

TaxpayersAdvocate.org

An Analysis of

***Mt. San Antonio Community College District Measure R (2001) &
Proposed Measure RR - November 2008 Facilities Bond***

October 22, 2008

By

TaxpayersAdvocate.org

7770 Regents Road, Suite 113-286 • San Diego CA 92122-1967 • 619-857-1857 • Fax 619-615-2025
2443 Fair Oaks Blvd, # 536 Sacramento, CA 95825

www.taxpayersadvocate.org

Table of Contents

Page 2	Table of Contents
Page 3	Key Findings
Page 4	Forward
Page 5	Background Restriction of Proposition 39 Detailed Analysis
Page 6	Measure R (2001) Projects
Page 9	Measure R (2001) Hard vs. Soft Costs
Page 10	State Proposition 39 Legal Requirements
Page 11	Measure RR November 2008 Facilities Bond \$353 Million
Page 12	Proposed Measure RR Project List and 2008 Master Plan Projects
Page 13	Annual Facilities Maintenance Funding
Page 14	Conclusion
Page 15	Background on TaxpayersAdvocate.org Report Author Source Documents

Key Findings

Analysis of Mt. San Antonio Community College District Measure R (2001) and Proposed Measure RR – November 2008 Facilities Bond

Measure R Projects (2001 Bond) \$221 Million

- + Completed projects in a timely, cost-effective, and efficient manner.
- + Maximized bond funds for (hard) construction and equipment purposes:
 - 78.5% to 88.3% went to hard costs
- + Met all State (Prop. 39) legal requirements for:
 - citizens oversight committee
 - maintaining legal tax rate
 - conducting independent audits
 - no funds for general administration or salaries

Measure RR November 2008 Facilities Bond \$353 Million

- + All projects are high priority.
- + Realistic project cost estimates.
- + Committed to meeting all State (Proposition 39) legal requirements for:
 - citizens oversight committee
 - maintaining legal tax rate (no increase)
 - conducting independent audits
 - no funds for general administration or salaries

Annual Facilities Maintenance Funding

- + Given budget constraints, spent prudently on annual maintenance.
 - \$5.8 million in FY 2004, growing to \$9.7 million in FY 2008

Forward

Enclosed within is an analysis by *TaxpayersAdvocate.org* of Mt. San Antonio Community College District's (Mt. SAC) key infrastructure activities since 2002; a proposed \$353 million facilities bond measure (RR) on the November 4, 2008, ballot; and the District's facilities maintenance activities.

The key questions investigated for 2001 Measure R:

- + Were projects completed in a timely, cost-effective, and efficient manner?
- + Were bond funds maximized for (hard) construction and equipment purposes?
- + Were State (Prop. 39) School Bond legal requirements met?

The key questions investigated for 2008 proposed Measure RR:

- + Are proposed projects high priority?
- + Are project cost estimates realistic?
- + Is Mt. SAC committed to meeting all State (Proposition 39) legal requirements?

The key question investigated regarding Mt. SAC's commitment to annual Facilities Maintenance funding is:

- + Has Mt. SAC spent annual maintenance funds adequately and prudently?

Background

In November 2001, Mt SAC voters approved a \$221 million general obligation bond. By this past summer, Mt. SAC will have issued and encumbered all of the money authorized by voters.

However, Mt. SAC's 2008 Master Plan details about \$500 million of unfunded projects on its campus. The Mt. SAC Board of Trustees has reduced the \$500 million down to its highest priority and "core needs" resulting in Measure RR, a \$353 million bond on the November 4, 2008, Ballot. An additional \$132.5 million in State matching funds is anticipated in order to complete the \$500 million master plan should Measure RR pass.

Restriction of Proposition 39

Measure RR was prepared under the restrictions of Proposition 39 (approved by voters in 2001). Proposition 39 allows voters to approve the proposed bond with a 55% majority, as opposed to the customary two-thirds majority, only if certain criteria are adhered to by the District.

- A Proposition 39 election must **not** be called as a "special" election
- Two-thirds affirmative vote of the Board of Trustees is required to place it on the ballot
- A citizens oversight committee must be formed
- Independent outside audits must be conducted
- The tax rate cannot be greater than \$25 per \$100,000 of assessed valuation
- No bond funds for general administration or salaries

Detailed Analysis

Measure R Projects (2001 Bond) \$221 Million - Mostly Completed

Measure R contemplated spending \$221 million on 17 key areas/projects. A detailed review demonstrated that Mt. SAC accomplished most of its goals in a timely, cost-effective, and efficient manner. Certain projects were canceled and/or modified to adjust to changing circumstances or were prudently combined with other construction projects.

Measure R (2001) Projects

1. Science Laboratory Building
 - **Completed - Scope Reduced**
2. Workforce Training and Conference Center
 - **Cancelled**
3. Campus-wide Energy Conservation Program
 - **Completed Phase 1**
4. Off-Campus Learning Centers
 - **Canceled - due to prohibitive site acquisition costs***
5. Agricultural Science
 - **Completed (with additional State funds)**
6. Child Development Center
 - **On hold - design work complete; funds pending Measure RR approval**
7. Campus Classroom Improvements
 - **Under Construction - expanded to include Project 1 lab space**
8. Business/Computer Lab Remodel
 - **Combined with Project 9 below**
9. Business & Computer Technology Center
 - **\$20 million State matching funds approved - pending Measure RR approval**
10. Construct new Design & On-Line Technology Center
 - **State Architect Approval - \$14 million State funds added**

Measure R (2001) Projects (continued)

11. Physical Education/Wellness Facility

- **Phase 1 Completed/Phase 2 design funded**

12. Campus Center

- **On hold pending State and Measure RR Funding**

13. Student Support Services Renovation**

- **Construction Complete - almost three times initial budget estimate**

14. Welding & Air-Conditioning Programs Facility**

- **Construction Complete - over three times initial budget estimate**

15. English-as-a-Second-Language Building

- **Complete - Infrastructure work added**

16. Health Careers Center Building

- **Complete—Infrastructure work added**

17. Miscellaneous Campus-wide renovations, ADA compliance, etc.

- a. **Scheduled Maintenance Match - Complete 2008**
- b. **ADA Compliance – Completion 2009**
- c. **Energy Conservation - Completed**
- d. **Contingency - Completed**
- e. **Campus-wide Infrastructure - Completed**
- f. **Campus-wide Improvements - Completed**
- g. **Music Expansion - Completed**
- h. **Building 23 Renovation - Completed**
- i. **Parking Structure/Classroom Facility - Completion 2009**

Total: Measure R Projects: \$221 million

*Off-Campus Learning Centers

- **Cancelled - due to prohibitive site acquisition costs**
-

High real estate costs resulted in District prudently NOT pursuing these projects as initially envisioned.

****Student Support Services Renovation**

- **Construction Complete - almost three times initial budget estimate**

****Welding & Air-Conditioning Programs Facility**

- **Construction Complete - over three times initial budget estimate**

While costs increased due to insufficient initial scoping, there is no indication of improper management.

Overall, it's clear that Measure R (2001) projects were managed in an efficient and cost-effective manner, and has demonstrated that Mt. SAC has a proven record to handle the taxpayers' funds prudently.

Measure R (2001) Hard vs. Soft Costs

Mt. SAC maximized Measure R bond funds for (hard) construction and equipment purposes.

A major criticism of public agency construction projects is the diversion of bond proceeds to construction administration costs. A review of Measure R projects demonstrated that an overwhelming majority of bond funds actually went to hard construction and equipment costs. Mt. SAC allocated from 78.5% to 88.3% to hard construction and equipment costs.

Project	Percentage of Project		
	Soft Costs	Construction Costs	Equipment Costs
1 - Science Laboratories	21.5%	76.8%	1.7%
3 - Energy Ph. 2 (Design Build)	7.8%	92.2%	0.0%
3 - Energy Ph. 3 (Design Build)	4.9%	95.1%	0.0%
5 - Agricultural Sciences	16.4%	78.7%	4.9%
6 - Child Development Center	16.0%	80.3%	3.8%
7 - Classroom Remodel	16.9%	75.8%	7.3%
10 - Design Technology Center	16.1%	76.0%	7.8%
11 - Physical Education	11.7%	86.7%	1.6%
13 - Student Services Renovation	21.9%	67.7%	10.4%
14 - AIRC/Welding	19.7%	79.9%	0.5%
15 - Language Center	16.3%	82.6%	1.0%
16 - Health Careers Center	16.5%	82.5%	0.9%
17 - Miscellaneous Campus-wide renovations, ADA compliance, sub-projects (a) through (i)	15.6%	80.8%	3.6%

Source: Mt. SAC

State Proposition 39 Legal Requirements

Proposition 39 allows voters to approve the proposed bond with a 55% majority, as opposed to the customary two-thirds majority, only if certain criteria are adhered to by the District.

- A Proposition 39 election must not be called as a “special” election
- Two-thirds affirmative vote of the Board of Trustees is required to place it on the ballot
- A citizens oversight committee must be formed
- Independent outside audits must be conducted
- The tax rate cannot be greater than \$25 per \$100,000 of assessed valuation
- No bond funds for general administration or salaries

A review of Measure R (2001) demonstrated compliance with Proposition 39 requirements.

Measure RR November 2008 Facilities Bond \$353 Million

Mt. SAC's 2008 Master Plan details about \$500 million of unfunded projects on its campus.

The Mt. SAC Board of Trustees has reduced the \$500 million down to its highest priority and "core needs," resulting in Measure RR, a \$353 million GO bond on the November 4, 2008, Ballot. An additional \$132.5 million in State matching funds is anticipated in order to complete the master plan. Included in Measure RR is \$11 million to retire existing infrastructure debt (Certificates of Participation - COPS) and a prudent 6% contingency of \$21 million.

Cost estimates for the proposed projects appear to be realistic, given current industry construction costs and standards and conditions required for building public facilities.

State law requires plan review and approval by the "State Architect" as well as requiring "prevailing wages" being paid for the proposed projects.

Measure RR ballot language, November 4, 2008

"Local Community College Essential Classroom Repair, Education Improvement, and Public Safety/Job Training Measure.

To maintain academic excellence for students/nurses/ firefighters/ police by upgrading classrooms/laboratories/fire alarms/sprinklers, repairing roofs/wiring/plumbing, removing lead paint/asbestos, retrofitting buildings for earthquake safety/handicap accessibility, increasing energy efficiency, expanding job training opportunities, shall Mt. San Antonio Community College District repair, acquire, construct, equip buildings/sites/facilities by issuing \$353 million of Bonds at legal rates, with annual audits, citizens' oversight, no money for administrators' salaries, and no tax rate increase?"

By maintaining the current maximum tax rate allowed, Mt. SAC can commit to voters that the current tax rate **will not** be raised by approval of Measure RR.

Proposed Measure RR Project List and 2008 Master Plan Projects

	2008 Master Plan Projects	Budget	Measure RR Local Funds in Millions of \$	State Funds in Millions of \$
A	Library, Learning Resources and Campus Center	152.4	73.4	79
B	Business and Computer Technology	46.45	23.45	23
C	Child Development Center	20.4	20.4	
D	Athletics Complex Phase 2	27.35	19.35	8
E	Career and Technical Education Building Renovation	38.35	19.35	19
F	Classroom Building Renovation	26	26	
G	Laboratory Building Expansion	5.4	5.4	
H	Fire Academy	10.2	10.2	
I	Public Transportation Center	7.075	3.575	3.5
J	Parking, Public Safety, and Traffic Improvements	44.875	44.875	
K	Scheduled Maintenance, 5 Years	9.15	9.15	
L	Campus-wide Improvements			
L1	Infrastructure Improvement (Utilities, Site, Traffic, Energy, Landscape)	35	35	
L2	COPS Debt Retirement	11	11	
L3	Temporary Space	4	4	
L4	Demolition	4.5	4.5	
L5	Equipment Allowance	5	5	
L6	Contingency (6%)	21	21	
L7	Campus-wide Improvement Projects	17.8	17.8	
	TOTALS Millions of \$	485.95	353.45	132.5

Source: Mt. SAC

An analysis of Measure RR projects confirms the following:

- + Projects are high priority
- + Project cost estimates are realistic and prudent
- + Mt. SAC is committed to meeting all Proposition 39 legal requirements for:
 - citizens oversight committee
 - maintaining legal tax rate (no increase)
 - conducting independent audits
 - no funds for general administration or salaries

Annual Facilities Maintenance Funding

California's ongoing budget crises have resulted in less funds being available for school construction and general maintenance. Insufficient general maintenance funding can result in a growing backlog of major maintenance projects and a deterioration of facilities conditions.

Due to funding constraints, bonds are often needed to catch up with major maintenance "backlogs." Given these constraints, Mt. SAC's maintenance budgets have grown consistently and prudently on an annual basis.

Mt. SAC General Maintenance Spending - FY 2004 Through FY 2008

- 2004: \$5.8 million
- 2005: \$6.6 million
- 2006: \$6.9 million
- 2007: \$8.5 million
- 2008: \$9.7 million

Source: Mt. SAC

Conclusion

The scope of this study included the following:

- A review of Measure R (2001), a \$221 million facilities bond
- A review of proposed measure Measure RR (November 2008), a \$353 million bond
- A review of Mt. SAC's annual maintenance spending

Through its efficient and cost-effective management of Measure R (2001) and its commitment to annual maintenance funding, Mt. SAC has demonstrated it has a proven record to handle the taxpayers' funds prudently.

The voters can be confident that Measure RR on the November 2008 ballot is a well thought-out proposal, and that Mt. SAC will manage it effectively during its construction phase, with careful use of the taxpayers' dollars.

TaxpayersAdvocate.org

Formed in 2003, TaxpayersAdvocate.org, a private, non-partisan fiscal watchdog organization based in San Diego and Sacramento. In addition to analyzing fiscal policy, ballot measures and legislation, TaxpayersAdvocate.org endorses candidates for public office in California.

Report Author

The principal author of this report was Scott Barnett, President, TaxpayersAdvocate.org. Scott Barnett has over 25 years of experience in public policy and budgeting. Mr. Barnett was executive director of the San Diego County Taxpayers Association from 1994 through 2001 and formed TaxpayersAdvocate.org in 2003. He can be reached at: scott@taxpayersadvocate.org

Source Documents

Data derived for this study are from public documents obtained through the Mt. San Antonio Community College District and the Los Angeles Registrar of Voters and the California Secretary of State.

- 2001 Measure R Projects Budget History 2002 Project Descriptions (8.6.08)
- 2008 Facilities Bond – Measure RR – (8.6.08)
- Mt. SAC Capital and Maintenance Budgets FY 2003-04 - FY 2007-08
- L. A. Registrar of Voters – Measure RR information
- California Secretary of State—Proposition 39 Information