

Hermosa Beach City School District
Bond Measure J
Citizens' Oversight Committee – Final Report - 9/30/09

Detail Discussion (continued)-

In order to address the difference between funds available and the amounts spent, the District reduced the scope of the project and identified additional funds. Use of Developer Fees and Special Reserve Funds has covered the difference of \$0.7 million.

The litigation brought by the Committee for Responsible School Expansion (CRSE) that stalled the new construction bid process was decided in November, 2005, at which time the Superior Court ruled against the CSRE on all counts, denying all claims and denying a stop-work order. The CSRE's appeal of that ruling was heard on August 18, 2006 by the California State Appellate Court. The Appellate Court ruled in September, 2006, that the appeal had "no merit". In mid-September 2006, the CRSE submitted a Petition for Rehearing of the Appeal to the 2nd Appellate District that was denied. Their appeal to the California Supreme Court was denied, also. No further appeals are possible.

The litigation-caused delay forced the District to re-bid all of the new construction contracts resulting in an increase of \$1.7 million for the work due to increases in costs for materials and labor, as well as the implementation of new construction requirements by the state during the pendency of the lawsuit that added additional costs.

The total out-of-pocket costs (primarily legal fees) to the district in connection with this lawsuit are in excess of \$148,000. No Measure J funds were used for these costs.

The COC has found no unauthorized financial activity throughout the project.

The District has been very prudent in trying to make its facility plans fit into its funding budget, even in this time of rapidly rising construction costs.

Delays, redesigns, litigation, and re-bidding have caused the estimated costs to exceed the bond funds available. However, the District has been able to find additional sources of funds to avoid having to reduce the scope of the project any further.

Inspecting school facilities and grounds:

All construction has been completed. Final approvals have been received from the State of California and the City of Hermosa Beach.