

Proposition P: Encinitas Union School District \$44.2 million Bond Measure

Brief Summary

SDCTA **OPPOSES** Proposition P. The proposed measure fails to meet key provisions of the SDCTA Bond Support Criteria. Furthermore, 15% of the proposed bond expenditures have minimal impact on classroom education.

- Encinitas Union School District is putting forward to voters a \$44.2 million Proposition 39 General Obligation Bond measure.
- The total estimated cost of the measure is expected to be \$150.35 million, including interest.
- Proposition P would extend the current tax rate of \$55 per \$100,000 of assessed valuation (as approved by voters in 1996) to the year 2044.
- The District does not qualify for state matching funds, and matching funds are not considered necessary for completion of the bond program.
- The bond program is expected to be completed in 2021.
- The District is not expected to provide funding to address its deferred maintenance backlog through FY 2013.
- The District has not provided evidence to SDCTA that demonstrates an ability to maintain the infrastructure once projects are completed.
- Projects are not outlined by site within ballot measure, as required by SDCTA Bond Support Criteria.
- District is proposing 15% of bond funds (\$6.725 million) be used to construct a learning center/farmland on surplus District property. Original plans called for construction of a new elementary school at this site.

Proposition P: Encinitas Union School District Bond Measure

Board Recommendation:

OPPOSE

Rationale:

The Encinitas Union School District is pursuing a \$44.2 million Proposition 39 bond measure to upgrade district facilities, as well as construct a new education learning center/farming facility. The District failed to meet key provisions of the SDCTA Bond Support Criteria, including providing evidence of the District’s ability to provide funding for the ongoing maintenance of the buildings once completed, as well as providing clear language to voters (within the ballot resolution) of the projects intended to be completed at each campus. Furthermore, SDCTA questions the District’s planned development on District-owned property. While SDCTA does not have guidelines for use of excess property, the current plan calls for dedicating 15 percent of bond funds to a project that has minimal educational impact and provides little revenue to the District.

Background:

The Encinitas Union School District (EUSD) consists of nine (9) kindergarten-6th grade schools within the cities of Encinitas and Carlsbad.

Table 1: Proposition O Bond Funding

Capri	\$5,382,831
El Camino Creek	N/A
Flora Vista	\$5,005,905
La Costa Heights	\$3,274,149
Mission Estancia	\$2,916,452
Ocean Knoll	\$5,111,040
Olivenhain Pioneer	N/A
Park Dale	\$6,069,581
Paul Ecke	\$5,357,396
Total	\$33,117,354

In 1996, voters within the District passed Proposition O, a \$29.5 million bond measure dedicated to school improvements at all the schools within the District. The bond measure did not increase the property tax assessment, but rather extended the life of the tax rate by 16 years. The District was able to receive additional State funding, and expended a total of \$33.1 million during the life of the bond program.

Between 2005 and 2009, enrollment within the District has declined slightly. Over the next five (5) years enrollment is expected to decline further, resulting in a five percent decline between 2005 and 2014.

Table 2: Encinitas Union School District Enrollment by Grade

Grade	Year										
	2005	2006	2007	2008	2009	2010 (projected)	2011 (projected)	2012 (projected)	2013 (projected)	2014 (projected)	
K	811	825	727	770	702	778	776	768	770	766	
1	767	768	806	763	778	707	782	776	770	765	
2	759	753	755	818	758	778	705	775	766	771	
3	830	801	776	796	820	757	774	698	773	767	
4	821	769	768	800	800	827	755	777	706	780	
5	846	772	803	789	795	807	815	755	777	703	
6	777	875	819	831	798	789	822	802	757	784	
Total	5611	5563	5454	5567	5451	5443	5429	5351	5319	5336	

Proposal:

On June 29, 2010, the EUSD Board of Trustees voted to place a \$44.2 million school bond measure on the November 2, 2010 ballot.

The ballot question put before voters will read as follows:

“To improve the quality of education, upgrade computers and technology, improve energy efficiency/water conservation, replace aging roofs, upgrade inadequate electrical, plumbing, heating/ventilation/air-conditioning systems, renovate outdated classrooms, restrooms, and school facilities, and make health, safety and handicapped accessibility improvements, shall Encinitas Union Elementary School District acquire, construct, upgrade, and equip school facilities by issuing \$44,200,000 of bonds at legal rates, with independent citizens’ oversight, NO money used for administrative salaries, or be taken by the State?”

The District has submitted its request for support to the San Diego County Taxpayers Association (SDCTA). The request included materials intended to satisfy the SDCTA Bond Support Criteria. Those materials have been reviewed and a brief analysis of the significant results is provided in the following pages. A summary table of this analysis is provided at the end of this report.

Review of SDCTA Bond Support Criteria

Program Description, Budget & Funding, Execution Plan

The District has outlined five (5) areas of need within the proposed bond program:

1. Technology Infrastructure
2. Instructional Technology
3. Energy Conservation
4. Facility Renovations and Upgrades
5. Learning Center Project Plan

The program further prioritizes projects within each of these areas into three (3) phases for each school. Each project budget assumes 15% for soft costs as well as 10% for contingency. Table 2

outlines the funding by phase for each school within the District. Construction is anticipated to be completed on all three (3) phases by the year 2021.

	Phase 1	Phase 2	Phase 3	Total
Capri	\$ 1,881,000	\$ 2,164,500	\$ 155,000	\$ 4,200,500
El Camino Creek	\$ 623,500	\$ 1,076,000	\$ 750,000	\$ 2,449,500
Flora Vista	\$ 924,000	\$ 2,199,900	\$ -	\$ 3,123,900
La Costa Heights	\$ 740,300	\$ 1,566,900	\$ -	\$ 2,307,200
Mission Estancia	\$ 881,000	\$ 1,460,100	\$ 15,000	\$ 2,356,100
Ocean Knoll	\$ 982,500	\$ 1,463,200	\$ 1,900,000	\$ 4,345,700
Olivenhain Pioneer	\$ 1,555,500	\$ 918,000	\$ -	\$ 2,473,500
Park Dale	\$ 796,500	\$ 1,760,500	\$ 60,000	\$ 2,617,000
Paul Ecke	\$ 750,000	\$ 1,646,100	\$ -	\$ 2,396,100
Encinitas Union Learning Center	\$ 5,225,000	\$ 1,500,000	\$ -	\$ 6,725,000
Technology Infrastructure	\$ 1,590,000	\$ 750,000	\$ 8,750,000	\$ 11,090,000
Energy Conservation	\$ 195,000	\$ -	\$ -	\$ 195,000
Total				\$ 44,279,500

The areas of need the District outlined are further reduced to three (3) categories within the ballot language that will be presented to voters: District-Wide Instructional Technology Projects; Energy Efficiency and School Health and Safety Projects; and School Renovation, Upgrade and New Construction Educational Enhancement Projects.

The proposed learning center and garden would be constructed on a 10-acre District-owned parcel within the City of Encinitas. Five-acres of the parcel will be used to grow organic fruits and vegetables for the District. The District is intending to contract with a farming company to farm the land and also allow that company to farm additional land and sell the product for profit. It is unclear if this additional land is located on the same District-owned property.

The remaining acreage will be used to construct a Learning Center Facility. This facility will include a large presentation area and house three (3) smaller classrooms. The facility will also house restrooms and a kitchen area. The center will be open to other groups and community gatherings.

The District obtained the property from the construction of the Encinitas Ranch Development approximately ten years ago. The District accepted the property in lieu of payment of developer fees with the expectation of a need to construct an elementary school. There are no plans to construct an additional elementary school. The District has yet to develop the property, and currently pays a \$50,000 a year penalty for not developing the land. State law prohibits the District from maintaining property for an extended period of time without action.

The complete bond program does not rely on state matching funds or local funding to complete. The District has stated it has exhausted its eligibility to receive state matching funds, and thus is currently not eligible to receive state funding. The current program and existing state law would prevent the District from seeking any additional modernization funding before 2024 to 2028. The

District is anticipating issuing bonds in three series over the life of the program. The District has submitted a projected cash flow analysis, construction timeline and projected tax rate statement to SDCTA. The projects have been prioritized by phase, with project construction expecting to commence during Fiscal Year (FY) 2011 and concluding in Fiscal Year 2021.

Ballot Resolution and Language

The District made a number of commitments that are outlined within the ballot resolution passed by the Board on June 29, 2010. These commitments specifically pertain to funding for the ongoing maintenance of the completed projects as well as capitalizing on the joint-use of projects, and are also addressed within the SDCTA Bond Support Criteria. Specifically in Section (3)(g), the resolutions states:

“[P]rior to the issuance of bonds for the constructions of new projects set forth in Exhibit “B”, the Board would have received and approved a report from the President, stating that the District had identified sufficient financial resources to pay for the ongoing maintenance of such projects, and that such a report shall be made available to the Citizens’ Oversight Committee for review.”

In addition, the resolution requires the Board adopt a short-term plan to address its deferred maintenance backlog, with a limited reliance on bond funds, as well as adopt a plan to address major repair and replacement to ensure those projects do not become deferred. These plans will also be submitted to the Oversight Committee for review.

Lastly, the District requires that prior to any new joint use appropriate construction, a joint use implementation report outlining the project and areas for joint use must be presented to the Oversight Committee and approved by the Board.

The project list that will be presented to voters does not identify the various projects by site. Rather, the language outlines the proposed projects under three (3) categories: District-Wide Instructional Technology Projects; Energy Efficiency and School Health and Safety Projects; and School Renovation, Upgrade and New Construction Educational Enhancement Projects. Various examples of projects under each category is listed, but voters will be unable to discern which school sites will receive various improvements without reviewing an addendum at the District’s main offices.

Table 4: Summary of Project Categories by Site

	Techonology	Energy	Facilities	Total
Capri	\$ 496,000	\$ 1,221,500	\$ 2,483,000	\$ 4,200,500
El Camino Creek	\$ 710,000	\$ 152,500	\$ 1,587,000	\$ 2,449,500
Flora Vista	\$ 383,000	\$ 1,056,900	\$ 1,684,000	\$ 3,123,900
La Costa Heights	\$ 485,000	\$ 1,012,500	\$ 809,700	\$ 2,307,200
Mission Estancia	\$ 413,000	\$ 1,072,100	\$ 871,000	\$ 2,356,100
Ocean Knoll	\$ 482,000	\$ 793,700	\$ 3,070,000	\$ 4,345,700
Olivenhain Pioneer	\$ 526,000	\$ 171,500	\$ 1,776,000	\$ 2,473,500
Park Dale	\$ 485,000	\$ 1,090,000	\$ 1,042,000	\$ 2,617,000
Paul Ecke	\$ 438,000	\$ 917,100	\$ 1,041,000	\$ 2,396,100
District Improvements/ Learning Center	\$ 11,090,000	\$ 195,000	\$ 6,725,000	\$ 18,010,000

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 reduce this contribution from 3% to 1% of General Fund Expenditures through FY 2013. As a result, the District eliminated funding for deferred maintenance in FY 2010 and plans to do the same until FY 2013.

Table 5 below outlines the originally planned deferred maintenance funding by the District for the next five years. The District though has stated its intention to eliminate funding for deferred maintenance for FY 2010 to FY 2013.

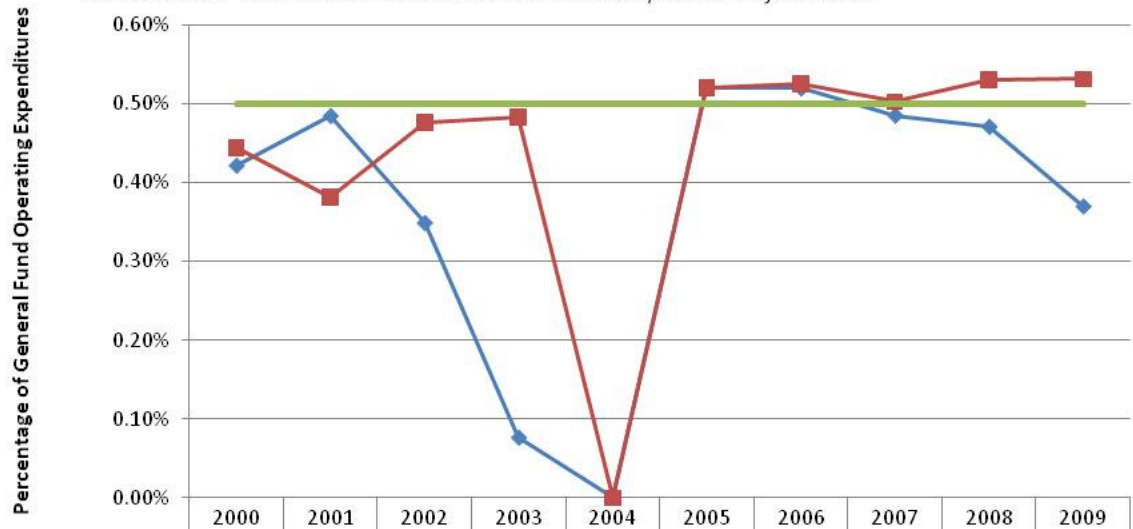
Table 5: Deferred Maintenance Five-Year Funding Plan

Project Category	Number of Projects	FY10	FY11	FY12	FY13	FY14	Total Estimated Cost
Asbestos	10	\$30,000	\$20,000	\$20,000	\$20,000	\$20,000	\$110,000
Classroom Lighting	10	\$70,000	\$30,000	\$30,000	\$30,000	\$30,000	\$190,000
Electrical	10	\$50,000	\$20,000	\$20,000	\$20,000	\$20,000	\$130,000
Floor Covering	8	\$80,000	\$70,000	\$70,000	\$60,000	\$60,000	\$340,000
HVAC	1	\$900,000	\$200,000	\$150,000	\$150,000	\$160,000	\$1,560,000
Lead	10	\$70,000	\$70,000	\$60,000	\$50,000	\$50,000	\$300,000
Painting	9	\$300,000	\$100,000	\$100,000	\$100,000	\$250,000	\$850,000
Paving	8	\$300,000	\$600,000	\$500,000	\$400,000	\$300,000	\$2,100,000
Plumbing	10	\$100,000	\$140,000	\$100,000	\$100,000	\$100,000	\$540,000
Roofing	3	\$800,000	\$600,000	\$400,000	\$170,000	\$200,000	\$2,170,000
Wall Systems	10	\$50,000	\$45,000	\$45,000	\$45,000	\$45,000	\$230,000
Total	89	\$2,750,000	\$1,895,000	\$1,495,000	\$1,145,000	\$1,235,000	\$8,520,000

Out of the ten fiscal years examined, the District met its .5% goal of funding deferred maintenance for only the five-year period between FY 2005 and FY 2009 (Chart 1).

Chart 1: Encinitas Union School District Deferred Maintenance State and District Contributions

Source: FY00-FY09 Financial Statements and District-provided Information

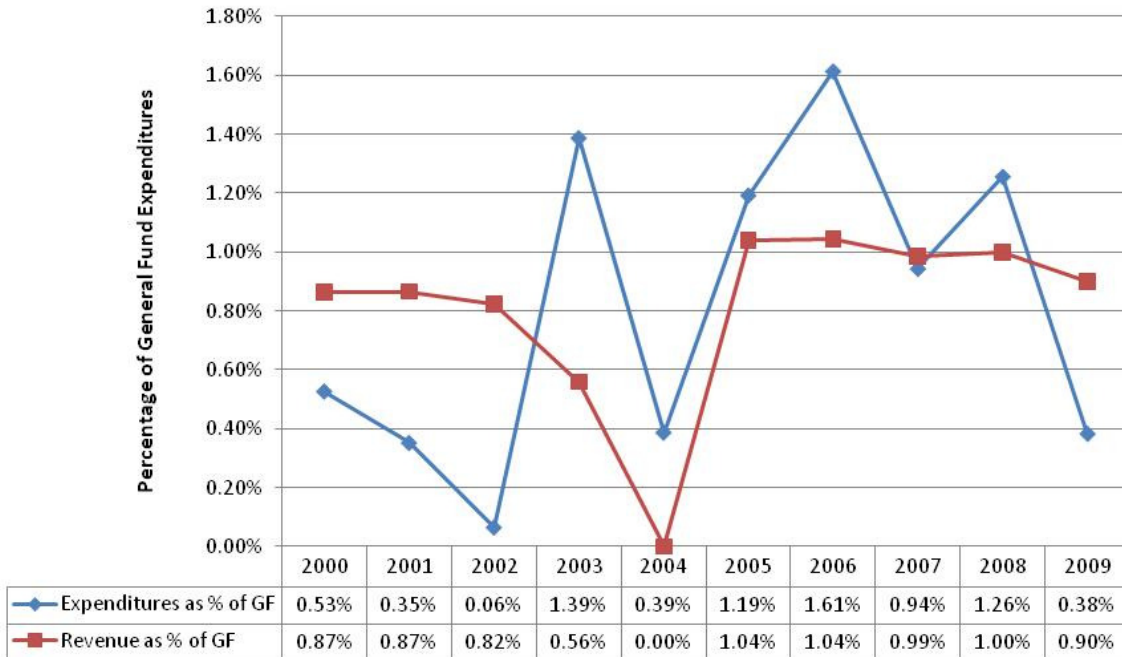


	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State Contribution as % of General Fund	0.42%	0.48%	0.35%	0.08%	0.00%	0.52%	0.52%	0.48%	0.47%	0.37%
District Contribution as % of GF	0.44%	0.38%	0.48%	0.48%	0.00%	0.52%	0.52%	0.50%	0.53%	0.53%
Goal	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

While the District has not received a dollar-for-dollar match from the State over the past ten years, the District at times has expended more than the total amount contributed to the Deferred Maintenance Fund. Expenditures from the Fund have exceeded revenues for five (5) of the ten (10) years reviewed. In four (4) years, District expenditures from the fund exceeded the one-percent amount contributed (Chart 2).

Chart 2: Encinitas Union School District Deferred Maintenance as a % of General Fund

Source: FY00-09 Financial Statements and District-provided Information



Fiscal Impact:

The District has stated it is intending to issue bonds in three phases: FY 2011 (\$13.7 million), FY 2013 (\$13.5 million), and FY 2019 (\$17 million). The cost associated with borrowing is estimated at \$802,000, and will be paid from the bond interest earned. The total anticipated cost of the bond measure, including interest is \$150.35 million. Passage of Proposition O in 1996 extended the tax rate of \$55 per \$100,000 of assessed value. This measure intends to extend the current tax rate to the year 2044. The property tax rate statement submitted to SDCTA indicates the assessment is not expected to exceed \$23.59 per \$100,000 of assessed valuation, which results in no increase above the current rate being paid on the existing bonds.

The program that has been put forward to the Board and eventually to voters relies solely on the funds raised by the bond measure. The District has stated its intent to pursue state and federal grant monies, but has not estimated the amount by which they are eligible to receive. The bond resolution does state, “In the absence of State matching funds, which the District will aggressively pursue to reduce the District’s share of the costs of the projects, the District may not be able to complete some of the projects listed above.” Despite this comment, the District has maintained State matching funds will not be needed to complete the proposed project list.



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

Encinitas Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Program Description	Yes	No	1) District has outlined 5 focus areas: Technology Infrastructure; Instructional Technology; Energy Conservation; Facility Renovations & Upgrades; Learning Center Project Plan
			2) Project list within ballot resolution is not site specific; listed as addendum available at District office
			3) No site acquisition is necessary
			4) Projects are classified in phases
			5) District planning on constructing new Learning Center on District owned property
Program Budget and Funding	Yes	Yes	1) Total budget does include 15% for soft costs and 10% for contingency
			2) Bond program totals \$44.2 million (same amount as bond proposal)
			3) Bond program is not eligible for State matching funds nor are they necessary to complete to program
Cost Estimation and Feasibility	Yes	Yes	1) Cost estimates of the proposed work are provided and broken down by site
			2) Cost estimates for each site is not broken down by hard and soft costs
Program Justification	Yes	Yes	1) The District justifies the need for the measure to modernize classrooms that are in aging facilities
			2) The District passed a bond measure in 1996. Schools that did not receive funding are now older and outdated
Facilities Master Plan	Yes	Yes	1) 2005 Master Plan has been provided
			2) Bond measure expected to complete vision outlined within Master Plan
Facilities Needs Assessment	Yes	Yes	1) Needs Assessment conducted, which identifies major repair and replacement needs of the District
Program Execution Plan	Yes	Yes	1) Program is expected to be completed within 3 phases, with the last phase completed in 2021
			2) District will use in-house staff to manage program
			3) District plans to issue bonds in three series, FY 2011 (\$13.7M), FY 2013 (\$13.5M), and FY 2019 (\$17M)
			5) Project schedule has been provided
			6) Cash flow schedule has been provided



Encinitas Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Deferred Maintenance and Major Repair and Replacement Plan	Yes	No	1) Unclear if District has funds available to maintain buildings once completed
			2) District in the process of measuring backlog of deferred maintenance
			3) Unclear what amount of bond will be used to address deferred maintenance backlog
Complete Ballot and Resolution Language	Yes	Yes	1) Ballot language and resolution has been approved by the Board and submitted to SDCTA
			2) Ballot language does not outline project list by site, but rather an addendum available at District offices
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) District has adopted SDCTA ICOC best practices
Limited Use of District's "Education" Funds	Yes	Yes	1) SDCTA staff has reviewed ballot measure references in District materials and has not found a violation in regard to SDCTA's Standards for Publicly Funded Advocacy For or Against Ballot Measures
Joint Use of Facilities	Yes	Yes	1) District has included SDCTA language pertaining to joint use within ballot resolution
			2) Only Learning Center has potential for new joint use opportunities
Opposition to Special Elections			
Follow-Up Bond Requirement	N/A	N/A	1) District completed a bond program passed by voters in 1996