



## **BONSALL UNIFIED SCHOOL DISTRICT \$38 MILLION BOND MEASURE**

*September 2018*

**SDCTA Position:**

**NEUTRAL**

### **Rationale for Position:**

Bonsall Union School District's proposed bond measure meets key provisions of SDCTA's bond support criteria. SDCTA had originally opposed the bond measure, as the District failed to adopt all of our best practices on August 9th, 2018. The District then went to adopt all specified policies during a special meeting on August 21, 2018. This analysis reflects an updated neutral position.

**Title:** Measure 'X'

**Jurisdiction:** Bonsall Unified School District

**Type:** Bond Issue

**Vote:** 55% Supermajority

**Status:** On the November 6, 2018 General Election Ballot

**Issue:** \$38 Million Bond Measure

**Description:** The issuance of \$38 million of Proposition 39 General Obligation Bonds with an increase in property taxes by a maximum of \$60 per \$100,000 of assessed value to fund school modernization.

**Fiscal Impact:** The total cost of the bond, including principal and interest, is estimated at \$77,995,205. The District is proposing to raise the tax rate by an estimated \$34.58 per \$100,000 of assessed valuation.

### **Background**

The Bonsall Unified School District (BUSD) consists of Bonsall Elementary School (BES), Bonsall West Elementary School (BWES), Vivian Banks Charter School (VBCS), the Sullivan Middle School (SMS), and Bonsall High School (BHS). Prior to 2013, the school served students in kindergarten through eighth grade. In 2013, the Board of Supervisors created a new unified school district in Bonsall serving students in Kindergarten through twelfth grade. In the 2017-18 school year, the district served 2,546 students.

To accommodate the unification, BUSD opened Bonsall High School, modeled as a New High Tech High Network similar to High Tech High in San Diego, on the Sullivan Middle School campus in 2014 with 80 ninth graders, adding a grade per year. Temporary classroom buildings were added as needed to accommodate growth and a two-story building was constructed on the SMS campus. Most students preferred to attend a true high school facility, with approximately half of the eighth graders participating in the new high school model. Even still, the shared campus is expected to reach or exceed maximum capacity of 350 by the 2018-2019 school year. In addition



to size constraints, the District has found difficulty with the wide range of student ages at the campus (11 years to 18 years of age) and their corresponding social and emotional needs.

Enrollment at the District has grown at roughly 4% per year for the past six years. With a variety of new housing projects underway in District boundaries, the school expects to receive 530 new students, including 220 middle and high school students. While the shared campus model was an acceptable short-term solution for district unification, BUSD seeks to build a permanent high school campus through the proposed bond measure.

In 2016, the District completed a Facilities Needs Assessment which outlined a variety of long-term needs throughout the District. To accomplish many of the projects laid out in this assessment, including the new high school, BUSD attempted to pass a \$58 million bond measure in 2016 with the support of SDCTA. Residents rejected the measure by 5.63%.

## **Proposal**

On April 26, 2018, the Bonsall Unified School District Board of Trustees voted to place a \$38 million school bond measure on the November 6, 2018 ballot.

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

“To improve the quality of education; improve safety and security on all campuses; construct a new high school to reduce student overcrowding; renovate/replace track and field structures and facilities; shall Bonsall Unified School District issue \$38,000,000 of bonds at legal rates, levy approximately 3.75 cents/\$100 assessed value, generating approximately \$2,300,000 annually while bonds are outstanding, with annual audits, independent citizens’ oversight, NO money for administrative salaries and all money staying local?”

The District has submitted its request for support from the San Diego County Taxpayers Association (SDCTA). The request included materials intended to satisfy the 2018 SDCTA Bond Support Criteria. Those materials have been reviewed and an analysis of the results is provided below. A summary table of the analysis can also be found at the end of this report.

## **Review of SDCTA Bond Support Criteria**

### *Program Description*

The District is seeking a school bond in order to generate enough funds to begin the transition into a K-12 serving district. Once a new high school is constructed at a District-owned 50-acre site, the Sullivan Middle School will then be available to accommodate future growth. If the current site is determined unsuitable through the CEQA process, which is estimated to be complete in early 2019, the District will sell the site and purchase an alternative. The construction of the new school has been designed in phases that appropriately match the school’s expected enrollment growth and provide the District with flexibility.

The Bond will also include funds for important safety upgrades and joint use purposes at other District campuses. The bond project list is outlined below.

- New high school facilities for BHS
- Improved fencing and single access point for BES, BWES, VBCS, and SMS
- Replacement video surveillance system for BES and BWES
- Installation of a video surveillance system at VBCS and SMS
- Installation of a mass notification system at BES, BWES, VBCS, and SMS
- Modernization of electronic locksets at BES and SMS
- Improved or new track and field at BES, BWES, VBCS, and SMS

*Budget, Funding, and Execution Plan*

Cost estimates, which include considerations for contingencies and escalation costs, for the projects proposed to be funded through bond revenues were derived with the help of Erickson Hall Construction Company and Baker Nowicki Design Studio, LLP. A summary of these costs is outlined below.

**Figure 1: BUSD Bond Program Budget Summary**

Project	Cost
New High School	\$33,332,376
Camera Surveillance System	\$440,000
Electronic Lock & Keying	\$1,580,000
Mass Notification System	\$19,000
Fencing/Access	\$292,000
Track & Field	\$2,115,000
<b>Total</b>	<b>\$37,818,376</b>

The project list for this proposed bond measure is similar to that of the measure the District placed before voters in 2016, but with a different scope, explaining the changes in project cost estimates between the two proposals.

No specific project requires the use of funds outside of those from the bond measure, but the District intends to seek state matching funds to help complete the projects on its list. The District expects to receive an additional \$9 million in funds from the state. BUSD does not plan to reimburse its operating budget with bond revenues.

The District intends to rely on its Director of Facilities to develop tracking and reporting methods for the bond program. BUSD will use the help of the aforementioned construction professionals, design architects, and staff to develop a schedule and milestones for each project. The Districts expects all projects to be complete by December 2020.

The District also intends to consider procuring a web-based bond-tracking program or working with the San Diego County Office of Education’s Facilities Department. BUSD anticipates



needing to hire one more staff member to handle bond-related procurements, accounting, and contract management.

### *Ballot Resolution and Language*

On July 12, 2018, the District adopted the final ballot language and tax rate statement. The District has submitted language to SDCTA that outlines the ballot question, as well as other items pertaining to SDCTA’s best practices.

The draft ballot resolution submitted with the District’s application includes SDCTA-recommended language regarding fair and open competition for bond-related construction projects and joint use of facilities. The District currently has Board policies, adopted for its 2016 bond measure, which satisfy SDCTA’s recommended policy regarding the use of Capital Appreciation Bonds.

The District communicated its intention to present a “No Pay to Play” policy and SDCTA’s Independent Citizens’ Oversight Committee Best Practices to the Board of Trustees for adoption on August 9, 2018. The District currently has Board policies which satisfy aspects of SDCTA’s School Construction and Professional Services Procurement Best Practices. As the BUSD has a small staff, it has indicated a need for more time to add some components which it does not yet have in place.

### *Deferred Maintenance Funding*

In fiscal year 2017-18, the District funded its Major Repair and Replacement program with 2% of the General Fund and increased funding to 3% for the 2018-19 budget. In each of the last three years, the District’s Board has set aside a minimum of \$50,000 to address deferred maintenance needs. The District has not received any state matching funds for deferred maintenance since at least 2010. The District staff intended to present a plan for approval of the Board of Trustees to fully fund deferred maintenance needs in five years on August 9, 2018.

The District’s practice is to mitigate facility needs proactively near the end of any asset’s useful life. Additionally, the District has kept its two recently-built elementary schools well-maintained and in good condition. BUSD’s deferred maintenance backlog includes approximately \$1,081,925 in roofing, paving, plumbing, electrical, finishing, and HVAC needs.

### **Figure 2: BUSD Deferred Maintenance Funding**

Total deferred maintenance backlog	\$1,081,925
Projects already funded and started	\$132,980
Current deferred maintenance fund balance to be used in 18/19 on backlog	\$200,000
Remaining backlog	<u>\$748,945</u>
Annual funding amount	\$149,789
Current funding amount	\$50,000
Increase to be presented to Board of Trustees	<u>\$99,789</u>

*SDCTA School Bond Coursework*

The SDCTA recommends that senior staff, Board members, or Independent Citizen Oversight Committee members from each school district attend the San Diego Taxpayers Educational Foundation’s coursework around best practices for school bond programs. Along with UC San Diego Extension, SDTEF hosts “The Practice of Designing & Running School Bonds” course, a hybrid in person and online course designed for school district superintendents and executive financial staff to learn about the process of designing, campaigning for, and running a school bond program. Along with Point Loma Nazarene University, SDTEF hosts a “Legitimate and Effective School Bonds” course, an online course designed for school board members and ICOC members, as well as candidates, to learn about their oversight role for a bond program.

Bonsall Unified School District’s Superintendent and Assistant Superintendent of Business Services participated in SDCTA’s “The Practice of Designing & Running School Bonds” course with UC San Diego Extension on November 1, 2017.

**Fiscal Impact**

The measure may increase the property tax rate by a maximum of \$60 per \$100,000 of assessed property valuation by law. The District is proposing to raise the tax rate by an estimated \$37.50 per \$100,000 assessed valuation. This amounts to an additional \$176.25 for the average homeowner in the District. Assessed valuation growth projections are estimated as 3.5% annually, whereas the 15-year historical assessed valuation growth had averaged 6.05% per year.

Based on cash flow projections and the estimated timeline for the sale of bonds the District has outlined a reasonable financing plan for a November 2018 bond. The length of time to access \$38 million of bond authorization is projected as two years.

There will be no Capital Appreciation Bonds included in the entire bond program and the repayment ratio is expected to be 2.05 to 1. Total cost of the bond, including principal and interest, is estimated to be \$77,995,205.

**Figure 3: Estimated Bond Issuance Costs**

Bond Proceeds	Total
Bond Par Amount	<b>\$38,000,000</b>
Cost of Borrowing	<b>\$300,000</b>
Cost of Interest	<b>\$39,995,205</b>

Currently, residents in BUSD boundaries are paying for a facilities bond for the Fallbrook Union High School District from the reunification, which will terminate in 2019.

<b>Bonsall Unified School District Bond Support Application and SDCTA Bond Support Criteria</b>			
<b>Criteria Item</b>	<b>Info Provided?</b>	<b>Criteria Met?</b>	<b>Comments</b>
Program Description	Yes	Yes	1) Bond program outlines the needs and proposed projects at each of the District's schools
			2) Project list focuses on constructing a new high school, making important safety upgrades, and improving track and field areas at various campuses
			3) Estimated project costs have been provided
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using 3.5% assessed valuation growth rates
			2) Expected interest revenues and costs associated with borrowing included
			3) District has estimated that the added tax rate will be \$37.50 per \$100,000 of assessed valuation
Cost Estimation and Feasibility	Yes	No	1) Cost estimates for projects developed with the help of Erickson Hall Construction Company and Baker Nowicki Design Studio, LLP
			2) Preliminary budget included with projects expected to be complete by December 2020
			3) Proposed bond issuance of \$38 million for various safety and track needs and the first phase of the District's high school construction
Program Justification	Yes	Yes	1) The District outlines the need for the measure to complete some of the projects listed in its 2016 facility needs assessment
			2) The funds from this bond would be sufficient to complete the proposed projects without additional sources, but the District intends to seek approximately \$9 million in state matching funds
			3) Funding would help BUSD transition to a K-12 district with a new high school that would help it meet growing enrollment projections. Funding would also help the District make fencing, video surveillance, notification system, electronic lockset, and track and field improvements at its campuses
Program Execution Plan	Yes	Yes	1) Estimated bond issuance schedules have been provided
			2) Estimated monthly program timeline provided
			3) District plans to oversee projects with the help of various staff members and advisors
Fair and Open Competition	Yes	Yes	1) District included language stating that the BUSD will promote fair and open competition for all District construction projects within its draft ballot resolution
			2) District does not intend to use a project labor agreement.

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Bond Financing & Technology	Yes	Yes	1) District has Board policy in place with recommended provisions related to Capital Appreciation Bonds
			2) No technology devices will be purchased with bond funds
Deferred Maintenance and Major Repair & Replacement Plan	Yes	No	1) District included a three-year history of deferred maintenance spending and other information about major repair & replacement spending
			2) District intended to present a five-year plan to eliminate its deferred maintenance backlog to the Board on August 9, 2018
Financial Status	Yes	Yes	1) District provided a listing of all outstanding debt
			2) District described procedures for disclosing bond-related information
Selection of Bond Agency	Yes	Yes	1) District described process used to select financial professionals
			2) District outlined the process for selecting a method of sale
Joint Use of Facilities	Yes	Yes	1) District has included language within the ballot resolution intent to pursue practical opportunities to incorporate joint-use
Complete Ballot and Resolution Language	Yes	Yes	1) Final ballot language and resolution for \$38 Million was adopted on July 12, 2018
			2) Ballot language outlines project list by site, except for its track and field projects
Bidding Process	Yes	Yes	1) District Board of Trustees voted to adopt a “No Pay to Play” policy on August 21, 2018
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1) District Board of Trustees voted to adopt SDCTA’s Oversight Committee Best Practices on August 21, 2018
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) District adopted all SDCTA School Construction and Professional Services Procurement Best Practices on August 21, 2018
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District’s Superintendent and Assistant Superintendent-Business Services participated in SDCTA’s bond-related coursework in 2017
Opposition to Special Elections			