



CARLSBAD UNIFIED SCHOOL DISTRICT \$265 MILLION BOND MEASURE

July 2018

SDCTA Position:

SUPPORT

Rationale for Position:

The District has provided all requested information and has adopted all SDCTA recommended best practices, a No Pay to Play policy, and will make ethics training available. Staff is in communication with the District about the differences between the project lists from Proposition P and the 2018 bond measure for three of its schools that were addressed previously. The District has been extremely communicative throughout the process and worked to get all relevant information to SDCTA as quickly as possible.

Title: Measure 'X'

Jurisdiction: Carlsbad Unified School District

Type: Bond Issue

Vote: 55% Supermajority

Status: On the November 6, 2018 General Election Ballot

Issue: \$265 Million Bond Measure

Description: The issuance of \$265 million of Proposition 39 General Obligation Bonds with an increase in property taxes by a maximum of \$60 per \$100,000 of assessed value to fund school modernization.

Fiscal Impact: The total cost of the bond, including principal and interest, is estimated at \$508.45 million. The District is proposing to raise the tax rate by an estimated \$34.58 per \$100,000 of assessed valuation.

Background

Established in 1958, the Carlsbad Unified School District (CUSD) covers approximately 42 square miles and serves a population of over 110,000 throughout Carlsbad, Oceanside, and San Marcos. The District consists of nine elementary schools, three middle schools, and two high schools, many of which have received awards of achievement at the federal and state levels. Many of its schools are over 50 years old, leading the District to recently renovate Carlsbad High School, four elementary schools, and two middle schools, as well as open Sage Creek High School in fiscal year 2014.

As many CUSD schools are aging, they lack some of the necessary infrastructure and technology needed for modern learning and compliance with current academic and safety standards. In 2017, the District conducted a Facility Needs Assessment and Asset Inventory, as well as created a plan to address deferred maintenance. These assessments allowed the district to develop a 2018 Long-Range Facility Master Plan, created with input from staff, parents, students, and the



community. The District seeks to place a General Obligation bond measure on the November 2018 ballot in order to accomplish the projects outlined in this plan.

In November 2006, voters in Carlsbad Unified School District approved Proposition P, a \$198 million bond measure intended to rebuild Carlsbad High School, construct a Sage Creek High School, and upgrade other existing district campuses. The District has since received approximately \$50 million in state matching funds. SDCTA supported this measure because it met our Bond Support Criteria and because the District demonstrated a true need for the new funding due to its relatively low level of state and federal tax and grant revenues. The Proposition P oversight committee scored an 84% in SDCTA's 2017 School Bond Transparency Scorecard due to lack of certain detail in its 2016 annual report.

Proposal

The Carlsbad Unified School District Board of Education expects to vote to place a \$265 million school bond measure on the November 6, 2018 ballot on July 18, 2018.

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

“To upgrade classrooms, science labs and technology that support student achievement, college preparation and career skills for math, science, engineering, healthcare and skilled trades; fix deteriorating roofs, plumbing/wiring; improve safety and security; renovate, construct, acquire classrooms, sites, equipment/facilities, shall this Carlsbad Unified School District measure authorizing \$265,000,000 in bonds at legal rates, levying 3 cents/\$100 assessed value (\$13,000,000 annually) while bonds are outstanding, be adopted, with taxpayer oversight, no administrator salaries, all money staying local?”

The District has submitted its request for support from the San Diego County Taxpayers Association (SDCTA). The request included materials intended to satisfy the 2018 SDCTA Bond Support Criteria. Those materials have been reviewed and an analysis of the results is provided below. A summary table of the analysis can also be found at the end of this report.

Review of SDCTA Bond Support Criteria

Program Description

The Facilities Master Plan was developed in 2018 to address identified needs at the District's fourteen campuses, with an extensive list of projects estimated at \$265 million. The bond program proposed by this measure would address the most or all of these needs, estimated at \$324 million with escalation costs, if the district is able to secure state matching funds and escalation costs escalate at a rate lower than expected. If the District cannot secure matching funds, they will not complete the lowest priority projects on the list.

Projects to be completed through the bond program would focus on repairing or replacing roofs, plumbing, or electrical systems where needed; upgrading science and engineering labs and career technical education facilities; updating classrooms, labs, and technology to support education in science, math, and the arts; updating older schools to meet current standards; replacing inefficient heating, cooling, lighting, and water systems; updating computer systems and technology; and making campus improvements to ensure the safety and security of all students and staff.

Budget, Funding, and Execution Plan

Cost estimates, which include considerations for contingencies and escalation costs, for the projects proposed to be funded through bond revenues were derived through the Facilities Master Planning process with the help of WLC Architects. A summary of these costs is outlined below.

Figure 1: CUSD Facilities Master Plan Budget Summary

	Renovation	Portable Replacement & Campus Additions	Site Improvements	Furniture	Technology	Sustainability	Security	Campus Total
Elementary Schools	\$61,692,067	\$40,501,835	\$16,234,425	\$5,116,440	\$2,771,405	\$7,893,843	\$2,131,850	\$136,341,865
Middle Schools	\$32,549,247	\$14,532,560	\$11,939,700	\$2,698,224	\$1,461,538	\$2,444,399	\$1,124,260	\$66,749,928
High Schools	\$21,100,900	\$3,457,000	\$13,277,250	\$3,403,840	\$2,191,707	\$6,057,040	\$1,866,835	\$51,354,572
Support Centers	\$8,985,000	\$37,440	\$824,520	\$226,560	\$322,720	\$949,070	\$94,400	\$11,439,710
CUSD Total	\$124,327,214	\$58,528,835	\$42,275,895	\$11,445,064	\$6,747,370	\$17,344,352	\$5,217,345	\$265,886,075

No specific project requires the use of funds outside of those from the bond measure, but the District intends to seek state matching funds to complete the projects on its list. Based on its history with Proposition P, the District expects to receive an additional 25% of funds from the state. If the Board elects to include the cost of escalation in a bond issuance, it may allow the District to issue fewer bonds and save taxpayer dollars. CUSD will not reimburse the its operating budget with bond revenues.

The District expects to complete the projects in the bond program in roughly 15 years, addressing one or two schools every year. The District has indicated that its staff will develop a detailed program plan and prioritization of projects after the Board of Education approves the bond measure for placement on the ballot. The draft prioritization divides projects into five phases divided in order of importance, with Phase 1 major renovation projects at three elementary schools being complete by 2023. Phase 2 involves the renovation of three elementary schools and one middle school, to be complete by 2025. Phase three, to be complete by 2027, would involve lighter renovations and upgrades at four district campuses, the replacement of portables at other campuses, and the addressing of traffic concerns and asphalt work at two locations. Phase 4 would complete the final significant renovation projects at the two remaining elementary schools and upgrades to two high schools and District support buildings, to be complete by 2029. Finally, Phase 5 includes



all of the lowest priority projects that could be eliminated from the program if state funding is insufficient.

The District's Director of Facilities and Construction Management has years of experience in construction management and contracting, as well as managing public works projects for cities and schools. However, CUSD does expect that it will need additional services and staff augmentation to execute the bond program. As such, it expects to hire a Project Manager/Inspector, accounting support, and administrative support as temporary District staff. The District also intends to contract out for an Architect of Record, an Inspector of Record, materials testing, HAZMAT testing, and labor compliance services.

All bonds will be issued as current interest bonds with a maximum maturity of 30 years. Some of the bonds will fund technology infrastructure, which would have a shorter relative lifespan than other developments. As such, the District intends to incorporate bonds with a maturity of less than or equal to the life of this technology infrastructure into the debt structure.

Ballot Resolution and Language

As noted, the Carlsbad Unified School District Board of Education expects to vote to place a school bond measure on the November 6, 2018 ballot on July 18, 2018. As such, the Taxpayers Association has not yet seen the ballot question language, though a draft ballot resolution has been submitted.

The draft ballot resolution submitted with the District's application includes SDCTA recommended language regarding joint use of facilities, aspects of SDCTA's School Construction and Professional Services Procurement Best Practices.

The District currently has Board policies which satisfy the majority of SDCTA's Independent Citizens' Oversight Committee Best Practices and aspects of SDCTA's School Construction and Professional Services Procurement Best Practices.

The resolution contains language that satisfies SDCTA recommended policy regarding the use of Capital Appreciation Bonds and SDCTA recommended provisions regarding fair and open competition for all District construction projects.

The District's Board has adopted SDCTA's criteria regarding a "No Pay to Play" policy, and the District will make available ethics education for District Board members, satisfying requirements of SDCTA's 2018 Bond Support Criteria.

Deferred Maintenance Funding

Through the Facilities Master Planning process, the District identified deferred maintenance and major repair and replacement needs. CUSD developed a schedule to prioritize the completion of these repairs over the next twenty years. The District has also set aside funds categorized for Routine Restricted Maintenance to complete proactive and preventative maintenance needs each

year. For fiscal year 2018-19, this will equal three percent of General Fund expenditures. Of note, a combination of ongoing maintenance and the completion of the Facilities Needs Assessment has re-baselined the District’s deferred maintenance—the District does not have a backlog at this time.

Figure 2: CUSD Deferred Maintenance History

Fiscal Year	Deferred Maintenance		Restricted Maintenance	
	State Funding	District Contribution	State Funding	District Contribution
2008-09	\$0	\$485,771	\$0	\$2,440,947
2009-10	\$0	\$3,616,798	\$0	\$2,440,947
2010-11	\$363,152	\$0	\$0	\$2,011,202
2011-12	\$361,887	\$0	\$0	\$1,578,070
2012-13	\$360,997	\$0	\$0	\$1,967,230
2013-14	\$0	\$0	\$0	\$2,144,173
2014-15	\$0	\$0	\$0	\$2,087,161
2015-16	\$0	\$0	\$0	\$2,511,597
2016-17	\$0	\$0	\$0	\$2,749,939
2017-18	\$0	\$0	\$0	\$3,424,264
Total	\$1,086,036	\$4,102,569	\$0	\$23,355,540

SDCTA School Bond Coursework

The SDCTA recommends that senior staff, Board members, or Independent Citizen Oversight Committee members from each school district attend the San Diego Taxpayers Educational Foundation’s coursework around best practices for school bond programs. Along with UC San Diego Extension, SDTEF hosts “The Practice of Designing & Running School Bonds” course, a hybrid in person and online course designed for school district superintendents and executive financial staff to learn about the process of designing, campaigning for, and running a school bond program. Along with Point Loma Nazarene University, SDTEF hosts a “Legitimate and Effective School Bonds” course, an online course designed for school board members and ICOC members, as well as candidates, to learn about their oversight role for a bond program.

Carlsbad Unified School District’s Superintendent and Assistant Superintendent of Business Services participated in SDCTA’s “The Practice of Designing & Running School Bonds” course with UC San Diego Extension on November 1, 2017. Additionally, a member of the District’s Board of Education participated in SDCTA’s “Legitimate and Effective School Bonds” course with Point Loma Nazarene University on May 29, 2018.

Fiscal Impact

The measure may increase the property tax rate by a maximum of \$60 per \$100,000 of assessed property valuation by law. The District is proposing to raise the tax rate by an estimated \$34.58 per \$100,000 assessed valuation. Assessed valuation growth projections are estimated as 4.00% annually, whereas the 20-year historical assessed valuation growth had averaged 7.43% per year.

Based on cash flow projections and the estimated timeline for the sale of bonds the District has outlined a reasonable financing plan for a November 2018 bond. The length of time to access \$265 million of bond authorization is projected as ten years.

There will be no Capital Appreciation Bonds included in the entire bond program and the repayment ratio is expected to be 1.92 to 1. Total cost of the bond, including principal and interest, is estimated to be \$508,450,800. The following bond issues are anticipated for a \$265 million bond issuance.

Figure 3: Estimated Bond Issuance Schedule

Bond Proceeds	Series A (2019)	Series B (2022)	Series C (2025)	Series D (2028)	Total
Bond Par Amount	\$66,250,000	\$66,250,000	\$66,250,000	\$66,250,000	\$265,000,000
Cost of Borrowing	\$665,100	\$665,100	\$665,100	\$665,100	\$2,660,400

Carlsbad Unified School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	Yes	Yes	1) Bond program outlines the needs and proposed projects at each of the District's schools
			2) Project list focuses on modernizing facilities and infrastructure, improving safety, and replacing aging portables
			3) Estimated project costs have been provided
			4) The project list has been prioritized for a \$265 million bond measure
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using 4.00% assessed valuation growth rates
			2) Expected interest revenues and costs associated with borrowing included
			3) District has estimated that the added tax rate will be \$43.96 per \$100,000 of assessed valuation
			4) The District will be using current interest bonds with 30-year maturities as the debt financing mechanism
Cost Estimation and Feasibility	Yes	Yes	1) Cost estimates for projects developed with the help of consultants following the completion of a Long Range Facilities Master Plan in 2017
			2) Preliminary budget included with timeline for completion of projects
			3) Needs estimated at \$265,886,075
Program Justification	Yes	Yes	1) The District outlines the need for the measure to complete some of the projects listed in the needs assessment in the Facilities Master Plan
			2) The funds from this bond would be sufficient to complete the proposed projects with additional sources, such as state matching funds
Program Execution Plan	Yes	Yes	1) Estimated bond issuance schedules have been provided
			2) Estimated program timeline and construction schedules provided
			3) District plans to oversee projects with the help of various staff members and advisors, who will be paid using bond revenues
Fair and Open Competition	Yes	Yes	1) District included language stating that the District will promote fair and open competition for all District construction projects within its draft ballot resolution
			2) District has clearly stated that it does not intend to use a Project Labor Agreement but would provide public notice in advance if so

Carlsbad Unified School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria Met?	Comments
Bond Financing & Technology	Yes	Yes	1) District included language regarding the use of Capital Appreciation Bonds in its draft ballot resolution
			2) No technology devices will be purchased with bond funds
Deferred Maintenance and Major Repair & Replacement Plan	Yes	Yes	1) District included a ten-year history of deferred maintenance spending
			2) District has no deferred maintenance backlog
Financial Status	Yes	Yes	1) District provided a listing of all outstanding debt
			2) District described procedures for disclosing bond-related information
Selection of Bond Agency	Yes	Yes	1) District described process used to select financial professionals
			2) District outlined the process for selecting a method of sale
Joint Use of Facilities	Yes	Yes	1) District has included language within the ballot resolution intent to pursue practical opportunities to incorporate joint-use
Complete Ballot and Resolution Language	Yes	No	1) Final ballot language not yet adopted, but draft language has been provided.
			2) Ballot resolution language does NOT outline project list by site
Bidding Process	Yes	Yes	1) District has adopted a “No Pay to Play” policy
			2) The District has committed to making ethics training available to all Board members
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1) District Board policies and bond resolution language include elements that satisfy this criterion
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) District Board policies include language that satisfy SDCTA School Construction and Professional Services Procurement Best Practices
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District’s Superintendent, Assistant Superintendent-Business Services, and a member of the District’s Board of Education participated in SDCTA’s bond-related coursework in 2017 and 2018
Opposition to Special Elections			