

# **Hillsborough City School District**

## **Measure B (2002) Citizens' Oversight Committee**

### **Introduction to Bond Accounting & Financial Reports**

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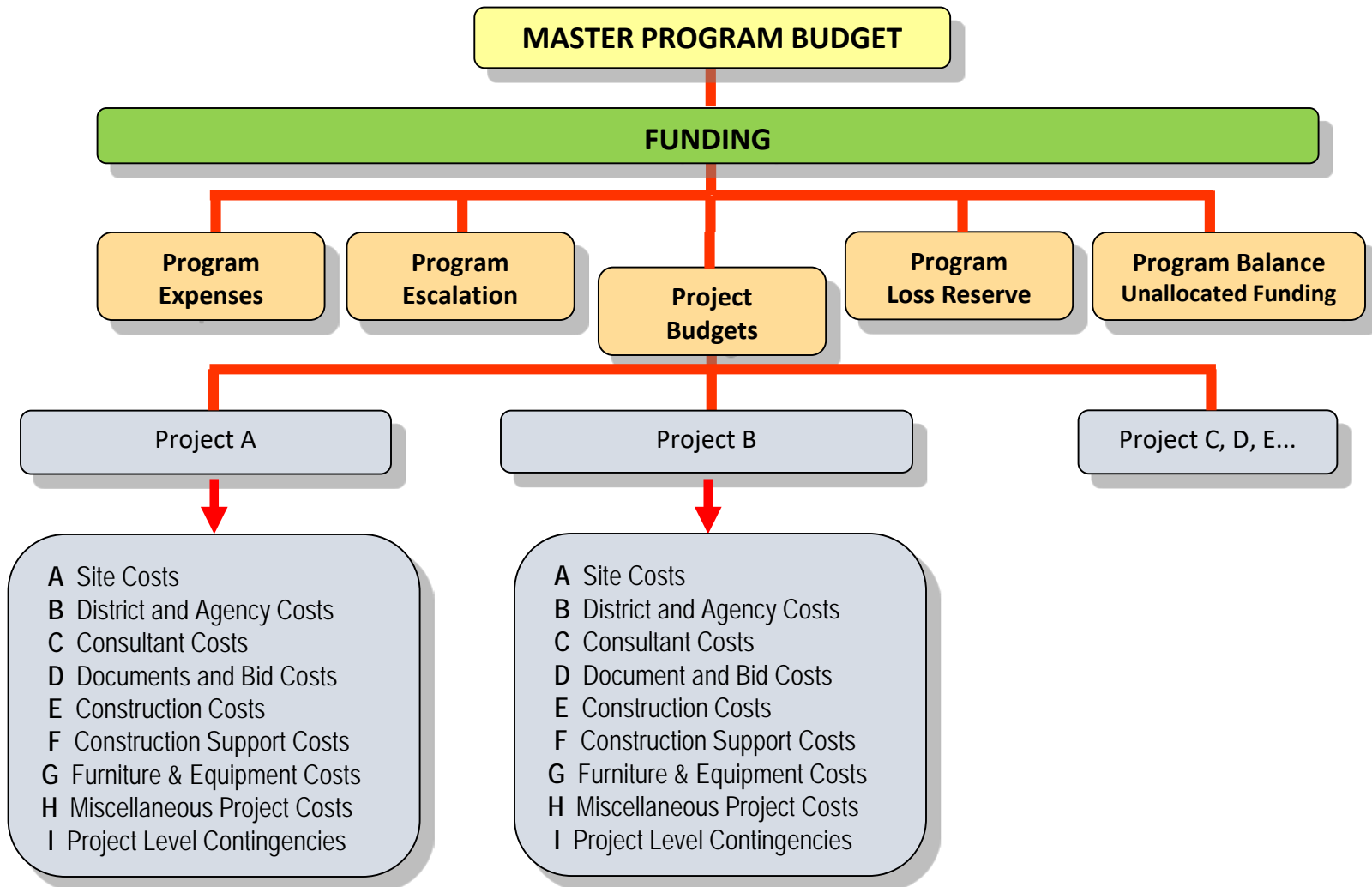
October 21, 2019

# Talking Points

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- Goals For This Meeting
- Format of a Typical COC Meeting
- Introduction to Bond Accounting
  - What is it and why is it important
  - Bond Program Accounting Structure – 6 Components
  - Sample Reports
- Committee Discussion
  - Reporting Needs and Format
  - Hard Copy vs. Electronic

# Bond Program Accounting Structure



# Program Expenses

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- Operating Expenses
  - Printing and Distribution
  - Advertising, Notices, Mailings
  - Communications
  - Bond Office Operating Expenses
  
- Consultants
  - Planning
  - Program Management
  - Budget Tracking and Reporting
  - Design Standards
  - Legal Fees
  - Bond Performance and Financial Audits

# Program Escalation Reserve

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- Escalation (Inflation)

“Inflation is when you pay fifteen dollars for the ten dollar haircut you used to get for five dollars when you had hair.”

Sam Ewing

- Cost of Time

- How to Calculate

- Apply escalation rates, compounding yearly, from the date of the last construction estimate through midpoint of construction
- Determine for each project individually based on construction schedule
- Add individual project escalation estimates together and report as one aggregate reserve

# Program Escalation Reserve

- Example

Escalation Rates		
	Yearly	Compounded
2015	4.0%	4.00%
2016	4.0%	8.16%
2017	6.0%	14.65%
2018	4.0%	19.24%
2019	4.0%	24.01%
2020	4.0%	28.97%
2021	4.0%	34.12%
2022	4.0%	39.49%
2023	4.0%	45.07%

15%  
Over Next 3 Years

29%  
Over Next 6 Years

## Cost to Build a New High School

Estimate Amount: \$60 Million

Last Estimate Date: 1-1-2015

Construction Duration: 2 Years

Start Construction 6-1-2015.....Escalation = \$ 2,573,000

Start Construction 6-1-2016.....Escalation = \$ 4,450,000

Start Construction 6-1-2017.....Escalation = \$ 6,384,000

# Program Loss Reserve (Contingency)

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- Additional safety net established to help mitigate cost overruns contributed to events that could not be otherwise reasonably anticipated
- Ensures projects can be delivered as promised
- District Controlled
- Amount based on size and complexity of Program
- Typically 3% - 5% of total project budgets
- Revised as projects are completed and risk reduced
- Examples
  - Termite Infestation
  - Lawsuit
  - Loss of Revenue

# Source of Funding for Facilities

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- General Obligation Bonds
- Interest Revenue on Bond Funds
- Developer Fees
- State Funding / Grants
  - Prop 39 Energy Savings Funding
  - School Facilities Program (SFP)
  - Charter School Funding
- Capital Fund Raising / Private Donations
- Bridge Financing
  - Certificates of Participation (COP)
  - Bond Anticipation Note (BAN)



# Program Balance – Unallocated Funding

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- Reflects the financial position of the overall Program
- A Calculation

Total Funding.....	\$ 92,150,000
Less:	
Total Project Budgets.....	- \$ 71,000,000
Program Expense Budget.....	- \$ 9,000,000
Program Escalation Reserve....	- \$ 10,000,000
Program Loss Reserve.....	- <u>\$ 2,130,000</u>
<b>Program Balance.....</b>	<b>\$ 20,000</b>

# Project Budgets

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- Are “Living” Documents – Expect Them To Change
  - Idea / Vision / Conceptual Budget
  - Board Approval
  - Initial Budget (use detailed list of potential costs)★
  - Architect Design Phase – Project Scope Refinement
    - SD – Schematic Design
    - DD – Design Development
    - CD – Construction Documents
  - Bid Day
  - Construction Phase
  - Project Close Out

# Project Budgets

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- Documented Budget Modifications
  - Funded from within the Project
    - Use of Contingencies
    - Reallocation between budget line items
  - Funded from outside the Project
    - Use of Program Escalation Reserve
    - Use of Program Loss Reserve
    - Use of Unallocated Funding (Program Balance)

# Sample Reports

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- Master Program Budget
- Project Budget Report
  - Budget Detail Report
  - Budget Modifications Detail Log
  - Fund Modifications Detail Log
- Program Expense Budget
- Committed Cost Summary Report
- Committed Cost Detail Report
- Project Expenditures by Fiscal Year Report
- Fund Balance Report



# Questions & Discussion

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- Reporting Needs and Format
- Electronic vs. Hard Copy

# Measure B (2002) Citizens' Oversight Committee

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**Thank You For Serving !**