of salary/fringe and other expenses, where resolutions are not separately approved by the Board of Education).

In September, design was complete at all 56 Prop A 2006 sites. Construction at 55 of those project sites had started (primary construction was complete at 36 of those sites). Initial contracts at 13 of the remaining 19 sites under construction were complete. Five follow-up projects at five

sites were underway. Total construction value (awarded contracts, as modified) of the program was \$292.9 million. \$247.0 million of that total (84%) was complete at the end of September. The following table summarizes projects under construction.

School	Construction Value	% Complete	Duration
100% complete at 36 sites	\$153.1 million	100%	41 mos
1350 7th Ave. (Newcomer HS)	\$0.1 million	100%	1 mos
1350 7 th Ave. hazmat/demo	\$0.4 million	100%	3 mos
1350 7 th Ave. modernization	\$6.1 million	58%	9 mos
Wm Cobb ES	\$0.1 million	100%	1 mos
Wm Cobb ES modernization	\$6.8 million	94%	12 mos
Raoul Wallenberg HS	\$10.6 million	98%	17 mos
Grattan ES modernization	\$3.4 million	99%	18 mos
Hoover MS modernization	\$12.2 million	89%	22 mos
ML King MS IH/roof	\$0.7 million	100%	6 mos
ML King MS incr 1	\$7.7 million	99%	14 mos
Downtown HS	\$6.5 million	99%	16 mos
Glen Park ES interim housing	\$0.2 million	100%	2 mos
Glen Park ES modernization	\$5.9 million	97%	13 mos
Edison Charter	\$5.7 million	97%	13 mos
Francis Scott Key ES – IH	\$0.2 million	100%	3 mos
Francis Scott Key ES – modrn	\$6.6 million	69%	16 mos
2340 Jackson interim housing	\$0.3 million	100%	3 mos
2340 Jackson modernization	\$4.8 million	73%	13 mos
Presidio CDC modernization	\$2.3 million	60%	12 mos
1430 Scott St. (Gateway/KIPP)	\$4.4 million	99%	7 mos
Civic Center HS (Swett) – IH	\$0.3 million	100%	2 mos
Civic Center HS (Swett) – demo	\$0.5 million	94%	3 mos
Civic Center HS (Swett) – modrn	\$8.2 million	15%	14 mos
Chinese Immersion @ DeAvila	\$7.0 million	79%	10 mos
Cleveland ES incr 4 exteriors	\$0.4 million	99%	7 mos
Guadalupe ES interim housing	\$0.3 million	99%	5 mos
Guadalupe ES modernization	\$6.6 million	19%	13 mos
Francisco MS modernization	\$11.3 million	22%	17 mos
Creative Arts @ Golden Gate ES	\$8.5 million	29%	18 mos
Aptos MS incr 2	\$1.2 million	96%	5 mos
Spring Valley ES incr 2	\$0.5 million	99%	3 mos
Hilltop/RAP modernization	\$9.8 million	25%	18 mos
Burbank Campus incr 3	\$0.3 million	0%	3 mos
555 Franklin incr 3	\$0.1 million	0%	3 mos

Enclosures

cc: David Goldin, Joe Grazioli, Reeta Madhavan, Myong Leigh, Paulette Terrell, Bruce Hart, Jeff Stahl, Erin Hirst, Maureen Shelton, Lori Shelton, William Chow, Alberto Vasquez, Kristen Harper, Ryan Henderson, John Chen, Paul Cardoni, Dewitt Mark, Andrea Dawson, Michelle Chariton, Wazi Chowdhury