

Proposition X: Alpine Union School District \$12 million Bond Measure Brief Summary

SDCTA **OPPOSES** the Alpine Union School District proposed bond measure. The proposed measure fails to meet key provisions of the SDCTA Bond Support Criteria. Furthermore, the District failed to demonstrate the appropriate level of planning.

- Alpine Union School District is proposing a \$12 million General Obligation Bond measure.
- The total estimated cost of the measure is expected to be \$41.0 million, including interest.
- The proposal would increase the tax rate by as much as \$14 per \$100,000 of assessed valuation.
- The last series of the bond program is expected to be issued in 2022.
- The project list includes painting schools and carpeting classrooms that have an expected lifespan significantly less than the duration of the bond. For example, new stucco was applied to Joan MacQueen Middle School in 2011, and the District is proposing to issue bonds in 2022 to finance new stucco as its lifespan of 12 years expires.
- The District's proposal includes refinancing already completed investments that were designed to lower operating costs.
- Although a timeline of bond issuance has been provided, and it has been specified which projects will be funded by each series, a full cash-flow analysis including the potential date for bond sales, expected annual property tax rates and revenue earnings, as required by SDCTA Bond Support Criteria, has not been provided.
- The District has estimated total project costs of \$11.1 million.
- A dedicated Technology Refresh Fund for Student and Teacher Devices (around \$500,000) is included to place bond proceeds into an account to accrue interest and uses the interest as continuous revenue to fund technology infrastructure replacements.

Proposition X: Alpine Union School District Bond Measure

Board Action:

OPPOSE

Rationale:

Alpine Union School District is proposing to fund a variety of projects with bond financing. These include projects such as painting schools and carpeting classrooms that have an expected lifespan significantly less than the duration of the bond. For example, new stucco was applied to Joan MacQueen Middle School in 2011, and the District is proposing to issue bonds in 2022 to finance new stucco as its lifespan of 12 years expires.

Additionally, the Alpine Union School District not has provided information to address all components of the bond support criteria. After repeated requests for further information, responses have been incomplete, and have not demonstrated an appropriate level of planning. Most notably, a detailed comprehensive budget has not been provided as required by the SDCTA Bond Support Criteria. Neither has a schedule with benchmarks for completion, or a cash-flow analysis been provided. While some of the information that would be included in these planning documents has been provided, it has not been given in a way that allows for an understanding of when projects will be performed.

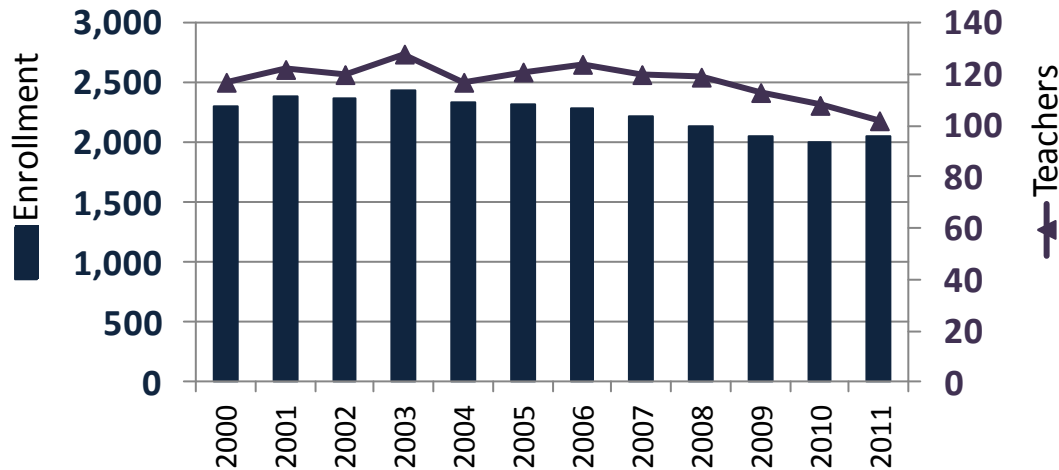
Background:

The Alpine Union School District (the District) consists of six (6) schools including four elementary schools and one middle school. The District also includes a “home school alternative” (Mountain View) which has three (3) classrooms and three (3) teachers. The district is one of eight that feed into the Grossmont Union High School District. The District schools include:

- Alpine Elementary School
- Boulder Oaks Elementary
- Creekside Early Learning Center
- Joan MacQueen Middle School
- Mountain View Learning Academy
- Shadow Hills Elementary

Enrollment declined modestly over the past decade, and the teacher to student ratio has held steady.

Figure 1: Enrollment and Teachers Employed Fiscal Years 2000 through 2011



Proposal:

On March 6, 2012, the Alpine Union Elementary School District Board of Trustees is expected to vote to place a \$12.0 million school bond measure on the June 5, 2012 ballot.

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

“To protect student safety and quality education with funding that cannot be taken by the State, shall Alpine Union Elementary School District upgrade, construct, equip school facilities to meet current earthquake and safety codes, update instructional technology, support core academic programs/teachers by eliminating debt, make classrooms accessible for students with disabilities by issuing S12 in bonds at legal rates with independent oversight, no money for administrators and all funds spent on Alpine area schools?”

The District has submitted its request for support to SDCTA. The request included materials intended to satisfy the SDCTA Bond Support Criteria. Those materials have been reviewed and an analysis of the significant results is provided within the following pages. A summary table of this analysis is provided at the end of this report.

Review of SDCTA Bond Support Criteria

Program Description, Budget & Funding, Execution Plan

The District is anticipating issuing bonds in three (3) series over the life of the program: 2012, 2017 and 2022; each of approximately \$4 million. The District has categorized specifically listed projects into four (4) categories:

1. Deferred maintenance
2. Refinancing recent projects
3. New projects
4. Modernization



Costs are identified by project type, and projects are listed by site in an alternate list. The District has also identified which series of bond funding each project will fall under. The District has said that they will include the list of projects by site in the ballot language itself in order to comply with our criteria.

The District states that most projects will be 100 percent hard costs. The projects that will require soft costs were identified to SDCTA and the District has noted that 20 percent of the project costs are soft costs. The District has not met the SDCTA criterion that asks for assumptions about anticipated cost increases and funds required for contingencies and unforeseeable circumstances to be included.

Although the District states that the measure would make them eligible for state matching funds if they are available, they are not relying on grants to complete these projects. They have indicated that they will pursue all funds that are available.

The District has indicated that there is no intent to reimburse its operating budget from bond revenues for any program costs, although they are using \$5.7 million to refinance several already completed projects. These are projects that they decided not to wait for bond revenues to complete in order to take advantage of operational savings. Additionally, the ballot language describes the intent to “support core academic programs/teachers by eliminating debt.” It is unclear how this will occur.

Figure 2: Estimated Project Costs of Proposed Bond Projects

Estimated Costs of Proposed Bond Projects	Series A Bond (2012)	Series B Bond (2017)	Series C Bond (2022)	Total (\$11.1 M)
Deferred Maintenance	453,000	3,188,030		3,641,030
Paint/Stucco Schools	--	600,000		600,000
Carpet Replacement	84,000	151,200		235,200
Asphalt Seal/Stripe	81,000	405,000		486,000
HVAC Replacement	--	742,500		742,500
Roof Replacement	50,000	330,000		380,000
Classroom Furniture	--	526,830		526,830
Playground Fall Zones	50,000	50,000		100,000
Cafeteria Tables	45,000	--	--	45,000
Window Replacement	--	382,500		382,500
Irrigation System	143,000	--	--	143,000
Lease/Purchase and COP Obligations	1,900,000	1,900,000	1,900,000	5,700,000
Repay Capital Costs for Solar, HVAC Efficiencies & Tech Infrastructure	1,900,000	1,900,000	1,900,000	5,700,000
New Projects	935,300	450,000		1,385,300
Security Cameras	85,000	--	--	85,000
Grass Playfields	--	330,000		330,000
Covered Lunch Structure	--	120,000		120,000
Waterless urinals	180,000	--	--	180,000
Irrigation Water Wells	240,000	--	--	240,000
Tech Infrastructure	430,300	--	--	430,300
Modernization	396,190	--	--	396,190
District Office	396,190	--	--	396,190

The District has estimated total project costs of \$11.1 million. It is important to note that the identification of which projects are covered under each bond series is the most detail provided as far as a timeline. Projects were also commonly placed over two bond series without providing any further information.

The difference between the project costs and \$12 million in proposed bond financing include \$450,000 in financing transaction costs, and a dedicated fund for Technology Refresh Fund for Student and Teacher Devices. Projects do not include any site acquisition.

The Technology Refresh Fund for Student and Teacher Devices fund places bond proceeds into an account to accrue interest and uses the interest as continuous revenue to fund technology infrastructure replacements. It is part of the first series of issuance, and thus part of the first to be paid off.

The District’s Business Manager of 20 years, Rob Turner, will be managing the construction projects. He has supervised the construction of two of the District’s five schools, and the modernization of the other three. An estimated timeline for the sale of bonds has been included. A schedule for the projects with benchmarks is expected to be provided shortly.

Although a timeline of bond issuance has been provided, and expected project dates are expected, a full cash-flow analysis including the potential date for bond sales, expected annual property tax rates and revenue earnings have also not been provided.

Because the District intends to manage and execute the program using staff, our support criteria requires a detailed identification of Rob Turner's current duties. The District provided his position description to satisfy this requirement. It is notable that he has been responsible for far larger projects including the construction of two schools while presumably maintaining similar other responsibilities.

Ballot Resolution and Language

The District has provided ballot language and part of the tax rate statement. They are scheduled to adopt the ballot language at a meeting on March 6, 2012. They have also stated that they will be taking the SDCTA "School Construction and Professional Services Procurement Best Practices" and "Independent Citizens' Oversight Committee Best Practices" documents to their Board for approval on March 1, 2012.

The project list, that will be part of the ballot language, identifies the various projects by site, and includes which bond series will be financing each. A discussion of goal and purposes for each of the following three categories is included in the ballot language as well:

- Classroom Renovation Projects To Provide Safe Accessible Facilities for All Students
- Student Safety, Earthquake Safety and Energy Efficiency Projects
- Projects to Reduce Operating Costs.

This list does not outline the project costs as has been outlined in the other provided list of projects. General descriptions are included such as "Implement water conservation projects."

Deferred Maintenance Funding

The District submitted a board approved five-year funding plan from 2006. No specific projects were detailed in the 2006 plans. Upon request, progress on the plans was provided. Completed projects were listed by bullet point description with no further detail. The District noted that these plans were produced to satisfy state criteria for funding. Now that that funding is no longer accessible, this plan has not been updated.

A funding plan ensuring facilities do not become maintenance deferred once the backlog has been eliminated has not been provided. In fact, some facilities that currently are not classified as deferred maintenance are listed as such in anticipation of them becoming deferred maintenance before the bond series is sold. The term deferred maintenance is used by the district to include regular larger scheduled maintenance projects as were allowed under the state definition.

Fiscal Impact:

The District proposes to issue bonds in three \$4 million phases: 2012, 2017 and 2022. The total anticipated cost of the bond measure, including interest is \$41.0 million. The property tax rate is not expected to exceed \$14 per \$100,000 of assessed valuation.

SDCTA Bond Support Criteria Analysis:

(See SDCTA's Bond Support Criteria for more information)

Alpine Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Program Description	Yes	Yes	A list of planned projects (by location) will be included in the ballot language.
			There are no projects designed to increase capacity or provide new facilities.
Program Budget and Funding	Yes	No	Deferred Maintenance Items include painting/stuccoing every 10 years and asphalt seal and stripe every 5. By the time these bonds are sold (2022) these will be deferred maintenance. Included as deferred maintenance are large, scheduled projects.
			The district has provided estimated costs of each of the projects (with the exception of the Technology... fund). They have identified which have 20% soft costs built in. They reported the total debt service of \$41 million. To comply with the criteria, these should all be included in "a detailed comprehensive budget" that should also include when interest earnings would be accumulated. This is not provided.
			Prior solar projects and other repayments are a significant portion of the GO Bond. These projects were designed to lower operations cost. The District would benefit by refinancing these through the bonds.
Cost Estimation and Feasibility	Yes	Yes	Several cost estimates are based off of bids made in 2008.
Program Justification	Yes	No	They have yet to submit enrollment projections for the next 10 years as enrollment has decreased modestly over the past decade, and no new facilities are being built. They have indicated that they will provide the projection however.
Facilities Master Plan & Facilities Needs Assessment	Yes	No	The business manager "conducts personal annual inspections of all facilities himself" makes reports, and from those compiles the list of needed project. The letters reporting on these lists is included as the "comprehensive needs assessment."
			Anticipated cost increases are not projected and contingencies have not been included.
Program Execution Plan	Yes	No	A schedule with benchmarks has not been provided.
			Several items have been provided including a timeline of bond issuance, identification of which projects will be funded by each series, and part of the Tax Rate Statement. Our criteria include expected annual property tax rates and revenue earnings as part of a cash-flow analysis. No comprehensive cash-flow analysis has been provided.



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Alpine Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Deferred Maintenance and Major Repair and Replacement Plan	Yes	Yes	Deferred maintenance plan will be expired by the time they sell bonds. A new one has not been made as the state funds that the plans were created to pursue are no longer available. They have reported on the progress made on the 2006 plan.
Complete Ballot and Resolution Language	Yes	Yes	The project list will be included in the ballot language.
			There will be minor changes such as adding the \$12.0 million that has been identified to SDCTA.
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	The District has said that they will change the current resolution that identifies a member of a bona fide taxpayers association to serve on the oversight committee, to an SDCTA member.
Adoption of SDCTA School Construction and Professional Services Procurement Best Practices	Yes	Yes	Both are going to the Board on March 1, 2012
Limited Use of District's "Education" Funds	N/A	Yes	
Joint Use of Facilities	Yes	N/A	
Opposition to Special Elections	N/A	N/A	
Follow-Up Bond Requirement	N/A	N/A	



Attachment: Project List to be Included in the Ballot Language

ALPINE UNION SCHOOL DISTRICT
Proposed Bond Projects List by Location
February 22, 2012

	<u>Series</u>
<u>Creekside Early Learning Center</u>	
- Install stucco on exterior over wood T-111 wood siding	B
- Replace classroom carpets	B & C
- Reseal and stripe asphalt playgrounds and parking lot	A/B/C
- Replace/repair rolled asphalt roofs	B
- Replace classroom furniture	B
- Replace sand and wood chip fall zones under playground equipment	A & C
- Install waterless urinals	A
- Technology instructional upgrades for classrooms	A
- Refinance facilities improvement loan obligations for:	A/B/C
- Install solar photovoltaic system: 2011	
- Replace classroom HVAC units: 2011	
- Install energy efficient lighting systems: 2011	
- Reseal and stripe playgrounds 2011	
- Repair/replace iron exterior fence: 2011	
- Upgrade classroom wireless internet infrastructure: 2012	
<u>Alpine Elementary School</u>	
- Paint exterior	B
- Replace classroom carpets	A/B/C
- Reseal and stripe asphalt playgrounds and parking lot	A/B/C
- Replace classroom HVAC units	B & C
- Replace/repair rolled asphalt roofs	A & C
- Replace classroom furniture	B
- Replace sand and wood chip fall zones under playground equipment	A & C
- Install waterless urinals	A
- Technology instructional upgrades for classrooms	A
- Replace built-in student tables and benches in cafeteria	A
- Replace classroom window systems	B
- Replace irrigation systems	A
- Install grass play field	B
- Drill irrigation water well	A
- Refinance facilities improvement loan obligations for:	A/B/C
- Install solar photovoltaic system: 2006	
- Replace classroom HVAC units: 2011	
- Install energy efficient lighting systems: 2011	
- Upgrade classroom wireless internet infrastructure: 2012	

Shadow Hills Elementary School

- Paint exterior B
- Replace classroom carpets A & B
- Replace library and multi-purpose carpets A
- Reseal and stripe asphalt playgrounds and parking lots A/B/C
- Replace classroom HVAC units C
- Replace/repair rolled asphalt roofs A & C
- Replace classroom furniture B
- Replace wood chip fall zones under playground equipment A & C
- Install waterless urinals A
- Technology instructional upgrades for classrooms A
- Replace classroom window systems C
- Install covered lunch structure B
- Install grass play field B
- Refinance facilities improvement loan obligations for: A/B/C
 - Install solar photovoltaic system: 2011
 - Replace classroom HVAC units: 2011
 - Install energy efficient lighting systems: 2011
 - Upgrade library and multi-purpose room ceilings: 2011
 - Install electrical systems for music room: 2011
 - Replace asphalt in front of classrooms 5 – 9: 2011
 - Upgrade classroom wireless internet infrastructure: 2012

Boulder Oaks Elementary School

- Paint exterior C
- Reseal and stripe asphalt playgrounds and parking lot A/B/C
- Replace classroom HVAC units C
- Replace/repair rolled asphalt roofs A & C
- Replace classroom furniture C
- Replace sand fall zones under playground equipment A & C
- Install waterless urinals A
- Technology instructional upgrades for classrooms A
- Drill irrigation water well A
- Refinance facilities improvement loan obligations for: A/B/C
 - Install solar photovoltaic system: 2011
 - Replace classroom HVAC units: 2011
 - Install energy efficient lighting systems: 2011
 - Upgrade classroom wireless internet infrastructure: 2012

Mt View Learning Academy

- Paint exterior B
- Replace classroom carpets B
- Replace/repair rolled asphalt roofs C
- Replace classroom furniture C
- Technology instructional upgrades for classrooms A
- Refinance facilities improvement loan obligations for: A/B/C
 - Replace classroom HVAC units: 2011
 - Install energy efficient lighting systems: 2011
 - Upgrade classroom wireless internet infrastructure: 2012
 - Replace rolled asphalt roofs classrooms 30 – 32: 2011

Joan MacQueen Middle School

- Paint exterior C
- Reseal and stripe asphalt playgrounds and parking lots A/B/C
- Replace/repair rolled asphalt roofs C
- Replace classroom furniture C
- Replace sand fall zones under playground equipment A & C
- Install waterless urinals A
- Technology infrastructure upgrades for classrooms A
- Drill irrigation water wells A
- Refinance facilities improvement loan obligations for: A/B/C
 - Install solar photovoltaic system: 2007
 - Install solar photovoltaic system: 2011
 - Exterior rehabilitation stucco repairs and painting: 2011
 - Upgrade classroom wireless internet infrastructure: 2012

District Office

- Light modernization including handicapped accessibility A
- Install HVAC systems A
- Construction handicapped accessible bathrooms A
- Install asphalt over dirt parking lot and school bus yard A