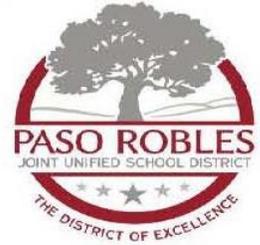


MEASURE M

2017-2018 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 2017-2018 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.

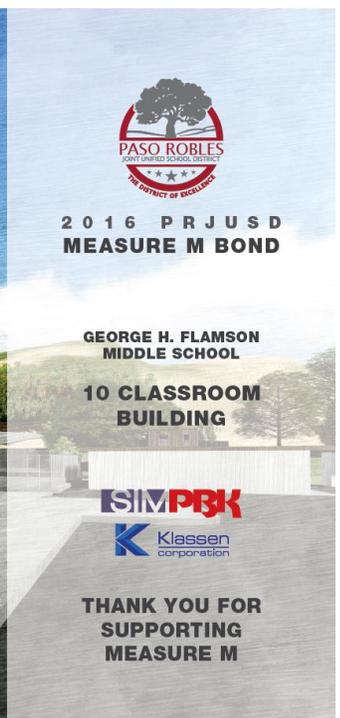
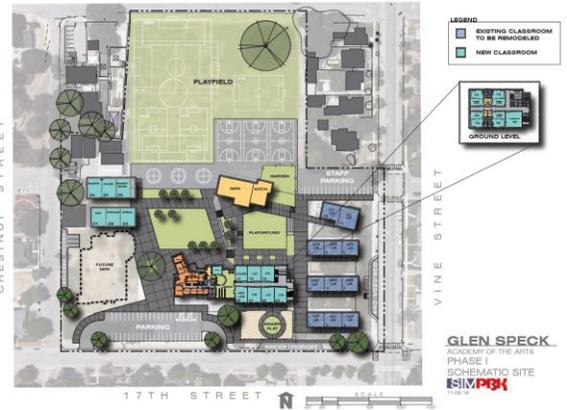
In this report, we are pleased to say that the district has begun construction of projects identified in the District Facilities Master Plan. Additionally, progress has been made towards designing and gaining regulatory approval of other bond projects. The District hired a Manager of Facilities and Planning, Cheryl Mollan. She is solely employed to manage the planning and construction of the bond projects and has begun the extensive planning to deliver the projects as advertised to our community in Measure M literature. Hiring a district employed Manager of Facilities is a significant savings verses hiring a contracted outside management firm. This also allows for greater control of change order costs and recommendations.

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

The Aquatic Complex at Paso Robles High School, was planned to begin construction in April 2018. Preliminary site work did begin with the demolition of the future site and the purchase of two prefabricated pools. However, bids for the construction of the entire complex significantly exceeded initial estimates and further construction was halted pending further direction from the School Board of Trustees. Simultaneously, architects have been working with District staff to design a site layout for Marie Bauer Early Childhood Education Center and the Glen Speck Arts Academy. Design charrettes

have taken place to solicit input for conceptual designs for the Georgia Brown modernization. The District has designed, received regulatory approval and begun construction of a temporary campus to be used to rotate students off campus while their school's modernization and renovations are under construction.



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. 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.

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. As the District's financial position improves, the credit rating can be expected to follow. As the District determines the scope of future projects and those project budgets, careful consideration will be given as to the timing of selling the next series of bonds. Staff will be developing cash flow projects to aid in determining when the next series of bonds will be sold.

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. While state funding for District projects is not available for from Proposition 51 funds, the District continues to submit projects to the SFP for potential funding in the future.

	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	\$40,000,000		
Bond Program		\$43,000,000	\$6,142,181	\$36,857,033

Measure M Project Status

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

Projects Completed

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 \$100,956.17.
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Under Construction

Flamson Middle School	A permanent 10-classroom building is under construction. The project was bid in fall of 2018 and a Notice to Proceed was issued January 2019. The low bid was \$5,297,000
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	Fall of 2019

Glen Speck Academy of Arts	Winter of 2019
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Projects in Planning

Paso Robles Community Aquatics Complex	Artistic renderings of Phase 1 and Phase 2 were presented to the School Board at the December 12, 2017 meeting. District staff expected construction to begin in April 2018. Staff has recommended using a “piggy-back” materials’ bid for an Olympic size pool and a 25 yard “warm-up” pool. At the time of design, the total cost of the community complex is estimated as \$8,207,990, of which \$5,700,000 is approved funding from the Bonds, the balance of the costs will be funded by outside contributions. During 2018, site preparation began with the demolition of relocatables at the site. Additionally, the district purchased two prefabricated pools for a cost of \$945,000. In December 2018, the district bid the entire project and found the lowest bid to be \$11,790,000. This amount was significantly greater than the estimated costs, therefore, the Board elected to put the entire project on hold until some determination is made regarding how to proceed. The Oversight Committee finds that, while the pool was an approved expenditure of the Bond, to purchase the pools prior to knowing the complete cost of the project was, premature. The Oversight Committee further recommends that the future total contribution from the Bond fund be capped at \$5.7 million, until such time, more funding becomes available, subject to the discretion of the School Board.
Marie Bauer Early Childhood Education Center	A conceptual layout was presented to the School Board at the December 12, 2017 meeting showing the desired relationships of classrooms to auxiliary facilities. The modernization includes classroom replacement, field renovations and required safety improvements. The projected costs are \$11,080,000 and is scheduled to begin September 2019 with completion slated for August 2020. Facilities staff is also preparing a temporary campus on the Flamson Middle School site to be used to rotate students off campus while their school is under construction.
Glen Speck Academy of Arts	The projected costs for modernization includes classroom replacement and address required safety concerns. The project costs have been estimated at \$21,980,000 and is scheduled to begin November 2019 with completion slated for August 2021.
Georgia Brown Dual Immersion Magnet School	The projected costs for modernization includes classroom replacement, modernization and address the required safety concerns. The project costs have been estimated at \$13,850,000 and is scheduled to begin June 2021 with completion slated for August 2023.
Pat Butler Elementary School	The projected costs for modernization includes classroom modernization and address the required safety concerns. The project costs have been estimated at \$3,720,000 and is scheduled to begin June 2020 with completion slated for August 2021.
Virginia Peterson Elementary School	The projected costs for modernization includes classroom replacement and address the required safety concerns. The project costs have been estimated at \$8,840,000 and is scheduled to begin June 2020 with completion slated for June 2021.

Future Projects

Kermit King	Project costs are estimated at \$4,170,000
Winifred Pifer	Project costs are estimated at \$590,000
Daniel Lewis	Project costs are estimated at \$16,750,000

Financial and Performance Audit Summary

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, 2018 was conducted by the independent auditing firm of Christy White and Associates as prescribed in Title 5 *California Code of Regulations* section 19810. The audit concluded "In our opinion, the Paso Robles Joint Unified School District complied, in all material respects, with the types of compliance requirement referred to above that are applicable to the Measure M Bond Building Fund noted below for the year ended June 30, 2018". 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:

Bob Rollins, Planning Commission
Patrick J. Sayne Ed.D., Senior Citizen Organization
Jeff Railsback, Parent and member of Parent Teacher Association
Shelley Gurney, Business Organization
John Hamon II, Taxpayer Organization
Kristen Kearns, Parent with a Child

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

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