

Welcome to MREA's Virtual Meeting on Long Term Facility Maintenance Plans

- The meeting will begin in a few minutes.
- To prepare please:
 - Do not show your video to conserve bandwidth
 - Mute your microphone
 - Have the MDE memo and documents from:
MDE >School Support>School Finance> Facilities and Technology
- To ask questions, please use the chat feature in the lower right. Please identify yourself and district.
- **Plan 75-90 minutes for this webinar**



Voice For Greater Minnesota Education

Closing the Facility Fallout: Long Term Facility Maintenance 10 Year Plans and Procedures

July 23, 2015

Thanks to Today's Presenters!

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Hosted by: Fred Nolan, MREA

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Long-Term Facilities Maintenance Revenue

Included in Final Bill:

- Adopts modified version of School Facilities Funding Working Group Recommendation, beginning in FY 2017:
 - Rolls current deferred maintenance, health and safety and alternative facilities revenues into new long-term facilities maintenance revenue program.
 - New long-term facilities revenue equals the sum of the product of:
 1. \$193 / APU for FY 17, \$292 for FY 18 , and \$380 for FY 19 and later, and
 2. the lesser of 1 or the ratio of the district's average building age to 35 years,
 - Plus the approved cost of indoor air quality, fire alarm and suppression, and asbestos abatement projects with a cost per site of \$100,000 or more.

Long-Term Facilities Maintenance Revenue

- The 25 large districts currently eligible for alternative facilities revenue continue to be eligible for revenue based on approved project costs, without a state-imposed per pupil limit.
- Members of intermediate districts and cooperatives may levy for proportionate share of intermediate / coop costs in addition to the regular allowance, with approval by school boards of all member districts.
- Equalized revenue is limited to \$193 / APU for FY 17, \$292 for FY 18 , and \$380 for FY 19 and later.
- Districts may choose to issue bonds for the program, levy on a pay as you go basis, or a combination of the two.
 - This is a reserve account
 - Health and Safety already entered will be rolled old law revenue

Long-Term Facilities Maintenance Revenue

- For purposes of calculating equalization aid, the ANTC is reduced by 50% of the value of Class 2a Agricultural land.
- The aid / levy mix for the equalized portion of the revenue is calculated using an equalizing factor of 123% of the state average ANTC / PU, calculated using the 50% exclusion for ag land.
- Levy equalization for the program is the same regardless of whether the district chooses to issue bonds or make an annual pay-as-you-go levy. Debt service levies under the program are excluded from regular debt service equalization.
- All districts are guaranteed to receive at least as much revenue and at least as much state aid as they would have received under existing law.

Hold Harmless Mechanics

- LTFM Revenue = Greater of:

New Law:

1. Initial Formula Revenue (\$193/pu)
2. Added Revenue for H&S Projects > \$100,000
3. Existing debt service for large H&S projects

OR

Old Law:

1. Old Deferred Maintenance formula revenue
2. Old law H&S revenue for FY 2017 projects
3. Old law H&S revenue for >\$500,000 approved projects
4. Old law Alternative Facilities Pay-as-you-go revenue
5. Old law existing debt service for Alternative Facilities/H&S

LTFM Revenue may be used for:

- (1) Deferred capital expenditures and maintenance projects necessary to prevent further erosion of facilities;
- (2) Increasing accessibility of school facilities; or
- (3) Health and safety capital projects under section 123B.57

(b) A charter school may use revenue under this section for any purpose related to the school

In essence: Replacing Like with Like

LTFM Revenue may NOT be used:

- (1) for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classroom
- (2) to finance a lease purchase agreement, installment purchase agreement or other deferred payments agreement
- (3) for energy-efficiency projects under section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or
for a purpose unrelated to elementary and secondary education; or
- (4) for violence prevention and facility security, ergonomics, or emergency communication devices

10 Year Plan LTFM Timeline (2015)

- District Plan Documents Received by MDE by 8/14
- MDE preliminary review
- Revenue, aid and levy to be on preliminary levy certification back to districts 9/8
- Plan adopted by School Board prior to 9/30
- Evidence of Board Adoption to MDE by 9/30
- Commissioner provides approval of 10 yr plan
 - Districts may adopt plans in Sept without meeting 8/14 deadline—Impact will not be on prelim levy

Documents due to MDE by 8/14 for Pay '16 Levy & FY '17 Funding

- 2 Spreadsheets (Expenditures and Revenue)
- Statement of Assurances
- Board Minutes adopting 10 year LTFM Plan
(Evidence of Bd action must be submitted by 9/30)
- Bond need more documentation
- Narratives for larger projects
- Send to School Finance Division:

mde.facilities@state.mn.us

10 Year Application Expenditures Spreadsheet

- 10 Year Long Term Facility Maintenance Projection
 - (spreadsheet found on MDE Facilities and Technology webpage)
- Four major categories of expenditures:
 - Health and Safety (6 sub categories)
 - Health and Safety > \$100K (3 sub categories)
 - Accessibility (1 sub category)
 - Deferred Capital and Maintenance (9 sub categories)
 - Total of 19 sub categories X 10 years =190 cells

Let's look at application—Please type questions in chat window

Narratives are Required for:

- Health and Safety projects >\$100K
 - Indoor air quality
 - Asbestos abatement
 - Fire alarm and suppression
- Deferred Maintenance Projects over \$2M

10 Year Revenue Projections Spreadsheet

- Ten Year Long Term Facility Maintenance Projection (MDE Facilities and Tech page)
 - This spreadsheet projects districts' 10 year revenue for each of the 10 years
 - MDE has “seeded” this estimate based on a number of factors in your revenue history

Let's look at a district's projection sheet.
—Please type questions in chat window

LTFM Ten Year Revenue Projection

Long-Term Facilities Maintenance (LTFM) Revenue Projection		Revised 7/21/20	
1	<= Type in School District Number		
	AITKIN PUBLIC SCHOOL DISTRICT		
<i>Calculations for Ten Year Projection</i>			
		FY 2017	FY 2018
1	Type your district number in cell A2 (Minneapolis = 1.2)		
2	Type health and safety and alternative facilities project and bond estimates in lines 14, 16 to 18, 21, 26, 27 and 50		
3	Type debt excess, intermediate/coop district, and revenue reduction data in lines 13, 15, 23, 31, and 33		
4	Look-up data from following tabs		
5	Initial Formula Revenue		
6	Current year APU	1,281.40	1,257.60
7	District average building age (uncapped)	47.57	48.57
8	formula allowance	\$ 193.00	\$ 292.00
9	building age factor = (Lesser of (7) / 35 or 1)	1.00000	1.00000
10	initial revenue = (6) * (8) * (9)	\$ 247,310.20	\$ 367,219.20

LTFM Ten Year Revenue Projection

11	Added revenue for Eligible H&S Projects > \$100,000 / site		
12	Debt service for existing Alt facilities H&S bonds (1B) - gross before debt excess	-	-
13	Debt Excess related to Debt service for existing Alt facilities H&S bonds (1B)	-	-
14	Debt service for portion of existing Alt facilities bonds from line (22) attributable to eligible H&S Projects > \$100,000 per site (1A)	-	-
15	Debt Excess related to Debt service for portion of existing Alt facilities bonds attributable to eligible H&S Projects > \$100,000 per site (1A)	-	-
16	Pay as you go levy for FY 2016 and earlier Alt Facilities H&S projects financed over more than one year	-	-
17	Debt service for LTFM bonds for eligible new H&S projects > \$100,000 / site	-	-
18	Pay as you go revenue for eligible new H&S projects > \$100,000 / site	-	-
19	Total FY 17 revenue for eligible H&S projects >\$100,000 / site (12) - (13) + (14) -(15) + (16) + (17) + (18)	-	-

LTFM Ten Year Revenue Projection

20	Old Formula revenue		
21	Old formula H&S revenue (estimated annual costs for all eligible projects < \$500,000)	-	-
22	Old formula alt facilities debt revenue (1A) - gross before debt excess	-	-
23	Debt Excess allocated to line 22	-	-
24	Old formula alt facilities debt revenue (1A) - debt excess	-	-
25	Old formula alt facilities debt revenue (1B) = (12) - (13)	-	-
26	Old formula alt facilities pay as you go revenue (1A)	-	-
27	Old formula alt facilities pay as you go revenue (1B)	-	-
28	Old formula deferred maintenance revenue = (if (22) + (26) = 0, (10) * (\$64 / \$193))	82,009.60	80,486.40
29	Total old formula revenue = (21)+(24)+(25)+(26)+(27)+(28)	82,009.60	80,486.40
30	Total LTFM Revenue for Individual District Projects = (Greater of [(10) + (19)] or (29))	247,310.20	367,219.20
31	LTFM Revenue for District Share of Eligible Cooperative / Intermediate Projects (Unequalized)	-	-
32	Maximum LTFM Revenue (30) + (31)	247,310.20	367,219.20
33	District Requested Reduction from Maximum LTFM Revenue (to levy less than the maximum). Also enter this amount in the Levy Information System	-	-
34	Grand Total LTFM Revenue (32) - (33)	247,310.20	367,219.20

LTFM Ten Year Revenue Projection

Aid and Levy Shares of Total Revenue			
		2014	2015
35	For ANTC & APU, three year prior date		
36	Three year prior Ag Modified ANTC	15,915,526	16,552,147
37	Three year prior Adjusted PU (New Weights)	1,368.32	1,325.80
38	ANTC / APU = (36) / (37)	11,631.44	12,484.65
39	State average ANTC / APU with ag value adjustment	7,227.83	7,413.65
40	Equalizing Factor = 123% of (39)	8,890.23	9,118.79
41	Local share of Equalized Revenue (lesser of 1 or (38) / (40))	100.00%	100.00%
42	State share of Equalized Revenue (1 - (41))	0.00%	0.00%
43	Equalized Revenue (lesser of (34) or (6) * (8))	247,310.20	367,219.20
44	Initial LTFM State Aid (42) * (43)	-	-
45	Old formula Grandfathered Alternative Facilities Aid	-	-
46	Total LTFM State Aid (Greater of (44) or (45))	-	-
47	Total LTFM Levy (34) - (46)	247,310.20	367,219.20

LTFM Ten Year Revenue Projection

48	Debt Service Portion of Revenue		
49	Subtotal Debt Service Revenue from above = (12) - (13) + (17) + (24)	-	-
50	Additional Debt service for LTFM bonds issued for a portion of initial formula revenue on line 10	-	-
51	Total Debt Service Revenue = (49) + (50)	-	-
52	Equalized debt Service Revenue (lesser of (43) or (51))	-	-
53	Unequalized Debt Service Revenue and Levy = (Greater of zero or (51) - (50))	-	-
54	Debt Service Aid = (52) * (42)	-	-
55	Equalized Debt Service Levy = (52) - (54)	-	-
56	General Fund Portion of Revenue		
57	Total General Fund Revenue = (34) - (51)	247,310.20	367,219.20
58	General Fund Equalized Revenue = (43) - (52)	247,310.20	367,219.20
59	General Fund Equalized Levy = (58) * (41)	247,310.20	367,219.20
60	Total General Fund Aid = (58) - (59)	-	-
61	General Fund Unequalized levy = (57) - (58)	-	-
62	Total General Fund Levy = (59) + (61)	247,310.20	367,219.20

STEPS AT THE DISTRICT LEVEL

What do you do in the next three weeks to fill in the 190 cells

The List

- Health and Safety Expenditures
 - Yearly (347, 352, 358, 363, 366, 367)
 - Special Projects
- Deferred Maintenance
 - Envelope (Roofing, Tuckpointing, Windows, Doors, Footings and Foundations)
 - Interior (Flooring, Painting, Doors)

The Rest of the Story

- Mechanical
 - Electrical
 - Lighting
 - Plumbing
 - HVAC
 - IAQ
 - Commissioning



The Plan

- Timeline for Expenditures (Ideal)
- Estimated Costs
- Review Revenue Projections
- Other Revenue Sources
- Adjust to Get the Job Done (Realistic)
- Complete 10 year Plan
- Revise Annually
- Submit bi-annually (at a minimum) to MDE

Items a Facilities Consultant can assist a District with

- Facility Study – Building Tours and Documentation of Deferred Maintenance items, Accessibility, and Health & Safety items
- Preliminary Cost Estimates and Schedule Phasing Plans
- Developing / building / updating 2yr and 10yr facility plans
- Engage Early in the process to get the most value

Assemble an LTFM Team for Long Haul

- Your applicable district personnel
- School Board
- Financial Advisor
- Facilities Consultant
(Engineering/Construction Management)

“LTFM is an important but complicated tool which closes to large degree one aspect of the Facility Fallout. Rural Districts need to use LTFM wisely and be accountable.”

Fred Nolan, MREA Exec Director

Should a District want to issue Bonds either in initial plan or in a future year

- Districts must supply MDE the following:
 - A table with projects to be funded with bonds
 - A bond schedule
 - A table comparing payments with revenue
 - Revenue must exceed payments
 - If the bond is a mixed issue, then LTFM must be separated from other categories
 - Bonds should be issued prior to levy certification if possible, not required

Cooperatives' Process

- Ed Districts, Voc Centers, Intermediates, Service Coops, Regional Management Centers are all eligible for LTFM
- Coop must meet all district requirements for 10 year plan and assurances
- Each member district, by resolution, transfers a proportionate share of its LTFM revenue to the cooperative
- This revenue is over and above district revenue if district uses its full equalized \$

FY '16 Health and Safety Closeout

- All remaining levy authority adjustments are to be made in FY '16 (see memo)
- July 24 deadline to make adjustments to levies for FY 16 and 17 (tomorrow)
 - **Submit to MDE:**
 - Documentation of School Board adoption of Health and Safety Policy
 - FY '15 and '16 health and safety budgets by Fin Code

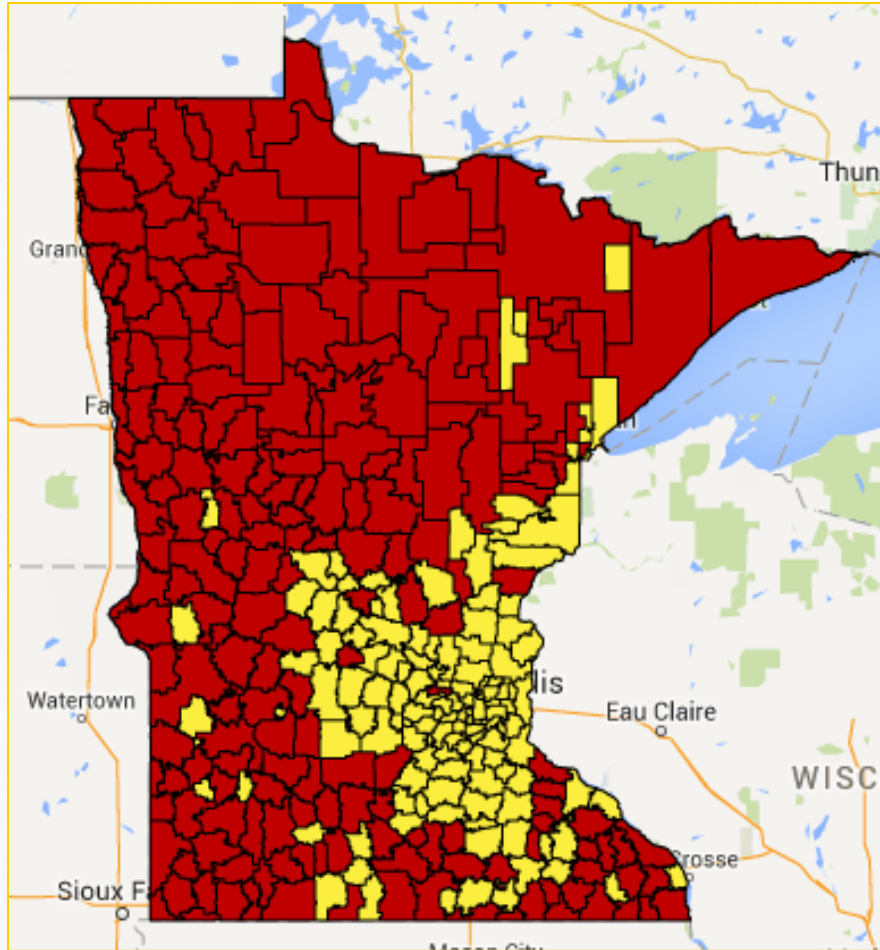
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Thanks to MREA Members!



**Serving 199
school districts
as well as the
education districts
and service
cooperatives in
Greater Minnesota.**

**2015/16 renewals have been emailed
to sups, and paper copies mailed.**

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- Craguns
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 - The practical-how to get high quality
 - The research-the early brain development
 - The economic benefit-to community & region
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Thank You, Feel Free to Contact MREA

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