



Chula Vista Elementary School District \$242 Million Bond Measure

November 2019

SDCTA Position:

Do Not Support

Rationale:

Chula Vista Elementary School District put together a plan that was comprehensive. However, the spending of \$65 million for a 100-unit housing project left too many concerns to support the proposal. The amount being spent is significant and data did not overwhelmingly show a true need for faculty housing. Costs per unit were not included and questions about long-term maintenance were also not in the proposal. SDCTA feels a revenue bond would be a more appropriate source for the funding of housing.

Title: Measure M

Jurisdiction: Chula Vista Elementary School District

Type: Bond Issue

Vote: 55% Supermajority

Status: On the March 3, 2020 General Election Ballot

Issue: \$242 Million Bond Measure

Description: The issuance of \$242 Million of a General Obligation Bond with an increase in property taxes by \$30 per \$100,000 of assessed value to fund school modernization and renovation projects.

Background

The Chula Vista Elementary School District (CVESD) consists of 48 schools over 103 square miles in southern San Diego County. Established in 1892, the District currently serves approximately 29,600 students from kindergarten to sixth grade. The District's schools include five dependent charter schools and two independent charter schools operating within its boundaries and serving 15% of students.

In November 1998, CVESD voters approved a \$95 million General Obligation bond measure titled Proposition JJ to modernize 17 schools. In November 2012, voters authorized another \$90 million bond measure within a School Facilities Improvement District (SFID) including 31 of the district's 44 schools at the time. Titled Proposition E, the measure increased the tax rate within the SFID by \$29 per \$100,000 of assessed valuation in order to upgrade technology infrastructure, modernize classrooms, replace portables, improve safety, and install energy efficient systems.



With Proposition E funds, the District has modernized six of its oldest schools, will commence modernization of three more in June 2018, and expects to complete modernization of a final school during the summer of 2019. SDCTA supported both of these bond measures.

In December of 2017, the District enlisted the help of Ruhnu Clarke to complete a Facilities Needs Assessment, which outlined an estimated \$191,480,393 in needed improvements in safety, infrastructure, technology infrastructure, and energy efficiency at CVESD's 46 schools.

In November 2018, a \$150 million Measure VV Bond Measure was passed by voters. The measure allowed the district to renovate and modernize facilities, upgrade security and safety infrastructure, implement energy savings measure and improve technology access with the District's 46 schools, Education Services and Transportation Yard. SDCTA supported this measure.

Proposal

On November 13, 2019, the Chula Vista Elementary School District voted to place a \$242 million school bond measure on the March 3, 2020 ballot.

Review of SDCTA Bond Support Criteria

Program Description

The district intends to complete all projects identified in its Measure VV, but after creating a needs assessment, it was noted that there are additional high priority needs. With this new found information, CVESD is requesting a bond initiative to fund those needs. The additional projects identified were in the areas of infrastructure upgrades, enhanced energy and water efficiency.

The elements of the program are as follows:

- a. Restroom upgrades and updates
- b. Kitchen underground infrastructure
- c. Replacements of modular buildings
- d. Upgrades to landscape and irrigation system
- e. Solar system installation
- f. Heating ventilation and air conditioning (HVAC) replacements and window upgrades
- g. Construction of educational facilities for preschool students
- h. Construction of teacher-staff rental housing

Program Budget and Funding

CVESD worked with a team of subject area experts to prepare a detailed program budget and funding plan. The costs associated with the projects have been prioritized to match funding available from the proposed bond measure.

The District has identified facilities additional needs of approximately \$242,506,997.

The District, along with its consultants, provided estimated costs for projects to be completed with the funding sources outlined above. These costs were broken out between hard and soft costs, as well as costs by site and category. A summary of the program budget is outlined below (see appendix A for a description of categories) with the project cost, contingency and soft cost all included in the subtotal.

Figure 1: CVESD Bond Program Budget Summary

Category	Project	Cost
II	Field, Artificial Turf Upgrades	\$ 13,471,250
II	Landscape and Beautification	3,534,775
II	Kitchen Infrastructure (underground)	12,187,500
II	Restroom Upgrades	3,087,500
II	Playtoy and Rubber Surface	1,868,750
II	Preschool Educational Facilities	7,247,500
II	Paving/Seal Coat	1,291,875
II	Plumbing/Underground Utilities	747,500
II	Modernization	41,613,807
II	Shade Structure	1,755,000
II	Land Purchase for School Facilities	1,300,000
II	Teacher-Staff Housing Project	65,000,000
II	Relocatable Replacement	16,355,625
IV	Solar System	35,259,112
IV	HVAC Replacement & AC Controls	26,473,850
IV	Window Replacement	3,380,000
IV	Upgrade for Water Efficiency	1,436,500



Subtotal \$ 242,506,997

(A detailed spending plan was included per school site in the application)

Cost Estimation and Feasibility

Cost estimates were completed following the conclusion of the needs assessment process in 2018 by Ruhnau Clarke’s in-house estimator. After the cost estimates were completed, the District refined the proposed scopes to match priority projects with funding from the proposed bond measure. Please refer to section B for a cost estimate breakdown.

The Costs are inclusive of all projected hard construction costs, soft costs (including contingency), and project management costs. The project will be phased to match the anticipated cash flow projections for the program based on a preliminary bond issuance schedule.

	2020-21	2023-24	2026-27	2027-28	2029-30	2030-31	2032-33	2033-34	2036-37	2039-40	TOTAL
FUNDING OPPORTUNITIES - SOURCES											
New Measure Funds	45,130,000	51,790,000	59,430,000		68,200,000		75,450,000				\$300,000,000
TOTAL SOURCE	\$ 45,130,000	\$ 51,790,000	\$ 59,430,000	\$ -	\$ 68,200,000	\$ -	\$ 75,450,000	\$ -	\$ -	\$ -	\$300,000,000
Running Total - Available Funds	\$ 45,130,000	\$ 96,920,000	\$ 156,350,000	\$ 156,350,000	\$ 224,550,000	\$ 224,550,000	\$ 300,000,000	\$ 300,000,000	\$ 300,000,000	\$ 300,000,000	
USE OF FUNDS											
Cost of Issuance	\$ 513,730	\$ 589,543	\$ 676,512	\$ -	\$ 776,343	\$ -	\$ 858,873	\$ -	\$ -	\$ -	\$3,415,001
Infrastructure	\$ 6,321,250	\$ 20,871,991	\$ 26,794,941	\$ 4,728,750	\$ 66,519,375	\$ 2,803,125	\$ 2,608,125	\$ 14,950,000	\$ 13,560,625	\$ 10,302,500	\$169,460,682
Enhanced Energy/Water Efficiency	\$ 37,502,587	\$ 13,133,835	\$ 1,115,400	\$ 1,690,000	\$ 1,056,250	\$ 851,760	\$ 84,500	\$ 3,177,200	\$ 1,151,735	\$ 6,786,195	\$66,549,462
Escalation - BCI 2.8% per annum		\$ 959,229	\$ 848,988	\$ 203,125	\$ 2,233,092	\$ 124,638	\$ 96,665	\$ 677,870	\$ 600,225	\$ 753,021	\$6,496,853
TOTAL NEEDS	\$ 44,337,567	\$ 35,554,598	\$ 29,435,841	\$ 6,621,875	\$ 70,585,060	\$ 3,779,523	\$ 3,648,163	\$ 18,805,070	\$ 15,312,585	\$ 17,841,716	\$245,921,998
Running Total - Use Funds	\$ 44,337,567	\$ 79,892,165	\$ 109,328,006	\$ 115,949,881	\$ 186,534,941	\$ 190,314,464	\$ 193,962,627	\$ 212,767,697	\$ 228,080,282	\$ 245,921,998	
(GAP)/SURPLUS	\$ 792,433	\$ 17,027,835	\$ 47,021,994	\$ 40,400,119	\$ 38,015,059	\$ 34,235,536	\$ 106,037,373	\$ 87,232,303	\$ 71,919,718	\$ 54,078,002	\$ 54,078,002

Program Justification

During the last 20 years, the eastern portion of the District has grown considerably – with developments such as Otay Ranch and EastLake significantly increasing the population east of Route 805. These developments have typically come with a Mello Roos fee on home-owners that assist in providing infrastructure to that area – including partial funding of educational facilities to serve the growing population. In 1998 voters approved Proposition JJ, a \$95 million General Obligation bond issuance that was used to modernize and improve 17 schools primarily in the western area of the District..

In November 2012, a \$90 million Proposition E GO Bond Measure was passed by voters in the SFID No. 1 area of the District which is primarily on the west side of the district. The District has successfully modernized ten (10) of its oldest school from the Proposition E GO Bond funds.

In December 2017, the District authorized a Facilities Needs Assessment Report that analyzed 46 school sites, the Education Service and Support Center and the District’s Transportation Yard, and highlighted key facility needs. District staff and RC noted the following four major categories of improvements.

- Safety and Security Measures
- Infrastructure
- Technology Infrastructure
- Enhanced Energy and Water Efficiency

In November 6, 2018, a \$150 million Measure VV Bond Measure was passed by voters. Measure VV allows the District to renovate and modernize facilities, upgrade security and safety infrastructure implement energy savings measures and improve technology access with the District’s 46 schools, Education Services and Support Center and Transportation Yard.

Recently, the District’s Director of Maintenance and Operation along with the Deputy Superintendent and Ruhnau Clarke, in the manner as used for Measure VV, identified an additional \$242,506,997 high priority Districtwide needs. An updated Facilities Needs Assessment Report was created which is included in this application for reference and use. The needs assessment details Measure VV costs and commitment by campus and project, as well as the additional priority projects.

These bond funds would be of public benefit for the following reasons:

- They will increase the general safety and security of the campus for these same 46 schools.
- They will improve technology infrastructure and provide modernized energy-savings systems.
- They would help ensure that the facilities throughout the District are equitable.
- As a community benefit, the District is planning staff and teacher affordable housing.

Program Execution Plan

The District operates a low administrative cost budget and as a result, does not have permanently employed in-house staff to manage the work that would result from this bond. Therefore, the District intends to hold an open RFQ process (as defined by SDCTA's "School Construction and Professional Services Procurement Best Practices" guidelines) for staff augmentation services. These services will include project management and project/ program controls services. The precise staffing used will be negotiated with the selected firm, but the intent is to have the District maintain control of the program – with limited District authority being passed on to the consultant augmentation team. The District projects this is the most efficient use of taxpayer funds.

Fair and Open Competition

The proposed ballot language will clearly state that the District will use PLA for the expected bond expenditures. The District will identify the intended use of PLA for project expenditures. The District has communicated to the public regarding its intention of entering into a PLA. The District agrees to cooperate with the Independent Citizens Oversight Committee to analyze the cost impact of the PLA on bond projects.

Bond Financing and Technology

The District's purchase of laptop computers and other portable instructional devices are currently funded by the General Fund budget, primarily by the Lottery Funds. The District plans to purchase technology infrastructure improvements with the proposed bond funds.

Deferred Maintenance Funding

Pursuant to the provisions of Sections 17070.75, 17584 and 178591 of the Education Code, the School District has participated in the State's Deferred Maintenance Program for matching



State grants to assist with expenditures for major repair or replacement of existing school building components so that the educational process may safely continue.

Following changes from the Budget Act in 2009, school districts were provided with flexibility to use their deferred maintenance contribution for “any educational purpose” through 2013. Due to funding cuts endured during 2008-2012, the District has used this flexibility clause to protect its core educational programs. Beginning 2013-14 school year, Governor Brown implemented the Local Control Funding Formula (LCFF), which replaced the revenue limit funding system and majority of the categorical program funding, including the Deferred Maintenance matching program. Despite these cuts, however, the School District has kept a robust maintenance program. These resources on their own do not provide adequate funding to meet the needs of the District, a situation that is familiar to most districts in California.

Deferred maintenance expenditures are broken down and included in the application.

Financial Status

When issuing debt, in addition to complying with the terms of this Debt Policy, the District shall comply with its Disclosure Policies and Procedures regarding the preparation of any Preliminary Official Statement and Official Statement for a debt issuance. As set forth in the Disclosure Policies and Procedures, the District’s Deputy Superintendent is responsible for implementing internal procedures to ensure compliance with the Disclosure Policies and Procedures and is designated as the officer of the District primarily responsible for implementing internal procedures to ensure compliance with this Debt Policy. (Board Policy 3100)

Below is a schedule of all outstanding long-term debt of the District.

As of June 30, 2019					
Description	Issuance Date	Outstanding Principal	Outstanding Interest	Total Debt Service	
G.O. Bonds (Proposition JJ)					
2010 G.O. Refunding Bonds	11/4/2010	\$ 8,165,000	\$ 955,563	\$ 9,120,563	
2012 G.O. Refunding Bonds	6/14/2012	12,520,000	2,595,600	15,115,600	
2013A G.O. Refunding Bonds	7/10/2013	19,380,000	3,449,238	22,829,238	
Sub-Total General Obligation Bonds		\$ 40,065,000	\$ 7,000,401	\$ 47,065,401	
SFID #1 G.O. Bonds (Proposition E)					
Election of 2012, Series A (SFID #1)	6/20/2013	\$ 24,050,000	\$ 11,514,669	\$ 35,564,669	
Election of 2012, Series B (SFID #1)	2/19/2015	11,225,000	4,690,119	15,915,119	
Election of 2012, Series A (SFID #1)	1/24/2017	45,000,000	33,182,100	78,182,100	
Sub-Total General Obligation Bonds		\$ 80,275,000	\$ 49,386,888	\$ 129,661,888	
Certificates of Participation					
2010 Refunding Certificates of Participation	11/3/2010	\$ 6,705,000	\$ 810,419	\$ 7,515,419	
2011 Certificates of Participation	12/15/2011	20,745,000	9,347,844	30,092,844	
2013 Refunding Certificates of Participation	4/3/2013	32,050,000	6,117,738	38,167,738	
2013 Certificates of Participation (Federally Taxable)	9/12/2013	5,650,000	2,696,669	8,346,669	
2014 Refunding Certificates of Participation	12/2/2014	35,150,000	8,616,028	43,766,028	
2016 Certificates of Participation	2/2/2016	33,315,000	12,610,150	45,925,150	
2016 Refunding Certificates of Participation	4/7/2016	2,805,000	147,000	2,952,000	
Sub-Total Certificates of Participation		\$ 136,420,000	\$ 40,345,848	\$ 176,765,848	

Selection of Bond Agency

The District has used only the competitive process in issuing General Obligation bond sales and primarily competitive sales with all other debt instruments. The District's Financial Advisor is Dale Scott and Company, whose services and compensation are reviewed at the end of each contract term to ensure the rates and services are competitive. A Request for Qualification (RFQ) was performed in the selection of District bond counsel, Stradling Yocca Carlson & Rauth, who also performs disclosure counsel services. Trustees are selected based on expertise of Financial Advisor and Bond Counsel.

It shall be the policy goal of the District to protect taxpayers by utilizing conservative financing methods and techniques to obtain the lowest cost of debt. To this end, it shall be the policy goal of the District to obtain the lowest cost of financing by selling its debt through the competitive bid process whenever possible. The District recognizes that there shall, from time to time, be situations when the use of the competitive sale of its debt will not be in the best interests of the District and its taxpayers. In such cases, the District shall offer its debt through either a negotiated sale with one or more underwriters, or the direct placement with investors. In such cases, the policy goals of the District shall be as follows:

- i) In the case of a negotiated sale, the District shall seek multiple proposals from qualified underwriting firms. However, the District also recognizes that there may be unique situations when the sole source engagement of a particular underwriting firm shall be in the best interests of the District and its taxpayers.
- ii) In the case of a direct placement of debt with investors, the District shall seek multiple proposals from qualified investors. (Board Policy 3100)

Joint Use of Facilities

The District commits to pursuing joint use opportunities in its Ballot Measure resolution. The Ballot Measure Resolution which will be submitted to the Board on November 13 2019, will include the following language:

In order to maximize community benefit and efficiently apply taxpayer dollars, the District will make a good faith effort to pursue all practical opportunities to expand community joint use facilities at each of its schools at which Bond proceeds will be expended without adversely impacting operations or finances



of the District such as joint use of libraries, recreational/physical education facilities, computer labs, meeting rooms and childcare and health care facilities.

Ballot and Resolution Language

The attached Resolution of the Board of Education of the Chula Vista Elementary School District Ordering an Election and Establishing Specification of the Election Order of the Chula Vista Elementary School District is scheduled to be presented to the Board of Education on November 13, 2019.

To make improvements related to student safety and campus security, construct, renovate, equip and furnish existing schools and classrooms, including roofs, plumbing, heating /air conditioning and electrical systems and install solar panels, shall the Chula Vista Elementary School District measure authorizing \$300 million of bonds at legal interest rates, with projected levies of \$0.03 cents per \$100 assessed valuation, raising approximately \$10 million for annual repayment while bonds are outstanding, with required annual audits and citizens' oversight, be adopted.

Bidding Process

For purposes of this No Pay to Play policy: (i) "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; and (ii) "Person" means any individual, sole proprietor, partnership, corporation, trade association, union, council of unions, or any registered political committee administered by such Person.(Administrative Regulation 3311)

Provisions for an Independent Citizens Oversight Committee

The "Independent Citizens' Oversight Committee Best Practices" established by the SDCTA has been obtained and was used by the School District as a guide to implement its Independent Citizen's Oversight Committee (Board Policy 1220, Administrative Regulations 1220 and 7214).

SDCTA School Bonds Course

The "School Construction and Professional Services Procurement Best Practices" established



by the SDCTA has been obtained and used as a guide by the District in its procurement practices. (Board Policy 3311 and Administrative Regulations 3311).

Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	Yes	Yes	1) Bond program outlines needs based on assessment done by Ruhnau Clark Architects
			2) Project list focuses on infrastructure and energy efficiency
			3) Estimated project costs have been provided
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using assessed valuation growth of 5-6% per year
			2) Costs associated with borrowing not seen
			3) District has estimated that the added tax rate will be \$30 per \$100,000 of assessed valuation
Cost Estimation and Feasibility	Yes	Yes	1) 2.8 % annual escalation factor
			2) Preliminary budget included with a timeline for completion of projects
			3) Looks like hard and soft costs are already calculated into total
Program Justification	Yes	Yes	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
			3) Funding would go to Safety, security, infrastructure
			1) 8 year project total included at \$455million for school improvements
Program Execution Plan	Yes	Yes	1) Do not have in-house staff
			2) RFQ process for staff and project management
Fair and Open Competition	Yes	No	1) District intends on a PLA
Bond Financing and Technology	Yes	Yes	1) Site master plan modernization hard and soft cost total over \$1 billion
Deferred Maintenance and Major Repair & Replacement Plan	Yes	Yes	1) 5 Year deferred maintenance plan included, listed at \$63 million in cost
			2) 10 year operations and deferred maintenance included
Financial Status	Yes	Yes	1) Long term debt included at over \$176 million

Selection of Bond Agency	Yes	Yes	1) Competitive bid for bond agency
Joint Use of Facilities	Yes	Yes	1) Joint use language included, but not very strong.
Complete Ballot and Resolution Language	Yes	Yes	1) Complete ballot language submitted late.
Bidding Process	Yes	No	1) District shall promote fair and open competition whether union or non-union
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1)SDCTA ICOC committee language adopted on November 13, 2019
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) “School Construction and Professional Services Procurement Best Practices” established by the SDCTA has been obtained and used as a guide by the district in its procurement practices
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) District members may attend SDCTA’s “Envisioning and Managing Legitimate and Effective Public School Bonds educational course prior to the election of the bond measure.