

Bond - Measure G

REPORT #1

July 1, 2016
to
June 30, 2017

Measure G Facts

- ♦ Voters Approved on 11.8.2016
- ♦ \$222M Approved
- ♦ First Bond Issuance ~ \$51M on 3.30.2017

2016-2017 Independent Citizens' Oversight Committee

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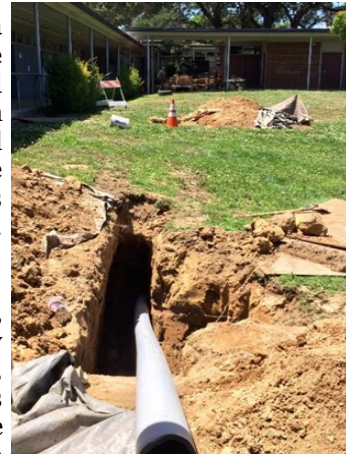
Measure G: Great Schools for a Greater Novato

About the Bond: On November 8, 2016, Measure G, a \$222 million local school bond, was approved by the voters in the Novato Unified School District to modernize our schools and support 21st Century learning. The bond mandates an Independent Citizen's Oversight Committee (ICOC) and annual audits to ensure the bond proceeds are expended only for the school facilities projects included in the bond language, as supported by the Facilities Master Plan (FMP) described below. This is the first annual report by the ICOC.

The bond targets the upgrade of aging classrooms, science labs, libraries and facilities to meet current academic/safety standards; provides dedicated space for science, technology, engineering, math, arts and music instruction; and improves student access to modern instructional technology. These improvements accommodate modern teaching and will help prepare our students to compete in the 21st Century global economy. Repairs and improvements necessary to protect student safety, and to save money by increasing energy-efficiency are also part of the scope of Measure G. Unlike the District's parcel tax funds which support the District's educational programs and staffing, bond revenue is the primary means by which the District is able to keep school buildings and classrooms safe, updated and in good repair.

To identify and prioritize facility needs, prior to the Bond approval by the voters, the District underwent an extensive process of developing a comprehensive FMP. On December 15, 2015, the NUSD Board of Trustees approved WLC Architects to facilitate this project. They were tasked with assessing the physical plant of each school site and identifying needed work; assessing the educational suitability and functionality of each school site; gathering information from all stakeholders and the community; providing estimated costs of repair, replacement, renovation and/or new construction; developing a FMP for each school site; and prioritizing all identified projects. WLC conducted over 35 school site meetings with students, teachers and staff from the elementary, middle and high schools, parents, PTA and Booster Club members, and District consultants. Over \$500 million of needed site work was identified in this process, and the site community members prioritized the work and scaled down the project list to \$205 million of needed facilities work. The final FMP was approved by the Board of Trustees on August 2, 2016 and is available on the District website at www.nusd.org/bond-information/facility-master-plan.

The Bond Implementation Committee, a Superintendent's Advisory Committee, began its work on January 12, 2017 after the bond was passed. A strong district facilities committee is one of the most important factors in a successful bond program. The 40-plus member Bond Implementation Committee includes teachers, staff, students, parents, site and District administration, Board members, representatives from local agencies, as well as members of the community. Using the Measure G Bond language and the FMP to guide their process, the committee met several times, prioritized the projects by need and value, and made their recommendation of Phase One projects to the Superintendent.



Bond-supported Sewer Repair Projects at Novato HS and Olive ES were completed during Summer 2017

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About the Bond cont'd:

On May 2, 2017, and August 8, 2017, the Board of Trustees approved the recommendation of the Bond Implementation Committee's list of Phase One projects.

District-wide, these projects include IT Infrastructure upgrades; providing students with Chromebook devices; Classroom Technology Toolkits; 21st Century Project-Based Learning Flexible Furniture; and deferred maintenance projects such as replacing the San Ramon Elementary School Roof, and sewer repairs at Olive Elementary School and Novato High School.

Site work in Phase One includes a new dedicated Science, Technology, Engineering and Math (STEM) building and a new Performing Arts Center at Novato High School; a new dedicated STEM building and a major renovation of the Performing Arts Center at San Marin High School; 2nd Turf Practice Fields at both high schools; remodel of Lynwood Elementary School, including the move of the District's Food Distribution Center; a new gym at Sinaloa Middle School; and installation of air-conditioning at San Jose Middle School.

The Bond Implementation Committee will reconvene in 2019/2020 to prioritize the next round of facilities projects and make their recommendation to the Superintendent to be brought to the Board for approval.

About the Independent Citizens' Oversight Committee:

California State law requires that an Independent Citizens' Oversight Committee (ICOC) be appointed by the Board of Trustees within 60 days of certification of the election results being entered into the minutes, which occurred on January 17, 2017. The NUSD Board of Trustees appointed the ICOC on March 7, 2017.

The duties of the committee include:

- ◆ Actively reviewing and reporting on the proper expenditure of taxpayers' money for school construction in accordance with voter approved projects.
- ◆ Advising the public as to whether the school district is in compliance with the requirements of Article XIII A, Section 1(b)(3), which provides that a) bond revenues are expended only for the purposes set out in Measure G, b) that no bond revenues are used for any teacher or administrative salaries or other school operating expenses and c) an annual independent financial audit and independent performance audit is performed.
- ◆ Informing the public at least annually in a written report concerning the expenditure of bond proceeds.

The committee consists of at least seven (7) members each serving a term of two (2) years, and for no more than three (3) consecutive terms. The committee exists until all the bond proceeds have been expended.

The ICOC meets at least four times a year, and all meetings are open to the public. The agenda, meeting dates, minutes of prior meetings and materials presented during the meetings are available on the district website.



MEASURE G PHASE 1 APPROVED PROJECTS

District-Wide Projects

IT System Upgrade

Purchase and installation of new IT network equipment and expanded Wi-Fi at each school site

IT “One To World”

Chromebook purchase and phased rollout over next 3 years to every 3rd–12th grade student

IT Classroom Toolkits

Update every classroom with a standard IT presentation package

21st Century Furniture

Purchase new “flexible furniture” to support Project-Based Learning in 33% of the District’s total classrooms



School-Site Projects

Novato HS:

Performing Arts Ctr

Construct new 450-seat performing arts theater

STEM Classroom Bldg

Construct new classroom building with 10 class/lab rooms dedicated to STEM learning

2nd Turf Practice Field

Construct new full-size multi-sport turf field for PE, sports practices and games



2016 - 2017 Annual Report

Letter From the Citizens’ Oversight Committee Chair

As Chair of the Novato Unified School District’s (NUSD) Bond Independent Citizens’ Oversight Committee, it is my pleasure, on behalf of the entire committee, to present the first Annual Report of the Measure G “Great Schools for a Greater Novato” Bond Program. The \$222 million bond measure provides for modernizing our schools to enhance 21st century learning, improve student safety, support student success and reduce operating costs through increased energy efficiency.

The Committee’s primary responsibility is to review and report on the expenditure of taxpayer money, ensuring that bond revenues are expended only for the purposes set forth in Measure G. This mandate has been fulfilled by holding quarterly meetings and reviewing expenditures to make sure they were spent as required.

The committee reviewed the financial and performance audit as of June 30, 2017, issued by our independent auditing firm Christy White Associates. The firm conducted its audit in compliance with Generally Accepted Government Auditing Standards. Christy White Associates issued an unmodified opinion that the financial statements “present fairly, in all material respects, the respective financial position of the Measure G Bond Fund of the Novato Unified School District as of June 30, 2017.” In regard to the evaluation of internal controls, the firm “tested internal controls over financial reporting and compliance with laws, regulations, or provisions of contracts or agreements and have determined through our inquiry of management and our evaluation of District processes that no significant deficiencies were noted.” The auditors also tested “65% of total 2016-17 Measure G expenditures for validity, allowability and accuracy, and concluded that the sampled expenditures were in compliance with the terms of Measure G ballot language, the District-approved facilities plan, and applicable state laws and regulations.” There were no financial statement or state performance findings or recommendations.

Based on this audit and other work of the Committee, we would like to announce that, to the best of its knowledge, the Novato Unified School District was in compliance with all requirements of Proposition 39 and Measure G for the period ending June 30, 2017. The full report and more detailed information is available on the District’s website, www.nusd.org/bond-information.

Much of the first year of the bond program was spent developing the foundation and mechanisms for careful stewardship of future bond projects. Numerous necessary steps have and will be taken, which require adequate time in programming and analysis, in order to ensure the bond projects meet or exceed NUSD and community expectations while simultaneously fulfilling State of California regulations and processes.

2016-2017 Highlights include:

- ♦ Formation and meetings of the Bond Implementation Committee (BIC), tasked with prioritizing Measure G-approved Facilities Master Plan projects, based on needs and value. Projects identified as Phase 1 priority encompassing the first \$110 million were approved by the Board of Trustees on May 2, 2017, and most are in the development or programming phase.
- ♦ Hiring of necessary Bond Program management personnel, selection of a Construction Management Program consultant, and selection of Architectural and Engineering firms tasked with the STEM, Performing Arts Center, and 2nd Turf Practice Field projects at both high schools.
- ♦ Formation and meetings of the Bond Independent Citizens’ Oversight Committee (ICOC). Subsequent to the reporting period, the committee has met four times (July 7, 2017, September 13, 2017, January 11, 2018 and February 7, 2018). Proceedings

MEASURE G PHASE 1 APPROVED PROJECTS

School-Site Projects

San Marin HS:

Performing Arts Ctr

Major renovation of existing PAC; includes 250 seat theater

STEM Classroom Bldg

Construct new classroom building with 10 class/lab rooms dedicated to STEM learning

Stadium PA System

Install upgraded stadium sound system

Other Site Projects:

San Jose MS A/C

Install A/C in all classrooms and replace existing heating units with new energy-efficient heat pumps

San Ramon ES Roof

Remove existing roof, install 36,000 sf of new roof, and repair any existing water damage

Olive ES & Novato HS Sewer Pipe Repairs

Repair/replace existing broken and inoperable sewer laterals and drains

Sinaloa MS Gym

Construct new 16,000 sf gym facility

Campus Renovations at Lynwood ES

Modernize campus, including construction of a new 4 classroom building



2016 - 2017 Annual Report

Citizens' Oversight Committee Chair Letter (cont'd)

included election of the Chair/Vice Chair; review of roles and responsibilities of the ICOC; presentations by district legal counsel; program & project updates, including construction management overview; Bond sales review; performance audit/financial audit review and outline of the 2016-2017 Annual Report.

- ♦ Creation of Programming Site Committees for each of the STEM and Performing Arts Center projects at San Marin and Novato High Schools.

Quick Start projects included:

- ♦ Deferred maintenance sewer line repairs at Olive Elementary and Novato High School, completed over the summer of 2017.
- ♦ First phase rollout of "One to World" Chromebooks to current 5th, 6th and 9th-grade students; completed in time for the start of the school year in August 2017.
- ♦ Purchase of IT infrastructure network equipment for all school sites.
- ♦ 21st Century Project-Based Learning flexible furniture — Phase 1. A "showcase" of sample furniture options was set up at the CEC Makerspace Marinovation classroom and was made available for teachers and staff to "kick the tires" to evaluate efficacy for future rollout.

Looking ahead, 2017-2018 promises to be exciting as we move forward with programming foundations and additional design meetings, all to get to a point where bidding and construction can begin.

The work of the Independent Citizens' Oversight Committee is conducted under The Brown Act. All meetings are open to the public and we welcome observers. Past and future meeting information is posted on the district website.

Sincerely Yours,

V-Anne Chernock
Chair, Measure G Independent Citizens' Oversight Committee
ICOC@nusd.org

2016-2017 ICOC Committee Members

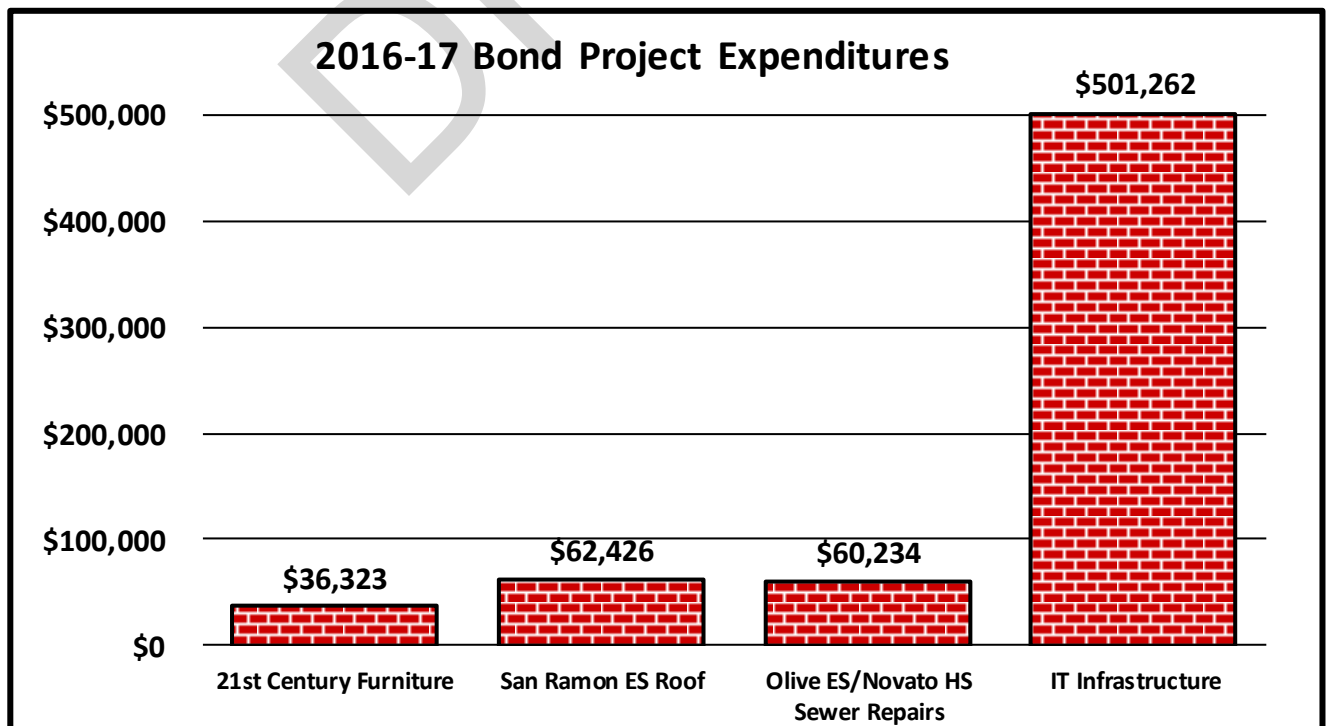
Bond Financing

The first bond issuance on March 16, 2017, of \$51 million resulted in a blended true interest cost (TIC) of 3.45%. JP Morgan was the successful bidder for both series in a competitive sale: \$47 million Series A, 30 years, 3.503567% and \$4 million Series A-1, 5 years, 1.310137%. After re-sizing to stay within tax rate constraints, the final true interest cost (TIC) on the Series A Bonds was 3.495761% and 1.308575% on the Series A-1 Bonds.

Moody's Investors Service upgraded Novato Unified School District's General Obligation (GO) Bond Rating to Aa1 from Aa2 in early March 2017. Concurrently, Moody's assigned an Aa1 rating to the District's \$51 million General Obligation Bonds, 2016 Election, 2017 Series A and A-1. In addition, Standard & Poor's affirmed their AA rating for Novato Unified. These strong bond ratings enabled the district to sell bonds at a lower interest rate, thus saving taxpayer money.



PLAN OF FINANCE - Measure G Bond Series (\$222 Million Total)



Highlights For the Year

Measure G: Great Schools For A Greater Novato

"One to World" Chromebook Roll Out Phase 1 (August 2017)

5th, 6th and 9th graders each received new Chromebook devices to enhance 21st Century learning skills in and out of the classroom. Phase 2 rollout scheduled for Spring 2018.



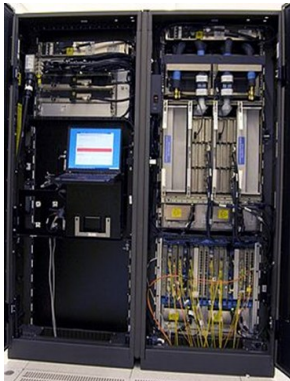
Sewer Repair at Olive Elementary & Novato High Schools (Summer 2017)

Pipe Spy Marin replaced clogged and damaged main sewer lines at both school sites.



Novato High & San Marin High Schools 2nd Synthetic Turf Fields

Design programming began Spring 2017. Carducci & Associates hired as Landscape Architect, and site committee work underway.



District-wide IT Infrastructure Upgrades

Work began Spring and Summer 2017; purchased network data servers, core network switches and core network routing equipment.

21st Century Flexible Furniture (June 2017)

Purchased new flexible furniture to outfit model classroom at Marinovation Center on C-Street. Planning next phase of furniture purchase.



Novato and San Marin High Schools PAC and STEM Projects

Site committees for both PAC and STEM projects began programming discussions with the architects and theater consultant. WLC Architects was selected for the Novato High PAC & STEM projects, and QKA Architects was selected for the San Marin High PAC & STEM projects. The Shalleck Collaborative was selected as the theater consultant for the District, and will work with each high school's PAC site committee.