



SANTEE SCHOOL DISTRICT \$15.37 MILLION BOND REAUTHORIZATION

July 2018

SDCTA Position:

SUPPORT

Rationale for Position:

Santee School District's proposed bond measure meets key provisions of SDCTA's Bond Support Criteria, and no reason has been found that would prevent the District from executing the projects outlined in its program. SDCTA supported Proposition R in 2006 which aimed to allow the District to complete its Capital Improvement Program. Due to the economic downturn, Santee School District was unable to meet Education Code requirements for tax rate projections and as such was unable to issue the remaining \$15.37 million in Proposition R bond funds. The District has completed all but 4 projects in the program and is likely to acquire additional revenue from land sales. The proposed bond reauthorization is structured in such a way as to maximize taxpayer savings and complete the remaining projects in only three years.

Title: Measure 'X'

Jurisdiction: Santee School District

Type: Bond Issue

Vote: 55% Supermajority

Status: On the November 6, 2018 General Election Ballot

Issue: \$15.37 Million Bond Reauthorization

Description: The reauthorization of \$15.37 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 \$17,465,000. The District is proposing to raise the tax rate by an estimated \$30 per \$100,000 of assessed valuation.

Background

Santee School District (SSD) consists of 9 schools serving approximately 6,910 students from pre-kindergarten to eighth grade. Each of the District's currently operating schools opened between 1957 and 1973.

Over the course of several years in the early 2000's, the District developed a Long-Range Facilities Master Plan, which included a Capital Improvement Program project list. The intent of the projects outlined in this list was to create equity across the schools so that each school received similar improvements.



In 2006, voters in the district approved a \$60 million general obligation bond measure with the support of SDCTA. SSD had not received bond funding in over 30 years, and with additional revenue from condensing facilities, selling off land, and state matching funds the District was able to use Proposition R bond revenue to make needed modernizations and major repair of school facilities outlined in the 2006 Capital Improvement Program.

The program was originally scheduled to be completed in 2010. Due to the economic downturn and its impact on assessed values, the District found that it would be unable to meet requirements of the California Education Code related to long-term tax rate projections for the repayment of Measure R bonds and as such would be unable to issue the remaining \$15,371,421 in principal. The District completed all but four of the planned projects, with one of the remaining four being 90% complete. The table below summarizes the funding for the capital improvement program partially funded through Proposition R.

Table 1: Proposition R Capital Improvement Program

Source	Amount Planned	Amount Used
General Obligation Bond Proceeds	\$60,000,000	\$44,600,000
State Facilities Grants	\$45,000,000	\$50,300,000
Other Long-Term Debt (Certificates of Participation)	\$20,000,000	\$20,000,000
Developer Fees, Land Sale Proceeds, Interest Earnings, General Fund, Prop 39 Energy Efficiency Funds, Grants	\$5,000,000	\$11,100,000
Total	\$130,000,000	\$126,000,000

Proposal

On May 15, 2018, the Vista Unified School District Board of Education voted to place a \$15.37 million school bond reauthorization measure on the November 6, 2018 ballot.

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

“To construct, modernize, update and equip Santee elementary and junior high school classrooms and educational facilities shall \$15,370,000 of Santee School District bonds, approved by voters in 2006, be reauthorized as new bonds, with legal rates, projected average annual levies of \$0.03 per \$100 of assessed valuation for approximately eight years (an estimated \$2.2 million raised annually), citizens’ oversight, audits, no increase in total District debt, and all funds spent locally and not taken by the State?”

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 three projects remaining from the Proposition R capital improvement program are as follows:

1. New, 8-classroom junior high building addition with Learning Resource Center and physical education locker rooms at Chet F. Harritt STEAM School. This addition would replace 6 portable classrooms, creating a net increase of 2 classrooms and a 60-student capacity increase. **Estimated Cost: \$16,100,000**
2. New Learning Resource Center building with technology lab at PRIDE Academy at Prospect Avenue School. **Estimated Cost: \$4,000,000**
3. New Learning Resource Center building with technology lab at Sycamore Canyon School. **Estimated Cost: \$4,000,000**

The District is seeking to reauthorize the remaining \$15.37 million in funds from the Proposition R bond measure. These funds would be combined with revenue from one complete land sale and one land sale that is currently in escrow in order to complete these three projects at a total cost of \$24.1 million.

Budget, Funding, and Execution Plan

Cost estimates, which include considerations for contingencies and escalation costs as well as hard and soft costs, for the projects proposed to be funded through bond revenues were derived with the help of Balfour Beatty Construction. In order to complete all three projects, SSD would need an additional \$8.7 million in state matching funds and/or revenue from land sales.

The District opened escrow on the sale of a 13.21-acre former school site in April 2018 with a purchase price of \$10,605,000. The latest escrow close date is May 15, 2019. If this sale is successful, all three projects could be completed. If the sale is not successful, the District would only complete the project at the Chet F. Harritt STEAM School.

The figure below demonstrates the District's available and anticipated other funds.

Table 2: Santee School District Other Funding

Source	Available	Anticipated	Total
Renzulli Land Sale Proceeds	\$1.6 million	-	\$1.6 million
Santee School Site Land Sale Proceeds	-	\$10 million	\$10 million
Developer Fees	\$1.1 million	-	\$1.1 million
Total	\$2.7 million	\$10 million	\$12.7 million

All bonds will be issued as current interest bonds with maturities of 8 years. If all funding is secured, the District expects all three projects to be complete and open for occupancy by January 2021.



The District intends to use its Director of Facilities, Maintenance & Operations—a licensed architect—to oversee the projects. SSD also contracts with the San Diego County Office of Education Facilities Division to assist with program management and may contract with a construction manager to help oversee the projects.

Ballot Resolution and Language

On May 15, 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. The ballot resolution contains SDCTA recommended provisions regarding fair and open competition for all construction projects as well as the District’s intent to pursue practical opportunities to incorporate joint-use within its bond program.

The District adopted SDCTA’s Independent Citizens’ Oversight Committee Best Practices for its 2006 Proposition R bond measure, the ICOC for which has been disbanded. The District intends to operate its ICOC for the bond reauthorization under the same best practices.

Deferred Maintenance Funding

The District operates two programs to ensure its facilities are properly maintained. SSD’s Routine Restricted Maintenance Account (RRMA) receives 2% of the District’s General Fund revenues each year and will receive 3% beginning in fiscal year 2018-19. In addition to the RRMA, the District transfers funds into a fund for deferred maintenance projects each year. SSD has transferred \$535,000 into the fund each year since fiscal year 2013-14 for projects such as painting, asphalt paving, and replacing aging HVAC equipment. Below is a summary of the District’s deferred maintenance funding over the last ten years.

Table 3: Santee School District Deferred Maintenance History

	Beginning Fund Balance	Income	Spending	Ending Fund Balance
FY 2007-08	\$213,814	\$298,870	\$350,309	\$162,376
FY 2008-09	\$162,376	\$479,505	\$591,867	\$50,013
FY 2009-10*	\$50,013	\$525	\$50,538	\$0
FY 2010-11*	\$0	\$0	\$0	\$0
FY 2011-12*	\$0	\$0	\$0	\$0
FY 2012-13	\$0	\$240,242	\$215,110	\$25,132
FY 2013-14	\$25,132	\$535,948	\$459,255	\$101,825
FY 2014-15	\$101,825	\$536,414	\$361,782	\$276,458
FY 2015-16	\$276,458	\$537,428	\$476,886	\$337,000
FY 2016-17	\$337,000	\$540,368	\$781,729	\$95,639

*Note: Deferred maintenance suspended during the Great Recession

For fiscal year 2018-19, the District’s School Board approved the transfer of \$835,000 into the fund. SSD will complete painting, roof replacement, and repaving, and HVAC replacement



projects at specified schools. As all of the District’s schools have been modernized within the last decade, most near-term maintenance projects will focus on repaving asphalt and replacing playground equipment.

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.

Santee School District’s Assistant Superintendent Business Services participated in SDCTA’s “The Practice of Designing & Running School Bonds” course with UC San Diego Extension on February 7, 2018. A member of the District’s School Board participated in SDCTA’s “Legitimate and Effective School Bonds” course with Point Loma Nazarene University on May 29, 2018.

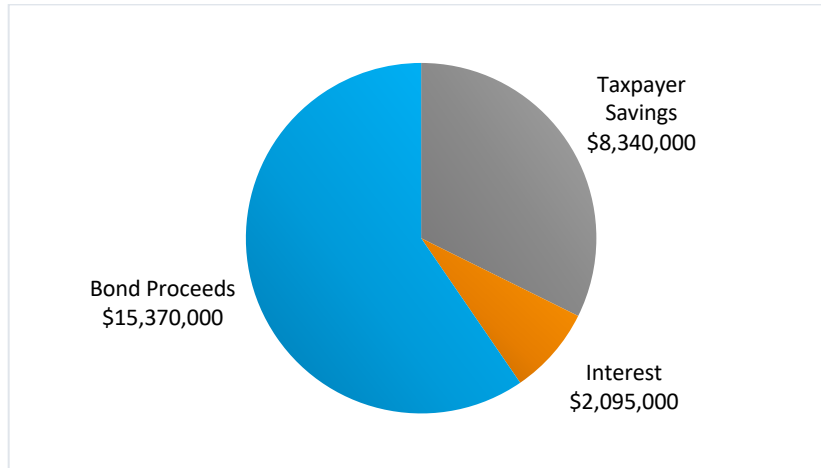
Fiscal Impact

The measure will increase the property tax rate by \$30 per \$100,000 of assessed property valuation, the maximum allowed by law. Based on the average home price in the District, this will result in a \$144.45 increase to each taxpayer annually.

The District assumed a 4.5% growth rate for the assessed value of property within its boundaries over the next three years, and a 3.5% annual growth rate thereafter. This affects the estimated property tax rate and future bond revenue. The District’s 5-year growth rate is 5.6%, its 20-year growth rate is 5.2%, and its 10-year growth rate is 2.4%. There are an additional 4,192 residential units currently under construction in the City of Santee that led the District to use a higher assumed assessed valuation growth rate.

There will be no Capital Appreciation Bonds included in the entire 8-year bond program and the repayment ratio is expected to be 1.14 to 1. Total cost of the bonds, including principal and interest, is estimated to be \$17,465,000. The figure below demonstrates expected bond issuance costs assuming a 3% interest rate and taxpayer savings compared with issuing bonds with a 25-year maturity.

Figure 1: Estimated Bond Proceeds



Santee 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 remaining needs and proposed projects from the Proposition R bond program
			2) Project list focuses on completing new construction outlined in the 2006 Capital Improvement Program
			3) Estimated project costs have been provided
			4) Project list within proposed ballot resolution is site specific
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using 4.5% and 3.5% assessed valuation growth rates
			2) Costs associated with borrowing included, as well as expected interest revenues
			3) District has estimated that the added tax rate will be \$30.00 per \$100,000 of assessed valuation
			4) The District will be using 8-year current interest bonds as the debt financing mechanism
Cost Estimation and Feasibility	Yes	Yes	1) Project cost estimates, which include hard and soft costs, developed with the help of Balfour Beatty Construction
			2) Preliminary budget included with timeline for completion of projects
			3) Needs estimated at \$23,984,896
Program Justification	Yes	Yes	1) The District justifies the need for the measure to complete the final three projects from its 2006 Capital Improvement Program
			2) The funds from this bond would be sufficient to complete the proposed projects with additional revenues from land sales
			3) Funding would help build new school facilities and learning resource centers for three of the District's campuses
Program Execution Plan	Yes	Yes	1) Estimated bond issuance schedules have been provided
			2) Estimated program timeline and construction schedules have been provided
			3) District plans to oversee projects with current District staff and other contractors, including the San Diego County Office of Education Facilities Division
Fair and Open Competition	Yes	Yes	1) District adopted language stating that the District will promote fair and open competition for all District construction projects within its ballot resolution on May 15, 2018
			2) District has clearly stated that it does not intend to use a Project Labor Agreement

Santee School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria Met?	Comments
Bond Financing & Technology	Yes	Yes	1) District has Board policies that govern the use of Capital Appreciation Bonds, which will not be used in the program
			2) No technology devices will be purchased with bond funds
Deferred Maintenance and Major Repair & Replacement Plan	Yes	No	1) District included a ten-year history of deferred maintenance spending
			2) District does NOT outline how a new bond would go toward funding deferred maintenance needs
Financial Status	Yes	Yes	1) District provided a listing of all outstanding debt
			2) District describes procedures for disclosing bond-related information
Selection of Bond Agency	Yes	Yes	1) District described process used to select financial professionals
			2) District provided justification for the anticipated 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	Yes	1) Ballot language and resolution for \$15.37 million bond re-authorization was adopted on May 15, 2018
			2) Ballot language outlines project list by site
Bidding Process	Yes	No	1) District has NOT adopted a “No Pay to Play” policy
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1) District adopted SDCTA Oversight Committee Best Practices
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	No	1) District has NOT adopted SDCTA School Construction and Professional Services Procurement Best Practices
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District’s Assistant Superintendent, Business Services and a member of the District’s Board of Education completed SDCTA bonds coursework in 2018.
Opposition to Special Elections			