



## **DEHESA SCHOOL DISTRICT \$3.1 MILLION BOND MEASURE**

*November 2020*

**SDCTA Position:**

**SUPPORT**

### **Rationale for Position:**

The Dehesa bond is very small and very focused on upgrades and rehabilitation of outdated facilities. Project list was well defined and appropriately fulfilled the need.

**Title:** Measure

**Jurisdiction:** Dehesa School District

**Type:** Proposition 39 Bond Issue

**Vote:** 55% Supermajority

**Status:** Pending Approval by School Board for the November 2020 General Election Ballot

**Issue:** \$3.1 Million Bond Measure

**Description:** The issuance of \$3.1 million of Proposition 39 General Obligation Bonds with an increase in property taxes by \$30 per \$100,000 of assessed value to fund school modernization and renovation projects.

**Fiscal Impact:** The total cost of the bond, including principal and interest, is estimated at \$5.8 million. The District is proposing to raise the tax rate by an estimated \$30 per \$100,000 of assessed valuation.

### **Background**

The Dehesa School District covers 10.4 acres and serves about 150 pupils with one K-8 school campus. The campus is comprised of six permanent buildings and six relocatable buildings. Four permanent buildings were constructed over 40 years ago, one over 25 years ago, and one in 2016.

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

#### *Program Description*

As part of the current Master Planning process, Sproutte + Watson Architecture and Planning, Inc. met with the District's Superintendent, Bradley Johnson, and the School Principal, Jholei Evans, to tour the campus and discuss the types of facility improvements that would be beneficial, assuming a hard construction budget in the range of \$3 million. Since the student population has not been increasing, there is no current need for additional classrooms or new construction.



However, improvements to the existing facilities in the way of more efficient layouts, improvements to technology, more energy efficient windows, upgrades to classroom interiors, and selected general maintenance items were all listed as important needs. In addition, relocation of the kindergarten playground to the interior side of the campus was mentioned as a necessary security upgrade, given the additional traffic on Dehesa Road. As with all modernizations, it is acknowledged that implementing desired improvements may trigger the need to provide additional code-compliant upgrades, especially in relation to access compliance and that abatement of hazardous materials.

On June 29, 2020, the District learned that they have been successful in obtaining the reimbursement funding from the State. The Dehesa School District is requesting endorsement from the San Diego County Taxpayers Association to support a \$3.1 million General Obligation bond for school facilities projects listed in the Bond Project List and as described below:

- **Ensure School Safety and Security**, including security and access control systems, surveillance systems, sprinkler systems, alarm systems, communication systems, public address systems, fencing, and lighting.
- **Provide Adequate and Efficient HVAC Systems**, including the upgrade, repair, acquisition, and installation of heating, ventilation, and air conditioning systems throughout District facilities.
- **Repair and/or Replace Roofs**, including replacement of failing and deteriorating roofing.
- **Upgrade, Modernize, Expand, and Rehabilitate Aging Facilities to Provide a Modern Educational Environment**, including to classrooms, the multi-purpose building, kitchens, and other support facilities, including repairing and/or replacing interior finishes such as floors, carpeting, ceiling finishes, paint, lighting; new doors and windows; window treatments; replacing/repairing casework; wall treatments including whiteboards and other wall coverings; acquiring updated furnishing and equipment; and upgrading exteriors such as paint, lighting, rails, ramps, and walkways.
- **Improving/Upgrading or Replacing Relocatable Buildings**, including upgrades to wiring and plumbing; interiors such as flooring, lighting, windows and doors; upgrading and repairing exterior finishes; modernization work; and/or replacement with other structures.
- **Renovation and Modernization of Restrooms**, including to make facilities compliant with all applicable laws and regulations, including ADA requirements.
- **Acquisition and Installation of Improvements that Ensure Energy Efficient Facilities**, including windows, doors, flooring, insulation, lighting, roofing.
- **Infrastructure Improvements and Expansions**, including electrical, gas, utility, plumbing and sewer, and including relocation of wiring to underground.
- **Upgrade to Facilitate Up-to-Date Modern Technology and Access to Education**, including installing all necessary infrastructure for connectivity and security, providing modern technology equipment and devices for learning and instruction, and software and hardware.
- **Ensure ADA Accessibility and Compliance with All Legal Requirements**, including ensuring barrier-free access; updates to restrooms, drinking fountains, and other facilities; and upgrades to ensure compliance with all applicable building and other legal codes and standards for school facilities.

- **Improvements to Outdoor Learning and Gathering Spaces and Playgrounds**, including renovating exterior areas; providing outside learning or gathering areas for students and staff, including seating and shade structures; and upgrading and relocating outdoor playgrounds, including acquiring and installing outdoor play equipment.
- **Improvements to School Grounds and Sitework**, including to walkways, pathways, ramps, and parking lot; acquiring/installing signage, landscaping, irrigation systems, and exterior lighting; and repairing/improving maintenance and storage buildings.

Additional project information can be found in Appendix A - 2020 Draft Facility Master PPlan.

### *Program Budget and Funding*

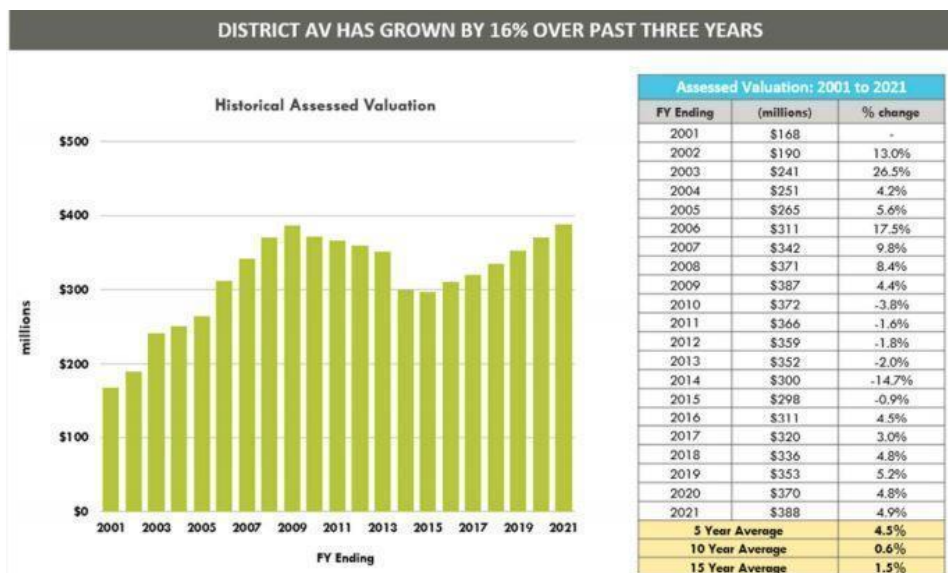
The Program Budget and Funding for facility improvements includes the 2020 G.O. Bond Election, anticipated state funds from OPSC, and Dehesa’s Special Reserve for Capital Projects, for a total of \$5,013,106.

*\*November 2012 G.O. Bond authorized for \$3,000,000 with \$829,000 outstanding. The district*

Funding Type	Amount	Estimated Funding Date
2020 G.O. Bond	\$3,100,000	Spring 2021 – Spring 2023
State Funding (Appeal Approved)	\$1,653,281	December 2020 – June 2021
Spec. Res. Capital Projects	\$259,825	Received
<b>Total</b>	<b>\$5,013,106</b>	
<i>*Nov 2012 Outstanding Amt.</i>	<i>\$829,000</i>	<i>TBD</i>

*did not include this amount as part of the program budget.*

The expenses for hard and soft costs are outlined as part of the Cost Estimation and Feasibility section of this endorsement request. The District’s assessed valuation summary is as follows:





The District estimates that it will earn interest in an amount yet to be determined on bond proceeds while on deposit at the County Treasury. The District will continue to analyze the optimal structure of bond issues to closely match the useful life of the assets to be constructed or acquired and to minimize interest costs for taxpayers. Therefore, the structure and associated issuance costs are subject to change.

*Cost Estimation and Feasibility*

The District hired Sprotte + Watson to assist with estimating the cost of the projects for the 2020 Facility Master Plan. The independent cost estimator retained to provide the estimating services is Campbell-Anderson & Associates, Inc. The cost estimate provided as part of the master plan includes all hard cost, design contingency, and inflation to the start date of constructions. A detailed summary of these costs can be found in Appendix A - 2020 Draft Facility Master Plan starting on page 23.

Additionally, the District assumed industry standard percentages for soft costs including program management, construction contingency, and program contingency. The following is a summary of the cost components for the program:

Cost Components	Amount
Building A	\$859,400
Building B	\$511,200
Building C	\$312,400
Building E	\$261,600
Building F	\$85,800
Conference Portable	\$33,800
Relocatable Buildings	\$88,600
Site Development	\$350,600
<b>Subtotal</b>	<b>\$2,503,400</b>
Design Contingency (15%)	\$375,500
Inflation adjustment to start date of construction of June 2022 (10%)	\$287,900
<b>Hard Cost Construction</b>	<b>\$3,166,800</b>
Soft Costs (30%)	\$950,040
Construction Contingency (10%)	\$316,680
Program Contingency (5%)	\$158,340
<b>Total Construction Cost</b>	<b>\$4,591,860</b>

*Program Justification*

The projects planned to be completed as part of the 2020 Draft Facility Master Plan are required for upgrades to the existing facilities, and the current general fund and other funding sources are inadequate to finance these projects.



The previous bond program for the Dehesa School District, which passed bonds in 2010 and 2012, was designed to address the modernization of some campus facilities and construct new facilities for growth. Since 2012 and due to declining enrollment, the District has determined that rather than continue building new construction, it plans to modernize the remainder of the facilities and create more efficient layouts, improvements to technology, upgrades to classroom interiors, and selected general deferred maintenance items. This will allow for better learning environments, address deferred maintenance, and provide sustainable long-term facility management for the District.

Due to the District's small housing community, student population, and inter-district transfers, it is challenging to forecast long-term student enrollment. Historically, Dehesa has enrollment of 120-250 students per year over the past decade. We do not anticipate that an enrollment projection study would yield additional information for future enrollment at Dehesa.

Proposition 39 local bond measures continue to be the primary vehicle by which many school districts throughout the State supplement their facilities funding needs. Based on the current and projected assessed valuation (AV) of the District, it appears the tax base will support a 2020 G.O. Bond measure in the amount of \$3.1 million at a tax rate below the statutory limits. This will also allow the District to maximize state funding, anticipated to be just over \$1.65 million.

The total need of \$4.6 million (in 2022 dollars) is adjusted for inflation. A proposed 2020 bond would provide approximately \$3.1 million in local funds, 67% of the total need. However, with an estimated State Match eligibility of \$1.65 million, a 2020 local bond could serve to complete 100% of the identified modernization needs for the entire District.

### *Program Execution Plan*

The District's Superintendent/CBO will oversee the program operations. For those projects involving modernization of existing campus facilities, the District will contract with an architect and construction manager to assist in planning, designing, bidding, and constructing these facilities. Additional consultants will be used as staff augmentation to service the needs of the program whereas the District is unable to provide that area of expertise. The District has not yet determined the delivery method that will be used for these projects, and will be dependent on recommendations from the architect and construction manager that consider scope, schedule, and budget.

Again, similar to the previous bond program, professional services will be retained after a formal request for qualification/request for proposal process. This process has been utilized for services including architect/engineer services, construction management services, and electrical engineering services, to name a few.

The program will be executed in one or two phases, as depicted on the initial funding timeline. This schedule is constrained by the sale of bond dates as shown and the construction schedule. Beyond that, work will be programmed based on facility need priorities at the campus. Program



and facilities staff will continue to report monthly to the Governing Board, the CBOC, and the public through the District's website and the monthly progress report.

*Fair and Open Competition*

**Board Policy Language Regarding Fair and Open Competition**

The District has included the following clause in its ballot resolution in order to promote fair and open competition for all District construction projects:

*“WHEREAS, no Project Labor Agreement (PLA) is currently envisioned or required for any portion of the anticipated bond expenditures, nor will the Board enter into one unless required by law to qualify for State matching funds, or otherwise.”*

### *Bond Financing and Technology*

The District complies with all laws and regulations related to the issuance of debt, including Education Code sections 15140-15150, and Government Code sections 53508.5 and 53508.6 concerning the use of Capital Appreciation Bonds (CABs). The District has adopted Board Policies 3470 and 7214, which together govern the issuance and structure of debt including more stringent data, reporting, and justification requirements to be made available in advance to the public if the District plans to issue CABs. The District plans to structure all bond issues as Current Interest Bonds and does not plan to use CABs.

Furthermore, the ballot resolution contains the following language associated with Bond Financing and Technology:

*“Section 13. Maturity Limit of Bonds; Other Covenants. The Bonds may be issued in one or more series by the District from time to time, and each series of Bonds shall mature not more than the legal limit at the time of such issuance thereof. The Bonds shall be issued under the Act, under the provisions of Section 53506 et seq. of the California Government Code, or under any other provision of law authorizing the issuance of general obligation bonds by school districts. Notwithstanding the provisions of this Section 13, to the extent any series of Bonds is issued to fund technology or equipment, the term of said Bond series shall not exceed three years or the useful life of the asset, whichever is less.*

*The Board covenants that the Bonds authorized hereby will not be issued in the form of capital appreciation bonds or convertible capital appreciation bonds.”*

### *Deferred Maintenance and Major Repair and Replacement Plan*

Due to changes in staffing over the last fiscal year in the Superintendent and Business Services departments, the District does not have an up-to-date Deferred Maintenance plan that would produce an accurate picture of the condition and deferred maintenance pricing of our facilities. The Superintendent/CBO was hired in February 2020, and one of the initiatives in FY20-21 is to produce an updated plan that outlines the Deferred Maintenance needs through a facilities condition index and ongoing support costs associated with facilities.

A G.O. Bond will allow the District to budget additional resources during the initial years after projects are completed in anticipation for financing the long-term facility needs. Due to our small size, we anticipate receiving support to complete this plan through a third party vendor, and will incorporate this plan into the overall oversight duties of the Independent Citizens Oversight Committee.

*Financial Status*

Below is a schedule of outstanding long-term debt issuances of the District as of July 1, 2020:

Dehesa School District G.O. Bond Payments (2020 and After)				
Date	Principal	Interest	Total Debt Service	Total Annual Debt Service
2/1/2020	-	97,081.25	97,081.25	-
8/1/2020	32,848.40	99,232.85	132,081.25	229,162.50
2/1/2021	-	96,681.25	96,681.25	-
8/1/2021	41,286.40	100,394.85	141,681.25	238,362.50
2/1/2022	-	96,181.25	96,181.25	-
8/1/2022	54,311.00	101,870.25	156,181.25	252,362.50
2/1/2023	-	95,481.25	95,481.25	-
8/1/2023	64,594.60	100,886.65	165,481.25	260,962.50
2/1/2024	-	94,581.25	94,581.25	-
8/1/2024	69,286.15	105,295.10	174,581.25	269,162.50
2/1/2025	-	93,793.75	93,793.75	-
8/1/2025	81,309.60	107,484.15	188,793.75	282,587.50
2/1/2026	-	92,831.25	92,831.25	-
8/1/2026	87,968.40	109,862.85	197,831.25	290,662.50
2/1/2027	-	91,781.25	91,781.25	-
8/1/2027	94,198.50	112,582.75	206,781.25	298,562.50
2/1/2028	-	90,643.75	90,643.75	-
8/1/2028	105,030.00	115,613.75	220,643.75	311,287.50
2/1/2029	-	89,237.50	89,237.50	-
8/1/2029	115,517.20	118,720.30	234,237.50	323,475.00
2/1/2030	-	87,643.75	87,643.75	-
8/1/2030	126,024.50	121,619.25	247,643.75	335,287.50
2/1/2031	-	85,862.50	85,862.50	-
8/1/2031	138,796.50	127,066.00	265,862.50	351,725.00
2/1/2032	-	83,893.75	83,893.75	-
8/1/2032	55,764.90	221,378.20	277,143.10	361,036.85
2/1/2033	-	83,893.75	83,893.75	-
8/1/2033	106,776.10	185,090.70	291,866.80	375,760.55
2/1/2034	-	82,300.00	82,300.00	-
8/1/2034	116,025.20	190,203.60	306,228.80	388,528.80
2/1/2035	-	80,518.75	80,518.75	-
8/1/2035	130,274.30	195,244.45	325,518.75	406,037.50
2/1/2036	-	78,456.25	78,456.25	-
8/1/2036	265,000.00	78,456.25	343,456.25	421,912.50
2/1/2037	-	73,306.25	73,306.25	-
8/1/2037	290,000.00	73,306.25	363,306.25	436,612.50
2/1/2038	-	67,675.00	67,675.00	-
8/1/2038	212,851.85	169,823.15	382,675.00	450,350.00
2/1/2039	-	63,212.50	63,212.50	-
8/1/2039	340,000.00	63,212.50	403,212.50	466,425.00
2/1/2040	-	54,093.75	54,093.75	-
8/1/2040	375,000.00	54,093.75	429,093.75	483,187.50
2/1/2041	-	44,037.50	44,037.50	-
8/1/2041	415,000.00	44,037.50	459,037.50	503,075.00
2/1/2042	-	32,906.25	32,906.25	-
8/1/2042	455,000.00	32,906.25	487,906.25	520,812.50
2/1/2043	-	20,700.00	20,700.00	-
8/1/2043	505,000.00	20,700.00	525,700.00	546,400.00
2/1/2044	-	7,150.00	7,150.00	-
6/1/2044	260,000.00	4,766.67	264,766.67	271,916.67
<b>Total</b>	<b>4,537,863.60</b>	<b>4,537,791.77</b>	<b>9,075,655.37</b>	<b>9,075,655.37</b>
<b>Outstanding G.O. Bond Principal Balance as of July 1, 2020</b>				<b>\$4,537,863.60</b>
<i>Summary includes General Obligation Bond Series A from 2010 and 2012 (Principal, Initial Principal, Interest and Accrued Interest)</i>				

*Selection of Bond Agency*

The District selected its current Financial Advisor, DS&C, in 2009 when the District began to analyze the potential for pursuing a bond. Since that time, DS&C has assisted the District in determining the feasibility of reauthorizing a bond in 2012 and maintaining required capital market





disclosures on behalf of the District. DS&C was selected based on statewide reputation and experience working with school districts on developing and implementing a comprehensive Debt Management Strategy. Underwriters are selected based on submission of proposals and consultation between the District and its Financial Advisor. Bond Counsel, Disclosure Counsel, and Trustees are selected based on the type of transaction contemplated and prior experience and familiarity with the debt instruments used, the District, and other members of the team. These professionals are paid out of bond proceeds, with the exception of the annual costs for disclosure requirements, arbitrage calculations, and trustee fees which are paid for by the District's general fund.

The method of sale is anticipated to be a competitive sale in order to obtain the lowest interest rate possible.

#### *Joint Use of Facilities*

While the District supports the joint use of facilities, the small size of this proposed project does not lend itself to this action.

#### *Ballot Language*

*“To improve student safety and campus security; renovate classrooms and educational facilities; increase internet access; and upgrade fire alarms and outdated electric wiring, shall Dehesa School District’s measure authorizing \$3.1 million in bonds be adopted with rigorous independent oversight, annual tax rates averaging \$30.00/\$100,000 of assessed valuation (raising \$193,000/year until bonds are repaid), legal interest rates, annual audits, all funds spent locally and not taken by the state and no money for administrators’ salaries?”*

#### *Bidding Process*

The following language regarding the bidding process was included in the final ballot resolution:

*“The District will comply with all applicable laws and regulations associated with competitive bidding and procurement practices in connection with construction and professional services procurement, and endeavors to promote competition and best pricing for all purchases and contracts. To this end, the District will comply with the San Diego County Taxpayers Association’s published best practice guidelines with respect to school construction and professional services procurement.”*

#### *Education of Governing Board Members and Oversight Committee Members*

### **Provision for an Independent Citizens' Oversight Committee**

The following language was included in the final ballot resolution:

*“Following approval of this measure, the Governing Board will establish an Independent Citizens’ Oversight Committee, under Education Code Sections 15278 and following, to ensure bond proceeds are expended only on the types of school facilities projects listed below. The committee will be established within 60 days of the date when the results of the election appear in the minutes of the School Board.”*

### **Adoption of SDCTA School Construction and Professional Services Procurement Best Practices**

The following language was included in the final ballot resolution:

*“The District will comply with all applicable laws and regulations associated with competitive bidding and procurement practices in connection with construction and professional services procurement, and endeavors to promote competition and best pricing for all purchases and contracts. To this end, the District will comply with the San Diego County Taxpayers Association’s published best practice guidelines with respect to school construction and professional services procurement.”*

### **Education of Governing Board Members and Oversight Committee Members**

The Board will continue discussions about this element of SDCTA’s school bond support criteria and take any action it deems appropriate to ensure Governing Board Members and Oversight Committee Members are educated and fully informed about General Obligation Bonds and best practices.

Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	Y	Y	Bond program outlines the needs and proposed projects at each of the District's school sites.
			Project list focuses on modernizing facilities and infrastructure, improving safety.
			Estimated project costs included in FMP.
			Specific sites listed broken down by project.
Program Budget and Funding	Y	Y	Repayment ratio of total debt service not explicitly stated; unsure how to calculate but: $(\text{Principal} + \text{Interest}) / \text{Principal} = 1.87$
			Costs associated with borrowing not included, nor are expected interest revenues.
			Estimated \$30 per \$100,000.
			The District will be using three-year General Obligation bonds as the financing mechanism.
Cost Estimation and Feasibility	Y	Y	Cost breakdown per project is identified.
			Exact timeline of projects not identified.
			Funding deemed adequate to complete project list.
Program Justification	Y	Y	The District justifies the need for the measure to complete some of the projects listed in the needs assessment in the Facilities Master Plan.
			The funds from this bond would be sufficient to complete the proposed projects with additional sources like matching funds.
Program Execution Plan	Y	Y	Estimated bond issuance schedules are provided.
			Estimated program timeline and construction schedules provided, but not specific dates. Anticipated in 1 or 2 phases included in funding timeline.
			District plans to oversee projects with internal staff and the hiring of outside experts.
Fair and Open Competition	Y	Y	Adopted language to support fair and open competition.
Bond Financing and Technology	Y	Y	Adopted board policy includes section of Education Codes regarding the use of capital appreciation bonds.

Deferred Maintenance and Major Repair & Replacement Plan	N	N	No up-to-date Deferred Maintenance Plan exists for this fiscal year.
Financial Status	Y	Y	Outstanding debt included at \$9.08 million.
Selection of Bond Agency	Y	N	Bond underwriters selected on an issuance by issuance basis, but not yet determined.
			Payment to bond service providers paid by bond proceeds.
Joint Use of Facilities	Y	N	General language included for joint use opportunities, but no commitment to joint use of specific facilities that will be upgraded with Bond funds.
Complete Ballot and Resolution Language	Y	Y	Final ballot and resolution language approved by School Board on 7/23.
Bidding Process	Y	N	Included, but no specific board language identified.
Provision for an "Independent Citizens' Oversight Committee"	Y	Y	Language included in final ballot resolution.
Adoption of SDCTA School Construction and Professional Services Procurement Best Practices	Y	Y	Language included in final ballot resolution.
Education of Governing Board Members and Oversight Committee Members	Y	N	Unknown whether offerings will be made available.