

MEASURE G MONTHLY REPORT JUNE 2013



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1.0 Program Summary

PROGRAM NARRATIVE

Measure G Passes

In November of 2012, the voters of the Morgan Hill Unified School Districts community passed a \$198.25 million General Obligation bond, Measure G, with 66% approval, to fund improvements for District facilities. The Measure G bond funds are planned to improve classroom technology, modernize buildings and infrastructure, improve energy efficiency, ADA access, and increase in classroom capacity. The District will leverage the Measure G funds and seek supplemental funding from other sources including the State of California, PG&E, and Federal Agencies.

Series A for Measure G will be paid off in 2042. The intent is to structure the issuance of Measure G bonds so that the cost to taxpayers does not exceed \$59.00 per \$100,000 of assessed valuation.

The District has committed to control of the bond program internally with support from industry professionals acting at their direction in a consulting role. The District will retain professionals with proven experience in the K-12 construction market for planning, design, program and construction management and quality assurance & controls. This allows the District to blend the benefit of lessons learned at peer institutions and industry trends with the District's historical knowledge base, local considerations and stakeholder input.

School District Background

The Morgan Hill Unified School District area includes 296 square miles and serves the ethnically diverse population of Morgan Hill, San Martin, a small portion of south San Jose, and areas of Santa Clara County. The District includes 14 schools, one charter school and approximately 8,700 students. The District includes more than 1 Million square feet of building space.

Morgan Hill is a city of just over 37,000 residents, located at the southern end of the Santa Clara Valley, 10 miles south of San Jose and 70 miles south of San Francisco. Positioned on the southern extreme of the Silicon Valley, Morgan Hill is an important edge community with the potential for providing ancillary services to major firms in the heart of the Silicon Valley, San Francisco Peninsula and East Bay regions.

District Overview

There are fifteen school sites and the historical Machado facility, in the bond language for Measure G. In addition to the traditional school programs listed below, MHUSD also provides, a continuation high school, charter school, and numerous child care centers serving preschool or school age children, as well as administrative and support facilities. Grade configurations are:

<i>Elementary Schools</i>	Grades K-6 (8 sites), and	Grades K-8 (2 sites) (Charter School & Jackson)
<i>Middle Schools</i>	Grades 7-8 (2 sites), and	
<i>High Schools</i>	Grades 9-12 (3 sites)	

1.0 Program Summary

Condition Assessments

Cumming was contracted to complete a assessment of the District’s facilities conditions and identify costs associated with repairing, modernizing or replacing those facilities. The review was performed at a programmatic level to determine the potential work and begin the process of refining the scope to permit project formulation and begin early planning efforts. Cumming then prepared conceptual estimates based on cost per square foot to complete a variety of work. Cumming relied upon the District’s Statement of Insurable Values, dated August 16, 2012 for the building square footages.

Board and Committee Representatives

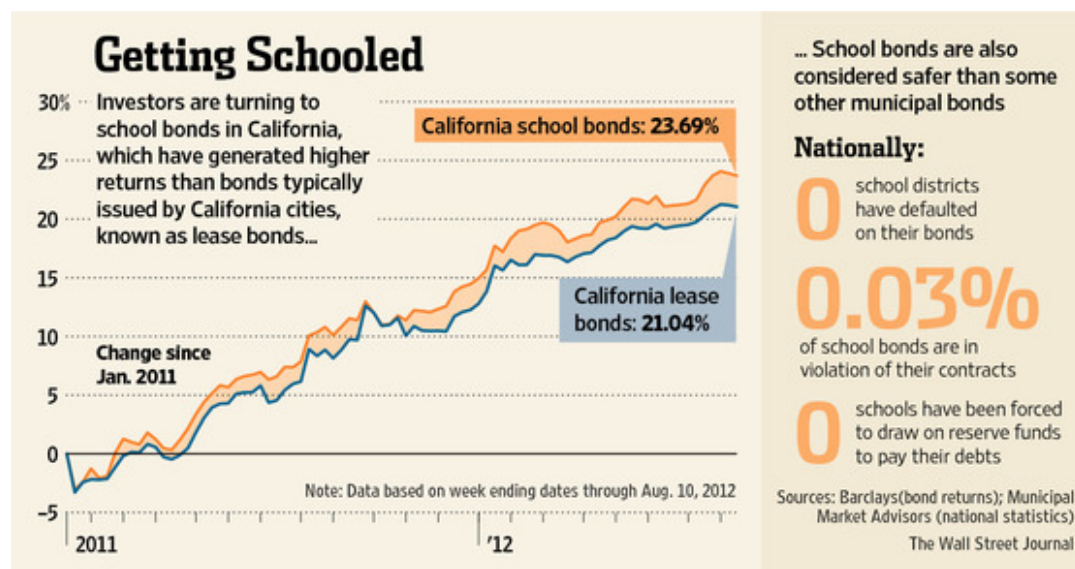
The Measure G election is subject to Proposition 39 guidelines and requirements. Therefore, a Citizens’ Oversight Committee (COC) was established to perform the oversight outlined in Education Code Section 15278. The COC meets quarterly to review the work performed with Measure G is within the general language of the Bond Measure.

Additionally, the District prepared a Technology Infrastructure Plan to provide a roadmap for retooling the District Technology Infrastructure to assist in delivering a complete education including Common Core and 21st Century Education.

Program Funding

As a result of strong financial management and effective governance the Series A bond funds received very high credit rating in the municipal bond market.

On February 21, 2013, the District sold Series “A” in the amount of \$55 million. The current interest structure allowed a True Interest Cost (TIC) of 3.6431% for the 30 year financing. The California school bond market has been outperforming bonds issued by California cities as the below illustration from the Wall Street Journal indicates.



1.0 Program Summary

Measure G - No Capital Appreciation Bonds

The Districts Measure G bond does NOT include any Capital Appreciation Bonds (CAB'S). The CAB'S have been a source of funding for school districts throughout the State and can lead to significant increases in debt over the duration of repayment. The following chart prepared by California State Treasurer's Office /California Watch illustrates the debt burden that can occur with CAB financing.

Hundreds of California school districts incur large debt

School districts are using capital appreciation bonds to finance building projects without raising property taxes in the short term. Payments often are deferred for decades. Interest accumulates, and taxpayers end up with high repayment rates.

The 10 bonds with the highest repayment-to-principal ratio among California school districts

School district	County	Ratio of repayment to principal	Principal	Minimum repayment amount (in millions)
Rim of the World Unified	Sacramento	23.5 to 1	\$283,612	\$6.7
Folsom Cordova Unified	Sacramento	18 to 1	\$513,676	\$9.1
Santee	San Diego	17 to 1	\$3.5 million	\$58.6
Savanna	Orange	15 to 1	\$239,721	\$3.6
Lincoln Unified (No. 1)	San Joaquin	15 to 1	\$145,753	\$2.1
San Ysidro	San Diego	14.7 to 1	\$15.6 million	\$228.9
Rim of the World Unified	Sacramento	14 to 1	\$461,379	\$6.5
Cascade Union Elementary	Shasta	14 to 1	\$137,733	\$1.9
Live Oak	Santa Cruz	14 to 1	\$153,974	\$2.1
West Contra Costa Unified	Contra Costa	13.5 to 1	\$2.5 million	\$33.8

Source: California state treasurer's office

Brian Cragin / California Watch

2.0 Financial Summary

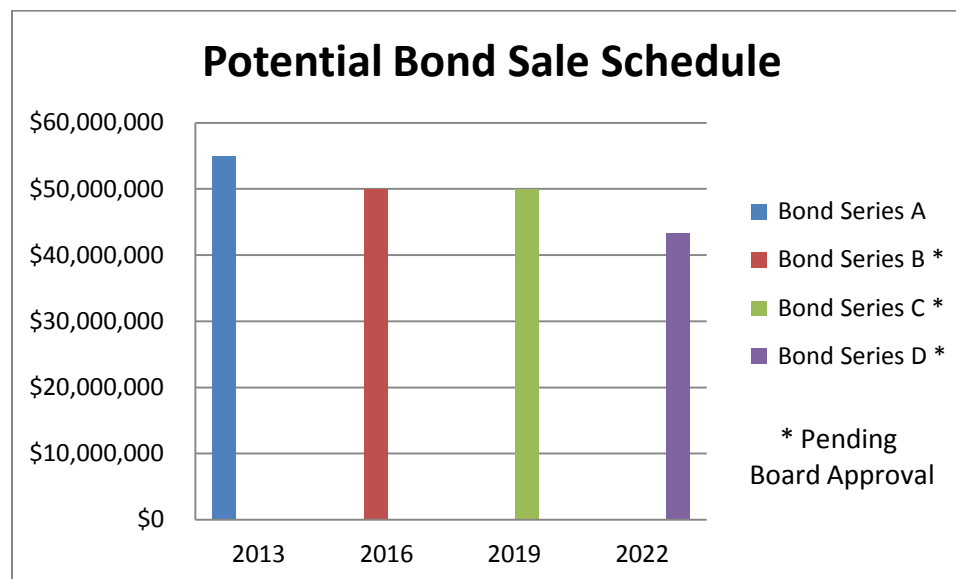
FINANCIAL OVERVIEW

The voters of Morgan Hill approved Measure G with multiple bond sales supporting the need for improved facilities and 21ST century learning. The impetus for those bonds was the overwhelming demand for additional and more up to date instructional technology and facilities and the aging condition of the District's campuses. The Measure G funds are planned for sale through four separate bond issuances over the next nine years from 2013 to 2022 and total \$198.25 million, subject to Board of Education approval.

	A	b	C	d = a-c	E
Program Funding	Current Funding	Committed	Forecast to Complete	Funding Variance	Expended
Bond Series A	\$55,000,000	\$55,000,000	\$55,000,000	(\$0.00)	\$1,277,300
Bond Series B *	\$50,000,000				
Bond Series C *	\$50,000,000				
Bond Series D *	\$43,250,000				
Supplemental Funds **					
Total Funds	\$198,250,000	\$55,000,000	\$55,000,000	(\$0.00)	\$1,277,300

*=Proposed Bond Sale Value, subject to authorization by Board of Education

**=Supplemental Funds will be adjusted as they become available



2.0 Financial Summary

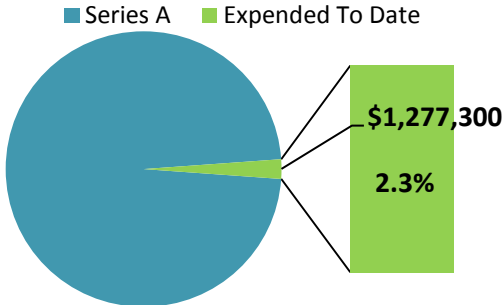
PROGRAM FUNDING ALLOCATION

The District is currently planning the potential project list and funding allocation for Measure G, Series A and Board Authorized Projects.

	A	b	c	d = a-c	E
Description	Current Funding	Committed	Forecast to Complete	Funding Variance	Expended
Series A Funding	\$55,000,000				
Program Costs	\$350,222	\$350,222			\$350,222
Board Authorized Projects					
Burnett Modernization **	\$6,894,492	\$6,894,492	\$6,894,492	\$0	\$927,078
Martin Murphy Fence **	\$65,185	\$65,185	\$65,185	\$0	\$0
Total Allocated Funds	\$6,959,677	\$7,309,899	\$6,959,677	\$0	\$1,277,300
Remaining Series A Funding	\$46,184,815	\$0	\$0		\$0

**Hard Construction Costs

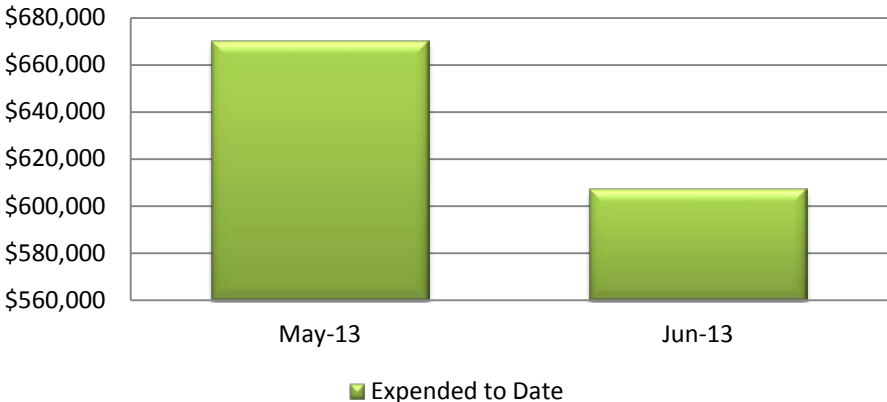
Series A \$55M - June 2013



EXPENDED TO DATE

Through June 30, 2013 the District has expended approximately \$1,277,300 since the Series A bonds were sold on February 21, 2013. The \$1,277,300 expended to date represents (2.3%) of the Series A funds and equals (0.64%) of the \$198.25 million Measure G Program funds.

Cashflow through June 2013



2.0 Financial Summary

CUMMING MARKET UPDATE

California's construction market continues to tread water. Monthly volume increased 6.8%, yet the trailing twelve-month volume indicator shows a 14.0% decline over the same period from the previous year. The AIA Architectural Billing Index (ABI) dipped below 50 (>50 indicates expansion) for the first time in nine months, to 48.6. The Western Regional ABI dropped to 50.7 in April. We continue to see strong volume trends in the San Francisco/San Jose market with a large backlog of technology, healthcare, and large marquee projects and less bidders on public bids.

Recent public bid projects are trending higher and over budgeted values in many cases. The confluence of major private commercial projects, limited workers in specialized trades (Electrical, Mechanical & Plumbing), increased housing starts and more public works project coming to the bid market may lead to more aggressive escalation of prices over the next three to five years.

SCHEDULE OVERVIEW

Measure G implementation includes several contributing factors for effective execution. A Master Schedule or Program Schedule aligns the District's overall program goals and objectives into a unified plan for execution. Schedule considerations include prioritization of projects, planning for the design construction efforts, and maintaining school operations for education. Other schedule factors include potential cost impacts including market influences, escalation, global material demands, local workers resources, project type, and delivery method.

The timing of bond sales establishes one component of cash flow for the bond Program. Timing projects and available funds are critical management points to plan, track and execute.

PROGRAM-WIDE KEY PERFORMANCE INDICATORS

The District will establish Key Performance Indicators (KPI) as a management tool for the \$198.25 Million Bond Program. Additionally the District will establish a Dashboard to provide an overview the Program KPI. The following KPI are planned for MHUSD Bond Program:

- Program/Project Budget, Commitment & Expenditures
- Program/Project Schedule Milestone Status
- Program/Project Safety Record
- Local Business Outreach & Vendor participation
- Timeline for processing of pay applications
- Timeline for processing of change orders

3.0 Authorized Project Updates

Burnett Modernization – Construction Phase



Project Number: G1401
Architectural Firm Mc Kim Design Group
Construction Manager: Mc Kim Design Group
Contractor: Multiple Prime – 7 Primes

Project Description:
 Modernization of 20 Classrooms, 2 sets of Restrooms, Infrastructure, Parking lot improvements, removal of covered walkways and excess portables. Improvements to Administration and Multi-use buildings are in design.

Construction Contract Cost Summary:

Contract Award Amount	\$ 5,181,941	
Approved Change Order Amount	\$ 0	0%
Revised Contract Amount	\$ 5,181,941	
% Invoiced to Date	18%	
Balance Remaining	\$ 4,254,863	

Construction Schedule Summary:

Original Completion	Aug 15, 2013
Estimated Completion	Aug 15, 2013
% Complete	55%
Duration Remaining	46 days

Project Budget Status	Soft Costs	Hard Costs	Total		Submittals	RFIs	PCO's
Approved	\$0	\$6,894,492	\$6,894,492	Total Submitted	85	84	0
Committed	\$0	\$5,181,941	\$5,181,941	Total Responded To	81	82	0
Expended to Date	\$0	\$927,078	\$927,078	Total Remaining	4	2	0
Uncommitted Bal.	\$0	\$1,712,551	\$1,712,551	Open			
				Average Turnaround	13	9	0

Achievements/ Key Issues:

- Excellent bidder participation helped lead to bids within budget
- Agency approval delays of Offsite improvements could impact the project schedule
- Early release of NTP1 enabled contractor to get a jump start on release of shop drawings and other submittals

Safety:

- No lost time and no recordable incidents to report