

INVESTIGATIONS & REVIEWS

Woodland Joint Unified School District

REASON FOR VISIT

The 2008-2009 Yolo County Grand Jury followed up on a recommendation from the 2007-2008 Yolo County Grand Jury to continue the investigation of the Woodland Joint Unified School District (WJUSD) including, but not limited to, compliance with the Brown Act.

ACTIONS TAKEN

Members of the 2008-2009 Yolo County Grand Jury met with the Interim Superintendent, the Interim Business Manager, and current and past Presidents of the Board of Trustees (the Board) on April 8, 2009. The purpose of the meeting was to determine the status of the Brown Act training and to obtain clarification regarding the occupancy of the Blue Shield building. Prior to the meeting, the Interim Superintendent had provided the members of the Grand Jury with documents related to the matters to be discussed.

WHAT THE JURY DETERMINED

Brown Act

The Grand Jury received documentation of Brown Act training that was conducted for all Board members on September 27, 2008. Each Trustee received a document entitled “Open Public Meeting Requirements.” The Board President informed Grand Jury members that training would be provided for all new members within six months of taking office. Additionally, there would be refresher training for all Board members every two years. All in attendance agreed on the importance of training and understanding of the Brown Act. As of the date of the meeting, the Board had not yet established these training requirements as part of their written policy. An additional recommendation of the 2007-2008 Grand Jury was that the Board take formal minutes of all of the deliberations carried out in the closed sessions allowed under the Brown Act. The Board declined to implement that recommendation.

Blue Shield Building

In the Board’s response to 2007-2008 Grand Jury report and during discussions at the April 8, 2009 meeting with members of the 2008-2009 Grand Jury, it was made clear that the Board had begun to plan for a move to a new administration facility as a part of a 2006 Master Plan. The Board based its decision on the need for additional space, continued problems with air quality in the Pupil Personnel Offices, and the belief that ultimate ownership of a facility was a wiser policy than continued leasing. A space needs assessment was completed in May 2007 recommending a 40,000 square foot facility (as compared with the 28,800 square feet of the Cottonwood facilities). The WJUSD hired a real estate property negotiator to find such a facility. Of the six properties considered, the Blue Shield building (with a fair market value of \$5,000,000) was selected for purchase. Negotiations for purchase using Certificates of Participation (COPs) were initiated. At the meeting on April 8, 2009, the Trustees informed the Grand Jury of their belief that the investigation that was being conducted by the 2007-2008 Grand Jury made COP financing impossible. At the same time, a serious national economic downturn was making loans more difficult to obtain. The real estate property negotiator advised the Board to discontinue negotiations for purchase. They shifted their attention to a possible lease with option to purchase. At a meeting on May 8, 2008, the Board of Trustees approved a lease agreement with option to purchase by a vote of 4 to 2, with one member (who had previously expressed strong opposition) absent from the vote. The agreement was signed by the Superintendent on May 12, 2008.

- The lease agreement allowed for occupancy to begin on January 1, 2009, though actual occupancy did not take place until March 1, 2009. The WJUSD paid dual rent for the months of January and February 2009 because the Blue Shield building renovations had not been completed. This resulted in an additional cost of over \$70,000.
- Additionally, the lease included tenant improvements (not to exceed \$2,000,000) to be paid up front by the building owner with reimbursement amortized over 30 years. According to the District, some of the improvements included new offices, conference

rooms, work rooms, and storage areas; public accessed multipurpose board room with operable partitions; upgraded print shop; ADA compliant drinking fountains and restrooms; centrally monitored fire alarm system and fully sprinkled building; new paint, carpet and floor covering throughout interior of building; and increased parking stalls. The final hard construction cost for tenant improvements was \$1,932,854.

- The WJUSD was also responsible for an additional \$27,500 per month toward soft costs, including permit fees, new construction loan fees, legal fees to negotiate loan documents and general contractor agreements, insurance, cost of property appraisal, and all actual costs for borrowed funds related to the Tenant Improvements. These costs were incurred between July 1, 2008 and March 1, 2009, when the WJUSD took occupancy, and totaled \$220,000.
- Additional costs incurred by the WJUSD were \$159,626 for modular furniture and \$29,488 for moving expenses which were paid for from the District's special reserve fund.
- By the terms of the agreement, the WJUSD has agreed to a firm sale price that is \$430,000 above the fair market value for the Blue Shield Building.

The WJUSD is currently occupying the Blue Shield building under a 30-year lease with intent to purchase. The purchase would be at a guaranteed base price of \$5,430,000 regardless of the market price at the time the option to purchase is exercised by the WJUSD.

The four options to purchase contained in the lease are summarized as follows:

Option 1 – Purchase building prior to January 1, 2009 for \$5,430,000 plus projected costs of \$2,000,000. This option was not acted on, so is no longer available.

Option 2 – Purchase building between January 1, 2009 - December 31, 2011 for \$5,430,000 plus projected costs of \$2,000,000 plus yield maintenance and pre-payment penalties (actual cost not identified).

Option 3 – Purchase building between January 1, 2012 - March 31, 2012 for \$5,430,000 plus projected costs of \$2,000,000. (The Trustees and WJUSD staff attending the April 8, 2009 meeting indicated that this is the option they hope to exercise, as it does not include pre-payment costs.)

Option 4 – Purchase building between April 1, 2012 - June 30, 2016 for \$5,430,000 plus projected costs of \$2,000,000 plus an additional \$1 million.

After June 30, 2016, the WJUSD will have no option to purchase under the terms of the existing lease, and shall be a renter until the end of the lease in 2039 unless a new lease or purchase terms are negotiated.

The rent schedule, per the lease agreement, is as follows:

Year 1 (January 2009)	\$445,000
Year 2 (January 2010)	\$458,300
Year 3 (January 2011)	\$472,101
Year 4 (January 2012)	\$508,586
Year 5 (January 2013)	\$523,844
Years 6 - 7	\$539,559/year
Years 8 -12	\$581,131/year
Years 13-17	\$673,691/year
Years 18-22	\$780,992/year
Years 23-27	\$905,384/year
Years 28-30	\$1,018,424/year

The Board of Trustees continues to believe that it is "cheaper to own than to lease." The Board believes Option 3 may be the most favorable option depending on the amount of penalties, interest rates, and available credit. At the time of our meeting, it was not made clear whether the Board would pursue financing through COPs or by submitting a General Obligation Bond proposal to the voters.

COMMENTS

By entering into the lease with option to purchase agreement, the Board and WJUSD administration have created the necessity of purchasing the Blue Shield Building by the deadline and terms of Option 3. Failure to do so will mean increasingly unacceptable purchase terms or continuing to lease for 30 years at steeply increasing annual rates.

FINDINGS

- F-1** Brown Act training has been conducted for all current Board members as recommended by the 2007-2008 Grand Jury.
- F-2** The Board has initiated a program to ensure future Board members receive Brown Act training within six months of taking office, and current members receive refresher training every two years, but that requirement has not yet been incorporated into written Board policy.
- F-3** The WJUSD has placed itself in an untenable and very costly position with regard to its current lease agreement on the Blue Shield property.

RECOMMENDATIONS

- 09-01** The Board should continue its Brown Act training plan and incorporate training requirements into its written policy and procedures as soon as possible.
- 09-02** It is imperative that the Board utilize the most effective and immediate funding mechanism to ensure that the property known as the Blue Shield building be purchased under the terms of Option 3 as described above.

REQUEST FOR RESPONSE

Pursuant to California Penal Code Sections 933(c) and 933.05, the Yolo County Grand Jury requests a response as follows:

From the following governing body:

Woodland Joint Unified School District Board of Trustees (Findings F-2 and F-3; Recommendations 09-01 and 09-02)