

## **Proposition E: Chula Vista Elementary School District \$90 million Bond Measure Brief Summary**

SDCTA **SUPPORTS** the Chula Vista Elementary School District's proposed bond measure. The proposed measure meets key provisions of the SDCTA Bond Support Criteria.

- Chula Vista Elementary School District is proposing a \$90 million Proposition 39 General Obligation Bond measure.
- The total estimated cost of the measure is expected to be \$214.7 million, including interest.
- The measure would increase the current tax rate by \$29 per \$100,000 of assessed valuation for properties not currently located within a Community Facilities District.
- Projected bond issuance schedule has been provided. District anticipates issuing three bonds to pay for improvements.
- Bond program will make improvements to 31 school sites not within a Community Facilities District.
- District will be adopting SDCTA policy relating to the use of Capital Appreciation Bonds.
- The measure does not rely on state matching funds.
- Program has three priorities: 1) install infrastructure to sustain school for next 30 years; 2) provide wireless technology to site; and 3) enhance energy efficiency of facilities.
- Schedule regarding projects provided and broken down by priority (one or two).
- District will be adopting all SDCTA Best Practices by resolution at a future meeting.

**Proposition E: Chula Vista Elementary School District Bond Measure**

**Board Action:**

**SUPPORT**

**Title:** *Proposition E: Chula Vista Elementary School District Bond Measure*

**Election:** November 2012 General Election

**Description:** Levies a tax of up to \$29 per \$100,000 of assessed property value to issue \$90 million in general obligation bonds for facilities improvements.

**Jurisdiction:** Local

**Type:** School Bond Measure

**Vote:** 55% Supermajority

**Fiscal Impact:** The total anticipated cost of the bond measure, including interest is \$214.7 million. The District's proposed financing of the debt does not include the use of Capital Appreciation Bonds (CABs) and Convertible Capital Appreciation Bonds. The District has stated its intent to use traditional Current Interest Bonds to finance the bond program.

**Rationale:**

The Chula Vista Elementary School District's proposed bond measure meets key provisions of SDCTA's Bond Support Criteria. The application submitted by the District outlines the current deferred maintenance backlog, and how much of it will be addressed by the bond measure. The District has outlined their needs and completed an assessment as to the total cost of these needs. The District has adopted all SDCTA policies and has outlined its intent to issue only Current Interest Bonds.

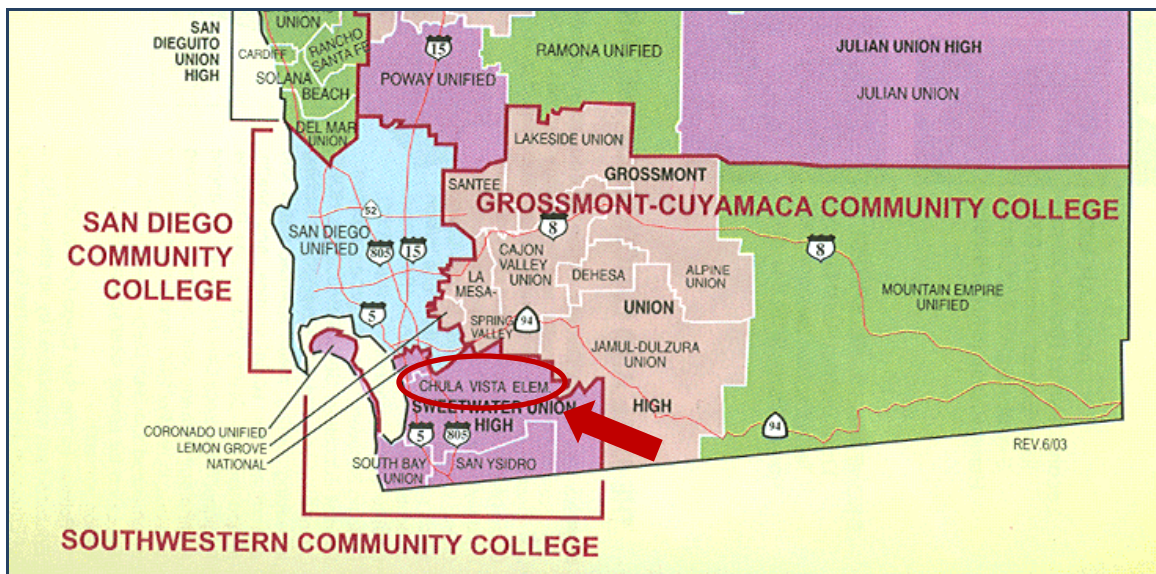
**Background:**

The Chula Vista Elementary School District (District) covers a 103 square mile area between the City of San Diego and the U.S./Mexico International Border. The District consists of 45 schools and is the largest Kindergarten through Grade Six district in the state. Over the last two decades, there has been growth in the eastern portion of the District, including developments consisting of Mello-Roos fees to assist in providing funding for educational facilities.

Thirty-one elementary schools within the older areas of the District do not receive Mello Roos funding and therefore do not have a dedicated funding source to pay for improvements. A full listing of those schools can be found in Appendix A.

In 1998, 75 percent of voters approved Proposition JJ, a \$95 million bond measure for facilities within the District. In addition to state matching funds, a total of \$106.7 million was generated to complete projects. The bond measure authorized the district to impose an annual property tax surcharge of \$18.93 per \$100,000 assessed valuation. The District completed work on the bond program in 2005. In 2004, SDCTA awarded the District the "Greater San Diego Golden Watchdog Award". SDCTA stated:

“By working cooperatively with the community and developers, CVESD has built six new schools in the past four years all within budget. CVESD is actively working on modernizing existing schools and has modernized and increased capacity in more than 23 schools since 1996. In 2002, five schools were completely gutted and transformed into state-of-the-art facilities in 75 days during the summer break. No teaching days were lost. Construction of schools 41 and 42 are on track, on budget and expected to open in July 2004 and September 2004 respectively.”



*Source: San Diego County Office of Education*

### **Proposal:**

On July 10, 2012, the CVESD Board of Trustees voted to place a \$90 million school bond measure on the November 6, 2012 ballot. The measure would create a new School Facilities Improvement District (SFID) consisting of the schools and properties that are not a part of a Community Facilities District (CFD). The measure and proposed tax assessment would only apply to those non-CFD properties.

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

“To repair, renovate, construct, and upgrade classrooms and school facilities; increase student access to computers and modern technology; replace temporary classrooms; upgrade heating systems; and make energy cost-saving improvements, shall School Facilities Improvement District No. 1 of the Chula Vista Elementary School District be authorized to issue \$90 million of bonds with legal interest rates, annual audits, independent citizens’ oversight, and all funds spent locally and no money used for administrative salaries or taken by the State and spent elsewhere?”

The District has submitted its request for support to SDCTA. The request included materials intended to satisfy the SDCTA Bond Support Criteria. Those materials have been reviewed and an analysis of the results is provided below. A summary table of this analysis can also be found at the end of this report.

## Review of SDCTA Bond Support Criteria

### *Program Description, Budget & Funding, Execution Plan*

The District outlined the needs of the 31 schools within the SFID into the following three categories:

- Install infrastructure to sustain schools for the next 30 years
- Provide wireless technology to sites
- Enhance energy efficiency of facilities

The District has broken down project based on priority, either Priority One or Priority Two. The cost estimates for these are outlined in Table 1.

**Table 1: Cost Estimates by Priority**

	Hard Costs	Soft Costs	Total
Priority One	\$12,475,430	\$5,364,435	\$17,839,865
Priority Two	\$49,911,309	\$21,461,863	\$71,373,172
<b>Total</b>			<b>\$89,213,037</b>

The District is anticipating issuing bonds in three (3) series over the life of the program; \$30.8M, \$27.4M and \$31.8M. The District has submitted a general project schedule based on the revenues of each bond issuance, and which projects will be funded at those specific times. Appendix A outlines those projects and their respective costs by priority.

The District has submitted an estimate regarding debt service costs and projected tax rate statement to SDCTA. The District has submitted a projected cash flow analysis and conceptual construction timeline. The projects have been prioritized by phase and by priority.

### *Ballot Resolution and Language*

On July 10, 2012 the District adopted the final ballot language and tax rate statement. The District has submitted language to SDCTA that outlines the ballot question, as well as other items pertaining to SDCTA’s best practices.

The District will be adopting SDCTA’s “Oversight Committee Best Practices”, “Procurement Best Practices”, and policy regarding the use of Capital Appreciation Bonds at the September 14, 2012 meeting of the Board.

The project list that will be presented to voters identifies the 31 schools that will be receiving improvements. The language though does not outline the various projects by priority as has been outlined in the District’s Facilities Needs Assessment. Each site has a list of projects to be completed, but voters will be unable to determine when each project is schedule to be completed.

### *Deferred Maintenance Funding*

The District is a participant in the State’s school building program, which requires the District to contribute an amount at least equal to 2.5% of their General Fund expenditures for facilities repair in addition to at least .5% of their General Fund expenditures for deferred maintenance work. The State recently allowed school districts to allocate deferred maintenance funds to the general fund.

As a result, the District eliminated funding for deferred maintenance in FY 2011 and plans to do the same through FY 2013. The District does fund routine maintenance despite the State allowing those funds to be used for general purposes.

Table 2 below outlines the amount expended by the District for Routine Maintenance and Deferred Maintenance between Fiscal Year 2003 and Fiscal Year 2013.

**Table 2: Routine Restricted and Deferred Maintenance Expenditures**

Fiscal Year	Routine Restricted Maintenance	Deferred Maintenance
2003	\$4,590,203	\$40,890
2004	\$4,278,171	\$146,116
2005	\$4,773,578	\$930,778
2006	\$5,264,759	\$1,787,119
2007	\$5,552,195	\$3,215,318
2008	\$5,431,437	\$2,411,946
2009	\$5,541,730	\$1,621,015
2010	\$4,565,762	\$781,843
2011	\$3,816,005	\$149,111
2012	\$4,219,656	\$83,922
2013	\$3,982,416*	\$0
<b>*Budgeted amount</b>		

The District has been able to track its deferred maintenance backlog by site and by category, and also state where funding from the proposed bond measure will go to eliminate projects from this list. The District has stated the current bond measure will eliminate approximately \$14.7 million of the current \$23.0 million deferred maintenance backlog (or 64%).

**Table 3: District Deferred Maintenance & Bond Funds**

Deferred Maintenance Backlog	\$23,029,575
Addressed by Bond	\$14,727,500
Remaining Deferred Maintenance	\$8,302,075

**Fiscal Impact:**

The District proposes to issue bonds in three phases: 2013 (\$30.8M), 2015 (\$27.4M), and 2017 (\$31.8M). The total anticipated cost of the bond measure, including interest is \$214.7 million. The District anticipates earning an additional \$450,750 in interest, and does not anticipate receiving state matching funds. The property tax rate statement submitted to SDCTA indicates the assessment is not expected to exceed \$29 per \$100,000 of assessed valuation.

The District’s proposed financing of the debt does not include the use of Capital Appreciation Bonds (CABs) and Convertible Capital Appreciation Bonds. The District has stated its intent to use traditional Current Interest Bonds to finance the bond program.



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The District will be adopting SDCTA's policy regarding the use of CABs and Convertible CABs at a future Board meeting.

### Appendix A: Projects by Priority and Associated Costs

Bond Series	Project Area	Priority 1	Priority 2	Total Project Hard Cost	Total Project Cost
A	Rice	\$560,700	\$4,223,094	\$4,783,794	\$5,903,031
A	Castle Park	\$1,131,048	\$2,697,542	\$3,828,590	\$5,052,767
A	Rosebank	\$728,900	\$2,708,734	\$3,437,634	\$4,241,000
A	Vista Square	\$761,779	\$2,456,230	\$3,218,009	\$3,892,330
A	Hilltop Drive	\$891,077	\$2,479,822	\$3,370,899	\$4,167,007
A	Allen	\$1,783,825	\$1,111,425	\$2,895,250	\$4,140,208
B	Feaster	\$1,165,161	\$3,175,553	\$4,340,714	\$5,377,678
B	Montgomery	\$554,750	\$1,926,284	\$2,481,034	\$3,034,323
B	Harborside	\$1,017,000	\$2,943,250	\$3,960,250	\$4,633,558
B	Kellog	\$1,090,514	\$2,093,484	\$3,183,998	\$4,301,308
B	Sunnyside	\$1,159,460	\$1,212,975	\$2,372,435	\$3,392,582
B	Cook	\$110,963	\$1,848,640	\$1,959,603	\$2,388,962
B	Palomar	\$27,900	\$775,920	\$803,820	\$1,063,663
B	Halecrest	\$41,700	\$867,400	\$909,100	\$1,295,723
B	Mueller Charter	\$100,400	\$2,711,810	\$2,812,210	\$3,359,170
B	Lauderbach	\$40,098	\$2,634,440	\$2,674,538	\$3,541,449
C	Juarez-Lincoln	\$99,150	\$1,494,000	\$1,593,150	\$2,102,422
C	Finney	\$86,950	\$2,156,076	\$2,243,026	\$3,043,887
C	ValeLindo	\$21,725	\$838,060	\$859,785	\$1,229,493
C	Silver Wing	\$229,100	\$1,356,635	\$1,585,735	\$2,059,944
C	Valley Vista	\$26,500	\$779,184	\$805,684	\$1,152,128
C	Parkview	\$233,800	\$749,280	\$983,080	\$1,405,804
C	Los Altos	\$151,000	\$1,798,524	\$1,949,524	\$2,489,021
C	Rogers	\$118,300	\$953,360	\$1,071,660	\$1,532,474
C	Loma Verde	\$95,556	\$2,093,283	\$2,188,839	\$2,829,665
C	Rohr	\$84,050	\$2,227,550	\$2,311,600	\$3,089,122
C	Otay	\$74,300	\$993,493	\$1,067,793	\$1,246,342
C	Tiffany	\$18,725	\$701,790	\$720,515	\$1,029,693
C	Chula Vista	\$29,950	\$1,076,933	\$1,106,883	\$1,580,768
C	Chula Vista Learning Community	\$17,900	\$2,264,102	\$2,282,002	\$3,111,466
C	Clearview	\$23,600	\$1,045,020	\$1,068,620	\$1,526,053
	<b>Total</b>	<b>\$12,475,881</b>	<b>\$56,393,893</b>	<b>\$68,869,774</b>	<b>\$89,213,041</b>



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### SDCTA Bond Support Criteria Analysis:

*(See SDCTA's Bond Support Criteria for more information)*

#### Chula Vista Elementary School District Bond Support Application and SDCTA Bond Support Criteria

Criteria Item	Info Provided?	Criteria met?	Comments
Program Description	Yes	Yes	1) Bond program would apply to those residents and schools not located within a Community Facilities District
			2) Project list outlines 31 schools that will be receiving improvements
			3) Program has three priorities: 1) install infrastructure to sustain school for next 30 years; 2) provide wireless technology to site; and 3) enhance energy efficiency of facilities
			4) Projects to be funded are classified within priority 1 or 2
Program Budget and Funding	Yes	Yes	1) Cost estimates assume all funding to come from \$90M bond measure; no anticipation of State matching funds
			2) Cost estimates are broken down by campus site and priority
			3) Cost estimates include soft costs and escalation
			5) District will use Current Interest Bonds as the debt financing mechanism
Cost Estimation and Feasibility	Yes	Yes	1) Program cost estimates developed following completion of facility needs assessment
			2) Facility needs assessment outlines need for new construction projects at 31 sites
			3) Preliminary budget based on projected bond issuances and priority
			4) Cost estimates broken down by category, including soft costs and escalation
Program Justification	Yes	Yes	1) 31 schools within District do not receive Mello-Roos funding for improvements
			2) Bond program will allow the District to make basic code compliance improvements
			3) Bond program will cover highlighted Priority 1 needs and the majority of Priority 2 needs
Facilities Master Plan & Facilities Needs Assessment	Yes	Yes	1) District did not complete district-wide facilities master plan
			2) Facility needs assessment outlines need for new construction projects at 31 sites
			3) Facility Needs Assessment outlines improvements to sites within 3 priorities
Program Execution Plan	Yes	Yes	1) District anticipates uses program management services; RFQ will be issued following SDCTA policy
			2) Schedule regarding projects provided and broken down by priority (one or two)
			3) Estimated bond issuance schedule has been provided. District anticipating having 3 bond issuances
			4) District does not require State matching funds to complete program
			5) District will develop more comprehensive project schedule
			6) Last draw from bonds funds expected to take place in 2020
Deferred Maintenance and Major Repair and Replacement Plan	Yes	No	1) District still allocating funding from balance in deferred maintenance account for projects
			2) District has not funded deferred maintenance fund since FY2010. State has not required contribution since that time
			3) Unclear if District has the ability to maintain projects once completed





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**Chula Vista Elementary School District Bond Support Application and SDCTA Bond Support Criteria**

Criteria Item	Info Provided?	Criteria met?	Comments
Complete Ballot and Resolution Language	Yes	No	1) Adopted ballot language and resolution has been submitted 2) Proposed ballot language does not outline project list by site 3) Measure would increase taxes by \$29 per \$100,000 assessed valuation
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) District will formally adopt SDCTA ICOC best practices on September 14, 2012
Adoption of SDCTA School Construction and Professional Services Procurement Best Practices	Yes	Yes	1) District will formally adopt SDCTA ICOC best practices on September 14, 2012
Limited Use of District's "Education" Funds	Yes	Yes	1) District has reviewed SDCTA's Standards for Publicly Funded Advocacy For or Against Ballot Measures
Joint Use of Facilities	Yes	Yes	1) District currently has 7 joint-use MOUs in place, one of which is not yet in place
Opposition to Special Elections			
Follow-Up Bond Requirement			