

San Marcos Unified School District Bond Measure: Local Schools Repair/Safety Act Brief Summary

- San Marcos Unified School District is pursuing a \$287 million general obligation bond (through Proposition 39) to upgrade its facilities. The bond would be placed on the November 2010 ballot.
- The total Bond Program is \$384 million with the rest of the funds coming from the State (\$52 million) through grant funds and local sources (\$45 million). One school will be entirely replaced while others contain significant upgrades and modernizations. Each of the 15 facility sites affected by the bond would receive technological upgrades.
- The District is anticipating a 75% construction cost and a 25% soft cost throughout the program.
- The bond program is expected to be completed in 2017.
- To complete the bond program, the District will use in-house staff as well as various architects and consultants. Depending upon the rates for 2010 bonds, the District may add a Program Manager to the Facilities Department team.
- The program is split into four phases.
- The District has not demonstrated as strong of a commitment to funding deferred maintenance.
- The District has met every other item of SDCTA's Bond Support Criteria.
- SDCTA **SUPPORTS** the San Marcos Unified School District's \$287 million bond measure as it meets almost every one of SDCTA's Bond Support Criteria. The District has demonstrated a clear need to modernize its aging facilities and has provided SDCTA with detailed information regarding the bond program. However, the District should dedicate additional funds to maintenance and major repair and replacement moving forward to ensure that all facilities receive ongoing maintenance as needed.

San Marcos Unified School District Bond Measure: Local Schools Repair/Safety Act

June 2010

Board Recommendation:

SUPPORT

Rationale:

SDCTA supports San Marcos Unified School District’s \$287 million bond measure as it meets almost every one of SDCTA’s Bond Support Criteria. The District has demonstrated a clear need to modernize its aging facilities and has provided SDCTA with detailed information regarding the bond program. However, the District should dedicate additional funds to maintenance and major repair and replacement moving forward to ensure that all facilities receive ongoing maintenance as needed.

Background:

The San Marcos Unified School District consists of twenty (20) schools, one of which is a charter school. Enrollment within the District has grown consistently from 1995-present, experiencing an average annual increase of 3.66%. The District’s enrollment projections assume the District will reach 20,924 by the fiscal year (FY) 2020.

Table 1: San Marcos Unified School District Projected Enrollment, FY 2010 – FY 2020

| Fiscal Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Grades K-8 | 13,343 | 13,499 | 13,697 | 13,856 | 13,956 | 14,101 | 14,188 | 14,173 | 14,146 | 14,146 | 14,146 |
| Grades 9-12 | 5,010 | 5,086 | 5,155 | 5,271 | 5,420 | 5,511 | 5,644 | 5,910 | 6,009 | 6,107 | 6,210 |
| Special Education | 130 | 139 | 141 | 148 | 150 | 157 | 159 | 166 | 166 | 168 | 168 |
| State Preschool | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 | 400 |
| Total | 18,883 | 19,124 | 19,393 | 19,675 | 19,926 | 20,169 | 20,391 | 20,649 | 20,721 | 20,821 | 20,924 |

Source: San Marcos Unified School District

Thus far, the District has utilized both local and state funds to complete maintenance and modernization projects to improve school facilities. The proposed measure will be the second General Obligation Bond Measure passed in the District (the first was in 1996). The District has completed a Facilities Master Plan and Facility Needs Assessment to determine the total need of facilities within the District.

Proposal:

The District is pursuing a Proposition 39 school facilities bond (which requires a 55% vote of the public) for the November 2, 2010 general election.

The question before voters will read as follows:

LOCAL SCHOOLS REPAIR/SAFETY ACT
 To maintain excellent schools, attract quality teachers, and offset State cuts by: removing asbestos, lead paint, ensuring student safety, preventing overcrowding, upgrading technology, libraries, science labs; repairing classrooms and schools; improve seismic safety; improving access for students with disabilities, shall San Marcos Unified School District issue \$287,000,000 in bonds, at legal interest rates, with citizens’ oversight, mandatory audits, NO money for District salaries, all funds remaining local?

The \$384 million program will be funded in large part by general obligation bonds in addition to local funding sources and state grants.

Facilities Master Plan and Facilities Needs Assessment:

San Marcos Unified School District completed a District Wide Facilities Modernization Needs Assessment in 2008. This Assessment confirmed that most buildings were built around 1960, and found the following:

- The District has included a wide variety of Heating, Ventilation, and Air Conditioning (HVAC) solutions, but improvements should be made.
- The District has site and building plumbing services in “generally good condition with no known problems, with the exception of the parking lot drain system.” Several recommendations were provided regarding water heaters, backflow prevention, and others.
- The District needs several replacements regarding the electrical system condition in schools.

The District has made significant efforts on six capital facilities projects since 2004:

- Construction of Mission Hills High School (2004)
- Construction of San Elijo Middle School (2004)
- Construction of San Elijo Elementary School (2006)
- Construction of Joli-Ann Leichtag Elementary School (2008)
- Reconstruction of San Marcos Elementary School (2010)

The District will have a draft Facilities Master Plan presented to its governing board on July 12, 2010. The plan outlines a total need of \$384 million. If voters pass the proposed measure, the District will not have remaining facilities needs, assuming the District keeps up with deferred maintenance funding.

The goals of the Master Plan were as follows:

- Develop equity between sites while maintaining program flexibility
- Replace aging and sub-standard existing portable classrooms (approximately 40% of all classrooms) and organize new facilities to recapture playfields and hardcourts areas
- Correct educational program and facility deficiencies
- Upgrade technology for current and future instructional strategies
- Improve site and buildings physical condition and curb appeal
- Incorporate sustainable building concepts to minimize future maintenance and operations costs
- Facilitate future growth flexibility

The Master Plan outlines District needs in the following 13 categories:

1. Portable Buildings
2. Kindergarten CDE Compliance
3. Facility Program Equity
4. Program Enhancement
5. Technology Infrastructure
6. Existing Classrooms
7. Existing Library/Performing Arts/MPR
8. Existing Physical Education
9. Future Growth Flexibility
10. Curb Appeal Site Security
11. Play Fields Upgrades
12. Weather Protection
13. Administration/Staff Support Spaces

These improvements are intended to take place at 15 various sites within the District. The needs at each facility were then placed into four priority levels: Phase I, Phase 2A, Phase 2B, and Group 3. The schools that will be affected in each phase are noted in Table 2.

Table 2: San Marcos Unified School District Phased Improvements

| | Phase I | Phase 2A | Phase 2B | Group 3 |
|---|--|--|--|---|
| Sites & Scheduled Completion | <ul style="list-style-type: none"> • San Marcos High (2015) • La Costa Meadows Elementary (2013) | <ul style="list-style-type: none"> • Alvin Dunn Elementary (2013) • Richland Elementary (2013) • San Marcos Middle (2013) | <ul style="list-style-type: none"> • Carillo Elementary (2011) • Discovery Elementary (2011) • San Elijo Elementary (2011) • San Elijo Middle (2011) • Mission Hills High (2011) • Twin Oaks High (2011) | <ul style="list-style-type: none"> • Knob Hill Elementary (2017) • Paloma Elementary (2017) • Twin Oaks Elementary (2017) • Woodland Park Middle (2017) |
| Total Projected Costs | \$ 218,709,928 | \$ 94,138,903 | \$ 8,192,829 | \$ 62,949,161 |

The District is anticipating a 75% construction cost and a 25% soft cost throughout the program.

Table 3: San Marcos Unified School District Bond Program Funding Sources

| Funding Source | Amount |
|---|-----------------------|
| General Obligation Bonds | \$ 287 million |
| Community Facilities Districts and Redevelopment Project Areas ¹ | \$ 45 million |
| State Grants ² | \$ 52 million |
| Total | \$ 384 million |

State funding is anticipated to come from three major improvement categories: new construction, modernization, and other. See Table 4.

¹ Money has already come in for the District's use.

² The District has admitted that it is not relying heavily on state grants to come in any time in the immediate future. The timeline hopes that they will arrive by FY 2013, but if the funds do not come in during this time, the District will continue using bond financing to fund projects until state funds become available.

Table 4: San Marcos Unified School District Bond Program State Funding Categories

| Site | New Construction | Modernization | Other | Total |
|---------------------------|------------------|---------------|--------------|---------------|
| High Schools | | | | |
| San Marcos | \$ - | \$ 12,500,000 | \$ 500,000 | \$ 13,000,000 |
| Mission Hills | \$ - | \$ - | \$ - | \$ - |
| Twin Oaks | \$ 1,600,000 | \$ - | \$ - | \$ 1,600,000 |
| Total | \$ 1,600,000 | \$ 12,500,000 | \$ 500,000 | \$ 14,600,000 |
| Middle Schools | | | | |
| San Marcos | \$ 700,000 | \$ 4,500,000 | \$ 1,300,000 | \$ 6,500,000 |
| Woodland Park | \$ 1,900,000 | \$ - | \$ - | \$ 1,900,000 |
| San Elijo | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 2,600,000 | \$ 4,500,000 | \$ 1,300,000 | \$ 8,400,000 |
| Elementary Schools | | | | |
| Alvin Dunn | \$ 4,400,000 | \$ 900,000 | \$ 1,000,000 | \$ 6,300,000 |
| La Costa | \$ 8,000,000 | \$ 1,400,000 | \$ 2,300,000 | \$ 11,700,000 |
| Richland | \$ 4,600,000 | \$ 700,000 | \$ 500,000 | \$ 5,800,000 |
| Knob Hill | \$ - | \$ 900,000 | \$ - | \$ 900,000 |
| Paloma | \$ 2,600,000 | \$ 1,800,000 | \$ 300,000 | \$ 4,700,000 |
| Twin Oaks | \$ - | \$ - | \$ - | \$ - |
| Carillo | \$ - | \$ - | \$ - | \$ - |
| Discovery | \$ - | \$ - | \$ - | \$ - |
| San Elijo | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 19,600,000 | \$ 5,700,000 | \$ 4,100,000 | \$ 29,400,000 |
| Total | \$ 23,800,000 | \$ 22,700,000 | \$ 5,900,000 | \$ 52,400,000 |

The District has presented SDCTA with a general timeline, with the entire bond program expected to be completed by the year 2017. To achieve this, the District is planning to issue three series of bonds in addition to utilizing local revenues and State grants.

To complete the bond program, the District will use in-house staff as well as various architects and consultants. Depending upon the rates for 2010 bonds, the District may add a Program Manager to the Facilities Department team to serve as a construction manager.

Table 5: San Marcos Unified School District Categorical Improvements

| Site | Portable Replacement | Kindergarten CDE Compliance | Student Support Programs Equity | Specialized Programs Enhancement | Weather Protection | Administration/Support Spaces | Existing Classrooms | Existing Library/MPR/Performing Arts | Existing Physical Education | Future Growth Flexibility | Curb Appeal Site Security | Play Fields Upgrades | Technology & Infrastructure | Total Cost |
|---------------------------|----------------------|-----------------------------|---------------------------------|----------------------------------|--------------------|-------------------------------|---------------------|--------------------------------------|-----------------------------|---------------------------|---------------------------|----------------------|-----------------------------|-----------------------|
| High Schools | | | | | | | | | | | | | | |
| San Marcos | Complete Replacement | | | | | | | | | | | | \$ 180,400,000 | |
| Mission Hills | x | | | | | | | | | | | | x | \$ 2,600,000 |
| Twin Oaks | | | | | x | | | | | | | | x | \$ 800,000 |
| Middle Schools | | | | | | | | | | | | | | |
| San Marcos | x | | x | | x | x | | | x | x | | | x | \$ 34,800,000 |
| Woodland Park | x | | | | x | | | | | | | | x | \$ 8,400,000 |
| San Elijo | | | | | x | | | | | | | | x | \$ 1,100,000 |
| Elementary Schools | | | | | | | | | | | | | | |
| Alvin Dunn | x | x | x | x | x | x | x | | | x | x | | x | \$ 29,800,000 |
| La Costa | x | | x | | x | x | | | | x | | | x | \$ 38,400,000 |
| Richland | x | x | x | | x | x | x | | | x | | | x | \$ 29,500,000 |
| Knob Hill | x | x | | | x | | | | | | | | x | \$ 17,500,000 |
| Paloma | x | x | | | x | | | | | | | | x | \$ 19,100,000 |
| Twin Oaks | x | | | | x | | | | | | | | x | \$ 17,900,000 |
| Carillo | | | | | x | | | | | | | | x | \$ 1,200,000 |
| Discovery | | | | | x | | | | | | | | x | \$ 1,400,000 |
| San Elijo | | | | | x | | | | | | | | x | \$ 1,100,000 |
| Total | | | | | | | | | | | | | | \$ 384,000,000 |

Fiscal Impact:

Bonds are anticipated to be sold in several series (FY 2011, FY 2013, and FY 2015). According to the Tax Rate Statement produced by San Marcos Unified, during the first sale of the bonds, rates are expected to be \$40.28 per \$100,000 of assessed value. This will increase to \$43.99 per \$100,000 of assessed value the first fiscal year after the last sale of the bonds. The District does not anticipate the rates will exceed \$44.00 per \$100,000 of assessed value, and the measure notes that tax rates will not exceed \$60.00 per \$100,000 of assessed value.

The total cost of the program is \$ 384 million. Of this, the District plans to receive \$ 287 million from general obligation bonds. The District plans to receive \$ 45 million from bonding against revenues in its community facilities districts and redevelopment project areas. The District is anticipating \$ 52 million in State grants for its facilities projects.

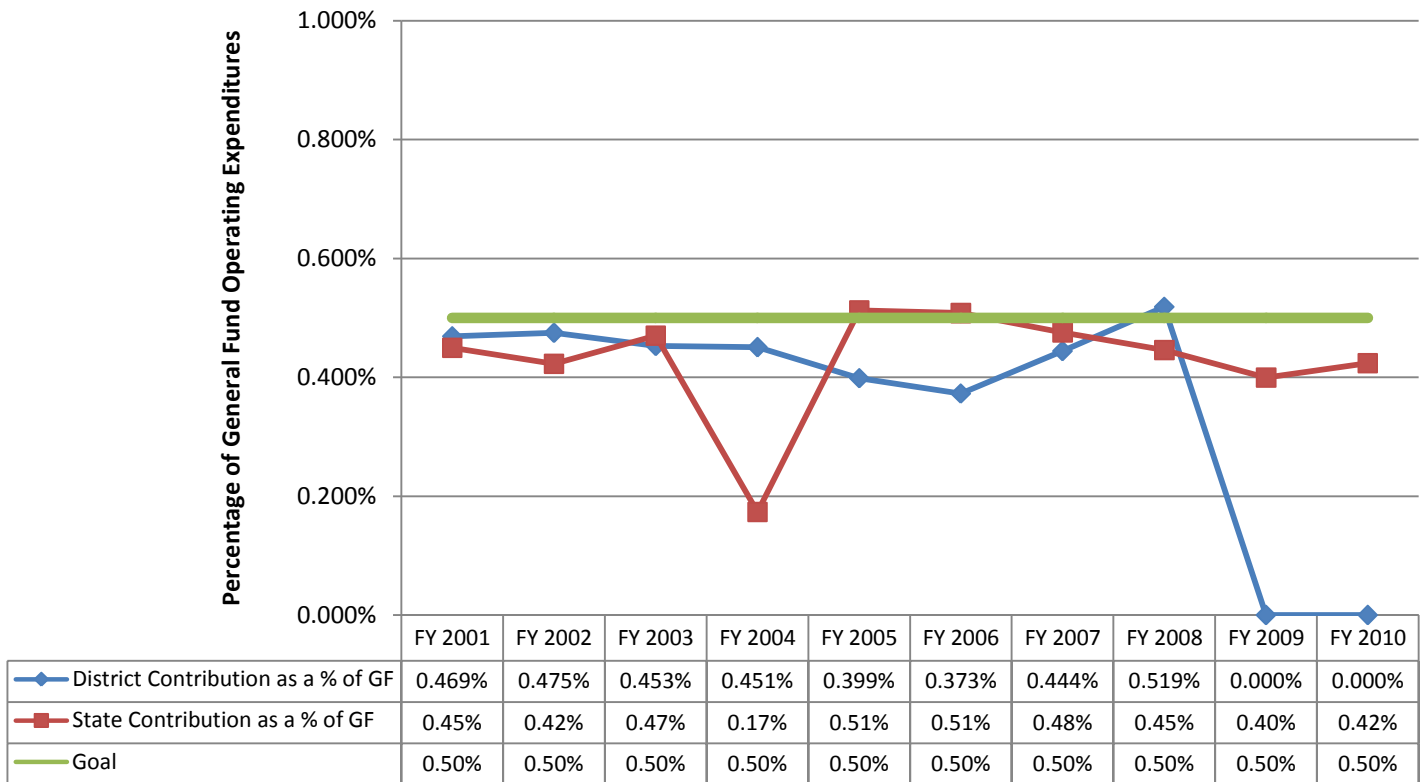
Deferred Maintenance and Regular Routine Maintenance:

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 reduce this contribution from 3% to 1% of General Fund Expenditures through FY 2013. As a result, the District eliminated funding for deferred maintenance in both fiscal years 2009 and 2010.

Out of the ten fiscal years examined, the District met its .5% goal of funding deferred maintenance only once—in FY 2008.

San Marcos Unified School District Deferred Maintenance State and District Contributions



Despite the District’s reduced contributions to deferred maintenance, the District has built up its balance within its Deferred Maintenance Fund. This has allowed the District to spend more money than it receives for deferred maintenance. Historically, San Marcos Unified has hovered near an annual expenditure level for deferred maintenance of 1% of the District’s General Fund operating expenditures. However, the District has consistently fallen below the 1% target (which includes both State matching dollars and the District’s .5% contribution).

San Marcos Unified School District Deferred Maintenance as a % of General Fund

Source: FY 2001 - FY 2009 financial statements, FY 2010 budget, District-provided Deferred Maintenance table

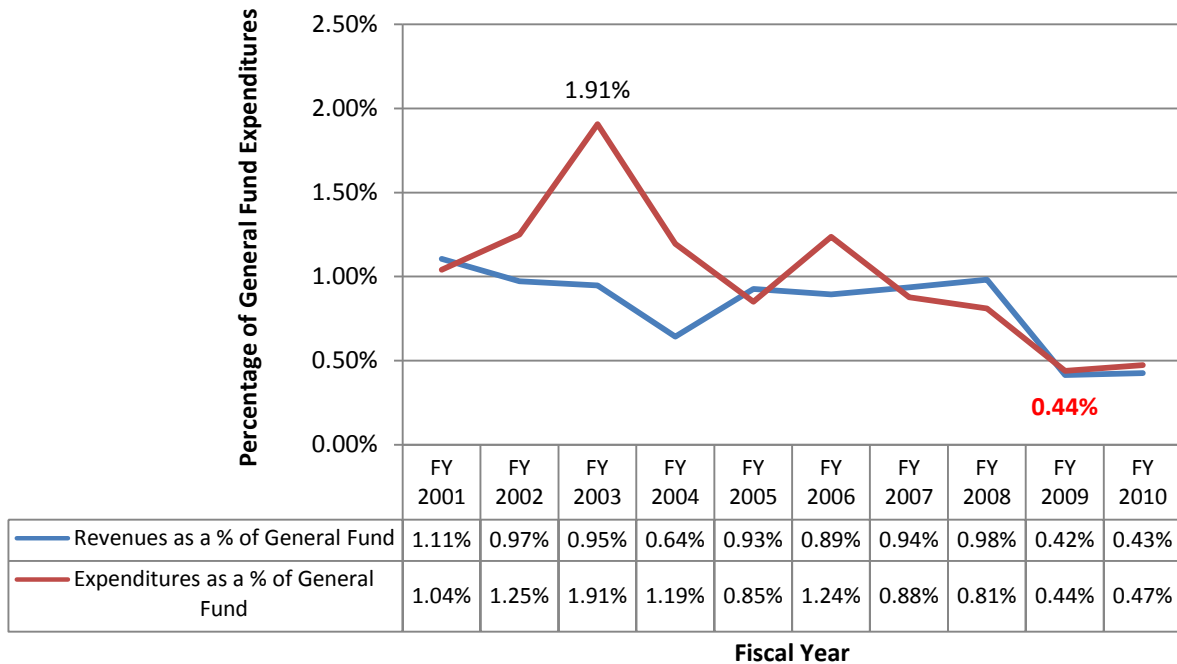


Table 6 below outlines the total planned deferred maintenance funding by the District for the next five years.

Table 6: Deferred Maintenance Five Year Plan (Submitted to State on September 8, 2009)

| Project Category | # of Projects | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total Estimated Cost |
|--------------------|---------------|-------------------|-------------------|---------------------|---------------------|---------------------|----------------------|
| Asbestos | 1 | \$ - | \$ - | \$ - | \$ 15,000 | \$ - | \$ 15,000 |
| Classroom Lighting | 1 | \$ - | \$ - | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Electrical | 12 | \$ - | \$ 222,000 | \$ 80,000 | \$ 360,000 | \$ - | \$ 662,000 |
| Floors | 14 | \$ 284,000 | \$ - | \$ 65,000 | \$ 430,000 | \$ - | \$ 779,000 |
| HVAC | 6 | \$ - | \$ 65,000 | \$ 200,000 | \$ - | \$ 30,000 | \$ 295,000 |
| Painting | 14 | \$ 82,000 | \$ 5,000 | \$ 358,000 | \$ 421,000 | \$ 671,000 | \$ 1,537,000 |
| Paving | 15 | \$ 62,000 | \$ 39,000 | \$ 133,000 | \$ 20,000 | \$ 122,000 | \$ 376,000 |
| Plumbing | 7 | \$ - | \$ - | \$ 36,000 | \$ 56,000 | \$ 32,000 | \$ 124,000 |
| Roofing | 12 | \$ - | \$ 117,000 | \$ 196,500 | \$ 269,000 | \$ 638,000 | \$ 1,220,500 |
| Wall Systems | 8 | \$ - | \$ - | \$ 115,000 | \$ 20,000 | \$ 75,000 | \$ 210,000 |
| Total | 90 | \$ 428,000 | \$ 448,000 | \$ 1,198,500 | \$ 1,591,000 | \$ 1,568,000 | \$ 5,233,500 |

SDCTA Bond Support Criteria Analysis:

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

| San Marcos Unified School District Bond Support Application and SDCTA Bond Support Criteria | | | |
|---|----------------|---------------|---|
| Criteria Item | Info Provided? | Criteria met? | Comments |
| Program Description | Yes | Yes | 1) Project list will be presented to the Board on July 12, 2010 |
| | | | 2) Project list is site specific |
| | | | 3) Could be potential for site acquisition for new classroom construction |
| | | | 4) Projects have priority classifications |
| | | | 5) No construction of new schools but there is a replacement of one school |
| Program Budget and Funding | Yes | Yes | 1) Hard (75%) and soft costs (25%) are given by site |
| | | | 2) Program totals \$ 384 million: \$ 45M in local funding; \$ 52M in State funding; \$ 287M in bond funding |
| | | | 3) State funding expected by 2013 |
| 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 is broken down by hard and soft costs |
| | | | 3) Discusses potential for site acquisition but it is not a requirement |
| Program Justification | Yes | Yes | 1) District justifies the need for the grant to modernize classrooms that are in aging facilities |
| | | | 2) District has historically experienced steady growth in enrollment and projects to do so out to 2020 |
| Facilities Master Plan | Yes | Yes | 1) Master Plan is detailed and comprehensive, categorizing needs into 13 categories |
| Facilities Needs Assessment | Yes | Yes | 1) Needs Assessment conducted, which identifies major repair and replacement needs of the District |
| | | | 2) It is not clear how much money will be set aside for contingencies and unforeseeable circumstances |
| Program Execution Plan | Yes | Yes | 1) Program is expected to be completed in 2017 |
| | | | 2) District will use in-house staff and state assistance to manage program |
| | | | 3) District plans to issue bonds in three series, FY 2011, FY 2013, and FY 2015 |
| Deferred Maintenance and Major Repair and Replacement Plan | Yes | No | 1) Unclear if District has funds available to maintain buildings once completed |
| | | | 2) The District has allocated (with State and District funds) approximately \$ 10.8M to address deferred maintenance over past 10 years |
| | | | 3) It is unclear how much of the bond will be used to address past deficiencies and lack of funding |
| | | | 4) District has seriously reduced deferred maintenance funding in FY 2009, FY 2010, and FY 2011. |



| San Marcos Unified School District Bond Support Application and SDCTA Bond Support Criteria | | | |
|---|----------------|---------------|--|
| Criteria Item | Info Provided? | Criteria met? | Comments |
| Complete Ballot and Resolution Language | Yes | Yes | |
| Provision for an "Independent Citizens' Oversight Committee" | Yes | Yes | 1) A provision exists for the creation of an ICOC 2) District has not yet adopted SDCTA ICOC best practices |
| 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) Language of joint use found within measure. 2) District has already pursued joint use efforts with several agencies |
| Opposition to Special Elections | | | |
| Follow-Up Bond Requirement | N/A | N/A | |