CSFO Guide to Managing Capital Projects

AASBO Annual Conference

May 2022

CSFO Guide to Managing Capital Projects

- Project Planning
- Division of Construction Management
- Role of the Design Professional
- Bid Process/Contracts/Pre-Qualification
- Construction Phase

Managing Capital Projects

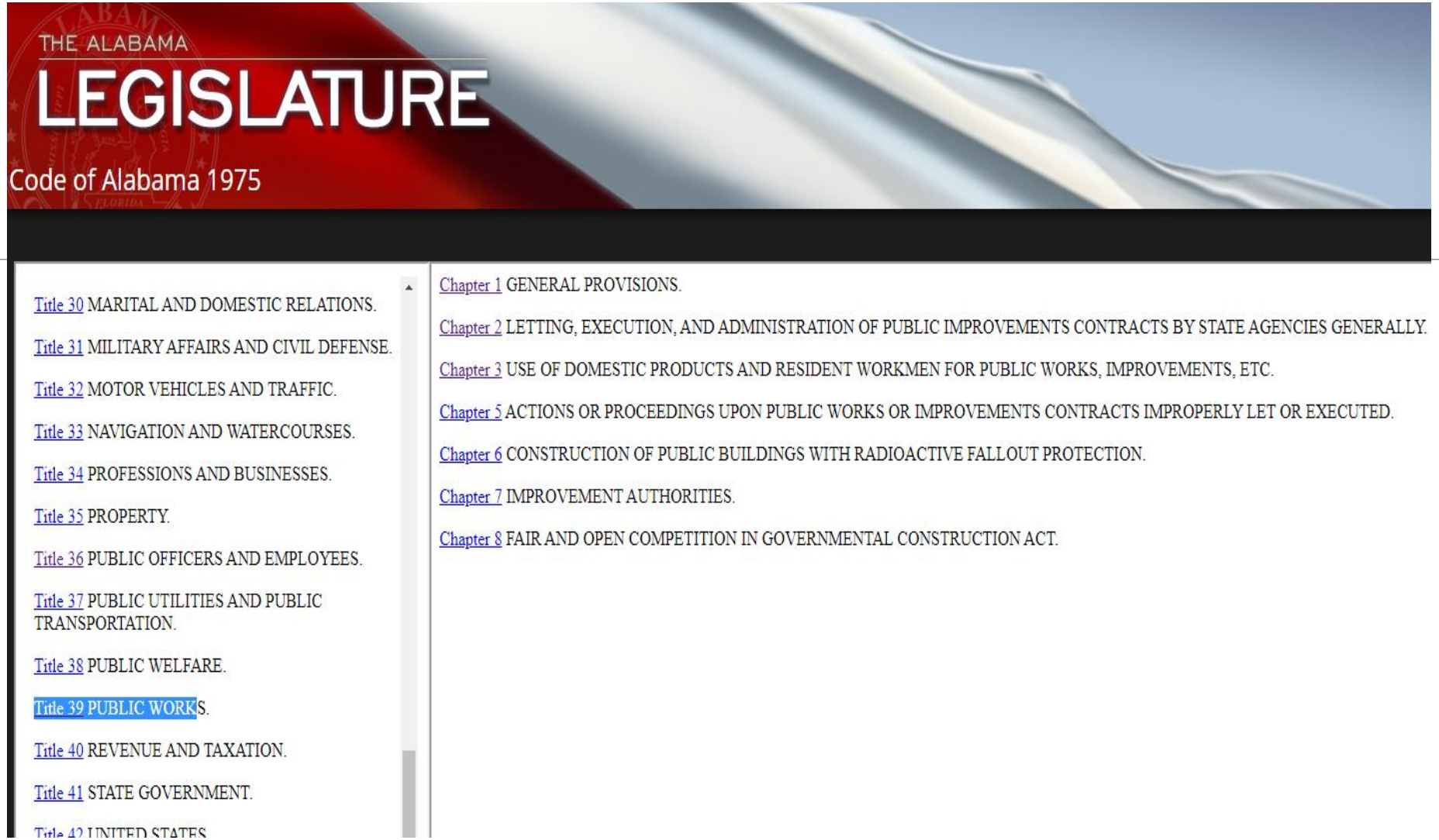
- Define Project
- Select Design Professionals
- Project Design / Educational Program
- Develop Budget
- Bid Project
- Manage Project
- Post Assessment

CSFO Guide to Managing Capital Projects

- Project Planning
  - LEA Capital Plan
  - Developing a Budget
  - Financing Options

Regulation of Procurement for School Districts

Alabama state law mandates very specific competitive purchasing procedures for expenditures over $15,000 and public work projects over $50,000 for school districts.


THE ALABAMA
LEGISLATURE
Code of Alabama 1975
Title 30 MARITAL AND DOMESTIC RELATIONS.
Title 31 MILITARY AFFAIRS AND CIVIL DEFENSE.
Title 32 MOTOR VEHICLES AND TRAFFIC.
Title 33 NAVIGATION AND WATERCOURSES.
Title 34 PROFESSIONS AND BUSINESSES.
Title 35 PROPERTY.
Title 36 PUBLIC OFFICERS AND EMPLOYEES.
Title 37 PUBLIC UTILITIES AND PUBLIC TRANSPORTATION.
Title 38 PUBLIC WELFARE.
Title 39 PUBLIC WORKS.
Title 40 REVENUE AND TAXATION.
Title 41 STATE GOVERNMENT.
Title 42 UNITED STATES
Chapter 1 GENERAL PROVISIONS.
Chapter 2 LETTING, EXECUTION, AND ADMINISTRATION OF PUBLIC IMPROVEMENTS CONTRACTS BY STATE AGENCIES GENERALLY.
Chapter 3 USE OF DOMESTIC PRODUCTS AND RESIDENT WORKMEN FOR PUBLIC WORKS, IMPROVEMENTS, ETC.
Chapter 5 ACTIONS OR PROCEEDINGS UPON PUBLIC WORKS OR IMPROVEMENTS CONTRACTS IMPROPERLY LET OR EXECUTED.
Chapter 6 CONSTRUCTION OF PUBLIC BUILDINGS WITH RADIOACTIVE FALLOUT PROTECTION.
Chapter 7 IMPROVEMENT AUTHORITIES.
Chapter 8 FAIR AND OPEN COMPETITION IN GOVERNMENTAL CONSTRUCTION ACT.

Public Works Law

Applies to any governmental board, commission, agency, body, authority, instrumentality, department, or subdivision of the state, its counties and municipalities.

§ 39-2-1(1), Ala. Code 1975

PUBLIC WORKS- Applies to any construction, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, repaired, renovated, or maintained on public property and to be paid, in whole or part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.

§ 39-2-1(6), Ala. Code 1975

Expenditure Threshold:

§39-2-2(a), Ala. Code 1975

- Before entering into any contract for a public works involving an amount in excess of fifty thousand dollars ($50,000), the awarding authority shall advertise for sealed bids…
- No public work…involving a sum in excess of $50,000 shall be split into parts involving sums of $50,000 or less for the purposes of evading the requirements of this section."

Professional Services:

Excluded from the operation of this title shall be contracts with persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise.

§ ***39-2-2(d)(1), Ala. Code 1975***

Note Process

Advertising Requirements

§ ***39-2-2(a), Ala. Code 1975***

- Public works involving an amount <u>in excess</u> of fifty thousand dollars ($50,000) shall advertise:
  - Once a week for three consecutive weeks-newspaper of general circulation in the county or counties of the improvement is to be made.
  - Additional requirement for contracts over $500,000-once in three newspapers of general circulation throughout the state.

Award of Contract:

§39-2-6

(a) The contract shall be awarded to the lowest responsible and responsive bidder, unless the awarding authority finds that all the bids are unreasonable or that it is not to the interest of the awarding authority to accept any of the bids. A responsible bidder is one who, among other qualities determined necessary for performance, is competent, experienced, and financially able to perform the contract. A responsive bidder is one who submits a bid that complies with the terms and conditions of the invitation for bids.

(b) Act 2021-439- Amends the Public Works Act to authorize local boards of education to negotiate with the lowest bidder when two or more bids are received, and all bids exceed available funding for the contract. S.109 (Gudger) Effective August 1, 2021

Why Building Programs Fail

It's hard to justify the next building program to the community when the previous one was badly managed.

Why Building Programs Fail

Are you developing a building program without a long-range plan for comprehensive programs, demographics and facilities????

Recommendations

Develop a planning process early.

Projects should be based on needs assessment that are developed using a structured planning study (SDE Capital Plan Requirements).

Develop a budget based on accurate cost estimates that are updated and inclusive of all costs and considerations.

Section 16-13-234, *Ala. Code 1975*

Allocation of funds

(e) It is the intent of the Legislature that the distribution of capital funds for the purpose of capital purchases from the Public-School Fund be made to all school systems, require a variable matching with local funds based on yield per mill per average daily membership of district property tax, and guarantee the same amount per student in each system for capital purchases from the total of state and matching local funds. The State Superintendent of Education shall allocate the available funds pursuant to the rules adopted by the State Board of Education. Also, to receive funds from this appropriation, **the local board of education must develop a comprehensive, long range capital plan addressing the facility, educational technology and equipment needs of the local board of education, pursuant to the rules adopted by the State Board of Education.** The goal of this program is to have each local board of education complete its comprehensive, long range capital plan and begin making satisfactory progress in implementing the plan for providing adequate public school facilities for all students.

§ 16-13-234, Ala. Code 1975

STATE BOARD OF EDUCATION
STATE DEPARTMENT OF EDUCATION
ADMINISTRATIVE CODE

CHAPTER 290-1-4
PLANS BY LOCAL BOARDS OF EDUCATION

TABLE OF CONTENTS

290-1-4-.01 Program Plans

290-1-4-.01 Program Plans. Local boards of education shall submit a comprehensive education plan to the State Superintendent pursuant to state and federal laws and regulations, and other requirements specified by the State Superintendent. The comprehensive education plan shall include the following:

(1) Capital Improvement.

(2) Transportation.

(3) Professional Development.

(4) Technology.

(5) Special Education.

(6) At-Risk.

(7) Career/Technical Education.

(8) Federal Education Programs.

(9) Other requirements to promote improved education opportunity and provide better schools.

Author: Jimmy H. Baker
Statutory Authority: Code of Ala. 1975, §16-13-231; 16-13-234.
History: New Rule: Filed September 19, 1997; October 24, 1997.

STATE OF ALABAMA
DEPARTMENT OF EDUCATION

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State Superintendent of Education

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Secretary and
Executive Officer

August 12, 2021

MEMORANDUM

TO: City and County Superintendents

FROM: Eric G. Mackey
State Superintendent of Education

RE: Submission of the Fiscal Year (FY) 2022 Capital Plan

The **Fiscal Year (FY) 2022 Capital Plan** is due no later than **September 20, 2021**. It is imperative that your Capital Plan be as accurate as possible to reflect your needs—especially in the first two years of the plan as most systems will be utilizing Public School Funds and Public School and College Authority Funds. Projects addressing severe conditions at your facilities should receive high priority within your plan. Since this is a five-year plan, it must include projects for FY **2022, 2023, 2024, 2025, and 2026**. Also, it is critical that your system's inventory and building assessment data Site and Facility Enumeration is accurate as this information could influence distribution of funds. Submission directions and reminders are as follows:

- The Capital Plan must be developed and submitted by a Certified Capital Planner.
- The Alabama School Capital Planning Process must be followed.
- **To access the application, Capital Planners should go to https://aim.alsde.edu and log in using AIM log-in credentials. If the Capital Planner is new to AIM, a new account must be created. Instructions are provided in the document attached. Once logged into AIM, an application inventory screen will appear with a tile for each application for which a user is granted access. If you do not see a Capital Plan tile, then verify that all personnel needing access to the report are correctly shown in the Education Directory.**
- A confirmation (sign off) is needed by the **Capital Planner only.** This confirmation certifies that the Capital Plan has been approved by the local Board of Education. Confirmations are also needed by the Capital Planner if changes are made after the original plan submission.
- **All projects that are $50,000 and greater must be in the plan, even though the funding source may be unknown. Projects less than $50,000 are encouraged to be in the plan but are optional.**

If you have questions concerning the Capital Planning Process, please contact Brandon Payne at (334) 694-4602.

If you have questions about the Capital Planning submittal process, please contact Jessica Ragan at (334) 694-4604 or by email at jragan@alsde.edu.

EGM/BTP/JR

Attachment

Annual School Capital Planning Process (ASCPP)

- Objectives –
  - Optimize capital resources.
  - Provide high quality facilities for all students.
  - Preserve current facilities.
  - Maintain quality educational environments in existing buildings.
  - Predict the need for new buildings and the decommissioning of substandard or under-populated buildings.

Annual School Capital Planning Process (ASCPP)

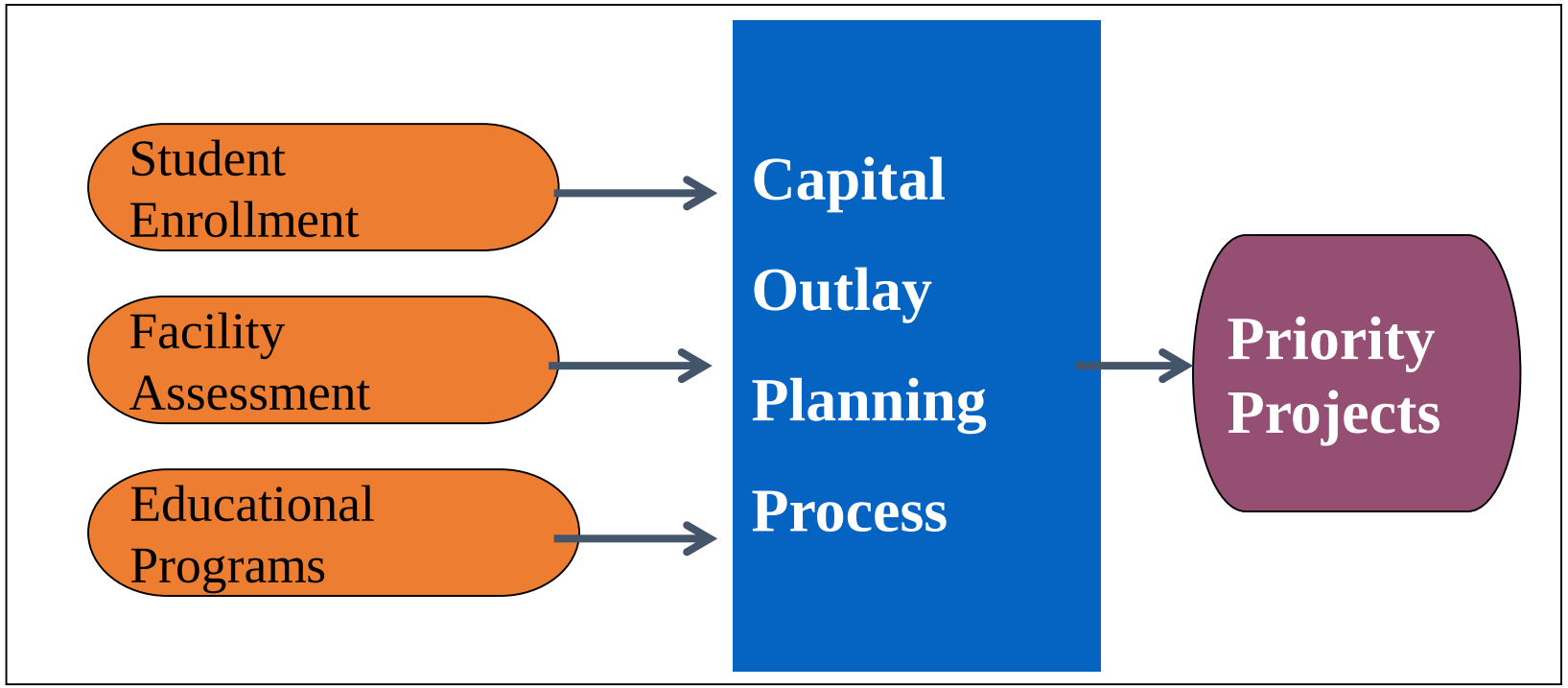
- LEA → must have certified assessor(s)
- Plan must address all capital improvements (renovations, additions, new construction and facility upgrades).
- All projects $50,000 and greater must be in plan. Projects less than $50,000 are optional.

Annual School Capital Planning Process (ASCPP)

Planning – Is your district just meeting the compliance requirements?

Information Drivers for Capital Planning

Annual School
Capital Planning Process



8 Step Capital Planning Process

STEP 1: Start-Up and Alignment

STEP 2: Student Enrollment-Space Needs

STEP 3: Critical Facility Needs

STEP 4: Educational Programs

STEP 5: Integrated Projects List

STEP 6: Priority Projects List

STEP 7: Budgeting

STEP 8: Final Plan

Reports & Data

Reports & Data
Educator Data
Financial Reports
Capital Plan
School Data
School Performance
Student Data
Supporting Data

Capital Plan

Reports & Data
Educator Data
Financial Reports
Capital Plan
School Data
School Performance
Student Data
Supporting Data

2021-2022 Capital Plan Five Year Report

2020-2021 Capital Plan Five Year Report

2019-2020 Capital Plan Five Year Report

2018-2019 Capital Plan Five Year Report

2017-2018 Capital Plan Five Year Report

State of Alabama
Department of Education
Captial Plan Five Year Report
School Year 2021-2022

100 - 0001	ABC School District	ABC School District	Building Replacement	$ 1,500,000.00	2023
107 - 0001	ABC School District	ABC School District	New School	$ 25,000,000.00	2025
100 - 0020	ABC School District	ABC Elementary School	HVAC Upgrade	$ 200,000.00	2022
100 - 0020	ABC School District	ABC Elementary School	Roofing Only	$ 850,000.00	2022
100 - 0020	ABC School District	ABC Elementary School	Electrical Upgrade	$ 200,000.00	2025
100 - 0030	ABC School District	Sample High School	HVAC Upgrade	$ 450,000.00	2022
100 - 0030	ABC School District	Sample High School	Additions	$ 670,000.00	2022
100 - 0030	ABC School District	Sample High School	Additions and Renovations	$ 150,000.00	2022
100 - 0030	ABC School District	Sample High School	Land Improvements	$ 130,000.00	2022
100 - 0030	ABC School District	Sample High School	Electrical Renovations	$ 1,885,000.00	2022
100 - 0030	ABC School District	Sample High School	Renovations	$ 225,000.00	2022
100 - 0030	ABC School District	Sample High School	Land Improvements	$ 130,000.00	2023
100- 0030	ABC School District	Sample High School	Additions and Renovations	$ 6,000,000.00	2026
100 - 0040	ABC School District	Sample Middle School	Roofing	$ 150,000.00	2022
100 - 0040	ABC School District	Sample Middle School	Additions and Renovations	$ 50,000.00	2023
100 - 0040	ABC School District	Sample Middle School	HVAC Only	$ 200,000.00	2023
100 - 0040	ABC School District	Sample Middle School	Electrical	$ 200,000.00	2024
100 - 0040	ABC School District	Sample Middle School	Land Improvements	$ 100,000.00	2024
100 - 0040	ABC School District	Sample Middle School	Additions and Renovations	$ 3,000,000.00	2026
100-0060	ABC School District	FGH Elementary School	HVAC Only	$ 232,000.00	2023
100-0060	ABC School District	FGH Elementary School	Additions	$ 4,200,000.00	2023
100-0060	ABC School District	FGH Elementary School	Roofing Only	$ 280,000.00	2023
100-0060	ABC School District	FGH Elementary School	Roofing Only	$ 82,500.00	2023
100-0060	ABC School District	FGH Elementary School	Land Improvements	$ 75,000.00	2024

State Department of Education

Capital Plan Five Year Plan

Priority: 1

Project Name:	ABC Middle School
Project Classification:	Roofing Only
Project Rationale:	Facility Assessment
Project Substandard Classroom:	NA
Primary Funding Source:	Local Funds
Funding Year:	2022
Projected Completion Year:	2022
Project Budget:	$800,000.00
Project Completion Date:	/
Other Rationale:	
Other Substandard Classroom:	
Project Description:	Roof replacement.

Priority: 2

Project Name:	XYZ High School
Project Classification:	Renovations
Project Rationale:	Facility Assessment
Project Substandard Classroom:	NA
Primary Funding Source:	PSCA
Funding Year:	2022
Projected Completion Year:	2022
Project Budget:	$1,500,000
Project Completion Date:	/
Other Rationale:	
Other Substandard Classroom:	
Project Description:	Cafeteria Renovations

ALABAMA STATE BOARD OF EDUCATION
STATE DEPARTMENT OF EDUCATION
ADMINISTRATIVE CODE

CHAPTER 290-2-2
SCHOOL FACILITIES

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290-2-2-.01	School Facilities: Approval Of Construction
290-2-2-.02	Construction Requirements For Public Schools
290-2-2-.03	Requirements For A School To Be Classified As An Approved Center
290-2-2-.04	School Site Requirements

290-2-2-.01 School Facilities: Approval Of Construction.

(1) New construction or renovation of school facilities shall have the approval of the State Superintendent of Education.

(2) New construction shall take school only at place centers approved by the State Superintendent of Education.

Author: Jimmy H. Baker
Statutory Authority: Code of Ala. 1975, §§16-3-12, 16-3-14, 16-4-10, 16-4-13 through 14, 16-4-21, 16-8-36, 16-9-22, 16-13-90.
History: **New** October 1, 1927. **Amended** December 29, 1975, September 12, 1978, April 22, 1981. **Amended:** December 12, 1991 section name effective January 16, 1992. **Repealed and Replaced:** Filed September 19, 1997; effective October 24, 1997.

Capital Projects

HVAC Replacements/ Upgrades

Roof Replacements

Renovations and Additions of Existing Buildings

Upgrades Electrical/Mechanical Systems

Technology/IT Upgrades

Site Improvements /Outdoor Facilities

New Construction

Developing a Budget

What are your project cost estimates based on?

Do you have coordination within the district staff?

Does you budget account for hidden cost or contingencies?

Do you include furnishings, fixtures and equipment in your budget?

Do you consider the impact of the additional operational costs in your operating budget?

Managing Capital Programs

Project Cost – Renovations and Additions

1. Construction Contract
2. Architect / Engineers
3. Site Improvement
4. Upgrade Electrical/IT/HVAC
5. Upgrade Plumbing / Fire Protection
6. Furniture / Equipment
7. Temporary Classrooms
8. Contingencies

Managing Capital Programs

Project Cost – New Construction

1. Construction Contract
2. Architect / Engineers
3. Site / Site Improvement/Environmental/Testing
4. Road Improvements
5. Utility Improvements
6. Water / Sewer
7. Furniture / Equipment
8. Athletic / Recreational Areas
9. Contingencies

Financing a Capital Plan

Financing Options – School Districts

A. Pay as you go
    - Local
    - State Appropriation

      (PSF / PSCA, EAT)

B. Leverage of PSF/State Bond Issue

C. Local Bond Issue

Funding Options

Current Available Funding

Projected available funding in future years

- Evaluate Current Debt
- Increase Local or State Funding

Funding Options

- How much can you afford?
- What percentage of budget is dedicated to debt service?
- Have you leveraged all available sources?
  - PSF/Local Taxes
- Have you reviewed current debt to see if you can restructure or refund?
- Projected available funding in future years

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May 2022

Credits /References

Discussion of the Alabama Competitive Bid Law and Public Works Law

Presented by Jason Paulk, Chief Legal Counsel
Department of Examiners of Public Accounts

May 2021 and September 2020

Sheshunoff Information Services Inc.

State and Local Government Capital Improvement Planning and Budget Service

Kelley D. Carey, *Why School Building Programs GO Bust*, ASBO School Business Affairs, July/August 2007 Issue

Leveraging PSF Capital Improvements

Dr. Brandon T. Payne
Assistant State Superintendent of LEA Auxiliary Services
Interim Deputy Superintendent of Administration & Finance
brandon.payne@alsde.edu

PSF – Capital Purchase Funds

- ACT 98-373
- Annual allocations
- Uses include; Debt Payments on Capital Projects, Purchased and Leased Equipment (service agreements) and any Public Works allowable under the Alabama Public Works law.

Code of Alabama 1975, S 16-13-234 provides that these funds be used by local boards of education “for capital outlay projects, including the planning, construction, reconstruction, enlargement, improvement, repair, or renovation of public school facilities, for the purchase of land for public school facilities and for the acquisition and/or purchase of education technology and equipment.”

PSF - Leveraging

Pursuant to the provisions of Act No. 98-373 ("Act No. 98-373") enacted by the 1998 Regular Session of the Legislature of Alabama, the Alabama Public School and College Authority ("the Authority") is authorized to issue bonds without express limit as to principal amount of finance loans to local boards of education. The Authority's bonds will be secured by certain taxes in the Education Trust Fund, including the utility gross receipts tax, the utility service use tax, the sales tax and the use tax. The loans to participating school boards will be payable solely from and secured by the capital funds distributed to such boards from the Public School Fund. Act 98-373 requires that the proceeds of such loans are to be used first to acquire capital improvements needed to eliminate portable and sub-standard classrooms, and then for other purposes as approved by the Authority and by the State Superintendent of Education.

The Authority expects to issue its Capital Improvement Bonds pursuant to the provisions of Act No. 98-373 in the spring of 2019. Each school board will be asked whether it wishes to participate in the Capital Improvement Bond issue and, if so, how much of its Public School Fund capital funds (the "Leveraged Funds") it is willing to leverage for the payment of debt service on the Capital Improvement Bonds.

PSF – Leveraging Advantages

PRINCIPAL ADVANTAGES OF PROGRAM

(1) Ability to Leverage Public School Funds – Prior to the enactment of Act 98-373, school boards could not leverage their capital funds from the State. This program allows school boards to finance larger capital projects up-front rather than pay for capital improvements as a pay-as-you-go basis.

(2) Sharing of Transition Costs – Each school board will bear its pro rata share of the
issuance expenses for the Capital Improvement Bonds.

PSF – Leveraging Guidelines

(1) Attached as Appendix A to these guidelines is a form to be completed and signed by each local superintendent indicating how much, if any, of each board's capital outlay distributions from the Public School Fund (the "Leveraged Funds") such board is willing to leverage. Such commitment must be for a specific level dollar amount in a multiple of $5,000. The size of the Capital Improvement Bond issue will be determined by adding the Leveraged
Funds specified by all participating boards and calculating the discounted present value of this payment stream by a factor equal to the net interest cost of the lowest bidder for the Capital Improvement Bonds at a competitive sale. Each participating board will be entitled to receive bond proceeds equal to its proportionate share of the Capital Improvement Bond issue. Capital Improvement Bond proceeds will be loaned to school boards at a rate equal to the interest rate on the Capital Improvement Bonds. Each loan will be evidenced by a warrant and a loan agreement.

(2) Proceeds of the Capital Improvement Bonds will be retained in a single project fund (the "Project Fund") prior to requisition in accordance with the Loan Documents. All proceeds, including earnings, must be used by the participating boards to pay for capital improvements approved by the Authority and the Superintendent of Education.

PSF – Leveraging Guidelines

(3) Capital Improvement Bond proceeds deposited in the Project Fund will be invested by the State Treasurer in eligible investments in accordance with Act No. 98-373.

(4) The size of each loan will include a proportionate share of issuance expenses, credit enhancement costs (if any) and other overhead costs of the Capital Improvement Bond issue. These costs will be added to the amount of construction proceeds available to each school board.

(5) Participating boards will NOT be allowed to reduce the amount of their loans after submitting their commitment forms. If a participating board has excess proceeds available to it after completing a capital project, it must use such excess proceeds for another capital project, subject to approval by the Authority and the State Superintendent of Education.

PSF – Leveraging Guidelines

(6) Each participating board will be required to covenant in its Loan Documents that, if there are cost overruns on its project for which Capital Improvement Bond proceeds are not available, then such board will complete its capital project with other revenues available to it.

(7) A participating board will be allowed to prepay its loan only with the prior approval of the Finance Director of the State of Alabama. Among the factors the Finance Director will consider in determining whether or not to approve such prepayment will be whether such prepayment proceeds can be invested at the yield on the Capital Improvement Bonds until the earliest date on which the Capital Improvement Bonds can be called for redemption. Any such prepayment will be subject to a penalty or premium equal to the penalty or premium required to be paid on the earliest call date for the Capital Improvement Bonds.

QUESTIONS??

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