



CHECKING THE FACTS

Examining factual inaccuracies, misinterpretations and false conclusions contained in the Grand Jury report on the Pajaro Valley Unified School District

September 26, 2007

Regarding Construction Management, Financing and Oversight

Examples of factual inaccuracies upon which the Grand Jury based its conclusions and recommendations:

Grand Jury statement:

Financial counsel advised the board not to approve a second Certificate of Participation (COP) in May 2000. The board, however, voted to take out the loan, with one trustee opposing. The district owed \$12.5 million for the COP with almost \$750,000 in fees.

Checking the facts:

- The district does not have a financial "counsel". Its financial advisors, however, recommended the COP after extensively briefing the board on its options. The school board voted in concurrence with that advice. The minutes show that no trustees voted against the COP in May 2000.
- The COP in May 2000 totaled \$13 million, not \$12.5 million and the fees were \$625,000 not \$750,000.
- The second COP was used to pay off \$9.38 million remaining on the 1997 COP. In doing so, the district was able to renegotiate a much more favorable interest rate and pre-payment term on the new loan. This action expedited receiving state matching funds for badly needed construction projects by using the COP vehicle for financing construction.

Grand Jury statement:

The financing cost for a Certificate of Participation (COP) is higher than for general obligation bonds.

Checking the facts:

- A witness might have said so, but the Grand Jury didn't check to see if it was true. It can cost more, but that's not the case in PVUSD.
- From 1997 to 2000 (when the COP was paid off) the average fixed interest rate on G.O. bonds was 5.07%.
- During same period, the average weekly interest rate on a COP was only 1.99%. The district was able to save money on interest charges.

Grand Jury statement:

The board faced numerous problems and cost overruns for construction projects.

Checking the facts:

- PVUSD has a complicated \$100 million building program involving up to two dozen school sites. Most projects have come in on time, within budget, and with very little litigation involving contractors and vendors. This is better than in many other school districts.
- According to the state, the construction cost inflation index skyrocketed by 44% over the last ten years and an incredible 28% in just the last five years. This caught project managers in both the public and private sectors by surprise.
- All school districts faced this problem and dealt with cost increases as a result. The term "cost over-run" implies mismanagement when, in fact, the district has done a very good job of keeping costs down given these foreseen changed circumstances in the construction industry.

Grand Jury statement:

Changing the site (for the new high school) cost the district many millions of dollars for new architectural plans (an estimated loss to the district of \$1.9 million)

Checking the facts:

- Architectural plans for developing the original Pinto Lake property were never drawn up so there was no cost to the district to "change" the high school plans.
- The district received a state grant of \$1.9 million to modify the high school design in response to aesthetic concerns of the Coastal Commission and County planners to make the facility blend in with the environment and be less visible from the highway. This occurred after state approval of the design. No local bond or operating funds were used to comply with this required redesign.

Grand Jury statement:

The original architectural plans were not designed for the multilevel terrain of the wetlands. The new high school would also be located in the airport flight path turning zone. As a result, the school had to be redesigned.

Checking the facts:

- Plans for the Harkins Slough site DID account for the specific terrain of that location.
- The manager of the Watsonville Airport and the City Manager were consulted about placement of the school near the airport and both agreed there were no significant safety concerns in the decision. The Divisions of Aeronautics with both the Department of Education and CALTRANS concluded that the site was an acceptable distance from the airport.
- After a very precise survey was conducted at the insistence of the Coastal Commission only a sliver of property in a planned parking lot away from the buildings was within the inner turning radius for planes using the airport. When the planned runway expansion is completed at the Watsonville Airport all school property will be outside that turning radius.
- The state has recently changed its standards regarding building government facilities near airports. If plans for the school were submitted today, they would meet those standards.

Grand Jury statement:

Extensive environmental studies were required and to get approval to build on the new site, the board had to give up a portion of the land and build the Wetlands Educational Resource Center at an estimated cost of \$690,000. The change in architectural plans required that an additional 60,000 cubic yards of soil had to be trucked away at a cost of approximately \$161,000. As a result, the high school on the new site was 41,000 sq. ft. smaller than the one designed for the original site.

Checking the facts:

- The environmental impact studies were no more extensive than for building projects in other school districts along California's coastline.
- PVUSD still owns the land and did not have to "give up" any of its property.
- The Center was created, but at no cost to PVUSD (it was paid for by state grants with matching funds from the City of Watsonville and Watsonville Wetlands Watch).
- To reduce visibility from the freeway (at the insistence of the Coastal Commission) the district altered the terrain of the middle section of the school by removing soil. It offset that expense by constructing the buildings on tiers instead of slopes at a significantly reduced cost.
- Changes in the plan at the insistence of the Coastal Commission reduced overall square footage, but by adjusting non-instructional areas the district did not have to eliminate any classrooms or instructional facilities and in fact added eight new classrooms in the design.

Grand Jury statement:

A cafeteria was built which can seat only 328 students, yet the school will have approximately 2200 students. The kitchen facilities are also inadequate. Therefore, the food will have to be prepared in a kitchen that was remodeled at the district offices. This cafeteria was part of the original plan, and when money was not available, district administration made it a separate project paid for through a bond measure.

Checking the facts:

- The verified capacity on posted signs in the PVHS cafeteria is 608 not 328.
- High school cafeterias are never design to accommodate all students at once. The district's other high schools have cafeteria capacities of less than half the student enrollment.
- The kitchen facility at PVHS is adequate and in fact is one of the largest in the district.
- High school meals are not going to be prepared at the district office kitchen; only certain elementary schools are served through this facility.
- The kitchen facility was not just paid from bond funds, it was financed as a separate project by state funds too.

Grand Jury statement:

Mold was found in the new school buildings. Cleaning up the mold cost the district \$2.5 million. A lawsuit is still pending and legal fees are still being incurred. To date, they are estimated to be approximately \$2.7 million.

Checking the facts:

- The District was able to remedy the mold problem before the buildings were completed or enclosed. The cost of cleaning the mold was approximately \$600,000; not \$2.5 million. The district is suing the contractors, architects and insurance companies to recoup this cost.
- The District's legal fees in that complex, multi-party litigation totaled \$947,266.52 as of the end of July 2007, not \$2.7 million. A significant portion of those expenses were for experts to examine the buildings and testify on behalf of the district.

Additional background information and a complete copy of the district response to the Grand Jury report is available for viewing on the district web site: www.pvUSD.net or by contacting the district office.

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