

**BOARD OF EDUCATION
MEETING**
San Marino Unified School District
**1665 West Drive
San Marino, CA 91108**

Tuesday, January 16, 2018
**Board of Education
Capital Facilities Strategic Planning Study Session
4:00 p.m.**

MINUTES

1. **OPEN SESSION** 4:00 p.m.

2. **CALL TO ORDER**

Board members present were Mr. C. Joseph Chang, Mrs. Nam Jack, Mrs. Lisa Link, Mr. Chris Norgaard, and Mrs. Shelley Ryan. Student Board Member Alyssa Escamilla was excused. Administrators present were Dr. Alex Cherniss, Mrs. Julie Boucher, and Mr. Stephen Choi. Mrs. Linda de la Torre was excused.

3. **PLEDGE OF ALLEGIANCE**

4. **APPROVAL OF AGENDA**

5. **PUBLIC HEARING SECTION**

a. Communications from the audience concerning matters on the agenda

Mr. Thomas Ashway presented his concerns about the proposed bond stating that the assessed value parcel tax is not equitable under Proposition 13 and that fair market value would be more equitable. He is concerned that there is a steamrolling action by the Board to dismiss taxpayer involvement with determining and/or influencing which alternatives are necessary to be paid for by an additional tax assessment. Mr. Ashway would like the City Council to request community response to the bond proposal. He also suggested that each parcel identified with a student enrolled in SMUSD be subject to a student assessment tax and that it be applied supplemental to property taxes levied. Mr. Ashway questioned why this proposal requires a 55% approval by vote versus a two-thirds approval rate like other education parcel taxes.

Ms. Stacy Brightman presented her concern about the timing in which this notification was sent and scheduled. She also addressed concern about the new tax plan and the cap for SALT and the two parcel taxes residents are already paying. She questioned the District adding more debt before previous debt is paid off and hopes that the Board will consider other options and creative opportunities for capital campaigns.

Ms. Julie Lin acknowledged that much work and many hours have been spent on the bond proposal, however her concern is that more focus be

spent on what is going on inside the buildings such as food that is served in the cafeteria or curriculum including foreign language classes. Ms. Lin asked when the focus will be on curriculum and looking at what other districts are doing regarding curriculum versus air conditioning and facilities.

Mr. Dale Pederson expressed his concern over the timing of receiving the brochure and requested that consideration be given to moving it from the June election to the November election so as to give the community more time to think about it and consider other options.

- b. Communications from the audience regarding matters not on the agenda

No comments were presented.

6. **CAPITAL FACILITIES STRATEGIC PLANNING STUDY SESSION**

- a. Presentations

- a.1. gkkworks Presentation

Ms. Devan Mitchell and Mr. Kevin Pazmino of gkkworks presented the 2017 Program Needs Assessment. Included was a review of the District's buildings, grounds and facilities condition and the short-term and long-term needs. She gave a brief overview of projects that have been completed since the 1996-2000 bond construction program.

With regard to the current proposal, Ms. Mitchell stated that project prioritization was given among three categories in order: Safety and Security, Program Needs and Student Achievement, and Deferred Maintenance. Project lists for each school site were developed along with estimated project costs after conducting studies, info gathering, site walks, and meetings with Administrators, faculty and staff. The needs identified at each site and priority order are as follows:

Carver Elementary

Project #1 - Safety & Security - Asphalt Replacement at Play Field

Project #2 - Safety & Security - Provide New Emergency Backup Generator

Project #3 - Student Achievement - New Permanent Modular Classroom Building

Project #4 - Student Achievement - Enlarge Lunch Shelter

Project #5 - Student Achievement - New Sport Court & Shade Structure

Total Estimated Cost: \$7,671,147.00

*Does not include additional deferred maintenance projects

The Board asked about the Safety & Security assessment and if there were needs to be addressed other than those listed such as fencing and security cameras. Ms. Mitchell replied that needs prioritized for Carver were the ones identified and listed. Dr. Cherniss added that fencing was done with the 1996 bond and that updated security cameras are in place throughout the District.

The Board asked for further detail about the shade structure. Ms. Mitchell indicated that the shade canopy would provide a limited amount of shade at the tennis courts and that numerous trees would be planted in the area.

Valentine Elementary

- Project #1 - Safety & Security - Air Conditioning Upgrades
- Project #2 - Safety & Security - Reconfigure Campus Drop Off & New Shade Structure
- Project #3 - Safety & Security - New Emergency Backup Generator
- Project #4 - Student Achievement - New Permanent Classroom Building & New Multipurpose Building with Full Service Cafeteria & Kitchen
- Project #5 - Student Achievement - New Enlarged Library & Remodel Existing Library to Stem Center

Total Estimated Cost: \$31,125,416.00

*Does not include additional deferred maintenance projects

The Board asked if the air conditioning upgrades are a total replacement. Ms. Mitchell replied that there would be replacement of 17 aging classroom units. Dr. Cherniss added that the single units in classrooms are at the end of life and are disruptive and are increasingly in need of repair. The replacement would be with a new energy efficient system.

Huntington Middle School

- Project #1 - Student Achievement - Barth Athletics Complex
- Project #2 - Safety & Security - Air Conditioning Upgrades
- Project #3 - Safety & Security - New Emergency Backup Generator
- Project #4 - Safety & Security - Secure Internal Campus Access Pathway
- Project #5 - Student Achievement - New Modular Classroom Building

Total Estimated Cost: \$18,650,683.00

*Does not include additional deferred maintenance projects

San Marino High School

- Project #1 - Safety & Security - New Fitness Center & Air Conditioning in Gymnasiums
- Project #2 - Safety & Security - New Emergency Backup Generator
- Project #3 - Student Achievement - New West Wing Classroom Building
- Project #4 - Student Achievement - New Visual and Performing Arts Center
- Project #5 - Student Achievement - New Aquatics Complex
- Project #6 - Student Achievement - Tennis Court Expansion & Upper Field Restroom

Total Estimated Cost: \$108,827,218.00

*Does not include additional deferred maintenance projects

Dr. Cherniss added that the West Wing was built in 1960 and is inadequate for current program needs. In addition to a new building providing adequate space for existing and new programs, it would also serve to secure the campus. The Board asked if SMHS is an open campus due to the current condition. Dr. Cherniss responded that the District does its best to secure the campus, but indicated that there are many points of entry.

Dr. Cherniss also stated that the auditorium was built in 1953 and has no heating or air conditioning. Research comparisons have been done on the cost to remodel versus rebuilding, and the last analysis indicated that it would be more cost effective to rebuild. Ms Mitchell said that the current auditorium has less than 1200 seats and is constrained from expansion by the way it sits on the site. Replacing the structure accommodates the identified needs.

Total Estimated Cost - All Projects, All Sites \$166,274,463.00

*Does not include additional deferred maintenance projects

Assistant Superintendent, Business Services Mrs. Julie Boucher addressed the District's deferred maintenance needs which include:

- Repairing classrooms, restrooms, electrical, plumbing
- Upgrading security
- Water/energy conservation
- Heating and air conditioning replacement
- Interior and exterior painting
- Playground repairs
- Flooring replacement
- Roofing replacement

Total Estimated Deferred Maintenance Cost: \$90,000,000.00

The Board asked if the heating and air conditioning noted in deferred maintenance is in addition to those in the proposed prioritized projects. Mrs. Boucher indicated that it is not an overlap, they are classified in both areas but it ultimately depends on which projects are selected. Dr. Cherniss added that there are certain HVAC deferred projects such as the District Office and some others at SMHS that will need to be maintained over the next 10-20 years.

Total Capital Facilities Needs Cost Estimates: \$256.2 Million in 2017 Dollars

The Board asked if all costs presented accounted for construction cost increases and if there is a timeframe that the projects could be completed to avoid increasing costs. Dr. Cherniss indicated that there are more needs than funds available. The Board and staff will need to determine priorities based on funds available. Priorities that are considered essential upgrades such as backup generators and HVAC will be done right away. Other things, such as structures, will be staged. Ms. Mitchell added that construction estimates have a construction contingency and they are based on 2017 figures with a percentage for a level of escalation.

The Board asked what the timeline is from beginning to end. Ms. Mitchell responded that smaller projects can be completed in shorter periods, but larger projects such as the West Wing or VAPA would be approximately 3 - 3.5 years from start to completion. Dr. Cherniss added that for the overall, to get all of the projects completed, it would take 12-15 years.

The Board asked what alternate setting is planned during the proposed teardown of the West Wing and if those costs are included in the figures. Ms. Mitchell replied that a modular structure for temporary classrooms would be immediately adjacent to the site and that costs are included.

The Board clarified that depending on timing and staging that deferred maintenance expenditures could be altered based on construction.

a.2. Keygent Presentation - Illustrative Capital Facilities Financing Information

Mr. Chet Wang presented illustrative capital facilities financing information and an illustrative outline of the the June 5, 2018 general obligation bond. He addressed

bond program considerations noting that general obligation bond programs are generally structured based on funding needs and financing constraints. Funding needs include District projects and their scope, cost and timing. Financing constraints include District assessed value (AV), interest rates, tax rates, and legal parameters. He stated that the District has strong historical AV growth, and in a 30 year history San Marino has never had an AV decline. For the \$148M proposed bond if assessed at 4.5%, there would be a \$60 tax per \$100K that would last for approximately 28 years. The aggregate of old bonds with new would be \$130 per \$100K and in 2026 it would drop back to \$60 per \$100K.

Dr. Cherniss asked Mr. Wang to explain the \$60 per \$100K assessed value. Mr. Wang said that the assessed value is not market value. The median assessed value in San Marino is \$1.003M and the median sale price is closer to \$1.7M. The bond tax is based on the assessed value. He said that there are 63 homes identified in San Marino with an AV under \$100K. Those residents will pay \$60 for the bond. He indicated that it really depends on when homes were bought and how much they were purchased for.

The Board asked if these figures would be affected when the District can become a Basic Aid District. Mr. Wang said that if AV is growing rapidly, they could change. For example a 5-6% growth could result in taxpayers paying less \$60 per \$100K or paying for a shorter duration, or a combination of both.

The Board asked if the rate that would be paid is impacted by the success of the District. Mr. Wang responded that the District has strong Standard & Poor's credit rating of AA+, and will get a much better rate in borrowing due to that rating.

The Board asked if there will be a seven year overlap. Mr. Wang confirmed that the old bond will go away in 2025. The Board asked for clarification on the change in rates during the final year, 2046. Mr. Wang stated that the 2026-2045 rates are level, in 2046 it may fluctuate dependent on interest rates over time. The Board asked what the max assessment would be during the seven year overlap, Mr. Wang said it would be a little over \$130 per \$100K if AV is at 4.5% instead of the 6.6% last year. If AV is at 6.6%, the assessment would be below \$125 per \$100K.

The Board asked if any information has changed since Mr. Wang's last presentation in November 2017. He replied that the only potential change is due to the Tax Cut in Jobs Act. That tax bill has a lot of various impacts, but it is still too soon to see what they will exactly be.

The Board asked Mr. Wang to address how Arcadia was able to refinance bonds. He stated that their bonds were Capital Appreciation Bonds which are higher interest than the Current Interest Bond that is proposed by SMUSD. They were able to refinance their higher interest bonds to a lower rate.

The Board asked when interest rates are locked after a bond is approved. Mr. Wang stated that from start to finish it would generally be 2-3 months. With each bond issuance the interest rate is locked at the market rate at that time. The Board asked what the rate would be if a bond was issued now. Mr. Wang responded that if a 25-30 year bond were issued today it would be at approximately 3.25%.

The Board asked what other options are for a school district to borrow money besides going out for a bond. Mr. Wang replied that in lieu of a bond, lease

financing is an option. The general fund serves as the repayment source on lease financing and there are limits on how much can be accessed. The County Office of Education and the Auditor-Controller's Office has jurisdiction over how much debt can be incurred and they run an analysis of lease payback probability. The Board asked if these are frowned upon. Mr. Wang said it depends on ability to repay and that it can be used as a short term bridge rather than keeping it on the books for 25-30 years.

a.3. TBWBH Presentation - Capital Facilities Election and Campaign Considerations

Ms. Joy Tatarka presented a timeline for the pursuit of a June 2018 bond which includes three phases: Building Consensus, Building a Strong Measure, and Advocacy Campaign. She stated that the District is currently in the Building Consensus phase which includes gathering information, considering options, financing needs, and looking at what is going on in the community. In order to qualify for the June ballot, the Board will need to call for an election by March 9, 2018. If the Board calls for an election, an independent advocacy campaign will then be formed to do a private fund raising effort and talk to the community about voting yes on the measure. The election will take place on June 5, 2018.

There were no questions from the Board presented.

a.4. Norton Rose Fulbright - 2018 General Obligation Bond Election Legal Considerations

Ms. Ann La Morena Rohlin and Mr. Don Hunt of Norton Rose Fulbright gave a presentation regarding the legal considerations of a 2018 General Obligation Bond Election. She addressed the new legal requirements of AB 2116, AB 1194 and AB 195. She also addressed what the school bond campaign can and can't do to educate voters, and the structure of the Citizens' Oversight Committee. The Oversight Committee must consist of a minimum of seven members and include one from each category representing: Senior Citizen Organization, Taxpayer Association, Local Business Representative, Parent or Guardian who is on PTA or School Site Council, and Parent/Guardian.

The Board commented that previous Oversight Committees been very complete, with more than seven members.

b. Staff Recommendations

Dr. Cherniss thanked all of the organizations for their presentations and the principals for meeting with architects to assist in identifying needs. He presented reasons why he is recommending that the Board move forward with a capital facilities campaign which include:

- There are \$20M in current essential needs that in absence of a bond will have to be paid for from general funds.
- Property values are driven by the quality of schools. SMUSD is the premier district in California, and that supports property values in San Marino.
- Competition. Many districts nearby and around the state want to be the highest achieving district in California and are passing bonds for upgrades to their facilities. SMUSD facilities do not compare and many upgrades are needed.
- The California school bond matching funds opportunity. The District is currently in line to capture up to \$2M for the Barth Athletics Complex.

7. **ADJOURNMENT**

The meeting was adjourned at 5:30 p.m.

Unadopted
Alex Cherniss
Superintendent
Secretary to the
Board