

Proposition CC: Del Mar Union School District \$76.8 million Bond Measure Brief Summary

SDCTA **OPPOSES** the Del Mar Union School District's proposed bond measure. The proposed bond measure fails to meet key provisions of SDCTA's Bond Support Criteria. The District is proposing to use bond funds paid over the next four decades to support ongoing, short-term maintenance needs. Further, the District proposes using long-term bonds to pay for student devices that will only last three to five years. If the District is in need of budgetary relief, it should seek to streamline operations or renegotiate labor contracts to generate needed savings instead of relying on taxpayers paying for these needs for the next four decades.

- Del Mar Union School District is proposing a \$76.8 million Proposition 39 General Obligation Bond measure.
- The total estimated cost of the measure is expected to be \$154 million, including interest.
- The measure is estimated to increase the current tax rate by \$8.44 per \$100,000 of assessed valuation for properties within the District
- Projected bond issuance schedule has been provided. District anticipates issuing five bonds to pay for improvements and technology.
- District has stated intent to use bond to offset General Fund expenditures. District estimates transferring funding of items to bond program can save \$28.3 million over five years.
- Schedule regarding projects has not been provided.
- District has not adopted all SDCTA Best Practices but stated it would consider it.

Proposition CC: Del Mar Union School District Bond Measure

Board Action:

OPPOSE

Title: *Proposition CC: Del Mar Union School District Bond Measure*

Election: November 2012 General Election

Description: Levies a tax of up to \$8.44 per \$100,000 of assessed property value to issue \$76.8 million in general obligation bonds.

Jurisdiction: Local

Type: School Bond Measure

Vote: 55% Supermajority

Fiscal Impact: The total anticipated cost of the bond measure, including interest is \$154 million. The District did not state in materials submitted to SDCTA whether they intend to use Capital Appreciation Bonds.

Rationale:

The Del Mar Union School District's proposed bond measure fails to meet key provisions of SDCTA's Bond Support Criteria. The District is proposing to use bond funds paid over the next four decades to support ongoing, short-term maintenance needs. Further, the District proposes using long-term bonds to pay for student devices that will only last three to five years. If the District is in need of budgetary relief, it should seek to streamline operations or renegotiate labor contracts to generate needed savings instead of relying on taxpayers paying for these needs for the next four decades.

Background:

On July 27, 2012, the Del Mar Union School District (District) voted 4-1 to place Proposition CC on the November 6th ballot. Proposition CC is a \$76.8 million school bond measure that is projected to increase the tax rate by \$8.44 per \$100,000 of assessed valuation.

At the meeting in which the bond measure was discussed, a two page staff report and the proposed bond resolution were presented. In addition, a [PowerPoint presentation](#) highlighting the District's Strategic Plan, the potential for General Fund relief from the measure, and a review of a poll conducted for the District was reviewed. The presentation includes reference to General Fund relief resulting from "teaching devices" and "student devices" paid for from the bond. In total, the District believes the bond measure could offset \$28.3 million in General Fund expenditures over a five year period.

Proposal:

On July 27, 2012, the District’s Board of Trustees voted to place a \$76.8 million school bond measure on the November 6, 2012 ballot. The ballot question expected to be put before voters will read as follows:

“To protect quality education, provide safe and modern schools and create budget savings, shall Del Mar Union School District fix leaky roofs and worn-out floors; improve instructional technology and classroom computer systems; provide accessible classrooms for students with disabilities; and upgrade aging classrooms, libraries and school buildings by issuing \$76.8 million in bonds at legal rates, with independent oversight, no money for District administration, and all money staying local?”

Review of SDCTA Bond Support Criteria

Program Description, Budget & Funding, Execution Plan

The District has stated it has spent the past two years developing a Strategic Plan which requires passage of Proposition CC to implement. The Strategic Plan outlines seven core areas:

1. Education Program
2. Technology
3. Professional Development
4. Facility Optimization
5. Funding
6. Communication
7. External Relations

The ballot resolution outlines the following categories bond funding would be allocated toward:

- Classroom technology improvements for 21st century learning environment
- Operational efficiency and cost-saving facilities improvements
- Classroom, science lab and library improvements to support instruction
- Student and teacher safety and accessibility improvements
- Facilities improvements and expansions and upkeep to protect taxpayer investments

Further, the resolution outlines the District plan to use bond funds to “purchase portable learning technology equipment.” Within the materials submitted to SDCTA, the District outlined project costs by school site (Table 1).

Table 1: Cost Estimates by Site

School	Facilities (millions)	Technology (millions)	Total Costs (millions)
Ashley Falls	\$3.7	\$2.2	\$5.9
Del Mar Heights	\$7.0	\$2.2	\$9.2
Del Mar Hills	\$6.7	\$2.0	\$8.7
Ocean Air	\$3.5	\$4.0	\$7.5
Sage Canyon	\$3.8	\$4.0	\$7.8
Sycamore Ridge	\$3.5	\$2.3	\$5.8
Torrey Hills	\$3.8	\$3.5	\$7.3
Carmel Del Mar	\$6.6	\$3.0	\$9.6
Districtwide Preschool Funding	\$6.0	\$9.0	\$15.0
Total	\$44.6	\$32.2	\$76.8

The technology component for each site has not been specifically outlined. The District's presentation at the July 27th meeting, as well as other materials submitted to SDCTA, outline its intent to purchase "teaching devices".

Within the school site totals, \$2.4 million has been allocated to each District for "Future Facility Upgrades". This funding would allow the District to experience General Fund relief from the funding of ongoing maintenance. Over a five-year period, the District estimates it could save \$28.3 million from transferring funding of projects from the General Fund to the bond program (Table 2).

Table 2: Potential General Fund Savings

Category	Amount
21st Century Learning	\$2,000,000
Teaching Devices	\$5,200,000
Technology Infrastructure	\$2,900,000
Maintenance & Upgrades	\$3,720,000
Special Ed. Preschool	\$6,000,000
Modernization	\$5,200,000
Replace Relocatables	\$3,300,000
Total	\$28,320,000

Ballot Resolution and Language

On July 27, 2012 the District adopted the final ballot language and tax rate statement. The District stated it will consider SDCTA's request to adopt SDCTA's "Oversight Committee Best Practices" and "Procurement Best Practices".

The project list that will be presented to voters does not identify the list of improvements by site.

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 0.5% 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 2011 and plans to do the same through FY 2013. The District does fund routine maintenance despite the State allowing those funds to be used for general purposes.

Table 2 below outlines the amount expended by the District for Routine Maintenance and Deferred Maintenance between Fiscal Year 2001 and Fiscal Year 2012.

Table 2: Routine Restricted and Deferred Maintenance Expenditures

Fiscal Year	Deferred Maintenance
2001	\$90,400
2002	\$94,312
2003	\$375,959
2004	\$84,972
2005	\$113,069
2006	\$129,644
2007	\$156,981
2008	\$34,738
2009	\$317,677
2010	\$245,829
2011	\$64,485
2012	\$37,225

The District did not outline within its materials submitted to SDCTA the current deferred maintenance backlog nor how much of that backlog will be addressed by the proposed bond.

Fiscal Impact:

The District proposes to issue bonds in five phases: 2013 (\$315M), 2018 (\$15M), 2023 (\$15M), 2028 (\$15M) and 2033 (\$16.8M). The total anticipated cost of the bond measure, including interest is \$154 million. The property tax rate statement submitted to SDCTA indicates the assessment is not expected to exceed \$8.44 per \$100,000 of assessed valuation during the life of the payback period. The total debt service is expected to be paid off in 2058.

The District’s proposed financing of the debt does not include a statement about the potential use of Capital Appreciation Bonds (CABs) and Convertible Capital Appreciation Bonds. The District has stated it will consider adoption of SDCTA's policy regarding CABs and provided a draft resolution. The date of the meeting in which the resolution will be considered was not provided.



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SDCTA Bond Support Criteria Analysis:

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

Del Mar Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Program Description	Yes	No	1) District has stated it has spent the past two years developing a Strategic Plan which requires passage of Proposition CC to implement
			2) District planning to use bond funds to offset short term general fund expenditures, including technology for students
			3) Ballot resolution outlines five categories bond funding would be allocated toward
			4) Projects to be funded are not classified by priority
Program Budget and Funding	Yes	No	1) Cost estimates assume all funding to come from \$76.8M bond measure; does not appear to rely on State matching funds
			2) Cost estimates are broken down by campus site but not priority
			3) Cost estimates include soft costs and escalation
			5) District has not stated if they will use Current Interest Bonds or Capital Appreciation Bonds as the debt financing mechanism. Stated it will consider adoption of SDCTA's policy regarding CABs and provided draft resolution
Cost Estimation and Feasibility	Yes	No	1) Program cost estimates developed appear to be from Facility Master Plan
			2) Funding would be allocated to 9 school sites
			3) Preliminary budget does not outline projects by bond issuances and priority
			4) Cost estimates include funding for technology and "future facility upgrades"
Program Justification	Yes	Yes	1) District spent past 2 years completing a Strategic Plan for the district
			2) Bond measure will provide a local funding source, other than the District's General Fund to prevent overcrowding, repair and renovate aging classrooms, etc.
			3) Over last 2 years, \$1.7 million in General Fund costs went to address these issues
Facilities Master Plan & Facilities Needs Assessment	Yes	No	1) District provided SDCTA with Strategic Plan
			2) District does not outline varying funding needs for technology at each campus site
			3) District does not outline what future upgrades will be completed at each site



Del Mar Union School District Bond Support Application and SDCTA Bond Support Criteria			
Criteria Item	Info Provided?	Criteria met?	Comments
Program Execution Plan	Yes	No	1) District anticipates using in-house staff to complete to program
			2) Schedule regarding projects not provided and not broken down by priority (one or two)
			3) Estimated bond issuance schedule has been provided. District anticipating having 5 bond issuances
			4) District did not state whether they require State matching funds to complete program
			5) Last bond issuance expected to take place in 2033
Deferred Maintenance and Major Repair and Replacement Plan	Yes	No	1) District still allocating funding from balance in deferred maintenance account for projects
			2) District has provided minimal funding to deferred maintenance fund despite State not requiring contribution
			3) District has stated intent of bond to relieve General Fund from paying for ongoing maintenance projects
Complete Ballot and Resolution Language	Yes	No	1) Adopted ballot language and resolution has been submitted
			2) Proposed ballot language does not outline project list by site
			3) Measure would increase taxes by \$8.44 per \$100,000 assessed valuation
Provision for an "Independent Citizens' Oversight Committee"	Yes	No	1) District has stated it will consider adopting SDCTA ICOC best practices and request to have an active member of SDCTA participate on the ICOC
Adoption of SDCTA School Construction and Professional Services Procurement Best Practices	Yes	No	1) District has stated it will consider resolution outlining its intent to use the documents in developing procurement policies for the bond program
Limited Use of District's "Education" Funds	Yes	Yes	1) District has reviewed SDCTA's Standards for Publicly Funded Advocacy For or Against Ballot Measures
Joint Use of Facilities	Yes	Yes	1) District has provided past joint-use projects and MOUs dating back to 1991
Opposition to Special Elections			
Follow-Up Bond Requirement			