

LOS ANGELES UNIFIED SCHOOL DISTRICT

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

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Joseph P. Buchman – Legal Counsel
Burke, Williams & Sorensen, LLP

Thomas A. Rubin, CPA
Oversight Committee Consultant

Gary C. Anderson, PhD
Bond Administrator

Daniel Hwang
Administrative Analyst

RESOLUTION 2014-21

BOARD REPORT NO. 503-13/14

**AMENDMENT TO THE FACILITIES SERVICES DIVISION AND INFORMATION
TECHNOLOGY DIVISION STRATEGIC EXECUTION PLANS TO ALLOCATE
MEASURE Y FUNDS TO TWO PROJECTS FINANCED BY CERTIFICATES OF
PARTICIPATION**

WHEREAS, On August 31, 2010, the Board of Education approved an amendment to the New Construction SEP that, among other actions, allocated bond funds to pay for a portion of the Certificates of Participation (“COPs”) debt service for the ISIS and CMS projects (BOE #33-10/11); and

WHEREAS, now that this four year fiscal period is ending, the District may fund the final four fiscal years of COPs debt service payments attributable to ISIS and the full prepayment of the debt service payments attributable to CMS; and

WHEREAS, Measure Y states in pertinent part—“Proceeds of the Bonds may be used to replace other sources of funding for projects contained on the Bond Project List, for example to refund certificates of participation, when such replacement or refunding is lawful and deemed by the District to be appropriate;” and

WHEREAS, District Staff proposes that the Board of Education approve an amendment to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to allocate \$20.9 Million of Measure Y funds to prepay a portion of the Certificate of Participation (“COPs”) issuance used for the already-defined Cafeteria Management System (“CMS”) project. The prepayment will be funded from the School Upgrade Program (“SUP”) Category of Need for modernizing and repairing school cafeterias; and

WHEREAS, District Staff proposes that the Board of Education approve an amendment to the Facilities Services Division (FSD) Strategic Execution Plan (SEP) to allocate \$12.7 Million of Measure Y funds from the Unallocated SUP Category of Need to the Technology and Infrastructure and Systems Upgrades Category of Need in the Information Technology Division SEP (“ITD-SEP”), which will be used, in turn, to defease a portion of the Certificate of

Bond Oversight Committee

RESOLUTION 2014-21

**AMENDMENT TO THE FACILITIES SERVICES DIVISION AND INFORMATION
TECHNOLOGY DIVISION STRATEGIC EXECUTION PLANS TO ALLOCATE MEASURE Y
FUNDS TO TWO PROJECTS FINANCED BY CERTIFICATES OF PARTICIPATION
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Participation (“COPs”) issuance used for the already-defined Integrated Student Information System (“ISIS”) project; and

WHEREAS, The defeasance and/or prepayment of portions of the 2007 COPs, Series A and 2009 COPs Series A is in compliance with the District’s Debt Management Policy – which specifies that the District’s General Fund should be the funding source of last resort for capital projects; and

WHEREAS, the ISIS and CMS projects that were funded by the proceeds from the 2007 COPs, Series A and 2009 COPs Series A were projects encompassed by the Measure Y Bond Project List which included authorization for hardware and software for information-technology applications.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The School Construction Bond Citizens’ Oversight Committee recommends that the Board of Education adopt an amendment to the Facilities Services Division Strategic Execution Plan to allocate \$20.9 Million of Measure Y funds to prepay a portion of the Certificate of Participation (“COPs”) issuance used for the already-defined Cafeteria Management System (“CMS”) project, and allocate \$12.7 Million of Measure Y funds from the Unallocated SUP Category of Need to the Technology and Infrastructure and Systems Upgrades Category of Need in the Information Technology Division SEP ("ITD-SEP"), as described in the Board Report No. 503-13/14, a copy of which is attached hereto in the form it was presented to the BOC and is incorporated herein by reference.
2. This resolution shall be transmitted to the Los Angeles Unified School District Board of Education and posted on the BOC’s website.
3. That a written response, as required by the Charter and Memorandum of Understanding between the District and the BOC shall be provided to the BOC within 30 days, reporting either action taken or proposed to be taken in response to this resolution and each recommendation herein.

ADOPTED on May 29, 2014 by the following vote:

AYES: 7

ABSTENTIONS: 0

NAYS: 0

ABSENT: 6

Pamela Schmidt

Pamela Schmidt
Vice-Chair

Quynh Nguyen

Quynh Nguyen
Secretary



LOS ANGELES UNIFIED SCHOOL DISTRICT

Board of Education Report

Report Number:	503-13/14
Date:	June 10, 2014
Subject:	Amendment to the Facilities Services Division and Information Technology Division Strategic Execution Plans to Allocate Measure Y Funds to Two Projects Financed by Certificates of Participation
Responsible Staff:	
Name	Megan Reilly, Chief Financial Officer Ronald Chandler, Chief Information Officer David Binkle, Director, Food Services Division Mark Hovatter, Chief Facilities Executive
Office/Division	Office of the Chief Financial Officer/ Informational Technology Division/Food Services Division and Facilities Services Division
Telephone No.	241-7888, 241-4906, 241-2993, and 241-4811

Action Proposed: Staff proposes that the Board of Education authorize the following actions:

- (1) Amend the Facilities Services Division Strategic Execution Plan ("FSD-SEP") to allocate \$20.9 Million of Measure Y funds to prepay a portion of the Certificate of Participation ("COPs") issuance used for the already-defined Cafeteria Management System ("CMS") project. The prepayment will be funded from the School Upgrade Program ("SUP") Category of Need for modernizing and repairing school cafeterias; and
- (2) Allocate \$12.7 Million of Measure Y funds from the Unallocated SUP Category of Need to the Technology and Infrastructure and Systems Upgrades Category of Need in the Information Technology Division SEP ("ITD-SEP"), which will be used, in turn, to defease a portion of the Certificate of Participation ("COPs") issuance used for the already-defined Integrated Student Information System ("ISIS") project; and
- (3) Delegate authorization to the Chief Financial Officer, or her designee, to take any and all necessary actions to complete the defeasance of the debt service payments of 2007 COPs, Series A attributable to the ISIS project and prepay the 2009 COPs, Series A attributable to the CMS project. The above-identified further allocations for these COPs defeasances and/or prepayments will come from the new general obligation debt issuance that is expected to be concluded this summer.



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Board of Education Report

Background:

On August 31, 2010, the Board of Education approved an amendment to the New Construction SEP that, among other actions, allocated bond funds to pay for a portion of the COPs debt services for the ISIS and CMS projects (BOE #33-10/11). At the time, the District's bond counsel advised that bond funds could only be used for portions of the COPs debt service payments through Fiscal Year 2013-14. Now that this four year fiscal period is ending, bond counsel advises that the District may fund the final four fiscal years of COPs debt service payments attributable to ISIS and the full prepayment of the debt service payments attributable to CMS.

The purpose of this Board action is to authorize the defeasance and/or prepayment of the remaining outstanding balances of the 2007 COPs, Series A attributable to ISIS and the 2009 COPs, Series A attributable to CMS, using funds from the new general obligation issuance expected to be completed this summer. Portions of those debt issuances not attributable to ISIS or CMS will continue to be paid by the General Fund and/or unspent project funds, as the underlying projects are not eligible to be funded from bond funds.

- ISIS COPs Defeasance. With respect to the ISIS portion of the debt issuance, a total of \$16.1 Million of remaining gross debt service payments are due from Fiscal Year 2014-15 through Fiscal Year 2017-18. This amount will be reduced to approximately \$12.7 Million at the time of the final debt service payment with the release of cash from the COPs debt service fund. Should this Board action be approved, \$12.7 Million of bond proceeds would be used to defease the remaining ISIS debt service payments, thereby providing an equivalent amount of General Fund savings over a three-and-a-half-year period.
- CMS COPs Prepayment. Under the terms of the 2009 COPs, Series A transaction, which funded the CMS and Newman Nutrition Center projects, the District may pay off the remaining balance of the COPs as of October 1, 2014. In order to prepay the CMS portion of the 2009 COPs, staff is recommending allocation of approximately \$20.9 Million of additional bond funds. This will provide an estimated \$4.1 Million in annual General Fund savings over a five-year period, through Fiscal Year 2019-2020.

Expected Outcomes: The further allocation of approximately \$20.9 Million and \$12.7 Million in bond funds, respectively, to defease and/or prepay a portion of each of the 2007 COPs, Series A and 2009 COPs, Series A debt issuances. This will achieve General Fund debt service savings of \$35.7 Million over the next four-to-five fiscal year period.



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Board of Education Report

Board Options and Consequences:

If this request is approved, a total of \$33.6 Million in Measure Y funds will be applied to reduce General Fund debt service costs and thereby reduce encroachment on the General Fund from capital projects. If this action is not approved, additional resources from the General Fund will need to be identified to continue to make debt service payments for the ISIS portion of the 2007 COPs, Series A (through Fiscal Year 2017-18) and the CMS portion of the 2009 COPs, Series A (through Fiscal Year 2019-2020.)

Policy Implications:

The defeasance and/or prepayment of portions of the 2007 COPs, Series A and 2009 COPs Series A is in compliance with the District's Debt Management Policy – which specifies that the District's General Fund should be the funding source of last resort for capital projects.

Budget Impact:

This action will lead to the further allocation of \$33.6 Million of Measure Y funds to defease and/or prepay a portion of each of the 2007 COPs, Series A and 2009 COPs, Series A debt issuances. Approximately \$20.9 Million will come from the allocation identified in the SUP to modernize and repair school cafeterias in the FSD-SEP. \$12.7 Million will be transferred from the Unallocated SUP Category of Need to Technology Infrastructure and System Upgrades in the ITD-SEP, which will be used, in turn, to defease the ISIS COPs. This action will achieve General Fund debt service savings of \$35.7 Million over the next four-to-five fiscal year period.

Issues and Analysis: N/A

Attachments: Resolution of the BOC.


☐ **Informative**

☐ **Desegregation
Impact Statement**




LOS ANGELES UNIFIED SCHOOL DISTRICT
Board of Education Report

Respectfully submitted,


DR. JOHN E. DEASY
Superintendent

APPROVED BY:



MICHELLE KING
Senior Deputy Superintendent
School Operations


APPROVED &
PRESENTED BY:



MEGAN K. REILLY
Chief Financial Officer


for DAVID BINKLE
Director, Food Services


RONALD CHANDLER
Chief Information Officer


MARK HOVATTER
Chief Facilities Executive

REVIEWED BY:


DAVID HOLMQUIST
General Counsel

☐ Approved as to form


TONY ATIENZA

Director of Budget Services and

Financial Planning

☒ Approved as to budget impact statement.