

Proposition X: Mt. Empire Unified School District \$30.8 million Bond Measure Brief Summary

SDCTA **SUPPORTS** the Mt. Empire Unified School District's proposed bond measure. The proposed measure meets key provisions of the SDCTA Bond Support Criteria.

- Mt. Empire Unified School District is proposing a \$30.8 million Proposition 39 General Obligation Bond measure.
- The total estimated cost of the measure is expected to be \$120.1 million, including interest.
- The measure would increase the current tax rate by \$36.50 per \$100,000 of assessed valuation to the year 2066.
- The measure does not rely on state matching funds, but \$1.7 million of local funding sources are necessary for completion of the bond program.
- The bond program is expected to be completed in 2026.
- The District is expected to provide funding to address its routine and regular maintenance despite State allowing District to bypass required funding.
- District is expected to adopt all SDCTA Best Practices by resolution once Board approves placing the measure on the ballot.
- District is expected to finalize project schedule and cash flow analysis following selection of program manager and architect following the election, should voters approve the measure.
- Ballot language outlines project list by site.
- District passed Proposition N in 1998, a \$3.2 million general obligation bond measure that increased tax rates by \$32.96 per \$100,000 of assessed valuation.
- SDCTA supported Proposition N and projects have been completed.

Proposition X: Mt. Empire Unified School District Bond Measure

Board Action:

SUPPORT

Rationale:

The Mt. Empire Unified School District's proposed bond measure meets key provisions of SDCTA's Bond Support Criteria. The application submitted by the District outlines the current deferred maintenance backlog, and how much of it will be addressed by the bond measure. As with other proposals, it is unclear if the District will be able to maintain facilities following completion of the bond program. Since a deferred maintenance backlog will remain, the District should allocate necessary funding to prevent an increase in this list.

Background:

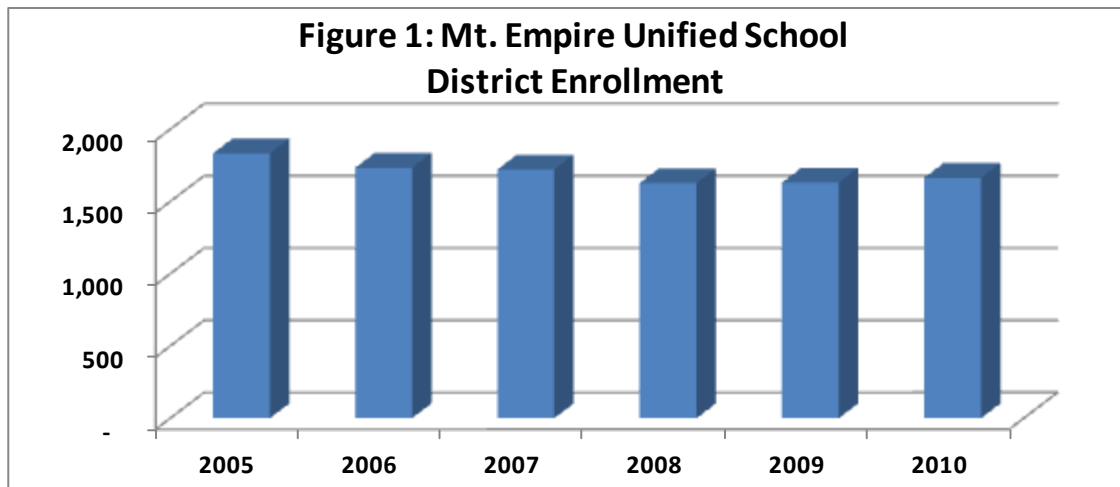
The Mt. Empire Unified School District (District) consists of ten (10) schools within 660 square miles of rural southeast San Diego County (communities of Jacumba, Boulevard, Campo, Lake Morena, Potrero/Tecate, Pine Valley, Guatay and Descanso). The District also includes 4 Indian reservations (Campo, La Posta, Manzanita and Ewiiapaayp). The District schools include:

- 6 elementary (Pre-K thru 8th Grade) schools
- 1 high school
- 1 continuation high school
- 1 community day school
- 1 independent study high school

The District also has eight (8) charter schools within its boundaries.

In 1998, voters within the District passed Proposition N, a general obligation bond of \$3.2 million dedicated to construct the south wing of the Camp Elementary school and fund other upgrades at schools throughout the District. The bond measure increased the property tax assessment by \$32.96 per \$100,000 assessed valuation, and is expected to be paid off in 2026. The San Diego County Taxpayers Association (SDCTA) supported this measure. The District was able to refinance these bonds in 2010, saving over \$111,000 on the remaining balance of \$2.6 million during the payment period.

Between 2005 and 2008, enrollment within the District declined. Over the following two year period, enrollment has increased slightly, reaching 1,663 students in 2010.



Proposal:

On March 6, 2012, the MEUSD Board of Trustees is expected to vote to place a \$30.8 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 academic instruction and retain qualified teachers at Mountain Empire High School/Campo, Clover Flat, Descanso, Jacumba, Pine Valley and Potrero schools with funding Sacramento cannot take away, shall Mountain Empire Unified School District upgrade/construct classrooms/science labs/facilities; make schools accessible for students with disabilities; improve student safety; and update computers/technology, by issuing \$30.8 million in bonds, at legal rates, with independent oversight and no money for administrators?”

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 results is provided below. A summary table of this 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 seven (7) areas of need within the proposed bond program:

1. Replacing Portables
2. Modernize Classrooms
3. Technology Upgrades (including smart boards)
4. Renewable Energy projects
5. Multipurpose Facilities
6. Safe Travel Paths
7. Upgrading of Utility Systems

The facilities needs assessment provided by the District prioritizes projects within each of these areas into three (3) phases for each school. Table 1 outlines the funding by phase for each school within the District. Construction is anticipated to be completed on all three (3) phases by the year 2026.

Table 1: Summary of Bond Projects by Site and Phase

	Phase 1 Immed. Needs (0-5yrs)	Phase 2 Intermed. Needs (5-10yrs)	Phase 3 LngTrm Needs (10yrs +)	Total
Mountain Empire HS& District Office	\$ 813,792	\$ -	\$ 8,019,162	\$ 8,832,954
Campo Elementary	\$ 3,054,767	\$ -	\$ 2,736,695	\$ 5,791,462
Portrero Elementary	\$ 4,335,493	\$ 991,696	\$ 2,189,358	\$ 7,516,547
Clover Flat Elementary	\$ 407,935	\$ 5,240,509	\$ 2,189,358	\$ 7,837,802
Jacumba Elementary	\$ 648,901	\$ -	\$ -	\$ 648,901
Descanso Elementary	\$ 3,121,175	\$ -	\$ 1,094,679	\$ 4,215,854
Pine Valley Elementary	\$ -	\$ -	\$ 6,683,908	\$ 6,683,908
Cottonwood	\$ -	\$ -	\$ -	\$ -
Campo High & Hillside	\$ 132,816	\$ -	\$ -	\$ 132,816
Mountain Meadow	\$ -	\$ -	\$ -	\$ -
Total				\$41,660,244

The District’s “Wish List” items total approximately \$42 million (Table 1). The bond program budget though totals approximately \$32.5 million, when accounting for the \$30.8 million generated by the bond and another \$1.7 million from other local funding sources (developer fees, charter school fees, donations, etc.) The bond program does not rely on state matching funds.

Table 2: Summary of Project Schedule/Budget

Proposed Bond Issuance	Location	Priority Project	Timeline	Estimated Cost
Series A (\$6.5 million)	Jacumba Elementary	Replace office trailer & replace portables	2012-2013	\$648,901
	Mt. Empire High School	Upgrade science labs	2012-2013	\$813,972
	Clover Flat Elementary	One classroom to replace portables	2012-2013	\$407,935
	Portrero Elementary	Multipurpose room & two classrooms	2012-2013	\$4,335,493
Series B (\$6.5 million)	Campo Elementary	Multipurpose room	2016-2017	\$3,054,767
	Descanso Elementary	Multipurpose room	2016-2017	\$3,121,175
Series C (\$6.5 million)	Clover Flat Elementary	Multipurpose room & two classrooms	2020-2021	\$5,240,509
	Portrero Elementary	Two classrooms to replace portables	2021-2022	\$992,696
	Campo High & Hillside	ADA upgrades, daylighting modifications & site beautification	2022-2023	\$132,816
Series D (\$6.5 million)	Mt. Empire High School	Multipurpose room with district kitchen	2024-2025	\$5,282,464
	Portrero Elementary	Two classrooms to replace portables	2024-2025	\$1,094,679
Series E (\$4.8 million + other sources)	Pine Valley Elementary	Two kindergarten classrooms and 1/2 size multipurpose room		\$3,947,210
	Clover Flat Elementary	Three classrooms to replace portables		\$1,941,679

The District is anticipating issuing bonds in five (5) series over the life of the program. The District has submitted a general project schedule based on the revenues of each bond issuance,

and which projects will be funded at those specific times. Table 2 outlines those projects. Under Series E, it is unclear which of the two projects outlined will be funded by the \$4.8 million in bond funding, or whether or not the District believes they will have the other funding sources available to complete those projects at that time.

The District has submitted an estimate regarding debt service costs and expected growth in assessed valuation and projected tax rate statement to SDCTA. However, the District though did not submit a projected cash flow analysis or detailed construction timeline that includes projects funded by other local sources. The projects have been prioritized by phase, with project construction expecting to commence during Fiscal Year (FY) 2012 and concluding in Fiscal Year 2026.

Ballot Resolution and Language

As noted previously, the District has yet to adopt the final ballot language and tax rate statement, but is scheduled to do so at a meeting on March 6, 2012. The District has submitted draft language to SDCTA that outlines the draft ballot question, as well as other items pertaining to SDCTA's best practices.

The final recital in the ballot resolution proposed to be adopted by the District states:

“WHEREAS, the Board is in receipt of documents prepared by the San Diego County Taxpayers Association entitled “Oversight Committee Best Practices” and “School Construction and Professional Services Procurement Best Practices” and, to ensure that all bond funds are spent properly and as promised to the voters and to improve transparency and objectivity with respect to the District’s procurement processes, it is the Board’s intent to utilize these model documents to develop procedures and policies relating to the establishment an independent oversight committee for the bond proposition to be submitted to the voters at the election and the procurement of bond project contracts;”

The project list that will be presented to voters identifies the various projects by site. The language though does not outline the various projects by priority as has been outlined in the District’s Facilities Needs Assessment. Each site has a list of projects to be completed, but voters will be unable to determine when each project is schedule to be completed.

Deferred Maintenance Funding

The District is a participant in the State’s school building program, which requires the District to contribute an amount at least equal to 2.5% of their General Fund expenditures for facilities repair in addition to at least .5% of their General Fund expenditures for deferred maintenance work. The State recently allowed school districts to allocate deferred maintenance funds to the general fund. As a result, the District eliminated funding for deferred maintenance in FY 2010 and plans to do the same through FY 2012. The District does fund routine maintenance despite the State allowing those funds to be used for general purposes.

Table 3 below outlines the originally planned deferred maintenance funding by the District for the next five years. The District has stated its intention to eliminate deferred maintenance funding for FY 2010 to FY 2012.

Table 3: Deferred Maintenance Five-Year Funding Plan

Project Category	Number of Projects	FY2009	FY2010	FY2011	FY2012	FY2013	Total Estimated Cost
Asbestos	2	\$1,000	\$1,000	\$2,000	\$1,000	\$1,000	\$6,000
Classroom Lighting	8	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000
Electrical	12	\$30,500	\$30,000	\$30,000	\$35,000	\$30,000	\$155,500
Floor Covering	6	\$20,000	\$20,000	\$25,000	\$25,000	\$20,000	\$110,000
HVAC	20	\$85,000	\$65,000	\$85,000	\$75,000	\$65,000	\$375,000
Lead	0	\$0	\$0	\$0	\$0	\$0	\$0
Painting	2	\$30,000	\$20,000	\$15,000	\$20,000	\$10,000	\$95,000
Paving	4	\$10,000	\$50,000	\$35,000	\$20,000	\$30,000	\$145,000
Plumbing	6	\$50,000	\$30,000	\$25,000	\$10,000	\$10,000	\$125,000
Roofing	5	\$50,000	\$30,000	\$25,000	\$20,000	\$25,000	\$150,000
Underground Tanks	1	\$50,000	\$50,000	\$40,000	\$20,000	\$30,000	\$190,000
Wall Systems	3	\$10,000	\$5,000	\$2,000	\$500	\$500	\$18,000
Total	69	\$341,500	\$306,000	\$289,000	\$231,500	\$226,500	\$1,394,500

Table 4 below outlines past funding for the District’s deferred maintenance fund. While the State has still provided its share of funding, the District has chosen to eliminate its funding as has been allowed by the State. The District though has chosen to maintain funding for its Routine Restricted Maintenance Account, which is used for ongoing facilities repair.

Table 4: Deferred Maintenance Annual Funding

Year	District Contribution	State Contribution	Interest	Total Contribution	Expenditures	Beginning Balance	Net Ending Balance
2003	\$55,000	\$7,823	\$3,164	\$65,987	\$156,660	\$278,058	\$187,385
2004	\$53,300	\$21,026	\$2,326	\$76,652	\$75,679	\$187,385	\$188,358
2005	\$53,300	\$66,839	\$3,675	\$123,814	\$69,995	\$188,358	\$242,177
2006	\$0	\$68,726	\$5,740	\$74,466	\$132,998	\$242,177	\$183,645
2007	\$60,000	\$66,272	\$10,499	\$136,771	\$23,355	\$183,645	\$297,061
2008	\$34,505	\$62,650	\$13,585	\$110,740	\$4,376	\$297,061	\$403,425
2009	\$53,820	\$0	\$8,003	\$61,823	\$94,492	\$403,425	\$370,756
2010	\$0	\$57,124	\$3,335	\$60,459	\$143,124	\$370,756	\$288,091
2011	\$0	\$57,259	\$978	\$58,237	\$65,422	\$288,091	\$280,906
2012	\$0	\$57,060	\$0	\$57,060	\$6,661	\$280,906	\$331,305

The District has been able to track its deferred maintenance backlog by site and by category, and also state where funding from the proposed bond measure will go to eliminate projects from this list. The District has stated the current bond measure will eliminate \$479,000 of the current \$2.5 million deferred maintenance backlog (or 23%).

Fiscal Impact:

The District proposes to issue bonds in six phases: 2012 (\$6.5M), 2016 (\$6.5M), 2020 (\$6.5M), 2024 (\$6.5M), and 2026 (\$4.8M). The total anticipated cost of the bond measure, including interest is \$120.1 million. Passage of Proposition N in 1998 extended the tax rate of \$32.96 per \$100,000 of assessed value, which was in place at that time due to a State School Building Loan. The District recently refinanced the remaining portion of these bonds to save approximately \$112,000 and lower the tax rate to \$20.58 per \$100,000 of assessed valuation. The property tax rate statement submitted to SDCTA indicates the assessment is not expected to exceed \$36.50 per \$100,000 of assessed valuation.

The program that will be brought forward to the Board and eventually to voters relies on the funds raised by the bond measure and local funding sources. Based on the cash flow statement provided to SDCTA, it appears the District will not be utilizing local funding sources until the final phase of their program in 2026.



Taxpayers watchdog since 1945

707 Broadway, Suite 905, San Diego, CA 92101
 P: (619) 234-6423 • F: (619) 234-7403 • www.sdcta.org

SDCTA Bond Support Criteria Analysis:

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

Mt. Empire Unified School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Program Description	Yes	No	1) District has outlined 7 focus areas: Replacing Portables, Modernize Classrooms, Technology Upgrades (including smart boards), Renewable Energy projects, Multipurpose Facilities, Safe Travel Paths, Upgrading of Utility Systems
			2) Project list within proposed ballot resolution is site specific
			3) No site acquisition is necessary
			4) Projects are not yet classified in phases
Program Budget and Funding	Yes	Yes	1) Total budget does include soft costs and contingency costs for each project
			2) Bond program totals \$30.8 million (same amount as bond proposal) + \$1.7 million from other potential sources (developer fees, charter school fees, etc.)
			3) Bond program does not require State matching funds. District is eligible for \$9.3 million in state matching funds should they become available, and can be used to address "wish list" items.
			4) Tax rate increase estimated to be \$36.50 per \$100,000 assess valuation
Cost Estimation and Feasibility	Yes	Yes	1) Cost estimates of the proposed work are provided and broken down by site
			2) Cost estimates for each site broken down by need categories
			3) Cost estimates broken down by hard and soft costs
Program Justification	Yes	Yes	1) The District justifies the need for the measure to modernize classrooms that are in aging facilities
			2) The District has 47 relocatables compared to 42 permanent classrooms
			3) District has exhausted other funding sources and cannot rely on additional state funding
Facilities Master Plan & Facilities Needs Assessment	Yes	Yes	1) 2010 Master Plan has been provided
			2) Needs Assessment conducted, which identifies major repair and replacement needs of the District
			3) Total needs are \$41.8 million when cost of 21 new classrooms and "Wish List" items
Program Execution Plan	Yes	No	1) Program is expected to be completed within 3 priority phases, with the last phase completed in 2026
			2) District has issued RFQs and RFPs for architectural and construction management services to complete bond funded projects
			3) District plans to issue bonds in six series, 2012 (\$6.5M), 2016 (\$6.5M), 2020 (\$6.5M), 2024 (\$6.5M), and 2026 (\$4.8M)
			5) Project schedule has not been provided
			6) Cash flow schedule has not been provided
			7) Total cost of bond plus interest totals \$120M



Taxpayers watchdog since 1945

707 Broadway, Suite 905, San Diego, CA 92101
 P: (619) 234-6423 • F: (619) 234-7403 • www.sdcta.org

Mt. Empire 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	No	1) District still allocating 3% to regular routine maintenance program
			2) District has not funded deferred maintenance fund since FY2009. State has not required contribution since that time
			3) Bond will be used to address \$479,000 of District's \$2.5 million deferred maintenance backlog
Complete Ballot and Resolution Language	Yes	Yes	1) Ballot language and resolution has NOT been approved by the Board
			2) Ballot language outlines project list by site
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) District proposed to adopt SDCTA ICOC best practices when adopting ballot resolution
Adoption of SDCTA School Construction and Professional Services Procurement Best Practices	Yes	Yes	1) District proposed to adopt SDCTA School Construction and Professional Services Procurement Best Practices when adopting ballot resolution
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
			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 2 joint use agreements with the County and will evaluate future opportunities with capital projects
Opposition to Special Elections			
Follow-Up Bond Requirement	N/A	N/A	1) District completed a bond program passed by voters in 1998