



LA MESA SPRING VALLEY SCHOOL DISTRICT \$148 MILLION BOND MEASURE

November 2020

SDCTA Position:

SUPPORT

Rationale for Position:

The La Mesa/Spring Valley School Bond met key components of the SDCTA School Bond Criteria. School site projects were listed individually with appropriate cost estimates per site. Projects were primarily updating and refurbishment of current facilities and no new facilities were included, which coincides with enrollment projections, which for the most part will remain stable.

Title: Measure X

Jurisdiction: La Mesa Spring Valley School District

Type: Proposition 39 Bond Issue

Vote: 55% Supermajority

Status: On the November 2020 General Election Ballot

Issue: \$148 Million Bond Measure

Description: The issuance of \$148 million of Proposition 39 General Obligation Bonds with an increase in property taxes by \$30 per \$100,000 of assessed value to fund school modernization and renovation projects.

Fiscal Impact: The total cost of the bond, including principal and interest, is estimated at million. The District is proposing to raise the tax rate by an estimated \$? per \$100,000 of assessed valuation.

Background

The La Mesa/Spring Valley School District covers 26 square miles and serves 12,061 pupils (not including preschool) with sixteen elementary schools (grades K-6), one middle school (grades 7-8), one literacy academy (grades K-4), and three specialty academies (grades 4-8).

The District employs just over 2,000 people with an annual general fund budget of approximately \$138 million.

With 21 school sites and two support facilities, which include 695 classrooms and over one million square feet, the District is one of the largest property owners in its area. Over 86 percent of its schools are 50 years or older: the average age of school buildings is 59 years, with seven schools built more than 65 years ago; eleven schools built between 50-65 years ago; and three schools built less than 49 years ago.



Review of SDCTA Bond Support Criteria

Program Description

La Mesa Spring Valley School District (LMSVSD) conducted a facility needs assessment by staff in the spring of 2019 with the assistance of architects from Harley Ellis Devereaux (HED), which then became the basis of the District's Facilities Master Plan (FMP). The FMP will serve as a roadmap to identify projects, their cost, and phasing that the District will use to modernize and improve its facilities. While currently in draft form, the FMP is expected to be finalized and approved by the Board of Education in June 2020.

Please refer to the Facilities Master Plan (Attachment 1), which was previously provided, for a detailed description of all elements of the program by location.

Program Budget and Funding

The estimated costs associated with each series of bonds issued from a \$148 million bond authorization is as follows:

La Mesa-Spring Valley Elementary School District (San Diego County, CA)
Costs of Issuance - Election of 2020 - Estimated per Bond Issuance

Firm	Service	Fee Estimate
1. Dannis Woliver Kelley	Bond & Disclosure Counsel	\$65,000.00
2. U.S. Bank, N.A	COI Agent	\$500.00
3. San Diego County	Paying Agent	\$500.00
4. Isom Advisors	Financial Advisor Fee & Expenses	\$67,500.00
5. Standard & Poor's	Rating Agency	\$32,500.00
6. Avia Communications	Printer	\$2,000.00
7.	Contingency	\$2,000.00
Total COI		\$170,000.00

The current financing plan for a \$148 million bond results in a repayment ratio of total debt service to principal of 2:1, well below the statutory 4:1 ratio.

Cost Estimation and Feasibility

A summary of projected costs for each identified project was developed on a cost per square foot basis, unit/lump sum cost basis. This method of estimation is intended to provide a guide for project budget parameters. It is not a detailed estimation of project costs, as projects have only been identified in broad scope. Estimated costs included hard construction costs, contingency, hazardous materials allowance and soft costs for permitting and fees. Determination of phasing of projects will assist in the assignment of the appropriate escalation costing to each project budget.

The Board of Education will make the final determination of the amount of the bond at its June 30, 2020 meeting. The District anticipates the bond amount will be \$148 million, which is less than the total project costs identified in the FMP. The project costs identified for work in the bond program equal approximately \$172,095,737.



The LFRMP has been compiled and quantified in 2020 dollars and totals \$982,170,560dollars in the following categories:

- Infrastructure
- Modernization
- Major modernization
- Demolition
- New construction
- Interim housing
- Site & ADA

This cost summary does not include escalation, program management, overhead (including legal fees), risk mitigation and other program level expenses. The overall needs are summarized in the table below.

ELEMENTARY SCHOOLS	2020 BOND	TOTAL NEED
AVONDALE ELEMENTARY SCHOOL	\$ 5,953,388	\$ 29,357,966
BANCROFT ELEMENTARY SCHOOL	\$ 6,134,562	\$ 28,515,204
CASA DE ORO ELEMENTARY SCHOOL	\$ 11,679,000	\$ 33,260,315
FLETCHER HILLS ELEMENTARY SCHOOL	\$ 8,161,257	\$ 47,338,288
HIGHLANDS ELEMENTARY SCHOOL	\$ 5,895,000	\$ 36,222,101
KEMPTON STREET LITERACY ACADEMY	\$ 5,466,600	\$ 43,897,322
LA MESA DALE ELEMENTARY	\$ 9,419,694	\$ 35,268,191
LA PRESA ELEMENTARY SCHOOL	\$ 7,120,200	\$ 37,404,079
LEMON AVENUE ELEMENTARY SCHOOL	\$ 6,798,000	\$ 34,988,567
LOMA ELEMENTARY SCHOOL	\$ 8,991,240	\$ 48,192,548
MARYLAND AVENUE ELEMENTARY SCHOOL	\$ 10,287,000	\$ 37,399,631
MURDOCK ELEMENTARY SCHOOL	\$ 6,035,634	\$ 41,298,365
MURRAY MANOR ELEMENTARY SCHOOL	\$ 7,734,000	\$ 44,522,221
NORTHMONT ELEMENTARY SCHOOL	\$ 8,536,800	\$ 35,650,810
RANCHO ELEMENTARY SCHOOL	\$ 2,937,000	\$ 21,371,404
ROLANDO ELEMENTARY SCHOOL	\$ 9,966,000	\$ 46,831,181
SWEETWATER SPRING ELEMENTARY SCHOOL	\$ 8,706,000	\$ 25,711,298
SUBTOTAL	\$ 129,821,375	\$ 627,229,489

MIDDLE SCHOOLS	2020 BOND	TOTAL NEED
LA MESA ARTS ACADEMY	\$ 6,600,000	\$ 71,169,935
STEAM @ LA PRESA MIDDLE SCHOOL	\$ 9,357,600	\$ 61,992,853
PARKWAY MIDDLE SCHOOL	\$ 14,746,314	\$ 70,849,868
	\$ 8,140,248	\$ 65,399,610
SUBTOTAL	\$ 38,844,162	\$ 269,412,265



DISTRICT FACILITIES

OPERATIONS CENTER	\$	639,600	\$	70,648,956
EDUCATIONAL SERVICES CENTER	\$	2,790,600	\$	14,879,850
		SUBTOTAL	\$	3,430,200
		TOTAL	\$	172,095,737
				\$ 85,528,806
				\$ 982,170,560

Independent Cost Estimate

An independent cost estimate was completed by HED as part of the Facilities Master Plan.

Legal Exposure of a Bond Program

The Board of Education will be briefed on June 30, 2020, by the District’s bond counsel on the potential legal exposure of a bond program. The Board of Education will be made aware of the risks associated with a future bond program

Program Justification

With an interest in pursuing a bond measure in 2020 to improve school district facilities, the La Mesa-Spring Valley School District (LMSVSD) Board of Education approved a plan to develop a Long Range Facilities Master Plan (LRFMP) as an essential planning tool to be used to document facilities conditions, identify and categorize projects, and to provide estimates for capital improvements. The scope of the study is to focus on capturing the needs associated with modernization of critical infrastructure required for the preservation of capital assets.

The 2020 LRFMP adopted by the District serves as the District’s roadmap for implementing the facilities vision of the LMSVSD and the needs of its distinct community. The 2020 plan aligned the instructional goals with facility planning efforts, coordinating educational visioning with the program scope, bonding capacity, and phasing. The LRFMP will also include Material Standards and Educational Specifications.

Prior to the 2020 LRFMP, the LMSVSD passed Proposition M: Neighborhood School Repair in 2002 for a general obligation bond amount of \$44,000,000. The primary focus of Proposition M was to enhance student safety by installing fire safety, energy, and emergency communications systems; upgrading electrical wiring, heating, ventilation, lighting, sewer, and plumbing systems; constructing, acquiring, renovating, and equipping classrooms, computer labs, libraries, and facilities; repairing roofing; and qualifying for State matching funds. Ultimately, Proposition M did not have the capacity to conduct all upgrades at each campus as the facility needs were far greater than the available funding could support.

In 2016, the LMSVSD qualified for Proposition 39 and captured \$2,500,000 in funding, with an additional estimated \$800,000 in SDG&E energy efficiency rebates. The goal was to save energy and overall operating costs. The scope of this work included new LED light fixture retrofits, HVAC controls, and electrical infrastructure components.



2020 Long Range Facilities Master Plan Methodology

The objective of this 2020 LRFMP is as follows:

- To document the facility needs at each campus, including:
 - Site safety
 - ADA access of each site
 - Infrastructure
 - Modernization of classrooms
 - Removal of portables and replacing with new buildings
 - General site conditions
- To identify the needs of the District Educational Center and Operations Center
- To conduct a demographics study and capacity analysis
- To match the phasing plan to correspond with current cashflow assumptions

Site Assessments

The architecture team was tasked with conducting on-site investigations at each campus, along with preparing recommendations of findings. A meeting was set up at each campus with key stakeholders to record and understand facility needs and curricular requirements. Each meeting began with an overview of goals and objectives for the meeting. Data was captured and information was solicited by reviewing and having dialogue over a prescribed set of questions related to school facilities conditions, curricular needs, and pedagogical priorities. The architect team then conducted a physical site tour to assess and record the site and building conditions. All of this information is collected and reported in the LRFMP and will serve as a foundation for future updates.

There is no regular and automatic source of funding from the state that directly supports school facilities. Without the availability of proceeds from a school bond, our District will not be able to address the needs we have identified in our FMP.

Program Execution Plan

The Assistant Superintendent of Business Services; Director of Fiscal Services; Director of Business Services; and Director of Maintenance, Operations, and Facilities are experienced with budget development and oversight. The Assistant Superintendent of Business Services and Director of Business Services are also experienced with consultant procurement requirements and contract administration. District staff will oversee key bond program consultants with subject matter expertise. Additionally, the District will form a standing Capital Bond Program Committee comprised of the District's Superintendent; Assistant Superintendent of Business Services; Director of Maintenance, Operations, and Facilities; Director of Business Services; and two Board Members to ensure communication with and oversight of the District's key bond program consultants. Capital Bond Program Committee meetings will be in addition to bond program updates provided at board meetings, and Citizens' Bond Oversight Committee meetings.



The District will competitively procure a qualified Program Management Firm (Program Manager) to provide technical expertise in managing a multi-year capital facilities bond program. Services may include, and are not limited to: bond program accounting services, program and project budget development, construction estimates, program planning and scheduling, and administrative support. The Program Manager’s final staffing plan and scope of services will be confirmed after evaluating proposals and pricing to determine the best value for the District. The Program Manager will provide services as an independent consultant with a limited contract duration, which will be more cost effective than hiring one or more individuals as District employees. Utilizing a Program Manager to ensure a well-planned and within-budget bond program will not in any way limit or impair the Board’s authority regarding the bond program. The Program Manager will report to the Superintendent (or designee) and will be required to provide timely updates to the District’s standing Capital Bond Program Committee, the Board, and the CBOC. While the Program Manager may make recommendations based on their expertise, decisions will rest with the District.

Although not strictly part of program-level management, the District also intends to competitively procure other qualified and experienced consultants to provide services on specific bond program projects, such as construction manager(s), architect(s), and project inspector(s) (also referred to as Inspectors of Records or “IORs”). Whether the District contracts with a single firm (e.g., Master Architect) or multiple firms (e.g., site-specific or project-specific architects) will depend on conditions at the time, such as pricing and staffing availability.

Should any substantial changes in the use of bond funds occur after the passage of the bond, the District will review with the Citizens’ Bond Oversight Committee and the Board. The Board currently has, and will continue to have, the ultimate authority to make changes. No substantial changes can occur without the Board’s approval.

Fair and Open Competition

Board Policy Language Regarding Fair and Open Competition

The District updated its Board Policy 3311 Bids ([Exhibit 5](#)) with the latest updates as suggested by the California School Boards Association (CSBA). Additionally, the Board is scheduled to adopt, by no later than June 30, 2020, a “Bond Accountability Resolution,” which includes the language below. In addition, within sixty (60) days of certifying a successful election, this language will be adopted into a formal Board Policy, substantially in the form presented with the Bond Accountability Resolution:

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

Project Labor Agreements (PLAs)

The District does not have any current PLAs and does not have any plans to enter one. The District is prepared to communicate with the public any subsequent intention of entering into a



PLA and to cooperate with the bond oversight committee to analyze the cost impact of the PLA on bond projects. To that end, the following language will be included in the resolution calling for a bond election:

“Use of a Project Labor Agreement is not currently envisioned, but should the District decide to negotiate a Project Labor Agreement, it will provide advance notice to the public, consistent with Board policy or bylaws.”

In addition, the following language will be contained within the Bond Accountability Resolution, which would be enacted into Board Policy in the event of a successful election:

“The District will promote fair and open competition for all capital projects funded with bond proceeds, consistent with procurement laws, policies and public works construction laws. As stated in the ballot measure resolution, the District does not intend to enter into a Project Labor Agreement for the construction of bond-funded projects. In the event that the Board wishes to consider the use of a Project Labor Agreement for the construction of bond projects, the Board shall inform the public at least 90 days in advance of any such decision. Notice shall be given via website, publication, social media, District email, or other similar methods of public notice.”

Bond Financing and Technology

The District has updated its Board Policies to reflect the latest suggested changes by the California School Boards Association (CSBA) regarding debt. The policies are *Board Policy 3470 Debt Issuance and Management (Exhibit 6)* and *Board Policy 7214 General Obligation Bonds (Exhibit 7)*. Collectively, these policies comprehensively address all aspects of the use of general obligation bonds to finance school improvements which are contained within Education Code sections 15100, 15101, 15122.5, 15124, 15140, 15146, 15266, 15274, 15278, 15280, 15286,

15577 and Government Code sections 53508.6, 53508.9 and 8855. Annual assessed value growth assumptions for any proposed financing will be the lesser of (i) the average of the past twenty years or (ii) 5%.

In addition, the Bond Accountability Resolution shall include the following language regarding the use of bonds other than current interest bonds, which will be enacted into formal Board policy after a successful election:

“The District will not authorize the sale of any form of Capital Appreciation Bonds or Convertible Capital Appreciation Bonds without review by the Citizens’ Bond Oversight Committee and all other legal and notice procedures required by law.”

Technology

When technology is addressed within the FMP, the term “technology” does not denote classroom or staff devices such as Chromebooks, computers, and iPads, but instead the infrastructure and systems required to support the use of such devices. In general, all bond maturities would be matched to the life span of what they are funding; however, no bond funding will be used for technology devices, such as Chromebooks, iPads or computers.

Deferred Maintenance and Major Repair and Replacement Plan

The District currently allocates a minimum of 3% of its general fund operating expenses to fund the maintenance and repair of school facilities. The budget is approved annually by the Board of Education.

Financial Status

Public and Private Debt Issuances

Please see [Exhibit 8](#) for a list of all outstanding public and private debt issuances.

Bond-Related Information Disclosure Procedures

Information related to the outstanding debt of the District is disclosed to the public, including community members, investors, credit rating agencies, and others, through Annual Continuing Disclosure reports posted by the Disclosure Compliance Officer to the Electronic Municipal Market Access (EMMA) system of the Municipal Securities Rulemaking Board (MSRB). To assist the District in submitting to EMMA all appropriate Annual Continuing Disclosure filings, the District retains the services of Piper Sandler & Company for all past outstanding debt and Isom Advisors, a Division of Urban Futures, Inc. for GO Bond outstanding debt as its Dissemination Agents.

Finally, *Board Policy 3470 Debt Issuance and Management* ([Exhibit 6](#)) further sets forth for the public additional District procedures, including extensive continuing disclosure procedures, which contribute to our goal of promptly disclosing to the public any and all relevant bond-related information.

Selection of Bond Agency

Process to Select Bond-Related Service Providers

The members of the District's finance team for this potential 2020 General Obligation bond measure were selected through an interview process, either recently or in the past. Some members of the District finance team have had a long relationship with District staff due to a track record of outstanding performance. Should a future General Obligation bond measure be successful, and bonds sold by negotiated sale, bond underwriting firms will be chosen on an issuance-by-issuance basis based on a competitive selection process.

Compensation for Bond-Related Service Providers

Payment to members of the District's finance team who provide assistance in election planning or public opinion polling is from the District's General Fund or other unrestricted funds. Payment to bond professionals, such as bond counsel and financial advisor, who participate in the issuance of bonds, after a successful election, will be from the proceeds of the bonds themselves as costs of issuance. Payment to architects, contractors, and vendors who provide assistance in the design and construction of individual bond projects will also be from the proceeds of the bonds themselves as part of the capital cost of construction.

Justification for Proposed Method of Sale

On each individual issuance of bonds, the District and its finance team will follow *Board Policy 3470 Debt Issuance and Management* ([Exhibit 6](#)) and make a case-by-case decision as to which method of sale (Competitive Sale or Negotiated Sale) will result in the lowest Net Interest Cost on the bonds and be in the best interest of local taxpayers. In making such decisions, current market conditions will be evaluated and analyzed. The District will comply in all respects with Education Code Section 15146 that states that before any bond issuance can occur, the Board of



Education at a public meeting shall expressly approve the method of sale and state the reasons for the method selected.

Joint Use of Facilities

The La Mesa-Spring Valley School District is committed to the joint use of its facilities for the good of the public. Joint Use is addressed in *Board Policy* and *Administrative Regulations 1330 Use of School Facilities* ([Exhibit 9](#)) and *Board Policy 1330.1 Joint Use Agreements* ([Exhibit 10](#)). The District has current joint use agreements with the City of La Mesa and the County of San Diego. The following language will be included in the ballot measure resolution:

“In order to maximize community benefit and efficiently apply taxpayer dollars, the District will make a good faith effort to pursue practical opportunities to expand community joint use facilities in every new construction project. In pursuing joint use, the District’s goal is to maximize the use of facilities by the broader community without adversely impacting the District’s operations or finances.”

Ballot Language

The ballot resolution and all related ballot measure materials will be considered by the Board of Education at its June 30, 2020 meeting. The District will provide copies of all adopted materials to SDCTA if/when the Board of Education approves them.

Bidding Process

The District has reviewed SDCTA’s policy requirements that are designed to ensure that the public is aware when vendors that have supported measure and candidate campaigns are receiving bond-funded contracts. The District is prepared to comply with this criterion. The Bond Accountability Resolution, scheduled for adoption on June 30, 2020, will state as follows:

“The District and Board will follow a “No Pay to Play” policy regarding bond-funded contracts that are procured and let after a successful bond measure, which means that any person or organization that directly or indirectly contributed \$1,000 or more to any District candidate or measure campaign (including a bond measure campaign) or to a foundation that, within the prior 4 years has made a contribution to a District bond measure campaign, shall be identified publicly as part of the Board’s consideration of such person’s bond-funded contract.”

Education of Governing Board Members and Oversight Committee Members

Board of Education Ethics Training



The District will make available to the Board the ethics training per Government Code sections 53234-53235.2. As the Code is written, however, it does not apply to School Boards. Please see Section P, below, for additional information on training programs that will be made available to Board members and others.

The District has reviewed SDCTA's *Independent Citizens' Bond Oversight Committee Best Practices*, and is prepared to work within the framework presented by those best practices.

In its Bond Accountability Resolution, scheduled for adoption on June 30, 2020, the District will agree to accept those best practices as part of its bond program, and will also adopt those best practices into a stand-alone board policy or amend an existing board policy to conform its practices to the SDCTA Best Practices. The Bond Accountability Resolution will state:

"Citizens' Bond Oversight Committee

1) As required by law, the Board will appoint a Citizens' Bond Oversight Committee. San Diego County Taxpayers Association (SDCTA) shall be entitled to select a member of SDCTA to serve on the Citizens' Bond Oversight Committee, assuming such appointee is available and is willing and able to meet the District's residency and participation requirements, if any, for membership on the Citizens' Bond Oversight Committee.

2) The Citizens' Bond Oversight Committee shall meet all requirements of Education Code section 15278-15282 with regard to its membership, duties, activities and responsibilities to the public, and no employee, official, vendor, contractor or consultant of the District shall be appointed to the Citizens' Bond Oversight Committee.

3) The Board hereby adopts the Independent Citizens' Bond Oversight Committee Best Practices of the SDCTA, as the same may be amended over time to reflect changes in the law. Upon passage of a bond measure, the Board shall adopt a specific policy or set of bylaws consistent with this resolution to govern the District's relationship with the Citizens' Bond Oversight Committee, which shall include the aforementioned best practices."

Adoption of SDCTA School Construction and Professional Services Procurement Best Practices



The District has reviewed SDCTA’s *School Construction and Professional Services Procurement Best Practices*, and is prepared to work within the framework presented by those best practices. In its Bond Accountability Resolution, scheduled for adoption on June 30, 2020, the District will agree to substantially comply with those best practices as part of its bond program, and will also adopt those best practices into a stand-alone board policy or amend an existing board policy to conform its practices to the SDCTA Best Practices. The Bond Accountability Resolution will state:

“The Board will hereby substantially comply with the San Diego County Taxpayers Association’s School Construction and Professional Services Procurement Best Practices, as the same may be amended over time to reflect changes in the law; provided, however, that the District shall not be precluded from using project delivery and procurement methods permitted by law as long as all transparency and fiscal accountability requirements are met.”

Education/Training of Governing Board Members and Oversight Committee Members

The District will make training opportunities available for both Board members and oversight committee members to attend within twelve months of the passage of a bond measure and/or of establishment of the oversight committee. The Bond Accountability Resolution, scheduled for adoption on June 30, 2020, will state:

Ongoing Training and Education. Members of the Board and District staff persons with responsibilities for the bond program shall pursue training and professional development programs available from reputable industry trade organizations and experts in general ethics principles and doctrines, covering techniques for managing a bond construction program, capital finance, and ethics in contracting, procurement and public service.”

Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	Y	Y	Bond program outlines the needs and proposed projects at each of the District's school sites.
			Project list focuses on modernizing facilities and infrastructure, improving safety.
			Estimated project costs included in FMP.
			Specific sites listed broken down by project.
Program Budget and Funding	Y	Y	2:1 repayment ratio of total debt service.
			Costs associated with borrowing included, as well as expected interest revenues.
			Estimated \$30 per \$100,000.
			The District will be using three-year General Obligation bonds as the financing mechanism.
Cost Estimation and Feasibility	Y	Y	Cost breakdown per school site included.
			Exact timeline of projects not identified.
			Funding deemed adequate to complete project list.
Program Justification	Y	Y	The District justifies the need for the measure to complete some of the projects listed in the needs assessment in the Facilities Master Plan.
			The funds from this bond would be sufficient to complete the proposed projects with additional sources like matching funds.
			Replacing aging infrastructure, no new acquisitions which is appropriate considering enrollment projections.
Program Execution Plan	Y	Y	Estimated bond issuance schedules are provided.
			Estimated program timeline and construction schedules provided.
			District plans to oversee projects with internal staff, a project manager and the hiring of outside experts.
Fair and Open Competition	Y	Y	Adopted language to support fair and open competition.
Bond Financing and Technology	Y	Y	Adopted board policy includes section of Education Codes regarding the use of capital appreciation bonds.
			Technology infrastructure included, but not the purchase of individual devices.
Deferred Maintenance and Major Repair & Replacement Plan	Y	Y	3% per year from general fund spent on deferred maintenance.
Financial Status	Y	Y	Outstanding debt included at \$41 million.

Selection of Bond Agency	Y	Y	Bond underwriters selected on an issuance by issuance basis.
			Payment to bond service providers paid by bond proceeds.
			No bond issuances until approved by Board.
Joint Use of Facilities	Y	Y	Language included for joint use opportunities.
Complete Ballot and Resolution Language	N	N	Not yet submitted.
Bidding Process	N	N	Not yet submitted- not approved by Board as of time of review.
Provision for an “Independent Citizens’ Oversight Committee”	Y	N	Language included, but not yet adopted by Board.
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Y	N	Included, but not adopted by Board as of time of review.
Education of Governing Board Members and Oversight Committee Members	N	N	Will make offerings available, but not taken.