

SPLOST IV Citizen's Oversight Committee

Annual Report

As of December 31, 2014

Introduction

This is the Annual Report from the SPLOST IV Citizen's Oversight Committee (the "Committee").¹ This Report is produced pursuant to Section 2.2 of the Committee's By-Laws.² The purpose of this Report is to inform the public about the activities of the Committee from the formation of the Committee through the date of this Report. Those activities are also summarized in more detail in the minutes of the Committee's meetings.³

The Committee is presently composed of 12 citizens with a wide array of backgrounds and experience, including finance, accounting, project management, engineering/design, architecture, auditing, construction, K-12 education, law, planning, and real estate. The current Committee members are: Christine Avers, Paul Baisier, Cathy Blakeney, Wyvern Budram, Narwana D. el-Shabazz, Dr. Yvonne Fowlkes, B.R. "Billy Ray" Jones, Herman Lorenz, Kimberly Mitchell, Charles Rogers, Kerry Williams and Delilah Wynn-Brown. Paul Baisier has stepped down as the Committee chairperson and Charles Rogers has been elected to succeed him; Cathy Blakeney replaces Kerry Williams as the Committee co-chairperson.

Goals and Objectives of the Committee:

The goals and objectives of the Committee are outlined in its By-Laws, and include:

- Gaining an understanding of the capital improvement process used by the DeKalb County School District (DCSD).
- Providing transparency to DeKalb County citizens regarding the SPLOST IV revenue and expenditures by reviewing the capital improvement projects funded by SPLOST IV, and reviewing compliance with the SPLOST IV project list.

¹ The Committee has also been charged with oversight of the remaining projects from SPLOST III. As of December 31, 2014, there are 55 active SPLOST III projects remaining as of the date of this report (421 and 415 funding), with a total active budget of approximately \$129,964,400.00. This includes the single project remaining from 415 funding, the replacement of Chamblee High School, with a budget of \$57,622,493. However, 31 of those projects are in close-out; 17 are in the construction stage, and 7 in design. There are 76 active projects in the SPLOST IV Program as year-end 2014, with a budget of \$231,708,959. 65 of these projects are in the design phase, 10 are in construction and 1 is in close-out. See chart at the end of the report for more detail.

² The Committee's By-Laws are available to the public at the following website address: <http://www.dekalb.k12.ga.us/www/documents/splost-iv/oversight-committee/by-laws.pdf>.

³ The Minutes of the meetings of the Committee, which are held at the Sam Moss Service Center, are available to the public at: <http://www.dekalb.k12.ga.us/splost-iv/oversight-committee/>. The Committee has met in person on a monthly basis since. The Committee's next meeting is scheduled for April 23, 2015, and like all Committee meetings, is open to the public.

- Acting in an advisory capacity to the superintendent of the DCSD on capital improvement projects funded from SPLOST IV.

Summary of Activities of the Committee During This Report Period:

The Committee's activities in 2014 are reflected in the monthly meeting minutes and recommendation spreadsheets maintained on the Committee's website. Specifically, the some of the highlights of the Committee's efforts in 2014 include the following:

- Review and make inquiries regarding the Monthly Status Reports prepared by URS;⁴
- Review and make inquiries regarding the Elementary School Prototype developed for the construction of replacement schools for Austin, Fernbank, Gresham Park, Pleasantdale, Peachcrest, Rockbridge and Smoke Rise Elementary Schools;
- Review and make inquiries regarding the construction of Fernbank and Peachcrest Elementary Schools, the first two projects underway utilizing the new prototype design;
- Request information from DCSD regarding the location and investment of SPLOST IV funds;
- Review and make inquiries concerning the award of contracts for SPLOST projects via the DCSD Contract Award List, updated monthly;
- Met with the DCSD Chief Financial Officer, Dr. Michael Bell, who provided a presentation describing the accounting of the SPLOST III and IV funds at the Committee's April, 2014 meeting;
- Work with DCSD staff and URS to streamline reporting of information concerning the SPLOST IV projects to provide better transparency to the community as it relates to those projects;
- Collect and compile the Committee's recommendations regarding the operation of the SPLOST IV program and the Committee itself for transmittal to the Superintendent⁵; and
- Attend various school openings, community meetings and other DCSD events related to the SPLOST IV program as communicated to the Committee;
- Adopted practice of having at least one committee member attend the regularly scheduled DCSD Board of Education public meetings to further publicize the existence of Committee and the identity of its members, and to report on the same for the whole Committee.
- Worked with DCSD and URS staff to develop plan for consistent status reporting to community members affected by specific Program projects, including regular meetings for the Fernbank Elementary School and Henderson Middle School communities;

⁴ URS is the lead construction program manager/contractor for SPLOST IV. URS produces detailed monthly status reports for the DCSD Board, which are also published each month on the DCSD website (see address below). These reports are provided to the Committee for review and evaluation prior to meetings, and URS makes a monthly presentation on selected aspects of them for the Committee at its meetings (including the status of revenues and budgets). The URS monthly status reports are available at the following address: <http://www.dekalb.k12.ga.us/operations/monthly-status-report/>.

⁵ See separate section below on Additional Observations, which includes commentary on the Committee's Recommendations.

- Developed a procedure by which DCSD and URS present specifically to the Committee each month on all projects that are over budget or behind schedule;
- Obtained a list of stakeholders (regional superintendents, school councils, principal, and PTA) from DCSD for schools with SPLOST IV projects in order to provide for greater communication regarding meetings and updates on project progress, especially pertaining to school feedback to DCSD through formal chain of communication;
- Multiple presentations from DCSD and URS regarding both funding limitations and budget re-allocations affecting specific projects, including the District’s detailed explanations of decision making process in each instance.
- Presentation on status of project for which contractor was issued notice of defective work and steps being taken to protect taxpayers from damages resulting from contractor errors (Dunwoody HS);
- Worked with DCSD and URS on the development of Sub-regional Program reorganization to more effectively and efficiently utilize URS and DCSD project management resources, which was implemented in early 2015.

Summary Observations Regarding Revenues and Expenditures

Per the December 31, 2014 MSR report, SPLOST III sales tax receipts collected through December 31, 2014 were \$488.1 million, or 104.7% of the original budget of \$466.0 million. The SPLOST III budget was revised upward to \$490.1 million, and an additional \$23.5 million in anticipated DOE reimbursements (\$23.1 million of which have been collected) brings the total SPLOST III funding to \$513.6million through December 31, 2014. SPLOST IV sales tax receipts collected by DCSD through December 31, 2014 were \$250.2 million,⁶or approximately 109% of DCSD’s projected receipts for the period in question. The SPLOST IV budget of \$475 million in sales tax receipts is supplemented by \$21 million in anticipated DOE reimbursements and a \$38 million technology bond. Through year-end, \$4.6 million of those DOE reimbursements have been collected. The technology bond was issued to permit the DCSD to accelerate the technology portion of the planned SPLOST IV expenditures.⁷ The technology upgrades are underway, and are expected to continue through October, 2017.

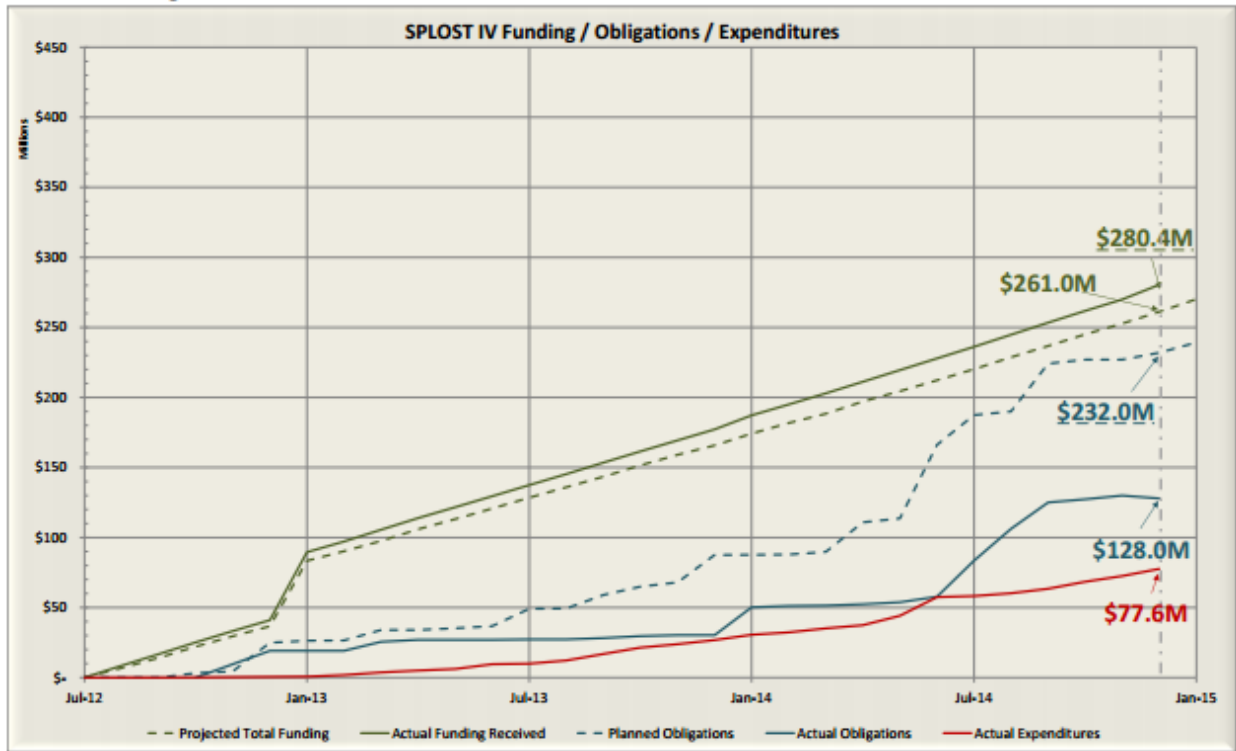
The SPLOST IV program tracks funding, obligations and expenditures on both a projected and actual basis. Because the SPLOST IV program is operated on a “cash flow” basis, it is critical for actual funding received to trend at or above the budgeted/planned funding, and above projected obligations. Spending remains significantly below revenues, despite an increase in the number of projects getting started and the resulting increase in the amount of actual obligations incurred, for this reason. For the period ending December 31, 2014, DCSD has incurred actual obligations (executed contracts) related to SPLOST IV construction projects in

⁶ This information is also available online at a web site maintained by the State of Georgia - https://gtc.dor.ga.gov/_/#2. The total equals the distributions to DCSD for “ESPLOST” from August 2012 through June 2014.

⁷ Note that the budget is not technically “increased” by the amount of the bond issue as ultimately those bonds will need to be paid back. However, the issuance of those bonds has enabled the District to make use of the funds on an expedited basis, and thus those receipts are added to available funding in determining the overall level of obligations the District may undertake. Details on the technology projects can be reviewed here. <http://www.dekalb.k12.ga.us/splost-iv/projects/>

the amount of \$128 million, but spent only \$77.6 million. Over that same period, actual funding received is \$280.4 million. This relationship is graphically represented by the solid lines depicted in the diagram below (dotted lines represent projected values; solid represent actual):

Chart 1: SPLOST IV Funding, Obligations, and Expenditures
Period Ending December 31, 2014



Actual funding received during that same period is trending 7% above projected funding levels, and sales tax revenues are trending 9% above projected budget levels. This appropriately conservative approach to fiscal responsibility means that the DCSD does not incur obligations for SPLOST IV expenditures until it has first collected the funds required to pay for those expenditures in their entirety. Per the DCSD’s own policy, the “cash flow basis” requirement is intended to and will continue to keep the actual obligations less than the actual funding at any time during the life of the SPLOST IV program. Details concerning all SPLOST IV projects underway at a given time (including as of December 31, 2014) may be found in the MSR reports issued by URS (see footnote 4 above for address).

Additional Summary Committee Observations

The DCSD staff has given the Committee an overview of its contracting process, which appears reasonable to those members of the Committee with experience in that area. The process and its results also appear to be reasonably transparent, as much of the information about the process, both ongoing and completed, is maintained on the DCSD web site. This information, which includes bid documents, design documents, project award results and other detailed

project-specific documentation presented by DCSD to the Board, is accessible by the general public via the eBoards site maintained by the Board of Education, under its “Meetings” tab.⁸

DCSD staff continues to provide the Committee with a monthly update on all contracts awarded within the SPLOST IV program via a Contract Update Spreadsheet. The list includes information regarding each project for which a contract obligating the DCSD has been executed, and also includes the date of the BOE meeting at which the DCSD received approval to enter into the contract, the number of attendees at the pre-bid/pre-proposal conference, the number of bids/proposals received, the nature of contract or type of project at issue (design, general contracting, demolition, etc.), the entity to whom the contract was awarded, the amount budgeted for the contract, and the actual amount of the contract.⁹ As reported in the Committee’s last Report (June 30, 2014), concern arose in mid-2014 due to the fact that a few significant contracts (Towers HS roof replacement, Peachcrest ES construction, Fernbank ES construction) came in above budget, due to a confluence of factors that the Committee and BOE evaluated and separately concluded were out of DCSD’s control (this circumstance is set forth in detail in that June 30, 2104 Committee Report and will not be repeated here).

Subsequently, a number of contracts have been awarded within budget, somewhat mitigating the concern expressed by DCSD mid-year that market factors could cause a relatively significant uptick in contract award values above those that had been budgeted. These include the Redan High School Addition and Renovation (\$16,600,000), the 2015 Bus Purchase (\$5,035,200, which \$1.37M below budget), SW DeKalb High School Renovations (\$2,036,000, \$1.85M below budget), and the Kingsley Elementary School Roof Replacement (\$917,960, \$330,000 below budget).

The previously reported presentation from URS on a proposed acceleration of the projects in the SPLOST IV program has been discarded in favor of the Program Sub-region reorganization discussed briefly above in the Section of this Report dealing with Committee Activities.

Finally, the Committee continues to make certain recommendations regarding the program and the operation of the Committee, which it has asked be communicated to the Superintendent. The most important of those, in the minds of the Committee members, concern (i) the development of systems, procedures or processes by which DCSD and individual school staff together may be better trained, educated and involved in the appropriate maintenance and warranty procedures applicable to new projects, to prevent the expenditure of future SPLOST funds on otherwise avoidable renovations or repairs, and (ii) working to involve school stakeholders (school councils, PTA, parents and staff) in the process of collecting information relative to future CIP work, via the Facilities Condition Assessments, such that there is vertical collaboration involving not only current stakeholders at affected schools, but also those that will be arriving in the future (such as parents of current elementary students who will be in middle school during the next program). Those and other Committee recommendations are summarized on **Exhibit B**.

⁸ <https://eboard.eboardsolutions.com/index.aspx?S=4054#>.

⁹ The December, 2014 Contract Update Spreadsheet is attached hereto as **Exhibit A**.

Conclusion

The Committee continues to review DCSD activities related to the SPLOST III and IV programs, to gain knowledge regarding the capital improvement projects process for DCSD, and to act as an advisory committee for the superintendent. Community suggestions and questions are welcomed, both at the Committee meetings¹⁰ and via e-mail.¹¹

¹⁰ To maintain order during the meetings, members of the public that wish to speak must be recognized by the presiding committee member. Comments may be limited by allotted time(s) to permit the Committee to complete its agenda in a timely manner. Committee members may be available, at their discretion, before or after meetings to discuss relevant matters with members of the public.

¹¹ E-mails can be sent to the Committee at the following address: splost-oversight@fc.dekalb.k12.ga.us.

Exhibit A
(Recommendations)

Exhibit B

(Contract Update Spreadsheet)