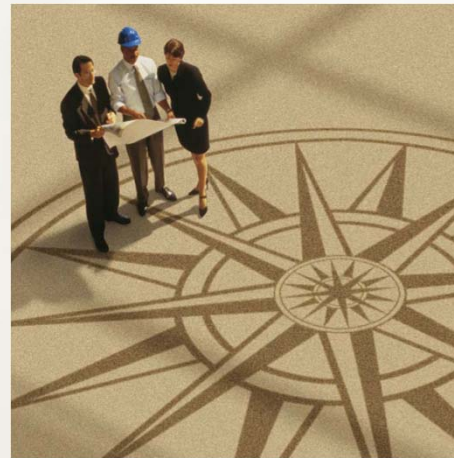
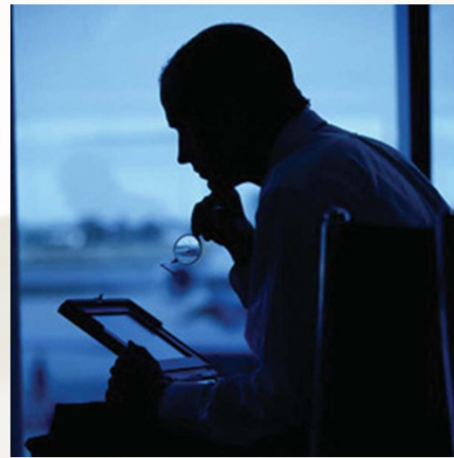
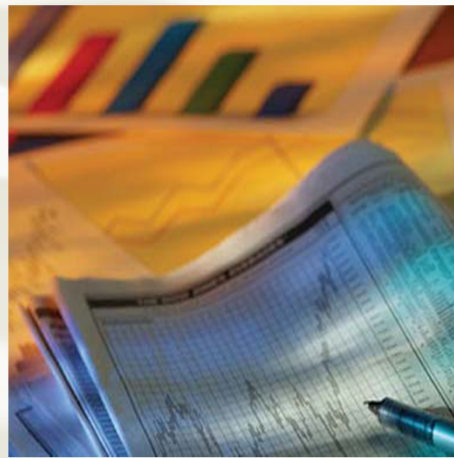


California Financial Services

2012 County School Facilities Consortium Summit



September 25, 2012





AGENDA

- State funding issues for county office facilities, including eligibility, financial hardship, stop gap measures when State Bond money runs out, and a potential new State School Bond on the ballot in 2014
- Lease-Leaseback as a means of cost containment for projects
- Evolving Roles for County Offices of Education
 - Facility Planning and Program Management Services
 - Statewide School Facility Inventory
- Other Potential Issues and Opportunities for COEs
 - Asset Management
 - Certificates of Participation
 - Redevelopment
 - Bonded Indebtedness



STATE FUNDING ISSUES





STATE FUNDING - ELIGIBILITY

- Establishing/Updating State Funding for County Offices of Education – New Construction and Modernization
 - Non-Severe Grants
 - Severe Grants
 - Community Day School





STATE FUNDING – FINANCIAL HARDSHIP

- The State School Facility Program operates a Financial Hardship Program that is available to eligible County Offices of Education (COEs). Under the most recent State school bonds, if a COE meets the financial hardship criteria, it is eligible to apply for financial assistance for New Construction or Modernization projects. It may also be eligible for a separate apportionment for the following:
 - For New Construction or Modernization projects, an early apportionment for design costs.
 - For New Construction projects, and early apportionment for site acquisition.



STATE FUNDING – STOPGAP MEASURES

What happens when the State has no money?

- **Past Practices:**
 - In prior years when there were no State Bond dollars, the SAB and OPSC have addressed the gap in State School Bond funding by authorizing OPSC to accept and process all funding applications in date order and establishing an unfunded list through the SAB.
- **New Practice:**
 - The SAB has adopted a policy to continue to accept SFP funding applications when funding runs out. These applications will be “accepted” and placed on the Acknowledged Workload List in date order. An unfunded list will not be established at this time. No decision has been made yet regarding whether financial hardship funding applications will be “accepted,” although OPSC has committed to processing eligibility. As Financial Hardship applications require a Financial Hardship approval before a funding application can be submitted, the discussion continues whether OPSC will process/accept new Financial Hardship applications before a new State Bond is approved by the voters.



STATE FUNDING – NEW STATE BOND?

- As we wait to see whether a State School Bond will be on the ballot in 2014, County Offices can strategize now and:
 - Submit SFP applications to be placed on the Acknowledged Workload List, as appropriate.
 - Follow updates from OPSC, Implementation Committee and other sources regarding what will happen when the State has no money to fund school facilities and speak up in appropriate venues to support your County Office's interests.
 - Read, evaluate and get involved to impact proposed legislation regarding a new State School Bond where you see potential positive or negative impact to your County Office of Education and to school districts in your county.
 - Meet with and engage your local legislators to support a State School Bond with provisions that will positively impact school facilities for your County Office of Education and your school districts.
 - Monitor Financial Hardship aspects of the new program in proposed legislation for a 2014 State School Bond, and propose changes if appropriate.
 - Evaluate and prioritize facility needs so you will be prepared if and when new State School Bond funds become available.



LEASE/LEASE BACK

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LEASE/LEASE BACK



- Lease/Lease Back is an alternative way to build schools by using Ed Code Section 17406 that allows schools to select a contractor and build their school without going through the bidding process.
- Lease/Lease Back is a partnership or “team” approach to building schools.
- Lease/Lease Back is a cost effective way to get the best product for the best price.



WHAT LEASE/LEASE BACK DOES NOT DO

- It does not do away with prevailing wages
- It does not do away with DSA
- It does not do away with a State School Building Inspector
- It does not do away with trade unions
- It does not eliminate local contractors or subcontractors
- It does not take away local control





BENEFITS OF LEASE/LEASE BACK

- Qualification Based Selection of Contractor
- No Change Orders
- Value Engineering/Scope Engineering Construction Review
- Budget
- Timelines/Speed
- Guaranteed Maximum Price





HOW DOES THE LEASE/LEASE BACK PROCESS WORK?

- **First Step**
 - Lease the property to the developer or builder
 - Generally this is for the term of the project and usually \$1 per year.
- **Second Step**
 - The developer or builder leases you back a portion (buildings or land developed) of the project.
 - Terms, payment amounts, and value engineering options are open for negotiations.





EVOLVING ROLES FOR COUNTY OFFICES





EVOLVING ROLES FOR COUNTY OFFICES OF EDUCATION WITH SCHOOL DISTRICTS

- Brokerage Services to Districts to Plan and Implement Projects – Where to Get Help
- Serve as a Resource to Districts to Secure State Funding for Eligible Projects
- Assist Districts in Tracking Project Budgets, Cash Flow, Expenditures, State Audits and Other Reports
- Explore whether there is a role for County Offices of Education to assist with an upcoming Statewide School Facility Inventory





PLANNING AND PROGRAM MANAGEMENT FOR COE & DISTRICT PROJECTS

Explore various options for County Offices of Education to assist themselves and their school districts to track capital facility funding sources, conduct project accounting, meet audit/compliance requirements and provide necessary reports to bond oversight committees and board of trustees.





PLANNING AND PROGRAM MANAGEMENT FOR COE & DISTRICT PROJECTS

Why Doing Nothing is More Expensive than Doing Something

- If you do nothing, your County Office (or the school districts in your county) may miss time-sensitive compliance and other requirements, causing:
 - Risk of Audit Exceptions
 - Budget Scope/Creep
 - Cash Flow Issues
 - Costs may not be allocated to maximize SFP reimbursement
 - Risk of Non-Compliance Exceptions (OPSC, Disclosure Reports)
 - IRS Penalties
 - Risk of Downgrade in Credit Rating
 - Disorganized, inaccurate information that can ruin credibility
 - Training Costs





PLANNING AND PROGRAM MANAGEMENT FOR COE & DISTRICT PROJECTS

Why Doing Nothing is More Expensive than Doing Something

- Without an effective Capital Facility Financial Management System in place, your options are:
 - Do It Yourself (Manual Spreadsheets)
 - Use Existing Reports (that may be inadequate or incomplete)
 - Consider purchasing an accounting package system

Don't short-change your facilities program –
select a system that is tailored to your needs.





MANAGING PROJECTS BEGINS WITH MONITORING INFORMATION

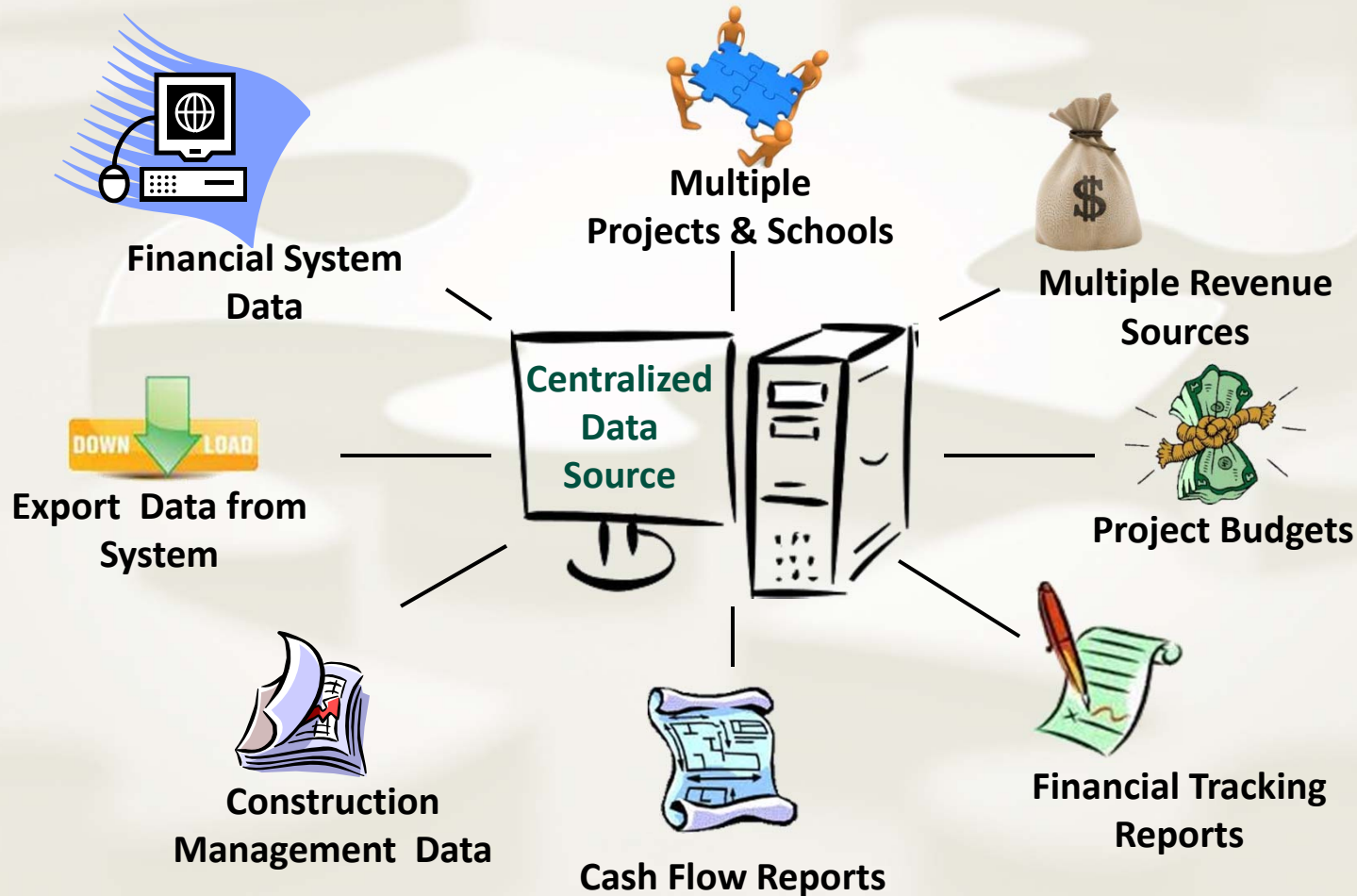
Select a Comprehensive and Flexible System Capable of Managing Multiple Facility Projects and Schools, Budgets and Revenue Sources

So You Can:

- Manage program and project financial activity from inception to completion and assist the COE and your districts to be fully prepared for the OPSC close-out audit.
- Manage and track project revenues, budgets, contracts, change orders and expenditures and get beyond the constraints of the most common County fiscal systems.
- Monitor current and future cash flow and identify financial resources for adjusting to circumstances as they evolve.
- Create reports presenting critical and useful information, or provide any level of detail reporting of the COE's and/or District's projects and funding plan, to a variety of audiences including county and district superintendents, Boards, CBOs, district staff and others.



A CENTRALIZED FACILITY SYSTEM CAN MANAGE AND ORGANIZE INFORMATION





OTHER POTENTIAL ISSUES & OPPORTUNITIES FOR COE'S

- **Asset Management** – Declining enrollment and larger class size will make more K-12 facilities available for lease or purchase at a lower cost;
- **Certificates of Participation** – Interest rates are very low and Commercial Banks have become aggressive lenders of private placement loans from \$1 - \$5 million;
- **Redevelopment** – Changes in the real estate market and the legislative dismantling of RDAs require that RDA projections be updated; and
- **Bonded Indebtedness** – The County Treasurers are engaged in a PR and lobbying campaign to become the overseers of GO Bond Debt.





CONCLUDING REMARKS

FINAL THOUGHTS

COMMENTS

QUESTIONS

