



Text File

File Number: Rep-143-13/14

Agenda Date: 12/17/2013

Version: 1

Status: Agenda Ready

In Control: Facilities

File Type: BOE Report

Agenda Number:

School Upgrade Program

Staff proposes that the Board of Education establish the School Upgrade Program and take the following associated actions:

1. Approve the overarching goals and principles of the School Upgrade Program (SUP) which will drive the development of future projects to upgrade, build, and repair District school facilities to improve student health, safety and educational quality within specific categories of need:
 - Facilities should align with instructional requirements and vision
 - Schools should be safe and secure
 - School building systems should be sound and efficient
2. Approve the allocation of \$7,852,970,000 from the following sources to support the development of projects under the SUP:
 - \$75,000,000 from the program reserve of the current phase of the bond program, which management anticipates can eventually be released for new scope.
 - \$100,000,000 in interest that has been earned on State bond cash balances that can be used for capital facilities projects.
 - \$677,970,000 of bond proceeds from Measures R and Y.
 - \$7,000,000,000 of bond proceeds from Measure Q.
3. Approve the target amounts that will be allocated to the Facilities Services Division (FSD) Strategic Execution Plan (SEP), Information Technology Division (ITD) SEP, Transportation Services Division (TSD) SEP, and the Office of the Inspector General (OIG) as indicated in the "School Upgrade Program Spending Targets" (Attachment A). Approval does not permit the expenditure of bond proceeds on projects. The expenditure of bond proceeds on projects requires legal review to determine bond eligibility, approval of an SEP amendment identifying a defined budget, scope and

schedule, consideration by the Bond Citizens' Oversight Committee (BOC), and approval by the Board of Education. Funding for direct project costs, as well as program management and indirect costs will come from the spending targets for each category of need as appropriate. Approval does permit expenditure of funds for overhead costs associated with managing the program and with the development and scoping of project definitions to be brought to the BOC for consideration and Board of Education for approval.

4. Approve replacing the "2008 Bond Package Summary," the proposed allocation of funds for Measure Q (Attachment B), which was approved on July 31, 2008 (Board Report #496-07/08), with the "School Upgrade Program Spending Targets" (Attachment A).

The "School Upgrade Program Spending Targets" also supersedes the December 13, 2011, action to allocate \$99 Million from the District's next local bond issuance to the Board-Prioritized Facilities Programs that were delayed as part of the Prioritization and Funding Strategy for School Information Technology Network Infrastructure Upgrades (Board Report #086-11/12).

Background:

On July 31, 2008, the Board of Education adopted a Resolution Ordering an Election and Establishing Specifications of the Election Order for the purpose of placing Measure Q, a \$7 Billion bond measure on the November 4, 2008, election ballot to fund the renovation, modernization, construction and expansion of school facilities. In conjunction with this action, the Board also adopted, as amended, the "2008 Bond Package Summary," that identified the target amounts of bond proceeds to be allocated to various categories of need. In preparing the bond measure, more than \$60 Billion of needs were identified despite the fact that more than \$20 Billion had been invested in constructing new schools and repairing and modernizing existing school facilities.

During this time, it was anticipated that the District would begin issuing Measure Q in 2009 in small issuances of \$200 Million per year for the first four years. However, the nationwide economic downturn in 2009 resulted in a decline in Assessed Valuation (AV) of real property which restricted the District's ability to issue Measure Q bonds and the remaining \$677,970,000 of unissued Measures R and Y. Once AV improved, the Board of Education authorized the issuance of the remaining Measures R and Y General Obligation Bonds, on March 19, 2013 (Board Report #227-12/13).

The "2008 Bond Package Summary" has become outdated. Five years have passed since it was adopted by the Board of Education and Measure Q was approved by the voters. New information about the condition of the District's facilities is available from the completed planning and assessment effort and the ongoing Facilities Condition Assessment. The District's instructional vision and the needs of our schools have also evolved over the course of the past five years.

The School Upgrade Program was developed to reflect the intent and objectives of Measure Q, as well as the current needs of our school facilities and educational goals. The "School Upgrade

Program Spending Targets" is essentially an updated version of the "2008 Bond Package Summary". The spending targets were restructured to enable a more efficient, comprehensive, and holistic approach to developing and executing capital projects. The overarching differences include:

- Consolidated various spending targets from the "2008 Bond Package Summary" into two major categories of need.
- Spending targets for technology related categories of need were increased to align with present goals.
- The previous "Dedicated Funds for Future...Priorities" spending targets were allocated to known priorities.
- Previous spending targets were adjusted in categories of need that received advanced and unanticipated capital funding since November 2008 through the Capital Improvement Program (CIPR).

Expected Outcomes:

Staff anticipates that the Board of Education will approve the School Upgrade Program and the associated proposed actions. The proposed actions will enable staff to develop future projects to upgrade, build, and repair District school facilities to improve student health, safety and educational quality within specific categories of need and spending targets. As proposed projects are developed, they will be submitted to the BOC for their consideration and the Board of Education for their approval.

Board Options and Consequences:

If the Board of Education does not approve the proposed actions, staff will be unable to move forward with the next phase of the District's Bond Program. Furthermore, the development and execution of more than \$7 Billion of future projects to improve student health, safety and educational quality will be delayed.

Policy Implications:

The proposed actions are consistent with the District's long-term goal to address unmet school facilities needs and significantly improve the conditions of aging and deteriorating school facilities as described in the District's local bond measures K, R, Y and Q.

Budget Impact:

The allocation of \$7,852,970,000 to support the development of projects under the SUP comes from the following sources of funds, which will be added to the SEPs for FSD, ITD, Transportation and OIG according to Attachment A:

- \$75,000,000 from the program reserve of the current phase of the bond program, which management anticipates can eventually be released for new scope.
- \$100,000,000 in interest that has been earned on State bond cash balances that can be used for capital facilities projects.

- \$677,970,000 of bond proceeds from Measures R and Y.
- \$7,000,000,000 of bond proceeds from Measure Q.

The School Upgrade Program spending targets include both direct project costs and indirect program costs. Direct costs are charged to projects and may include architectural, engineering, and similar planning/design costs, construction management, insurance, acquisition and relocation costs, inspection, and other direct costs typically associated with projects. A set aside will be established for indirect program costs to support the delivery of the program which will be reduced from each target spending category as determined to be necessary. Indirect program costs may include a share of costs of the election and Bond issuance, program planning and analysis, project scoping, bond program staffing for FSD executive staff, facilities contracts, finance, accounting, controls, technology services, legislative support, legal support, risk management, supplies and equipment, and other costs ordinarily chargeable to capital accounts or otherwise permitted by law that are necessary to manage the Bond Program. Lastly, a customary Program Reserve set aside will be established within each SEP for unforeseen costs. Amounts from each category of need will be determined and set aside for these costs.

Issues and Analysis:

FSD staff manages the use of all funding sources in the FSD-SEP in a manner that enables all funding to be utilized and ensures compliance with all applicable laws, regulations and policies. Pursuant to the provisions of Measure Q, if proceeds of any bonds issued pursuant to Measures, K, R and/or Y have been expended for any of the projects defined under the provisions of Measure Q, bond proceeds shall be reallocated to the specific relevant projects to the extent permitted by law. In addition, Measure Q proceeds may be used when necessary to complete projects begun with funds from Measure K, R, and/or Y. As such, the combined proposed spending target for the categories of need executed under the FSD-SEP will be added to the overall funding sources of the Facilities executed portion of the District's Bond Program to provide funding flexibility to the maximum extent possible pursuant to each individual local bond measure and as permissible by law.

Bond Oversight Committee Recommendations:

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting of November 20, 2013. The BOC adopted a resolution by a vote of 11 ayes, recommending that the Board adopt the item with a revision. The proposal has been updated to reflect the suggested revision. The adopted Resolution is included as an attachment to this report.

Staff has concluded that the proposed actions will facilitate implementation of District SEPs, and therefore, it will not adversely affect the District's ability to successfully complete the SEPs.

2008 BOND PACKAGE SUMMARY FINAL

DISTRICT CAPITAL PRIORITIES		FUNDING TARGET
REPAIR AGING SCHOOLS AND IMPROVE STUDENT SAFETY		\$2.68 BILLION
Repair Aging and Deteriorating Classrooms and School Buildings		\$470 Million
Increase Capacity of School Cafeterias and Install Up-To-Date Equipment to Make Nutritious, Healthy Meals Available to More Students		\$250 Million
Upgrade Deficient School Buildings, Provide Needed Buildings		\$180 Million
Replace Pipes/Plumbing Systems in Schools to Remove Lead/Improve Water Quality to Provide Safe Drinking Water to Students and Staff		\$100 Million
Install and Repair Fire Safety Equipment to Meet State Standards		\$80 Million
Renovate and Replace School Buildings to Ensure Current Earthquake Safety Standards Are Met		\$65 Million
Improvements to Meet the Accessibility Requirements of the Americans With Disabilities Act		\$60 Million
Improve Air Quality At Schools By Installing and Upgrading Filtration Systems		\$50 Million
Replace District's Outdated Police Emergency Radio System		\$50 Million
Provide Security Cameras at Schools to Ensure Safety		\$25 Million
Continue Asbestos Hazard Removal Program		\$20 Million
Dedicated Funds for Future Repair and Safety Priorities		\$1.33 Billion
UPGRADE SCHOOLS TO MODERN TECHNOLOGY AND EDUCATIONAL NEEDS		\$1.925 BILLION
Provide Specialized Classrooms Necessary to Teach the Courses Students Need to Gain Admission to College; e.g. Science Labs		\$200 Million
Increase Internet Capacity and Availability at Schools to Provide Access to Improved Instructional Technology		\$250 Million
Re-New Our Schools -- Campus-Wide Renovations, Upgrades and Creation of Small Personalized Learning Environments Including Magnet Schools		\$800 Million
Provide Back-Up Capacity to Protect Critical Instructional, Safety and Business Services From Interruption		\$75 Million
Modernize Classrooms to Enable New Instructional Models and Virtual Learning Communities		\$75 Million
Dedicated Funds for Future Modernization, Repair and Technology Priorities		\$525 Million
CREATE CAPACITY TO ATTRACT, RETAIN, AND GRADUATE MORE STUDENTS THROUGH A COMPREHENSIVE PORTFOLIO OF SMALL HIGH QUALITY PRE-K THROUGH ADULT SCHOOLS		\$1.855 BILLION
Build New Small and Reconfigure Existing Classroom Space for Operation by Either the District, Magnets, Partners or Affiliated Charter Schools		\$850 Million
Provide Charters With Reasonably Equivalent New and Existing School Facilities		\$450 Million
Create Career Tech Centers To Provide Career Readiness Skills By Utilizing Existing Schools or Building New Centers		\$180 Million
Build New Centers and Repair Aging Early Childhood Education Centers to Promote Learning for Youngest Students		\$150 Million
Provide/Upgrade Adult and Career Education Facilities Necessary to Provide Career Training and Adult Courses		\$125 Million
Upgrade/Reconfigure Special Education Centers to Teach Living and Career Skills		\$50 Million
Leverage Partnerships to Provide After School Activities/Programming and Community Use of Facilities		\$50 Million
PROMOTE A HEALTHIER ENVIRONMENT THROUGH GREEN TECHNOLOGY		\$500 MILLION
Install Renewable Energy Systems		\$200 Million
Replace Aging and Polluting School Buses		\$50 Million
Improve Energy and Water Conservation at Schools		\$30 Million
Dedicated Funds for Future Green Technology Priorities		\$220 Million
ENSURE TRANSPARENCY AND ACCOUNTABILITY		\$40 MILLION
Conduct Ongoing Inspector General Independent Audits of Bond Projects		\$40 Million
TOTAL BOND		\$7 BILLION
All specific work will be developed pursuant to future Strategic Execution Planning, Bond Oversight review and Board of Education approval		

SCHOOL UPGRADE PROGRAM SPENDING TARGETS
Upgrading, Building, and Repairing School Facilities to Improve Student Health, Safety, and Educational Quality

CATEGORIES OF NEED GOALS DRIVING PROJECT DEVELOPMENT		Proposed Spending Target	Board Approved Scope	Unallocated
FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN		\$6,736,708,302	(\$477,534,015)	\$6,259,174,287
Major Renovations/Modernizations/Reconfigurations to School Buildings		\$4,293,396,567	(\$152,897,000)	\$4,140,499,567
Critical School Repair and Safety Improvements to School Building Components		\$938,841,200	(\$230,920,131)	\$707,921,069
Leverage Partnerships to Provide After School Activities & Programming and Community Use of Facilities		\$50,000,000	(\$5,552,595)	\$44,447,405
Specialized Client Programs		\$1,454,470,535	(\$88,164,289)	\$1,366,306,246
IT School Network Infrastructure Upgrades Executed by FSD		\$324,486,889	(\$64,486,889)	\$260,000,000
Modernize and Repair School Cafeterias to Make Nutritious Healthy Meals Available to More Students *		\$212,000,000		\$212,000,000
School Upgrades and Reconfigurations to Support Specialized Instructional Programs		\$193,973,646	(\$23,677,400)	\$170,296,246
Build New and Repair Aging Early Childhood Education Centers to Promote Learning for Youngest Students*		\$110,000,000		\$110,000,000
Provide/Upgrade Adult and Career Education Facilities Necessary to Provide Career Training and Adult Courses*		\$91,900,000		\$91,900,000
Renovate Special Education Centers for Career/Transition Programs & Increase Special Education Facilities on General Education Campuses		\$50,000,000		\$50,000,000
Districtwide Charter School Facilities - Provide Reasonably Equivalent New and Existing School Facilities*		\$402,110,000		\$402,110,000
Board Member Priority Projects		\$35,000,000		\$35,000,000
Educational Service Center Priority Projects		\$35,000,000		\$35,000,000
INFORMATION TECHNOLOGY DIVISION STRATEGIC EXECUTION PLAN		\$529,761,698	(\$136,822,886)	\$392,938,812
Technology Infrastructure and System Upgrades - <i>ISIS, Core IT Network Upgrades, Disaster Recovery Systems</i>		\$151,816,592	(\$86,822,886)	\$64,993,706
Upgrade and Equip Schools with 21st Century Technology - <i>Common Core Technology Project</i>		\$327,945,106	(\$50,000,000)	\$277,945,106
Upgrade Districtwide Emergency Radio System Servicing Schools		\$50,000,000		\$50,000,000
TRANSPORTATION SERVICES STRATEGIC EXECUTION PLAN		\$46,500,000	\$0	\$46,500,000
Replace Aging and Polluting School Buses *		\$46,500,000		\$46,500,000
OFFICE OF THE INSPECTOR GENERAL		\$40,000,000	\$0	\$40,000,000
Conduct Ongoing Inspector General Independent Audits of Bond Projects to Ensure Transparency and Accountability		\$40,000,000		\$40,000,000
UNALLOCATED		\$500,000,000	\$0	\$500,000,000
Unallocated funds for to-be-determined needs		\$500,000,000		\$500,000,000
TOTAL SCHOOL UPGRADE PROGRAM		\$7,852,970,000	(\$614,356,901)	\$7,238,613,099

These funding targets include amounts that will be set aside for Program Reserve as well as for indirect, non-project/program costs including executive staff, facilities contracts, finance, accounting, controls, technology, legislative support, legal support, risk management, supplies & equipment and other program costs necessary to manage the Bond Program.

The expenditure of bond proceeds requires legal review to determine bond eligibility, inclusion in a SEP identifying a defined budget, scope and schedule, consideration by the Bond Citizens' Oversight Committee (BOC), and approval by the Board of Education.

*Represents program that received advanced and unanticipated funding between November 2008 and May 2013

To help ensure the successful implementation of the Common Core Technology Project, the spending target for the "Upgrade and Equip Schools with 21st Century Technology - Common Core Project" category was increased to reflect the assumption that laptops would be purchased for secondary schools. If, however, the decision is made to upgrade and equip schools with a less costly device, any unallocated funds in this category of need will be reallocated to the "Major Renovations, Modernizations, and Reconfigurations to School Buildings" category of need.

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE**Stephen English, Chair**

L.A. City Controller's Office

Pamela Schmidt, Vice-Chair

Early Education Coalition

Quynh Nguyen, Secretary

LAUSD Student Parent

Scott Folsom, Executive Committee

Tenth District PTSA

Stuart Magruder, Executive Committee

American Institute of Architects

Bill Brewington

Thirty-First District PTSA

Maria Cabildo

LAUSD Student Parent

Paul Escala

CA Charter School Association

Garrett Francis

Assoc. General Contractors of CA

Abigail Marquez

L.A. City Mayor's Office

Ron Miller

L.A. Co. Federation of Labor AFL-CIO

John Naimo

L.A. Co. Auditor-Controller's Office

Barry Waite

CA Tax Reform Assn.

Susan Linschoten (Alternate)

L.A. Co. Auditor-Controller's Office

Elizabeth Lugo (Alternate)

LAUSD Student Parent

Joseph P. Buchman – Legal Counsel

Burke, Williams & Sorensen, LLP

Thomas A. Rubin, CPA

Oversight Committee Consultant

Gary C. Anderson, PhD

Bond Administrator

Daniel Hwang

Administrative Analyst

RESOLUTION 2013-34**BOARD REPORT NO. 143-13/14****SCHOOL UPGRADE PROGRAM**

WHEREAS, On July 31, 2008, the Board of Education adopted a Resolution Ordering an Election and Establishing Specifications of the Election Order for the purpose of placing Measure Q, a \$7 Billion bond measure on the November 4, 2008, election ballot to fund the renovation, modernization, construction and expansion of school facilities; and

WHEREAS, In conjunction with this action, the Board also adopted, as amended, the "2008 Bond Package Summary," that identified the target amounts of bond proceeds to be allocated to various categories of need. In preparing the bond measure, more than \$60 Billion of needs were identified despite the fact that more than \$20 Billion had been invested in constructing new schools and repairing and modernizing existing school facilities; and

WHEREAS, The "2008 Bond Package Summary" has become outdated. Five years have passed since it was adopted by the Board of Education and Measure Q was approved by the voters. New information about the condition of the District's facilities is available from the completed planning and assessment effort and the ongoing Facilities Condition Assessment. The District's instructional vision and the needs of our schools have also evolved over the course of the past five years; and

WHEREAS, The School Upgrade Program was developed to reflect the intent and objectives of Measure Q, as well as the current needs of our school facilities and educational goals. The "School Upgrade Program Spending Targets" is essentially an updated version of the "2008 Bond Package Summary". The spending targets were restructured to enable a more efficient, comprehensive, and holistic approach to developing and executing capital projects; and

WHEREAS, District staff is proposing that the Board of Education establish the School Upgrade Program, approve the overarching goals and principals of the School Upgrade Program (SUP) which will drive the development of future projects to upgrade, build, and repair District

Bond Oversight Committee

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school facilities to improve student health, safety and educational quality within specific categories of need, approve the allocation of \$7,852,970,000 from the various sources to support the development of projects under the SUP, and approve the target amounts that will be allocated to the Facilities Services Division (FSD) Strategic Execution Plan (SEP), Information Technology Division (ITD) SEP, Transportation Services Division (TSD) SEP, and the Office of the Inspector General (OIG); and

WHEREAS, If the Board of Education does not approve the proposed action, staff will be unable to move forward with the next phase of the District's Bond Program. Furthermore, the development and execution of more than \$7 Billion of future projects to improve student health, safety and educational quality will be delayed;

NOW, THEREFORE, BE IT RESOLVED THAT:

- 1- The School Construction Bond Citizens' Oversight Committee recommends that the Board of Education adopt the School Upgrade Program and associated actions proposed by District staff as described herein and in the Board Report No. 143-13/14, a copy of which is attached hereto in the form it was presented to the BOC, with the following revision

In the School Upgrade Program Spending Targets attachment to attached Board Report No. 143-13/14, in the line item for "Upgrade and Equip Schools with 21st Century Technology – *Common Core Technology Project*," the Proposed Spending Target amount should be reduced from \$827, 945,106 to \$327,945,106, and the amount in the Unallocated column for that line item should be reduced to \$227,945,106, and a new line item for "Unallocated" should be created showing \$500,000,000 in the "Unallocated" column..

- 2- This resolution shall be transmitted to the Los Angeles Unified School District Board of Education and posted on the Bond Oversight Committee's website.
- 3- That a written response as required by the Charter and Memorandum of Understanding between the Oversight Committee and the Board be provided to the Oversight Committee within 30 days, reporting either on action taken or proposed to be taken in response to this resolution and each recommendation herein.

**RESOLUTION 2012-34
SCHOOL UPGRADE PROGRAM
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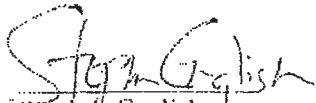
ADOPTED on November 20, 2013 by the following vote:

AYES: 11

ABSTAIN: 0

NAYS: 0

ABSENT: 2


Stephen English
Chair


Pamela Schmidt
Vice Chair