

School Facilities Bond Programs in San Diego County

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Executive Summary

Introduction

Since the approval of Proposition 39 by California voters in 2000, which reduced the majority voting threshold for the passage of school bonds from two-thirds to 55 percent, the number of voter-approved school facilities bonds in San Diego County has increased by 80 percent. Given the prevalence and fiscal significance of school bond programs in San Diego County, it is more important than ever to ensure that school district policies and practices promote successful implementation of bond programs.

The San Diego County Taxpayers Association (SDCTA) has historically been at the forefront of school bond policy. The Association's efforts have included publishing several policy documents which have provided a blueprint for successful execution of school bond programs. These documents include: independent citizens oversight committee best practices; detailed bond support criteria; and a study, published in 2007, which comprehensively reviewed active school bond programs in San Diego County. This study expands upon the efforts of the 2007 study by analyzing the performance of all active school bond programs in San Diego County, as well as examining two specific areas that are especially important to the effective implementation of school bond programs: procurement practices and transparency. To this end, this report develops objective metric systems that are used to evaluate multiple aspects of school bond program performance and, pursuant to these evaluations, provides several recommendations as to how school districts can improve bond program implementation.

Background

Our analysis incorporates review of the traditional project delivery method, design-bid-build, as well as alternatives that have been utilized by school districts more frequently in recent years. These methods are outlined below:

Project Delivery Method	Process	Primary Advantage	Primary Disadvantage
Design-bid-build	District first awards bid for design plans, then awards bid for construction	Method has established procedures and clearly-defined legal parameters	Lengthy procedural requirements, with potential for bid protests and litigation
Design-build	District awards bid for design plans and construction simultaneously to one firm	Use of single firm for design and construction eliminates possibility of conflict between different firms used for different phases	Available only for projects over \$10 million, with potential for lack of transparency and favoritism in selection process
Construction Manager-at-Risk	District hires construction manager to consult during design and planning phase	Construction manager can provide guidance to district throughout all phases of design and construction	Higher fees for construction manager; uncertainty of total project cost until all subcontractor contracts are received

Multi-Prime	Construction manager consults district and serves as general contractor; district manages subcontractors	Advantages of CM-at-Risk, and contract generally includes guaranteed maximum price	Districts must manage subcontractor agreements
Lease-Leaseback	District and developer enter into dual leases; one leases land to developer, the other leases facilities back to district; 40-year lease limit	Absence of formal bidding procedures gives district flexibility in selecting firms for design and construction	Lack of defined legal parameters and limited district experience in utilizing

Methodology

Our analysis of bond program performance is broken down into three elements:

1. Overall bond program performance – Has the program delivered the projects as promised to voters in a timely and cost effective manner?
2. Procurement policies and practices – Is procurement of construction and professional services related to the bond program conducted in a fair, objective, and transparent manner?
3. Transparency – Does the district, ICOC, and bond program management provide for open communication and information to the public regarding the progress and development of the bond program?

Findings

Our primary findings are the following:

- Overall, bond programs in San Diego County have effectively delivered projects originally promised to voters, with 93.4% of original projects being completed, on average.
- No districts are found to have average change order rates at or exceeding 10%, with the highest reported rates being 5.7% and the lowest 1.9%.
- The use of non-traditional project delivery methods, which provide an alternative to design-bid-build, is found to be as prevalent within school districts as traditional design-bid-build. Review of individual projects completed using various project delivery methods reveals that these alternative methods have produced promising results for school districts and can be advantageous when used in the appropriate circumstances.
- Several school bond programs are found to have been adversely affected by reliance on state-matching funds, of which the payment of \$2.5 billion in funds has been delayed due to the State's current fiscal crisis.
- Of six criteria used to evaluate the procurement practices of school districts, we find that three

are common practices: use of predetermined evaluation criteria, publicly available bid protest policies, and publication of bid results online. However, we find that implementation of our remaining three criteria (publication of a donor list, established post-award debriefing procedures, and written policies governing the rejection of all bids) is rare or non-existent.

- Even among the highest-scoring school districts in the procurement practices category, we find several opportunities for potential improvement including: use of an objective weighting or scoring system in evaluation of potential contractors; extension of bid protest procedures to all competitively bid contracts; and codification of procurement practices related to alternative project delivery methods, such as procurement of lease-leaseback services.
- School districts performed very well in both of our transparency evaluation categories: website information provision and annual report/performance audit information provision. The most commonly-noted deficiency was lack of updated information on the status and performance of individual projects.

Conclusions/Recommendations

As a result of these findings we have developed several recommendations as to how school districts can improve bond program execution going forward. To improve overall bond performance, we provide two primary recommendations: (1) school districts should establish a formal procedure for evaluating the appropriate project delivery method to be used for each given project on a case-by-case basis, and (2) school districts should actively monitor the State's fiscal condition and the status of delayed matching funds, hiring outside professional consultants or program managers with specific expertise in state financing issues as necessary.