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CHICO UNIFIED SCHOOL DISTRICT

**Citizens' Bond Oversight Committee
Measure K**

**2018-2019 Annual Report
February 2020**

I. Introduction

This is the 2018-2019 Annual Report of Citizens' Bond Oversight Committee (CBOC) for Measure K of the Chico Unified School District. This report is prepared, in conformance with California law, to summarize the work of the Bond Oversight Committee and review the past year of activity.

II. History and Overview of the Citizens' Bond Oversight Committee

On November 8, 2016, the Chico Unified School District ("District") submitted for voter approval Measure K, a bond measure to authorize the sale of \$152 million in bonds for needed repairs, upgrades and new construction projects for the District's schools. This measure was submitted to voters under the terms and conditions of Proposition 39 (Article XIII of the California State Constitution), which requires a 55 percent affirmative vote for passage. Measure K passed with 71.01 percent.

Because Measure K passed pursuant to Proposition 39, the District was required to establish a citizen's oversight committee and to conduct two independent audits. The first audit is a financial audit included in the District's annual financial audit. The second audit is a performance audit.

III. Committee Membership

California Education Code, Sections 15278-15282 established the duties of school district and its duly formed citizens' oversight committee with respect to Proposition 39 bond measures. This code requires that the governing board establish and appoint members to an independent citizens' oversight committee within 60 days of the date that election results are certified.

The Committee must consist of at least seven members to serve a term of two years without compensation and for no more than two consecutive terms. The Committee must include:

- a. One member who is active in a business organization representing the business community located within the school district.
- b. One member active in a senior citizens' organization.
- c. One member who is a parent or guardian of a child enrolled in the school district.
- d. One member is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- e. One member who is active in a bona fide taxpayers' organization.

A seven-member Citizens' Bond Oversight Committee was appointed by the Board in February 2017, to provide oversight of all bonds passed under Proposition 39, as required by law.

Current Committee membership includes:

Mark Francis – Chair, Business Representative, Term June 2023
 Kelley Crockett – Vice Chair, Member at Large, Term June 2023
 Tami Adams – PTO (Resigned December 2019)
 Tracy Bettencourt – Parent/Guardian, Term June 2022
 Ivan Garcia – Parent/Guardian of Child Enrolled in District & Active in a Parent and active in a parent-teacher organization, Term June 2026
 Randy Salado – Member at Large, Term June 2022
 Angela Spain – Taxpayer Association, Term June 2022
 Kelsey Torres – Business Representative, Parent/Guardian (Resigned December 2019)

The CUSD Citizens' Bond Oversight Committee met to discuss 2018-2019 matters on the following dates:

- October 7, 2019
 The Committee reviewed the minutes from the January 23, 2019 meeting. Committee Member Salado moved to approve, seconded by Member Adams. The Committee adopted the minutes unanimously. CUSD Mr. Bultema distributed copies of the Measure K Expenditures Report. The report included a breakdown by each Phase and fund being used for each project. Mr. Bultema reviewed the Measure K, Series B Bond sale. The District sold \$55M in bonds on June 6, 2019. Copies of the Measure K, Series B Bond Debt Service were distributed. The Debt Service included a 25-year breakdown with a Principal of \$55M, Interest of \$33,109,389.58, and a total of \$88,109,389.58. CUSD Kistle had previously shared a PowerPoint presentation highlighting Measure E and K Phase III and IV Projects during the Measure E Meeting including:
 - Shasta Elementary School New Construction and Modernization (99% Complete)
 - Loma Vista School (100% Complete)
 - Marigold Elementary School New Construction and Modernization (70% Complete)

- Neal Dow Elementary School New Construction and Modernization (84% Complete)
- Emma Wilson Elementary School New Kindergarten Building (43% Complete)
- January 23, 2020
The Committee reviewed the minutes from the October 7, 2019 meeting. Committee Member Crockett moved to approve, seconded by Member Spain. The Committee adopted the minutes unanimously. CUSD Mr. Bultema distributed copies of the current Measure K Expenditures Report showing total expenditures through June 2019 totaling \$45.8M. This amount includes expenditures for Charter School projects because they receive 15.34% of Measure K funds. Mr. Bultema noted that other funds were used in conjunction with Bond dollars to help with projects. Developer fees help pay for school expansion projects due to residential growth. Prop 39 provided funds to be used for Energy Efficiency (LED lights). CUSD Ms. Rocio French distributed copies of the 2018-19 Bond Audit Report. CUSD Mr. Bultema noted that the Auditors' Report stated the financial statements were presented fairly and the results of their tests "indicated that, in all significant respects, the District expended Proposition 39 Measure E and Measure K General Obligation Bond Funds for the year ended June 30, 2019, only for the specific projects developed by the District's Board of Trustees, and approved by voters." Ms. Julie Kistle reviewed a sample of a report for Measure E that had been submitted previously. All members agreed to keep the same format. This report will be updated to reflect this year's budget. Mr. Bultema addressed the recent announcement regarding the purchase of the Lifetouch Building to consolidate the District Office and Corporation Yard. He noted that Bond dollars would not be used for this purchase.

IV. **CBOC Actions**

Measure K expenditures for fiscal year 2018-19 were reviewed by the Committee at the meeting held on January 23, 2020.

V. **Performance and Financial Audit Reports**

In accordance with the California State Constitution, the District will continue to have a performance audit completed annually until all Measure K funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure K; and to help the District improve its overall bond program.

The June 30, 2019 annual independent financial audit was conducted by Tittle & Company, LLP. Their report, dated December 2, 2019, states that in their opinion the financial statements present fairly, in all material respects, the Measure K Proposition 39 Bond Building Fund of Chico Unified School District as of June 30, 2018, and the changes in financial position, for the year ended in accordance with accounting principles generally accepted in the United States of America.

The June 30, 2019 annual independent performance audit was conducted by Tittle & Company, LLC. Their report, dated December 2, 2019, states that the results of their procedures indicated that the Chico Unified School District complied, in all material respects, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIA of the California Constitution.

VI. Communications with the Public

A CBOC website page, as required by law, exists, and the information that is posted includes CBOC meeting agendas and minutes and committee by-laws. Copies of the Bond Performance Audit have been posted, as is a link for community members interested in becoming a member of the CBOC.

VII. Expenditures

Project Name	Fiscal 2018-19 Expenditures	Status*
General Bond Issuance	182,000	in progress
Measure K Project Management	-	in progress
Marigold Elementary Phase III	6,266,349	in progress
PVHS Stadium Athletic Master Plan Phase I	1,477,207	complete
Shasta Elementary Phase III	2,234,411	complete
Neal Dow Elementary Phase III	3,513,960	in progress
CHS Big Gym HVAC	234,273	complete
Loma Vista Elementary Phase III	1,851,037	complete
CHS Stadium Athletic Master Plan Phase I	298,127	complete
PVHS Small Gym HVAC	58,031	complete
PVHS New Valhalla, Admin, Classrooms	112,247	in progress
Charter General Expenses	-	in progress
Chico Country Day School	228,039	in progress
Nord Country School	361,847	in progress
Forest Ranch	311,445	in progress
Step Up Academy	8	in progress
Sherwood Montessori	213,802	in progress
Inspire School of the Arts and Sciences	513,449	in progress
Blue Oak	173,758	in progress
CORE Butte	372,078	in progress
Wildflower	96,819	in progress
Total	18,498,887	

VIII. Conclusions

The Citizen's Bond Oversight Committee, based on its review of the annual financial and performance audit reports and information received from District staff, Consultants and others,

for expenditures through June 30, 2019 agrees the balance of the bond proceeds maintained in the building fund were used in compliance of the California Constitution.

The Chico Unified School District website, <http://www.chicousd.org/Departments/Business-Services/CUSD-School-Bonds/Citizens-Bond-Oversight-Committee-CBOC/CBOC-Measure-K/index.html>, provides information on Measure K, annual performance and financial audits, meeting agendas and minutes.