

## Measure DD: Bonsall Unified School District \$58.0 Million Bond Measure

SDCTA **SUPPORTS** the Bonsall Unified School District bond measure. The measure meets key provisions of the SDCTA Bond Support Criteria. The application submitted by the District outlines the need of the District for a new high school and modest improvements at existing elementary and middle schools. The descriptions of the proposed projects have been thoroughly vetted and no reason has been found that would prevent the District from executing the projects. SDCTA believes that, in addition to a position to handle the procurement, accounting, and expenditure reporting, the District may need to consider procuring a professional construction management firm to assist in the execution of the high school project.

- Bonsall Unified School District is proposing a \$58.0 million Proposition 39 General Obligation Bond measure.
- The main focus of the program is to construct a new high school for a cost of \$56.5 million. The balance of the program will provide safety and security projects at four other schools.
- The measure would increase the current tax rate by a maximum \$60 per \$100,000 of assessed valuation.
- The District has indicated its intent to use GO Flex-bonds as its financing mechanism and has adopted SDCTA's policy regarding the use of Capital Appreciation Bonds.
- The estimated cost to the taxpayers for the bonds is \$105,751,981.
- The program is based on a Facilities Needs Assessment and expected enrollment growth rates.
- There are **NO** cost estimates for the long-term maintenance needs of the District and **NO** plan to eliminate or reduce many of them with this bond.
- The District has adopted all required SDCTA best practices and policies.

*Measure DD: Bonsall Unified School District \$58.0 Million Bond Measure*

**SDCTA Position:**

**SUPPORT**

**Title:** *“Measure DD: Bonsall Unified School District \$58.0 Million Bond Measure”*

**Election:** November 2016 General

**Description:** The issuance of \$58.0 million of Proposition 39 General Obligation Bonds with an increase in property taxes by a maximum of \$60 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 GO Flex-bonds as its financing mechanism and has adopted SDCTA’s policy regarding the use of Capital Appreciation Bonds. The estimated cost to taxpayers for these bonds including interest is \$105,751,981.

**Rationale:**

The measure meets key provisions of the SDCTA Bond Support Criteria. The application submitted by the District outlines the need of the District for a new high school and modest improvements at existing elementary and middle schools. The descriptions of the proposed projects have been thoroughly vetted and no reason has been found that would prevent the District from executing the projects.

With construction of the Lilac Hills Ranch housing development facing uncertainty, the SDCTA believes that projected enrollment growth may be overestimated. If this new housing is not built, construction of the new high school may be premature. The District has stated that if enrollment does not rise as expected, it can construct the new high school in phases so as to add further facilities as more capacity is needed.

Given that the CEQA work has not been finalized it is unclear whether any environmental concerns will be raised which may affect the budget or timing for the high school project. Of particular concern may be wetlands mitigation, protected species mitigation, traffic studies, biological impacts, and archeological/cultural resources. Delays during construction, protracted schedules, or additional mitigation cost while included in the estimates may thus be understated. There appears to be no contingency allocated to these concerns at this time.

Despite these concerns, SDCTA believes that the District has sufficiently demonstrated a pressing need for funds to build a new high school. SDCTA believes that, in addition to a position to handle the procurement, accounting, and expenditure reporting, the District may need to consider procuring a professional construction management firm to assist in the execution of the complex high school project.

**Background:**

The Bonsall Unified School District consists of Bonsall Elementary School (BES), Bonsall West Elementary School (BWES), Vivian Banks Charter School (VBCS), and the Sullivan Middle School (SMS). Prior to 2012, schools in the Bonsall area were a part of the Fallbrook School District and served as a K-8 elementary school district. In 2012 a unification measure passed which required the Bonsall K-8 Union Elementary School District to become a K-12 Unified School District.

In June 2014 a growth analysis and enrollment projection was conducted which indicated that Bonsall was projected to double in size to about 5,000 students by 2020. The Bonsall High School, modeled as a New High Tech High Network similar to High Tech High in San Diego, was begun on the Sullivan Middle School campus in 2014 with 80 ninth graders, adding a grade per year. Temporary classroom buildings were added as needed to accommodate growth and a two-story building was constructed on the SMS campus. Most students, however, preferred to attend a true high school facility, with less than half of the eighth graders participating in the new high school model.

Passing a school bond will allow this small district to generate enough funds to begin the transition into a K-12 serving district. Once a new high school is constructed at a 50-acre site on Gird Road, the Sullivan Middle School will then be available to accommodate future growth. However, the District has indicated that two additional elementary schools will be needed in the future. The property for the new high school is part of the unification settlement with Fallbrook Union High School District. Currently, the Bonsall District is paying for a facilities bond for the Fallbrook District, which will terminate in 2019.

State agency approval of a new high school campus site is underway with an initial CEQA study in progress. There is no date stated for the completion of this CEQA work.

Based on the near term projected number of residential units (3,000) to be built in the Bonsall area, the District anticipates receiving over 2,000 new students. The District has implemented a short-term solution until the new high school is built. Current facilities have a maximum capacity of 350 students that will be reached by 2017.

Currently, there is a campaign to put the development of over 1,700 homes in the Lilac Hills Ranch up to vote on the November ballot. This constitutes over half of the projected housing development expected by the District and used to predict increased enrollment, thus justifying the immediate need for a new high school.

### **Proposal:**

On July 14, 2016 the Bonsall Unified School District Board of Trustees voted to place a \$58.0 million school bond measure on the November 8, 2016 ballot.

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

“To construct and equip a new high school; install emergency communication systems; reduce traffic hazard for student safety; upgrade power/electrical systems; provide health/fitness facilities for student/community use; repair leaky pipes/deteriorating roofs; and replace temporary buildings with permanent classrooms; shall Bonsall Unified School District issue \$58 million of bonds with

interest rates below legal limits, independent citizen oversight, and all funds spent locally and not taken by the state and spent elsewhere?”

The District has submitted its request for support to 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 herein. A summary of this analysis can also be found at the end of this report.

## **Review of SDCTA Bond Support Criteria:**

### *Program Description*

The District intends to construct the following projects:

- 1. New High School Facilities:** The facilities used for the current high school instructional program are on the Sullivan Middle School property, which is projected to be at maximum capacity of 350 within two years. The new campus will be built on District owned property and environmental reviews are currently underway.
- 2. Security :**
  - a. Video Surveillance and Control System:**
    - i. Bonsall Elementary School (BES) & Bonsall West Elementary School (BWES):  
Modernize current analog system. A replacement system will be digital with high quality video and high capacity storage.
    - ii. Vivian Banks Charter School (VBCS):  
Install new system. New system will be digital with high quality video and high capacity storage.
    - iii. Sullivan Middle School:  
Install new system. New system will be digital with high quality video and high capacity storage.
  - b. Mass Notification System:**
    - i. BES, BWES, VBCS & SMS:  
Modernize the Mass Notification system at four schools. The current system is a public address system which will be replaced with Voice over IP technology to provide real time information to all staff and students. The system provides visual and audible signaling on campus and connections to cell phones, computers, email systems, local police and emergency personnel.
  - c. Electronic Locksets:**
    - i. BES: Modernize the electronic locksets to allow new key cards.
    - ii. SMS: Replace existing locksets. The new system will be of a Grand Master Key hierarchy to maintain security and access to specific area of the campus by different groups.
  - d. Fencing:**  
BES, BWES, & SMS:  
Modernize the existing perimeter security fencing and gates. The existing fencing does not provide adequate security as individuals can easily access school areas. Install steel mesh screening and upgrade the locksets to prevent unauthorized campus access.
- 3. Shade Trees:**  
BES & BWES:

Plant new trees in lieu of shade structures. Currently the students have no shade structures and are exposed to many hours in the sun. Mature trees are an option that the District has chosen.

**4. Track & Field:**

BES, BWES, & SMS:

Modernize the existing field surfaces by grading, leveling, and improving drainage. The current fields have become uneven with numerous potholes. This project will eliminate a safety hazard to students and community members.

**5. Improve Traffic & Parking:**

SMS:

A new project is proposed to improve traffic and queuing to pick up students on W. Lilac Road by grading and paving additional pick up areas. Lines of cars have been backing up during pick up time and this will improve the area and eliminate a safety hazard.<sup>1</sup>

The District is proposing a bond to better serve the community needs for safety, demands for a new high school, and facilities to support improvement of learning and quality of life while the community grows quickly. The greatest share of the proposed bond will be for the high school, but safety and joint use facility improvements have been proposed.

*Budget & Funding*

Figure 1 below breaks down the project costs by site:

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<sup>1</sup> Project list taken from Bonsall Unified School District's endorsement request

**Figure 1: Bonsall Unified School District Program Budget**

Project	Budget	Bonsall	Bonsall West	Vivian Banks	Sullivan Middle School	Bonsall High School
<b>1. New High School</b>						
Hard Costs	\$44,403,984					
Soft Costs	\$12,096,016					
<b>Sub Total</b>	\$56,500,000					\$56,500,000
<b>2. Security</b>						
a. Cameras		\$55,000	\$55,000	\$20,000	\$55,000	
b. Electronic Lock & Keying		\$60,000	0	0	\$20,000	
c. Mass Notification System		\$6,250	\$6,250	\$4,000	\$3,500	
d. Fencing		\$45,000	\$15,000	0	\$15,000	
<b>Sub-Total</b>		\$166,250	\$76,250	\$24,000	\$93,500	\$360,000
<b>3. Shade Trees</b>		\$20,000	\$20,000			\$40,000
<b>4. Track &amp; Field</b>		\$125,000	\$125,000		\$500,000	\$750,000
<b>5. Traffic Improvements</b>					\$350,000	\$350,000
<b>Grand Total</b>						<b>\$58,000,000</b>

There is reference to the potential for \$15,400,000 in State Matching funds if a State Bond is approved but no reference on how this may be applied to the program. Should state funds become available, the District may be able to reduce its borrowing.

Further, there is reference to potential interest earnings of 0.5% amounting to \$174,529 with no reference on how this might be applied to the program. They have also stated that the cost of issuance is estimated as \$600,000 with no reference on how this cost may be absorbed within the amount of the bond issuance.

Cost estimates for the new high school were prepared by Erickson-Hall Construction Company with input from the architectural firm of Baker Nowicki Design Studio. Both firms have been selected to design and execute the program and were selected using an RFP/RFQ process.

Erickson-Hall is using a historical database and local sub-contractors to arrive at estimated costs for the new school. A review of the estimates suggests that they have included a 10% contingency and a 5% escalation factor as part of their costs. The new high school project has been broken down into two potential Guaranteed Maximum Price (GMP) increments, one for on/off site work and one for the building construction.

Costs for California Environmental Quality Act (CEQA) studies have been included in the estimates. While allowances have been made, it is unclear that they are adequate estimates given the fact that CEQA studies have not been completed. The costs estimates for the balance of the program were obtained using walk-throughs with local contractors and suppliers, and the District's past experience with these types of projects.

### *Program Execution*

The District has indicated that it will monitor and counsel the Board in regards to developments in the execution of the program. It will develop and implement reporting methods for each project. The District Director of Facilities will prepare methods to track and report each project's schedule statuses. They will work closely with the design architects and construction professionals to develop master schedules and milestone schedules and will report on the same to the Board each month.

The District has indicated that it will develop and implement methods to budget and track all expenditures and will review current program budget information. The District will modify budgets to reflect real expenditures and reallocate available funds as necessary, maintaining all records for the annual audits. Communication with the Board, the Citizens Oversight Committee and Community will be made by the Director of Facilities with the assistance of the contractor and design professionals.

As resources, the District anticipates the need to procure a web-based bond tracking software system and may need to hire one position to handle bond related procurement, expenditure reporting, contract management duties, and accounting.

### *Ballot Resolution and Language*

On July 14 2016, the District formally adopted the ballot language as previously indicated.

The BUSD Board of Trustees has formally adopted the SDCTA's Independent Citizens' Oversight Committee Best Practices and SDCTA's 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 the SDCTA recommended provisions regarding Fair and Open Competition for all District construction projects.

The project list that will be presented to voters does **NOT** identify the various projects by site.

### *Deferred Maintenance Funding*

The District's 2016 Facility Needs Assessment was prepared by Baker Nowicki Design Studio with input from various consultants. There were **NO** estimates provided for the future facility needs identified in the assessment other than those estimates included in the proposed program. Many of the deferred maintenance needs listed in the assessment have not been included in the bond program. The process the District used to determine which projects to include in the Bond issue were prioritized by the following:

- a. Code Compliance and Student Safety
- b. Student Capacity Requirements
- c. Educational Program Requirements

SDCTA believes the District has **NOT** included projects in its bond program to address some major maintenance needs, particularly those regarding fire and life safety. For example, we noted

that Bonsall West Elementary does not have a sprinkler system and there are numerous electrical and plumbing deficiencies at each of the existing campuses.

The District stated that its proposed deferred maintenance practice is to take a proactive stance to address all facility needs as a facility element nears the end of its useful life and before it causes more serious issues. Two of the elementary schools are over 10 years old. However, according to the District, the list of projects for deferred maintenance is relatively small at \$500,000. They state that a majority of these projects will be addressed during the summer of the 2017-18 school year.

Further, the District has fully funded its Major Repair and Replacement Program and the Board of Trustees have committed to set aside \$50,000 annually for future major projects costing over \$100,000. The District also maintains a reserve of \$200,000 for emergency repair or replacement projects.

**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. Bonsall Unified School District’s Superintendent and Director of Fiscal Services attended SDCTA’s bond course on May 13, 2016

**Fiscal Impact:**

In their projections, the District has indicated that three bond sales will be necessary. The first bond will be sold in 2017 for \$10.0 million, the second in 2019 for \$24.0 million, and the third in 2021 for \$24 million while keeping the tax rate below the legal limit of \$60 per \$100,000 of assessed valuation.

The District has indicated that it may use GO Flex-Bonds to fund the projects. Go Flex-Bonds are meant to provide a more efficient method of funding school construction and rehabilitation projects than conventional financing. They are brought to market sequentially in order to maximize the use of available tax revenues for the funding of projects rather than paying interest. If structured correctly, this financing method provides districts an ongoing source of funding for capital projects and strong taxpayer protections.

The average Assessed Valuation (AV) growth rate for property in the District for the past ten years has been 4.44% and the District is projecting a 3.5% AV growth for the life of the bond. The estimated cost to taxpayers for these bonds is \$105,751,981.

**Bonsall Unified 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 construction of a new high school, with the remainder spent on security features, shade trees, modernizations and improvements at the elementary, charter, and middle school campuses
			3) Estimated project costs for each site have been provided
			4) Project list within proposed ballot resolution is <b>NOT</b> site specific
Program Budget and Funding	Yes	Yes	1) Bond proposal is for \$58 million with 3 issuances
			2) Cost estimates broken down by campus site and project
			4) Legal limit for tax rate is \$60 per \$100,000 of assessed valuation
			5) No site acquisition required
Cost Estimation and Feasibility	Yes	No	1) Program cost estimates developed through estimates from local contractors and suppliers, with <b>NO</b> evidence provided that they had been professionally done
			2) Detailed construction cost estimates provided
			3) Cash flow summary includes estimates for contingency costs, contractor fees, and costs associated with environmental review
			4) Cost estimates broken down by hard and soft costs
Program Justification	Yes	Yes	1) The District justifies the need for the measure to complete \$58 million in needs
			2) Bond program will allow the District to provide facilities to serve projected enrollment growth (max capacity to be reached within 2 years)
			3) Bond program will allow the District to make much needed safety improvements
Facilities Master Plan & Facilities Needs Assessment	Yes	Yes	1) A Facilities Master Plan has been provided, although it lacks detail
			2) A 2016 Facilities Needs Assessment for the District has been provided
Program Execution Plan	Yes	Yes	1) Projects to be completed under each bond issuance has been provided
			2) Bond issuance schedule has been provided
			3) Schedule and timeline for construction of high school provided
			4) District plans to oversee projects without the help of a program management firm

**Bonsall Unified School District Bond Support Application and SDCTA Bond Support Criteria**

Criteria Item	Info Provided?	Criteria Met?	Comments
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 14, 2016
Bond Financing & Technology	Yes	Yes	1) District adopted provisions regarding the use of Capital Appreciation Bond as board policy on July 14, 2016
Deferred Maintenance and Major Repair & Replacement Plan	Yes	No	1) Funding plan to eliminate deferred maintenance provided
			2) Projects and their costs included in the deferred maintenance backlog listed
			3) A history of deferred maintenance funding for previous years <b>NOT</b> provided
			4) Board has committed to setting aside at least \$50,000 per year for future major projects, and maintains a reserve of \$200,000.
Complete Ballot and Resolution Language	Yes	No	1) Ballot language and resolution for \$58 million was adopted on July 14, 2016
			2) Ballot language does <b>NOT</b> outline project list by site
Provision for an "Independent Citizens' Oversight Committee"	Yes	Yes	1) District adopted SDCTA ICOC Best Practices via resolution on July 14, 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 14, 2016
Certification of Governing Board Members and Oversight Committee Members	Yes	Yes	1) The District's Superintendent 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			