THE OPSC

Advisory Actions 2002

Department of General Services
Office of Public School Construction

State Allocation Board Meeting: October 23, 2002
Issue Number 09

Executive Corner

The Office of Public School Construction (OPSC) is pleased to announce that at the October 23, 2002 State Allocation Board meeting, the Board apportioned over $226 million in Deferred Maintenance (DM) funds providing essential funding for the benefit of students across the State of California. School districts and their students rely heavily on this resource for both ongoing facility maintenance and critical hardship projects. For more information on this action and other DM issues, please refer to the Deferred Maintenance articles in this issue of the Advisory Actions.

The OPSC wants to assist districts that qualify for the DM Program and will provide the resources neccessary regarding the program attributes. A revised DM Handbook, a DM Hardship Flyer, and a CD with DM regulations and forms will soon be available to districts.

Maintaining our school facilities in peak condition is not only a practical and economically sound practice but it sends an important message to our students that they are special and valuable. . . . "Thank You" for taking excellent care of our public school facilities.

Sincerely,

Luisa M. Park, Executive Officer
Office of Public School Construction

Deferred Maintenance Annual Apportionment

On October 23, 2002, the State Allocation Board (SAB) approved the 2001/2002 Fiscal Year funding for the Deferred Maintenance (DM) Program.

Over 1000 districts received DM Program funding with the available State funds. The 980 non-hardship districts received a prorated basic apportionment of 89.57 percent and 44 districts received a maximum basic apportionment along with their extreme hardship apportionment. In order to receive these funds, County Offices of Education (COE) must certify to the Office of Public School Construction (OPSC) by December 23, 2002 that the school districts within their county and the COE have deposited the required funds to their DM Fund. In addition, districts with an extreme hardship apportionment have to submit the Fund Release Authorization, Form SAB 40-23, and all supporting documentation by October 24, 2003.

Please be advised that districts and COEs that do not deposit the maximum calculated basic amount into their DM Fund are required by law to submit reports to the Legislature by March 1, 2003. The report is to include a schedule of the deferred maintenance needs for the current fiscal year, an explanation of the district's spending priorities for the current fiscal year, and an explanation of how the district plans on meeting its current need without depositing the maximum amount calculated by the California Department of Education.

The COEs must complete and return the Certification of Deposits, Form SAB 40-21, by December 23, 2002. Districts and COEs that have not certified their deposits to the OPSC by December 23, 2002 are subject to having their State DM apportionment recinded. If you would like more information, please contact Roxana Saravia at: roxana.saravia@dgs.ca.gov / 916.323.3871.

DEFERRED MAINTENANCE PROGRAM FUNDS

	Value of Requests	State Funds Available	State Apportionment
Basic	$236,416,894	$211,997,152	$211,974,336
Extreme Hardship	14,853,131	16,878,589	14,853,131
Total	**$251,270,025**	**$228,875,741**	**$226,827,467**

You Received Deferred Maintenance Extreme Hardship Funds...

What's Next?

By Roxana Saravia
Deferred Maintenance Project Manager

Districts are encouraged to immediately proceed with their projects in order to mitigate the problem for the health and safety of students and staff, and to prevent further damage to the facilities. It is important that districts are aware that extreme hardship project work must comply with all applicable laws, specifically the Public Contract Code and the California Code of Regulations (Title 24). If a district is considering entering into an "emergency" contract, the district is encouraged to carefully consult with its legal counsel and County Office of Education (COE). As part of its normal audit review, the OPSC will be coordinating with the COE and verifying that the requirements in law for such contracts have been met.

Districts have one year from the date of apportionment to complete a project. The Fund Release Authorization, Form SAB 40-23, and all supporting documentation are required to be submitted, as listed on the form, to the OPSC within six months of the SAB apportionment date. If the fund release documents are not received within the six months, the district is required to submit a progress report to the OPSC containing a timeline of the project's progress and how the district plans to complete the project by the one-year timeline (refer to regulation sections 1866.5.7 & 1866.5.8). Once an extreme hardship project is complete, the district has two years from the date any funds were released to submit the Expenditure Report, Form SAB 40-24, and related documents to the OPSC for a final audit.

Since non-compliance to any applicable laws, regulations and/or policies jeopardizes State funding, the OPSC encourages the district to seek advice from their legal counsel before entering a contract. For additional information contact Rachel Wong at 916.445.7880 or Roxana Saravia at 916.323.3871. For information regarding the fiscal requirements, please contact Amalia Sanchez, Auditor, at 916.322.0296.

OPSC Reminders…

- **State Allocation Board Meetings***
  Wednesday, December 11, 2002
  2:00 p.m.
  State Capitol Room 4203

- **State Allocation Board Implementation Committee Meetings***
  Wednesday, December 4, 2002
  9:30 a.m. - 3:30 p.m.
  US Bank Plaza
  980 9th Street, 2nd Floor
  Sacramento, CA 95814

- **Interest Earned Report (Form SAB 180)**
  Due quarterly from each county for all districts that have earned interest from the Leroy F. Greene Lease-Purchase Fund.
  - March 31
  - June 30
  - September 30
  - December 31

- **Project Tracking Number**
  Project Tracking Number (PTN) required on specified forms effective October 1, 2001.

*Meeting dates subject to change. Check the OPSC Web site at www.dgs.ca.gov/opsc for latest dates and times.

Project Savings… Seems to be a Hot Topic in Town

By Charles Robertson
OPSC Auditor

The OPSC Audit Team is receiving an increasing number of questions about School Facility Program (SFP) project savings. This article provides you with a sampling of these questions and answers relating to project savings calculation, spending and tracking.

What is it and how is it calculated?

Savings are defined as the excess funds not necessary for the completion of a project from a district's approved grant (district and State share), including interest accrued on the State's share of the grant. The interest accrued on the district's share of the grant is retained by the district, but is not included in the calculation of the total project savings. Savings are usually achieved when the district receives a favorable low bid for the construction portion of the project and/or through disciplined prudent planning and spending. The funds determined to be savings must be kept or deposited into an appropriate restricted facility account until spent.

An example of how savings are determined is as follows:

Grant Approved for Project (Both District and State Share)	$ 2,000,000
Plus: Interest Earned on Project Funds	30,000*
Total: Approved Grant Plus Interest	2,030,000
Less: Total Eligible Project Expenditures	(1,720,000)
Equals: Total Savings	$ 310,000

*On the State's share

How can I spend it?

The law (Education Code 17070.63) provides that funds not needed for a project may be spent on other high priority capital outlay needs of the district. The district and/or its legal counsel determine what is defined as a "high priority capital outlay need"; however, the OPSC verifies savings are indeed spent on capital outlay needs. Another way of disposing of savings may be to apply the State's portion of any savings towards the district's matching share of a future SFP project of a like kind. For example, if savings are incurred on a modernization project, the State's share of savings may only be used towards the district's matching share of a future modernization project. Likewise, this applies to new construction project savings. The district's portion of the savings is not limited to a particular type of high priority capital outlay need.

How do I determine the State's and district's portion of savings?

The State's and district's portion of savings are proportionate to the funding split of the project applied to the total savings. The calculation of total savings is illustrated in the previous example in this article. Using this example, the savings would be as follows:

For a 50/50 new construction project:	
State's portion of the savings:	$155,000
District's portion of the savings:	$155,000
For a 60/40 modernization project:	
State's portion of the savings:	$186,000
District's portion of the savings:	$124,000

What if I am a financial hardship district?

If a financial hardship district incurs savings on a project, the savings amount must be returned to the State.

Does the OPSC track project savings?

You bet your bottom dollar! As savings are spent and the expenditures are made, the district is required to submit an Expenditure Report, Form SAB 50-06, with a Detailed Listing of Project Expenditures Worksheet (page 4 of the worksheet – Savings). The OPSC has developed a database to track the savings information for all applicable projects. The database is continually updated as new information becomes available for the purpose of posting or reducing the savings. The district continues to submit annual expenditure reports for the project until all savings are expended. Savings information is tracked until the district reports it has spent all the savings.

If you have questions regarding project savings or audits, please contact Lien Hoang, Audit Supervisor, at 916.322.0315 / lhoang@dgs.ca.gov, or Noe' Valadez, Audit Supervisor, at 916.322.7628 / nvaladez@dgs.ca.gov.

Design-Build

By Karen Sims
OPSC Project Manager

Design/Build: A procurement process in which both the design and construction of a project are procured from a single entity.

General Information

Assembly Bill (AB) 1402 became law on January 1, 2002. This law allows school districts to use Design/Build as an alternative delivery method for new construction and modernization projects that exceed $10 million.

To help school districts with the Design/Build process, the California Department of Education (CDE) has put together a guidebook. A district considering the Design/Build delivery method is required by AB 1402 to review these guidelines. The CDE guidebook is available on the CDE's website at www.cde.ca.gov/cdepress/downloads.html.

At the completion of a Design/Build project, a district must submit a report to the Legislative Analyst's Office (LAO) within 60 days. The information that must be reported to the LAO can be found in the CDE's guidebook.

Districts that are considering Design/Build should have a complete understanding of the process and understand the pros and cons of using this process. Remember, this is an alternative delivery method and may not be right for all districts and/or projects.

AB 1402 is designed to sunset on January 1, 2007.

OPSC Specifics:

Districts who choose to use the Design/Build delivery method and apply for State funding will be subject to all regulations of the School Facility Program (SFP) in effect at the time its application is submitted.

SFP Regulation Section 1859.51(i)(5), states that the baseline eligibility for new construction will be adjusted except "where the contract for the lease, lease-purchase, or construction was made no more than 180 days before the Approved Application date for funding of the classrooms included in the contract." Therefore, districts must be aware that when signing a contract with a Design/Build entity that, in essence, they are signing the construction contract at the same time as the contract for architectural services is being signed. It may be possible to construct the Design/Build contract in such a way as to avoid problems with the 180-day requirement. Please contact your Project Manager for details.

Districts who are considering Design/Build should consult with legal counsel.

Resources:

The CDE guidebook is available on the CDE's website at:
www.cde.ca.gov/cdepress/downloads.html.

Legislative Analyst's Office
925 L Street, Suite 1000
Sacramento, CA 95814
www.lao.ca.gov

Office of Public School Construction
1130 K Street, Suite 400
Sacramento, CA 95814
www.dgs.ca.gov/opsc

Department of Industrial Relations
770 L Street, Suite 1160
Sacramento, CA 95814
www.dir.ca.gov

Joint Use – "The Wave of the Future"

By Shelley Nishikawa
OPSC Multimedia/Publications

The Genevieve Didion K-8 School in Sacramento and the surrounding community are on the eve of an exciting development for both the school and the community: a new Joint Use Recreational Center. The center will be located on the school property, contiguous with a city park. This project is a model for Joint Use Partnerships with funding from the community, the Sacramento City Unified School District, the City of Sacramento's Department of Parks and Recreation, as well as funding from the State Allocation Board made available through Senate Bill 1795.

This recreational center will provide a much needed indoor area for the student body to assemble as well as a gymnasium for the students during their regular school day. The center will also provide space for musical and theatrical programs and after school activities, and will be used for many community activities for all ages. The activities to be held at the center will reflect the true meaning of joint use. "Utilizing schools as community centers is the wave of the future" - Ralph Pettingell, City of Sacramento Recreation Manager.

Luisa Park, OPSC Executive Officer; Diana Cowan, representing Assemblymember Darryl Steinberg; and Jim Sweeney, District Superintendent joined City Councilmembers, School Board members and community leaders for a groundbreaking ceremony in Sacramento.

Status of Funds

At the completion of the October 23, 2002 State Allocation Board Meeting

PROGRAM	BALANCE AVAILABLE AS OF 10.23.02
Proposition 1A	
New Construction	1.7
Modernization	0.0
Hardship	0.0
Facility Hardship (Reserved)	20.3
Subtotal	22.0
Prior Bond Funds	
Contingency Reserves	27.4
AB 191	1.7
Subtotal	29.1
Grand Total	51.1

Funds Released from Prop. 203 and Prop. 1A

Prior to the October 23, 2002 Agenda

TOTAL PROPOSITION 203

Apportioned	$1,978,903,479
Released/Contracted	$1,930,115,538
Balance	$48,787,941

TOTAL PROPOSITION 1A

Apportioned	$6,660,984,038
Released/Contracted	$5,941,739,409
Balance	$719,244,629

Construction Cost Indices

Lease-Purchase Program – Construction Cost Indices for October 2002

Class "B" Buildings	1.45
Class "D" Buildings	1.45
Furniture and Equipment	1.41
Historical Savings Index	8.25

Class "B" Buildings: Constructed primarily of reinforced concrete, steel frames, concrete floors and roofs.

Class "D" Buildings: Constructed primarily of wood.

Furniture and Equipment: An index based on an adjustment factor obtained quarterly from Marshall & Swift Company.

Historical Savings Index: An index derived quarterly from the SAB-approved new construction (growth) contract bids. It represents the percentage difference between the SAB/OPSC-generated construction allowance and the approved contract bid.

Copies of the applicable SAB actions, proposed regulations, and additional information can be located on the OPSC Web site at **www.dgs.ca.gov/opsc**. Should you have questions or need any additional information regarding the contents of this advisory, please contact your project manager.

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