

Measure HH: National School District \$30.0 Million Bond Measure

SDCTA is **NEUTRAL** on the National School District bond measure. The District indicated to SDCTA that \$250M in needs were identified in its Long Range Facilities Master Plan (LRFMP), but this information cannot be verified in the document. The District intends to use new bond funds to complete projects on its project list and expand that list based on the several prioritized projects listed in the LRFMP from its original facilities needs assessment. While the District included provisions for a Citizens Bond Oversight Committee (CBOC) for its Measure N program, the information listed on its website to keep the District accountable for spending is lacking, and detailed program updates are not available. SDCTA could not find a single audit report or detailed progress report listed on the CBOC website. However, the District did provide a Measure N 2015 audit report to SDCTA upon request. Because the District has legitimate need for the funds, SDCTA is neutral on Measure HH and urges the District to be more thorough in making all relevant oversight documentation available to the public so that it can be held accountable for spending public funds.

- On November 4, 2014, voters in the District approved Measure N for \$26.1M to renovate, repair, and upgrade facilities on the National School District campuses. The estimated average tax increase for this measure was \$27.70 per \$100,000 of assessed property valuation (AV).
- Detailed information regarding the spending of Measure N funds and the completed projects from its execution plan are unavailable for review. The District has indicated through correspondence with SDCTA that Measure N funding has been spent to address fire alarm needs, electrical upgrades, HVAC, and Internet Fiber Backbone upgrades.
- National School District is proposing a \$30.0 million Proposition 39 General Obligation Bond measure to be placed on the November 8, 2016 ballot.
- The District estimates that the average tax rate increase for a resident of the District will be \$27.96 per \$100,000 of AV.
- The District's Long Range Facilities Master Plan (LRFMP) outlines \$31,026,022 of project costs, but lists several other projects without cost estimates that can be completed after the original list.
- District staff has indicated that approximately \$250M in needs were identified in the LRFMP, but SDCTA could not find this information listed in the document.
- District staff indicated that should Measure HH be approved by voters, the District's governing Board would conduct a meeting to expand the bond project list beyond exiting projects based on those prioritized in the LRFMP.
- The District's Assistant Superintendent, Business Services attended the SDCTA "Envisioning and Managing Legitimate and Effective Public School Bonds" course on May 13, 2016.



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SDCTA Position:

NEUTRAL

Rationale for Position:

The District indicated to SDCTA that \$250M in needs were identified in its Long Range Facilities Master Plan (LRFMP), but this information cannot be verified in the document. The District intends to use new bond funds to complete projects on its project list and expand that list based on the several prioritized projects listed in the LRFMP from its original facilities needs assessment. While the District included provisions for a Citizens Bond Oversight Committee (CBOC) for its Measure N program, the information listed on its website to keep the District accountable for spending is lacking, and detailed program updates are not available. SDCTA could not find a single audit report or detailed progress report listed on the CBOC website. However, the District did provide a Measure N 2015 audit report to SDCTA upon request. Because the District has legitimate need for the funds, SDCTA is neutral on Measure HH and urges the District to be more thorough in making all relevant oversight documentation available to the public so that it can be held accountable for spending public funds.

Title: *“Measure HH: National School District \$30 Million Bond Measure”*
Election: November 2016 General
Description: The issuance of \$30.0 million of Proposition 39 General Obligation Bonds with an increase in property taxes by a maximum of \$30 per \$100,000 of assessed value to fund school modernization.
Jurisdiction: Local
Vote: 55% Super Majority
Fiscal Impact: The District has indicated its intent to use Hybrid GO Flex Bonds as its financing mechanism, and the estimated tax rate increase would be \$27.96 per \$100,000 of assessed valuation. The estimated cost to taxpayers for these bonds including interest is \$38,685,000.

Background:

National School District, located in National City in south San Diego County, serves nearly 6,000 students in grades Kindergarten through Six. The District includes 10 campuses: Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Palmer Way, and Rancho de la Nación.

Founded in 1871, the District has the 5th highest unduplicated pupil count in the County of students who qualify for free or reduced-price meals, are English language learners, or are foster youth, with 87.03% of students meeting these descriptions. Due to its great need, the District offers several services to its students and the community. These include breakfast and lunch, before and after school programs, tutoring, dental and vision screening, and preschool, all of which are free for all students.

The District’s ten current schools were built between 1927 and 1967, and as such are facing various modernization and maintenance needs. According to state regulations, the District has 161 permanent

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classrooms and 134 portable classrooms, with portables constituting 48% of District learning facilities. According to its 2014 Facilities Master Plan, the Districts expects to see declining enrollment through 2023.

In 2014, voters in National School District approved Measure N, a \$26.1 million General Obligation bond measure. The District planned to use these funds for modernizations, technological improvements, and disability requirements. The estimated tax rate increase from the bond measure was \$30.0 per \$100,000 of assessed property valuation (AV). The District indicated to SDCTA that Measure N funds have been used to address fire alarm needs, electrical upgrades, heating, ventilation, and air conditioning (HVAC), and Internet Fiber Backbone upgrades.

This November, the District is seeking another \$30.0 million in G.O. Flex Bonds to renovate, modernize, construct, reconstruct, replace, and acquire the facilities on its bond project list.

Proposal:

On August 10, 2016, the National School District Board of Trustees voted to place a \$30.0 million school bond measure on the November 8, 2016 ballot.

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

“To repair and rebuild aging classrooms and facilities throughout the District; meet handicapped access requirements; increase student access to computers/technology; repair roofs; and improve campus security and student loading zones for increased safety; shall National School District be authorized to issue \$30 million of bonds with interest rates below legal limits, annual audits, independent citizens’ oversight, no money for administrative salaries and all funds spent locally and not taken by the State and used elsewhere?”

The District has not submitted a request for support from the San Diego County Taxpayers Association (SDCTA) and all materials analyzed were acquired through a Public Records Request and the District’s website.

Review of SDCTA Bond Support Criteria:

Program Description, Budget & Funding, Execution Plan

After contracting with Eric Hall and Associates, the District created a Long Range Facilities Master Plan in 2014 to assess the conditions of its facilities and plans for addressing those needs in the future. After this assessment process, the District conducted surveys throughout the District and hosted workshops with staff and parent leaders to rank the priority of the projects at each site.

810 projects were ranked, and after some consolidation, the District identified 15 initial priority projects for its campuses. This District plans to complete these projects in four phases as of February 2015, and each phase contains various projects depending on the campus:

1. Phase 1: Fire and Life Safety/Prop 39
 - a. New HVAC/EMS and electrical to support HVAC (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Rancho de la Nación)
 - b. New electrical, fire alarm, and EMS (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Palmer Way, Rancho de la Nación)
 - c. Replace existing HVAC and new EMS (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood)
 - d. New HVAC in IT room and new EMS (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Palmer Way)
 - e. Upgraded internet infrastructure (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Palmer Way, Rancho de la Nación)
 - f. Accessible connection to sidewalk for preschool (Lincoln Acres, Palmer Way)
 - g. New parking/new drop off (off street) (Olivewood)
 - h. Accessible path/waiting for preschool (Palmer Way)
 - i. Reconfigure drop off (off street) (Palmer Way)
2. Phase 2: Accessibility/Infrastructure
 - a. Accessibility upgrades (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Rancho de la Nación)
 - b. Infrastructure upgrades (sewer and water) (Central, El Toyon, John Otis, Palmer Way)
 - c. Replace existing modular buildings with new modulsars (El Toyon)
3. Phase 3: Safety and Security
 - a. Reconfigure drop off (off street) (Central, El Toyon, Las Palmas, Lincoln Acres, Rancho de la Nación)
 - b. New locks (Central, El Toyon, Ira Harbison, John Otis, Kimball, Las Palmas, Lincoln Acres, Olivewood, Palmer Way, Rancho de la Nación)
 - c. Structural retrofit (John Otis)
 - d. Structural upgrades (Kimball, Lincoln Acres)
 - e. Exterior safety lighting (Kimball)
 - f. Caution lights (Lincoln Acres)
 - g. Cover for pathway to lower campus (Rancho de la Nación)
4. Phase 4: New Work/Modernization (FUNDING DEPENDENT)
 - a. Severely disabled upgrades/new building (Central)
 - b. New kinder toilets (El Toyon)
 - c. Parking lot lighting/signage (El Toyon, Ira Harbison, Palmer Way)
 - d. Modernize kinder toilets (Ira Harbison)
 - e. Modernize library/computer lab (Ira Harbison)
 - f. Reconfigure parking (John Otis)

- g. Reconfigure drop off (John Otis)
- h. Flood wall (Kimball)
- i. Repair holes in play field (Las Palmas)
- j. Fence repair/screening (Las Palmas)
- k. Improve hard courts (Lincoln Acres)
- l. Lighting around campus (Lincoln Acres)
- m. Upgrade security/full campus fencing (Olivewood)
- n. Solar (Olivewood)
- o. Lighting for parking lot and lower field (Palmer Way)
- p. Upgrade security fencing/repair/replacement/lighting (Rancho de la Nación)

Measure HH will provide the District with more funds to complete important projects for the improvement, construction, and rehabilitation of its schools. While Measure N funds have been used for projects in Phase I of the project list, Measure HH will provide funding for other projects that have not yet been completed. There are also **NO** schedules for construction provided.

In a LRFMP “Phase 2” document, the District provided rough cost estimates for the aforementioned projects, which totaled \$31,026,022 in 2014. SDCTA notes that there is no way to validate the efficacy of costs assigned to each project, as the estimates lack detail. SDCTA also notes that the total bond amount from Measure HH (\$30 million) and Measure N (\$26.1 million) would exceed the cost estimates listed for all phases by \$25 million.

However, the District has stated that a needs assessment conducted during the creation of its LRFMP identified \$250 million in needs for its facilities. The District has also indicated that its governing Board will hold a special meeting to expand the project list based on these needs with updated cost estimates should Measure HH be approved by voters.

The District plans to issue the funds from Measure HH as G.O. Flex Bonds, which are short term bonds with low interest rates that help to minimize borrowing cost. The District states that this type of bond will allow 75% of every dollar from the taxpayer to be directly invested in facility improvements, as opposed to approximately 50% from standard Current Interest Bonds. The following table demonstrates the proposed bond issuances and the cost to taxpayers of the program.

Figure 1: Sample Bond Issuances and Interest Payments

Hybrid G.O. Flex-Bonds™				
	Year	Principal	Interest	Total
Series A	2017	\$10,700,000	\$7,480,000	\$18,180,000
Series B	2017	\$1,960,000	\$125,000	\$2,085,000
Series C	2021	\$2,205,000	\$145,000	\$2,350,000
Series D	2025	\$2,485,000	\$155,000	\$2,640,000
Series E	2029	\$2,795,000	\$180,000	\$2,975,000
Series F	2033	\$3,145,000	\$200,000	\$3,345,000
Series G	2037	\$3,540,000	\$225,000	\$3,765,000
Series H	2041	\$3,170,000	\$175,000	\$3,345,000
Total		\$30,000,000	\$8,685,000	\$38,685,000

The District is currently applying to receive state matching funds should voters approve Measure HH.

Deferred Maintenance Funding

The District has provided a plan to address deferred maintenance, but this plan has **NOT** been updated since 2014. The District has not outlined how it plans to address long-term maintenance of its facilities or major repair and replacement through the bond measure or other funds.

Figure 2: National School District 2014 Deferred Maintenance Funding Plan

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total Estimated Cost
\$470,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,064,000

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. National School District’s Superintendent, Business Services attended SDCTA’s bond course on May 13, 2016.

Fiscal Impact:

While a conventional bond structure would result in a total public debt of \$53,740,000 including interest, the alternative \$30 million in Hybrid GO Flex Bonds that the District has elected to issue



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would result in a total debt of approximately \$38,685,000 including interest. The District estimates that the bonds will be able to be paid off within 30 years. The District has not provided an estimate of the total cost to taxpayers of Measure N funds.

In 2014, the District's 10-year average for assessed valuation growth was 5.12%. The District assumed 3.00% annual AV growth thereafter. The estimated average tax increase for a resident of the District is \$27.96 per \$100,000 of AV, with the District being legally restricted to \$30 per \$100,000 of AV. This tax rate would be levied in addition to the estimated \$27.70 per \$100,000 of AV that was levied from Measure N.

The District has **NOT** adopted SDCTA recommended language regarding the use of Capital Appreciation Bonds in its bond resolution.



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National School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria Met?	Comments
Program Description	No	No	The District did not provide any information to the SDCTA
Program Budget and Funding	No	No	The District did not provide any information to the SDCTA
Cost Estimation and Feasibility	Yes	No	1) The bond proposal is for \$30 million in Hybrid GO Flex Bonds with 8 issuances
			2) Cost estimates broken down by site, but estimates for each project lack detail
			3) Estimated project costs for all phases of the District's master plan total \$31,026,022
			4) The District has estimated that the added tax rate will be \$27.96 per \$100,000 of assessed property valuation
Program Justification	No	No	The District did not provide any information to the SDCTA
Facilities Master Plan & Facilities Needs Assessment	Yes	Yes	1) A facilities master plan has been provided
			2) A facilities needs assessment from 2014 has been provided
Program Execution Plan	Yes	No	1) The District outlined project phases for each site, but did not specify when those phases would begin or end
			2) A bond issuance schedule has been provided
			2) The District does not specify whether or not it will seek help from an outside project management firm
Fair and Open Competition	Yes	No	1) The District did not include in its bond resolution language that promotes fair and open competition for District construction projects
Bond Financing & Technology	No	No	The District did not provide any information to the SDCTA
Deferred Maintenance and Major Repair & Replacement Plan	Yes	No	1) The District provided a deferred maintenance funding plan that has not been updated since 2014
			2) It is unclear how bond funds would go toward long term deferred maintenance and major repair and replacement funding
Complete Ballot and Resolution Language	Yes	No	1) Ballot language and resolution for \$30 million was adopted on August 10, 2016
			2) Ballot language does NOT outline project list by site



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Provision for an "Independent Citizens' Oversight Committee"	Yes	No	1) It is unclear if the District has adopted SDCTA ICOC Best Practices
Adoption of SDCTA School construction and Professional Services Procurement Best Practices	No	No	The District did not provide any information to the SDCTA
Certification of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District's Assistant Superintendent, Business 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	No	No	The District did not provide any information to the SDCTA
Joint Use of Facilities	Yes	No	1) District has NOT included language within the ballot resolution intent to pursue practical opportunities to incorporate joint-use
Opposition to Special Elections			
Follow-Up Bond Requirement	No	No	The District did not provide any information to the SDCTA