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CFFP Project Budget and Expense Reporting Options

The Capital Facility Financing Plan (CFFP) is presented each month to the Board of Trustees to provide an update on expenses for capital projects. The CFFP has three sections: the Proposition O (Prop O) program, the CFD funded projects program, and the Other Planning Projects program. This report presents options for modifying the reports presented to the Board for discussion by the Facilities sub-committee. Some of the options for modifications would respond to recommendations from the 2013-14 Proposition O Performance Audit. The Prop O Citizens' Bond Oversight Committee (CBOC) receives a copy of this report (and all Prop O related board items) but also receives a separate more detailed report on Prop O projects.

The current CFFP shows all projects in the "Prop O Era", 2007 to present, and shows total budget and expenses rather than current fiscal year data. The report groups active projects together and completed projects are included to show the full program. Although it is easy to see the current projects it is difficult to correlate all of the projects back to the original Proposition O projects.

CAPITAL FACILITIES FINANCING PLAN											August 24, 2015 - Page 2	
Site	Approved Budget	APPROVED BUDGET					REVISIONS		EXPENDITURES (c)			
		Fund 22 Prop O Bond Funding	Fund 22 Prop O Int + Misc	Fund 21 Prop BB Funding	Fund 35 County School Fac. Fund [1]	Other Funding [2]	Proposed Revisions This Month [3]	Revised Budget	Total Expenditures thru 7/31/15[d]	Remainder		
1. PROP O ACTIVE PROJECTS												
Chula Vista HS - Title IX	\$ 175,000	\$ 175,000						\$ 175,000	\$ 8,011	\$ 166,989		
Mar Vista HS - Proj 2	\$ 2,800,000	\$ 1,800,000			\$ 1,000,000			\$ 2,800,000	\$ 1,908,162	\$ 891,838		
Montgomery HS - Title IX	\$ 750,000							\$ 750,000	\$ 126,579	\$ 623,421		
Montgomery HS Gym Struct'l Upgrade	\$ 150,000	\$ 150,000						\$ 150,000	\$ 37,501	\$ 112,499		
National City MS - Proj 2	\$ 15,621,028	\$ 1,353,294				\$ 14,267,734	BAN	\$ 15,621,028	\$ 14,865,515	\$ 755,513		
Palomar HS Proj 1	\$ 100,000	\$ 100,000						\$ 100,000		\$ 100,000		
Power Purchase Agreement	\$ 500,000	\$ 5								\$ 109,516		
Southwest HS Title IX	\$ 339,000	\$ 3								\$ 226,583		
Southwest MS - Proj 1	\$ 20,391,130	\$ 18,1								\$ 1,299,206		
Sweetwater HS - Proj 1 (P1)	\$ 49,879,870	\$ 12,2								\$ 284,963		
Sweetwater HS - P1 Parking Lot	\$ 1,785,000	\$ 1,7								\$ 1,592,454		
Sweetwater HS - P1 ADA Hygiene RRs	\$ 240,000	\$								\$ 240,000		
Sweetwater HS Synthetic Track & Field	\$ 3,119,492	\$ 2,7								\$ 616,024		
Sweetwater HS Title IX	\$ 250,000	\$ 2								\$ 241,576		
Technology Infrastructure	\$ 4,003,000	\$ 1,500,000			\$ 1,464,750	\$ 1,038,250	CFD	\$ 4,003,000	\$ 3,419,241	\$ 583,759		
TOTALS	\$ 100,103,520	\$ 39,588,023	\$ 1,500,000	\$ 12,170,762	\$ 30,125,367	\$ 16,719,368		\$ -	\$ 100,103,520	\$ 92,259,179	\$ 7,844,341	


Current Report

One option would be to reformat the report to show the first 9 projects and then added projects. This would help satisfy some of the recommendations in the 2013-14 Prop O performance audit. Determining how to differentiate between active and closed projects would need to be considered.

CAPITAL FACILITIES FINANCING PLAN											Aug 24, 2015 DRAFT - Page 2	
Site	Approved Budget	APPROVED BUDGET					REVISIONS		EXPENDITURES (c)			
		Fund 22 Prop O Bond Funding	Fund 22 Prop O Int + Misc	Fund 21 Prop BB Funding	Fund 35 County School Fac. Fund [1]	Other Funding [2]	Proposed Revisions This Month [3]	Revised Budget	Total Expenditures thru 7/31/15	Remainder		
1. PROPOSITION O BOND SALE 1 PROJECTS												
Chula Vista HS Project 1	\$ 29,036,252	\$ 22,906,684			\$ 6,105,017	\$ 24,551	SDGE	\$ 29,036,252	\$ 29,028,807	\$ 7,445		
Chula Vista MS Project 1	\$ 11,660,267	\$ 9,571,499		\$ 2,088,768				\$ 11,660,267	\$ 11,660,267	\$ -		
Hilltop HS Project 1	\$ 23,806,924	\$ 19,741,358						\$ 23,806,924	\$ 23,806,924	\$ -		
Mar Vista HS Project 1												
Mar Vista HS - Proj 1	\$ 9,647,480	\$ 9,643,017							\$ 9,647,480	\$ -		
Mar Vista HS Title IX	\$ 530,435	\$ 530,435							\$ 530,435	\$ -		
Montgomery HS Project 1	\$ 25,622,719	\$ 23,076,024							\$ 25,622,719	\$ -		
National City MS Project 1	\$ 13,027,186	\$ 13,027,186							\$ 13,027,186	\$ -		
Southwest HS Project 1	\$ 16,679,509	\$ 16,118,649							\$ 16,193,424	\$ 486,085		
Southwest MS Project 1	\$ 20,391,130	\$ 14,738,042							\$ 18,828,360	\$ 1,562,770		
Sweetwater HS Project 1												
Sweetwater HS - Proj 1 (P1)	\$ 49,879,870	\$ 18,251,235		\$ 12,000,000	\$ 19,384,366	\$ 244,269	QZAB/AdEd	\$ 49,879,870	\$ 49,594,907	\$ 284,963		
Sweetwater HS - P1 Parking Lot	\$ 1,785,000				\$ 1,785,000			\$ 1,785,000	\$ 187,905	\$ 1,597,095		
Montgomery MS Project 1	\$ 25,229,799	\$ 25,229,799						\$ 25,229,799	\$ 25,127,621	\$ 102,178		
Advance Funded Projects (BANS)												
Montgomery HS - Proj 2	\$ 23,359,598					\$ 23,359,598	BAN/QZAB	\$ 23,359,598	\$ 23,062,376	\$ 297,222		
National City MS - Proj 2	\$ 15,621,028	\$ 1,353,294				\$ 14,267,734	BAN	\$ 15,621,028	\$ 14,764,029	\$ 856,999		
TOTALS	\$ 266,277,197	\$ 174,187,222	\$ -	\$ 14,088,768	\$ 39,066,855	\$ 38,934,352		\$ -	\$ 266,277,197	\$ 261,082,440	\$ 5,194,757	

SAMPLE

Regardless of how the projects are listed or grouped, another consideration is changing the report to show current fiscal year (FY) budgeting. The sample below shows that the number of columns could be reduced by omitting the different funding sources (bond, state funding, etc.). This format would also provide better alignment with the district’s financial accounting system. This format could be expanded to include the funding sources or that level of detail could be provided in backup documents.

		CAPITAL FACILITIES FINANCING PLAN					
		BUDGET			PRIOR	CURRENT FISCAL YEAR	
Site	Approved Budget	Proposed Revisions This Month [3]	Revised Budget	Prior Year Expenses	Budget	Expenses	Remainder
1. PROPOSITION O BOND SALE 1 PROJECTS							
Chula Vista HS Project 1	\$ 51,918,385		\$ 51,918,385	\$ 22,906,684	\$ 29,011,701	\$ 22,906,684	\$ 6,105,017
Chula Vista MS Project 1	\$ 19,142,998						\$ -
Hilltop HS Project 1	\$ 43,150,405						\$ 3,667,689
Mar Vista HS Project 1							\$ -
Mar Vista HS - Proj 1	\$ 19,286,034						\$ -
Mar Vista HS Title IX	\$ 1,060,870						\$ -
Montgomery HS Project 1	\$ 48,623,743						\$ 2,471,695

S A M P L E

Currently all projects from their inception are included in the report regardless of fiscal year. Changing to a current fiscal year format would allow deleting completed projects after the end of the fiscal year. Deleting of Prop O completed projects would not be done if the Board requests that the entire Prop O program be shown.

Distribution of Prop O Funds

The Building Fund includes three subfunds: Fund 21 for Prop BB, Fund 22 for Prop O, and Fund 23 for Prop O Bond Anticipation Notes (BANs). Through June 30, 2015, the vast majority of project expenses for the Prop O Program were paid out of Fund 22. State bond funding is received in Fund 35, the County School Facilities Fund. When those funds were needed for Prop O projects the cash was transferred into Fund 22. Starting July 1, 2015 those transfers will no longer be made and separate purchase orders per fund will be issued for contracts whenever a project has multiple fund sources (with some exceptions). For example a contract with Prop O and state funding would have two purchase orders (from Fund 22 and Fund 35) that would add up to the total amount of the contract. Because Fund 22 was used for all expenses there is flexibility on how the funding source (Prop O, state funding, etc.) is reported on the CFFP.

The 2013-14 Prop O Performance Audit recommended improving the reporting of actual Prop O expenditures separately from other funding sources. There are a number of ways to allocate Prop O and other funds to projects.

- 1) **First In/First Out.** One approach from a cash flow perspective is that the first expenses could be considered as coming from the source (Prop O, state funding, etc.) that first cash put into the fund. This can become relevant if there are requirements to spend bond proceeds within a certain amount of time after issuing the bonds. This method is compatible with reporting on state funded projects that require matching funds because the state looks at total expenditures to make sure that the district spends at least the required matching funds.
- 2) **Proportional.** After at least one other funding source (state funding, interest, other grants) has been transferred into Fund 22, absent any designated funds (such as the NFL grant for the SUH Track and Field Project) all other expenses could be in proportion to the funds placed in Fund 22 at that point in time. For instance, if state funding represents 5 percent of the cash balance in Fund 22 at the time of the expense, then the expense would be classified as 95 percent Prop O and 5 percent state funding. For this method, either a monthly or yearly time period would need to be “the time of the expense” for purposes of calculating the percentage.

- 3) **Matching.** For state funded projects the expenses could be in the required proportion for the state match (50/50 on new construction and 60/40 on modernization). The primary challenge is that state funding is often a reimbursement because it is received well after the expense. Nevertheless, for CFFP reporting purposes only, the budget and expenses on the could be classified in this manner regardless of the actual cash flow. (Most of the proceeds from Proposition O were expended prior to receiving state funding). Example: for a project built entirely with Prop O funds prior to the receipt of state funding, the CFFP budget would show the entire state funding received and the Prop O portion of the budget would be adjusted. This would result in some projects “receiving” significantly less Prop O funding than originally budgeted as described in the next option.
- 4) **Intent.** The initial budgets (Exhibits: Prop O Budget A and Prop O Budget B) for the first nine Prop O projects were approved in 2007 prior to bond sale 1 in March 2008. These budgets were significantly higher than the amount of funds that were eventually available and in April 2008 the first budgets were presented showing the projects fully and partially funded by Prop O, Prop BB and State Funding (Exhibit: Prop O Budget C). The line item project budgets are indicated as fully funded, partially funded or waiting for future bond sale funding. In addition, the interim housing line item was used on some of the projects and needs to be distributed on a project by project basis. For purposes of this report such adjusted budgets will be referred to as the “initial” Prop O budgets.

Using this option, the Proposition O funding for each project would be the lesser of 1) the “initial” Prop O budget, or 2) the total project expenditures. Because of the recession, 2008-10 was an excellent time for bidding construction projects. Costs came in low and a few Prop O projects came in under the “initial” budget. For those projects, the remaining “initial” budget should be rolled over to a future project at the same site so that the site does not receive any less Prop O funding than the funding promised in 2008.

There may be other options for distributing the funds.

Summary

Staff has prepared the following options for discussion by the Facilities Subcommittee. Modification of the CFFP report and allocation of Prop O funds may be implemented at different times if more discussion is needed on one topic or the other.

- 1) CFFP report
 - a) Grouping of Prop O Projects (staff recommends this item in response to the performance audit)
 - b) Fiscal Year reporting (with or without funding sources)
 - c) Dropping completed projects when a new FY starts
- 2) Allocation of Prop O funds on the CFFP
 - a) First in/First out
 - b) Proportional at the time of expenditure
 - c) Matching (allocate state funds first)
 - d) Intent (allocate Prop O funds first)