

Proposition H: Oceanside Unified School District Facilities Bond

Board Recommendation:

NO POSITION

Background

The proposed bond measure will maintain property taxes within the boundaries of OUSD at their current level of \$58 per \$100,000 of assessed valuation in order to finance a facilities bond of \$195 million. Materials provided by the district indicate “total interest payments to be \$357 million over the life of the bonds,” a large figure explained by the District’s “commitment not to increase the tax rate beyond the current level.”¹ The total bond program is projected to cost \$287.7 million, financed by the \$195 million bond, state matching funds and a variety of other sources such as developer fees and remaining funds from the first bond, 2000’s Prop G.

The proposal seeks to complete the construction and modernization work included in the OUSD Board-adopted Capital Improvement Plan (CIP), as well as Phase I of the Board-adopted Athletic Facilities Master Plan (AFMP). The CIP includes the improvements planned for each campus and the costs and implementation timelines associated with the proposed projects.

Rationale

Oceanside Unified School District proposes a facilities bond of \$195 million that will extend the current property tax rate of \$58.35 per \$100,000 of assessed valuation. While the District has a Board-adopted Capital Improvement Plan that details the proposed scope of work for each campus, the ballot language is not project and site specific as outlined in SDCTA’s Bond Support Criteria. Specificity regarding the scope of proposed work at each campus in the ballot language creates additional accountability to voters, as Capital Improvement and Facilities Master Plans can be amended by the district after the passage of a facilities bond measure.

Analysis

An extensive review of the materials submitted to SDCTA by the District yields the conclusion that while the District has detailed Board adopted plans to implement the proposed bond program, several uncertainties present significant causes for concern. The following “Prop and Con” list summarizes the positive and negative aspects of the proposal.

- **Pro: Detailed outline of projects and estimated costs.** The materials submitted by the District include the Board adopted Capital Improvement Plan, which provides a detailed description of the projects proposed for each site. Cost estimates for phases

¹ OUSD responses to SDCTA submitted questions.

of modernization at each campus, visual plans for proposed projects, as well as per unit costs associated with new construction solicited from an architectural firm, Groth Architects, are provided.

- **Con: The vagueness of the ballot language.** The bond language specifies each campus that will receive work with bond funds, but does not specify the scope of work for each campus (this is a clear requirement in the SDCTA bond support criteria). Rather, a list of school sites is provided, followed by a bulleted list of “Modernization, Repairs, Upgrades, Expansion, and New Construction” descriptions as well as a list of “Safety Improvements” descriptions. While the specific scope of work for each site is included in the Board adopted CIP, the ballot language may suggest to voters that the full scale of project descriptions will be completed at each campus (obviously, this is not the case.) Furthermore, any interested voter would have to obtain a copy of the CIP in order to find the details of proposed work for any particular campus.
- **Pro: SDCTA ICOC Best Practices Adopted by the OUSD Board in March.** The OUSD Board of Trustees adopted the SDCTA “Best Practices” for the Independent Citizens’ Oversight Committee (ICOC) that will be overseeing the implementation of the bond program, should voters approve the measure.
- **Con: No first-hand account of District performance and utilization of ICOC from the previous bond.** While the District submitted samples of meeting minutes and copies of annual audits approved by the ICOC for the Prop G program, an SDCTA representative has not been actively involved with that committee since 2002. This bond was not subject to increased accountability measures (e.g. an oversight committee was not required) because it was passed prior to Prop 39. However, the lack of an SDCTA presence on the committee prevents any verification of the processes employed by the district in mitigating the difficult circumstances faced in the original bond program.
- **Pro: Deferred Maintenance Funding Plan in place; Facilities Department adequately staffed.** The district has a defined expenditure plan for dealing with its Deferred Maintenance backlog, and acknowledges a change in philosophy towards ongoing preventative maintenance in its submitted materials. Additionally, the planned expenditures on maintenance and the staffing levels of the Facilities Department are within suggested industry standards (see section on page 9 labeled “Current Maintenance Funding and Staffing”).
- **Con: No comprehensive Deferred Maintenance Backlog.** The district does not have a complete assessment of its deferred maintenance backlog.
- **Pro: The approach of the CIP is to bring all facilities to an established standard.** Defined within the CIP are architectural drawings and specifications that define a “district standard” for facilities. The focus of the proposal revolves around bringing facilities throughout the district up to this defined standard through new construction and modernization. The presence of such defined goals substantially decreases the probability that changes to scope can be made in the middle of the bond program.

- **Con: The ability of the requested funds to achieve the standard for all proposed sites is unknown.** The proposed funding plan for the bond program accounts for construction cost inflation of 7% annually, 30% for soft costs (including program management) and a 5% contingency. The district notes that the last bond program experienced an average change order rate per project of 3%, therefore justifying the contingency of 5%. SDCTA is simply unable to verify that this contingency is adequate to ensure the delivery of all promised projects.
- **Con: Previous Performance and Program Management.** The previous bond program experienced aggregate cost overruns of almost 70% for the 8 completed projects. (See the section below for details).

Additionally, the district intends to entertain competitive bidding for program management services. Pinnacle One-Barnhart managed the last program, and the district reports overall satisfaction with their services. One potential issue would be the selection of a different program manager. Should another firm outbid the current firm, the potential for significant administrative delays increases significantly. This poses a threat to the implementation of projects scheduled to begin immediately in June of 2008, should the bond pass. At the same time, this observation does not represent a criticism of an attempt to obtain the lowest price for program management services through competitive bidding. Rather, it simply represents an issue faced by any follow-up bond program.

Previous Performance: Prop G, March 2000

Oceanside Unified School District (OUSD) passed Prop G in 2000 to renovate and modernize existing schools, as well as build a new high school, a new middle school and up to five new elementary schools. Of the originally promised new schools, the district completed the middle school, and two of the five potential elementary schools. Complete modernization of six (6) additional schools was completed with Prop G funds as well. The table below displays the results of the 8 completed projects from the OUSD 2000 bond program. Note that eleven other sites had some level of construction or modernization work done, but the scope of work originally planned at these sites was only partially completed because available funds were used on other projects as shown below.

Budget vs. Actuals: 2000 Bond Program Completed Projects (All \$ figures in millions)										
Project	Scope	Original Budget	Actual Cost (Contract Award + Land + Soft Costs)	Change Orders (3% Avg.)	Total Cost	% Over-Budget	Proposed Funding		Actual Funding	
							Bond	State	Bond	State + Other
Foussat Elementary	NS	\$11	\$19.68	(\$0.09)	\$19.59	78.12%	\$11.00	\$11.00	\$17.77	\$14.59
Nichols Elementary	NS	\$11	\$12.68	\$0.28	\$12.96	17.83%				
Laurel Elementary	CM	\$5	\$10.07	\$0.46	\$10.53	110.54%	\$2.50	\$2.50	\$5.50	\$4.60
South Oceanside Elementary	CM	\$5.50	\$12.76	\$0.40	\$13.16	139.18%	\$2.80	\$2.70	\$6.70	\$6.10
Chavez Middle School	NS	\$22	\$34.95	\$0.68	\$35.63	61.95%	\$11	\$11	\$18.70	\$16.20
Jefferson Middle School	CM	\$6	\$11.19	\$0.28	\$11.47	91.13%	\$2.80	\$2.70	\$7.80	\$3.40
El Camino High	CM	\$17.70	\$20.76	\$0.35	\$21.11	19.24%	\$8.90	\$8.80	\$10.16	\$10.64
Oceanside High	CM	\$23.60	\$46.00	\$1.61	\$47.61	101.73%	\$11.80	\$11.80	\$31.77	\$15.43
TOTALS		\$101.80	\$168.08	\$3.97	\$172.05	69.00%	\$50.80	\$50.50	\$98.40	\$70.96
		NS = New School				Funding Ratio:		1/1		7/5
		CM = New Construction/Modernization				Cost Associated w/ Change to 7/5 Ratio: \$59.44 (12.3%)				

The materials submitted to SDCTA by the district indicate that the district faced two primary difficulties in delivering all the Prop G projects as promised²:

1. Substantially fewer state matching funds than originally expected (\$75 million instead of \$120 million)
2. Regulatory changes which increased the cost of construction for “disability access, fire and life safety, labor-compliance”, etc., and construction cost inflation

The District credits the disparity between the amounts of state matching funds actually received as opposed to those anticipated under the 2000 bond construction program budget to a decrease in enrollment, and therefore eligibility for new construction funding, and a change to state-matching modernization funding programs from “80/20” to “60/40.”

SDCTA Bond Support Criteria Matrix

OUSD's Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments (** Indicates a potential issue)
Program Description	Yes	Potential Issue: See #4	1) The materials submitted to SDCTA provide an adequate amount of information for SDCTA consideration. 2) The entire scope of the bond program is modernization; no new school construction is proposed. 3) Detailed plans for modernization projects by campus and corresponding budgets are presented in submitted materials. 4) A list of projects by site/campus is not given in the ballot language, but is provided in the CIP.**
Program Budget and Funding	Yes	Yes	1) Budget with hard and soft costs included. 2) Program management will be utilized.
Cost Estimation and Feasibility	Yes	Yes	1) Cost estimations completed and presented by site with corresponding project lists. 2) No site acquisition will be required for proposed projects.

² OUSD Bond Support Application to SDCTA

Program Justification	Yes	Potential Issue: See #6	<ol style="list-style-type: none"> 1) Program will "bring all schools up to the same standard as...new and modernized school[s]" 2) Bond funds needed to address deferred maintenance backlog 3) Annual enrollment estimates indicate a downward trend at a rate of 200 students per year for the next decade 4) Enrollment decline has resulted in the decision to close the Ditmar site, but use it as a "swing site" throughout the course of the bond 5) Identified needs that will be met include: Identified needs in 2006 Facilities Master Plan 6) Identified needs that will NOT be met include: "Alternative Projects"***
Facilities Master Plan	Yes	Yes	Facilities Master Plan, Capital Improvement Plan, and Athletic Facilities Master Plan included (All are Board adopted)
Facilities Needs Assessment	Yes	Potential Issue: See #2	<ol style="list-style-type: none"> 1) CIP and needs assessment conducted by Groth Architects 2) 7% inflation is factored in to cost estimations. Contingencies of 5% are also built in to estimates**
Program Execution Plan	Yes	Potential Issue: See # 3	<ol style="list-style-type: none"> 1) Outside Program Management will be utilized for the bond program, just as in the case of the first bond 2) The district has included scheduled construction start and end dates for each project campus 3) An RFP process for Program Management will occur should the bond measure pass**
Deferred Maintenance and Major Repair and Replacement Plan	Yes	Potential Issue: #4	<ol style="list-style-type: none"> 1) The District has a Board adopted Deferred Maintenance 5-Year Plan (Nearly \$10 million of work scheduled) 2) Deferred Maintenance identified in the plan will be funded by a combination of deferred maintenance funding, Willimans Emergency Repairs Funding, and bond funding. 3) The District acknowledges that past practices of "waiting until something breaks" need to be replaced by a focus on "preventative maintenance" and pledges "important changes in facility maintenance funding, leadership, and philosophy." 4) The District does not have a comprehensive total value of its deferred maintenance backlog**
Complete Ballot and Resolution Language	Yes	Potential Issue: # 1	1) Projects by campus are not listed on the ballot, although the Board Adopted CIP includes detailed lists of proposed projects**
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) The OUSD Board adopted the SDCTA Oversight Committee Best Practices on March 4, 2008.
Limited Use of District's "Education" Funds	Yes	Yes	1) Submitted statement of understanding and pledged compliance with SDCTA criteria

<p>Joint Use of Facilities</p>		<p>Potential Issues: #1, #4</p>	<p>1) The District states that the required SDCTA passage from this section of the criteria document was not incorporated because the District was "not aware of this suggested language at the time the resolution was being drafted"***</p> <p>2) The District provides an example of a joint-use project (Chavez Middle School park improvement and gym facilities)</p> <p>3) The District notes the potential Prop H-funded performing arts theatre at Oceanside High as a potential joint-use facility. The possibility is currently "being explored."</p> <p>4) Another potential joint-use facility is a new Camp Pendelton elementary school, although this project is not included as part of Prop H.**</p>
<p>Opposition to Special Elections</p>			
<p>Follow-on Bond Requirements</p>	<p>Yes</p>	<p>Potential Issues: #1, #2, and #4</p>	<p>1) All originally scheduled new construction was completed under the 2000 bond program; \$130 million in modernization work at 8 elementary schools left over from the first bond is scheduled to be completed with Prop H funds (2009 - 2014)**</p> <p>2) Two listings of higher-than-expected costs experienced were provided; see staff analysis**</p> <p>3) Pinnacle One-Barnhart was utilized for program/construction management at an average annual cost of \$900,000. This cost is reflected in the total "Soft Cost" amount</p> <p>4) No SDTA presence on previous oversight committee**</p> <p>5) See "Deferred Maintenance and MRR Plan" above</p> <p>6) Examples of joint-use provided</p>

2008 Proposal

Fiscal Presentation by Campus (All figures are in millions)

Oceanside USD Prop H Proposed Projects					
School Type	Campus	Hard Cost Estimate (in millions)	Soft Costs (30%)	Total Estimate	Scheduled Construction Start Date
Elementary Schools	Del Rio	\$16.35	\$4.91	\$21.26	Jun 08 - Jun 09
	Ditmar	\$13.75	\$4.13	\$17.88	Jun 13 - Jun 14
	Foussat	Completed with Prop G Funds			
	Garrison	\$9.61	\$2.88	\$12.49	Jun 11 - Jun 12
	Ivey Ranch	\$4.15	\$1.25	\$5.40	Jun 11 - Jun 12
	Laurel	Completed with Prop G Funds			
	Libby	\$16.31	\$4.89	\$21.20	Jun 10 - Oct 11
	McAuliffe	\$0.63	\$0.19	\$0.82	Jun 12 - Nov 12
	Mission	\$11.77	\$3.53	\$15.30	Jun 10 - Jun 11
	Nichols	Completed with Prop G Funds			
	North Terrace	\$14.70	\$4.41	\$19.11	Jun 11 - Jun 12
	Palmquist	\$11.22	\$3.37	\$14.59	Jun 11 - Jun 12
	Reynolds	\$11.66	\$3.50	\$15.16	Jun 13 - Jun 14
	San Luis Rey	\$12.90	\$3.87	\$16.77	Jun 12 - Jun 13
	Santa Margarita	\$11.39	\$3.42	\$14.81	Jun 09 - Jun 10
South Oceanside	Completed with Prop G Funds				
Stuart Mesa	Lease/Purchase Completed				
Elementary Sub-Total		\$134.44	\$40.33	\$174.77	
Middle Schools	Chavez	Completed with Prop G Funds			
	Jefferson	\$7.47	\$2.24	\$9.71	Jun 10 - Feb 11
	King	Lease/Purchase Completed			
	Lincoln	\$19.06	\$5.72	\$24.78	Jan 09 - Jun 10
Middle School Sub-Total		\$26.53	\$7.96	\$34.49	
High Schools	Burgener	No Work Proposed			
	Ocean Shores	No Work Proposed			
	El Camino	\$26.19	\$7.86	\$34.05	Jan 09 - Jun 14
	Phase I	\$7.00	\$2.10	\$9.10	Jan 09 - Oct 09
	Phase II	\$8.37	\$2.51	\$10.88	Jun 10 - Jun 11
	Phase III	\$4.27	\$1.28	\$5.55	Jun 10 - Jun 11
	Phase IV	\$6.55	\$1.97	\$8.52	Jun 13 - Jun 14
	Oceanside	\$36.64	\$11.00	\$47.64	Jan 09 - Sep 12
	Phase I	\$10.60	\$3.18	\$13.78	Jan 09 - Oct 09
	Phase II	\$22.22	\$6.67	\$28.89	Oct 09 - Jun 11
Phase III	\$3.82	\$1.15	\$4.97	Sep 11 - Sep 12	
High School Sub-Total		\$62.83	\$18.86	\$81.69	
TOTAL		\$223.80	\$67.15	\$290.95	

Current Maintenance Funding and Staffing

Industry Standard Facilities Staffing for OUSD Square Footage ³			
		Recommended Staffing Level	OUSD Staffing Level
Total Square Feet/45,000/6.8 =			
Total Square Feet	1,768,368	39.30	
Support Staff		5.78	
Total		45.08	47

Facilities Maintenance Expenditure (in \$/Sq. Ft.) ⁴				
	Replacement	Basic Services	Major Maintenance	Total Maintenance (\$ to Asset Value)
OUSD	\$140/sq. ft.	\$2.20/sq. ft.	\$1.13/sq. ft.	2.38%
Industry Standard				2 - 4%

As the tables above show, the data provided to SDCTA by the District indicates that financing and staffing of the District's facilities department are within industry standards.

³ Facility Managers Operations and Maintenance Handbook, McGraw Hill, 1999.

⁴ Ibid