

## Measure GG: Cardiff School District \$22.0 Million Bond Measure Brief Summary

SDCTA **SUPPORTS** Measure GG. The Cardiff School District proposed bond measure meets key provisions of SDCTA's Bond Support Criteria. The application submitted by the District outlines the need of the District, plans, and draft budgets for each of the proposed projects. The descriptions of the projects submitted and outlined in the Master Plan have been thoroughly vetted, and no reason has been found that would prevent the District from executing the projects. The District has documented its intent to issue 30-year Current Interest Bonds as its financing mechanisms, and has adopted SDCTA's policy regarding the use of Capital Appreciation Bonds.

- Cardiff School District is proposing a \$22.0 million Proposition 39 General Obligation Bond measure.
- The measure would increase the current tax rate by a maximum \$30 per \$100,000 of assessed valuation. The District is proposing to raise the tax rate by up to \$25.75 per \$100,000 of assessed valuation.
- Current cost estimates outline \$21.7 million in projects.
- The preliminary cost summary estimates \$2.0 million in state matching funds, assuming that a State School Facilities Bond is passed.), however the program can be funded without state matching funds.
- The program is based on a Facilities Master Plan and Facilities Needs Assessment finalized by the District in 2015.
- The bond intends to address all of the needs that were identified in the 1999 Needs Assessment and Master Plan at Cardiff School, as well as some projects needed for Ada Harris School.
- The construction schedule has been broken down by campus site.
- Priority will be given to replacement of aging academic buildings, energy efficient projects, and safe student drop off areas ahead of other projects on the list.
- \$1.5 million of the District's \$2.6 million deferred maintenance needs will be addressed by the bond measure, allowing another two-thirds of backlog to be eliminated through yearly contributions to the deferred maintenance fund.
- No bonds will be used to upgrade technology, i.e., computers, laptops, etc.
- The District has adopted all SDCTA best practices.

*Measure GG: Cardiff School District \$22.0 Million Bond Measure*

**SDCTA Position:**

**SUPPORT**

**Title:** “Measure GG: Cardiff School District \$22.0 Million Bond Measure”

**Election:** November 2016 General

**Description:** The issuance of \$22.0 million of Proposition 39 General Obligation Bonds with an increase in property taxes of \$25.75 per \$100,000 of assessed value to fund school modernization.

**Jurisdiction:** Local

**Vote:** 55% Super Majority

**Fiscal Impact:** The District is anticipating issuing 30-year Current Interest Bonds as the funding mechanism. The total cost of these bonds with interest is expected to be \$45.9 million. The District has stated its intent not to use Capital Appreciation Bonds.

**Rationale:**

The Cardiff School District proposed bond measure meets key provisions of SDCTA’s Bond Support Criteria. The application submitted by the District outlines the need of the District and draft budgets for each of the proposed projects. The descriptions of the projects submitted and outlined in the Master Plan have been thoroughly vetted, and no reason has been found that would prevent the District from executing the projects. While SDCTA has received objections to the support of the Cardiff School District proposed bonds from the Encinitas Taxpayers Association, we believe that the District has fully documented its needs and program intent to replace portable classrooms with permanent facilities, make improvements, and upgrade facilities. It has met the SDCTA support criteria. The District has documented its intent to issue 30 year Current Interest Bonds as its financing mechanisms, and has adopted SDCTA’s policy regarding the use of Capital Appreciation Bonds.

**Background:**

Founded in 1913, Cardiff School District is comprised of two schools in the coastal community of Cardiff-by-the-Sea. The two school sites comprise 16.4 acres and serve over 5,000 residents within a 3.2 square mile boundary. Neither of the two schools are overcrowded. Cardiff Elementary has a capacity of 475 students and Ada Harris a capacity of 565 students. Both schools were significantly re-constructed in 2002 and 2003 and brought up to recommended standards.

- **Cardiff Elementary School:** A California Distinguished School serving approximately 370 students in Kindergarten through Grade Three, which underwent several construction projects in 2002 to address needs. However, not all deficiencies were addressed due to limited proceeds from a facilities bond passed in 2000.
- **Ada Harris Elementary School:** A California Distinguished School serving approximately 350 students in Grades Three through Six, to which previous facilities bond funds in 2000 were prioritized to address most Master Plan needs.

Following the completion of a Facilities Needs Assessment and Master Plan in 1999, the District has since undergone a new needs assessment to update the status of the two campuses. After the Board's review of the 2015 assessment, it concluded that despite continuing commitment to deferred maintenance fund contributions, more funding would be needed to address major maintenance and repairs, and to replace aged facilities.

### **Proposal:**

On July 7, 2016, the Cardiff School District Board of Trustees voted to place a \$22.0 million school bond measure on the November 8, 2016 ballot.

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

“To improve the quality of education with local funding that cannot be taken by the State; modernize/construct classrooms, restrooms, and school facilities; repair/replace roofs; renovate deteriorating plumbing and sewer systems; upgrade inadequate electrical systems; make health, safety, and energy efficiency improvements; and replace portables with permanent classrooms; shall Cardiff Elementary School District issue \$22 million of bonds at legal interest rates, have an independent citizens’ oversight committee, and have NO money used for administrative or teacher salaries?”

The District has submitted its request for support from the San Diego County Taxpayers Association (SDCTA). The request included materials intended to satisfy the 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, Budget & Funding, Execution Plan*

The District has outlined that its focus for the bond program will be the repairing or replacing of aging permanent and portable facilities and upgrading safety and efficiency measures in the Cardiff School, as well as replacing portable classrooms and undergoing some energy efficiency and storage projects for the Ada Harris School.

The following list is a description of the projects by school site:

#### Cardiff School

- Replace outdated roofs.
- Renovate or replace existing deteriorating water, drainage, and sewer systems.
- Upgrade inadequate electrical systems including power and low voltage to meet current electrical and accessibility codes, increase capacity, and relieve overloaded systems.
- Improve energy efficiency by replacing old and energy inefficient heating, ventilation, and air conditioning (HVAC) systems, windows, and lighting systems; also, install cost-effective systems

including "green" building projects and sustainable building practices to promote energy-efficiency (e.g., Energy Management Systems (EMS), solar, electrical, etc.).

- Replace aging temporary portable classrooms with new classrooms.
- Replace outdated classrooms that are now between 55-65 years old with new classrooms
- Construct new energy and water efficient and access compliant restrooms.
- Construct a new multipurpose room and warming kitchen to replace the current 55 year old building.
- Make health, safety, and security improvements, such as improve student drop-off and pick-up areas, upgrade campus fencing, and renovate/retrofit the "brick building".
- Replace or upgrade fire alarm systems, fire safety equipment, and emergency exit lighting improvements.
- Replace campus wide intercom and telecommunication systems, clocks, and upgrade wireless systems and internet/network connections.
- Improve handicapped accessibility by making Federal and State-mandated Americans with Disabilities Act (ADA) accessibility upgrades and as mandated by the Division of the State Architect (DSA) including site access, parking, restrooms, relocation of some existing electrical devices, drinking fountains, playground equipment, etc.
- Upgrade, renovate and improve library/computer lab, art/science lab, and school office building to be integrated with the newly constructed school facilities.
- Upgrade and improve playgrounds and playfields for school and community use; preserve existing mature trees and other landscaping where possible.
  - Resurface, repair, and/or replace paved surfaces, play court areas, turf, and other grounds to eliminate safety hazards and improve outside instructional areas.

#### Ada Harris School

- Improve energy efficiency by replacing old and energy inefficient heat, ventilation, and air conditioning (HVAC) systems and lighting systems; also, install cost-effective systems including "green" building projects and sustainable building practices to promote energy-efficiency (e.g. Energy Management Systems (EMS), solar, electrical, etc.).
- Replace temporary portable classrooms.
- Replace or upgrade fire alarm systems, fire safety equipment, and emergency exit lighting improvements.
- Replace campus wide intercom and telecommunication systems, clocks, and upgrade wireless systems and internet/network connections.

#### District-wide Projects

- Abate and remove hazardous materials identified prior or during construction.
- Address unforeseen conditions revealed by construction/modernization (such as water, sewage or gas line breaks, dry rot, seismic, structural, etc.).
- Other site improvements required to comply with existing building codes, including the Field Act, and access requirements of the Americans with Disabilities Act.
- Necessary site acquisition and preparation/restoration in connection with new construction, renovation or remodeling, or installation or removal of relocatable classrooms, including ingress and egress, removing, replacing, or installing irrigation, utility lines (such as gas lines, water lines, electrical lines, sewer lines, and communication lines), trees and landscaping, relocating fire access roads, and acquiring any necessary easements, licenses, or rights of way to the property.
- Rental or construction of storage facilities and other space on an interim basis, as needed to accommodate construction materials, equipment, and personnel, and interim classrooms (including relocatables) for students and school functions or other storage for classroom materials displaced during construction.

- Acquisition of any of the facilities on the Bond Project List through temporary lease or lease-purchase arrangements, or execute purchase option under leases for any of these authorized facilities.
- Ali work necessary and incidental to specific projects described above, including demolition of existing structures.
- Each project is assumed to included its share of furniture, equipment, architectural, engineering, and similar planning costs, program/project management, staff training expenses, and a customary contingency for unforeseen design and construction costs.

Figure 1 outlines project costs by category of improvement and site.

**Figure 1: Cost Estimate Summary**

ELEMENT	Total Cost	GFA	\$/SF
Classroom Buildings (Cardiff)	\$8,437,367	30,500	277
MultiPurpose Building (Cardiff)	\$2,359,863	8,000	295
Warming Kitchen/Custodial Offices (Cardiff)	\$1,187,306	2,500	475
Brick Building Modernization (Cardiff)	\$278,635	800	348
Existing Buildings to Remain Renovation (Cardiff)	\$1,000,000	17,500	57
Montgomery Drop-Off (Cardiff)	\$288,231	5,400	53
Mozart Drop-Off (Cardiff)	\$345,842	6,800	51
Interim Housing (Cardiff)	\$1,443,071		
Soccer Field (Cardiff)	\$144,304	22,635	6
Site Work (Cardiff)	\$3,632,185	90,887	40
Dynamic Learning Spaces (Cardiff/Ada Harris)	\$990,000		
Solar System (Cardiff/Ada Harris)	\$619,000		
Replaces Portables (Ada Harris)	\$975,000	3,800	257
<b>Total Cost</b>	<b>\$21,700,804</b>		

The above estimates were prepared by O’Conner CM, a construction management and estimating firm, Davy Architecture, and the County Office of Education/Educational Facilities Solutions Group. The estimates include a 15% Design Contingency, 5.0% Contractor Overhead & Profit, and a 5.0-7.0 % escalation factor to mid-point of construction. 10.0% has been allocated for General Conditions as part of the work. The balance of the costs other than construction consists of the cost associated with borrowing and underwriting. Further, an amount has been estimated for interest earned bringing the total to \$22.0 million.

The District plans to use the help of a program management firm to oversee the execution of the projects.

*Ballot Resolution and Language*

On July 7, 2016, the District formally adopted the ballot language as previously indicated.

The CSD Board of Trustees has formally adopted the SDCTA’s Independent Citizens’ Oversight Committee Best Practices and SDCTA School Construction and Professional Services Procurement Best Practices. The District also included within the draft ballot resolution its intent to pursue practical opportunities to incorporate joint-use within its bond program and SDCTA recommended provisions regarding fair and open competition for all District construction projects.

The project list that will be presented to voters identifies the various projects by site. The language does not outline various projects by priority, but rather states that the projects will be completed as needed according to Board-established priorities. Proceeds of the bond may also be used to reimburse the District for the costs of issuing the bonds.

*Deferred Maintenance Funding*

In its September 2015 Major Maintenance and Facilities Master Plan, Cardiff School District outlined its deferred maintenance needs for both the Cardiff and the Ada Harris schools. These needs are outlined in Figure 2.

**Figure 2: Cardiff School District Deferred Maintenance Needs**

Project Category	2015-16	2016-17	2017-18	2018-19	2019-20	Total Estimated Cost
<b>Windows</b>	\$88,672	\$46,836	\$46,836	\$5,000	\$5,000	\$192,344
<b>Roofing</b>	\$390,052	\$197,526	\$187,878	\$90,000	\$0	\$865,456
<b>Doors</b>	\$7,439	\$7,439	\$7,439	\$7,440	\$7,439	\$37,196
<b>Asphalt Paving</b>	\$244,302	\$79,302	\$138,835	\$138,836	\$138,836	\$740,111
<b>Flooring</b>	\$83,450	\$51,450	\$46,450	\$40,261	\$26,450	\$248,061
<b>Electrical</b>	\$105,000	\$30,000	\$26,000	\$10,000	\$10,000	\$181,000
<b>Painting (Int./Ext.)</b>	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
<b>Plumbing</b>	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$150,000
<b>Total</b>	\$978,915	\$472,553	\$513,438	\$351,537	\$247,725	\$2,564,168

The District contributes to and maintains a significant balance in the Deferred Maintenance Fund, and is above the minimum required contribution to the Routine Restricted Maintenance Account in the General Fund. The District has stated that it would be able to complete all identified deferred maintenance projects through \$1.5 million in bond funds if the measure passes. A funding plan to address ongoing routine maintenance needs is outlined in Figure 3.

**Figure 3: Funding Plan to Eliminate Deferred Maintenance and Address Ongoing Routine Maintenance Needs**



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>State Required Contribution to Routine Restricted Maintenance</b>	100,139	71,381	82,000	82,000	185,108	187,998	191,757
<b>General Fund Contribution to Deferred Maintenance &amp; Estimated Solar Savings 150K/year</b>	78,507	79,758	89,471	135,391	187,000	186,000	185,000
<b>Total Contributions to Maintenance</b>	178,646	151,139	171,471	217,391	372,108	373,998	376,757

Through continued contributions to Routine Restricted Maintenance, the plan would eliminate two-thirds of deferred maintenance backlog over four years, totaling \$693,391. The District would also be able to address maintenance categories such as roofing, flooring, electrical, and plumbing. This will be partially accomplished with savings obtained through the proposed installation of solar energy systems in both the Cardiff and Ada Harris campuses.

**SDCTA “Envisioning and Managing Legitimate and Effective Public School Bonds” Course:**

The SDCTA recommends that senior staff, Board members, or Independent Citizen Oversight Committee members from each school district attend SDCTA’s “Envisioning and Managing Legitimate and Effective Public School Bonds” Course. This course covers financing, construction, and governance in regards to school facilities bonds. Cardiff School District’s Superintendent and Director of Fiscal Services attended SDCTA’s bond course on May 13, 2016.

**Fiscal Impact:**

The District is anticipating issuing bonds in two series over the life of the program, beginning with a \$10.6 million issuance in 2017. The Series B issuance of \$11.4 million will take place in 2020. The District is anticipating issuing 30-year Current Interest Bonds as the funding mechanism. The total cost of these bonds with interest is expected to be \$45.9 million.

The District also included SDCTA recommended language regarding the use of Capital Appreciation Bonds in the ballot resolution and adopted the related policy on September 28, 2015. The District has stated that bond funds are anticipated to meet all needs identified within the project list without the need for state matching funds.

The 10-year historical Assessed Valuation (AV) average is 6.05%. The cash flow analysis submitted to SDCTA uses a 4.0% assessed valuation (AV) growth projection to determine tax rate estimates. The analysis indicates that the bond would require residents to pay an additional tax of up to \$25.75 per \$100,000 of assessed property value. The tax is scheduled to take effect in 2017 and will last through 2049.

Cardiff 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 needs and proposed projects at each of the District's schools
			2) Project list focuses on the replacement of aging academic buildings, energy efficiency projects, safety projects, and other projects
			3) Estimated project costs for each site have been provided
			4) Project list within proposed ballot resolution is site specific
Program Budget and Funding	Yes	No	1) Bond proposal is for \$22 million with 2 issuances
			2) Cost estimates broken down by campus site and project, but NOT classified as hard/soft
			3) Costs associated with borrowing NOT included
			4) District has estimated that the added tax rate will be \$25.75 per \$100,000 of assessed valuation
			5) District will be using 30 year Current Interest Bonds as the debt financing mechanism
Cost Estimation and Feasibility	Yes	Yes	1) Program cost estimates developed following completion of a facility needs assessment in 2015
			2) Facility needs assessment outlines need for several projects in the District, and primarily focuses on Cardiff School
			3) Preliminary budget based on projected bond issuances and priority
			4) Project cost estimates total \$21.7 million
			5) Costs NOT identified as hard/soft
Program Justification	Yes	Yes	1) The District justifies the need for the measure to complete \$21.7 million in needs
			2) The Cardiff school's buildings and portables are aging, require ongoing repairs, and lack modern capabilities to support 21 <sup>st</sup> century learning
			3) Bond program will allow the District to fund large capital improvements that cannot be supported by the general fund
Facilities Master Plan & Facilities Needs Assessment	Yes	Yes	1) A Facilities Master Plan has been provided
			2) A 2016 Facilities Needs Assessment for the District has been provided
Program Execution Plan	Yes	Yes	1) Bond issuance schedule has been provided
			2) Estimated program timeline has been provided
			3) Construction timeline with estimated project schedules provided
			4) District plans to oversee projects with the help of a program management firm



<b>Cardiff 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>
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 July 7, 2016
Bond Financing & Technology	Yes	Yes	1) District adopted provisions regarding the use of Capital Appreciation Bond as board policy on September 28, 2015
			2) District included SDCTA recommended language regarding the use of Capital Appreciation Bonds in the Ballot resolution
Deferred Maintenance and Major Repair & Replacement Plan	Yes	Yes	1) A funding plan to eliminate deferred maintenance and address ongoing routine maintenance needs has been included
			2) A history of deferred maintenance funding for previous years has been included
			3) Bond proceeds would eliminate all identified deferred maintenance projects at Cardiff school
			4) Funding plan would eliminate two-thirds of deferred maintenance backlog over a four year period
Complete Ballot and Resolution Language	Yes	Yes	1) Ballot language and resolution for \$22 million was adopted on July 7, 2016
			2) Ballot language outlines project list by site
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) District adopted SDCTA ICOC Best Practices via resolution on July 7, 2016
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 via resolution on July 7, 2016
Certification of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District's Superintendent and Director of Fiscal Services attended the SDCTA "Envisioning and Managing Legitimate and Effective Public School Bonds" course on May 13, 2016
Limited Use of District's "Education" Funds	Yes	Yes	1) SDCTA staff has reviewed ballot measure references in District materials and has not found a violation in regard to SDCTA's Standards for Publicly Funded Advocacy For or Against Ballot Measures
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			