



# Facility Planning, Construction, and Financing

**Kentucky Department of Education**

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# Kentucky Board Of Education Responsibilities

- ▶ **KRS 156.070(5) requires the KBE to establish a policy relating to capital construction and facility renovation. This policy is set forth in regulation at 702 KAR 4:180.**
- ▶ **702 KAR 4:180 Section 1 requires school districts to develop a local District Facilities Plan (DFP) once every four (4) years in accordance with the schedule set by the Commissioner of Education. The Kentucky Board of Education shall approve the DFP submitted by the district upon the recommendation of the Commissioner of Education.**
- ▶ **DFPs shall remain in effect until any changes have been approved by the Kentucky Board of Education. (702 KAR 4:180 Section 3).**



# District Facilities Branch

## 4 Staff Architects:

- ▶ Review DFPs (New and Amended)
- ▶ Review construction project documents
- ▶ Review real property acquisitions
- ▶ Surplus property



# District Facilities Branch, continued

- ▶ 95 Districts initiated 248 projects in 2017-18, with project costs estimated at \$605.66 Million.
  - 18 New Building Construction Projects
  - 46 Major Renovations
  - 21 Additions and 5 Relocatable Classrooms
  - 5 Guaranteed Energy Savings Projects
  - Remainder were Single System Replacements and Minor Projects

More that 1,300 projects are currently listed as active



# District Facilities Branch, continued



## Administer real property transactions:

- ▶ Site acquisition is administered under 702 KAR 4:050 Building sites; inspection, approval.
  - Requires a site visit, coordination with KYTC and receipt and review of multiple due diligence items (title opinion, appraisal, survey, geotechnical investigation, etc).
  - 84 site acquisitions were initiated in 2017-18
  - Approval is required by the KBE for site cost analysis survey and acquisition cost exceeding ten (10) percent of the maximum budget for the project.
- ▶ Disposal of surplus property, easements and leases are administered under 702 KAR 4:090
  - Requires request by the district, appraisal, review of associated documentation, advertisement, bids, etc.
  - In 2017-18, 54 surplus property matters, 14 lease agreements & 17 easement agreements were addressed.

# KBE's Role in the Planning Process

- ▶ The KBE reviews and approves:
  - New district facility plans
  - Amended district facility plans – where a major change has occurred affecting 2 or more facilities that has significantly changed the district's needs.



# Facilities Planning Process

- ▶ **The Kentucky School Facilities Planning Manual 702 KAR 4:180**
- ▶ **Provides process for districts to use in evaluating facilities**
- ▶ **Establishes format and priorities for district facility plan (DFP)**
- ▶ **Sets guidelines for cost analysis**
- ▶ **Provides submission requirements for new and modified DFPs**



# Local Planning Committee (LPC)

- ▶ Develops the DFP and serves as an advisory committee to the local board of education
- ▶ 10-20 members including; parents, teachers, building administrators, facilities directors, central office staff, local board members, local governmental building, code enforcement or planning officials and the school superintendent, who is a non-voting member.
- ▶ LPC examines the district's buildings, financial information, demographics and other information to develop a plan for addressing the districts construction needs. LPC's duties are set forth in the School Facilities Planning Manual.





# Local Planning Committee (LPC) Continued

- ▶ LPC works with architects/engineers in evaluating buildings and drafting DFP
- ▶ KDE staff reviews first draft of DFP and provides comment
- ▶ LPC and local board votes on DFP
- ▶ Public hearing is held on the DFP
- ▶ KBE is provided final DFP for approval



# The District Facility Plan (DFP)

The DFP is the basic planning document and is created every 4 years (8 years with waiver). It contains:

- ▶ Educational Program- District Plan of Organization
- ▶ Building Evaluation- School Center Designation
- ▶ Student Enrollment Projections
- ▶ Capital Construction Priorities and Discretionary Projects



# DFP's Capital Construction Priorities & Discretionary Construction Projects

- ▶ **Priority 1- Educational Projects to Begin within the Biennium**
- ▶ **Priority 2- Educational Projects Not Scheduled within the Biennium**
- ▶ **Priority 3- Non-educational Additions or Expansions**
- ▶ **Priority 4- Management Support Facilities**
- ▶ **Priority 5- Discretionary Construction Projects**



# DFP's Facility Cost Analysis

- ▶ The Planning Model sets out criteria to use for calculating replacement costs using R.S. Means national price guide
- ▶ The cost for new schools considers:
  - Demographics
  - Enrollment
  - Type of school (e.g., elementary, middle, high)
  - Model program spaces



# Kentucky Facilities Inventory and Classification System (KFICS)

- ▶ Goal establish a sustainable assessment process of the physical condition of school buildings using industry standard methodology
  - 2011 Parsons Report valuable, but now static data
  - Include processes (and tools) to collect, integrate, and maintain assessment data with facility planning and construction processes
  - Include Quality Assurance component for KDE to ensure data integrity and validate assessment results



# Facilities Construction Process

- ▶ **KRS 162.060** requires that the chief school officer shall examine or cause to be examined all plans and specifications for public school buildings in accordance with administrative regulations (702 KAR 4:160 and 702 KAR 4:170)
- ▶ **702 KAR 4:160 Capital Construction Process**
  - Establishes forms to be used by the districts and their architects throughout the construction process
  - KDE uses an automated workflow process- the Facilities Planning and Construction (FACPAC system to manage the workflow and keep the districts informed of the status of KDE's reviews
  - Beginning in April 2018, KDE adopted four tiers for construction projects that adapts the review to the risks inherent in a project (e.g., type, size and funding)



# Facilities Construction Process Continued

- ▶ **702 KAR 4:170 Facility Programming & Construction Criteria**
  - Requirements and functional relationships of site development elements
  - Minimum standards for each instructional space
  - General construction and performance criteria for various building elements and systems



# KBE's Role in Construction Process: Waiver Requests

KRS 156.160(2)(a) permits the KBE, at the request of a local board of education, to waive an administrative regulation when an alternative approach will achieve the same result, implementation of the regulation will cause a hardship on the district or jeopardize the continuation of a program or if there is a finding of good cause for the waiver.

- 702 KAR 4:180 – The Ky. School Planning Manual
  - ✓ Examples include number and size of classrooms; size of indoor physical education space
- 702 KAR 4:170- The Facility Programming and Construction Criteria Planning Guide
  - ✓ Examples include bleacher capacity; outdoor physical education space
- 702 KAR 4:050 Building sites; inspection, approval.
  - ✓ Approval is required by the KBE for site cost analysis survey and acquisition cost exceeding ten (10) percent of the maximum budget for the project.





# Facilities Funding Sources

- ▶ **School Facilities Construction Commission**
- ▶ **FSPK**
- ▶ **Capital Outlay**
- ▶ **General Funds**
- ▶ **General Assembly Appropriation for Urgent Needs**
- ▶ **Other**



# Funding for FY 2017-18 Facilities Projects

## ► Projected Source of Funds for the 248 Projects Initiated:

- Federal: \$2,492,656
- State: \$57,823,420
- Local: \$542,883,809
- External Partners: \$2,462,308



# SCHOOL FACILITIES CONSTRUCTION COMMISSION (SFCC)

- ▶ Separate state agency
- ▶ Provides funding to districts based on the facility need as identified in the DFP process and adjusted by the amount of local available revenue to determine the district's Unmet Need.
- ▶ Funding for this program is requested from the General Assembly by the Commission every two (2) years.
- ▶ "Unmet Need" of all districts is combined to create the State Unmet Need. As of October 2017, the aggregated "Need" in Kentucky was \$7.1 billion. The "Unmet Need" was \$6.4 billion.
- ▶ A portion of the total is funded by the General Assembly and each district is allocated money based on their percentage share of the total fund.
- ▶ SFCC funds can only be used on priority projects, based on their priority order; for example, priority 1 projects shall be completed prior to priority 2 projects. All projects within a numbered category (i.e., 1a through 1d) are considered equivalent and can be selected by the LEA in any order desired, subject to the approval of the Division of Facilities Management.



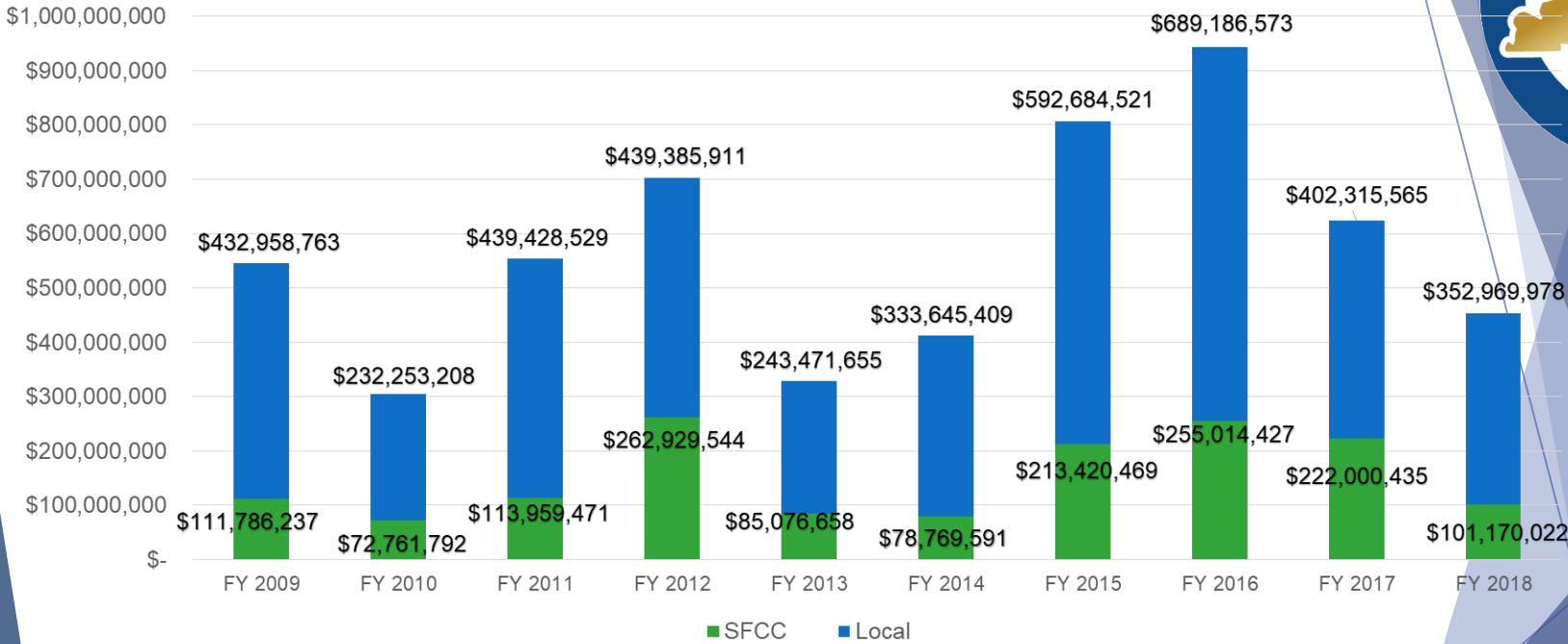
# History of the SFCC

- ▶ Since inception in 1985, the SFCC has participated in nearly 2,400 school bond issues, totaling \$11.7 billion. Of the total par amount, \$3.6 billion was supported by SFCC debt service payments and \$8.1 billion was supported by resources of the local school districts.





# Par Amount of Bonds Issued with SFCC Participation



# SFCC Offers of Assistance



To be eligible to receive an offer of assistance, a school district must:

1. Have a Kentucky Board of Education approved facility plan on file with the Department of Education;
2. Commit at least an equivalent tax rate of \$0.05 to facilities
3. On July 1 of odd-numbered years, restrict all available local revenue, as defined by KRS 157.615, to be used in accordance with the district's approved facility plan; and
4. Establish an unmet need by October 15 of each odd-numbered year

# Calculating SFCC Offers of Assistance



SFCC offers of assistance are determined by:

General Assembly's appropriation to SFCC multiplied by unmet need of the district expressed as a fraction of the state's total unmet need.

## School District A:

Student Enrollment: 2,636

Need per Student per Enrollment: \$18,317

2017 Need	Local Revenue	2017 Unmet Need	District %	Portion of Allocation	SFCC Offer of Assistance
\$48,284,735	\$1,864,468	\$46,420,267	0.73%	\$423,701	\$33,999

Bonding Potential of \$33,999 at 4% = \$462,058

# Bonding Capital Improvements

## Financing Team

- ▶ School District
- ▶ Kentucky Department of Education
- ▶ Fiscal Agent
- ▶ SFCC
- ▶ Rating Agency
- ▶ Paying Agent Bank
- ▶ Bond Counsel





# Computing Bonding Potential



- ▶ School Bonds are issued for a 20 year term. To determine a district's bond potential, you add the restricted funds and subtract current debt service payments. The remaining annual balance is available to finance a new project.

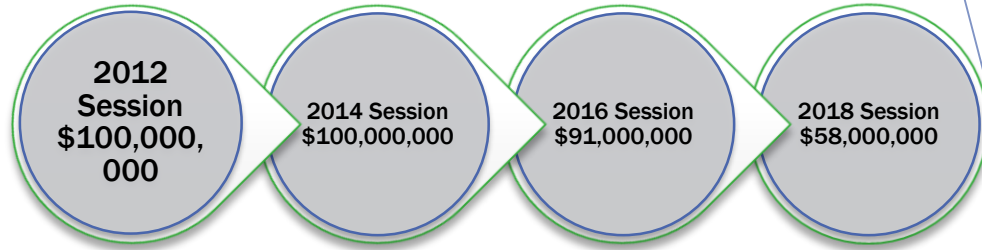
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— Current Debt Service Payments  
Funds to Bond New Project



# Factors that Affect Bonding Potential

## ▶ SFCC Offers of Assistance



- ▶ Interest Rates
- ▶ Retirement of Existing Debt
- ▶ ADA Fluctuation
- ▶ FSPK Funding (biennial increases in state match)

# School Building Revenue Bonds

- ▶ Preliminary Official Statement (Prospectus)
- ▶ Bond Rating is obtained
- ▶ Official Statement is distributed to underwriters
- ▶ Sale Day- Competitive Bidding

## Sample County School District \$5,090,000 School Building Revenue Bonds

Amount of Issue:	\$5,090,000	
SFCC	\$1,084,926	(\$77,029 in Debt Service Utilized)
School District	\$4,005,074	
Date of Sale:	8/1/2018	
Delivery Date:	8/21/2018	
Net Interest Cost:	3.59699%	First Coupon: 2/1/2019
Cover Bid:	3.61071%	First Call Date: 8/1/2028
Number of Bidders:	4	



