



Board of Education Report

File #: Rep-093-18/19, **Version:** 1

Addressing Urgent School Facilities Needs and Mitigating Facilities Bond Program Risks
October 2, 2018
Facilities Services Division

Action Proposed:

Staff proposes that the Board of Education (Board) take the following actions so that the District can continue addressing urgent school facilities needs and mitigate Facilities Services Division (Facilities) Bond Program risks:

1. Approve the allocation of \$183 million in interest earned on Facilities local bond cash balances to the Facilities Bond Program Reserve.
2. Approve an allocation of \$100 million from Program Reserve to increase the spending target associated with the School Upgrade Program (SUP) critical school repair and safety improvements category of capital need. This supports the continued development of projects to address vital school facility needs. Refer to Attachment A for a spreadsheet reflecting the status of the SUP categories of capital need and associated spending targets based on this proposal.
3. Cancel 16 projects, as listed in Attachment B, which will reduce risks associated with the completion of projects and legacy programs, and/or allow stakeholders to develop additional project proposals subject to review by the BOC and approval by the Board.

Background:

Last October, the Board approved an action (Board Report No. 048-17/18) that, among other items, provided an additional \$100 million to support new critical school repair projects. The funding is nearly allocated again. Continuing our efforts to undertake critical school repair and safety improvement projects is a vital component to the District's ability to provide safe school environments that promote teaching and learning. Even with the additional proposed funding allocation for critical school repairs, the District's school facility needs will still continue to far exceed available funding.

Given the importance of continuing our work to replace and upgrade failing and deteriorated school building systems and components, Facilities recently evaluated the state of the Program to determine whether another allocation could be made now for new critical school repair projects. The proposed additional funding for critical school safety and repair needs will help address:

- Failing, deteriorated, and outdated building systems and components
- School buildings, rooms and/or facilities deemed unsafe for occupancy or use
- Other unknown critical health and safety concerns, urgent/emergency conditions, and/or health and safety code compliance issues that may arise

As part of the evaluation, approximately \$183 million of interest earned on facilities local bond cash balances has been identified and can be added to the Program. This interest has been earned over time on Measures K, R, Y, and Q proceeds, but was not available for allocation to the Program until recently. As bonds are issued, the proceeds are placed in interest earning accounts in the County Treasurer's investment pool or in specific securities held by the County while awaiting payment of bond expenditures. There have been several allocations of interest earned on local bond cash balances in the past, totaling approximately \$345 million.

Due to the nature of working on existing campuses, the Bond Program adapts to changes in the operating school environment by revising and reassessing projects when necessary. During the course of the evaluation, staff determined that 16 projects that have been on hold should be cancelled for various reasons. Please refer to Attachment B for a project list.

This proposal does not request approval to authorize any new projects. If approved, individual project proposals will be presented to the BOC for its consideration and recommendation, and the Board for its approval, at a later date.

Expected Outcomes:

It is anticipated that the Board will adopt staff's proposal which will enable critical school safety and repair needs to continue to be addressed. Additionally, adding funding to the Program Reserve and cancelling projects will help mitigate risks.

Board Options and Consequences:

If the Board does not adopt staff's proposal, additional project proposals to address critical school repair and safety conditions will not be developed and presented to the BOC and Board. Moreover, the backlog of critical school repair and safety needs will continue to grow.

Policy Implications:

Staff's proposal is consistent with the goals and principles of the SUP, the project lists contained in the District's local bond measures.

Budget Impact:

Staff's proposal adds \$183 million in interest earned on Facilities local bond cash balances to the Program Reserve. The proposal also approves an allocation of \$100 million from Program Reserve to the spending target associated with the critical school repair and safety improvements category of capital need. The Facilities SEP will be updated to reflect this proposal and related changes to the School Upgrade Program. The proposal, if adopted does not authorize funding for any new projects.

The budgets and commitments related to projects shown on Attachment B are being reviewed and analyzed in order to determine the amount of funds that can be made available to the Bond Program to either supplement existing Board approved projects or for new scope to be brought to the Board at a later time. Approximately \$13.6 million of unspent funds is anticipated to be made available.

Student Impact:

Staff's proposal will enable future critical school repair and safety improvement project proposals to be presented to the BOC and Board. As a result of staff's proposal, additional work can be undertaken to provide students with a safe and healthy learning environment, and facilities that promote teaching and learning.

Issues and Analysis:

Facilities staff is continuously monitoring funding requirements, existing sources and uses of funds, trends, and changes in the construction market and economy in order to mitigate potential impacts to the Facilities managed Bond Program. The Program is highly impacted by changes in the construction market and all signs indicate that construction cost escalation continues to rise.

Facilities recently evaluated the Program to determine whether another allocation could be made now for new critical repair projects. The analysis included:

- Examination of new funding sources that could possibly be brought into the Program;
- Assessment of legacy programs to determine if funds could be released now;
- Updating scopes, schedules and budgets for projects with the greatest risk;
- Assessment of risks due to market conditions; and
- Identification of various risk mitigation strategies.

The evaluation concluded that, with the funding additions proposed in this action, the Program can withstand some higher escalation than our current budget assumptions while maintaining a reasonable Program Reserve, and without having to make adjustments to the current Program now.

Adding funding to the Program helps mitigate risk, while at the same time allowing for critical school repair projects to continue to be developed.

Bond Oversight Committee Recommendations:

This item was considered by the School Construction Bond Citizens' Oversight Committee (BOC) at its meeting on September 20, 2018. Staff has concluded that this proposed SEP amendment will help facilitate implementation of the FSD-SEP and, therefore, it will not adversely affect the District's ability to successfully complete the FSD-SEP.

Attachments:

Attachment A- Overview of SUP Categories of Capital Need and Spending Targets
Attachment B- Cancellation of Projects Overview
BOC Resolution

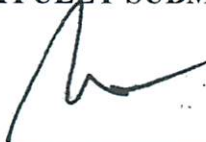
Informatives:

None.

Submitted:

9/14/18

RESPECTFULLY SUBMITTED,



AUSTIN BEUTNER
Superintendent

APPROVED & PRESENTED BY:



MARK HOVATTER
Chief Facilities Executive
Facilities Services Division

REVIEWED BY:



DAVID HOLMQUIST
General Counsel

Approved as to form.

REVIEWED BY:




CHERYL SIMPSON
Director, Budget Services and Financial Planning

Approved as to budget impact statement.

ATTACHMENT A

FACILITIES SCHOOL UPGRADE PROGRAM SPENDING TARGETS

Upgrading, Building, and Repairing School Facilities to Improve Student Health, Safety, and Educational Quality

	Spending Target for Projects *	Remaining Available As of 8/31/18	Board Action to Increase	Remaining After 10/2/18 Board Action
FSD-Stakeholder Programs				
Major Renovations/Modernizations/Reconfigurations to School Buildings	\$3,844,823,313	\$33,000,000	\$0	\$33,000,000
Critical School Repair and Safety Improvements to School Building Components	\$1,081,758,044	\$25,871,200	\$100,000,000	\$125,871,200
Leverage Partnerships to Provide After School Activities & Programming and Community Use of Facilities	\$65,443,598	(\$1,251,265)	\$0	(\$1,251,265)
Specialized Client Programs				
IT School Network Infrastructure Upgrades Executed by FSD	\$169,946,552	\$1,961,392	\$0	\$1,961,392
Modernize and Repair School Cafeterias	\$108,559,218	\$5,652,277	\$0	\$5,652,277
School Upgrades and Reconfigurations to Support Specialized Instructional Programs	\$131,640,910	\$27,127,372	\$0	\$27,127,372
Build New and Repair Aging Early Childhood Education Centers	\$65,832,647	\$24,585,004	\$0	\$24,585,004
Provide/Upgrade Adult and Career Education Facilities	\$61,734,510	\$12,081,848	\$0	\$12,081,848
Renovate Special Education Centers - <i>Compliance with ADA Title II</i>	\$579,041,989	\$226,881,710	\$0	\$226,881,710
Districtwide Charter School Facilities	\$244,850,069	\$164,934,931	\$0	\$164,934,931
Board Member Priority Projects	\$28,814,043	\$26,629,495	\$0	\$26,629,495
Local District Priority Projects	\$27,736,500	\$27,736,500	\$0	\$27,736,500
FSD Indirect Allocation	\$1,142,681,158	\$0	\$0	\$0
FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN TOTAL	\$7,552,862,551	\$575,210,464	\$100,000,000	\$675,210,464

* Includes all actions that modified the amount available for direct projects since the inception of the SUP in January 2014.

Attachment B - Cancellation of Projects

Program Type	School Name	Project Name	BD	LD	Reason For Cancellation	Project Number	BOE Report
Board Member Priority	Cienega ES	Cienega ES - New Smart Boards	1	West	School decided not to proceed with this scope. A different project was developed and approved to provide laptops to the school.	10365634	092-13/14
	Haskell STEAM Magnet ES	Haskell STEAM Magnet ES - Playground Upgrades	3	Northwest	This requirement expanded the project scope and increased the estimated cost.	10367126	018-15/16
	Lowman Special Education & Career Transition Center	Lowman Special ED - Principal's Office New Lock and Hardware	6	Northeast	Based on feedback from principal, no work was required.	10365171	NA
Charter Bond Program	Granada Hills Charter HS	Granada Hills Charter HS Augmentation Grant	3	Northwest	Granada Hills Charter High School has informed the District that they do not plan to move forward with the New Media and Technology Center project.	10004975	237-11/12
CIP - Parent and Family Center Program	Alexandria ES	Alexandria ES - Parent & Family Center	2	Central	The work is not suitable for this location. There are no available classroom sized spaces that can be converted into a parent center because the school's enrollment is increasing.	10366747	216-14/15
Early Education Centers	Cruz EEC	Cruz EEC - Security Upgrades	2	Central	Security upgrades originally scoped were inadequate. Project was placed on indefinite hold. ITD is developing a robust CCTV installation with an intrusion alarm upgrade. A new project is planned for a future project definition proposal.	10100386	244-05/06
	South Region EEC #3	South Region EEC #3	5	East	A site was never selected for the development of a new EEC. The Early Childhood Education Division has decided to redirect funds toward new projects including nature explorer classrooms, HVAC upgrades and restroom renovations, and reopening existing centers, which would be more cost effective than constructing new capacity.	10004312	409-10/11
	Sterry EEC	Sterry EEC - Modernization	4	West	The site has been is closed and therefore this work is no longer required.	10101500	324-07/08
Major Repairs	Barrett ES	Barrett ES - Paving	1	South	Changes in site conditions do not justify or require the project.	10102169	016-09/10
	Budlong ES	Budlong ES - Paving	1	West		10102170	016-09/10
	Foshay Learning Center	Foshay Learning Center - Paving	1	Central		10102174	016-09/10
	Gardena ES	Gardena ES - Paving	7	South		10102201	016-09/10
	Gompers MS	Gompers MS - Paving	7	South		10102175	016-09/10
	La Salle ES	La Salle ES - Paving	1	West		10102205	016-09/10
Measure K	Verdugo Hills HS	Verdugo Hills HS - Renovate Science Laboratory/Home Economics	6	Northeast	The design of this project does not meet the schools instructional needs. A new project is planned for a future project definition proposal to construct chemistry labs.	10104864	005-02/03
SUP Critical Repair	Bancroft MS	Bancroft MS - Playground Matting & Equipment Replacement	4	West	Scope is no longer required.	10365678	191-13/14

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

Rachel Greene, Chair
Tenth District PTSA
Bevin Ashenmiller, Vice-Chair
LAUSD Student Parent
Susan Linschoten, Secretary
L.A. Co. Auditor-Controller's Office

Jeffrey Fischbach
CA Tax Reform Assn.
Araceli Sandoval-Gonzalez
Early Education Coalition
Greg Good
L.A. City Mayor's Office
Michael Keeley
CA Charter School Association
Karen Krygier
L.A. City Controller's Office
Kate Mergen
Assoc. General Contractors of CA
Ron Miller
L.A. Co. Federation of Labor AFL-CIO

Scott Pansky
L.A. Area Chamber of Commerce
Dolores Sobalvarro
AARP
Kathryn Steinberg
31st District PTSA
Douglas Teiger
American Institute of Architects
Celia Ayala (Alternate)
Early Education Coalition
Arlene Barrera (Alternate)
L.A. Co. Auditor-Controller's Office
Jose Zambrano (Alternate)
Tenth District PTSA
(Vacant)
LAUSD Student Parent

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Daniel Hwang
Asst. Administrative Analyst

RESOLUTION 2018-28

BOARD REPORT NO. 093-18/19

ADDRESSING URGENT SCHOOL FACILITIES NEEDS AND MITIGATING
FACILITIES BOND PROGRAM RISKS

WHEREAS, District Staff proposes that the Board of Education take certain actions such that the District can continue addressing urgent school facilities needs and mitigate Facilities Services Division Bond Program risks; and

WHEREAS, The actions being proposed by District Staff are listed below; and:

- Approve the allocation of \$183 million in interest earned on Facilities local bond cash balances to the Facilities Bond Program Reserve.
- Approve an allocation of \$100 million from Program Reserve to increase the spending target associated with the School Upgrade Program (SUP) critical school repair and safety improvements category of capital need. This supports the continued development of projects to address vital school facility needs. Refer to Attachment A for a spreadsheet reflecting the status of the SUP categories of capital need and associated spending targets based on this proposal.
- Cancel 16 projects, as listed in Attachment B, which will reduce risks associated with the completion of projects and legacy programs, and/or allow stakeholders to develop additional project proposals subject to review by the BOC and approval by the Board.

RESOLUTION 2018-28
ADDRESSING URGENT SCHOOL FACILITIES NEEDS AND MITIGATING
FACILITIES BOND PROGRAM RISKS
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WHEREAS, Last October, the Bond Oversight Committee recommended, and the Board approved an action (Board Report No. 048-17/18) that, among other items, provided an additional \$100 million to support new critical school repair projects; and

WHEREAS, The funding is nearly allocated again, and District Staff believes that continuing efforts to undertake critical school repair and safety improvement projects is a vital component to the District's ability to provide safe school environments that promote teaching and learning; and

WHEREAS, District Staff recently evaluated the state of the Program to determine whether another allocation could be made now for new critical school repair projects; and

WHEREAS, As part of the evaluation, approximately \$183 million of interest earned on facilities local bond cash balances has been identified and can be added to the Program. This interest has been earned over time on Measures K, R, Y, and Q proceeds, but was not available for allocation to the Program until recently; and

WHEREAS, The evaluation concluded that, with the funding additions proposed in this action, the Program can withstand some higher escalation than our current budget assumptions while maintaining a reasonable Program Reserve, and without having to make adjustments to the current Program now; and

WHEREAS, District Staff has concluded that the proposed SEP amendment will facilitate implementation of the FSD SEP, and therefore, it will not adversely affect the District's ability to successfully complete the FSD SEP.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The School Construction Citizens' Bond Oversight Committee recommends that the Board of Education adopt staff's proposal to address urgent school facilities needs and mitigate Facilities Bond Program risks as defined in Board Report 093-18/19, a copy of which is attached hereto in the form it was presented to the BOC and is incorporated herein by reference.
2. This resolution shall be transmitted to the Los Angeles Unified School District Board of Education and posted on the Oversight Committee's website.
3. The District is directed to track the above recommendation and to report on the adoption, rejection, or pending status of the recommendations as provided in section 6.2 of the Charter and Memorandum of Understanding between the Oversight Committee and the District.

**RESOLUTION 2018-28
ADDRESSING URGENT SCHOOL FACILITIES NEEDS AND MITIGATING
FACILITIES BOND PROGRAM RISKS
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ADOPTED on September 20, 2018, by the following vote:

AYES: 9

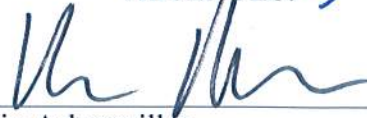
ABSTENTIONS: 0

NAYS: 0

ABSENCES: 5



Rachel Greene
Chair



Bevin Ashenmiller
Vice-Chair