

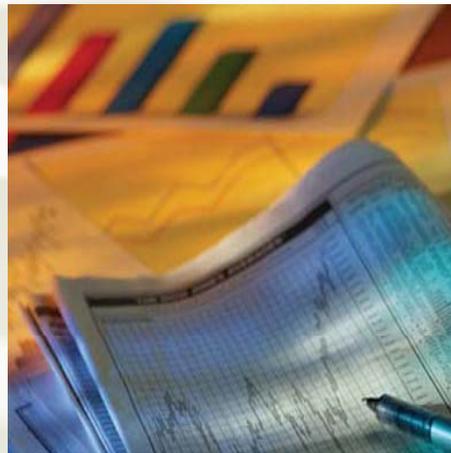
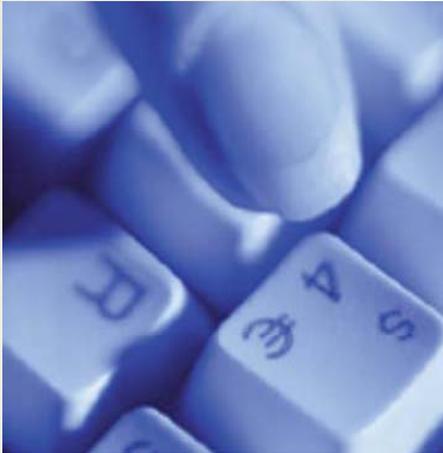
California Financial Services



Managing Projects Begins Organizing Information

Presented to Newark USD Bond Oversight Committee

June 12, 2012





Strategic Capital Facility Financial Management Software and Professional Support System

GOAL:

To assist in implementing a Strategic Capital Facilities Financial Management Software and Professional support system that will provide Newark USD with:

- ❖ Extensive information of the District's **overall school funding** program;
- ❖ Reporting tools to meet all your Board reports, Bond Oversight and other **compliance requirements**;
- ❖ Valuable management information and insight to **cash flow** and **funding needs**; and
- ❖ The smooth issuance of **future financings** by ensuring **compliance is maintained**.

 **CASBO Strategic Alliance Partner**



Strategic Capital Facility Financial Management Software and Professional Support System

A District's School Funding Program is Complex, Multi-Faceted and Dynamic



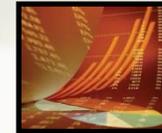
State Grants

- ❖ New Construction
- ❖ Modernization
- ❖ Financial Hardship
- ❖ Facility Hardship
- ❖ Overcrowding Relief
- ❖ Emergency Repair Program
- ❖ Joint Use
- ❖ Charter Schools
- ❖ Career Technical Education Grants



District Sources

- ❖ Voter Approved G.O Bonds
- ❖ Developer Mitigation
- ❖ Approved Community Facility District Bonds
- ❖ Redevelopment Agency Revenues
- ❖ Restricted Revenue Project Funds
- ❖ Federal & State Grants
- ❖ Asset Management



Interim Programs

- ❖ Bond Advancement Programs
- ❖ Adjustable & Fixed Rate Certificates of Participation
- ❖ Adjustable and Fixed Rate Lease Revenue Bonds
- ❖ Bond Anticipation Notes
- ❖ Lease-Purchase Financings
- ❖ Direct Placement Financings With LOC Banks



Strategic Capital Facility Financial Management Software and Professional Support System

Funding Sources are Generated Over Multiple Years Due to Unique Requirements

State Grants are Predicated Upon:

- ❖ Grant eligibility;
- ❖ DSA approved project construction plans;
- ❖ CDE plan approval;
- ❖ State Grant Application approval by SAB;
- ❖ Continuing voter-approval of State school bonds;
- ❖ State's timely issuance of school bonds;
- ❖ Districts timely award of construction contracts;
- ❖ Application for State fund release; and
- ❖ Receipt of State approved grants.

Issuance of G.O. Bonds Require:

- ❖ District Local Voter-approval;
- ❖ Adherence to Prop. 39 tax limitations;
- ❖ Reasonable growth in the District's assessed value;
- ❖ The District's financial ability to access capital markets; and
- ❖ Reasonable interest rates.

District Revenue is Dependent Upon:

- ❖ Mandated developer fee levies/ developer mitigation agreements;
- ❖ Tentative track maps for new development;
- ❖ Income from sale or lease of surplus District property;
- ❖ Rate of return on County PMIF & other invested funds;
- ❖ Redevelopment assessed value growth; and
- ❖ Availability of State and Federal Grant Funds & Eligibility.



Strategic Capital Facility Financial Management Software and Professional Support System

There is a Need for a Strategic, Comprehensive and Flexible System...

Situation

- ❖ A comprehensive multi-year facility program requires proper oversight & management
- ❖ Construction projects can be sporadic and temporary
- ❖ District's list of project priorities & budgets change
- ❖ Federal, State & financing compliance is **critical**

Complication

- ❖ Traditional District financial systems lack solutions to effectively track, manage, analyze & report on all aspects of a multi-year school funding program
- ❖ Districts lack the staff to handle the "peak" influx of sporadic and temporary construction projects
- ❖ Staff may be unaware of the various financial tools available to meet the resulting gaps in timing of funding to meet changing needs
- ❖ District staff has limited expertise and staff time to meet these new and additional compliance requirements

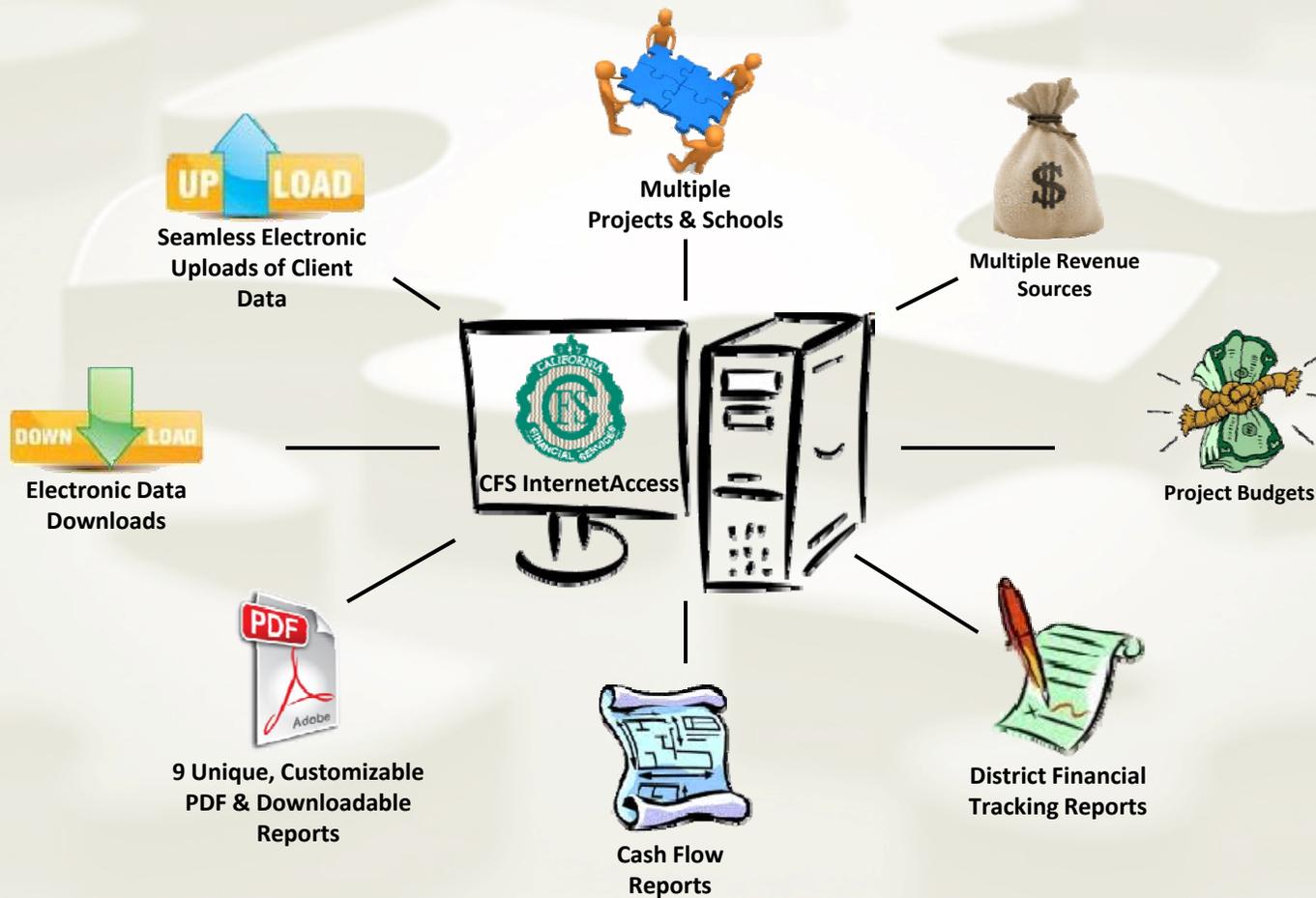
Solution

- ❖ *CFS InternetAccess*, can track multiple projects, across a myriad of revenue sources, over multiple years on a cumulative basis with essential and customized reporting
- ❖ CFS provides experienced facility planning staff support services during these bursts of construction activity
- ❖ CFS serves as a central source of information to the team to effectively manage these challenges so that State funding, bonding and building can continue as circumstances change
- ❖ CFS has the experience to meet these compliance requirements efficiently and effectively



Strategic Capital Facility Financial Management Software and Professional Support System

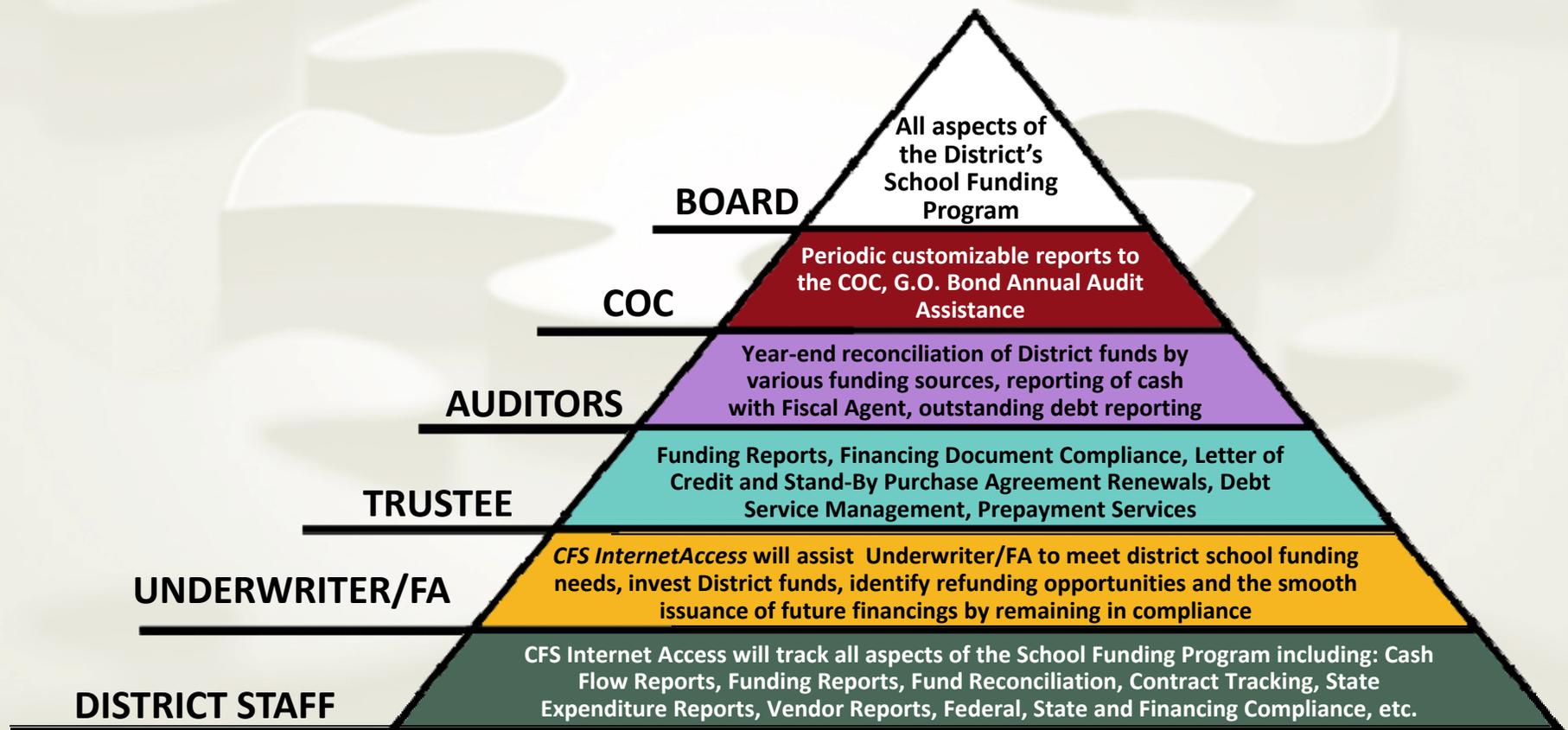
CFS InternetAccess is a Powerful Tool that Organizes Otherwise Scattered Information





Strategic Capital Facility Financial Management Software and Professional Support System

Customized Reports & CFS Services Meet the Entire Team's Needs





Strategic Capital Facility Financial Management Software and Professional Support System

Each Funding Component Has Its Own Critical & Time Sensitive Compliance Requirement

State Grant Compliance Requirements

- ☞ Annual OPSC expenditure reports;
- ☞ 18 month progress reports;
- ☞ OPSC project close-out assistance;
- ☞ Interest earned calculation and project proration; and
- ☞ Response to OPSC time-sensitive notices.

Financing Program Compliance Requirements

- ☞ Annual Continuing Disclosure Reports & filing;
- ☞ Notice of significant events reporting & filing;
- ☞ Arbitrage rebate report estimates and IRS filing reminders;
- ☞ Letter of credit renewal and compliance;
- ☞ Trustee & financing document compliance certificates; and
- ☞ Lease Agreement Insurance covenant compliance.

Local Program Compliance Requirements

- ☞ Board updates & annual reports;
- ☞ Non-profit Corporation meetings & reports;
- ☞ Citizen's Oversight Committee reports;
- ☞ Independent auditor reports; and
- ☞ G.O. Bond annual audits.



Strategic Capital Facility Financial Management Software and Professional Support System

Lack of a Strategic Funding Plan & Effective Compliance Monitoring Has Consequences

REQUIREMENT

Failing to Follow State Grant Guidelines

- ❖ Failure to meet OPSC regulations may result in full or partial loss of grants;
- ❖ Lack of filing State expenditure reports properly and on time may result in State grants being revoked or reduced; and
- ❖ Failing to comply with budgetary, expenditure and revenue restrictions results in the loss of financial hardship status, local funds or future grants.

Failing to File Continuing Disclosure Reports

- ❖ Default under the documents;
- ❖ Potential downgrade by the rating agencies;
- ❖ Potential increased interest cost;
- ❖ Potential loss of investor interest in future bonds; and
- ❖ Potential inability to issue municipal funding programs in the future.

Failing to Track & Plan for Arbitrage Rebate

- ❖ By not setting aside positive arbitrage, the District could have a potential liability against its General Fund or other local funding sources imposed by the U.S. Treasury;
- ❖ Potential loss of tax exemption and related lawsuit costs; and
- ❖ Potential IRS consequences & penalties.

CONSEQUENCE



Strategic Capital Facility Financial Management Software and Professional Support System

Extensive Reporting Tools Available

	School Board	District Administrators	Underwriter/FA	Bond Oversight	Auditors
Overall Program Summary Report	●	●	●	●	●
Project Overview Report	●	●	●	●	●
State Expenditure Report		●		●	●
Project Transaction Report		●			●
Encumbrance (Contract) Report		●		●	
Budget Report		●	●		
Vendor Report		●			
Funding Activity Report		●	●		●
Revenue (Cash Flow) Report		●	●		
Customized Data Reports*	●	●	●	●	●

*All report options can be customized multiple ways to provide exactly what the user needs



Strategic Capital Facility Financial Management Software and Professional Support System

Critical Tools and Expertise are Needed to Adapt to Changing Circumstances

How can CFS assist the District?

State grants are delayed/State is out of money



May require District to issue an interim funding program

G.O. Bonds authorization amounts or the timing of bond sales impact the ability to finish current projects



District may need to issue BANs or interim loans

Compliance with financing provisions



Preserve the District's reputation, avoid penalties and maintain the ability to enter capital markets and obtain the lowest possible interest rates

Positive overall District experience



Effective school funding program management will reduce staff overload, anxiety and resistance to creative financing structures

CFS InternetAccess and Services



Provide District with valuable management information and time –saving pre-set forms and reports that can be used for planning and for presenting information to auditors, school boards, Citizen' Oversight Committees, State agencies and administrators