



Board of Education Report

File #: Rep-503-13/14, **Version:** 1

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

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

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.

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.

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 serve 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.

Informatives:

SCHOOL CONSTRUCTION BOND CITIZENS' OVERSIGHT COMMITTEE

Stephen English, Chair

L.A. City Controller's Office

Pamela Schmidt, Vice-Chair

Early Education Coalition

Quynh Nguyen, Secretary

LAUSD Student Parent

Scott Folsom, Executive Committee

Tenth District PTSA

Bill Brewington

Thirty-First District PTSA

Paul Escala

CA Charter School Association

Garrett Francis

Assoc. General Contractors of CA

Elizabeth Lugo

LAUSD Student Parent

Abigail Marquez

L.A. City Mayor's Office

Ron Miller

L.A. Co. Federation of Labor AFL-CIO

John Naimo

L.A. Co. Auditor-Controller's Office

Scott Pansky

L.A. Area Chamber of Commerce

Barry Waite

CA Tax Reform Assn.

Susan Linschoten (Alternate)

L.A. Co. Auditor-Controller's Office

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**BOARD REPORT NO. 503-13/14****AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN 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 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, 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 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

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**AMENDMENT TO THE FACILITIES SERVICES DIVISION STRATEGIC EXECUTION PLAN
TO DEFINE AND APPROVE FOUR PILOT/SMALL SCHOOL FACILITIES
RECONFIGURATION AND UPGRADE PROJECTS
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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.