

Proposition E: Coronado Unified School District \$29 Million Bond Measure Brief Summary

- The Coronado Unified School District is proposing a Proposition 39 Bond Measure that would authorize the issuance of \$29 million in general obligation bonds.
- Following the recession, the District has seen a reduction in reserves as the state cut funding and expenses have continued to rise. According to the District, funding in fiscal year (FY) 2013 was cut \$2.1 million relative to FY 2008.
- During the same time, the District has stated they have experienced \$3.2 million in new, added costs. Due to these cuts and loss of funding, the District has been utilizing operating reserves to help alleviate annual budget deficits.
- Since FY 2009, available reserves have decreased from \$4.6 million to \$1.2 million in FY 2014.
- The District has an agreement with the Coronado Redevelopment Agency (CDA) in which 2 percent of the increase in assessed value of property within the CDA is transferred to the District each year.
- These funds are currently used to pay off the annual debt associated with the District's issuance of Certificates of Participation as well as a portion of the District's annual maintenance costs.
- In FY 2014, the District is expected to receive approximately \$2 million from the pass-through, increasing slightly each year until reaching a projected \$4.7 million in FY 2036.
- The District expects that as much as \$3.2 million could be offset annually from its operating budget and legally paid for by a facilities bond measure. This includes expenditures paid for by the annual 2 percent "pass-through" amount that is transferred into Fund 40 each year.
- Based on projections of annual bond proceeds, the annual maintenance costs included in the Plan and annual COPs payments, the District will have an annual fund balance that could be used for other Proposition 39 compliant expenditures.
- This could include IT expenditures, in which the District spent approximately \$1.5 million toward in FY 2014.
- The District has not provided future costs estimates from bond proceeds aside from annual maintenance costs and COPs payments.

Proposition E: Coronado Unified School District Bond Measure

SDCTA Position:

NEUTRAL

Title: “*Proposition E: Coronado Unified School District \$35 Million Bond Measure*”

Election: June 2014 Primary

Description: The authorization of \$35 million of bonds to pay for ongoing annual maintenance with an increase in property taxes of \$40 per \$100,000 of assessed value to fund school modernization. All bonds issued required to have maturity of less than five years.

Jurisdiction: Local

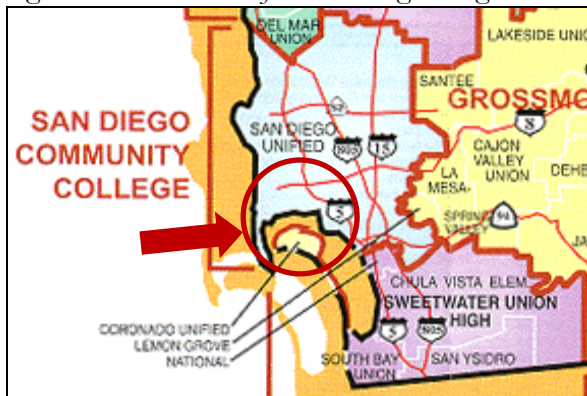
Vote: 55% Super Majority

Fiscal Impact: Allows for budget relief by transferring payment of ongoing maintenance for facilities to voter issued bonds with maturities of less than five years.

Background:

The Coronado Unified School District is comprised of five schools: Coronado High School, Palm Academy, Coronado Middle School, Strand Elementary, and Village Elementary. The District has 350 employees: 179 certificated (teachers, counselors, speech therapists, etc.); 149 classified (instructional assistants, custodians, maintenance and grounds staff, etc); 22 certificated and classified administrators (superintendent, assistant superintendents, principals, assistant principals, directors).

Figure 1: Coronado Unified and Neighboring School Districts



Source: San Diego County Office of Education

District Budget

Following the recession, the District has seen a reduction in reserves as the state cut funding and expenses have continued to rise. According to the District, funding in fiscal year (FY) 2013 was cut \$2.1 million relative to FY 2008. During the same time, the District has stated they have experienced \$3.2 million in new, added costs.¹ Due to these cuts and loss of funding, the District has been utilizing operating reserves to help alleviate annual budget

¹ Coronado USD Budget Facts 2014.

deficits. Since FY 2009, available reserves have decreased from \$4.6 million to \$1.2 million in FY 2014.

Table 1: Annual Revenues, Expenses and Reserve Levels²

| | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 (Budgeted) |
|---------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| Revenues | \$27,618,981 | \$24,779,747 | \$25,925,258 | \$26,852,026 | \$29,490,733 | \$25,762,069 |
| Expenses | \$26,332,128 | \$25,658,018 | \$25,424,900 | \$27,076,774 | \$28,992,639 | \$27,969,101 |
| Balance | \$1,286,853 | (\$878,271) | \$500,358 | (\$224,748) | \$498,094 | (\$2,207,032) |
| Available Reserves | \$4,590,742 | \$6,205,719 | \$6,921,572 | \$3,798,936 | \$2,443,718 | \$1,225,065 |

Adding to the concern for future budgets is the implementation of the Local Control Funding Formula (LCFF). As part of the fiscal year 2014 budget package, Governor Brown signed Assembly Bill (AB) 97, which made major changes to the way the state allocates funding to school districts. The adopted budget package established an eight year phase-in timeline to incrementally increase funding levels. A total of \$25 billion is estimated to be allocated during this period, and no district will be receiving less annual funding than it did during fiscal year 2013.

Under the proposal, the state will calculate an Economic Recovery Target (ERT) for each school district with the intent that districts are restored to fiscal year 2008 funding levels by the end of the eight year rollout. For a majority of districts the LCFF target will be higher than the ERT. For approximately 130 districts, including Coronado Unified, the LCFF will be smaller than the ERT.

Based on the new LCFF and limited increases in state funding, the District is estimating a \$2.1 million structural budget deficit in FY 2015, rising to \$2.8 million in FY 2016 (Table 2).

Table 2: District Expected Structural Budget Deficit

| | FY 2014 | FY 2015 | FY 2016 |
|--------------|--------------|--------------|--------------|
| LCFF Revenue | \$19,026,420 | \$20,501,318 | \$20,868,114 |

² District June 30, 2011-2013 Comprehensive Annual Financial Reports. Schedule of Financial Trends and Analysis.

| | | | |
|-------------------------------|----------------------|----------------------|----------------------|
| LCFF increase over prior year | | \$1,474,898 | \$366,796 |
| Impact Aid Revenue | \$1,300,000 | \$1,500,000 | \$1,500,000 |
| Total Revenue | \$27,284,040 | \$28,374,898 | \$28,203,066 |
| Base Expenses | \$30,351,000 | \$30,340,290 | \$30,801,290 |
| Targeted LCFF Expenses | \$69,518 | \$166,958 | \$187,168 |
| Total Expenses | \$30,420,518 | \$30,507,248 | \$30,988,458 |
| Structural Deficit | (\$3,136,478) | (\$2,132,350) | (\$2,785,392) |

In preparation for the upcoming fiscal year and budget deficit, the District has produced a list of potential cuts that could be combined with an allocation from the District's reserve to balance the budget. These cuts are outlined in Table 3.

Table 3: Proposed FY 2015 Cuts

| Site/Department | FY 2014 Budget (millions) | Targeted Cuts for FY 2015 |
|-------------------------|---------------------------------|---------------------------|
| Village Elementary | Minimal site budgets in FY 2014 | \$150,000 |
| Strand Elementary | | \$100,000 |
| Coronado Middle | | \$150,000 |
| Coronado High & Palm | | \$250,000 |
| District Administration | \$1.5 | \$75,000 |
| Special Education | \$2.7 | \$200,000 |
| Learning & Instruction | \$0.3 | \$15,000 |
| Human Resources | \$0.3 | \$15,000 |
| Maint & Operations | \$2.1 | \$100,000 |
| Information Technology | \$2.1 | \$100,000 |
| Food Services | \$0.6 | \$100,000 |
| BBMAC | \$0.4 | \$100,000 |
| Retiree Health Benefits | \$0.4 | \$0 |
| Total | | \$1,355,000 |

District Annual Maintenance Costs/Fund 40

In 1986 the District entered into an agreement with the Coronado Redevelopment Agency (CDA) in which 2 percent of the increase in assessed value of property within the CDA is transferred to the District each year. Those dollars from the "2 percent pass-through" are placed in the District's Fund 40 account. These funds are currently used to pay off the annual debt associated with the District's issuance of Certificates of Participation as well as a portion of the District's annual maintenance costs.

In FY 2014, the District is expected to receive approximately \$2 million from the pass-through, increasing slightly each year until reaching a projected \$4.7 million in FY 2036, the last year the CDA may collect tax increment.

For FY 2014, the District is expending a total of \$2.6 million toward maintenance, with \$841,000 coming from the General Fund. The remaining amount is being used from Fund 40 revenues. These expenses do not include the COPs payments made by the Fund 40 account. A further breakdown of the expenses under each category can be found in Appendix C.

Table 4: District Maintenance Costs by Category

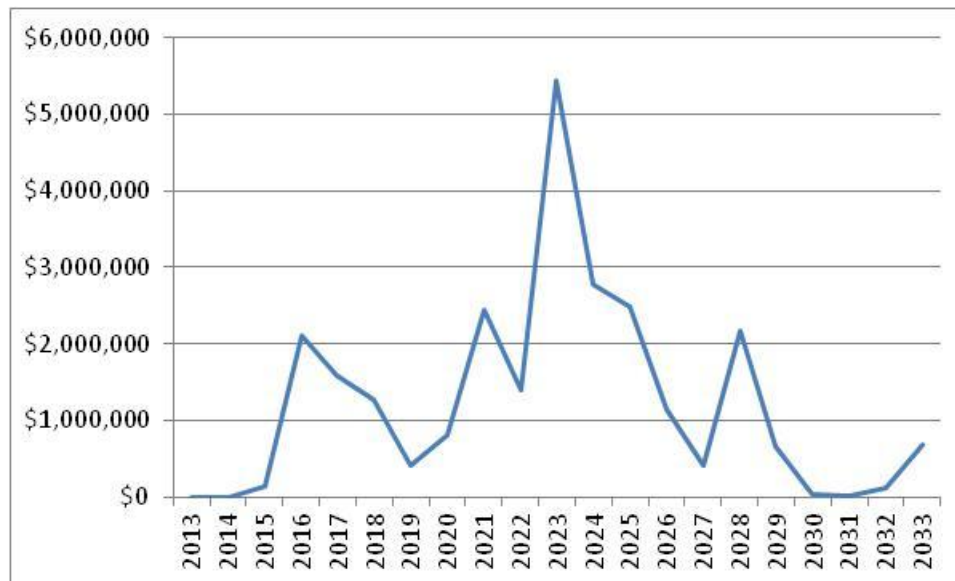
| Maintenance Category | Amount |
|-------------------------------|--------------------|
| General Fund Repair/Equipment | \$428,328 |
| General Fund IT | \$412,884 |
| Fund 40 Repair/Equipment | \$639,939 |
| Fund 40 IT | \$1,084,894 |
| Total | \$2,566,045 |

Long Range Facilities Maintenance Management Plan

On February 18, 2014, the District governing board adopted its Long Range Facilities Maintenance Management Plan (Plan). The Plan is a tool for reviewing school district facilities, determining recommended improvements, exploring available resources, and planning future maintenance expenditures. The Plan, developed by outside consultants noted, “District facilities are currently in good condition overall and the most important project we can recommend is the expansion of the District’s maintenance program to place an even greater emphasis on preventative maintenance and planned maintenance.”

The Plan outlined the future needs of the District’s seven total facilities (including five school sites) going out to 2033. Over the time period, \$26.1 million will be needed to maintain facilities. It is important to note the recommended projects do not include IT costs.

Figure 1: Total Annual Maintenance Costs Needed



District Issued Certificates of Participation

As of June 30, 2013, the District had \$15,027,760 in future commitments for Certificates of Participation (COPs).³ In 2005, the District issued \$10 million in COPs to finance capital improvements at seven facilities. The total cost, including interest for the borrowing will total \$20,003,371 assuming semi-annual payments are made until the November 2035 maturity date. In FY 2014, the District's debt service costs totaled \$658,619.

Table 4: 2005 COPs Project List and Costs

| Project | Project Budget | Funded by COPs |
|-----------------------------------|---------------------|---------------------|
| High School Phase V Auditorium | \$1,000,000 | \$673,805 |
| High School Phase VI 500 Building | \$9,195,500 | \$3,549,265 |
| Child Development Center | \$8,100,000 | \$1,300,000 |
| District Office | \$3,750,000 | \$1,695,957 |
| Maintenance & Operations Facility | \$1,970,000 | \$1,970,000 |
| Palm Academy | \$1,340,000 | \$281,509 |
| Pool Facility | \$4,530,000 | \$529,464 |
| Total | \$29,885,500 | \$10,000,000 |

SDCTA requested information pertaining to the actual costs of the projects but the information has not been provided.

Proposal:

³ District June 30, 2013 Comprehensive Annual Financial Report. pp.38.

The Coronado Unified School District has proposed a bond measure for the June 2014 election that reads as follows:

“To provide modern classroom technology and facilities students need for college/career success, continue advanced programs in math, science and the arts, acquire, construct, repair and repair classrooms/facilities/sites/equipment, permit smaller classes, and protect Coronado’s quality of education, shall Coronado Unified School District issue up to \$29,000,000 in bonds at legal rates, with maturities under 5 years, all bonds repaid by September 30, 2024, less than \$13,200,000 outstanding at any time, independent citizen oversight, and all money staying local?”

Tax Rate Implications:

This bond would require residents to pay a tax of up to \$40 per \$100,000 of assessed property value. The median assessed value of a single family detached home in the District is \$605,000; therefore, those homeowners should expect to pay on average an additional \$242 in property taxes annually. The tax is scheduled to take effect in 2014 and will last through 2024.

Fiscal Impact:

The measure proposes to issues bonds with maturities of less than five years, with no more than \$13.2 million outstanding at any time. According to planning documents provided by the District, there is proposed to be three bond issuances for the total \$29 million. All told, the District is expected to generate \$2.8 million in annual proceeds for a period of 10 years beginning in FY 2015.

Table 1: Proposed Bond Issuances

| Series | Date | Amount | Payback Period |
|----------|-------------|--------------|----------------|
| Series A | August 2014 | \$8,700,000 | 3 Years |
| Series B | August 2017 | \$8,700,000 | 3 Years |
| Series C | August 2020 | \$11,600,000 | 4 Years |

Policy Discussion:

Bond Protections

The ballot resolution being placed before voters includes a number of restrictions not previously seen in Proposition 39 bond measures. Although Assembly Bill 182 placed a number of restrictions on bonds, the proposed measure limits maturities to less than five years, with the requirement that no more than \$13.2 million in bond can be left outstanding.

This means that before the District can issue additional bonds, the outstanding debt service must be no more than \$13.2 million. The District is therefore unable to issue large amounts of bonds at any given time. Additionally, the District must repay each bond issuance in less than five years.

These protections limit the total amount of interest that will be accrued. Based on projections by the District, the total payback ratio on the debt is expected to be 1.01-to-1. Based on the expected items to be paid for by the bonds, the District is abiding by the principle of tying the lifespan of the asset to be paid for by the bonds to their maturity.

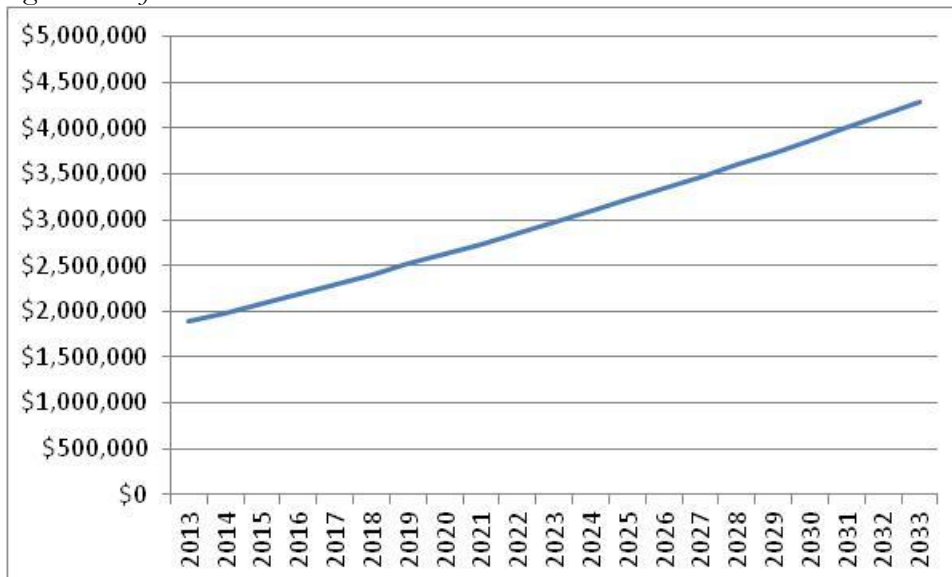
Freeing Up of Funds

The District has stated that due to the new LCFF, previously expected increases in state funding are no longer expected. Thus, the District is looking to offset costs associated with facilities through approval of a Proposition 39 bond measure.

The District expects that as much as \$3.2 million could be offset annually from its operating budget and legally paid for by a facilities bond measure. This includes expenditures paid for by the annual 2 percent “pass-through” amount that is transferred into Fund 40 each year. In FY 2014, that amounts to approximately \$2 million.

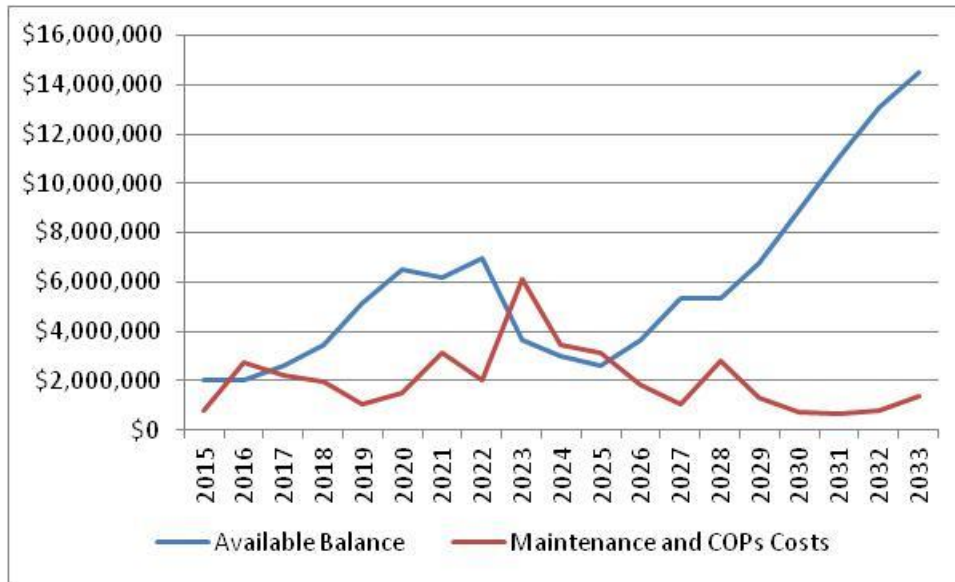
This amount is expected to increase as Fund 40 “pass-through” amounts increase each year until FY 2036. The District has stated these funds that are used for capital and maintenance projects, and COPs payments can instead be paid for by bond funds, thereby freeing up these monies to be used for General Fund purposes.

Figure 2: Projected Fund 40 Revenues



Based on projections of annual bond proceeds, the annual maintenance costs included in the Plan and annual COPs payments, the District will have an annual fund balance that could be used for other Proposition 39 compliant expenditures. This could include IT expenditures, in which the District spent approximately \$1.5 million toward in FY 2014. The District has not provided future costs estimates from bond proceeds aside from annual maintenance costs and COPs payments.

Figure 3: Available Balance After Maintenance & COPs Payments



Appendix A: Coronado Unified School District Bond Support Application and SDCTA Bond Support Criteria

| Coronado Unified School District Bond Support Application and SDCTA Bond Support Criteria | | | |
|---|----------------|---------------|----------|
| Criteria Item | Info Provided? | Criteria met? | Comments |
| | | | |

| | | | |
|--|-----|-----|---|
| Program Description | Yes | No | <ul style="list-style-type: none"> 1) Bond program is listed within 3 parts: 1) School maintenance, renovation, repair and upgrade projects; 2) School health and safety and energy efficiency projects; and 3) District-wide instructional technology and wiring projects 2) Project list within proposed ballot resolution is not site specific 3) Total needs of each site are outlined in District Long Range Facilities Maintenance Management Plan 4) No site acquisition is required 5) Portion of bond funds will be used to pay off approximately \$10 million in outstanding Certificates of Participation |
| Program Budget and Funding | Yes | No | <ul style="list-style-type: none"> 1) District has identified annual maintenance costs out to 2033 2) Annual maintenance cost estimates are broken down by campus site 3) Bond authorization would total \$29 million 4) Tax rate would increase by projected \$40 per \$100,000 assessed valuation 5) District proposing to use maturities of less than 5 years for bonds 6) Unclear what annual expenditures will be aside from maintenance costs |
| Cost Estimation and Feasibility | Yes | Yes | <ul style="list-style-type: none"> 1) Program cost estimates developed following completion of 2014 facility maintenance assessment and master plan 2) Cost estimates broken down by maintenance category 3) Maintenance needs broken down by campus site 4) Unclear how much expected to be spent on IT needs |
| Program Justification | Yes | Yes | <ul style="list-style-type: none"> 1) The District justifies the need for the measure to offset loss of state funding and pay for maintenance and debt through bond funds 2) Bond will allow district to pay off outstanding Certificates of Participation (debt) 3) District has used reserves to backfill past budget deficits, and can no longer sustain future deficits with reserves |
| Facilities Master Plan & Facilities Needs Assessment | Yes | Yes | <ul style="list-style-type: none"> 1) 2014 Long Range Facilities Maintenance Management Plan has been provided 2) 2012-2016 Technology Master Plan has been provided |
| Program Execution Plan | Yes | No | <ul style="list-style-type: none"> 1) Schedule with proposed projects to be funded has not been outlined 2) Draft project bond issuance schedule has not been provided 3) District estimates 3 bond issuances 4) Measure states less than \$13.2 million in bonds will be outstanding at any given time |

| Coronado Unified 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 | 1) District is proposing to use bond revenues for annual maintenance of facilities |
| | | | 2) District has projected annual maintenance costs out to 2033 |
| | | | 3) District states they do not have a deferred maintenance backlog |
| Complete Ballot and Resolution Language | Yes | Yes | 1) Ballot language and resolution call for \$29 million in bonds to be approved by voters |
| | | | 2) Proposed ballot language does not outline project list by site |
| | | | 3) Ballot language limits maturities to less than 5 years with no more than \$13.2 million to be outstanding |
| Provision for an "Independent Citizens' Oversight Committee" | Yes | Yes | 1) District adopted SDCTA ICOC best practices |
| 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 |
| Limited Use of District's "Education" Funds | Yes | Yes | 2) District has stated all advocacy efforts and activities will be performed by a privately funded and registered campaign committee |
| Joint Use of Facilities | Yes | Yes | 1) District has included language within the ballot resolution intent to pursue practical opportunities to incorporate joint-use |
| Opposition to Special Elections | | | |
| Follow-Up Bond Requirement | | | |

Appendix B: Ballot Measure Project List

| Category | Project List |
|--|---|
| School Maintenance, Renovation, Repair & Upgrade Projects | Repair, maintain or replace worn-out roofs, floors, plumbing, and electrical systems |
| | Upgrade classrooms to keep pace with changing technology |
| | Repair and maintain classrooms and school buildings |
| | Provide improved, up-to-date technology infrastructure |
| School Health and Safety and Energy Efficiency Projects | Upgrade fire alarm systems to automatic systems, repair fire safety equipment, add sprinklers and fire safety doors |
| | Upgrade and install security systems, such as security lighting, fencing, smoke detectors, and fire alarms and sprinklers |
| | Upgrade emergency communication systems |
| | Install energy efficient systems |
| | Improve heating, ventilation, air conditioning and lighting systems, doors and windows to increase energy efficiency |
| District-Wide Instructional Technology and Wiring Projects | Upgrade instructional technology in the classroom |
| | Provide and maintain up-to-date technology, data and communication equipment |
| | Upgrade and expand wireless systems, telecommunications, and Internet and network connections, upgrade electrical wiring, data networks and broadband |
| | Upgrade and replace computers, hardware and infrastructure systems, classroom and library technology and teaching equipment |

Appendix C: FY 2014 Maintenance Costs by Category and Fund

| 2013-14 Repair/Equip Expenses from the General Fund | | 2013-14 IT Expenses from the General Fund | |
|---|------------------|---|--------------------|
| Expenditure | Amount | Expenditure | Amount |
| Classified support | \$98,096 | Certificated admin | \$48,763 |
| Classified support o/t | \$1,666 | Classified support | \$201,102 |
| Classified management | \$31,818 | Benefits | \$82,983 |
| Classified management sub | \$703 | Equipment | \$12,590 |
| Benefits | \$51,268 | Contracted services | \$67,446 |
| Material and supplies | \$52,853 | Total | \$412,884 |
| Equipment | \$2,187 | | |
| Contracted services | \$165,676 | | |
| Professional/consul services | \$24,063 | | |
| Total | \$428,328 | | |
| 2013-14 Repair/Equip Expenses from Fund 40 | | 2013-14 IT Expenses from Fund 40 | |
| Expenditure | Amount | Expenditure | Amount |
| Material and supplies | \$21,147 | Equipment | \$350,000 |
| Equipment | \$21,699 | Contracted services | \$14,000 |
| Contracted services | \$27,613 | Equipment >5000 | \$659,768 |
| Professional/consul srv | \$157,246 | Total | \$1,084,894 |
| Site/improv of sites | \$16,903 | | |
| Bldgs/improv of bldgs | \$20,459 | | |
| Equipment >5000 | \$79,088 | | |
| Construction costs | \$295,784 | | |
| Total | \$639,939 | | |