



Los Alamitos Unified School District
Citizens' Bond Oversight Committee for the 2008 Measure K
ANNUAL REPORT FOR 2011
March 2012

INTRODUCTION

The Los Alamitos Unified School District (the "District"), which serves the cities of Los Alamitos and Seal Beach and the communities of Rossmoor and Surfside and other unincorporated areas of Orange County, is the recognized leader in providing top quality education to Orange County students.

ALL (nine) of the District's eligible schools have been recognized as California Distinguished Schools multiple times. Seven have been named National Blue Ribbon Schools. In 2011, McAuliffe Middle School was again recognized as a National Blue Ribbon School, and Rossmoor Elementary School received a California Distinguished School award. Weaver Elementary School is the highest scoring elementary school in Orange County on statewide assessments. Los Alamitos Unified School District students regularly win honors in county, state, and national competitions, including:

- 13 National Merit Scholars Commended in 2011-12
- Military Academy appointments
- Academic and athletic scholarships
- Sunset League athletic championships
- CIF championships
- National championships by the high school song leaders
- Sweepstakes championships by the marching band
- Model United Nations, and speech and debate tournaments

In addition, students from the District schools volunteer thousands of hours each year to community and environmental causes.

The achievements have been accrued by the District as a result of the long history of visionary leadership from the Board of Education for the District (the "Board"), as well as from staff members, parents, and members of the District communities. During its long history, the District has benefited from a community which supports its educational institutions by establishing high standards for academic achievement, while at the same time providing the means required to meet and even to surpass those expectations.

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Although maintained well, the average age of District schools is almost 50 years. Los Alamitos Elementary School, the oldest District school, has been serving students and the community for more than 58 years.

In order to provide local students with the same classrooms and school facilities as other California school districts, major repairs, upgrades, and classroom construction are necessary to ensure these buildings will remain functional for future generations.

The District's Board of Education responded on August 5, 2008 by authorizing placement on the November 2008 ballot Measure K, a general obligation school construction bond. If approved, Measure K would provide \$126 million for a wide array of District facility needs with every campus to receive improvements by having classrooms and facilities repaired, upgraded and modernized as necessary, along with \$2 million for technology needs and \$2 million for athletic projects. The number of projects that can be completed with the bond's funds is highly dependent upon construction costs and the amount of State of California matching funds.

Measure K was presented to the voters through the state's Proposition 39 program under which a measure is passed with 55 percent voter approval. On November 4, 2008, Measure K was passed with 62.2% voter approval.

Proposition 39 includes a number of requirements the sponsoring school district must meet before a measure can go before the voters. The Los Alamitos Unified School District had to provide in advance of the election a complete and detailed list of all projects to be undertaken with bond funds. Proposition 39 also includes a number of requirements the sponsoring school district must meet after a measure is approved.

CITIZENS' OVERSIGHT COMMITTEE

Proposition 39 requires the sponsoring school district of an approved measure to establish a Citizens' Oversight Committee to oversee, monitor and inform the public concerning the expenditure of general obligation bond revenues. The Citizens' Oversight Committee must provide annually a report of how bond funds were used in the past year. This is the Los Alamitos Unified School District Measure K Citizens' Oversight Committee's annual report for the calendar year 2011.

The committee is to consist of at least seven members to serve for a term of two years without compensation, and for no more than two consecutive terms.

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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 who is both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization; and
- E. One member who is active in a bona fide taxpayer's organization.

At the January 18, 2011 meeting of the Board of Education, the Board received a report and appointed two new members to the Los Alamitos Unified School District School Facilities Improvement District No. 1 Citizens' Bond Oversight Committee. The Committee is now:

<u>Member</u>	<u>Represent</u>	<u>Term Ends</u>
Chuck Anderson	At-Large Community Member	2012
Fabiana Frasca	Parent of School District Student	2012
Marco Navarro	Business Representative	2012
Jim Arakawa	Active PTA/Site Council Member	2012
Russell Triplett	Chairperson; At-Large Community Member	2013
Dean Zarkos	Member of Taxpayer Organization	2013
Dr. James Oliver	Active Member Senior Citizens Group	2013

The Los Alamitos Unified School District's School Facilities Improvement District No. 1 Citizens' Bond Oversight Committee met on the following dates:

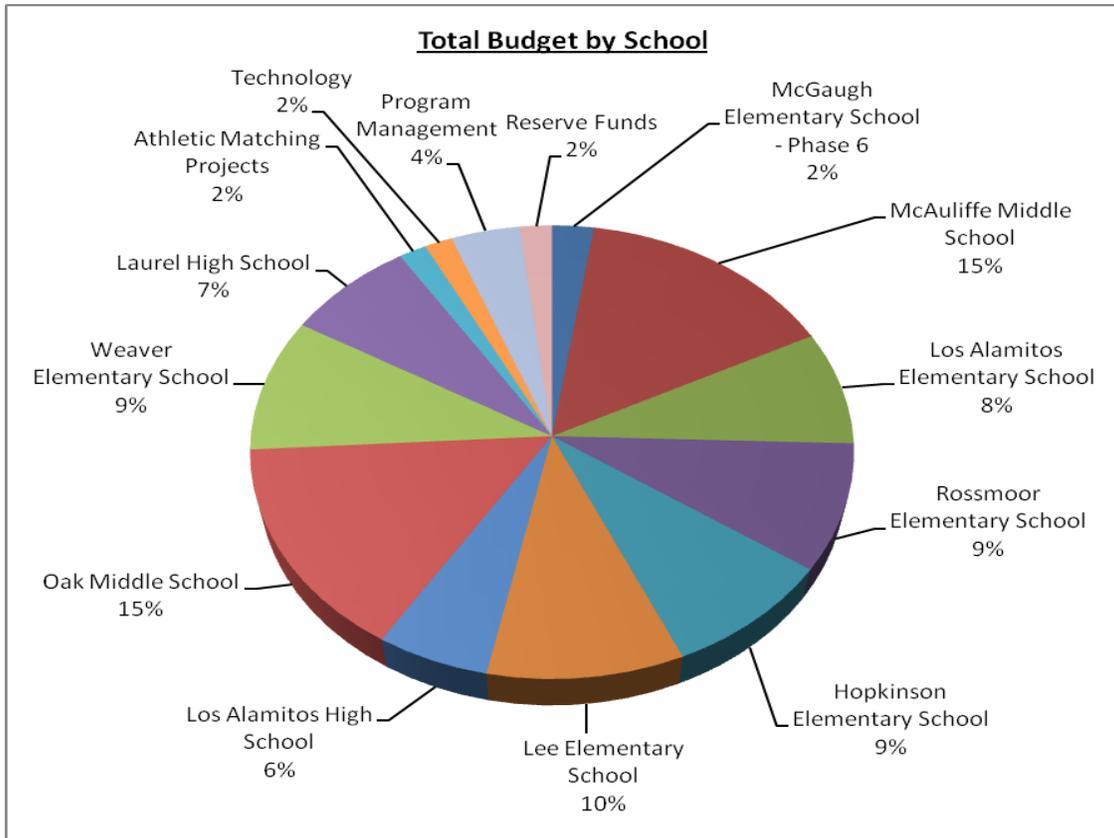
- March 30, 2011
- October 5, 2011
- January 25, 2012

It is planned that at the April 24, 2012 regular meeting of the Board of Education, the Committee will present the 2011 Annual Report of the Citizens' Oversight Committee.

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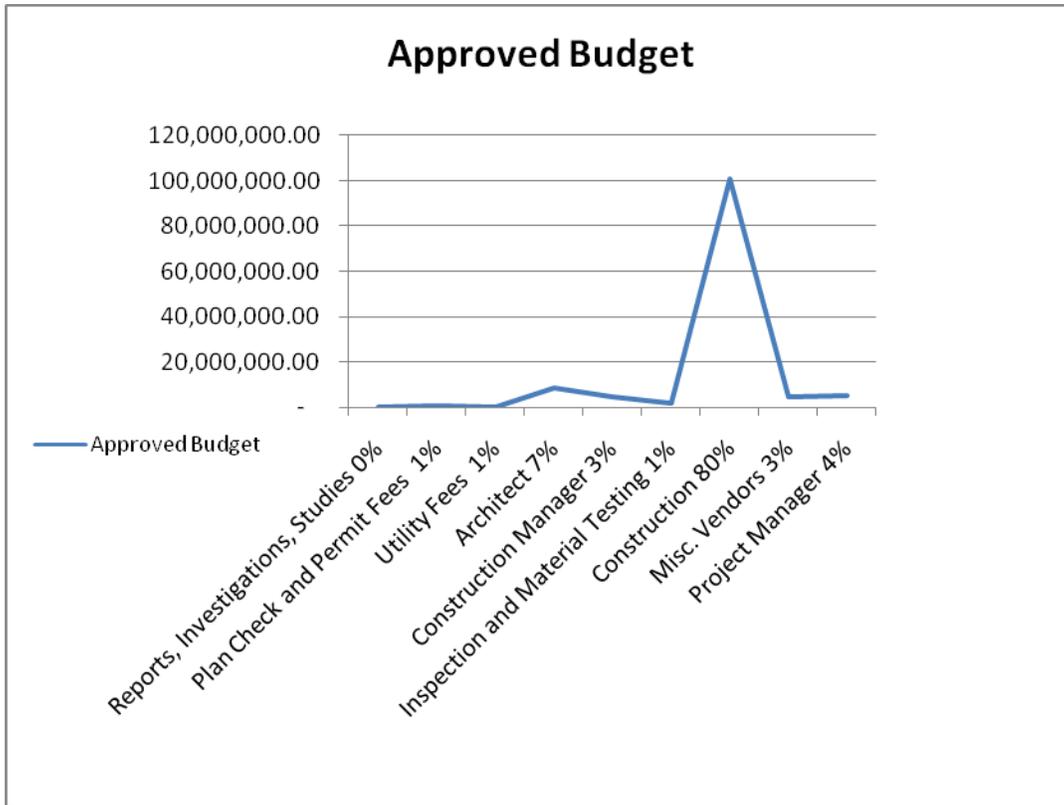
BUDGET

Following is the current budget expressed both by school and by expense categories as they stand on December 31, 2011:



<u>School/Project</u>	<u>Approved Budget</u>
McGaugh Elementary School – Phase 6	3,000,000
McAuliffe Middle School	18,967,089
Los Alamitos Elementary School	10,177,199
Rossmoor Elementary School	11,462,864
Hopkinson Elementary School	11,004,670
Lee Elementary School	12,479,494
Los Alamitos High School	7,150,251
Oak Middle School	19,075,401
Weaver Elementary School	11,926,187
Laurel High School	9,455,127
Athletic Matching Projects	2,000,000
Technology	2,000,000
Program Management	4,976,677
Reserve Funds	2,325,041
Total	126,000,000

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Category	Approved Budget
Reports, Investigation, Studies	35,577
Plan Check and Permit Fees	601,841
Utility Fees	57,111
Architect	8,664,368
Construction Manager	4,292,589
Inspection and Material Testing	1,818,885
Construction	101,059,270
Misc. Vendors	4,493,682
Project Manager	4,976,677
Total	126,000,000

REVENUE

Los Alamitos Unified School District completed the sale of \$18.7 million in Bond Anticipation Notes (BAN) on Tuesday, August 23, 2011. The five-year BAN will be repaid with general obligation bond proceeds to be issued in 2016. The high credit quality was reflected in the SP1+ short term rating from Standard & Poor's, and the Aa2 from Moody's Investors Service. As noted in the rating reports, the District's strong financial management, reserves, and local economy were key factors in the sustained high ratings.

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Despite a turbulent bond market, investors were attracted by the ratings as well as the District's history of successful bond offerings. George K. Baum & Company initially offered the BAN at a rate of 3.0% to attract the largest pool of investors possible. Fifteen investors placed orders, which enabled the interest rate to be lowered to 2.80% in the second sales period. At the conclusion of the final sales period, 13 investors still wanted to buy the BAN and it was allocated accordingly. Issuance of the BAN will enable the District to continue funding planned facilities projects while maintaining the projected tax rate of not to exceed \$34.75 per \$100,000 of assessed value. Over the next five years, the estimated tax base increase should enable the District to issue the repayment bond without impacting the tax rate. A 2008 *Wall Street Journal* study found Los Alamitos, Rossmoor and Seal Beach as communities that retain high property values due to the high quality of schools.

"We are pleased that the Los Alamitos Unified School District remains so well respected among investors and we were excited to be able to participate in this process," commented Patricia Meyer, LAUSD Deputy Superintendent. "The Administration and Board of Education is committed to being good stewards of public funds and providing students with the tools they need to achieve academic success."

"The District's reputation as being well-managed was a significant factor in the sale's success," commented Lynn Paquin, Executive Vice President of George K. Baum & Company, a privately-owned investment bank which handled the transaction for the District.

EXPENDITURES

The California Constitution specifically limits the expenditures of bond revenues to: construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities.

The issuance of the BANS worth \$18.7 million was deposited in the Orange County Treasurer's Office on September 7, 2011.

As disclosed in the Proposition 39-required annual independent auditor's report, the total amount expended during the 2010-11 fiscal year was \$25,868,542. An itemized list of the expenditures was provided by the Los Alamitos Unified School District accounting staff as additional supporting documentation to the annual audit. The independent accounting firm of Vavrinek, Trine, Day & Company prepared the audit report, *Los Alamitos Unified School District Proposition 39 Review of Election 2008, Series 2009, 2010B, 2010C, 2011D (Measure K) Audit Report, Financial Audit and Performance Audits, June 30, 2011.*

These funds were used for modernization work at Los Alamitos Elementary School, McAuliffe Middle School, Hopkinson Elementary School, and Rossmoor Elementary School, and planning and design of modernization projects at Los Alamitos High School and Lee Elementary School.

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For McAuliffe Middle School, Los Alamitos Elementary School, Rossmoor Elementary School, and Hopkinson Elementary School, the funds were used for the following categories: Site preparation, including engineering, environmental review and testing; planning, including architects and Division of State Architect review; construction, including construction manager, temporary facilities and utilities. In addition, there were costs for State of California required inspections and furniture and equipment.

For Lee Elementary School and Los Alamitos High School modernizations, the funds were used for the following categories: Site Preparation, Planning, including architects and Division of State Architect. As of December 31, 2011, no construction had begun at either of the modernization sites.

TIMELINE

Below is a table summarizing the projected timelines for planned projects under Measure K:

Site	Begin Architectural Drawings	Submit Drawings to DSA/Projection of when Contractor Selection Process will be Completed	Projected Start Date of Construction at Site	Projected Construction Completion
McGaugh Elementary (Phase VI)	December 2008	June 2009	September 2009	January 2010
McAuliffe MS	December 2008	June 2009	June 2010	August 2011
LAE	December 2008	June 2009	June 2010	August 2011
Rossmoor Elementary	December 2009	June 2010	June 2011	August 2012
Hopkinson Elementary	December 2009	June 2010	June 2011	August 2012
Lee Elementary	December 2010	June 2011	June 2012	August 2013
LAHS	December 2010	June 2011	June 2012	August 2013
Oak MS	December 2011	June 2012	June 2013	August 2014
Weaver Elementary	December 2011	June 2012	June 2013	August 2014
Laurel HS/District Office	December 2011	June 2012	June 2013	August 2014

NOTE: These projected timelines will change based on final dates of approval by the Division of State Architect (DSA) and the process used to obtain the General Contractor. The General Contractor, once approved by the Board, determines the final construction schedule for each site. While we have taken every effort to consider variables within the schedule, the final timeline will be adjusted due to a number of outside factors.

AUDIT

Proposition 39 requires that the sponsoring school district, of an approved measure, conduct an annual independent performance audit to ensure that bond funds have been expended only on the specific projects included on the list of projects the district was required to provide before Measure K was presented to the voters.

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Proposition 39 also requires that the school district conduct an annual independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for the school facilities projects.

The annual audit of the Los Alamitos Unified School District's Measure K bond expenditure was conducted by Vavrinek, Trine, Day & Co., an independent auditing firm. In the firm's report of that audit it states, "In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the District at June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principals generally accepted in the United States of America."

Vavrinek, Trine, Day & Co. also conducted a review of the expenditures for the period ended June 30, 2011, and their review did not reveal any items that were paid from the general obligation bond funds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on November 4, 2008.

The audit report was presented by an accountant of Vavrinek, Trine, Day & Co. for review to the Citizens' Bond Oversight Committee at its January 25, 2012 meeting. This report is available upon request at the Los Alamitos Unified School District's Business Office, 10293 Bloomfield Street, Los Alamitos, California.

WEBSITE

Proposition 39 requires the sponsoring school district of an approved measure to establish a website dedicated to bond matters. All documents received by the Citizens' Oversight Committee and all reports issued by the Committee are a matter of public record and are made available on the District's website.

That website can be found at the Los Alamitos Unified School District homepage at www.losal.org. By clicking on "Bond Information", visitors will find all available documents presented to the committee, including:

- Meeting agendas
- Meeting minutes. Minutes of a meeting cannot be provided until they are approved by the Committee.
- The "Project List" of all bond projects required prior to Measure K going before the voters
- California Education Code Provisions for Citizens' Oversight Committees
- Reports and other documents prepared and presented to the Committee

CONCLUSIONS

The Los Alamitos Unified School District's Measure K Citizens' Bond Oversight Committee has met and reviewed the report of the audit of bond expenditures conducted by Vavrinek, Trine, Day & Co. for the fiscal year ending June 30, 2011. The report and the Citizens' Bond

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Oversight Committee website can be found on the Los Alamitos Unified School District's webpage at www.losal.org.

The Oversight Committee finds the Los Alamitos Unified School District to be in compliance with the requirements of Article XIII A, Section 1 (b)(3) of the California Constitution.

Russell Triplett, Committee Chair
Chuck Anderson, Committee Vice Chair