SUMMARY SHEET

CAJON VALLEY SCHOOL UNION DISTRICT $220 MILLION BOND MEASURE

November 2019

SDCTA Position: SUPPORT

Rationale for Position:
Cajon Valley Union School District’s proposed bond measure meets key provisions of SDCTA’s Bond Support Criteria. The district proposed to maintain the current tax rate with the new bond. They were able to adequately address concerns over soft cost percentages.

<table>
<thead>
<tr>
<th>Title:</th>
<th>Measure</th>
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<tbody>
<tr>
<td>Jurisdiction:</td>
<td>Cajon Valley Union School District</td>
</tr>
<tr>
<td>Type:</td>
<td>Bond Issue</td>
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<tr>
<td>Vote:</td>
<td>55% Supermajority</td>
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<tr>
<td>Status:</td>
<td>On the March 3, 2020 Primary Election Ballot</td>
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<tr>
<td>Issue:</td>
<td>$220 Million Bond Measure</td>
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<tr>
<td>Description:</td>
<td>The issuance of $220 Million of Proposition 39 General Obligation Bonds with an increase in property taxes by $26 per $100,000 of assessed value to fund school modernization and renovation projects.</td>
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<td>Fiscal Impact:</td>
<td>The total cost of the bond, including principal and interest, is estimated at $271,949,414</td>
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Background
The Cajon Valley Union School District (CVUSD) serves over 16,000 students from preschool through eighth grade, as well as infants with special needs. CVUSD encompasses the greater part of the City of El Cajon, in addition to County territory which reaches north to the Santee and Lakeside, east to Alpine, south to the Dehesa and Jamul-Dulzura and west to La Mesa/Spring Valley.

CVUSD’s boundary area covers 66.3 square miles and includes 27 schools.

Proposal
Cajon Valley Union School District is asking voters to consider a $220 million bond measure to fund its highest priority needs.

**Review of SDCTA Bond Support Criteria**

*Program Description*

The Cajon Valley Union School District (CVUSD) conducted a facility needs assessment, with Sillman- Wright Architects, AEC Security Specialists, and District Staff. Input was also gathered from the principals and school communities. Cumming provided cost estimating services. Nearly $400 million in needs was identified. However, in order to size the bond so that property taxes are not increased beyond current rates, the District is asking voters to consider a $220 million bond measure to fund its highest priority needs.

The needs were prioritized, with the highest priorities being safety and security, replacement of old portable classroom buildings with permanent buildings, and joint-community use. Certain unique program needs, such as Flying Hills School of the Arts expansion (to 8th grade), were also given priority.

Please refer to the Facilities Master Plan (Attachment 1), which was previously provided, for a detailed description of all elements of the program by location. A table was provided and will be attached. Includes new buildings and replacing buildings, re-roofing and renovations.

*Program Budget and Funding*

Attachment 2 contains a detailed budget/schedule/and cash flow estimate, including additional anticipated project fund revenue (state modernization funding & interest), and a breakdown of estimated hard and soft costs. The estimated cost associated with borrowing is approximately $800K (we estimate issuing the bonds in 4 series @ $200K per series). The District does not anticipate the need for site acquisition.

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and improve facilities at the following locations:
Project shall include, but shall not be limited to:

**Student safety and security including:**
- Security renovations
- Fire alarm upgrades
- Intrusion alarm upgrades
- Keyless entry systems
- Exterior LED Lighting
- Security fencing
- Intercom and clock systems
- Security camera systems and monitors

**Modernize and Rehabilitation including:**
- Schools, classrooms and facilities throughout the district
- Restrooms
- School offices
- Built-in security systems
- HVAC repair and upgrade
- Multi-purpose buildings and classrooms
- Kitchen and food services facilities
- Plumbing, gas lines, electrical upgrades, dry rot, seismic upgrades, structural improvements, roofing and window replacement
- Sports/playfield improvements including lighting and turf/track replacement
- School and classroom furnishings and equipment

**Classroom and Facility Construction**
- Site preparation
- Construction, renovation and/or remodeling of classrooms and school facilities throughout the district
- Permanent shade structures
• Replacement of portable classrooms with permanent buildings

**Technology**

• Install, repair and/or replace technological infrastructures and equipment including but not limited to computer servers, wifi systems, wiring, switches, and equipment rooms
• Classroom technology including devices for students and teachers
• Audio/visual systems

**Cost Estimation and Feasibility**

In order to ensure the feasibility of the District’s plan to complete these high-priority projects, cost estimates were obtained by Cummings, an experienced third-party estimating firm. Hard and soft costs were included, as well as estimated inflation and contingencies for unforeseen conditions. Estimated state modernization funding was included. The District carefully budgets each project and instructs the architect to design within the specific amount budgeted for construction (separate from soft cost and contingency). We utilize bid alternates and value engineering to ensure we can stay within budget. We monitor our budgets continually, so if that if scope reduction is needed, it is done conscientiously with minimal impact to the project and the overall program. The District has been briefed by its legal counsel on the potential exposure of the bond program.

**Program Justification**

Local communities, including Cajon Valley, are greatly benefited by safe and secure school buildings designed for optimal learning. Maintenance of school facilities is a high priority at CVUSD. The District contributes 3% of its general fund revenues to a Routine Restricted Maintenance account in order to ensure that these valuable assets are maintained properly. The District has completed a District-wide Facility Needs Assessment, including security assessments at every campus. Input was gathered from Architects, Security Consultants, Facilities & Maintenance Professionals, as well as School Principals, staff, parents and students. The resulting Facilities Master Plan, which includes 10-year enrollment projections, is attached. The District does not receive adequate funding from the state to pay for its facility needs. Modernization funding is available for school buildings that have not been modernized in the past 25 years, but this funding only covers a small portion of the actual costs and requires a local match of at least 50%.

**Program Execution Plan**

Cajon Valley Union School District has experience staff who have successfully managed previous bond programs: Scott Buxbaum/Assistant Superintendent, Business Services; Sharon

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Dobbins/Director, Long Range Planning; and James Beard/Director, Facilities Maintenance & Operations. These staff members would continue to manage this bond program. The District has saved taxpayers millions of dollars by managing its bond program in house and contracting with specific professional services as-needed rather than paying an outside firm to manage the entire program. CVUSD has received SDCTA’s highest rating (A+) on its School Bond Transparency Report Card for the past several years.

*Fair and Open Competition*

The District and its Governing Board agree that fair and open competition provides the best value for taxpayers. The District does not plan to enter into any Project Labor Agreements.

*Bond Financing and Technology*

CVUSD has adopted Board Policy, which includes the provisions in Education Code sections 15140-15150 and Government Code sections 53508.5 and 53508.6 concerning the use of capital appreciation bonds.

*Deferred Maintenance and Major Repair and Replacement Plan*

CVUSD budgets 3% of the general fund for Routine Restricted Maintenance. Spreadsheets showing the deferred maintenance project expenditures completed over the past ten years (Attachment 3) and planned for the current and future ten years (Attachment 4) are provided.

*Financial Status*

See Chart attachment with all financials.
Selection of Bond Agency

The District has a long history of commitment to issuing its voter approved debt through the competitive bid process. All of its bonds approved by voters in 2000 (Prop X/$75 million) and 2012 (Prop C/$88.4 million) were brought to market through competitive bid. In addition, all of the District’s Ed-Tech bonds (approved by voters in 2016) issued to date have been offered through competitive bid, and it is anticipated that the remaining bonds will also be sold in a similar manner.

The only time the district did not use the competitive sale method was in 2011 with the sale of $13 of federally subsidized Qualified School Construction Bonds and its 2008 Series B bonds, sold in 2012 during the financial crisis through negotiated sale to De La Rosa & Company.

If approved by the voters, it is the intent of the District to issue its 2020 tax rate extension GO bonds through competitive bid.

The District has built a strong objectives-driven financing team that serves as an extension of its business office professional staff. This team meets regularly with the Superintendent and the District’s Board of Trustees to brief them on the status of the District’s overall debt management as well as upcoming opportunities for additional project funding or methods to reduce overall borrowing costs to District taxpayers.

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To this end, the District has had a long-term relationship with Dale Scott & Company (DS&C; as financial advisor) and Jones Hall (as bond counsel and disclosure counsel). DS&C also assists the District in the filing of its annual continuing disclosure and ADTR reports. This team, working closely with District staff, has been successful in numerous funding programs including but not limited to:

- Passage of a two-thirds voter-approved bond in November 2000
- Passage of the first GO Reauthorization Bond in San Diego County in November 2012
- The refinancing of over $100 million of district GO bond debt resulting in direct and significant taxpayer savings for years to come
- Passage of the first GO Ed-Tech (short-term) bond in San Diego County in November 2016

In addition, under the guidance of DS&C, the District avoided the use of high-cost, non-callable capital appreciation bonds and other risky, short-sighted financing techniques. Their conservative financing approach, which is deeply shared by the District’s administration and Board of Trustees, has resulted in our ability to sustain a long-term school facilities improvement program and has resulted in our goal to issue these new bonds without increasing taxes above the current tax rate.

**Joint Use of Facilities**

The Cajon Valley Union School District makes all its facilities available for public use. Gymnasiums, auditoriums and other facilities are made available to the public in accordance with the Civic Center Act. District staff works cooperatively with the City of El Cajon’s Recreation Department in order to ensure its sports fields are available to local sports leagues and are allocated fairly. The District is proactive in maximizing community use of its facilities.

In order to maximize community benefit and efficiently apply taxpayer dollars, CVUSD shall demonstrate a good faith effort to pursue all practical opportunities to expand community joint-use facilities in every new or expanded construction project. The following language was incorporated into our resolution calling for the bond election: “The Board shall maximize the use of facilities to the broader community through Joint-Use without adversely impacting operations or finances.” (ref: Section 7 of the Resolution)

**Ballot Language**

To upgrade fire alarms and emergency communication systems; replace aging portables with permanent classrooms throughout the District; and qualify the District for state matching funds; shall Cajon Valley Union School District’s measure authorizing $220 million of bonds be adopted with legal rates, yearly average levies less than $26 per $100,000 of assessed valuation while bonds are outstanding (generating an average of $12.1 million per year), annual audits, independent oversight and no estimated increase in current tax rates?
Bidding Process

The District will adopt a “No Pay to Play” policy that includes the following elements:
1. If any Person contributed $1000 or more to any campaign for a district candidate, candidate(s) or bond program, AND if a Person bid on a project, that Person’s name and amount will be listed publicly in a way that is accessible through the staff report or docket, for any governing board item to award a Bond Funded Contract to that Person. A District has the option to list all donors of $1,000 or more.

2. If any Person contributed to any foundation organized to advance the educational goals of that school or community college, AND if that foundation made any financial contribution to any district bond campaign within the last four years, this information must be disclosed publicly in the same manner as listed above.

3. For the purposes of this Policy, the following definitions will apply:
   a. “Person” means any individual, sole proprietor, partnership, corporation, trade association, union, council of unions, or any registered political committee administered by any such Person.

   b. “Bond Funded Contract” means any contract for construction, maintenance, equipment, labor, engineering, architecture, program or project management, legal or financial services, or any other similar expense, that is paid from bond proceeds.

4. Our elected board members are required (at least once every two years) to complete the two-hour ethics training described in California Government Code sections 53234-53235.2

Provision for an Independent Citizens’ Oversight Committee

CVUSD adopted the SDCTA’s Oversight Committee Best Practices on March 8, 2016

Adoption of SDCTA School Construction and Professional Services Procurement Best Practices Policy

CVUSD adopted the SDCTA’s School Construction and Professional Services Procurement Best Practices on March 8, 2016.

Education of Governing Board Members and Oversight Committee Members
Sharon Dobbins (Long-Range Planning Director) and Dick Nasif (COC Member) have attended SDCTA’s “Envisioning and Managing Legitimate and Effective Public School Bonds” educational course. Other staff members, COC members, and Board members will also be encouraged to attend.

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<th>Criteria Item</th>
<th>Info Provided?</th>
<th>Criteria Met?</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Program Description</td>
<td>Yes</td>
<td>yes</td>
<td>1) Bond program outlines the needs and proposed projects at each of the District’s schools in FMP</td>
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<td></td>
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<td>2) Project list focuses on modernizing facilities and infrastructure, improving safety, and replacing aging portables</td>
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<td>3) Estimated project costs have been provided in two priority categories</td>
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<td>4) Specific sites listed, specific projects per site</td>
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<tr>
<td>Program Budget and Funding</td>
<td>Yes</td>
<td>Yes</td>
<td>1) Bond financing scenarios included with estimated hard and soft costs added at $271,949,414</td>
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<td></td>
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<td></td>
<td>2) Estimated rate is $26 per $100,000</td>
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<td>3) AV assumptions are 4.5%</td>
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<td>Cost Estimation and Feasibility</td>
<td>Yes</td>
<td>Yes</td>
<td>1) Cost breakdown per school site included</td>
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<td>2) Spending timeline included in schedule and cash flow chart</td>
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<td>3) Needs estimated at over $391 million, 4% escalation costs</td>
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<tr>
<td>Program Justification</td>
<td>Yes</td>
<td>Yes</td>
<td>1) The District justifies the need for the measure to complete some of the projects listed in the needs assessment in the Facilities Master Plan</td>
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<td>2) The funds from this bond would only cover half of costs in total needs</td>
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<tr>
<td>Program Execution Plan</td>
<td>Yes</td>
<td>Yes</td>
<td>1) Estimated bond issuance schedules are provided</td>
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<td></td>
<td>2) Estimated program timeline and construction schedules provided</td>
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<td>3) District plans to oversee projects with the help of several contractors with extensive experience</td>
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<tr>
<td>Fair and Open Competition</td>
<td>Yes</td>
<td>No</td>
<td>1) District does not plan on entering into PLA</td>
</tr>
<tr>
<td>Bond Financing and Technology</td>
<td>Yes</td>
<td>Yes</td>
<td>1) Adopted board policy includes section of Education Codes regarding the use of capital appreciation bonds</td>
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| Deferred Maintenance and Major Repair & Replacement Plan | Yes | Yes | 1) Silman Wright assessed facilities.  
2) District spends 3% of funding on maintenance  
3) Deferred maintenance projects charted by school site and cost |
| Financial Status | Yes | Yes | 1) Bond debt and lease debt included |
| Selection of Bond Agency | Yes | Yes | 1) Dale Scott and Jones Hall |
| Joint Use of Facilities | Yes | Yes | 1) Joint use language included |
| Complete Ballot and Resolution Language | Yes | Yes | 1) Final ballot and resolution language included  
2) Language includes generic project list and sites to be included |
| Bidding Process | Yes | Yes | 1) District will adopt a “No Pay to Play” policy |
| Provision for an “Independent Citizens’ Oversight Committee” | Yes | Yes | 1) ICOC committee language established March 8, 2016 |
| 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 on March 8, 2016 |
| Education of Governing Board Members and Oversight Committee Members | Yes | Yes | 1) Sharon Dobbins and Dick Nasif attended SDCTA’s public bonds course |