San Dieguito Union High School District $449 Million Bond Measure Brief

Summary

SDCTA SUPPORTS Proposition AA. The San Dieguito Union High School District’s proposed bond measure meets key provisions of SDCTA’s Bond Support Criteria. The application submitted by the District outlines the need of the District, plans and draft budgets for each of the proposed projects. Voters within the District will have an understanding of the program prior to the election, but other phases will be determined following the election. The descriptions of the projects submitted and outlined in the Master Plan have been thoroughly vetted, and no reason has been found that would prevent the District from executing the projects. The District has adopted SDCTA’s policy regarding the use of Capital Appreciation Bonds.

- San Dieguito Union High School District is proposing a $449 million Proposition 39 General Obligation Bond measure.
- The measure would increase the current tax rate by a maximum $25 per $100,000 of assessed valuation.
- Bond program is listed within 2 parts: (1) Site specific improvements to campuses; and (2) District-wide authorization including "21st century learning" and providing "modern equipment".
- Preliminary cost summary assumes $449 million from G.O. bond and $8.09 million in local revenue sources. The total program is $454.1 million.
- Bond program does not anticipate or require State matching funds.
- District proposing to use $20.4 million for technology infrastructure and $11.7 million for a technology endowment. District proposing to pay off $15.6 million in current District debt.
- Program cost estimates developed following completion of 2011 facility needs assessment.
- District proposing 2 draws for technology endowment and 3 draws for technology infrastructure.
- District anticipates providing program management services in-house with existing staff and with one additional FTE to supplement existing purchasing and contracting duties.
- Proposed ballot language outlines the proposed project list by site.
- District has adopted all required SDCTA best practices.
**Proposition AA: San Dieguito Union High School District $449 Million Bond Measure**

**Board Action:** SUPPORT

**Rationale:**

The San Dieguito Union High School District’s proposed bond measure meets key provisions of SDCTA’s Bond Support Criteria. The application submitted by the District outlines the need of the District, plans and draft budgets for each of the proposed projects. Voters within the District will have an understanding of the program prior to the election, but other phases will be determined following the election. The descriptions of the projects submitted and outlined in the Master Plan have been thoroughly vetted, and no reason has been found that would prevent the District from executing the projects. The District has adopted SDCTA’s policy regarding the use of Capital Appreciation Bonds.

**Background:**

The San Dieguito Union High School District (SDUHSD) serves students from five elementary school districts in North County: Encinitas, Rancho Santa Fe, Cardiff, Solana Beach, and Del Mar. The District currently has nine campuses:

- Canyon Crest Academy
- Carmel Valley Middle School
- Diegueno Middle School
- Earl Warren Middle School
- Oak Crest Middle School
- La Costa Canyon High School
- San Dieguito Academy
- Susnet/North Coast
- Torrey Pines High School

Despite declining enrollment (Figure 1), the District states there is a need to add classrooms and facilities to relieve overcrowding, particularly at its middle schools. As well, the District claims the facilities that are housing these students were not designed to fit the amount of students housed within them.
Proposal:

On July 26, 2012, the SDUHSD Board of Trustees voted to place a $449 million school bond measure on the November 6, 2012 ballot.

The ballot question that will be put before voters will read as follows:

“To provide safe, modern schools and prepare students for success in college and careers by repairing and upgrading outdated classrooms and schools, constructing and upgrading school facilities, including classrooms, science labs, and libraries, improving safety and security, and supporting career training and math, science, and technology instruction with 21st Century instructional technology and facilities, shall San Dieguito Union High School District issue $449 million in bonds with independent oversight, no money for administrator salaries, and all money staying local?”

The District has submitted its request for support to SDCTA. The request included materials intended to satisfy the SDCTA Bond Support Criteria. Those materials have been reviewed and an analysis of the results is provided below. A summary table of this analysis can also be found at the end of this report.

Review of SDCTA Bond Support Criteria

Program Description, Budget & Funding, Execution Plan

The District has outlined two key parts to the proposed bond program: (1) Site specific improvements to campus sites; and (2) District-wide authorization including "21st century learning" and providing "modern equipment".

The submitted project list includes the construction of two additional middle school campuses (including the cost for the acquisition of one site), as well as modernization projects as the District’s other campuses. The total cost for all construction improvement projects is approximately $408 million (Figure 2). In addition to the proposed $449 million in bond funding,
the District is relying on $8.09 million in local funding sources, including developer fees, developer mitigation fees, surplus special taxes and special tax bond proceeds.

In addition to facility improvements the District is proposing to use bond proceeds to pay off previously issued debt ($15.6 million), fund various technology infrastructure projects at different sites ($11.8 million), and establish an endowment for technology and equipment funding ($20.4 million). The infrastructure planned to be funded includes upgrades related to power and internet bandwidth, as well as new hardware (servers, switches, etc.). The District is still currently exploring the possibility of a Technology Endowment, and has not fully committed to the idea. If an endowment is not a viable option, the District will use the funding allocated for technology infrastructure. The proposed structure of the endowment, including investment models, determination of draws, and protections to taxpayers has not been outlined. The proposed model of an endowment is also not outlined in the ballot resolution.

Figure 2: Project Cost Summary by Site

<table>
<thead>
<tr>
<th>Site</th>
<th>Land</th>
<th>Construction</th>
<th>Soft Costs</th>
<th>Escalation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Highlands Ranch MS</td>
<td>$11.23</td>
<td>$42.62</td>
<td>$12.64</td>
<td>$2.58</td>
<td>$69.07</td>
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<tr>
<td>Carmel Valley MS</td>
<td>$5.69</td>
<td>$1.15</td>
<td>$0.31</td>
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<tr>
<td>Earl Warren MS</td>
<td>$27.02</td>
<td>$4.95</td>
<td>$1.82</td>
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<td>La Costa Valley MS</td>
<td>$13.58</td>
<td>$2.40</td>
<td>$0.64</td>
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<td>Diegueno MS</td>
<td>$20.54</td>
<td>$2.67</td>
<td>$1.09</td>
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<td>Oak Crest MS</td>
<td>$17.92</td>
<td>$2.47</td>
<td>$0.60</td>
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<td>Canyon Crest Academy</td>
<td>$31.04</td>
<td>$5.28</td>
<td>$1.16</td>
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<td>Torrey Pines HS</td>
<td>$65.36</td>
<td>$11.20</td>
<td>$2.94</td>
<td>$79.50</td>
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<tr>
<td>San Dieguito Academy</td>
<td>$58.50</td>
<td>$9.94</td>
<td>$2.17</td>
<td>$70.61</td>
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<tr>
<td>La Costa Canyon HS</td>
<td>$30.19</td>
<td>$5.13</td>
<td>$1.11</td>
<td>$36.43</td>
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</tr>
<tr>
<td>Sunset HS</td>
<td>$7.91</td>
<td>$1.59</td>
<td>$0.78</td>
<td>$10.28</td>
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<tr>
<td>Districtwide Technology</td>
<td>$17.94</td>
<td>$2.46</td>
<td>$20.40</td>
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<td></td>
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<tr>
<td>Districtwide Furniture &amp; Equipment</td>
<td>$11.79</td>
<td></td>
<td>$11.79</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refinance Existing Debt</td>
<td></td>
<td></td>
<td>$15.60</td>
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<td></td>
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<tr>
<td><strong>Construction Cost Total</strong></td>
<td>$11.23</td>
<td>$350.10</td>
<td>$61.88</td>
<td>$15.20</td>
<td>$454.01</td>
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</table>

The District is anticipating issuing bonds in four series over the life of the program, beginning with a $150 million issuance in early 2013. Subsequent bond issuances will be of lesser amounts with the final ($74 million) issued in August 2019. The District has submitted a general project schedule based on the revenues of each bond issuance, and which projects and phases will be funded at those specific times. The submitted timeline projects that the bond program will be completed by the of the 2021 calendar year.

The District has estimated the tax rate increase will reach a high of $25 per $100,000 assessed valuation for the cost of the bond debt. Based on the cash flow projects submitted, the District will be utilizing local revenue sources at multiple points throughout the life of the program.
Ballot Resolution and Language
The District adopted the final ballot language and tax rate statement on July 26, 2012. The District has submitted language to SDCTA that outlines the ballot question, as well as other items pertaining to SDCTA’s best practices.

The SDUHSD board of trustees formally adopted the SDCTA Independent Citizens’ Oversight Committee Best Practices, SDCTA School Construction and Professional Services Procurement Best Practices, and its intent to pursue practical opportunities to incorporate joint-use within its bond program at the same meeting on July 26, 2012. In addition, the District indicated a privately funded campaign committee will be charged with advocating on behalf of the measure.

The project list that will be presented to voters identifies the various projects by site. The language though does not outline the various projects by priority as has been outlined in the District’s project schedule submitted to SDCTA. Each site has a list of projects to be completed, but voters will be unable to determine when each project is schedule to be completed. The proposed technology endowment and refunding of past District debt is not outlined within the project list.

Deferred Maintenance Funding
The District is a participant in the State’s school building program, which requires the District to contribute an amount at least equal to 2.5 percent of their General Fund expenditures for facilities repair in addition to at least 0.5 percent of their General Fund expenditures for deferred maintenance work. The State recently allowed school districts to allocate deferred maintenance funds to the general fund. As a result, the District eliminated funding for deferred maintenance in FY 2010 and plans to do the same through FY 2012. The District has continued to expend funds from their deferred maintenance account, although the amounts have declined as the account balance has diminished.

Figure 3 below outlines the amounts expended each year by the District from its deferred maintenance account.

Figure 3: District Funding of Deferred Maintenance by Year

Based on the information provided by the District, approximately $3,000 will be left in the deferred maintenance account following the 2012 school year. It is unclear what is the amount of
the District’s total deferred maintenance backlog or how much of the proposed bond measure will address these projects.

**Fiscal Impact:**

The District proposes to issue bonds in four phases: 2013 ($160 million), 2015 ($125 million), 2017 ($100 million), and 2019 ($64 million). The total anticipated cost of the bond measure, including interest is expected to be $1.2 billion. The projected property tax rate statement submitted to SDCTA indicates the assessment is not expected to exceed $25 per $100,000 of assessed valuation through 2051. Of the total amount of bonds to be issued, $99.3 million (22 percent) will be Capital Appreciation Bonds (CABs). On August 16, 2012, the District adopted SDCTA’s policy pertaining to the use of CABs.

Within the District’s bond program, $15.6 million will be used to pay off existing debt that had been issued to complete projects (Figure 4).

**Figure 4: Payoff Amounts of Existing Debt**

<table>
<thead>
<tr>
<th>Project</th>
<th>Payback Amount</th>
<th>Annual Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Projects at Canyon Crest Academy &amp; La Costa Canyon High School</td>
<td>$11.4 million</td>
<td>$840,639 thru 2027</td>
</tr>
<tr>
<td>Career Technical Education Loan</td>
<td>$2.0 million</td>
<td>$343,981 thru 2020</td>
</tr>
<tr>
<td>Projects at Torrey Pines High School</td>
<td>$2.2 million</td>
<td>$100,000 thru 2015, $560,000 thru 2020</td>
</tr>
</tbody>
</table>

The program that will be brought forward to the Board and eventually to voters relies on the funds raised by the bond measure and local funding sources. Based on the cash flow statement provided to SDCTA, the District will be utilizing local funding throughout the bond program. If the full amount of the local sources is not realized, there is the potential some projects will be delayed due to limited cash flow. The total amount of local revenue sources though ($8 million) is minimal and is spread out throughout the life of the program.
## SDCTA Bond Support Criteria Analysis:
*(See SDCTA’s Bond Support Criteria for more information)*

<table>
<thead>
<tr>
<th>Criteria Item</th>
<th>Info Provided?</th>
<th>Criteria met?</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Program Description                               | Yes            | Yes           | 1) Bond program is listed within 2 parts: 1) Site specific improvements to campus sites; and 2) District-wide authorization including "21st century learning and providing "modern equipment"  
2) Project list within proposed ballot resolution is site specific  
3) Project list includes construction of 2 new middle school campuses  
4) Project list includes site acquisition of currently leased facilities  
5) Projects are classified in phases |
| Program Budget and Funding                        | Yes            | No            | 1) Preliminary cost summary assumes $449 million from GO bond and $8.09 million in local revenue sources. Total program is $454.1 million  
2) Cost summary includes soft costs, program management costs and contingency costs for each project  
3) Cost estimates are broken down by campus site, including costs for land acquisition  
4) Bond program does not anticipate or require State matching funds  
5) District proposing to use $20.4 million for technology infrastructure and $11.7 million for and technology endowment  
6) District proposing to pay off $15.6 million in current District debt  
7) Tax rate would increase by maximum $25 per $100,000 assessed valuation  
8) District will be using a blend of Capital Appreciation Bonds and Current Interest Bonds |
| Cost Estimation and Feasibility                   | Yes            | Yes           | 1) Program cost estimates developed following completion of 2011 facility needs assessment  
2) District created site plans for each facility, then utilized the assistance of 5 construction cost consultants to develop cost estimates  
3) Preliminary budget based on projected timelines, include cost inflation factors and contingency  
4) Cost estimates broken down by hard and soft costs  
5) Preliminary budgets broken down by campus site and type of project phase at each site |
| Program Justification                             | Yes            | Yes           | 1) The District justifies the need for the measure to modernize classrooms that are in aging facilities  
2) Bond program will allow the District to provide facilities that have parity from campus to campus  
3) District must expand and build new facilities to relieve overcrowding at middle school campuses |
| Facilities Master Plan & Facilities Needs Assessment| Yes            | Yes           | 1) 2010 Long Range Facilities Task Force report has been provided  
2) Following completion of the Report, the Board directed site plans to be prepared for each campus site  
3) District hired architectural firms to work with site committees to develop plans and estimates for improvements |
<table>
<thead>
<tr>
<th>Criteria Item</th>
<th>Info Provided?</th>
<th>Criteria met?</th>
<th>Comments</th>
</tr>
</thead>
</table>
| Program Execution Plan                           | Yes            | Yes           | 1) District anticipates providing program management services in-house with existing staff and with one additional FTE to supplement existing purchasing and contracting duties  
2) Detailed schedule with proposed project phases has been provided  
3) Estimated cash flows and project bond issuance schedule has been provided  
4) District proposing 2 draws for technology endowment and 3 draws for technology infrastructure  
5) District anticipating utilizing $8.09 million in local funding to complete the bond program. District is expected to need local funding on an ongoing basis for cash flow purposes |
| Deferred Maintenance and Major Repair and Replacement Plan | Yes            | No            | 1) District still allocating funding from balance in deferred maintenance account for projects  
2) District has not funded deferred maintenance fund since FY2009. State has not required contribution since that time  
3) Unclear how much of backlog will be addressed by the bond measure |
| Complete Ballot and Resolution Language          | Yes            | Yes           | 1) Ballot language and resolution adopted by the Board July 26, 2012  
2) Proposed ballot language outlines project list by site  
3) Proposed ballot language does not mention technology endowment or payback of previously issued debt |
| Provision for an "Independent Citizens' Oversight Committee” | Yes            | Yes           | 1) District adopted SDCTA ICOC best practices via resolution on July 26, 2012 |
| Adoption of SDCTA School Construction and Professional Services Procurement Best Practices | Yes            | Yes           | 1) District adopted SDCTA School Construction and Professional Services Procurement Best Practices via resolution on July 26, 2012 |
| Limited Use of District's "Education" Funds      | Yes            | Yes           | 1) SDCTA staff has reviewed ballot measure references in District materials and has not found a violation in regard to SDCTA’s Standards for Publicly Funded Advocacy For or Against Ballot Measures  
2) District has stated all advocacy efforts and activities will be performed by a privately funded and registered campaign committee |
| Joint Use of Facilities                          | Yes            | Yes           | 1) District has included language within the ballot resolution intent to pursue practical opportunities to incorporate joint-use  
2) District indicated it is in the process of establishing 2 additional joint-use agreements |
| Opposition to Special Elections                  |                |               |                                                                                                                                          |
| Follow-Up Bond Requirement                       |                |               |                                                                                                                                          |