



2004-2005 SANTA CLARA COUNTY CIVIL GRAND JURY REPORT

LOMA PRIETA JOINT UNION SCHOOL DISTRICT MEASURE K FINANCIAL DATA AVAILABILITY TO CITIZENS' OVERSIGHT COMMITTEE

Summary

Responding to a citizen's complaint, the 2004-2005 Santa Clara County Civil Grand Jury (Grand Jury) inquired into timely reporting of financial data provided by the Loma Prieta Joint Union School District (LPJUSD or District) to the Citizens' Oversight Committee (COC). This committee was formed in 2002 to closely monitor and evaluate the District's bond-related expenditures and compliance with Measure K, a \$5 million school construction bond. Measure K conforms to Proposition 39 that requires the formation of an independent citizens' oversight committee for bond measures approved by 55 percent (rather than two-thirds) of the voters. The Grand Jury initially concluded that financial data were not being provided in a timely manner to the COC. The viability of the COC itself was potentially at risk due to the lack of sufficient members. This situation has been rectified. This Grand Jury has two findings and two recommendations.

Background

Proposition 39 amended the California Constitution in 2000 to allow for the passage of a school bond issue by less than a two-thirds vote with certain accountability requirements. Legislation passed in conjunction with Proposition 39 in part requires that the governing board of the school district appoint a citizens oversight committee and conduct annual independent audits to assure that funds are only spent on school and classroom improvements and for no other purposes.

The complaint and subsequent investigation were based on the following four issues:

- 1) The COC noted that it was not receiving timely, quarterly financial statements from the District and/or the construction company, PCM3;
- 2) The District's website with the latest COC meeting minutes was not updated;
- 3) In its 2003 Annual Report, the COC stated its inability to evaluate the District's effective use of the Measure K funds because the COC perceived that the District did not have an adequately structured budgetary planning and review process; and
- 4) The District's Business Service Manager was retiring after many years of service, and the Superintendent was leaving, further aggravating the situation.

Discussion

The LPJUSD comprises both an elementary school of approximately 400 students and a middle school of approximately 260 students. The Loma Prieta Elementary School was severely damaged in the 1989 Loma Prieta earthquake and has been rebuilt. The C. T. English Middle School escaped major damage. Now, however, the middle school is considered to have severe “livability” problems that must be addressed to restore its safety and suitability over the next 25 years. Consequently, district residents approved Measure K, a Proposition 39 bond measure, to raise an estimated \$5 million to replace the middle school. Pending approval by the California Department of Architects, construction will begin on the new modular school. This will include 12 classrooms, technology and science labs and a library media center. Funds from Measure K, as well as matching funds from the State of California, will also be used for a variety of improvements to Loma Prieta Elementary School. The passage of Measure K necessitated the formation of a seven-person COC to ensure that all expenditures were made in accordance with the plan approved by the voters. The COC was structured to meet monthly and to issue quarterly and annual reports.

Grand Jury members had an initial discussion on August 11, 2004 with the COC chairperson to assess the current status of Measure K funds. A subsequent meeting was held September 20, 2004 with the Superintendent and the Director of School Services. Members of the Grand Jury also attended the COC meeting held on September 22, 2004.

The current financial report entitled “Financial Activity Report for the Fourth Quarter Fiscal Year 2004” was prepared and presented to the COC on September 22, 2004. The current LPJUSD report entitled “Loma Prieta School District Capital Facilities Program” dated September 15, 2004 was prepared and presented to the COC on September 22, 2004. A structured budgetary planning and review process for timely reporting of information was implemented and presented to the COC for its review and consent. This process includes receipt of timely financial reports from PCM3 to the district. After review, the district staff will share these reports with the COC. The COC now has a full complement of seven members. The new Superintendent began his employment July 1, 2004. The Director of School Services has been assigned as the District Construction Manager with 50 percent of his time allocated for management of Measure K construction projects. The Superintendent has formed a team to oversee the Measure K construction projects. In addition to the Measure K-related information on the District’s website, COC now plans to publish a bimonthly newsletter to update all District residents on the status of construction and expenditures.

Conclusions

The Grand Jury found the complainant’s issues were valid at the time of submission. However, with the hiring of a new Superintendent and the expansion of the Director of School Services’ responsibilities, the Grand Jury’s investigation found increased communication between the COC and the District and improved timeliness of financial reports.

Finding I

A process to ensure timely reporting of information from the LPJUSD to the COC has been established. The COC is now receiving financial reports from the LPJUSD in a timely manner.

Recommendation I

The Grand Jury recommends that the District and the COC continue to work together to report financial information in a timely manner to the residents served by the LPJUSD.

Finding II

When this investigation was initiated, the LPJUSD website was out of date. The relevant parts pertaining to Measure K have now been updated.

Recommendation II

The Grand Jury recommends that if the LPJUSD continues to use the website as a means of communications with the residents, the website needs to be updated in a timely manner.

PASSED and ADOPTED by the Santa Clara County Civil Grand Jury on this 8th day of December 2004.

Michael A. Smith
Foreperson

References

Documents

1. Strict Accountability in Local Schools Construction Bonds Act of 2000, California Education Code, <www.leginfo.ca.gov/calaw.html>, Sections 15264-15276, 15278-15282, and 15284-15288 (last accessed 3 Nov. 2004).
2. Loma Prieta Joint Union School District web site links:
<<http://www.loma.k12.ca.us/District>> LPJUSD Home Page (last accessed 9 Dec. 2004); <<http://www.loma.k12.ca.us/District/MK/OSC>> COC Meeting Minutes and Reports (last accessed 9 Dec. 2004; and
<<http://www.loma.k12.ca.us/District/Constructuion/>> Construction Project Financials and Project List (last accessed 9 Dec. 2004).
3. LPJUSD Capital Facility Programs, September 15, 2004.
4. Loma Prieta Joint Union Elementary School District Measure K Bond Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the Year ended June 30, 2003.
5. Loma Prieta Joint Union Elementary School District Measure K Bond Fund Expenditures by Site/Project for Period Ended June 30, 2003, Allocation of Costs by Vendor.
6. LPJUSD 4th Quarter Activity Report 04/01/2004 to 06/30/2004.
7. LPJUSD Annual Financial Report Measure K General Obligation Bond Fund June 30, 2003.
8. Minutes of the COC dated July 28, 2004.

Interviews

1. Chairperson, Citizens' Oversight Committee, Telephone Interview, 11 Aug. 2004, Personal Interview, 22 Sept. 2004.
2. Superintendent, LPJUSD, Personal Interview, 20 Sept. 2004.
3. Director of School Services, LPJUSD, Personal Interview, 20 Sept. 2004.

Meetings Attended

1. COC Board Meeting, 22 September 2004.