

2016 SDCTA BOND SUPPORT PROCESS & CRITERIA

Updated November 2015

I. STATEMENT OF PURPOSE

This document provides public entities soliciting the endorsement of the San Diego County Taxpayers Association (SDCTA) for a general obligation bond proposition with guidance as to how to prepare their request, as well as the criteria the Association will use to formulate a decision.

II. STATEMENT OF POLICY

It is the policy of SDCTA to thoroughly evaluate capital outlay bond measures placed on the ballot in this region. The Association has provided voters with informed, objective recommendations on ballot issues since 1945. Because voters place heavy reliance on the Association's recommendations, endorsements are made only after a thorough in-depth assessment of each ballot proposition. Consideration of a request for endorsement in no way implies that SDCTA will endorse the measure and may, after consideration, lead to opposition of the measure. Since detailed information is critical to SDCTA and the public, failure to provide requested information may lead to a recommendation of opposition.

III. INTENT

It is the intent of SDCTA to ensure public entities* provide clear evidence of genuine need for bond measure expenditures and demonstrate that the proposed investments required cannot be addressed with existing revenues and grants. Upon passage of the measure, SDCTA will monitor the progress of each program through its representatives on the Independent Citizens' Oversight Committees (ICOC).

IV. PREREQUISITIES TO ENDORSEMENT BY SDCTA

Time Requirements and Schedule

Public entities shall notify the Association at the earliest possible date of an anticipated bond proposition. At that time, the Association will prepare a timeline outlining dates for a staff review conference with the applicant and a presentation by officials to SDCTA. The Association will guarantee review and provide a recommendation for only those packages submitted no less than 180 days prior to the election date. Any package submitted less than 180 days prior to the election date will not be guaranteed to be reviewed by SDCTA staff for a recommendation. Any package submitted 120 days or fewer prior to the election date will not be eligible for an endorsement by SDCTA absent an exception granted by the SDCTA Executive Committee at its sole discretion. All public entities intending to place a measure on the ballot or planning to discuss a potential ballot measure shall notify SDCTA no less than 180 days prior to the election date. Submission of a package does not guarantee support or preclude opposition by SDCTA.

Submission

Applicant shall deliver to SDCTA two copies of all documents requested placed in the order of topics set forth herein. The application shall be accompanied by a cover letter signed by the current chair of its governing board.

Primary Applicant Contact Information

Applicant shall name one individual as the primary contact.

Agency Endorsement Request Application

In order to ensure an orderly process and full disclosure, SDCTA has established the following application process. All the requirements outlined below must be met (or satisfied) before SDCTA will consider endorsement of facilities bond measures. Any board actions, resolutions or policies which must be enacted to fulfill these requirements must be passed before the Association gives support.

A. Program Description

A detailed description of all elements of the program shall be identified by their location/site as it will appear on the ballot. General spending categories are insufficient. Each individual project in the program shall be classified as to whether it is for new and/or replacement facilities, modernization of existing facilities, increase of capacity or code compliance. Ballot language shall provide voters with a summary of these details, including a list of planned projects by site and/or campus, classified in the previously mentioned manner.

B. Program Budget and Funding

A detailed comprehensive budget classifying expenses by soft and hard costs, including all costs associated with borrowing, as well as any revenues expected to be generated through interest earnings, shall be provided to SDCTA. The applicant shall identify the amount and source of any anticipated matching funds or additional funding sources necessary to complete the bond program. If the applicant intends to reimburse its operating budget from bond revenues for any permissible program costs, including program management, they shall be separately identified. Applicants shall demonstrate that the anticipated bond revenues will address the needs identified within the bond. In the event funds do not meet those needs, the applicant must set out a clear plan for how it will pay for those additional projects. This information must be incorporated as part of the resolution calling for the bond election. The budget shall also identify any bond funds intended to be used for the purposes of site acquisition.

C. Cost Estimation and Feasibility

The applicant shall provide evidence that accurate and reliable cost estimations of projects have been obtained from a qualified, independent source. Additionally, the legal feasibility of planned projects must be researched prior to submission of an application to SDCTA. If projects require site acquisition (land purchases) the applicant must show that reasonably foreseeable legal hurdles have been successfully mitigated to the extent possible. For bond programs that include the construction of new facilities, justification for the proposed facility, as well as detailed construction cost estimates (including those costs associated with environmental review, equipment and supplies) shall be provided.

D. Program Justification

The applicant shall thoroughly define the public benefit of the bond measure and how these benefits cannot be provided by other means. The applicant shall specify how this proposed bond measure would address all identified facility needs. If the identified facility needs are not met, the applicant shall outline how these unmet needs will be addressed. Included in the program justification should be a demand forecast reflecting the agencies enrollment projections for the next decade.

E. Facilities Master Plan

A copy of the applicant's current facilities master plan shall be included in the application. If an updated master plan is not available, the applicant shall explain how the proposed bond funded program fits into the overall operation of the agency. SDCTA encourages public entities to conduct a comprehensive needs assessments prior to the creation of a bond and its project list. SDCTA further encourages public entities to adopt long-range financial goals to address all of the facility needs.

F. Facilities Needs Assessment

The process for determining which specific program elements are being included in the bond shall be explained. SDCTA is particularly interested in how, when and by whom the cost estimates were prepared. Assumptions about anticipated cost increases and funds required for contingencies and unforeseeable circumstances shall be included. The applicant shall demonstrate that a sufficient forensic assessment of current facility conditions has been conducted by qualified individuals to ensure that projects can be completed without major unexpected costs. The applicant shall provide SDCTA with a copy of the most recent facilities needs assessment report that clearly identifies Major Repair & Replacement (MRR) needs, as well as deferred maintenance.

G. Program Execution Plan

The program description and budget shall include an outline of how the applicant intends to execute and manage the program. This includes a specific description of the resources that will be applied to ensure the timely and efficient execution of the proposed program, including a schedule with benchmarks for completion, as well as an estimated timeline for the sale of bonds. A cash-flow analysis including the potential date for bond sales and the expected annual property tax rates and revenue earnings shall also be included. If the applicant intends to manage and execute the program using agency staff, a detailed identification of assignable staff resources, qualifications and current duties shall be included. The program shall minimize the use of project site discretionary funds or prohibit the open-ended use of bond funds following the passage of the measure.

H. Fair and Open Competition

Applicant shall adopt within its ballot resolution and/or board policy a provision stating the District will promote fair and open competition for all District construction projects. Applicant shall adopt within its ballot resolution and/or board policy a provision stating the public entity will promote fair and open competition for all public entity construction projects. The resolution and/or board policy will include language that taxpayers be informed by public notice before a resolution to negotiate a project labor agreement is

considered. It shall be communicated to taxpayers prior to board vote with a minimum of 90 day public notice. It is recommended a workshop be conducted prior to any negotiation resolution to determine reasonableness. (See Appendix A for sample language and types of public notice acceptable)

I. Bond Financing & Technology

Applicant shall adopt via board policy the provisions included within Education Code section 15140-15150, and Government Code sections 53508.5 and 53508.6 concerning the use of Capital Appreciation Bonds. In addition, the board shall also include within the policy the following language:

“The District will not authorize the sale of any form of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds without review by the District’s citizens’ bond oversight committee. All annual assessed value growth assumptions within any proposed financing will be the lesser of a) the average of the past ten years or b) 5%.”

The applicant shall list within their submission all classroom technology items (e.g. tablets, laptops, smartboards) proposed to be funded and the funding mechanisms intended to be used to finance the equipment. The applicant shall list the expected useful life of each technology item proposed to be financed. The term of financing shall meet the useful life of the assets proposed to be funded by the bonds.

J. Deferred Maintenance and Major Repair and Replacement Plan

The applicant shall submit a governing board approved funding plan to eliminate Deferred Maintenance** and the ongoing reliance on bond revenues; and an approved Major Repair & Replacement*** funding plan to ensure that both new and renovated facilities do not become maintenance deferred once the backlog has been eliminated. Within the submitted plan, the applicant shall include the deferred maintenance funding, including the amount of state matching funds received, for the previous 10 fiscal years. The applicant shall also include a current list of those projects and their respective costs within the agency’s deferred maintenance backlog. The Independent Citizens Oversight Committee shall oversee this plan as part of its responsibilities.

K. Complete Ballot and Resolution Language

Applicant shall include a copy of the proposed ballot language and supporting resolution. Should ballot language change from submitted copy, SDCTA shall be notified a minimum of 90 days prior to election. SDCTA reserves the right to change its position if such changes occur with or without notification.

L. Provision for an “Independent Citizens’ Oversight Committee”

Applicant shall adopt SDCTA’s “Independent Citizens’ Oversight Committee Best Practices” as policy (not via a resolution) no later than the date of adoption of the ballot resolution.

Applicant shall appoint at least one member of SDCTA to serve on the Independent Citizen's Oversight Committee. This member will be nominated by SDCTA's President & CEO.

M. Adoption of SDCTA School Construction and Professional Services Procurement Best Practices (If Applicable)

Any school district applicant shall adopt SDCTA's "School Construction and Professional Services Procurement Best Practices" as policy (not via a resolution) no later than the date of adoption of the ballot resolution.

N. Certification of Governing Board Members and Oversight Committee Members

Elected members of the district and the district's staff are strongly recommended to attend SDCTA's School Bond Certification Program prior to the election of the bond measure. Oversight committee members are strongly recommended to attend SDCTA's School Bond Certification Program or a similar training program to best prepare key community members for the bond program within twelve (12) months after passage.

O. Limited Use of District's "Education" Funds (If Applicable)

See SDCTA approved "Standards for Publicly Funded Advocacy For or Against Ballot Measures."

P. Joint Use of Facilities

The following language should be adopted and incorporated into the resolution calling for the bond election:

In order to maximize community benefit and efficiently apply taxpayer dollars, the applicant shall demonstrate a good faith effort to pursue all practical opportunities to expand community joint use facilities in every new or expanded construction project. In pursuing joint use, the applicant's goal should be to maximize the use of facilities to the broader community without adversely impacting operations or finances. Examples of appropriate joint use provisions for incorporation into construction plans include but are not limited to new and expanded library facilities, recreational/physical-education facilities, computer labs, meeting rooms, and childcare and health care facilities.

The elected board shall direct staff to implement the following procedure:

- Prior to the obligation of funds for new facilities expansion or construction, a joint use implementation certification shall be presented to the Independent Citizens' Oversight Committee and approved by the elected board.
- The joint use implementation certification shall include the following minimum information:
 - Project description
 - List and description of joint use elements that could potentially be incorporated into the project

- List of agencies and organizations contacted regarding potential joint use elements, including description of how agencies and organizations were contacted
- For each agency or organization contacted:
 - Joint use Development Criteria discussed or developed for the project
 - Equity of Contribution considerations discussed or developed for the project
- Description of joint use elements that will be incorporated into the project

In addition, it is the intention of the elected board to make official, policy level contacts with overlapping public jurisdictions in order to make joint-use and the efficient application of taxpayer dollars a priority of all agencies serving within their boundaries. Agencies contacted should include, but not be limited to: adjacent cities, County of San Diego, Community College Districts, and Transit agencies.

V. OPPOSITION TO SPECIAL ELECTIONS

Except in very extraordinary circumstances, SDCTA opposes special elections due to the added cost to taxpayers.

VI. BALLOT AND OTHER CONSIDERATIONS

Fund Purposes

Other than for support of the Independent Citizen's Oversight Committee, bond funds shall be dedicated to capital infrastructure and shall not be used for administrative purposes other than costs that are directly attributed to execution of the program. This includes any temporary transfer of funds related to the bond program to the general fund for administrative purposes.

Signing Favorable Ballot Argument and Use of Endorsement

SDCTA, at the request of the applicant, may elect to sign the printed ballot argument in favor of the proposition but only subject to editorial review of its final content. The bond campaign shall provide SDCTA with copies of all campaign materials in which its endorsement is noted. Endorsement or quotes provided by SDCTA officials for campaign literature may only be used for that specific election and not for any future elections.

VII. FOLLOW ON BOND ELECTION (where applicable)

In the event of an election for a second bond-funded program to complete or continue a facilities plan that began under a prior bond approved election within the last ten years, the following additional information shall be required:

- A detailed analysis of the completed projects of the first bond funded program compared to the projects listed on that ballot. Significant variances between what was

- proposed and what was accomplished must be explained. In addition, any corrective measures that have been taken shall be identified.
- A final financial summary comparing budget to actual expenditures, including change orders and soft costs as a percent of total project costs.
 - Performance evaluation of program management as well as assessment of results.
 - Evidence of the success of the oversight committee in fulfilling its responsibilities accompanied by copies of its annual reports.
 - Documented progress in the elimination of deferred maintenance accompanied by an updated funding plan and evidence of the establishment of a life cycle maintenance plan for all new and rehabilitated facilities.
 - Evidence that best efforts were made to exploit opportunities for joint use of facilities.

**Note: For the purposes of this document, public entity includes any municipality, school district, hospital district or other government entity intending to seek SDCTA support for a general obligation bond measure.*

***“Deferred” Maintenance item: The cost of repairing and replacing major maintenance projects grows significantly if major maintenance schedules are not met (deferred). The applicant should be able to quantify its deferred maintenance backlog.*

General Maintenance items (broken windows, plumbing repairs, etc.) are not covered by SDCTA Criteria. The State of California has a requirement that School Districts fund an amount equal to 5% of its General Fund for “Maintenance.”

****Major Maintenance items are capital in nature and would include replacing roofs, boilers, interior ceilings, re-paving parking lots, etc. These projects can be scheduled over a multi-year period.*

If the replacement and maintenance schedule of these major items are not met, then they become deferred maintenance items.

APPENDIX A

SAMPLE FAIR AND OPEN COMPETITION LANGUAGE

The District and/or Public Entity will promote fair and open competition for all District and/or Public Entity construction projects so that all contractors and workers, whether union or non-union, are treated equally in the bidding and awarding of District and/or Public Entity construction contracts

The District, prior to any discussion and/or vote of a resolution to negotiate a project labor agreement, shall inform district taxpayers 90 days in advance, via public notice, of any board discussion and/or vote.

ACCEPTABLE FORMS OF PUBLIC NOTICE

- School district newsletter
- School district website home page
- Post on social media sites ie. Facebook, Twitter
- School board public email distribution list
 - If on agenda, agenda item needs to be communicated within body of email to distribution list