



**CHULA VISTA ELEMENTARY SCHOOL DISTRICT**  
**\$150 MILLION BOND MEASURE**

*August 2018 Update*

**SDCTA Position:**

**SUPPORT**

**Rationale for Position:**

The District’s proposed bond measure meets most key provisions of SDCTA’s Bond Support Criteria.

In July 2018, the SDCTA had taken a position of OPPOSE, with an option to reconsider if the District adopted SDCTA-recommended best practices. Since then, the District’s Board has adopted a “No Pay to Play” policy and SDCTA’s School Construction and Professional Services Procurement Best Practices. This analysis reflects the updated position of SUPPORT.

**Title:** Measure ‘X’

**Jurisdiction:** Chula Vista Elementary School District

**Type:** Bond Issue

**Vote:** 55% Supermajority

**Status:** On the November 6, 2018 General Election Ballot

**Issue:** \$150 Million Bond Measure

**Description:** The issuance of \$150 million of Proposition 39 General Obligation Bonds with an increase in property taxes by a maximum of \$30 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 \$203.1 million. The District is proposing to raise the tax rate by an estimated \$20.00 per \$100,000 of assessed valuation.

**Background**

The Chula Vista Elementary School District (CVESD) consists of 48 schools over 103 square miles in southern San Diego County. Established in 1892, the District currently serves approximately 29,600 students from kindergarten to sixth grade. The District’s schools include five dependent charter schools and two independent charter schools operating within its boundaries and serving 15% of students.

In November 1998, CVESD voters approved a \$95 million General Obligation bond measure titled Proposition JJ to modernize 17 schools. In November 2012, voters authorized another \$90 million bond measure within a School Facilities Improvement District (SFID) including 31 of the district’s 44 schools at the time. Titled Proposition E, the measure increased the tax rate within the SFID



by \$29 per \$100,000 of assessed valuation in order to upgrade technology infrastructure, modernize classrooms, replace portables, improve safety, and install energy efficient systems.

With Proposition E funds, the District has modernized six of its oldest schools, will commence modernization of three more in June 2018, and expects to complete modernization of a final school during the summer of 2019. SDCTA supported both of these bond measures.

In December of 2017, the District enlisted the help of Ruhnau Clarke to complete a Facilities Needs Assessment, which outlined an estimated \$191,480,393 in needed improvements in safety, infrastructure, technology infrastructure, and energy efficiency at CVESD's 46 schools.

## **Proposal**

On June 20, 2018, the Chula Vista Elementary School District Board of Education voted to place a \$150 million school bond measure on the November 6, 2018 ballot.

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

“To make school safety, security, technology and energy efficiency improvements; repair, construct, acquire and equip classrooms and educational facilities and reduce overcrowding; and replace aging plumbing, sewer and electrical systems shall Chula Vista Elementary School District issue \$150 million in bonds at legal rates, levy \$0.02 per \$100 of assessed valuation (raising an average of \$10 million annually) while bonds are outstanding, with taxpayer oversight, annual audits and no projected increase in the District's current bond tax rate?”

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 District expects enrollment to increase by approximately 1,142 students over the next five years. The District intends to complete all of the projects identified in its 2017 Facilities Needs Assessment, though it will need more funds than are available through the bond measure to do so.

### *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 with the help of experts.



No specific project requires the use of funds outside of those from the bond measure, but the District intends to seek and use funding from developer fees, redevelopment funds, and General Fund maintenance over a 20-year period to complete the projects on its list.

Proposed bond issuance	\$150,000,000
Redevelopment funds	\$7,217,477
Developer fees	\$6,200,237
General Fund maintenance over a 20-year period	\$60,000,000
<b>Total Available Funding</b>	<b>\$233,417,714</b>

The District, along with its consultants, provided estimated costs for projects to be complete with the funding sources outlined above. These costs were broken out between hard and soft costs, as well as costs by site and category. A summary of the program budget is outlined below (see appendix A for description of categories). Cost estimates are relatively high due to conservatively high assumed escalation and soft cost estimates. While most Districts keep soft costs below 25% of expenditures, CVESD assumes 30% soft costs and 15% contingency.

**Figure 1: CVESD Bond Program Budget Summary**

Category	Project	Cost
I	Safety and Security	\$8,551,400
II,IV	Feaster Modernization	\$18,261,750
II	Electrical/Clocks	\$1,194,375
II	Floor Covering	\$8,368,750
II	Lead	\$81,250
II	Modernization/New Construction	\$8,287,500
II	Painting	\$4,135,625
II	Paving/Seal Coat	\$4,629,625
II	Playground Equipment	\$12,748,125
II	Playground Improvement	\$370,500
II	Plumbing/Underground Utilities	\$9,668,750
II	Relocatable	\$21,766,875
II	Restrooms	\$958,750
II	Roofing	\$9,351,875
II	Shade Structure	\$4,290,000
III	Network Infrastructure	\$45,832,813
III	Server Room	\$2,990,000
IV	HVAC Replacement & AC Controls	\$17,596,280
IV	Lighting	\$12,396,150
	<b>Total Projects</b>	<b>\$191,480,393</b>
	Cost of Issuance	\$2,129,018
	<b>Total Program</b>	<b>\$193,609,411</b>

Bonds will be issued as a mixture of bond anticipation notes and short- and long-term current interest bonds. Bond anticipation notes are a short-term financing mechanism that would allow the district to begin work on a project while using future bond proceeds to pay off the note. The District used a conservative 3.5% growth rate assumption for the assessed value of property within its boundaries, which affects the estimated property tax rate and future bond revenue.

The District intends to hold an open request for proposals process to obtain services that can assist CVESD staff in managing and executing the bond program. These services will include project management and program controls contractors.

The District performed a request for qualification in its selection of a bond counsel and has used a competitive process in issuing bond sales.

Though the District has not developed a specific timeline for projects, it has prioritized its project categories generally, as outlined below.

**Figure 2: CVESD Bond Program Timeline**

Project	Estimated Timeline
Safety and Security	2019-2027
Feaster Charter Modernization	2020-2022
Infrastructure to Sustain Schools	2019 onward
Technology Infrastructure	2019-2036
Enhanced Energy Efficiency	2019-2027

*Ballot Resolution and Language*

On June 20, 2018, the District adopted the final ballot language and tax rate statement. The District has submitted language to SDCTA that outlines the ballot question, as well as other items pertaining to SDCTA’s best practices.

In 2015, the District negotiated to enter into a three-year Project Labor Agreement with the San Diego Building and Construction Trades Council and related unions. The PLA is effective through December 31, 2018. In order to encourage bidding and improve local labor participation, the agreement includes a section stating that “... in the event the District does not receive bona fide bids on otherwise covered work on or before the deadline for receiving such bids from at least three (3) responsible contractors, or the lowest responsive and responsible bid on a covered project is in excess of ten percent (10%) of the engineer’s estimate, the District reserves the right to reject all bids and re-advertise the project with or without the application of this PLA.”

The District has agreed to cooperate with the Independent Citizens Oversight Committee to evaluate the cost impacts of its PLA on bond projects. The District also used SDCTA’s Independent Citizens’ Oversight Committee Best Practices to help establish its Proposition E oversight committee through Board policies and resolutions.

The District has included in its ballot resolution its intent to pursue practical opportunities to incorporate joint-use within its bond program. Additionally, the District has stated that it will consider adopting the SDCTA School Construction and Professional Services Procurement Best Practices. The District current has Board policies in place that are in line with SDCTA recommended policy regarding the use of Capital Appreciation Bonds.

*Deferred Maintenance Funding*

Prior to 2013, the District has participated in the State’s Deferred Maintenance Program for matching State grants to assist with major repair and replacement expenditures. With the implementation of the Local Control Funding Formula, state deferred maintenance matching has ended, but the District continues to fund maintenance. The District’s five-year deferred maintenance funding plan includes over \$62 million in projects that would eliminate the District’s deferred maintenance backlog.

**Figure 3: CVESD Maintenance Eight-Year Funding History**

Year	Salaries	Benefits	Supplies	Operating Expense	Capital Outlay	Total
FY 2009-2010	\$5,693,328	\$2,038,273	\$442,852	\$1,154,412	\$40,516	<b>\$9,369,381</b>
FY 2010-2011	\$6,045,128	\$2,135,656	\$369,505	\$885,778	-	<b>\$9,436,067</b>
FY 2011-2012	\$5,916,951	\$2,143,208	\$485,606	\$1,333,607	\$60,263	<b>\$9,939,634</b>
FY 2012-2013	\$6,106,780	\$2,155,948	\$417,658	\$1,208,271	-	<b>\$9,888,657</b>
FY 2013-2014	\$5,962,316	\$2,019,817	\$497,256	\$1,463,912	\$20,167	<b>\$9,963,467</b>
FY 2014-2015	\$6,576,756	\$2,208,210	\$553,997	\$1,265,722	\$380,342	<b>\$10,985,028</b>
FY 2015-2016	\$6,694,648	\$2,324,630	\$700,112	\$1,494,607	\$3,698,530	<b>\$14,912,527</b>
FY 2016-2017	\$7,138,330	\$2,686,329	\$777,954	\$4,437,368	\$852,634	<b>\$15,892,615</b>

*SDCTA School Bonds 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.

Chula Vista Elementary School District’s Facilities Planning Manager and Assistant Superintendent Business Services participated in SDCTA’s “The Practice of Designing & Running School Bonds” course on February 7, 2018. The District provided its Board members with the opportunity to attend the course, and a similar training was provided by CVESD’s legal counsel for ICOC members at their first meeting of the 2017-18 school year.

## Fiscal Impact

The measure may increase the property tax rate by a maximum of \$30 per \$100,000 of assessed property valuation by law. Debt service payments on the District’s 1998 bond measure is scheduled to drop from approximately \$20 per \$100,000 of assessed valuation to \$0 in the next ten years. As such, the District is proposing to extend the existing tax rate at an estimated \$20 per \$100,000 assessed valuation. Assessed valuation growth projections are estimated as 3.5% annually, whereas the 10-year historical assessed valuation growth had averaged 1.6% per year and the 20-year growth averaged 7.05%. Assessed values in the district suffered during the recession.

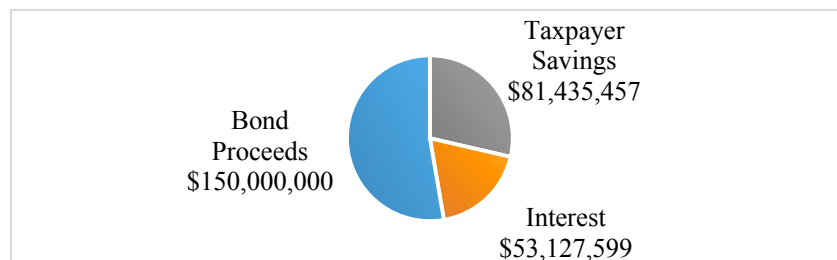
Based on cash flow projections and the estimated timeline for the sale of bonds the District has outlined a reasonable financing plan for a November 2018 bond. The length of time to access \$150 million of bond authorization is projected as twenty years.

The District intends to use hybrid General Obligation Flex-Bonds, which are brought to market sequentially in order to maximize available revenues for projects and minimize interest payments. The District anticipates the use of a combination of bond anticipation notes and short- and long-term current interest bonds to save taxpayers over \$81 million in interest costs. There will be no Capital Appreciation Bonds included in the entire bond program and the repayment ratio is expected to be 1.35 to 1. Total cost of the bond, including principal and interest, is estimated to be \$203,127,599. The following bond issues are anticipated.

**Figure 4: Estimated Bond Issuances**

	Principal	Interest	Total
2019 BAN	\$30,000,000	\$2,400,000	\$32,400,000
Series A (2023)	\$55,995,000	\$45,727,041	\$101,722,041
Series B (2023)	\$7,950,000	\$583,663	\$8,533,663
Series C (2027)	\$12,860,000	\$700,541	\$13,560,541
Series D (2030)	\$16,485,000	\$836,562	\$17,321,562
Series E (2033)	\$17,675,000	\$895,513	\$18,570,513
Series F (2036)	\$18,895,000	\$960,280	\$19,855,280
Series G (2039)	\$20,140,000	\$1,023,999	\$21,163,999
<b>Total</b>	<b>\$150,000,000</b>	<b>\$53,127,599</b>	<b>\$203,127,599</b>

**Figure 5: Estimated Taxpayer Savings**



<b>Chula Vista Elementary School District Bond Support Application and SDCTA Bond Support Criteria</b>			
<b>Criteria Item</b>	<b>Info Provided?</b>	<b>Criteria Met?</b>	<b>Comments</b>
Program Description	Yes	No	1) Bond program outlines the needs and proposed projects throughout the District, but not at individual schools
			2) Project list focuses on needed improvements in safety, infrastructure, technology infrastructure, and energy efficiency
			3) Estimated project costs have been provided
			4) Project list within proposed ballot resolution is NOT site specific
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using 3.5% assessed valuation growth rate assumptions
			2) Costs associated with borrowing included, but not expected interest revenues
			3) District has estimated that the added tax rate will be \$20.00 per \$100,000 of assessed valuation, an extension of the tax rate approved by voters in 1998
			4) The District will be using a mixture of bond anticipation notes and short- and long-term current interest bonds as the debt financing mechanism
Cost Estimation and Feasibility	Yes	No	1) Project cost estimates, which include hard and soft costs, developed with the help of consultants in 2018
			2) Preliminary budget included with a general timeline for the project categories
			3) Needs estimated at \$191,480,393
Program Justification	Yes	Yes	1) The District justifies the need for the measure to complete all of the projects listed in its 2018 needs assessment
			2) The funds from this bond would be sufficient to complete the proposed projects with additional sources
Program Execution Plan	Yes	No	1) Estimated bond issuance schedules have been provided
			2) Estimated program timeline provided; construction schedules not provided
			3) District plans to oversee projects with the help of project management and program controls services
Fair and Open Competition	Yes	No	1) District has not adopted language stating that it will promote fair and open competition for all District construction projects
			2) District currently has a Project Labor Agreement with the San Diego Building Trades Council and other unions through December 31, 2018
			3) Ballot language does not indicate whether the District will use a PLA for construction projects

<b>Chula Vista Elementary School District Bond Support Application and SDCTA Bond Support Criteria</b>			
<b>Criteria Item</b>	<b>Info Provided?</b>	<b>Criteria Met?</b>	<b>Comments</b>
Bond Financing & Technology	Yes	Yes	1) District has Board policies in place regarding the use of Capital Appreciation Bonds
			2) No technology devices will be purchased with bond funds
Deferred Maintenance and Major Repair & Replacement Plan	Yes	Yes	1) District included an eight-year history of maintenance spending and a future five-year deferred maintenance spending plan
			2) District provided a deferred maintenance project list
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 described process used 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) Ballot language and resolution for \$150 Million was adopted on June 20, 2018
			2) Ballot language does not outline project list by site
Bidding Process	Yes	Yes	1) District has adopted a “No Pay to Play” policy during the Board’s August 15, 2018 meeting
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1) District incorporated “SDCTA Oversight Committee Best Practices” into Board Policies and Administrative Regulations
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) District has adopted “SDCTA School Construction and Professional Services Procurement Best Practices” during the Board’s August 15, 2018 meeting
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District’s Assistant Superintendent Business Services and Facilities Planning Manager attended the SDCTA “Practice of Designing & Running School Bonds” course in February 2018.
Opposition to Special Elections			



## Appendix A: Project Categories

Projects fall into four categories and can meet one or more of several classifications—new/replacement construction (N/RC), modernization of existing facilities (M), increasing capacity (I), and updates to facilities to meet code compliance (C).

### Category I: Safety and Security Measures

#### Classification

- N/RC, C Replace antiquated fire alarm systems to meet new code compliance to include voice evacuation alert system
- N/RC Upgrade intrusion detection systems with dual technology sensing devices
- N/RC, C Replace and/or enhance existing fencing to improve student safety
- N/RC, C Door hardware upgrades to comply with intrusion, access compliance, and lockdown procedures
- N/RC Single Point of Entry safety enhancements

### Category II: Infrastructure to Sustain School

#### Classification

- M, C Replacing aging underground infrastructure such as plumbing, electrical, irrigation systems, and new storm water systems
- M, C, N/RC Provide new and replace shade structures, playground equipment, and play fields, to include new rubberized fall zones
- M, N/RC Resurface asphalt and playground parking areas
- N/RC, C Remove and replace old modular classrooms
- M, N/RC Provide building enhancements such as new roofing, gutters, exterior finishes such as painting and plaster system, flooring, restroom renovation

### Category III: Technology Infrastructure

#### Classification

- M Upgrade low voltage structured cabling
- M Increase data access points
- M, N/RC Expand technology infrastructure
- N/RC Develop and implement a new data center

### Category IV: Enhanced Energy Efficiency

#### Classification

- M, C Replace exterior and interior lighting with energy efficient lighting
- M, C Replace existing windows with energy efficient windows
- M, C Replace outdated and deteriorating heating and ventilation air conditioning systems (HVAC) with energy efficient HVAC systems
- N/RC Review energy producing and storage system