

**LAKESIDE UNION SCHOOL DISTRICT \$33 MILLION BOND MEASURE**

*November 2019*

**SDCTA:**

**Do Not Support**

**Rationale:**

The Lakeside Union School District met some of the SDCTA School Bond Support criteria, but there were key items that did not meet standards.

Soft cost projections were significantly higher than average. This was concerning since the goal is to have low soft costs to ensure funds are spent on actual construction.

The district displayed poor managerial acumen by planning to finance furniture and buses with thirty-year financing. Though the district signaled it would make a change, that critical error reduced the Association's confidence in their ability to manage this program.

**Title:** Measure R

**Jurisdiction:** Lakeside Union School District

**Type:** Bond Issue

**Vote:** 55% Supermajority

**Status:** On the March 3, 2020 Primary Election Ballot

**Issue:** \$33 Million Bond Measure

**Description:** The issuance of \$33 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:** Total cost of the bond, including principle and interest is \$59.9 million. The District is proposing to raise the tax rate by an estimated \$30 per \$100,000 of assessed valuation.

**Background**

Lakeside Union School District has 9 schools within the nearly 75 square miles of suburban/rural district service approximately 5,000 students in grades K-8. The district consists of seven elementary schools and two middle schools. There are three preschools, an infant/preschool special education program and before and after school childcare programs available.

The district, in consultation with Eric Hall and Associates, conducted detailed site assessments to identify capital needs and other facilities requirements. The District created a Facilities Advisory Committee containing members from its various stakeholder groups including certificated and classified employees, management, parents, community members, board members and students to provide input as to the needs of each school site as well as the District support facilities. Site-specific needs were addressed, as well as global needs that promote and align with the District’s vision and the board’s high priority goals.

Through the process, 415 District projects were identified. The prioritization process resulted in the identification of 68 individual high priority projects throughout the District. Projects were prioritized and broken down into the following categories:

- Health and Safety
- Classroom Modernization
- Support Facilities
- Athletic Facilities
- Playing Fields
- Site Modernization
- Technology
- New Construction

## **Proposal**

The Lakeside Union School District Board of Education expects to vote to place a \$33 million bond measure on the March 3, 2020 ballot on November 14, 2019.

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

“In order to maximize community benefit and efficiently apply taxpayer dollars, the District will make a good faith effort to pursue all practical opportunities to expand community joint use facilities at each of its schools at which Bond proceeds will be expended without adversely impacting operations or finances of the District such as joint use of libraries, recreational/physical education facilities, computer labs, meeting rooms and childcare and health care facilities.”

## **Review of SDCTA Bond Support Criteria**

### *Program Description*

In September 2018, the District approved the Long Range Facilities Master Plan. The plan includes a study of the District’s demographics, development impacts within the region, three,

five, seven and ten year enrollment projections, capacity analysis of all the Districts facilities showing the District’s ability to house the existing student population while identifying needed additional educational facilities, included a 21st Century Educational Learning Specifications identifying the facility programmatic needs, funding sources including potential state school facility program matching funds, and financial information and plans for the capital improvement program.

Any “unmet needs” will be monitored during the more detailed planning activities to come and may be incorporated into the program where budget allows. Otherwise, those needs will be addressed in later years when funding is available and/or when the need becomes more urgent.

#### *Budget, Funding and Execution Plan*

Working with a team of subject area experts, the District has prepared a detailed program budget and funding plan for the proposed school bond measure. The costs associated with the projects have been prioritized to match funding available from the proposed bond measure. The District is not relying on State funding revenues for purposes of the program budget due to the uncertainty surrounding the availability of State funding in the future. The estimated costs have accounted for all potential program costs including hard costs, soft cost, direct and indirect project costs, escalation, and management costs.

The District has identified facilities additional needs of approximately \$110,927,573 and with the taxpayer burden in mind we have formulated a plan to run a lean program with minimal administrative costs. The District has a variety of sources for funding the facility’s needs.

The District does not foresee implementation issues since all sites are owned by the District and there will be no need for temporary housing of students. All modernization work will be done during the summer, spring, fall, or winter breaks while students are not at the school sites.

#### *Cost Estimation and Feasibility*

Documents prepared by Cuming

Estimate Format                      A component cost classification format has been used for the preparation of this estimate. It classifies costs by building system / element.

Cost Mark Ups                      The following % mark ups have been included in cost estimate:

- General Conditions (15.00% on direct costs)
- Bonds & Insurance (2.50% compound)
- Contractor's Fee (8.00% compound)
- Design Contingency (10.00% compound)
- Bidding Conditions Factor (5.00% compound)

- Escalation to MOC, 07/02/20 (9.45% compound)

Soft Costs

At the category summary level, soft costs are added to each scope portion. Soft costs include the following:

- AE Design Fee (10.00% on direct costs)
- DSA Plan Check Fee (0.75% on direct costs)
- Printing/Advertising (0.05% on direct costs)
- Test/Survey (1.25% on direct costs)
- Inspection (1.25% on direct costs)
- Project Management Fees (5.00% on direct costs)
- Project/Construction Contingency (5.00% on direct costs)
- Relocation Costs (0.80% on direct costs)
- Labor Compliance (0.25% on direct costs)
- Builders Risk Insurance (0.80% on direct costs)
- Legal (0.03% on direct costs)
- Comissioning (0.08% on direct costs)
- FF&E (Other than Classroom) (4.00% on direct costs)

TOTAL SOFT COSTS - 33.26%

Element	Hard Costs	Soft Costs	Total
Eucalyptus Elementary School	\$10,951,200.00	\$3,642,369.12	\$14,593,569
Lakeside Farms Elementary School	\$8,438,236.12	\$2,806,557.33	\$11,244,793
Lakeview Elementary School	\$11,232,000.00	\$3,714,476.80	\$14,946,477
Lemon Crest Elementary School	\$3,271,000.00	\$1,087,934.60	\$4,358,935
Lindo Park Elementary School	\$8,986,000.00	\$2,988,743.60	\$11,974,744
Riverview Elementary School	\$2,799,000.00	\$930,947.40	\$3,729,947

Winter Gardens Elementary	\$5,129,000.00	\$1,705,905.40	\$6,834,905
Lakeside Middle School	\$2,507,000.00	\$833,828.20	\$3,340,828
Tierra del Sol Middle School	\$11,499,000.00	\$3,824,567.40	\$15,323,567
District Office Complex	\$1,737,000.00	\$577,726.20	\$2,314,726
Food Service	\$1,096,000.00	\$364,529.60	\$1,460,530
Maintenance and Operations	\$3,112,000.00	\$1,035,051.20	\$4,147,051
Technology	\$667,000.00	\$221,844.20	\$888,844
Transportation	\$1,410,000.00	\$468,966.00	\$1,878,966
Extended Student Services (ESS)	\$3,180,000.00	\$1,057,668.00	\$4,237,668
Lakeside Early Advantage Preschool Programs	\$5,506,000.00	\$1,831,295.60	\$7,337,296
<b>Total Estimated Construction Cost</b>	<b>\$83,257,436.12</b>	<b>\$27,670,136.85</b>	<b>\$110,927,573</b>

*Program Justification*

In September 2018, the District approved the Long Range Facilities Master Plan. The plan includes a study of the District’s demographics, development impacts within the region, three, five, seven and ten year enrollment projections, capacity analysis of all the Districts facilities showing the District’s ability to house the existing student population while identifying needed additional educational facilities, included a 21st Century Educational Learning Specifications identifying the facility programmatic needs, funding sources including potential state school facility program matching funds, and financial information and plans for the capital improvement program.

Any “unmet needs” will be monitored during the more detailed planning activities to come and may be incorporated into the program where budget allows. Otherwise, those needs will be addressed in later years when funding is available and/or when the need becomes more urgent.

Enrollment is projected to remain about the same.

### *Program Execution Plan*

The District operates a low administrative cost budget and as a result, does not have permanently employed in-house staff to manage the work that would result from this bond. The District contracted EH&A for program management services. The intent is to have the District maintain control of the program – with limited District authority being passed on to the consultant augmentation team. The District projects this is the most efficient use of taxpayer funds.

EH&A has works under supervision of District staff. While the District has a very capable Director of Maintenance, Operations and Transportation, the time commitment and resources required are too much to manage alone with all of the other responsibilities the position currently manages. However, the Director of Maintenance, Operations and Transportation, Todd Owens, has been and will continue to be the key District staff representative assigned to work with the program management consultant.

Todd has several years of service in the area of facilities maintenance with the Lakeside Union School District. The Assistant Superintendent of Business Services, Erin Garcia, will also be closely involved in the oversight of the facilities program and the consultant.

The District will aim to keep site discretionary spending within reasonable limits as recommended in the 2018 SDCTA Bond Support Process and Criteria guidelines.

### *Fair and Open Competition*

The District will adopt provisions 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. The District will communicate to taxpayers prior to board vote with a minimum of 90-day public notice. A workshop will be conducted prior to any negotiation resolution to determine reasonableness.

The District 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 will clearly state whether or not a PLA is envisioned or required for any portion of the expected bond expenditures. No PLA is in effect as of the timing of this ballot measure and the District commits to communicating to the public any subsequent intention of entering into a PLA. If there is a PLA, the District agrees to

cooperate with the Bond Oversight Committee to analyze the cost impact of the PLA on bond projects.

### *Bond Financing and Technology*

The District's Debt Management Policy shall govern all debt obligations issued by the District. The District recognizes that a fiscally prudent debt policy is required to maintain the District's sound financial position, ensure the District has the flexibility to respond to changes in future service priorities, revenue inflows, and/or cost structures, protect the District's short-term and long-term credit ratings, and protect both current and future taxpayers from being made responsible for the repayment of poorly structured and/or overly costly capital financings.

The Board agrees that in connection with the sale of any bonds, the District shall avoid selling Capital Appreciation Bonds (CABs) with maturities greater than 25 years. CABs with maturities of 25 years or less should only be pursued if it can be demonstrated that their use will result in less debt service than other bond structures or other financial alternatives. Other financing options that should be compared to the potential use of CABs include additional voter approved tax increases. Defensible assumptions for growth in assessed value shall be used for development of any proposed financing method. (Board Policy 3470 and 7214)

The District's purchase of laptop computers and other portable instructional devices are currently funded by the General Fund budget. The District plans to include technology infrastructure improvements with the proposed bond funds.

### *Deferred Maintenance and Major Repair and Replacement Plan*

Following changes from the Budget Act in 2009, school district were provided with flexibility to use their deferred maintenance contribution for "any educational purpose" thought 2013. Due to funding cuts endured during 2008-2012, the District has used this flexibility clause to protect its core educational programs. Beginning 2013-14 school year, Governor Brown implemented the Local Control Funding Formula (LCFF), which replaced the revenue limit funding system and majority of the categorical program funding, including the Deferred Maintenance matching program. Despite these cuts, however, the School District has kept a robust maintenance program. These resources on their own do not provide adequate funding to meet the needs of the District, a situation that is familiar to most districts in California.

Lakeside Union School District created a building maintenance fund by allocating funds for the "Deferred Maintenance" program, approximately \$250,000 for the 2019-20 and \$350,000 for 2020-21. They allocate 3% of their general fund to the Ongoing and Major Maintenance/Restricted Maintenance Account.

Lakeside Union School District has included the current 15 year Deferred Maintenance Plan.

School Year	Roofing		Painting		Carpet		Asphalt	Total Expense	Beg Balance	\$150,000
	Amount	Site	Amount	Site	Amount	Site	Amount		Annual Deposit	Cumulative Balance
2019-20	\$30,000	Portables (6)	\$40,000	DO		Bond-LF		\$70,000	\$250,000	\$330,000
2020-21	\$30,000	Portables (6)	\$150,000	LMS			\$250,000	\$430,000	\$350,000	\$250,000
2021-22	\$30,000 \$250,000	Portables (6) TBD						\$30,000 \$250,000	\$400,000	\$370,000
2022-23	\$30,000	Portables (6)	\$150,000	TDS	\$500,000	LP		\$680,000	\$50,000	\$140,000
2023-24	\$30,000	Portables (6)			\$500,000	LC		\$530,000	\$500,000	\$110,000
2024-25	\$30,000	Portables (6)	\$150,000	WG/EH			\$300,000	\$480,000	\$500,000	\$130,000
2025-26	\$30,000 \$100,000	Portables (6) TBD			\$500,000	RV		\$530,000 \$100,000	\$500,000	\$0
2026-27	\$30,000	Portables (6)	\$150,000	LF				\$180,000	\$500,000	\$320,000
2027-28	\$20,000	Portables (4)			\$500,000	LV		\$520,000	\$500,000	\$300,000
2028-29	\$30,000 \$250,000	Portables (6) TBD	\$150,000	LF			\$300,000	\$180,000 \$550,000	\$500,000	\$70,000
2029-30	\$30,000	Portables (6)			\$500,000	TDS		\$530,000	\$500,000	\$40,000
2030-31	\$30,000	Portables (6)			\$500,000	WG/EH		\$530,000	\$500,000	\$10,000
2031-32	\$30,000	Portables (6)	\$150,000	RV				\$180,000	\$500,000	\$330,000



2032-33	\$30,000 \$250,000	Portables (6) TBD	\$150,000	LC			\$300,000	\$180,000 \$550,000	\$500,000	\$100,000
2033-34	\$30,000	Portables (6)						\$30,000	\$500,000	\$570,00

*Financial Status*

The district has used Dale Scott and Company to maintain proper disclosures of information to investors. They disclose all of their debt in annual audit reports, which includes current balances, annual increases or decreased in the balances, and a summary of the payment schedules.

General Obligation Bonds	Issuance Date	Original Principal	Outstanding Principal	Final Maturity	Optional Redemption Date
General Obligation Bonds, 2008 Election, Series A	5/7/2009	\$21,833,148.90	\$1,783,148.90	8/1/2027	non-callable
General Obligation Bonds, 2008 Election, Series B	10/7/2010	\$12,982,209.00	\$10,690,030.00	8/1/2050	non-callable
General Obligation Refunding Bonds Series 2015A	6/24/2015	\$6,185,000.00	\$5,850,000.00	8/1/2035	8/1/2025
2016 Refunding General Obligation Bonds	11/30/2016	\$17,815,000.00	\$17,455,000.00	8/1/2033	8/1/2026
General Obligation Bonds, 2014 Election, Series B	11/15/2018	\$15,000,000.00	\$14,010,000.00	8/1/2045	8/1/2026

*Selection of Bond Agency*

In October 2018, the district sold Series B bonds from the 2014 reauthorization in the amount of \$15 million. DS&C served as financial advisor and Jones Hall served as bond counsel and disclosure counsel. The bonds were sold through competitive bid and the winning underwriter was Morgan Stanley & Company. The Treasurer-Tax Collector of the County of San Diego served as the Paying Agent.

There currently remains \$13.1 million of authorized but unissued bonds from the 2014 reauthorization. It is the intent of the district to sell both these bonds and 2020 bonds (if approved by voters) through competitive bid.

*Joint Use of Facilities*

The District commits to pursuing joint use opportunities in its Ballot Measure resolution. The Ballot Measure Resolution which will be submitted to the Board on November 14, 2019, will include the following language:

*In order to maximize community benefit and efficiently apply taxpayer dollars, the District will make a good faith effort to pursue all practical opportunities to expand community joint use facilities at each of its schools at which Bond proceeds will be expended without adversely*

*impacting operations or finances of the District such as joint use of libraries, recreational/ physical education facilities, computer labs, meeting rooms and childcare and health care facilities.*

### *Complete Ballot and Resolution Language*

To increase student safety and school security; repair aging classrooms and schools including outdated plumbing, electrical wiring, roofs and heating/ air conditioning; replace portables with permanent classrooms; renovate classrooms and qualify for State matching funds, shall Lakeside Union School District's measure authorizing \$33 million of bonds with annual audits, legal rates, projected yearly levies less than \$0.03 per \$100 of assessed valuation while bonds are outstanding (generating \$2.1 million per year) and taxpayer oversight be approved?

### *Bidding Process*

District Board Policy 3311 states that the District shall promote open and fair 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. District equipment, supplies, and services shall be purchased using competitive bidding when required by law or if the Board determines that it is in the best interest of the District to do so.

The District has adopted a "No Pay to Play" policy.

Lakeside Union School District's Accountability Resolution also contains language adopting a "No Pay to Play" policy and planned ethics education for District Board members, satisfying requirements of SDCTA's 2018 Bond Support Criteria. The District will also make its ethics training available to CBOC members, exceeding SDCTA's recommendations to help promote accountability and responsible fiscal management. Lastly, the Accountability Resolution includes the adoption of SDCTA's Independent Citizens' Oversight Committee Best Practices.

### *Independent Oversight Committee*

The "Independent Citizens' Oversight Committee Best Practices" established by the SDCTA has been obtained and was used by the School District as a guide to implement its Independent Citizen's Oversight Committee (Board Policy 1220).

### *Adoption of SDCTA School Construction and Professional Services Procurement Best Practices*

The "School Construction and Professional Services Procurement Best Practices" established by the SDCTA has been obtained and used as a guide by the District in its procurement practices. (Board Policy 3311 and Administrative Regulations 3311).

### *Education of Governing Board Members*

Elected members of the District and District staff will attend SDCTA’s “Envisioning and Managing Legitimate and Effective Public School Bonds” educational course prior to the election of the bond measure, if and when scheduled prior to the election. Members of the Citizens Bond Oversight Committee that have not already attended this course will be encouraged to attend within 12 months of passage of the measure.

<b>Lakeside Union School District Bond Support Application and SDCTA Bond Support Criteria</b>			
Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	Yes	No	1) Bond program generically outlines needs
			2) Project list focuses on modernizing facilities and infrastructure, improving safety, and replacing aging portables
			3) asking for \$33 million bond, at \$30 per \$100,000 of assessed value
Program Budget and Funding	Yes	Yes	1) Program and budget funding included with hard and soft costs
			2) Project list included with spending per school site
			3) District assumes a 5% AV growth rate through 2021 and 3.5% thereafter
Cost Estimation and Feasibility	Yes	no	1) Project cost estimates, include 33.25% soft costs
			2) No costs associated with project list
			3) Needs estimated at over \$110 million
Program Justification	Yes	Yes	1) The District justifies the need for the measure to complete some of the projects listed in the needs assessment in the Facilities Master Plan
			2) school by school listing of projects is included
			3) Enrollment projections included increase slightly over 10 years
Program Execution Plan	Yes	Yes	1) Estimated bond issuance schedules provided seem accurate
			2) Estimated program timeline per school site included.
			3) District plans to use Eric Hall and Associates for program management. EH&A works directly with District staff
Fair and Open Competition	Yes	Yes	1) District adopted a policy that includes language showing “commitment” to fair and open competition for all LUSD construction projects.

Bond Financing and Technology	Yes	Yes	1) Computers and other instructional devices are paid for with General Fund monies.
			2) Technology infrastructure improvements will be paid for with bond funds
Deferred Maintenance and Major Repair & Replacement Plan	Yes	Yes	1) 15 year deferred Maintenance plan outlined
			2) 3% of budget applied towards deferred maintenance
Financial Status			
Selection of Bond Agency	Yes		1) Many bond agencies have been used in the past. Current bond agency will be selected through competitive bid.
Joint Use of Facilities	Yes	Yes	1) Joint use established in previous bond initiative and will be incorporated into this bond initiative.
Complete Ballot and Resolution Language	Yes	Yes	1) Ballot language and resolution sent
			2) Projects included in Language
Bidding Process	Yes	Yes	1) District adopted a “No Pay to Play” policy
Provision for an “Independent Citizens’ Oversight Committee”	Yes	Yes	1) ICOC committee language established in board policy 1220
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) District adopted SDCTA School Construction and Professional Services Procurement Best Practices on September 26, 2019
Education of Governing Board Members and Oversight Committee Members	Yes		1) District staff will attend Envisioning and Managing Legitimate and Effective Public School Bonds course.

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