



**Escondido Union School District \$205 Million Bond Measure**

*November 2019*

**SDCTA Position:**

**Support**

**Rationale for Position:**

Escondido Union School District's proposed bond measure meets key provisions of SDCTA's Bond Support Criteria. Additionally, the district was diligent in submitting materials to SDCTA in a timely manner and provided a comprehensive plan. Concerns with declining enrollments were adequately addressed and the district is looking toward potential consolidation if needed in the future. The district demonstrated funds from previous bond spending were well documented. They also included a thorough needs assessment and accounted for contingencies for declining enrollment.

**Title:** Measure Q

**Jurisdiction:** Escondido Union School District

**Type:** Bond Issue

**Vote:** 55% Supermajority

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

**Issue:** \$205 Million Bond Measure

**Description:** The issuance of \$205 Million of Proposition 39 General Obligation Bonds with an increase in property taxes by \$29 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 \$408 million total debt payback over 33 years. The District is proposing to raise the tax rate by an

**Background**

The Escondido Union School District (EUSD) is the sixth largest elementary school district in California with an enrollment of about 15,000 students. The district is located 30 miles northeast of the City of San Diego and serves students in the city of Escondido and surrounding areas. The district consists of approximately 77 square miles and provides K-8 education and feeds into the Escondido Union High School District. Currently, the district operates 17 elementary schools, five middle schools and one intermediate school.



In 2014, the voters in Escondido approved a General Obligation Bond for \$182.1 million. That bond initiative has allowed EUSD to focus on upgrading its facilities, improving school site safety, and building a more robust information technology infrastructure. As the district has pursued its current modernization efforts with the first bond series (Series A) of \$62 million, EUSD has made tremendous progress in the modernization of Mission Middle School, Orange Glen Elementary School, Central Elementary School and Quantum Academy.

Modernization efforts continued with Series B bonds of \$55 million. Those funds were spent at Del Dios Academy of Arts and Sciences with \$19.1 million of modernization effort; \$14.1 million will be used to continue phase II of the modernization effort at Mission Middle School; and another \$13.1 million will be used to continue with phase II of the Orange Glen modernization effort. Also, \$1.5 million has been identified for continuing the districts efforts on school site safety.

With a remaining authorization of only \$65.1 million for the next thirteen years from Proposition E and with the districts needs far exceeding that amount, the district is looking into passing another bond initiative in 2020.

The district partnered with an architectural firm to update the districts Long Range Facilities Master Plan and provide an update on the district's facility Needs Assessment for the future. Those costs are estimated to be \$700 million.

## **Proposal**

The Escondido Union School District Board of Education expects to vote to place a \$205 million bond measure on the March 3, 2020 ballot.

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

“To repair deteriorating roofs, plumbing/electrical systems, remove asbestos, improve student safety/campus security, and acquire, renovate, construct, and equip classrooms, science labs, sites, school facilities/technology that support college and career readiness in math, science, engineering, technology and the arts shall Escondido Union School District's measure authorizing \$205,000,000 in bonds at legal interest rates be approved, levying 3 cents/\$100 assessed value (\$12 million annually) while bonds are outstanding, with citizen oversight and all money staying local?”

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

### *Program Description*

The initial focus of the proposed project list will be to complete major building projects that were started with Proposition E—specifically Mission Middle School and Del Dios Academy of Arts and Sciences. Additionally, aged school sites with significant needs will also be addressed, e.g., Orange Glen Elementary School and Central Elementary School. To ensure that all sites benefit from the bond initiative, smaller projects like shade structures, playgrounds, school site security, and information technology infrastructure have been outlined.

The elements of the program are as follows:

- a. Mission Middle school – new shower locker room, new staff parking lot, new track & Field and modernize remaining buildings
- b. Orange Glen Elementary School – new multi-purpose room and new kitchen
- c. Central Elementary School – modernize remaining classrooms and removal of relocatable buildings
- d. Del Dios Academy – modernize all building on campus, remove relocatable buildings, and add a sports complex (joint use facility)
- e. Miller Elementary School – demolish existing site and build new school
- f. Districtwide site improvements – technology, playgrounds, security, restrooms, HVAC, paving, roofing, shade structures and relocatable building removal

*Budget, Funding and Execution Plan*

Proposed bond issuance	\$205,000,000
Redevelopment funds over a 10-year period	\$20,000,000
State matching funds	\$50,989,815
Developer fees	\$500,000
Deferred Maintenance	\$1,030,000
Prop E (remaining authorization)	\$17,100,000
Average Interest Earnings (Prop E)	\$100,000
<b>Total Available Funding</b>	<b>\$294,219,815</b>

**Table 1: Bond Spending Plan**

	Total	Series A 2020	Series B 2024	Series C 2026	Series D 2029
Mission Middle School	<b>\$37,520,837</b>	\$37,520,837	\$0	\$0	\$0
Orange Glen Elementary (New Construction only)	<b>\$10,753,078</b>	\$0	\$0	\$10,753,078	\$0

Central Elementary (Modernization Only)	\$13,751,362	\$0		\$13,751,362	\$0
Del Dios Academy of Arts and Sciences	\$54,241,945	\$6,000,000	\$48,241,945	\$0	\$0
Miller Elementary	\$59,117,232	\$0	\$313,814	\$16,064,265	\$42,739,153
Technology Infrastructure Upgrade	\$10,000,000	\$4,800,000	\$200,000	\$2,400,000	\$2,600,000
Relocatables-Relocation or Demoliton	\$4,522,597	\$250,000	\$900,000	\$2,072,597	\$1,300,000
Shade Structures	\$1,879,664	\$1,000,000	\$0	\$879,664	\$0
Playgrounds	\$1,969,816	\$300,000	\$0	\$1,669,816	\$0
Site Security	\$3,000,000	\$0	\$0	\$0	\$3,000,000
Restrooms	\$1,797,575	\$279,164	\$894,241	\$624,170	\$0
M&O Projects (HVAC, paving, roofing)	\$6,445,895	\$1,100,000	\$700,000	\$3,035,048	\$1,610,847
<b>TOTAL</b>	<b>\$205,000,000</b>	<b>\$51,250,000</b>	<b>\$51,250,000</b>	<b>\$51,250,000</b>	<b>\$51,250,000</b>
<b>Interest Earnings</b>	<b>\$4,800,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>	<b>\$1,200,000</b>

**Table 2: State Funding Spending Plan**

Campus	Current State Funding	Future State Funding	State Funding Total	Year Eligible
Bernardo	\$0	\$0	\$0	2031
Central	\$0	\$1,954,558	\$1,954,558	2019
Conway	\$0	\$2,302,317	\$2,302,317	2030
Farr Avenue	\$0	\$0	\$0	2019
Felicita	\$0	\$1,549,423	\$1,549,423	2019
Glen View	\$0	\$1,497,626	\$1,497,626	2019
Juniper	\$0	\$1,470,737	\$1,470,737	2019

Lincoln	\$0	\$5,514,250	\$5,514,250	2019
LR Green	\$0	\$4,312,916	\$4,312,916	2019
Miller	\$0	\$1,057,987	\$1,057,987	2019
North Broadway	\$0	\$3,556,773	\$3,556,773	2019
Oak Hill	\$0	\$2,434,715	\$2,434,715	2019
Orange Glen	\$2,267,814	\$0	\$2,267,814	2019
Pioneer		\$3,653,790	\$3,653,790	2019
Reidy Creek	\$0	\$0	\$0	2030
Rock Springs	\$0	\$3,069,079	\$3,069,079	2020
Rose	\$0	\$1,494,791	\$1,494,791	2019
Quantum	\$1,050,105	\$0	\$1,050,105	2019
Bear Valley	\$0	\$0	\$0	2030
Del Dios	\$0	\$2,364,104	\$2,364,104	2019
Hidden Valley	\$0	\$992,685	\$992,685	2019
Mission	\$3,518,785	\$820,206	\$4,338,991	2019
Rincon	\$0	\$6,107,154	\$6,107,154	2019
<b>Total</b>	<b>\$6,836,704</b>	<b>\$44,153,111</b>	<b>\$50,989,815</b>	

### *Cost Estimation and Feasibility*

The cost of the specific list of projects proposed is substantially equal to the amount of the money requested to be borrowed to fulfill program needs.

The district's cost estimations are outlined in the LRFMP and NA via [www.eusdplan.org](http://www.eusdplan.org). The cost estimations were completed by Jay Helekar, LEED AP BD+C, working in conjunction with HL Construction Management.

The Board of Education will be briefed by bond legal counsel on the potential legal exposure of the bond program at a future date.

### *Program Justification*

The proposed bond initiative is necessary to continue to move forward with the modernization of the district's schools. The public benefit is substantially increased with modernized facilities in that they provide great learning environments. Also, a robust 21st century focus on technology will allow our students to engage in science, technology, engineering, arts, and math (STEAM). Additionally, students and staff will benefit from an increased focus on school site safety, i.e., security cameras and fencing.

Improving Escondido schools is a wise investment as great schools protect and increase home values.

Other than General Obligation Bonds, the district does not have access to the funding needed to address the scope of the facility needs of the district. The district cannot rely on other public agencies to ameliorate its facility needs as identified in the LRFMP and NA.

Even with declining enrollment projected through 2025, the district will have to modernize and repair the remaining aged school sites. The district is actively pursuing options on how to consolidate its facility assets.

Provided below are enrollment projections through School Year 2025/26. The district has partnered with a demographer (Davis Demographics) to assist in determining future enrollment for the district.

#### *Program Execution Plan*

The program execution will be accomplished via the augmentation of the existing Facilities, Planning & Construction Department – the department has four full time positions:

- a. Director
- b. Facility Analyst
- c. Clerk Typist
- d. Secretary

The district's building program is currently being augmented with a program management team named Arcadis. The Arcadis team includes:

- a. Program Manager
- b. Three Project Managers

Other district departments, such as Fiscal Services, Maintenance and Operations, Information Technology, Nutrition, and Purchasing, also support the building program.

With a new bond initiative, the district would like to keep the current team in place. The salaries for the personnel in the Facilities, Planning & Construction Department and all other



supporting departments are paid from the district's General Fund. The Arcadis staff salaries are paid from the bond proceeds of Proposition E.

### *Fair and Open Competition*

Escondido Union School District (EUSD) is committed to align bond resources to EUSD's goals and demonstrate to voters its stewardship of bond funds. In order to improve oversight and management of bond funds, EUSD will adopt a board policy that will align our procurement procedures to SDCTA's School Construction and Professional Services Procurement Best Practices Guidelines. This board policy will also include language that shows our commitment to promoting fair and open competition for all EUSD construction projects and that we are a "No Pay to Play" organization. Lastly, this policy will solidify EUSD's Independent Citizen's Oversight Committee's dedication to the oversight process of EUSD's bond program by adopting SDCTA's Independent Citizen's Oversight Committee Best Practices.

The proposed board policy on Bond Accountability Program will be presented as a first reading at the Board of Education meeting on September 26, 2019 and for a second reading on October 10, 2019 if necessary.

### *Bond Financing and Technology*

The district will be looking at a variety of funding sources to help finance the current and future building program. The district will not be using Capital Appreciation Bonds.

The district will be revising Board Policy 7214 to include the proposed SDCTA language regarding capital appreciation bonds.

A list of all classroom technology items proposed to be funded and the expected useful life of each technology item proposed to be financed was included in the package.

Annual assessed value growth assumptions for any proposed financing will be the lesser of the average annual percentage growth over the past twenty (20) years, or five percent (5%).

### *Deferred Maintenance*

Campus	Immediate Repairs	1-10 Years	11-19 Years	Facility Repairs Total
Bernardo	\$8600	\$4,048,007	\$3,941,577	\$7,998,184
Central	\$400,900	\$6,000,968	\$4905,315	\$11,307,183
Conway	\$68,600	\$5,118,443	\$6,983,678	\$12,170,721
Farr Avenue	\$1900	\$4,854,012	\$3,285,814	\$8141,726
Felicita	\$49,100	\$3,974,355	\$6,233,964	\$10,257,419
Glen View	\$18,700	\$3,812,023	\$6,564,698	\$10,395,421
Juniper	\$28,500	\$3,780,683	\$6,794,200	\$10,603,383
Lincoln	\$157,100	\$11,061,354	\$4,086,367	\$15,304,821
LR Green	\$18,200	\$7,179,164	\$4,933,836	\$12,131,200
Miller	\$29,800	\$6,475,111	\$2,362,241	\$8,867,152
North Broadway	\$1,076,100	\$4,620,953	\$4,260,818	\$9,957,871
Oak Hill	\$82,600	\$3,866,338	\$6,661,649	\$10,610,587
Orange Glen	\$383,500	\$4,870,648	\$2,822,048	\$8,076,196
Pioneer	\$1900	\$4,539,403	\$6,539,535	\$11,080,838
Reidy Creek	\$7100	\$4,396,688	\$4,989,517	\$9,393,305
Rock Springs	\$570,400	\$4,442,439	\$12,120,246	\$17,133,085
Rose	\$70,100	\$4,589,628	\$5,290,306	\$9,950,034
Quantum	\$184,900	\$2,080,557	\$2,070,789	\$4,336,246
Bear Valley		\$7,436,354	\$6,180,057	\$13,616,411
Del Dios	\$66,800	\$10,387,437	\$4,450,029	\$14,904,266
Hidden Valley	\$21,500	\$8,359,351	\$11,415,490	\$19,796,341
Mission	\$74,500	\$5,738,078	\$4,075,433	\$9,888,011
Rincon	\$481,200	\$10,836,774	\$9,793,941	21,111,915
<b>Total</b>	<b>\$3,802,000</b>	<b>\$132,468,768</b>	<b>\$130,761,548</b>	<b>\$267,032,316</b>



*Selection of Bond Agency*

The district engaged in a competitive selection process to select its financial advisor in 2014, Piper Jaffray. Bond legal counsel firm (Stradling, Yocca & Rauth) and the communication strategist firm (CliffordMoss) were brought on board through a referral process. The underwriting firms were selected via a competitive selection process for the bond issuances related to Proposition E Series A and B.

The financial advisor, bond legal counsel, and underwriting firms are compensated with bond proceeds. The communication strategist is compensated through the General Fund and via contributions during the campaign phase of the bond initiative.

Historically the district has used a negotiated sale on the issuance of its bonds but is also amenable to the use of a competitive sale based on the advice of the district’s financial advisor.

*Joint use of Facilities*

Language not Available

*Ballot Language and Resolution*

<b>Escondido Union 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	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) Project list within proposed ballot resolution is site specific
Program Budget and Funding	Yes	Yes	1) Bond financing scenarios made using 5% assessed valuation growth rates.
			2) Total cost of bond will be \$408 million assuming a 1.99 over 33 years
			3) District has estimated that the added tax rate will be \$29 per \$100,000 of assessed valuation
			1) Project cost estimates, which include hard and soft costs, developed by Piper Jaffray

Cost Estimation and Feasibility	Yes	Yes	2) Preliminary budget included with a timeline for completion of projects 3) Needs estimated at over \$700 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) The funds from this bond would be sufficient to complete the proposed projects with additional sources 3) District has declining enrollment
Program Execution Plan	Yes	Yes	1) Estimated bond issuance schedules are provided 2) Estimated program timeline and construction schedules provided 3) District plans to oversee projects with current staffing that is overseeing previous bond
Fair and Open Competition	Yes	No	1) District adopted a policy that includes language showing “commitment” to fair and open competition for all EUSD construction projects. 2) Bond accountability adopted on Sept 26, 2019
Bond Financing and Technology	Yes	YES	1) No capital appreciation bonds for technology included
Deferred Maintenance and Major Repair & Replacement Plan	No	No	1) District included generic deferred maintenance per school site totaling \$267 million 2) No Facilities condition index included
Financial Status	Yes	Yes	1) District provided a list of outstanding debt 2) District described monthly disclosure through consulting firm Cooperative strategies.
Selection of Bond Agency	Yes	No	1) Piper Jaffray used for 2014 Bond, unclear if that is who will be doing new bond measure.
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) Final ballot and resolution language included on 11/25
Bidding Process	Yes	Yes	1) District adopted a “No Pay to Play” policy on September 26, 2019
Provision for an “Independent Citizens’ Oversight Committee”	Yes	No	1) ICOC committee language established in board policy 7214 2) Adoption of SDCTA’s Independent Oversight Committee Best Practices is a little vague. 3) There is a SDCTA representative on their Oversight Committee who wrote a letter included in the Application

Adoption of SDCTA School construction and Professional Services Procurement Best Practices	Yes	Yes	1) Board proposed policy on Bond Accountability Program approved September 26, 2019
Education of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District's Assistant Superintendent-Business Services, attended SDCTA workshop with three board members in 2014
			2) Assistant Superintendent of Business Services attended the UCSD Extension/SDCTA Course-Practice of Running School Bonds
			3) Superintendent, Assistant Superintendent of Business Services, Several Board members and ICOC members will be taking advantage of SDCTA online training opportunities.