

SDCTA SCHOOL BOND EVALUATION CRITERIA

Updated February 2020

I. STATEMENT OF PURPOSE This document provides school districts soliciting the endorsement of the San Diego County Taxpayers Association (“SDCTA” or “the Association”) for a general obligation bond proposition with guidance as to how to prepare their request, as well as the criteria the Association will use to formulate a decision.

II. STATEMENT OF POLICY It is the policy of SDCTA to thoroughly evaluate capital outlay bond measures placed on the ballot in San Diego County. The Association has provided voters with informed, objective recommendations on ballot issues since 1945. Because voters place heavy reliance on the Association's recommendations, endorsements are made only after a thorough in-depth assessment of each ballot proposition. Consideration of a request for endorsement in no way implies that SDCTA will endorse the measure and may, after consideration, lead to opposition of the measure. Since detailed information is critical to SDCTA and the public, failure to provide requested information may lead to a recommendation of opposition.

III. INTENT It is the intent of SDCTA to ensure school districts provide clear evidence of genuine need for bond measure expenditures and demonstrate that the proposed investments required cannot be addressed with existing revenues and grants. Upon passage of the measure, SDCTA will monitor the progress of each program through its representatives on the Independent Citizens’ Oversight Committees (ICOC). Though these support criteria are intended to evaluate school facilities bonds, the spirit of these criteria may be applicable to other public entity facility bonds.

IV. APPLICATION PROCESS Time Requirements and Schedule All districts intending to place a measure on the ballot or planning to discuss a potential ballot measure shall notify SDCTA as soon as possible prior to the election date. At that time, the Association will prepare a timeline outlining dates for a staff review conference with the applicant and a presentation by officials to SDCTA. The Association appreciates the efforts that districts, particularly those small districts issuing a bond for the first time, might have in preparing the information the Association needs to make a fair and responsible determination of support. Accordingly, districts proposing to issue a bond should submit the information outlined in this guide at the earliest possible opportunity. In order to support the Association staff analysis of a district’s bond proposal, all information to be considered must be received no less than 180 days prior to the

election date. Association staff will work with district contacts to complete the application if special circumstances make the information unavailable at the 180-day deadline. The assessment that the district has attempted to make a good faith effort to provide the Association with the information needed will be included in the Association's determination of support. Any package submitted 120 days or fewer prior to the election date will not be eligible for an endorsement by SDCTA absent an exception granted by the SDCTA Executive Committee at its sole discretion. If SDCTA staff does not receive a submittal and/or after attempting to work with the district in good faith, a full submittal is not received prior to the 90-day deadline, SDCTA reserves the right to issue a position of Do Not Support.

Submission Applicants proposing to issue a bond should submit the information outlined in this guide at the earliest possible opportunity and consistent with the timeline developed per the preceding section. Materials submitted to the Association should have a cover letter signed by the chair of the district's governing board or the district superintendent.

Primary Applicant Contact Information Applicant shall name one individual as the primary contact.

V. EVALUATIVE CRITERIA In order to ensure an orderly process and full disclosure, SDCTA has established the following evaluative criteria. All the requirements outlined below must be provided, or an explanation given if not provided, before SDCTA will consider endorsement of facilities bond measures. Note that these are the evaluative criteria needed for SDCTA endorsement, however none of these by themselves guarantee approval or disapproval by SDCTA.

A. Program Description A detailed description of all elements of the program shall be identified by their location/site as it will appear on the ballot. General spending categories are insufficient. Each individual project in the program shall be classified as to whether it is for new and/or replacement facilities, modernization of existing facilities, increase of capacity, or code compliance. For the November 2020 election cycle, SDCTA will not support bond programs that include housing elements.

B. Program Budget and Funding A detailed comprehensive budget classifying expenses by soft and hard costs, including all costs associated with borrowing as well as any revenues expected to be generated through interest earnings, shall be provided to SDCTA. The applicant shall identify the amount and source of any anticipated matching funds or additional funding sources necessary to complete the bond program. If the applicant intends to reimburse its operating budget from bond revenues for any permissible program costs, including program management, they

shall be separately identified. The budget shall also identify any bond funds intended to be used for the purposes of site acquisition.

The applicant shall submit expected goals, including a schedule with benchmarks for completion, and the financial instruments that will be used to complete the bond program. A cash-flow analysis including the estimated timeline for the issuance of bonds and the expected annual property tax rates and revenue earnings shall also be included.

C. Cost Estimation and Feasibility The applicant shall demonstrate that the cost of the specific list of projects proposed is substantially equal to the amount of money requested to be borrowed to fulfill program needs. In the event bond funds do not meet stated needs, the applicant must set out a clear plan for how it will pay for those additional projects. This information must be incorporated as part of the resolution calling for the bond election.

The applicant shall provide evidence that accurate and reliable cost estimations of projects have been obtained from a qualified, independent source. The applicant should consider directing the source to provide this evidence on their behalf. Where a third-party cost estimator is not

appropriate, districts shall provide reasonable cost estimates, as well as justification for why an independent estimator was not used. Assumptions about anticipated cost increases and funds required for contingencies and unforeseeable circumstances shall be included. The Board or its designee must state that it has been briefed by its legal counsel on the potential legal exposure of the bond program.

D. Program Justification The applicant shall thoroughly define the public benefit of the bond measure and how these benefits cannot be provided by other means. Included in the program justification should be a demand forecast reflecting the agencies enrollment projections for the next decade.

For districts undergoing new construction through the bond program, a copy of the applicant's current facilities master plan shall be included in the application. If an updated master plan is not available, the applicant shall explain how the proposed bond funded program fits into the overall operation of the district. SDCTA encourages districts to adopt long-range financial goals to address all facility needs.

SDCTA further encourages school districts to conduct a comprehensive needs assessment prior to the creation of a bond and its project list. Each applicant shall demonstrate that a sufficient forensic assessment of current facility conditions has

been conducted by qualified individuals to ensure that projects can be completed without major unexpected costs. The applicant shall provide SDCTA with a copy of the most recent facilities needs assessment report.

E. Program Execution Plan SDCTA is interested in timely and efficient program execution and management. Understanding that circumstances will change over the life of the bond program, we still would like a program execution plan provided for our review. The applicant needs to state that either they have qualified in-house resources to manage the bond program or that they will utilize outside resources to augment staff capacity. The program shall minimize the use of project site discretionary funds. SDCTA expects any substantial changes in use of bond funds after passage of the measure be first reviewed by the CBOC and approved by the Governing Board. SDCTA reserves the right to withdraw continued support of the program.

F. Fair and Open Competition The applicant shall adopt within its ballot resolution and/or board policy a provision stating the District will promote fair and open competition for all District construction projects. The resolution and/or board policy will include language that taxpayers be informed by public notice before a resolution to negotiate a project labor agreement (PLA) is considered. It shall be communicated to taxpayers prior to board vote with a minimum of 90 day public notice. It is recommended a workshop be conducted prior to any negotiation resolution to determine reasonableness. (See Appendix A for sample language and types of public notice acceptable).

The Association believes that fair and open competition between prospective vendors for public contracts, regardless of whether or not union or non-union labor is used, provides the best value for the public. Accordingly, the proposed ballot language shall clearly state whether or not a PLA is envisioned or required for any portion of the expected bond expenditures. The specific organizations included in an existing PLA intended to be used for project expenditures shall be

listed. Further, if no PLA is in force at the time of the ballot measure, the district shall commit to communicating to the public any subsequent intention of entering into a PLA. If there is a PLA, the District shall agree to cooperate with the Bond Oversight Committee to analyze the cost impact of the PLA on bond projects.

G. Bond Financing & Technology Applicant shall adopt via board policy the provisions included within Education Code section 15140-15150, and Government Code sections 53508.5 and 53508.6 concerning the use of Capital Appreciation Bonds. In addition, the board shall also include within the policy the following

language:

“The District will not authorize the sale of any form of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds without review by the District’s citizens’ bond oversight committee. All annual assessed value growth assumptions within any proposed financing will be the lesser of a) the average of the past twenty years or b) 5%.”

The applicant shall list within their submission all classroom technology items (e.g. tablets, laptops, smartboards) proposed to be funded and the funding mechanisms intended to be used to finance the equipment. The applicant shall list the expected useful life of each technology item proposed to be financed. The term of financing shall meet the useful life of the assets proposed to be funded by the bonds.

H. Deferred Maintenance and Major Repair and Replacement Plan The applicant shall submit a governing board approved funding plan to minimize Deferred Maintenance* and the ongoing reliance on bond revenues; and an approved Major Repair & Replacement** funding plan to ensure that both new and renovated facilities do not become maintenance deferred once the backlog has been eliminated. Within the submitted plan, the applicant shall include the deferred maintenance funding, including the amount of state matching funds received, for the previous 10 fiscal years. The applicant shall also include a current list of those projects and their respective costs within the district’s deferred maintenance backlog. The Independent Citizens Oversight Committee shall oversee this plan as part of its responsibilities.

I. Financial Status The applicant will provide a list of all outstanding public and private debt issuances. The applicant shall describe its procedures for disclosing bond-related information, and make available any material provided as part of an ongoing bond disclosure program for outstanding bond issuances.

J. Selection of Bond Agency The district shall describe the process used to select the financial advisor, bond counsel, disclosure council, underwriters, and trustee for each bond issuance, as well as information about the means by which these professionals will be compensated. The district shall provide a justification for the proposed method of sale for the debt issuance (competitive sale, negotiated sale, or private offering).

K. Joint Use of Facilities

The following language should be adopted and incorporated into the resolution

calling for the bond election:

In order to maximize community benefit and efficiently apply taxpayer dollars, the applicant shall demonstrate a good faith effort to pursue all practical opportunities to expand community joint use facilities in every new or expanded construction project. In pursuing joint use, the applicant's goal should be to maximize the use of facilities to the broader community without adversely impacting operations or finances. Examples of appropriate joint use provisions for incorporation into construction plans include but are not limited to new and expanded library facilities, recreational/physical-education facilities, computer labs, meeting rooms, and childcare and health care facilities.

L. Complete Ballot and Resolution Language Applicant shall include a copy of the proposed ballot language and supporting resolution. Ballot language shall provide voters with a summary of the details provided in Item A, including a list of planned projects by site and/or campus, classified in the previously mentioned manner. Should ballot language change from the submitted copy, SDCTA shall be notified a minimum of 90 days prior to election. SDCTA reserves the right to change its position if such changes occur with or without notification.

M. Bidding Process The District will adopt a "No Pay to Play" policy that includes the following elements:

1. If any Person contributed \$1000 or more to any campaign for a district candidate, candidate(s) or bond program, AND if a Person bid on a project, that Person's name and amount will be listed publicly in a way that is accessible through the staff report or docket, for any governing board item to award a Bond Funded Contract to that Person. A District has the option to list all donors of \$1,000 or more. 2. If any Person contributed to any foundation organized to advance the educational goals of that school or community college, AND if that foundation made any financial contribution to any district bond campaign within the last four years, this information must be disclosed publicly in the same manner as listed above. 3. For the purposes of this Policy, the following definitions will apply:

a. "Person" means any individual, sole proprietor, partnership, corporation, trade association, union, council of unions, or any registered political committee administered by any such Person. b. "Bond Funded Contract" means any contract for construction, maintenance, equipment, labor, engineering, architecture, program or project management, legal or financial services, or any other similar expense, that is paid from bond proceeds. 4. School Districts and Community College Districts will require elected board members (at least once

every two years) to complete the two-hour ethics training described in California Government Code sections 53234-53235.2.

N. Provision for an “Independent Citizens’ Oversight Committee” Applicant shall adopt SDCTA’s “Independent Citizens’ Oversight Committee Best Practices” as policy (not via a resolution) no later than the date of adoption of the ballot resolution. Please note that our Best Practices may go above and beyond state law.

Applicant shall appoint at least one member of SDCTA to serve on the Independent Citizen’s Oversight Committee. This member will be nominated by SDCTA’s President & CEO.

If the applicant is requesting a new ballot measure when a current bond program is incomplete, the SDCTA Representative on the Independent Citizens’ Oversight Committee shall submit a report on the effectiveness of the applicant’s current bond program and oversight process. SDCTA encourages active independent oversight conducted in a transparent process and consistent with state law. Material forwarded will be reviewed along with historical San Diego Taxpayers Educational Foundation School Bond Transparency Scorecards. The School Bond Transparency Scorecard would serve as a primary basis for judging the effectiveness of citizen’s bond oversight by a school district and compliance with State Law regarding such oversight. (See Appendix B for a more detailed description the Bond Transparency Scorecard review process and factors to be considered reviewing bond oversight effectiveness.)

O. Adoption of SDCTA School Construction and Professional Services Procurement Best Practices (If Applicable) School district applicants shall adopt SDCTA’s “School Construction and Professional Services Procurement Best Practices” as policy (not via a resolution) no later than the date of adoption of the ballot resolution.

P. Education of Governing Board Members and Oversight Committee Members Elected members of the district and the district’s staff are strongly recommended to attend SDCTA’s “Envisioning and Managing Legitimate and Effective Public School Bonds” educational course prior to the election of the bond measure. Oversight committee members are also strongly recommended to attend the course or a similar training program to best prepare key community members for the bond program within twelve (12) months after passage.

VI. OPPOSITION TO SPECIAL ELECTIONS Except in very extraordinary circumstances, SDCTA opposes special elections due to the added cost to taxpayers.

VII. BALLOT AND OTHER CONSIDERATIONS Fund Purposes Other than for support of the Independent Citizen’s Oversight Committee, bond funds shall be dedicated to capital infrastructure and shall not be used for administrative purposes other than costs that are directly attributed to execution of the program. This includes any temporary transfer of funds related to the bond program to the general fund for administrative purposes.

Signing Favorable Ballot Argument and Use of Endorsement SDCTA, at the request of the applicant, may elect to sign the printed ballot argument in favor of the proposition but only subject to editorial review of its final content. The bond campaign shall provide SDCTA with copies of all campaign materials in which its endorsement is noted. Endorsement or quotes provided by SDCTA officials for campaign literature may only be used for that specific election and not for any future elections.

VIII. FOLLOW ON BOND ELECTION (where applicable)

In the event of an election for a second bond-funded program to complete or continue a facilities plan that began under a prior bond approved election within the last ten years, the following additional information shall be required:

- A detailed analysis of the completed projects of the first bond funded program compared to the projects listed on that ballot. Significant variances between what was proposed and what was accomplished must be explained. In addition, any corrective measures that have been taken shall be identified.
- A final financial summary comparing budget to actual expenditures, including change orders and soft costs as a percent of total project costs.
- Performance evaluation of program management as well as assessment of results.
- Evidence of the success of the oversight committee in fulfilling its responsibilities accompanied by copies of its annual reports.
- Documented progress in the elimination of deferred maintenance accompanied by an updated funding plan and evidence of the establishment of a life cycle maintenance plan for all new and rehabilitated facilities.
- Evidence that best efforts were made to exploit opportunities for joint use of facilities.

* *“Deferred” Maintenance item: The cost of repairing and replacing major maintenance projects grows significantly if major maintenance schedules are not met (deferred). The applicant should be able to quantify its deferred maintenance backlog.*

General Maintenance items (broken windows, plumbing repairs, etc.) are not covered by SDCTA Criteria.

***Major Maintenance items are capital in nature and would include replacing roofs, boilers, interior ceilings, re-paving parking lots, etc. These projects can be scheduled over a multi-year period.*

If the replacement and maintenance schedule of these major items are not met, then they become deferred maintenance items.

APPENDIX A

SAMPLE FAIR AND OPEN COMPETITION LANGUAGE

The District and/or Public Entity will promote fair and open competition for all District and/or Public Entity construction projects so that all contractors and workers, whether union or non-union, are treated equally in the bidding and awarding of District and/or Public Entity construction contracts

The District, prior to any discussion and/or vote of a resolution to negotiate a project labor agreement, shall inform district taxpayers 90 days in advance, via public notice, of any board discussion and/or vote.

ACCEPTABLE FORMS OF PUBLIC NOTICE

- School district newsletter
- School district website home page
- Post on social media sites ie. Facebook, Twitter
- School board public email distribution list
 - If on agenda, agenda item needs to be communicated within body of email to distribution list

APPENDIX B

EFFECTIVENESS OF CITIZEN'S BOND OVERSIGHT

SDCTA considers the Bond Transparency Scorecard to be an important tool to judge the effectiveness of citizen's oversight. Beginning in calendar 2017:

- Prior to or upon the passage of their bond, Districts will be provided a copy of the criteria that SDCTA will use to evaluate school bond program transparency.
- Prior to the publishing of the Final School Bond Transparency Scorecard, School

Districts should receive a Draft Report so they may dispute the findings or begin to correct any deficiencies.

- If deficiencies can not be corrected prior to the publication of the Final Scorecard Report, Districts should be given an opportunity to comment and provide information to SDCTA on how such deficiencies will be made before the next year's Scorecard. These comments will be added to the publicized report.

APPENDIX C

BEST PRACTICES FOR JOINT USE OF FACILITIES

SDCTA values maximizing community benefit and efficiently applying taxpayer dollars through school district bond programs. As such, the elected district board should direct staff to implement the following procedure:

- Prior to the obligation of funds for new facilities expansion or construction, a joint use implementation certification shall be presented to the Independent Citizens' Oversight Committee and approved by the elected board.
- The joint use implementation certification shall include the following minimum information:
 - Project description
 - List and description of joint use elements that could potentially be incorporated into the project
 - List of agencies and organizations contacted regarding potential joint use elements, including description of how agencies and organizations were contacted
 - For each agency or organization contacted:
 - Joint use Development Criteria discussed or developed for the project
 - Equity of Contribution considerations discussed or developed for the project

In addition, it should be made the intention of the elected board to make official, policy level contacts with overlapping public jurisdictions in order to make joint-use and the efficient application of taxpayer dollars a priority of all agencies serving within their boundaries. Agencies contacted should include, but not be limited to: adjacent cities, County of San Diego, Community College Districts, and Transit agencies.