

# School Board Workshop on General Obligation Bond Capital Plan Rollout



JANUARY 17, 2013



# GOB Guiding Principles

2

1. Enhance the safety and security of school buildings
2. Renovate or upgrade every school
3. Guarantee technology equity across all schools
4. Seek stakeholder input while minimizing taxpayer burden
5. Promote greater public/private partnership ventures
6. Provide economic development and employment opportunities to our community
7. Provide transparency and confidence with citizen advisory & oversight committee to ensure timely and equitable distribution of projects
8. Reinvest in the local economy

# GOB Plan - Overarching goals

3

- **Touch every single school**
  - Building renovations and/or replacements
  - Technology upgrades
  - Portable removal
- **Right-size all planned building replacements**
  - Account for current and projected enrollment needs
  - Accommodate proposed grade reconfigurations/conversions
- **Where replacement projects are planned in areas of clustered low enrolled schools:**
  - Consider consolidating two or more campuses into a single larger school
  - If consolidation is not feasible, centralize certain core spaces, such as full kitchens, at one location and provide satellite facilities at others to reduce cost
  - Where two schools are co-located on a single campus, evaluate shared systems, e.g. shared chiller plant, for long-term operational savings

# GOB Plan - Overarching goals

4

- Incorporate only energy efficient systems and materials to reduce long-term recurring operational costs
- Design and build renovations and replacements to meet code requirements only
- Incorporate higher standards where warranted due to programmatic or operational considerations
- Design and build replacements to maximize space flexibility vs. highly customized or expensive spaces
- Achieve/maintain cost containment by delivering simple, clean, technology-friendly spaces

# GOB Plan – 2012 Project Make-up

5

- The District's existing facilities needs remains at approximately \$1.7B, based on estimated cost to renovate only
- The \$1.2B voter approved GOB provides funding to address the most pressing physical plant renewal needs through both renovation and replacement projects.
- The proposed approach provides a more cost effective solution to the District's needs by favoring strategic building replacement over renovation in instances where the Facilities Condition Index is 60% or greater
- The current projected GOB expenditure breakdown is as follows:
  - Approximately \$700M for physical plant renovations
  - Approximately \$350M for building replacements
    - Building replacements to be right-sized to reflect need and best fit
    - Removal of portable classrooms
  - Approximately \$100M for technology improvements across the board, offset by E-Rate funds and appropriately sequenced
  - Balance for new capacity, in order of most critical need

# Procurement Considerations

6

- The long-range and widespread potential for the GOB to benefit the local economy was a central tenet conveyed to stakeholders prior to the November 6<sup>th</sup> referendum
- A commitment was made to maximize opportunities for local, small and minority businesses
- Promises made before November 6<sup>th</sup> are being kept:
  - GOB Oversight Committee established
  - Office of Economic Opportunity (OEO) established
  - SBE Policy has been approved by the Board and SBE Program has been established
  - Disparity study funded, commissioned and initiated
  - M/WBE Program to be immediately updated upon completion of disparity study, with parallel updates to the District's selection processes for design professionals and contractors
  - Projects eligible for SBE participation are being temporarily deferred to allow for SBE firms, both design professionals and contractors, to be identified and commissioned through targeted advertisements and selection processes

# Project Rollout Protocol

7

- The number and type of GOB projects calls for a variety of procurement vehicles
- Based on preliminary budgets, the distribution of planned renovations and/or replacements is as follows:

<u>Construction cost range*</u>	<u>Approximate # of Projects</u>
Under \$1 million	79
\$1M to \$2M	65
\$2M to \$5M	109
\$5M to \$10M	46
Over \$10M	11

Note: \*Excludes technology and portable removal

# Project Rollout Protocol

8

- Based on the tiers in the new SBE Board Policy, projects under \$1 million are viable SBE candidates
- It is anticipated that work on SBE projects could commence by the fall of 2013
- Based on receiving the Disparity Study by summer of 2013, advertisement for M/WBE consultants and contractors could begin by late 2013/early 2014
- As the new SBE and M/WBE programs are being formulated and implemented, projects with an estimated construction value of between \$1M and \$2M can begin, using available design and construction delivery methods:
  - Architectural/Engineering and Special Project Consultants
  - Miscellaneous Construction Management at-Risk firms
  - Job Order Contracts



# Project Rollout Protocol

9

- The proposed strategy will allow for a fairly immediate roll-out of approximately 65 projects while allowing for SBE and M/WBE procedures to be finalized and without detrimentally impacting the goals of these key programs
- Separate commissioning activities will be undertaken for all other projects with a construction value in excess of \$2M, once the disparity study has been concluded and the District's procedures have been properly aligned with the new M/WBE goals
- The proposed protocol enables timely commencement of GOB projects with immediate and direct benefit to our students while providing new opportunities for local firms through a fair and competitive process

# Phase 1 Plan Detail – 2013 to 2015

10

- It is expected that the majority of the 140+ projects with a construction value of \$2M or less could be completed by mid 2015;
- These projects consist primarily of:
  - Existing facility renovations
  - Elementary playgrounds
  - Technology and infrastructure enhancements
  - Removal of portable units, where applicable
- This work will have an immediate and positive impact on the quality of the educational environment and go a long way towards achieving parity among school facilities
- Based on an expected timeline of critical path activities, selection and commissioning of architects and contractors for larger projects could begin by the summer of 2014

# Phase 2 Plan Detail – 2016 through 2019

11

- Most larger projects (over \$2M construction cost) will be handled in waves in the second phase of the 7-year GOB implementation plan so as to:
  - Address priorities and critical needs first
  - Match revenues and cash flow parameters
  - Avoid flooding the market beyond available capacity, and thus minimize artificial inflation of design and construction costs
  - Allow for deliberate evaluation of project scopes and right-sizing, particularly where replacements are planned, and appropriate vetting with affected communities
- The proposed phasing would maintain a fairly steady stream of construction activity across the seven year span
- Number of projects to be undertaken in years 1 through 3 and those implemented in years 4 through 7 are fairly evenly split

# Additional Considerations

12

- In addition to the \$1.2B capital boost that will be provided by the GOB, the District plans to continue exploring other supplemental revenue sources and/or opportunities:
  - Collaborations with local governments and implementation of self-supporting capital projects
  - Guaranteed Energy Performance Contracting
  - Negotiation and collaboration with developers on new capacity projects in areas of new or sustained growth

# Reporting and Accountability Tools

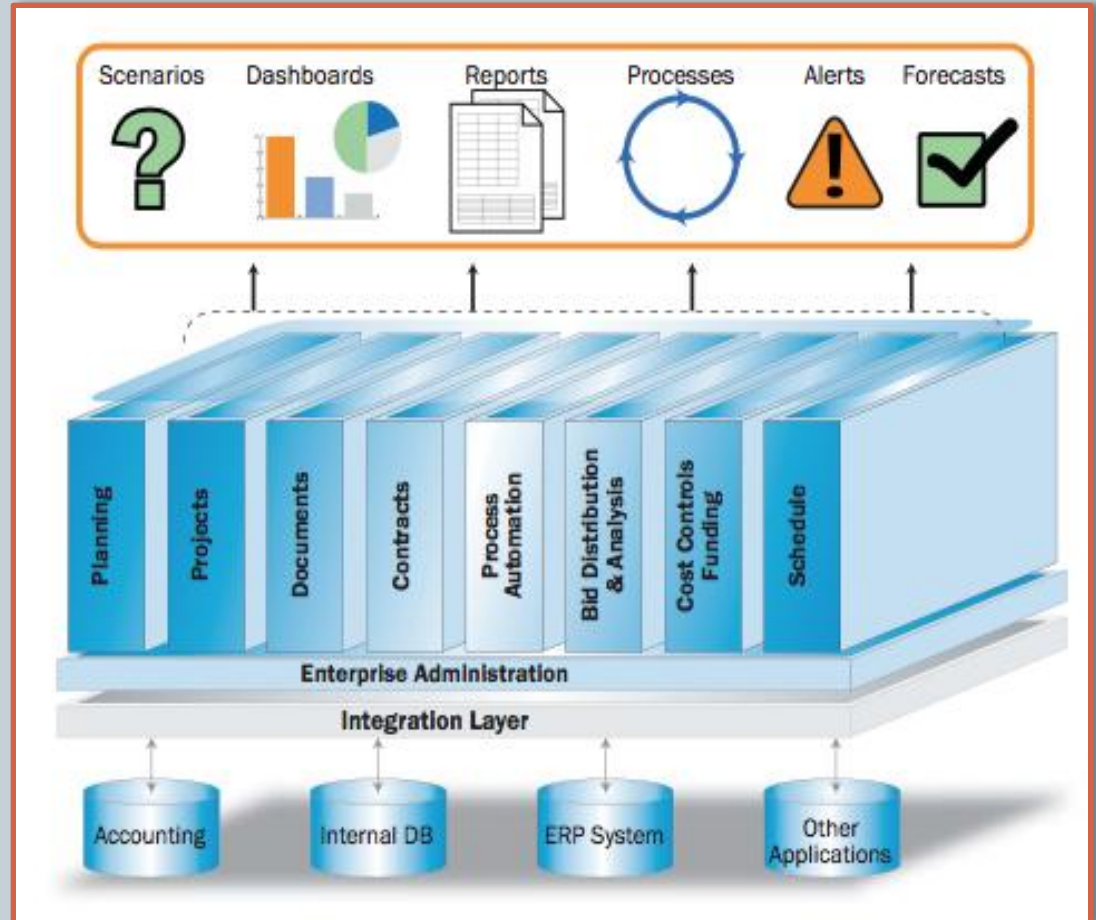
13

- Availability of standardized and easy to access information is essential for transparent reporting on a program of this size and complexity to diverse audiences. Among them:
  - School Board members
  - GOB Oversight Committee members
  - Community members
  - Designated auditing entity to monitor plan implementation
  - School and District administration
  - Project managers
  - Designers and contractors
- Project management indicators must be expressed uniformly and consistently across the life of the project:
  - Planning, design and construction
    - Scope
    - Schedule
  - SBE & M/WBE participation
  - Financial indicators
    - Expenditure tracking
    - Work in place

# Reporting and Accountability Tools

14

- Essential project reporting system features include:
  - Web-based for quick and wide access by a variety of stakeholders
  - Able to manage flow of technical information and document exchange seamlessly during the design and construction process
  - Accessible through mobile devices (smart phones, tablets, etc.)
  - Compatible with a variety of platforms and District data warehouses
  - Easy to use by a variety of constituencies as a means to promote GOB Program transparency



# Sample Executive Summary Dashboard

15

- Additional features:

Capable of rolling up multiple projects into executive dashboard summaries (e.g. by Board member district, region or local government)



# Sample Project Summary Dashboard

16

- Additional features:

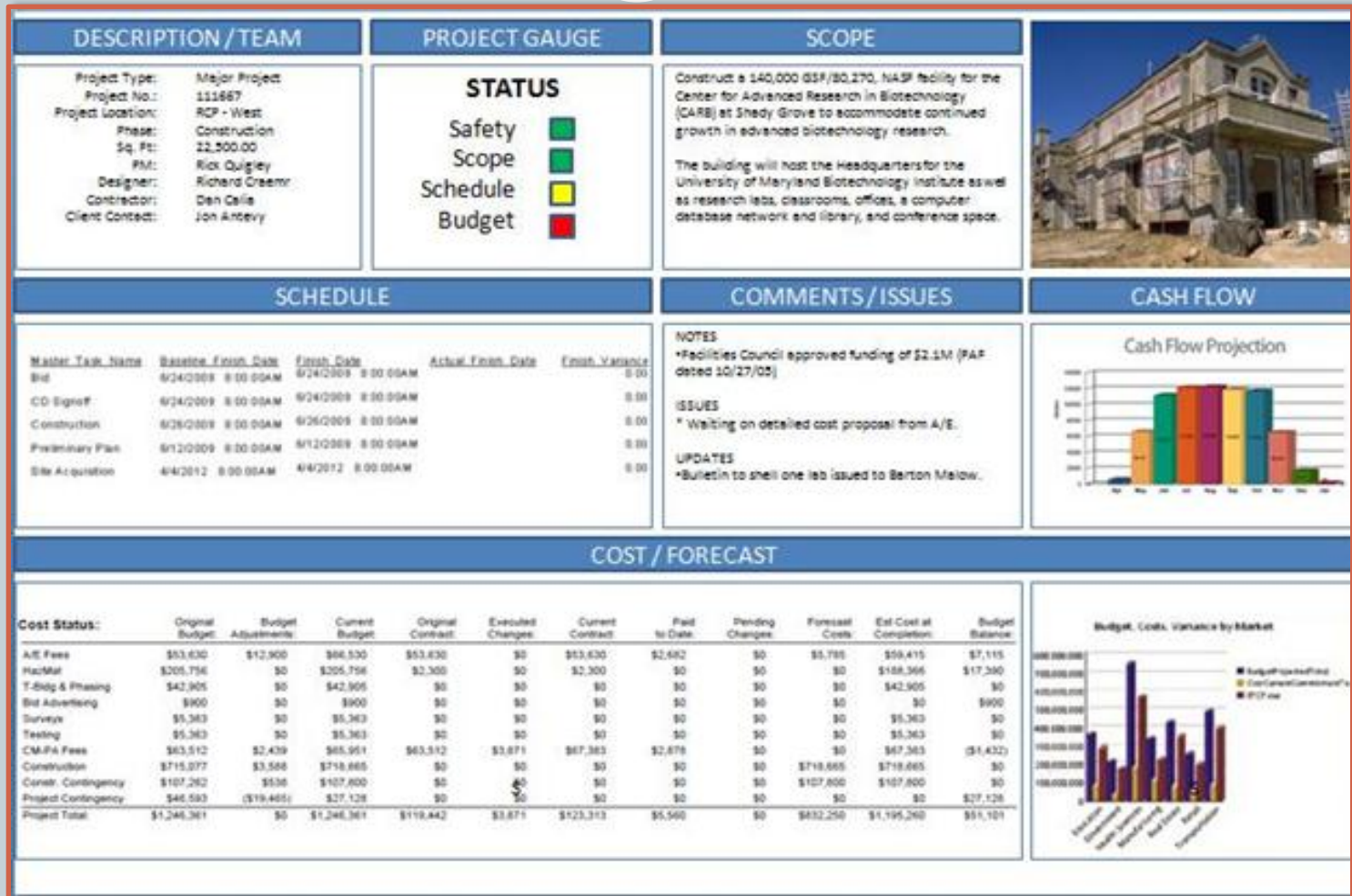
Able to provide updated project information through individual project dashboards which combine project status and financial information





# Sample Weekly Project Status Report

17



# Program Management Strategy

18

- Private sector project management and technical support for the GOB Program will be supervised by District staff
- Best practice implemented by other major school districts for large bond programs
- District staff and contracted program management support personnel form integrated project teams
- Provides flexibility needed to carry out specialized tasks and address fluctuating project workloads
- Maintains appropriate program controls and oversight while avoiding increases in staffing levels

# Program Management (PM) Support Services

19

- Example of PM services to be procured:
  - Project scoping and programming
  - Scheduling
  - Cost estimating
  - Project management
  - Building commissioning
  - Warranty and close-out support
- Eight responses were received to the District's recent RFQ
- Evaluation of proposals is in progress
- Solicitation remains under the Cone of Silence

# Proposed Financing Plan

20

Tentative Financing Schedule  
General Obligation (Continuing) Program  
Estimated Tax Impact of GO Program  
Financing Tools & Considerations  
Ongoing Capital Revenue Constraints  
Ongoing Revenue Constraints

# Tentative Financing Schedule

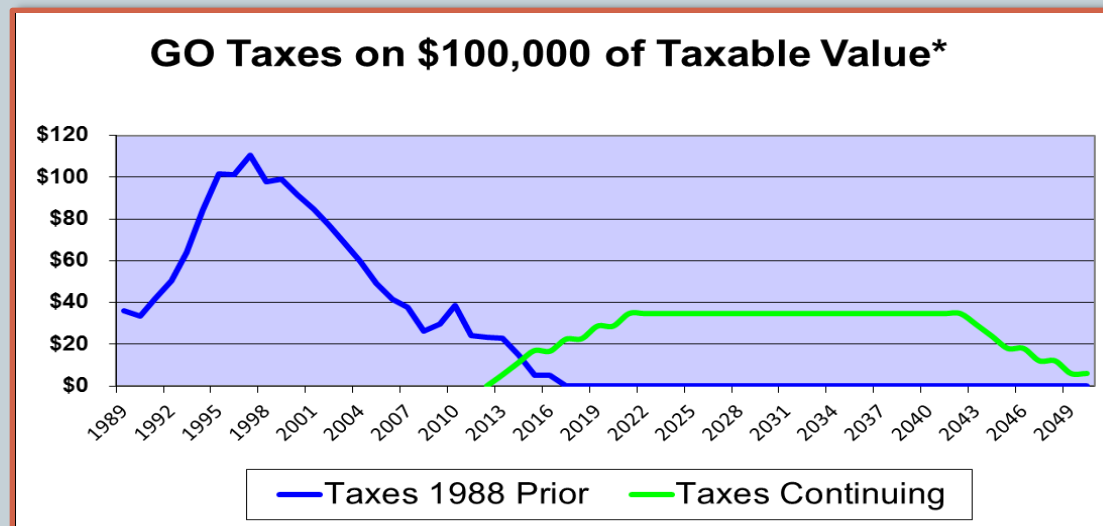
21

Task Name	Start	Finish
Validate Canvassing/Obtain Authorization to Issue Bonds	11/6/12	12/5/12
Filed Complaint For Validation served on State Attorney and Obtained Hearing Date (2/26/13)	12/20/12	01/11/13
Approve Authorized Underwriters List (Negotiated)	1/22/13	2/13/13
TAC Reviews Initial Issuance Amount, Structure & Method of Sale	1/22/13	1/22/13
Create Cash Flow Projection to Determine Issuance Schedule	1/17/13	2/15/13
Publish Notice within 20 days of Hearing for 2 Consecutive Weeks	2/7/13	2/26/13
Obtain Judgement on Hearing Date and File with Clerk of the Court	2/26/13	2/28/13
Obtain Certificate of No Appeal from Clerk After Judgement is Filed	3/25/13	3/31/13
Approve 1st GO Series Bond Authorization & Amend Capital Budget	4/17/13	4/17/13
Fund Year 1 Projects (Dependent on Amendment of Capital Budget)	4/17/13	6/30/13
Execute Initial GO Series Sale & Close	6/15/13	7/31/13

# General Obligation (Continuing) Program

22

- Planning Parameters for General Obligation Program included several issuances spread across the next decade
- \$1.2 Billion total GO Bond Authorization
- Structured with level debt service and 30 year amortization (2012 Legislative Change)
- *Actual debt issuance dependent on market conditions and timing of construction schedule*



\* Net of Exemptions

# Estimated Tax Impact of GO Program

23

- A homeowner with a Taxable Value of \$100,000 (Net of Exemptions) would pay approximately \$5 “School Debt Service” Property Tax FY 2014 Per Estimate
- \$5 tax equates to approximately 0.054 mills projected FY 2014 levy
- First Series sale date targeted after June 1<sup>st</sup>, 2013 Tax Roll Assessment Estimate provided by Property Appraiser
- ***Actual issuance size and structure dependent on Market Conditions and Timing of Construction Schedule & Cash Flow Needs***

General Obligation Bond Program -- Projected Millage Requirements (\$100,000 Taxable Value)						
Tax Roll Year	Fiscal Year	GO Bond Issuance Schedule	Taxable Value	Taxes Prior	Taxes Continuing	Total Taxes
2012	2013		100,000	\$ 23	-	\$ 23
2013	2014	\$200M	100,000	23	5	28
2014	2015	\$200M	100,000	15	11	26
2015	2016	\$200M	100,000	5	17	22
2016	2017		100,000	5	17	22
2017	2018	\$200M	100,000	-	22	22
2018	2019		100,000	-	23	23
2019	2020	\$200M	100,000	-	29	29
2020	2021		100,000	-	29	29
2021	2022	\$200M	100,000	-	35	35
2022	2023		100,000	-	35	35

# Financing Tools & Considerations

24

- Cost Benefit Analysis
  - Balance Interest Costs, Impact on Levy, & Cash Flow Needs
  - Cost of Carry vs. Interest Rate Projections
- Cash Flow Needs (F.S. 1013.76)
  - Preliminary Assessment \$100M Through 6/2014
- Drawdown Program
- Bond Anticipation Notes
- Variable Rate Debt
- Call Waiver Remarketing



# Ongoing Capital Revenue Constraints

25

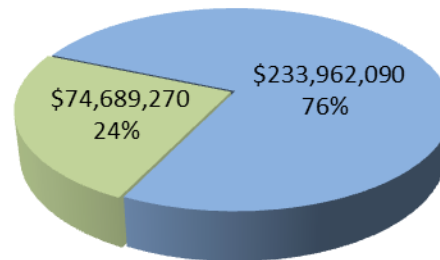
- December 2011 Capital Funding Alternatives Board Workshop:
  - Proposed Tax Swap To Alleviate Capital Revenue Constraints limiting General Fund Transfer Primarily for Maintenance
  - Proposed GOB to Partially Fund \$1.7B of Unfunded Capital Needs
- 2011 COP Restructuring included higher Revenue Projections for FY 2014
  - \$25 Million LOML (Levy Reduced from Projected 1.7 Mills to 1.561 Mills)
  - \$34 Million PECO & Other Revenues

## FY 2014 Projected LOML Use

*Assumes 1.561 Mills & State Projected  
0.18% Growth*

■ Debt Service

■ Available for GF  
Transfers  
(Maintenance)



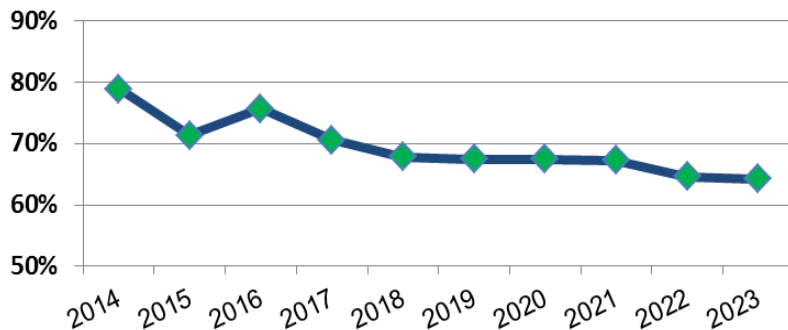
*Approximately  
\$50M less  
available for  
General Fund  
Transfers than  
FY 2013*

# Ongoing Revenue Constraints

26

- FY 2014 State Projects TAV Flat (0.18%) Growth and **increase to \$245.2B (19%) by FY 2018**
- FY 2013 still 25% lower from High of \$257B TAV in FY 2009
- Shift of 25% of Capital Millage Stresses Overall Financial Condition

## % LOML Debt Service @ 1.5 Capital Millage



	07-08	12-13
School TAV	\$247.4B	\$205.6B
State Required Millage	4.915	5.557
Discretionary Operating	0.655	0.647
Discretionary Capital	2.000	1.561
Sub-total Non Voted Millage	<b>7.570</b>	<b>7.765</b>
Voted Debt (1988 GOs)	<b>0.378</b>	<b>0.233</b>
Total Millage	<b>7.948</b>	<b>7.998</b>

- Additional Discretionary Capital Millage will continue to compete with Operating Needs thru next Decade
- Limiting ability to leverage additional capital projects

# GOB Oversight Committee

27

- Formalize Committee in Board policy
- Purpose: Provide transparency and monitoring
  - Equitable distribution of projects
  - Timely completion of work
- Membership – 23 appointees
  - Broad-based community representation
- Code of Ethics/Conflict of Interest
  - No direct or indirect contracts with the District
  - No financial interest in any GOB-related work

# GOB Oversight Committee

28

- Duties and Responsibilities
  - Monitor program performance
  - Advise Superintendent and School Board
  - Assist in annual GOB planning activities
  - Advise on use of surplus bond funds
  - Participate in citizen outreach efforts
  - Comply with all laws and regulations
  - Attend and participate in periodic Committee meetings
  - Provide annual report to the Board

# GOB Oversight Committee

29

- Monitoring program performance to ensure that:
  - Promises made during the “222 Campaign” are kept
  - Best business practices are employed
  - SBE/MWBE procurement/contracting practices are followed
  - Project sequencing is need driven
  - Projects are completed on time and within budget

# Next Steps

30

- Timeline for critical GOB Program tasks
  - Proposed Project Roll-out (Gantt Chart)
- Major task categories (color coded)
  - Policy/advisory – Pink
  - Small/minority business development – Blue
  - Legal - Green
  - Planning, design and construction – Violet