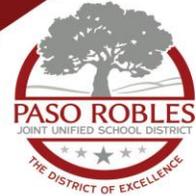


MEASURE M

2018 - 2019 Annual Report to the Community



Dear Community Members,

Thanks to local voters, the Paso Robles Joint Union School District was very fortunate to pass Measure M authorizing \$95 million in taxpayer bonds to be used to finance improvements and modernizations at various school facilities. As a condition of a law regarding a 55% bond approval margin, the District is required to form an independent Citizens' Oversight Committee (COC). The COC is responsible to ensure funds from the November 2016 bond are expended on voter-approved projects and are mandated by law to report annually to the community. This is the second annual report of the bond program informing our fellow community members of the financial and project construction status.

The COC is comprised of voters who represent the following: Business community, a senior citizen's organization, a bona fide taxpayers' organization, parent teacher organization, a parent or guardian of a child enrolled in the District, and members chosen from the public "at large." During the 2018-2019 term there was a revolving membership, however, the committee always maintained the necessary minimum members. No District employee, official, vendor, contractor or consultant may serve on the committee.

The main responsibilities of the COC are to review the performance and financial audits, inspect construction projects and expenditures, recommend cost-saving measures to the School Board and inform the public of their findings in an annual report. As members of the COC, we are committed to ensure that the District spends Measure M tax dollars responsibly and wisely.

The Measure authorizes improvements and modernizations for the schools within the Paso Robles Joint Unified School District and focuses on the priorities represented in the District's Facilities Master Plan. These priorities include:

- Constructing career technical and vocational education classrooms
- Undertaking basic health and safety improvements at schools and classrooms built decades ago – including one that is over 80 years old
- Repairing and replacing leaky roofs, repair deteriorating plumbing/electrical wiring, heating and air conditioning systems
- Installing Science, Technology, Engineering, Arts and Math (STEAM) labs at schools throughout the District
- renovating and repairing existing classrooms and school facilities
- Retrofitting schools and classrooms for earthquake safety

In this report, we are pleased to say that the district is nearing completion of several projects identified in the District Facilities Master Plan. Those include:

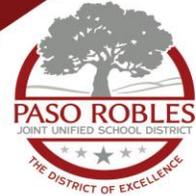
- Flamson 10 classroom addition (January 2021)
- Temporary campus at 26th Street (January 2021)
- Marie Bauer Early Learning Academy (February 2021)

Additionally, some projects approved at the January 25, 2020 board meeting, were designed, received regulatory approval and were completed during the summer of 2020. Those projects included:

- Heating, Ventilation and Air Conditioning (HVAC) replacement at Virginia Peterson and Pat Butler

MEASURE M

2018 - 2019 Annual Report to the Community



- Roof replacement at Virginia Peterson and Pat Butler
- Installation of shade structures at Virginia Peterson and Flamson
- Repainting of Virginia Peterson and Pat Butler

In December 2019, the Manager of Facilities and Planning, retired from the district. The district took many months to fill this vacant position. During the absence of the Manager of Facilities and Planning, the Director of Maintenance, Operations and Transportation (MOT) Nelson Payton performed all of these tasks. The committee appreciates the hard work of Mr. Payton as he has navigated taking on this interim role.

In the summer of 2019, the Board of Trustees appointed a citizens committee to review the 2016 Facilities Master Plan (FMP). During this review, the committee identified, due to the changing needs of the district, a shift of focus should occur as to the types of projects that are approved and funded by the Board of Trustees. The committee determined that three items should become top priorities of the district. These include: roof renovations, HVAC renovations, and shade structures for student eating areas. On January 25, 2020, the Board of Trustees approved these findings and approved the design and construction of projects listed above.

The Aquatic Complex at Paso Robles High School, has been designed and has received DSA approval. As of the publication of this report, the project continues to be on hold, pending the completion of other projects, which could allow for a reallocation of funding for the Aquatics Complex.

The district has convened a Surplus Property Committee (also known as 7-11 Committee) to evaluate future enrollment and existing capacity of school sites. The 7-11 Committee has met four times and anticipates providing a recommendation and report to the Board of Trustees by January 12, 2021. Until this report is submitted, the Board of Trustees has paused any additional major modernization projects. This includes the design and upgrades at Georgia Brown Elementary.

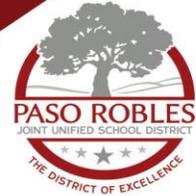
Financial Status

The District sold Series A, valued at \$40,000,000, of the General Obligation Bonds (Bonds) on May 31, 2018. The majority of Bonds funds or 85% of the funds must be expended or committed by contract within 3 years following issuance. The Board approved of the sale of 2017 General Obligation Bond Anticipation Notes (Notes) in the principle amount of \$3,000,000, collateralized by the Bonds, which are being used as an advance to pay for the upfront planning costs for the projects described in, and authorized by, Measure M. The principal balance on the Notes was repaid on June 1, 2018 from the proceeds of Series A. The District sold Series B, valued at \$30,000,000, of the General Obligation Bonds (Bonds) on September 11, 2020. Expenditures made using the Notes follow the same guidelines as the Measure M Bonds. Expenditures of the bond notes are restricted to finance improvements and modernizations at various school facilities and will not be used for other District obligations.

The interest on the Notes as well as the interest and principle on the Bonds are financed through property taxes collected. The measure's tax rate, as advised by the District's financial advisor, is \$48.53 per \$100,000 of assessed valuation per year. The tax rate cannot legally exceed \$60.00 per \$100,000 when combined with other previously issued School Bonds.

MEASURE M

2018 - 2019 Annual Report to the Community



In November 2018, Moody’s Investor Services downgraded the district’s credit rating to A1 (Negative Outlook) from Aa3. This downgrade was directly related to District maintaining less than the State mandated three (3) percent reserve for economic uncertainty. Since that time, the district has significantly improved its financial position. This is evident by the change in the district’s credit rating. On August 6, 2020, Moody’s Investors Service removed the Negative Outlook. The rating action press release said, “Removal of the negative outlook is driven by improved governance and primarily reflects new management’s meaningful progress toward improving general fund reserves from previously weak levels. Despite slowed state aid growth, we expect the district’s thin, albeit satisfactory finances will remain stable under new management’s improved fiscal prudence.”

Construction and modernization of school facilities are costly endeavors and the majority of the financial burden is held at the local level. The State of California has assisted through the School Facilities Program (SFP), which provides a wide variety of state funding. Funding for projects approved in the SFP comes exclusively from statewide general obligation bonds approved by the voters of California. The most recent statewide bond, Proposition 51 (November, 2016) has been fully exhausted as of the date of this report. On March 3, 2020, California voters rejected Proposition 13, a \$15 billion state bond for school facilities. The failure of this bond will prevent any near-term financial support for the district through the SFP reimbursement process. The financial burden for all facility improvements will continue to fall solely on the shoulders of the district.

Revenue

| | Bond Authorization | Revenues | Expenditure/ Encumbered | Fund Balance |
|---------------------------------|--------------------|--------------|-------------------------|--------------|
| Measure M Bond Authorization | \$95,000,000 | | | |
| Bond Anticipation Notes 8/24/17 | | \$3,000,000 | | |
| Bond Issue May 31, 2018 | \$40,000,000 | \$37,000,000 | | |
| Bond Issue September 11, 2020 | \$30,000,000 | \$30,000,000 | | |
| Bond Program | | \$70,000,000 | \$34,589,362 | \$35,410,637 |

Measure M Project Status

(As presented at the March 12, 2019 School Board Meeting)

Projects Completed or Nearing Completion

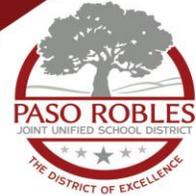
| | |
|--|---|
| Flamson Middle School | Bond funds were used to add topsoil, hydroseed and install irrigation on the playing field. Project completed December 2017 at a cost of \$10,956,17. |
| 26 th Street Temporary Campus | Site work for the installation of all of the temporary relocatable buildings is under construction. The low bid was \$1,272,446. |
| Marie Bauer Early Childhood Education Center | The project was awarded on October 8, 2019 for \$10,513,428. |

Under Construction

| | |
|----------------------------|---|
| Glen Speck Academy of Arts | The project was awarded on January 25, 2020 for \$19,092,000. |
| Technology Upgrades | District wide network upgrades. Partially funded through federal E-rate reimbursement program |

MEASURE M

2018 - 2019 Annual Report to the Community



| | |
|--|--|
| Shade Structures (Pat Butler and Winifred Pifer) | The Board of Trustees has approved the installation of these shade structures, however, there are uncertified projects on these campuses that must be closed prior to starting. The certification part of the project is in process. |
|--|--|

Projects in Planning

| | |
|-------------------------------|---|
| Glen Speck Multi-Purpose Room | The Board of Trustees have approved the use of the Lease-Lease Back construction delivery method. The district will be publishing a Request for Proposals (RFP) to begin this process in February 2021. (See brief description of Lease-Lease Back description below) |
|-------------------------------|---|

Future Projects

| | |
|--------------|--|
| Undetermined | Future projects will be determined after the final report from the 7-11 Committee. |
|--------------|--|

Lease-Leaseback (LLB) Construction Delivery Method

The lease-leaseback construction delivery method is authorized in education Code 17406/7 and was updated with the passage of AB 2316. In this process, Districts must conduct competitive process to select contractor who provides the “best value” to the district. The district will issue a Request for Proposals (RFP) which is required to be adopted by the Board of Trustees. This RFP will be published, which contain procedures and guidelines for evaluating proposals that ensure best value process is “fair and impartial.” Proposals submitted in response to a request for RFP must be ranked by their best value scores and the board must award to the contractor that submitted the sealed proposal determined to be the best value. The bill expressly permits a school district to award a single lease-leaseback contract that includes preconstruction services in the same contract to the contractor who will be providing construction services. AB 2316 also permits a school district to award the LLB contract for an agreed-upon lump sum or a fee for performing the services. As of the publication of this report, the Board of Trustees has authorized this delivery method for the design and construction of the multi-purpose room at Glen Speck. The Board of Trustees and district administration believes this delivery method can help control potential costly change orders and produce a higher quality project because of the highly collaborative process used early in the design stage between the design team, the contractor and the district.

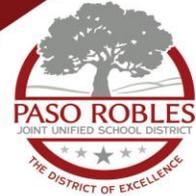
Financial and Performance Audit Summary

During the review of expenditures, the Committee specifically analyzed the number of change orders by project. Staff provided change order summaries, that identified the cause of each change order. They are:

- Regulatory agency (DSA, City, etc.)
 - Changes required by the authority reviewing the project to meet field conditions.
- Unforeseen
 - Changes related to unforeseen conditions found during construction.
- Owner directed
 - The district directs additional improvements or added project scope during the course of construction.
- Error or omission

MEASURE M

2018 - 2019 Annual Report to the Community



- Changes related to work that was omitted from the original plans. The majority of this work does add value to the project and would have been included in the original bid price had the plans and specifications included the details.

The Committee reviewed seven projects. Three of the seven projects exceeded 10% of total change order value compared to the original bid. The Committee recommends that the district administration negotiate with the architect of record to receive reimbursement for any change order that was caused by an architect error or omission. The district typically pays a “premium” for change orders, so had plans or specifications been more complete, the district would have avoided the premium costs.

Article 13A of the California Constitution allows for a 55% majority vote to pass a local School Bond. The law mandates that Paso Robles Joint Unified School District follow the requirements of Section 15278 of the California Education Code Section 1(b)(3)(C) which requires that the School Board, conduct an annual, independent performance audit to ensure that the funds have been expended only on the specific projects listed in the bond measure. Section 1(b)(3)(D) requires the School Board to conduct an annual, independent financial audit of the proceeds from the sale of the bonds until all of those proceeds have been expended for the school facilities projects.

An audit of the Paso Robles Joint Unified School District’s Measure M Building fund for the year ending June 30, 2019 was conducted by the independent auditing firm of Christy White and Associates as prescribed in Title 5 *California Code of Regulations* section 19810. The independent audit reviewed the following areas:

- Section I- Financial Audit Procedures and Results
 - Financial Statements
 - Internal Control Evaluation
- Section II – Performance Audit Procedures and Results
 - Facility Project Expenditures
 - Personnel Expenditures
 - Facilities Site Walk
 - Contract and Bid Procedures
 - Contracts and Change Orders
 - Citizens’ Bond Oversight Committee (CBOC)

The audit concluded “In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure M Bond Building Fund of Paso Robles Joint Unified School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. See attachment A for the Report on Performance letter. A copy of the complete audit can be found on the district website.

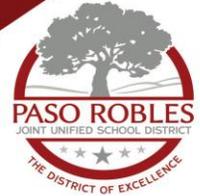
The Measure M Bond Oversight Committee:

Patrick J. Sayne Ed.D., Senior Citizen Organization
Jeff Railsback, Parent and member of Parent Teacher Association
John Hamon II, Taxpayer Organization
Nathan Williams, Parent with a Child
Lars Jorgensen, Business Organization

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

MEASURE M

2018 - 2019 Annual Report to the Community



Gwen Severson, Member-At Large
Diane Ward, Member-At-Large

If you are interested in serving on the Citizens' Oversight Committee, contact:

Monica Silva
Confidential Administrative Assistant
(805) 769-1000 Ext. 30105
msilva@pasoschools.org