



## **POWAY UNIFIED SCHOOL DISTRICT \$448 MILLION BOND MEASURE**

*November 2019*

### **SDCTA Position**

### **Support**

#### **Rationale:**

Poway Unified submitted the most thorough facilities condition assessment of all the districts this election cycle. Their proposal met most of the key provisions of SDCTA's Bond Support Criteria.

There was, however, strong hesitation for support after the Capital Appreciation Bond that was passed in 2011 that is now going to cost the taxpayers close to \$1Billion over the next several years. The aggregate amount of burden is fairly high on Poway Unified residents including that bond.

The project list submitted for the new bond spending was not as specific as other bond packages.

SDCTA acknowledges the poor decision making by previous administrations and endorses this program only on its merits. Voters must decide if they are willing to add this tax burden on top of the previously issued capital appreciation bonds.

**Title:** Measure P

**Jurisdiction:** Poway Unified School District

**Type:** Bond Issue

**Vote:** 55% Supermajority

**Status:** On the March 3, 2020 Primary Election Ballot

**Issue:** \$448 Million Bond Measure

**Description:** The issuance of \$448 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 \$649,215,000 million. The District is proposing to raise the tax rate by an estimated \$34 per

### **Background**



The Poway Unified School District is located in northern San Diego County, California. PUSD operates 25 elementary schools (K-5), one elementary & middle school combination (TK-8th), six middle schools (6-8), one continuation high school, five comprehensive high schools (9-12), and one adult school. Twenty-six schools are located in the city of San Diego; twelve schools in the city of Poway. The District serves over 36,000 students and is the third largest school district in the county.

## **Proposal**

The Poway Unified School District Board of Education expects to vote to place a \$448 million bond measure on the March 3, 2020 ballot on November 14, 2019.

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

To improve classrooms, science labs, and career-training facilities that support college preparation/career readiness in math, science, engineering, technology, arts, and skilled trades/vocations, improve student safety/security, remove asbestos/lead paint where needed, and repair aging roofs, plumbing, and electrical, shall the Poway Unified School District measure authorizing \$448,000,000 in bonds at legal rates be adopted, levying approximately 3 cents/\$100 assessed value (\$23,100,000 annually) while bonds are outstanding, with citizen oversight/all funds under local control?

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

### *Program Description*

The District began the assessment of our sites with a Security Assessment by Guidepost Solutions (<https://www.guidepostsolutions.com/>), followed by a Facilities Condition Assessment prepared by Ameresco (<https://www.ameresco.com/>) to help determine the underlying needs of our facilities. Next, we began work on our facility master plan (FMP) which is a District-wide facilities master plan taking into consideration the two mentioned assessments, as well as instructional needs, technological needs, and our demographics for each individual site. A narrative summarizes the process, needs and inputs for each campus, as well as several other important factors that were critical to determining the proposed improvements at each site, such as: current and projected enrollment, the current and projected capacity needs, and infrastructure assessments. All these factors were overlaid upon the input from site-specific collaborative groups, culminating in a Project Site Plan, which details the planned improvements at the school level.

The Project Site Plan for each site is the essence of the FMP and addresses the majority of the requirements of this section. That specific plan captures the needed improvements at each site and drives the cost estimate, which is addressed in Section C. The FMP does not prioritize projects, as that process would begin only if the Board of Education votes at the November 14, 2019 Board meeting to place a general obligation bond on the ballot.

Of note, the proposed ballot and resolution language is in development but an initial draft is submitted with this application. A final set of ballot measure materials will be provided to SDCTA once the outcome of final legislation from Sacramento is known and the finalized materials have been approved by the Board of Education.

### *Program Budget and Funding*

#### **Soft and Hard Costs**

The District contracted with PBK Architects (<https://www.pbk.com/#!/>) for the development of the Facility Master Plan (FMP) and the associated project cost estimate. Project cost estimates differ from construction cost estimates, because they include both hard and soft costs. Hard construction costs include the actual ‘brick and mortar’ costs for the contemplated on-site improvements along with a reasonable multiplier for the contractor’s administration, overhead, etc. Soft costs are in addition to hard construction costs and generally include design, plan review, inspection, and agency fees. PBK Architects incorporated industry standard multipliers into the rates used to calculate the project cost estimates, per the FMP. Thirty percent (30%) of the cost estimate for each project is soft costs, with the remaining 70% of the estimate accounting for the hard costs. The following lists describe the kinds of costs that are categorized as soft or hard within our project costs:

#### **Soft Costs Include:**

- Site surveys (utilities) and topographic surveys
- Site geotech and soil borings
- Furniture, fixtures, equipment (FFE) allowance
- Architect and engineer fees
- Specialty consultants (acoustical, theater, CHIPS)
- DSA plan-check fees
- CDE project review fees
- DTSC/HAZMAT environmental consultant fees
- CEQA consultant fees
- City and county utility fees and inspections
- DSA inspector of record (IOR)
- Special inspection and materials testing

- Labor compliance program administration
- Bidding and reimbursables

**Hard Costs Include:**

- New Building Construction
- Remodel of Existing Buildings
- General Site Development
- Demo and removal for buildings and sites
- Wet utilities (water, sewer, drainage, fire) upgrades
- Dry utilities (electrical, low voltage) upgrades
- Site clean-up (DTSC, HAZMAT)
- Construction estimate contingency
- Construction management or General Contractor general conditions costs
- Construction management or General Contractor fees
- Bid contingency (escalation)

Although the costs of borrowing vary depending on the size of a bond issuance, the table below provides the expected amounts of the costs of borrowing for an \$112 million issuance:

<b>Poway Unified School District</b>		
<b>2020 General Obligation Bond Program</b>		
<b>Costs of Borrowing</b>		
	Average Par Amount:	\$112,000,000
<b>Firm</b>	<b>Purpose</b>	<b>Total Costs</b>
To Be Determined	Bond Underwriter	\$448,000
Dannis Woliver Kelley	Bond & Disclosure Counsel	\$65,000
Isom Advisors, A Division of Urban Futures, Inc.	Financial Advisor	\$65,000
Moody's Investor Service	Credit Rating	\$68,000
Standard & Poor's	Credit Rating	\$70,000
California Municipal Statistics	Data Provider	\$2,500
To Be Determined	Financial Printer	\$2,500
County of San Diego	Paying Agent	\$1,500
U.S. Bank, N.A.	COI Custodian Fee	\$500
	Contingency	\$5,000
<b>Total:</b>		<b>\$728,000</b>

*Cost Estimation and Feasibility*

**Total Project Cost versus Bond Amount**

The Board of Education will make the final determination on the total amount of a bond closer to the November 14, 2019 Board meeting. However, at this time we anticipate that the bond amount will be far lower than the total cost identified in the FMP (\$448.0 million) and a larger amount which incorporates a 10% annual construction cost escalation factor.

### **Independent Cost Estimate**

An independent cost estimate was completed by PBK Architects, and can be found in the FMP and has been included as Appendix 3. PBK used various rates per square foot to calculate project costs depending on the work prescribed, which are captured at the top of the spreadsheet. The rates include graduated rates depending on the recommended level of renovation or new construction per project, shade structures, play equipment, parking/drop off, playgrounds, furniture, technology, sustainability, security, demolition, outdoor learning, amphitheaters, roofing, and solar. Each rate is inclusive of both hard and soft costs.

### **Cost Increases & Contingency for Unforeseeable Circumstances**

Further, a contingency for unanticipated costs and cost escalation has been built into the unit costs for each proposed project as well. Contingency factors typically shrink as projects evolve through design, final drawings, permitting, bidding, and construction. They are the highest at the master planning stage, which is where we are today. Because in this earliest of diagrammatic stages there is much still to be known about each project's scope and schedule, contingency was built into the rates instead of carrying this factor as a distinct line item.

### *Program Justification*

Some schools were built more than 50 years ago and don't have the modern classrooms, science labs or instructional technology that local students need. Older schools need upgrades to meet the same academic and safety standards as newer schools. In order to succeed in college and careers, local students need to be skilled in the use of today's technologies and have a solid background in science, technology, engineering, the arts and math. Local schools need to be updated to ensure that school buildings, science labs, technology and facilities can continue to support high achievement.

In order to maintain high-quality education in local schools, the Board is considering placing a bond measure on an upcoming ballot to generate funding for facility repairs and updates. Projects would focus on:

- Repairs: Repair or replace deteriorating roofs, plumbing and electrical systems where needed
- In-Demand Careers: Upgrade science labs, engineering labs and career technical education facilities to prepare students for college and in-demand careers in fields like healthcare, biomedical science, computer science, robotics and skilled trades
- Science, Math and the Arts: Update classrooms, science labs and instructional technology to support high-quality instruction in science, technology, engineering, the arts and math
- Safe, Modern Classrooms: Update older schools to meet the same standards as newer schools

- Energy Efficiency and Sustainability: Replace inefficient heating, cooling, lighting and water systems where needed to conserve resources and save money on utility bills
- Technology: Keep computer systems and instructional technology up-to-date
- Safety: Ensure the safety and security of all students and staff

These kinds of projects will allow the District to continue to provide every student an extraordinary education in an inspiring environment. These high achieving students will pursue higher education and careers and return to Poway to innovate, lead and produce. This cycle ensures that Poway remains an economically diverse and robust community, and a desirable place to live.

### *Program Execution Plan*

The FMP will outline the scope and cost of the District's facilities master plan. Once the Board chooses to place a bond on the ballot, District staff will then create the detailed program plan that includes the prioritized project schedule. District staff can provide the plan to SDCTA once it has been created.

### **Resources**

The District's Director of Facilities, Maintenance and Operations is experienced in construction management and contracting, and has extensive experience managing public works projects for government entities. The District's Associate Superintendent of Business also has extensive experience leading and supporting bond programs at both the K-12 and community college level. The District also has an Assistant Director, Construction Project Manager, and administrative support for construction. Based on the premise that the District would address one to two schools per year, we anticipate that additional services and staff augmentation will be required. The District's Facilities, Maintenance and Operations website can be found here: <https://www.powayusd.com/en-US/Departments/Business-Support/Facilities/Facilities-Maintenance>

To reduce costs, we would expect to hire, on a limited term, a Program Manager, accounting support and administrative support. This method would be more cost effective than contracting out for similar services. However, the District would contract for Architect of Record (AOR), Inspector of Record (IOR), materials testing, and HAZMAT testing.

Should any substantial changes in the use of bond funds occur after the passage of the bond, the District will review with the Citizens Bond Oversight Committee and the Board. The Board currently has, and will continue to have, the ultimate authority to make changes. No substantial changes can occur without the Board's approval.

### *Fair and Open Competition*

### **Language Regarding Fair and Open Competition**

The District updated its *Board Policy 3311 Bids* (Appendix 5) with the latest updates as suggested by the California School Boards Association (CSBA). Additionally, the Board is scheduled to adopt, by no later than November 14, 2019, a “Bond Accountability Resolution” in the form attached as Appendix \_\_\_\_, which includes the language below. In addition, within sixty (60) days of certifying a successful election, this language will be adopted into formal Board Policy, substantially in the form presented with the Bond Accountability Resolution:

*The District will promote fair and open competition for all District 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.*

### **Project Labor Agreements (PLA)**

The District does not have a PLA, nor do we anticipate entering in to one. To that end, the following language will be included in the resolution calling for a bond election:

*Use of a Project Labor Agreement is not currently envisioned, but should the District decide to negotiate a Project Labor Agreement, it will provide advance notice to the public, consistent with board policy or bylaws.*

In addition, the following language is contained within the Bond Accountability Resolution, which would be enacted into Board Policy in the event of a successful election:

*As stated in the ballot measure resolution, the District does not intend to enter into a Project Labor Agreement for the construction of bond-funded projects. In the event that the Board wishes to consider the use of a Project Labor Agreement for construction of bond projects, the Board shall inform the public at least 90 days in advance of any such decision. Notice shall be given via website, publication, social media, District email, or other similar methods of public notice.*

Given the limited number of words that can be included on the ballot measure summary, the District will be unable to include PLA language in the measure summary. However, the District believes having the language in the resolution is adequate, and commits us to communicating to the public should the District change direction and desire to enter into a PLA.

### *Bond Financing and Technology*

### **Education Code and General Code Language**

In the last year, the District has updated its Board Policies to reflect the latest suggested changes recommended by the California School Boards Association (CSBA) regarding Debt; the policies are *Board Policy 3470 Debt Issuance and Management*, *Board Policy and Administrative Regulation 7214 General Obligation Bonds* and *Board Policy and Administrative Regulation*



*3471 Facility Financing Programs.* Collectively, these policies and regulations comprehensively address all aspects of the use of general obligation bonds to finance school improvements which are contained within Education Code sections 15100, 15101, 15122.5, 15124, 15140, 15146, 15266, 15274, 15278, 15280, 15286, 15577 and Government Code sections 53508.6, 53508.9 and 8855.

### **Technology**

Technology is addressed throughout the FMP, however the term ‘technology’ does not denote classroom devices such as chromebooks, computers and iPads, but instead the infrastructure and systems required to support the use of such devices. As our district moves closer to achieving the goal of having a device for each student in the classroom, bandwidth and access points need to grow, and projectors need to be replaced. As a result, the FMP addresses this critical need at each of our campuses. A base rate of \$6.50 per square foot is used in the cost estimate to approximate the cost of technology infrastructure requirements. As technology infrastructure has a shorter life span than buildings, bonds with a maturity less than or equal to the life of the technology infrastructure would be incorporated into the debt structure. In general, all bond maturities would be matched to the life span of what they are funding. Of note, devices for staff and students are funded out of the District’s general operating fund, and will continue to be in the future. **No bond funding will be used for technology devices, such as chromebooks, iPads or computers.**

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

One of the first steps performed in the development of the FMP was the completion of a district wide Facilities Condition Assessment (FCA) and Asset Inventory. This endeavor captured information for all major building systems to the individual component level, including all components considered capital repair items (as opposed to maintenance level items). This includes site paving, HVAC, roofing, electrical, plumbing, vertical transportation systems, building envelope and structural systems. Further, all major building equipment components were inventoried to include quantity, size, asset tag number, manufacturer, model and serial number. Any deficient conditions were identified and incorporated into the deferred maintenance backlog.

Following the conclusion of the assessment, a schedule for recommended replacement or repairs (schedule of priorities) was created. Repairs were differentiated between time sensitive critical repairs and repairs anticipated over the next twenty years. A Facility Condition Index (FCI) number was calculated for each district building. The FCI is a relative measure of the deferred maintenance requirement to the capital replacement cost of the facility. A twenty-year capital plan with an Executive Summary with graphic presentation of results to provide a quick, “user-friendly” summary of the property’s observed conditions and estimated costs.





The information is uploaded into the Asset Planner platform, allowing staff to create automated preventative maintenance schedules, track equipment’s useful life cycle, identify site-specific deferred maintenance/areas of need, produce maintenance reports, and provide written records of our assets and their value.

### *Financial Status*

#### **Bond-Related Information Disclosure Procedures**

Information related to the outstanding debt of the District is disclosed to the public, including community members, investors, credit rating agencies and others, through Annual Continuing Disclosure reports posted by the Disclosure Compliance Officer to the Electronic Municipal Market Access (EMMA) system of the Municipal Securities Rulemaking Board (MSRB). To assist the District in submitting to EMMA all appropriate Annual Continuing Disclosure filings, the District retains the services of Fieldman Rolapp and Associates DBA Applied Best Practices for all past outstanding debt and Isom Advisors, a Division of Urban Futures, Inc. for GO Bond outstanding debt; as its Dissemination Agents.

Finally, *Board Policy 3470 Debt Issuance and Management* and *Board Policy Series 3471 Facility Financing Programs* (Appendix 7), further sets forth for the public additional District procedures, including extensive continuing disclosure procedures, which contribute to our goal of promptly disclosing to the public any and all relevant bond-related information.

### *Selection of Bond Agency*

#### **Process to Select Bond-Related Service Providers**

The members of the District’s finance team for this potential upcoming General Obligation bond measure were selected through an interview process, either recently or in the past. Some members of the District finance team have had a long relationship with the District staff due to a track record of outstanding performance. Should a future General Obligation bond measure be successful, bond underwriting firms will be chosen on an issuance-by-issuance basis based on a competitive selection process.

### *Joint Use of Facilities*

#### **Language**

The District is committed to the joint use of its facilities for the good of the public. Joint Use is addressed in *Board Policy* and *Administrative Regulations 1330 Use of School Facilities* (Appendix 8 & 9), *Board Policy 1330.1 Joint Use Agreements* (Appendix 10). The District has current Joint Use Agreements with the City of Poway and San Diego. The following language has been included in the ballot measure resolution:



*In order to maximize community benefit and efficiently apply taxpayer dollars, the District will make a good faith effort to pursue practical opportunities to expand community joint use facilities in every new construction project. In pursuing joint use, the District's goal is to maximize the use of facilities by the broader community without adversely impacting District's operations or finances.*

### *Complete Ballot and Resolution Language*

The ballot resolution and all related ballot measure materials were approved by the Board at the November 14, 2019, Board meeting.

To improve classrooms, science labs, and career-training facilities that support college preparation/career readiness in math, science, engineering, technology, arts, and skilled trades/vocations, improve student safety/security, remove asbestos/lead paint where needed, and repair aging roofs, plumbing, and electrical, shall the Poway Unified School District measure authorizing \$448,000,000 in bonds at legal rates be adopted, levying approximately 3 cents/\$100 assessed value (\$23,100,000 annually) while bonds are outstanding, with citizen oversight/all funds under local control?

### *Bidding Process*

#### **Pay to Play Policy Language**

The District has reviewed SDCTA's policy requirements that are designed to ensure that the public is aware when vendors that have supported measure and candidate campaigns are receiving bond-funded contracts. The District is prepared to comply with this criterion. The Bond Accountability Resolution, scheduled for adoption on November 14, 2019, states as follows:

*The District and Board will follow a "No Pay to Play" policy regarding bond-funded contracts that are procured and let after a successful bond measure, which means that any person or organization that directly or indirectly contributed \$1,000 or more to any District candidate or bond measure campaign or to a foundation that, within the prior 4 years, has made a contribution to a District bond measure campaign, shall be identified publicly as part of the Board's consideration of such person's bond-funded contract. Within sixty (60) days after certifying passage of a bond measure, the Board shall adopt these best practices into a Board Policy, set of bylaws or other similar governance document.*

#### **Board of Education Ethics Training**

The District will make available to the Board the ethics training per Government Code sections 53234-53235.2. As the Code is written, it does not apply to School Boards. See Section P, below, for additional information on training programs that will be made available to Board members and others.

*Provision for an Independent Citizens' Oversight Committee*

The District has reviewed SDCTA's ***Independent Citizens' Bond Oversight Committee Best Practices*** and is prepared to work within the framework presented by those best practices. In its Bond Accountability Resolution, scheduled for adoption on November 14, 2019, the District will agree to accept those best practices as part of its bond program, and will also adopt those best practices into a standalone board policy or amend an existing board policy to conform its practices to the SDCTA Best Practices. The Bond Accountability Resolution states:

*"Citizens Bond Oversight Committee*

- 1) *As required by law, the Board will appoint a CBOC. SDCTA shall be entitled to appoint a member of SDCTA to serve on the CBOC, assuming such appointee is available and is willing and able to meet the District's participation requirements for membership on the CBOC.*
- 2) *The CBOC shall meet all requirements of Education Code section 15278-15282 with regard to its membership, duties, activities and responsibilities to the public, and no employee, official, vendor, contractor or consultant of the District shall be appointed to the CBOC. For informational and transparency purposes, the CBOC shall also annually review the District's Major Repair and Replacement funding plan.*
- 3) *The Board hereby adopts the **Independent Citizens' Bond Oversight Committee Best Practices** of the SDCTA, as the same may be amended over time to reflect changes in the law. Upon passage of a bond measure, the Board shall adopt a specific policy or set of bylaws consistent with this Resolution to govern the District's relationship with the CBOC, which shall include the aforementioned best practices. Within sixty (60) days after certifying passage of a bond measure, the Board shall adopt these best practices into a Board Policy, set of bylaws or other similar governance document.*

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

**Policy Adoption**



The District has reviewed SDCTA’s *School Construction and Professional Services Procurement Best Practices* and is prepared to work within the framework presented by those best practices. In its Bond Accountability Resolution, scheduled for adoption on November 14, 2019, the District will agree to accept those best practices as part of its bond program, and will also adopt those best practices into a standalone board policy or amend an existing board policy to conform its practices to the SDCTA Best Practices. The Bond Accountability Resolution states:

*The Board hereby adopts the SDCTA School Construction and Professional Services Procurement Best Practices, as the same may be amended over time to reflect changes in the law; provided, however that the District shall not be precluded from using project delivery and procurement methods permitted by law as long as all transparency and fiscal accountability requirements are met. Within sixty (60) days after certifying passage of a bond measure, the Board shall adopt these best practices into a Board Policy, set of bylaws or other similar governance document.*

*Education of Governing Board Members and Oversight Committee Members*

**Training**

The District will make training opportunities available for both Board and oversight committee members to attend within twelve months of the passage of a bond measure. The Bond Accountability Resolution, scheduled for adoption on November 14, 2019, states:

*Ongoing Training and Education. Members of the Board and District staff persons with responsibilities for the bond program shall pursue training and professional development programs available from reputable industry trade organizations and experts in general ethics principles and doctrines, covering techniques for managing a bond construction program, capital finance, and ethics in contracting, procurement and public service. Such training may include programs of SDCTA, the California State Attorney General and/or the Fair Political Practices Commission. Members of the CBOC shall additionally be encouraged to attend professional development programs regarding their role and duties, including programs of SDCTA.*

Criteria Item	Info Provided?	Criteria Met?	Comments
			1) Bond program outlines the needs and proposed projects at each of the District’s schools

Program Description	Y	Partial – FCM Plan done but specific school plan not listed	2) Project list focuses on modernizing facilities and infrastructure, improving safety, and replacing aging portables
			3) Estimated project costs have been provided
			4) Project list within proposed ballot resolution is site specific
Program Budget and Funding	Y	?	1) Bond financing scenarios made using assessed valuation growth of 3.5%
			2) Costs associated with borrowing are \$738,000 per \$112 million issuance
			3) District has estimated that the added tax rate will be \$34 per \$100,000 of assessed valuation
Cost Estimation and Feasibility	Y		1) 10% escalation factor
			2) Preliminary budget included with a timeline for completion of projects
			3) Needs estimated at over \$1billion hard and soft costs
Program Justification	Y		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
			2) FCI included in detail
			3) Funding would improve safety, modernization, future focused learning including STEM, energy efficiency
Program Execution Plan	Y		1) 8 year project total included at \$455million for school improvements
			2) FMP Outline, other information only found in ballot language
			3) District plans to oversee projects with the help of several contractors with extensive experience
Fair and Open Competition	Y	Y	1) District does not intend to enter into PLA
Bond Financing and Technology	Y	Y	1) Technology is included, but not the purchase of chromebooks, computers and ipads, but infrastructure to support them is included
Deferred Maintenance and Major Repair & Replacement Plan	Y	Y	1) Site master plan modernization hard and soft cost total over \$1 billion
			2) FCI with 20 year capital plan
Financial Status			1) Numbers aren't seen, but done through Annual disclosure filings, see adopted policy.
Selection of Bond Agency			1) Will be decided on an issuance by issuance basis

Joint Use of Facilities	Y	Y	1) Joint use established in previous bond initiative and will be incorporated into this bond initiative.
Complete Ballot and Resolution Language	Y	Y	1) Complete ballot language and signed resolution are included
Bidding Process	Y	Y	1) District adopted a “No Pay to Play” policy on November 14, 2019
Provision for an “Independent Citizens’ Oversight Committee”	Y	Y	1)SDCTA ICOC committee language adopted on November 14, 2019
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Y	Y	1) District said they would work within the framework of SDCTA School Construction and Professional Services Procurement Best Practices on November 14, 2019
Education of Governing Board Members and Oversight Committee Members	Y	Y	1) Language for training included in the Bond Resolution.