

Proposition C: Poway Unified School District Bond Measure

Staff Recommendation:

SUPPORT with recommendation that the District increase funding for ongoing maintenance and major repair and replacement of facilities

Board Recommendation:

SUPPORT

Rationale:

The Poway Unified School District (PUSD) bond proposal qualifies for SDCTA endorsement, meeting the vast majority of the Board-adopted criteria for bond support. Like many other school districts, Poway is unable to provide a funding plan to eliminate deferred maintenance and they do not adequately fund ongoing maintenance and major repair and replacement. However, all other critical criteria have been met and the District has demonstrated that it is well prepared to execute its projects if voters approve this bond.

Background:

PUSD made its last bond request through Proposition U in 2002. SDCTA supported the \$198 million bond after determining that the measure met the Association's bond support criteria. Prop U ultimately passed with 57% of the vote.

The District secured approximately \$82 million in state matching funds and other grants. In total, the District has expended \$211.3 million for the Capital Improvements Program, and has total contract obligations of \$256.3 million.

The current measure seeks approval of \$179 million in general obligation bonds. The District anticipates receiving an additional \$30.5 million in state matching funds and other grants to complete a \$209 million improvement program.

Proposal:

The Poway Unified School District has proposed a bond measure for the February 2008 election that reads as follows:

“To provide safe and modern school facilities, improve student learning, and qualify for approximately \$20 million in State matching money, shall School Facilities Improvement District No. 2007-1 of the Poway Unified School District issue \$179 million in bonds at legal interest rates to upgrade aging classrooms, libraries, science and computer labs; replace roofs, plumbing, heating, ventilation and electrical systems; improve fire alarms and school security; remove hazardous materials; fund

needed facilities, subject to mandatory audits, independent citizens' oversight and without an estimated increase in tax rates?"

Fiscal Impact:

Passage of this bond proposal will generate revenue from five issuances over an 11-year period between 2008 and 2019, totaling \$179 million. Poway residents would continue to pay \$55 per \$100,000 of assessed property for an extended period, through 2044, under this proposal. The average assessed value of a home in Poway in 2000 was \$200,000. The District has experienced an average assessed value increase of 9.36 percent annually over the last four years. As of March of 2006, the average assessed value of a home in the District is \$337,401; therefore a homeowner can expect to pay an additional \$185 a year in property taxes.

Table 1 outlines the projected increase in assessed value during the life of the bond.

Table 1

Year	Assessed Value Growth	Total Assessed Value (Billions)
2008	7.71%	\$ 19.6
2009	8.00%	\$ 21.2
2010	7.00%	\$ 22.7
2011	6.50%	\$ 24.2
2012	6.25%	\$ 25.7
2013	6.00%	\$ 27.2
2014	5.50%	\$ 28.7
2015	5.00%	\$ 30.2
Thereafter	3.00%	\$ 31.1

The interest rate on any bond, which is established at the time of the bond issuance, cannot exceed 12% per annum. The total debt service of this bond proposal is estimated to be \$497.4 million; \$179 million principle plus \$318.4 million in interest.

Facilities Needs Assessment/Deferred Maintenance:

In 2004 and 2005, the District conducted a facilities needs assessment at 13 locations to determine the physical condition of the permanent facilities at schools by identifying the capital repair deficiencies. It total, the survey identified approximately \$26 million in deficiencies.

The District currently has a \$17 million deferred maintenance backlog. Three percent of their annual operating budget (approximately \$6.5 million) is allocated for ongoing maintenance and one-half percent is dedicated to deferred maintenance.



Program Execution:

The bond proposal includes a time frame for design and inspection, approval, construction, and close out. Completion of the final project is expected by late 2011. During this timeframe, the District has included within their cost estimates an inflation factor of 10 percent in 2008, eight percent in 2009, and six percent in 2010 and 2011. A contingency of eight to 10 percent is also included in each project.