

LOS ANGELES UNIFIED SCHOOL DISTRICT

PROPOSITION BB BLUE RIBBON CITIZENS' OVERSIGHT COMMITTEE

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September 25, 2001

The Honorable Michael Alpert, Chairman
The Honorable Members of the Commission
Little Hoover Commission
925 L Street 805
Sacramento, CA 95814

Dear Mr. Chairman and Honorable Members:

Thank you for the opportunity to participate in the Little Hoover Commission's public hearing to review efforts by the Los Angeles Unified School District ("LAUSD") to improve its school facilities programs.

The Proposition BB Citizens' Oversight Committee oversees the investment of about \$3 billion in school construction and modernization by the LAUSD. The Oversight Committee was created as a condition of the voters approving the Proposition BB Bond in 1997.

I would like to focus my comments on the following two issues:

Oversight. Is the Committee being provided with adequate information to determine whether individual projects are progressing on time and on budget, and which ones are not meeting milestones? If not, what information should the Committee – along with policy makers and the public at large – receive in order to meaningfully track progress?

Committee Effectiveness. The previous Chairman of the Proposition BB Committee told the Commission that district officials did not involve the Committee in ways that allowed it to provide meaningful guidance to the facility program, limiting the Committee's effectiveness. My conclusion is that the Committee's effectiveness can be improved.

While progress has been made since the last time the Chairman of this Committee testified before this Commission, many opportunities remain to improve effective oversight. I am not here to point fingers but to move on with the work of ensuring that the LAUSD invests the public's dollars in school

construction and modernization in ways that are efficient, equitable and educationally and environmentally sound.

1. The need for strengthened oversight is underscored by the Proposition BB Report Cards on Existing Facilities and New Construction.

Robert Buxbaum, the Interim Chief Facilities Executive, prepared two “Report Cards” on school modernization and new school construction in February and April of 2001, respectively. The purpose of the Report Cards is to summarize the status of the school modernization and construction program three and a half years after its start, the work accomplished, the program’s shortcomings, and the steps underway to ensure the program’s successful completion.

Each Report Card is candid and sobering. The Report Cards underscore four fundamental shortcomings: there is no vision driving the school construction and modernization program; no strategic plan to ensure success; no adequate budget controls; and no responsibility for success or failure. Each Report Card reached the same astounding conclusion: “It was generally impossible to answer the all-important question, ‘Who is responsible?’” *Report Card on Existing Facilities at 3; accord, Report Card on New Construction at 5.*

The Report Card on Existing Facilities concludes as follows: “Over the past year, the Proposition BB Bond Program has undergone a traumatic process of reassessment and restructuring. During this time realistic project budgets and schedules have been established, a more sensible and effective management structure has been put in place, experienced construction professionals have been hired to provide leadership, and improved controls have been implemented.” *Report Card on Existing Facilities at 13.*

The Report Cards underscore a theme that the BB Oversight Committee has consistently emphasized to the LAUSD Board, management and staff since I became Chairman: the LAUSD needs to develop a strategic plan for school construction and modernization that defines a vision, mission, goals and objectives, milestones and critical paths to success, and alternatives for overcoming obstacles. The LAUSD also needs to implement financial and management controls to ensure that the public’s money is invested according to the plan. The LAUSD needs to assign responsibility and accountability for achieving success. The LAUSD needs to provide information to the BB Oversight Committee and to the public to ensure compliance in each of these areas. The LAUSD has not yet done so. It must.

The managerial revolving door at LAUSD continues to make it difficult to implement long term solutions, and causes the facilities program to operate inconsistently from period to period. Since the LAUSD originally proposed that Proposition BB be placed on the ballot in 1996, there have been six LAUSD Board Presidents, three superintendents, and four facilities executives. Mr. Buxbaum, who wrote the findings and recommendations in the Report Cards, is no longer the chief facilities executive. James McConnell became Chief Facilities Executive in April 2001. It remains to be seen whether he will implement the recommendations of the Report Cards, such as improved financial controls. We are encouraged by the fact that Mr. McConnell has publicly recognized the need for what he calls an “execution plan” for new school construction, and we await his proposed plan.

The BB Oversight Committee is also working with LAUSD to have the independent auditor perform additional audit procedures on key aspects of compliance with the BB program and other financial

matters. The Committee and the LAUSD agreed on this procedure because the independent audits that the BB Committee had requested from the LAUSD were two years behind schedule. Inspector General Don Mullinax has been assigned responsibility for ensuring the audits are performed on a timely basis.

What constitutes effective oversight is an issue that has been revisited with successive staff changes at LAUSD since the voters enacted Proposition BB in 1997. The Court in *Higuchi v. Los Angeles Unified School District (1997)* delineated the proper BB review process when it held as follows: "It is self-evident that the Blue Ribbon Committee can carry out its responsibilities only if major projects such as the Belmont Learning Center are presented to the Committee before the Board commits itself to a course of action. If a project or any component thereof will result in an impermissible substantial expenditure of bond proceeds, it should be discovered at an early stage. . . . [This is] an appropriate review of the expenditure of Bond funds promised to the voters of this City."

The Court Order is a sound statement of the oversight function. The BB Oversight Committee and the LAUSD nevertheless do not yet have a common understanding of what constitutes effective oversight. The BB Executive Committee is in the process of meeting with members of the LAUSD Board, management and staff to attempt to reach an agreement through a memorandum of understanding or otherwise. Effective oversight could be defined to include, for example, requiring the LAUSD to do the following:

- ensure that all money from Proposition BB is spent as the voters want;
- develop a strategic plan for new school construction and school modernization;
- develop a budget to implement that plan;
- institute management and financial policies, procedures and practices to ensure that funds are spent in accordance with the budget and plan;
- assign responsibility and accountability for achieving results within the plan and budget;
- disclose the information necessary for the BB Committee and the public to evaluate each of these points;
- enable full and fair community participation in the decision making process;
- build and maintain schools that promote the full development of the child, are educationally and environmentally sound, and reflect the equitable and efficient use of limited land and public resources;
- ensure BB funds are invested in compliance with governing laws.

From the beginning the BB Oversight Committee's concern has been that BB dollars are spent the way the voters intended. A broader concern has been that the people of Los Angeles have sufficient confidence when voting on future bond measures that the LAUSD can be trusted to invest public funds in ways that are efficient, equitable and educationally and environmentally sound. The facilities program must succeed now, to strengthen strategies for success in the future.

2. The BB Committee is strengthening its oversight capabilities by working through an Executive Committee, retaining an oversight consultant, working with LAUSD to have the independent auditor perform additional audit procedures, and replacing support staff.

The BB Oversight Committee has taken several steps to improve its effectiveness. The BB Committee has formed an Executive Committee to function for the Committee as a whole and to act as a liaison with the LAUSD between BB Committee meetings. The BB Committee also recently retained an oversight consultant, Tom Rubin, to review financial and other oversight information and to advise the BB Committee. Mr. Rubin is the former chief financial officer of the Southern California Rapid Transit District and Alameda County Transit, a former partner at a national accounting firm, and an experienced oversight consultant. The BB Committee is in the process of replacing support staff to assist with the work of the Committee. The Chairman of the BB Committee continues to serve as an *ex officio* member of the LAUSD Facilities Committee. The BB Committee will continue to evaluate and refine the workings of the Executive Committee, the oversight consultant and support staff to enable the BB Committee to engage in effective oversight.

Thank you for the opportunity to address this Commission.

Very truly yours,

Robert García
Chairman
Proposition BB Citizens' Oversight Committee