



NEEDS VERSUS WANTS IN THE BONSALL UNIFIED SCHOOL DISTRICT

The CATE Report

Submitted by "Citizens for Accountability in Taxation and Education"

Submitted Dec 8, 2016

We respectfully ask this Board Of Trustees to consider the information in this report before approving a construction contract or environmental study for the Gird Road site.

FORWARD

CATE was formed by concerned BUSD residents seeking solutions for financing and for evaluating future school sites. CATE has researched the history and past decisions of the District and will respectfully put forth suggestions that we believe are in the best interest of the BUSD community. Members of CATE are listed at the end of this report.

ABSTRACT

This report demonstrates valid and considered reasons to postpone a decision on moving forward with the Gird Road building site.

1. **Gird Road Site Issues:** While appealing at first glance, the Gird Road site has a number of unsolved issues. As this report demonstrates, some, like EPA studies and vehicular traffic are both potentially serious and expensive to solve. Mitigating these and other issues could prove challenging and result in long delays. (For example, the nearby Knottwood Bridge project has been delayed for 12 years due only to EPA concerns.) Traffic and emergency egress routes have not been resolved and would require expensive Eminent Domain purchases of both the nearby golf course and the widening of Gird

Road. Other issues also remain, such as outdoor lighting restrictions, walking routes to school and lack of community acceptance. **To consider only this property could be an expensive mistake** for both the BUSD and District taxpayers, whom this board serves.

2. **There are other building sites to be considered:**

- **The existing Sullivan Middle School campus** is a temporary solution until future financing is better assured and less expensive building sites can be evaluated. There is no immediate rush.
- **A 90 acre Ocean Breeze Ranch parcel** that could have interesting and highly beneficial financing benefits to the District. (See map attachments “A” and “B”.) **This option should be seriously explored before committing to the Gird Road site** as it could conceptually mean a savings of millions of dollars for the District (See page 7).n
- **A parcel of land that is next to the new Palomar satellite campus** just east of I-15 and north of SR76. This property promotes an interesting potential for shared facilities with the college, easy access to college classes as well as economy of scale. It was discussed as Parcel #5 in the Oetken Report. Preparation and environmental studies for these sites would most likely be more cost effective and require less time.

3. **Finances: this report shows why the District should NOT rely on future income streams based on bonds and/or developer fees to support COP payments with no adequate back-up source of income.** Both are highly problematic. Developers’ fee estimates are based on growth, which is based on economic climates. As we have seen, these are not predictable and can rapidly change. The passage of new bond(s) with an already highly taxed property owner base is unlikely. **To budget a large payment with this expectation of income is, in our view, not prudent.** The California Taxpayers Association agrees, saying that school districts should not rely on “unpredictable” revenue sources.

4. With the defeat of measure B (Lilac Hills) **student growth projections are no longer valid** and no new studies have yet been made. Again, we recommend caution in starting down a one -way road that has potholes, blind curves and no way to back up.

5. **Matching funds:** Matching state funds are available as a percentage of builders' fees, COP's and bonds, and remain an attractive source of income. However, the California State Treasury Guidelines for COP use state, "***Schools should avoid relying on developer fees as the primary repayment source for obligations. They exhibit a volatility which is not compatible with debt service requirements.***"

6. **This report demonstrates that there is no urgency** in making a final building site decision, as funding sources have changed (no DD bond) and new, less expensive land opportunities are becoming available. **In the end, the final choice and responsibility for a sound financial future does NOT rest with Superintendent Cunningham alone, but with this Board Of Trustees.**

PART ONE: HISTORY AND PERSPECTIVE

In July 2011, the State Board of Education voted to allow BUSD's *petition* to create one unified district serving grades K-12 to proceed. In July 2012, the State Board of Education adopted a resolution approving the petition to form the new BUSD.

The future projection of the District's needs was summarized in an Oct. 18, 2012 *Village News* story: "***BUSD studied its existing facilities and determined that Sullivan Middle School can adequately house the small high school that is envisioned. The school would house approximately 500 to 600 students. BUSD plans are based on the demographics and character of the Bonsall community and on projected growth.***"

The promise: on November 6, 2012 the Bonsall Unified School District put forth Proposition BB that would legally create the BUSD, as well as help fund it. To promote the measure, BUSD Superintendent Justin Cunningham stated that if BB passed, there was room for a high school on the current Sullivan campus, **and no increase in taxes would be needed for additional buildings or a new campus.**

The BB measure was approved with a small margin of 52.8% amid little, if any, organized opposition. It can be presumed that Superintendent Cunningham's promise of no new taxes was one important reason the measure was approved. As an example, a letter to the San Diego Union Tribune dated Nov. 1, 2012 by Scott Meisterlin in support of BB says, in part, "*I am writing in support of Proposition BB, which will create a new public high school in Bonsall at no taxpayer cost.*" Superintendent Cunningham's further statement that no new buildings would be necessary was built on the "no new taxes or bonds" promise.

The BUSD became a reality in February 2013, out of a desire for different needs and wants. The new district wanted to be autonomous, control its own educational direction, and make its own decisions. It perceived Fallbrook Union High School District (FUHSD) as a “traditional” learning environment and thought it could and would do better by introducing an Academy style school with emphasis on quality education using “project based” teaching and with less emphasis on traditional high school sports, shop and art classes. This was to be a problematic decision because subsequent studies showed that a high percentage of students prefer a traditional high school experience.

Was the FUHSD happy about this district restructuring? They were not. Money and prestige were at stake. The Fallbrook District wrote a letter to all parents urging them to vote against BB. Past FUHSD Superintendent Dale Mitchell remarked in a (undated) memo that, *“I, and others do consider it problematic that a district (BUSD) that wants to unify also expects neighboring schools and school districts to provide programs and services to its students because it does not have the resources to provide a comprehensive educational program to all of its students.”* Apparently, a line was being drawn.

However, Proposition BB did pass, and on April 28, 2014, the FUHSD Board of Trustees approved a resolution regarding financial terms and a division of assets, including the transfer of the FUHSD Gird Road property, to the BUSD.

In May 2014, a reporter from the *Village News* asked the BUSD superintendent, Dr. Justin Cunningham, if the Gird Road property would become the site of Bonsall’s new high school. Superintendent Cunningham stated that the Bonsall High School location would be determined with the future Palomar College satellite campus in mind. He added that the Bonsall district was considering various options regarding the Gird Road property. Superintendent Cunningham further stated that the BUSD “could talk to developers about options, **including trading the property for another that would better fit our needs**”, and he indicated that some developers had shown interest in the Gird property. Obviously, Cunningham’s pledge of no need for a new campus or additional classrooms was untrue. The Gird Road property was quitclaimed to the BUSD on July 29, 2014 with an appraised value of around 2.1million (in 2011).

Why did Fallbrook basically give away the Gird Road 50 acre site that it acquired in 1967? One part of the answer is that Fallbrook had no use for the site. Bonsall district students were being separated from Fallbrook; the student base was decreasing; the cost of building a new Fallbrook campus was very high; there were concerns about cross town sports rivalry; and the Fallbrook District was continuing to pay property upkeep and taxes. In December 2011, the FUHSD board declared the Gird Road property surplus. The high school district likely would have sold the Gird Road property had the unification measure failed, but under the California Education Code, school district reorganization automatically transfers real property to the location’s new district

PART TWO: THE GIRD ROAD PROPERTY

As previously stated, during an interview with Superintendent Cunningham dated May 15, 2014, when asked about using the Gird Road property for a new high school, he stated that there were many considerations to be made before selecting a high school site. Superintendent Cunningham went on to state that the new high school would be built with proximity to the future Palomar College satellite campus. Superintendent Cunningham also stated that an option for the Gird Road property would be talking to developers about trading the Gird Road property for something that would better fit the needs of the district.

THE OETKEN REPORT

In fact, the district hired Wayne Oetken and Associates to review 12 possible sites for a new high school, including Gird Road. **This study, completed in March of 2016, indicated various reasons for *rejecting* possible sites, including the Gird Road site.** Individual sites were excluded for one or more of the following reasons:

- The site(s) were not close to other Education Programs.
- Overall aesthetics are very rural with site drainage issues.
- Many students would have a significant distance to drive on congested SR 76.
- Students would have to contend with heavy residential traffic on Gird Road.
- Availability of walking conditions is not present.
- The site does not support beneficial aesthetics, which would be lacking, as it is located in a residential area. Beneficial Aesthetics and land use is considered to be involved with the natural landscape such as trees and native animals, as explained in a law primer.
- The site would require major grading.
- Some proposed sites lie along narrow two-lane roads with limited shoulders, presenting major traffic congestion and unsafe walking conditions.

While each site in the Oetken Report has one or more negative factors, Gird Road has seven of eight of these negative conditions.

INITIAL STUDY BY SCHOOL SITE SOLUTIONS, INC

At the request of BUSD, on October 28, 2016, the *Initial Study* of the **Gird Road property** was compiled by School Site Solutions, Inc. In this report the following impacts for Gird Road would have to be mitigated:

- A new source of substantial light from the new school – Gird Valley is in Zone “A” for light restriction.

- Habitat modification for sensitive or special status species.
- The riparian habitat and sensitive natural community (bordering Sycamore Ranch development had to be adjusted to accommodate the Arroyo Toad.)
- Wetland modification by filling, hydrological interruption, or direct removal.
- The increase in ambient noise levels that are above the existing levels. Further, the ambient atmospheric conditions often carry noise from Gird Road, SR76 and occasionally from I -15 through local neighborhoods.

While these are some areas of mitigation, we believe that the “Initial Study” is incomplete. The Knottwood Bridge traffic issue was not included nor was the increased traffic flow through Sycamore Ranch. This study focused only on major intersections. Other major studies have yet to be conducted, and not all agencies have been contacted. In addition, the biological studies scheduled to be conducted from February 2017 to September 2017 have not started, and the Environmental Protection Agency and California Fish and Game reports have yet to be done.

Additionally, we disagree with many of the findings in the “Initial Study”, specifically items that are labeled “NO IMPACT”, when obviously they would have a *high degree* of impact. We strongly believe that the following items labeled “NO IMPACT” will have a *high negative environmental effect* on the surrounding area:

- Environmental Impacts
- TRAFFIC: (1) Increased traffic in surrounding residential areas caused by increased traffic on Gird Road; (2) The effect of traffic on the Via Monserate and SR76 intersection coming eastbound from the new Knottwood bridge, bringing traffic into Sycamore Ranch to access the school. (NOT ADRESSED IN STUDY but will have substantial impact on Sycamore Ranch.)
- NOISE: Substantial permanent increases in ambient noise in neighboring residential developments. Study mentions noise for mitigations but indicates there is NO IMPACT.
- AESTHETICS: (1) Substantial adverse effect on scenic vistas (report indicates there are no scenic vistas near the project site). Study says NO IMPACT. (2) Substantially degrade the existing visual character or quality of the Site and its surroundings. Study says NO IMPACT.

GIRD ROAD SITE ANALYZED BY USING THE “INITIAL SCHOOL SITE EVALUATION FORM”

To further expand on the evaluation of the Gird Road property, CATE analyzed the Gird site using the “Initial School Site Evaluation form” (by the California Department of Education) to determine if there are additional issues with the Gird Road property. The following issues were noted:

- Traffic – The traffic study done by Kunzman and Associates did not consider the extension of Knottwood to Via Monserate. Nor did they consider the increased traffic through a residential area. The Kunzman study did not mention Knottwood, but did mention that Via Monserate (Road) was designated as a Level of Service “F”, which means maximum traffic. The study did not properly identify the traffic backups on Gird Road, especially with northbound buses and cars turning into the school property. It also did not take into consideration the increased traffic that will occur when SR76 construction is completed. It is obvious to local residents that even with construction half completed, the traffic levels have risen significantly in the past six months.
- Likelihood of liquefaction – mentioned in the School Site Solutions report.
- Inadequate soil stability.
- Pesticide drift – The avocado groves on the hill across from the Gird Road property are routinely sprayed with pesticides. This drifts into the Sycamore Ranch neighborhood and would most certainly impact the Gird Road property.
- Wildland fire interface –the wildland fire that went through this area in 2007 forced the evacuation of all of Sycamore Ranch, Fallbrook Oaks, and other nearby areas. Because of this danger, residents pay an additional fee to CalFire for fire protection. An additional 1500 students would more than triple the nearby residential population that would have to evacuate. (Assuming during normal school hours.)
- Unsafe walking routes to school – there are school-aged students who live across from the Gird Road property as well as within Sycamore Ranch.
- Distant from other Community Facilities.
- Likely Eminent Domain or relocation for: (1) Golf course access for fire safety and (2) widening of Gird Road for sidewalks, turn lanes into the property, etc.
- Unlike other proposed sites, lack of local community acceptance for the Gird Road property is a large negative factor, as evidenced by the strong opposition to measure DD.
- Site lacks revenue-generating capabilities.

ALTERNATIVE BUILDING SITES

Not only does the Oetken summary indicate reasons *for exclusion of sites*, but also indicates possible sites that could be acceptable because of changed financial and student projections. These sites should be revisited, along with evaluating the 90-acre *Ocean Breeze Ranch property parcel*.

It has come to our attention that a 90-acre **Ocean Breeze Ranch parcel** might be available. This 90-acre parcel borders and surrounds the Sullivan campus on the north, east and west sides. (See attachments “A” and “B”.) **There could be a large number of advantages to this property when compared to the Gird Road site.** *(This report does not speak for or in any way represent the owner or manager of this property.)*

Advantages of Ocean Breeze Ranch Parcel

1. **Fewer environmental studies needed** as the land has been used for agriculture for decades, and less chance of environmental factors slowing or stopping construction as compared to Gird Road.
2. **Commuting economies** for families with students in both high school and middle school.
3. Proximity to Sullivan Middle School would provide **economies of scale** for admin offices, sports fields, student services, etc.
4. **Much larger property**—90 acres. Excess acreage could be sold or leased by BUSD or used as a basis for a COP.
5. **Same distance and time to the new Palomar campus** as the Gird Road site. Less time during rush hour.
6. Excess property might also be **used in project based learning tasks** such as agriculture, farming, land management, equipment maintenance, etc. It could also be leased or sold for additional revenue.
7. **Large financial benefit to BUSD** as Gird property could be sold or leased and the associated COP debt paid off. *Assumed* value of Gird property is 7 to 9 million. The assessed value of the Ocean Breeze parcel is unknown, but we estimate about two million, many millions less than Gird.
8. **Very fast transfer of land title.** We are told three to four months.
9. **This could conceptually result in an additional 5 to 7 million dollars cash for the District.**

Other possible sites to consider:

A. The Sullivan Middle School location. It has room for more classrooms as indicated during the November 19, 2016 BUSD workshop. When asked if more portables could be placed on the campus, it was indicated that there would be room. This would be a temporary solution as a permanent high school site is located, and an accumulation of money from developer fees is collected.

B. A parcel of land that is next to the new Palomar satellite campus just east of I-15 and north of SR76. This property promotes an interesting potential for

shared facilities with the college, as well as economy of scale. It is listed as Parcel 5 in the Executive summary of the Oetken Report.

C. A reevaluation of other sites listed in the Oetkin Report should be made before a final decision is rendered. There is no data that this has ever been done, especially given the new reality of fewer students than planned, and the loss of measure DD bond funds.

In our view, it seems apparent that the District's sole focus has been on the Gird Road property to the exclusion of other competing sites. The studies conducted to date, rather than being objective and based on complete and accurate data, have the appearance of being written to support the desire of the District to build its new high school on the Gird site. It does not appear that any in depth investigation of alternatives has been explored. We believe that an updated Oetken report should be used as a new starting point to make an informed decision about a site that would, in Superintendent Cunningham's words, "better fit our needs."

The School Site Solutions report was just an initial study. There are many unresolved issues, mitigating factors, and incomplete data that make this merely an overview, not a definitive course of action.

Urgency does not seem prudent.

We recognize that there was a concern about rapid growth into the district from the Lilac Hills development and the Meadowood area. However, the defeat of measure B has drastically reduced the projected BUSD student population and the Meadowood development has yet to break ground (as of November 28, 2016).

In fact, according to the San Diego County Office of Education, obtaining school site certification can take as little as under a year or up to one and a half years, depending on solving any problems with the proposed site. Some of the other school sites that were considered seem to better fit a more rapid acceptance by the State of California.

Given the defeat of Measures B and DD, most data used to project future funding and student growth is now invalid, and new realistic projections have not been thoroughly researched. With so many unknown outcomes, incomplete reports and questionable financial factors, this is a different ball game and, in our opinion, the BUSD is back to square one in determining what will "*fit the needs of the district.*"

PART THREE: DISTRICT FUNDING OPTIONS AND CONSEQUENCES

The district should have a realistic and conservative approach to the financing of its high school facilities. On November 8, 2016 a \$58,000,000 school bond measure was voted down. Also, a measure to approve construction of the large

residential development of Lilac Hills Ranch was not approved. The district's financial plan for building a new high school on the Gird Road property was based on the expectation that both measures would pass. The *Facilities Needs Assessment* that was used to justify the immediate need for a new high school was based on the same expectations. **There was no contingency plan for financing a new high school in the event that voters did not approve these measures. As a result:**

- There are currently no funds available to build a new high school.
- BUSD will NOT receive approximately 9 million dollars in developer fees from 894 Lilac Hills Ranch homes by 2020. (Total development would have been 1746 homes.)
- The Lilac Hills Ranch development constituted over half of the long term housing development expected by the district and was used to predict increased enrollment. Therefore, the projected enrollment growth is now severely overestimated and the amount the district would receive from developer fees is also overestimated.
- A new K-8 school will not be built in the Lilac Hills development.
- Additional ADA (Average Daily Attendance) money from the expected increased enrollment will not be available from the State.

The district is now in the process of determining how they can fund the acquisition of additional classrooms that they assume will be needed in the next few years. They believe this will be necessary due to the creation of a 12th grade class and estimated student population growth.

The School Board is considering the use of an asset transfer lease/lease back COP (Certificate of Participation) to fund the additional classrooms. The district would use money from the general fund to make the required payments of principal and interest. **However, 84% of the general fund is already budgeted to pay teacher and classified staff salaries and benefits.** Somehow, the money would have to be paid back to the general fund. To accomplish this, Superintendent Cunningham is proposing that developer fees and a new bond could be used for financing the additional amounts needed. CATE feels that **these funding options would put the district's financial stability at risk because:**

- This thought process is similar to that used with the failed bond and Lilac Hills measures in that the district is assuming they will receive substantial developer fees along with the passage of a future bond.
- There are NO costs estimated for the long-term maintenance needs of the district. A Maintenance Reserve Study would establish the annual cost to fund the necessary reserves.
- Developer fees are not consistent reliable revenue.
- Developer fees are only paid when building permits are issued.
- The California State Treasury Guidelines for COP use state, "*Schools should avoid relying on developer fees as the primary repayment source for obligations. They exhibit a volatility which is not compatible with debt service requirements.*"

- The Schools Facilities Needs Analysis states the average house size is 2069 square feet, NOT the 3000 square feet used in the district's calculations.
- Therefore, counting on developer fees to be used for cash matching funds from the State is not a reliable method for funding high school construction. The cash matching would be sporadic and might not even be available. With the loss of the Lilac Hills Ranch development and the uncertainty as to if, when, or how fast housing projects would be built, it would be risky to rely on cash matching funds.
- The district has a low ADA number, which has a negative impact on revenue from the State.
- According to the SDCTA, most students prefer to attend a traditional high school facility. Only a portion of the BUSD eighth graders are participating in the new high school model. This reduces the district's revenue from ADA.
- The cost of funding capital improvements with a COP is significantly higher than the cost of using a bond.
- The probability of passing another school bond in two years is low.
- The district is already paying on at least one other COP. It used the Gird Road property as the transferred asset and it is now encumbered.
- Selecting a different high school site could reduce the 10 million dollar costs of site preparation and infrastructure that Gird will require.
- The cost of using another COP is not in the current budget.
- The district wants to spend 56.5 million dollars to build a new high school when it could build one for much less.

Assembly Bill 2116 now prevents school districts from over-estimating future evaluations of parcel assessments to justify excessive bond borrowing. While this does not currently apply to Bonsall, it is a general warning for school districts to avoid overreaching when projecting future income sources.

The Citizens for Accountability in Taxation and Education believe the Bonsall Unified School District must be conservative in determining the amount of funding needed for additional classrooms, and borrow only what is absolutely necessary. The District should then develop a plan for building a new high school that is based on realistic, conservative expectations at a reasonable cost. Any new schools built by BUSD should be both functional and affordable, based on reasonable growth projections.

CONCLUSION

In summation, the District is not yet ready to make a decision about a new high school location as demonstrated by:

- (1) The lack of needed background studies for Gird Road property.
- (2) The need for objective site selection research for new alternative properties.
- (3) District financial assumptions that are no longer valid.
- (4) Current District financial inability to construct an expensive new school.
- (5) Lack of reliable projections of student population growth.

This report also demonstrates that the Gird Road site, while owned by the District, has a high number of negative factors that have yet to be considered, traffic being the primary factor. Superintendent Cunningham, during an interview by the *Village News* on May 15, 2014, suggested that a site other than the Gird Road site might better fit the needs of the district.

Superintendent Cunningham wrote a letter dated July 13, 2016 to Supervisor Greg Cox, imploring him to approve the Lilac Hills Ranch development because it would increase the Bonsall Unified School District's asset value by 28%, allowing the bond measure to increase from \$58 million to \$75 million. In other words, BUSD was concerned about increasing its taxing power and did not care about the negative financial impact that the building of a new high school on Gird Road would have on the residents of the district. This, along with a lack of transparency and misleading statements, has created an atmosphere of mistrust and animosity within the community.

A less expensive property than the Gird Road site would create more funds for a better and more affordable high school campus. It would also engender better community support when a new Bond measure is put forth, as taxpayers would see that the District is dealing more with “needs” and less with “wants” which translates into unnecessarily expensive schools and school sites.

It is our hope that CATE can work with the District to reverse a negative community atmosphere and help the District find a more suitable future site for a new high school *when it is needed*. At the end of the day, this is the best approach for all stakeholders, **the most important being the BUSD students**, both present and future.

Respectfully submitted,

Citizens for Accountability in Taxation and Education

For further information or questions about this report, please call Jan or Kerry Patterson at 760-728-2724, or Peter Kunasz at 760-470-1488.

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