
PROJECT FINANCING MEMORANDUM

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Owner: Operations – Finance

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APPLIES TO

All Eligible Schools under the Accelerated Urban Assistance Program

Options for Raising the Local Share

School Districts may use the following resources to raise all or part of the local share of the project cost:

- A. Bond Issue
- B. Permanent Improvement Tax
- C. School District Income Tax
- D. Local donated contribution, including an irrevocable letter of credit and cash-on-hand
- E. Lease/Leaseback Agreement

Bond Issue

A School District may issue bonds in an amount equal to the local share of the project cost. The form of the ballot to be used is contained in R.C. Section 3318.06. The amount of the bond levy is limited to the local share of the project, plus the cost of land acquisition.

Permanent Improvement Tax and School District Income Tax

A School District may apply the proceeds of either a previously authorized (or newly authorized) property tax that is levied for general ongoing permanent improvements or a previously authorized (or newly authorized) income tax or a combination of such proceeds to leverage bonds in an amount equivalent to "all or part of" the bond issue and tax levies otherwise required for participation in the Accelerated Urban Program (See R.C. Sections 133.06, 3318.052, 3318.06, and 3318.08).

The earmarking of such tax proceeds for that purpose may be done without voter approval if the proceeds may lawfully be used for general classroom facilities acquisition and maintenance.

Donated Local Contribution

A School District may apply any local donated contribution toward the local share of the project cost and thus reduce the amount of bonds the district otherwise must issue under the Accelerated Urban Program (See R.C. Section 3318.084). "Local donated contribution" means any of the following:

(1) Any moneys irrevocably donated or granted to a school district board by a source other than the state which the board has the authority to apply to the school district's project under sections 3318.01 to 3318.20 of the Revised Code and which the board has pledged for that purpose by resolution adopted by a majority of its members;

(2) Any irrevocable letter of credit issued on behalf of a school district which the school district board has encumbered for payment of the school district's share of its project under sections 3318.01 to 3318.20 of the Revised Code that has been approved by the commission in consultation with the department of education;

(3) Any cash a school district has on hand that the school district board has encumbered for payment of the school district's share of its project under sections 3318.01 to 3318.20 of the Revised Code that has been approved by the commission in consultation with the department of education, including the following:

(a) Any year-end operating fund balances that can be spent for classroom facilities;

(b) Any cash resulting from a lease-purchase agreement that the school district board has entered into under section 3313.375 of the Revised Code, provided that the agreement and the related financing documents contain provisions protecting the state's superior interest in the project.

(4) Any moneys spent by a source other than the school district or the state for construction or renovation of specific classroom facilities that have been approved by the commission as part of the basic project cost of the district's project. The school district, the commission, and the entity providing the local donated contribution under division (C)(4) of this section shall enter into an agreement identifying the classroom facilities to be acquired by the expenditures made by that entity. The agreement shall include, but not be limited to, stipulations that require an audit by the commission of such expenditures made on behalf of the district and that specify the maximum amount of credit to be allowed for those expenditures. Upon completion of the construction or renovation, the commission shall determine the actual amount that the commission will credit, at the request of the district board, toward the district's portion of the basic project cost, any project cost overruns, or the basic project cost of future segments if the project has been divided into segments under section 3318.38 of the Revised Code. The actual amount of the credit shall not exceed the lesser of the amount specified in the agreement or the actual cost of the construction or renovation.

Before the Commission executes a Project Agreement for a segment, any local donated contribution for that segment must be placed in the Project Construction Fund. The application of cash, operating fund balances, or a letter of credit must be approved by the Commission in consultation with the Department of Education.

All local resources for the project must first be deposited in the Project Construction Fund required under R.C. Section 3318.08. Auditor of State Bulletins 99-004 and 2001-007, which are posted on the Commission's website, provides requirements for fund management and accounting.

For audit purposes, the Commission requires evidence of the local share. The Commission will accept a deposit statement certified by the banking institution and a certification of local funds by the School District Treasurer as acceptable evidence.

Lease-Purchase Financing

A school district may use lease-purchase financing for their local share on OFCC projects. This is based on the reference in the ORC 3318.084 definition of cash on hand to specifically include proceeds from 3313.375 and require protection of the state's investment in the facility during the period of time in which the state has an interest. This would prevent remedy of a lease-purchase financier taking the property during this time period.

One Year Eligibility

The Commission reserves funds for the state share of a project for thirteen months from the date of Controlling Board conditional approval of the project per R.C. Section 3318.04. If a School District has not obtained its local share and maintenance fund requirement during that one-year period, the state funds are reallocated to other projects. At any point in the future when the School District obtains the local share and maintenance fund requirement, it may notify the Commission and become eligible for allocation of the state share from the next available funding source.

The procedures approved by the Commission to allocate state funds to districts whose thirteen-month conditional approval has expired are as follows: 1) upon district notification that the district has secured the local share amount required for the project, including the maintenance fund requirement, a determination will be made whether state funds are available, 2) if state funds are available from current appropriations, the Commission will seek the approval of the project and the release of state funds from the Ohio Controlling Board, 3) if the determination is that funds are not available from current appropriations, the project will be placed on a special priority list to receive state funds from the next available appropriation made by the General Assembly for classroom facility projects.

Options for Raising the ½ Mill Maintenance Requirement

Districts participating in the Accelerated Urban Program are required to pass or provide the equivalent of a ½ mill levy for a period of 23 years for maintenance of the completed facilities, pursuant to R.C. Section 3318.05. Any amount required for maintenance shall be deposited into a separate fund established by the School District for purposes of maintaining the new facility.

If a School District has in place a tax levied for general ongoing permanent improvement of at least 2 mills, it can earmark from the proceeds of that tax an amount equivalent to the ½ mill requirement. A School District may also use proceeds from a School District income tax to provide all or part of the ½ mill requirement (See R.C. Section 3318.052), or apply any local donated contribution (see R.C. Section 3318.084) No state funds will be released until the School District certifies that it has either levied the ½ mill tax or earmarked proceeds of a permanent improvement, income tax, or local donated contribution.

Breaking Urban Projects into Segments

A School District may, with the approval of the Commission, opt to divide the project into segments to be completed consecutively, pursuant to R.C. Section 3318.38(B)(3). A School District may seek voter

approval of any necessary tax levies of each segment separately. The amount the district is required to deposit in the Project Construction Fund is limited to the amount needed for the upcoming segment.

The Master Facilities Plan and the Project Agreement shall specify the segmenting of the project, including the number of segments, the cost and timeline for each segment, the facilities to be addressed in each segment and the time and manner for revising the plan. Revisions shall include updates to enrollment projections, Design Manual updates, and cost calculation updates.

The Master Facilities Plan will present an estimate of the total project cost presented in 2002 dollars.

As each additional project segment is initiated the scope will be updated to reflect a revised enrollment projection, revisions to the project cost resulting from changes in scope, cost of construction and Design Manual standards.

Budget Increases

Once a project budget has been established and approved by the School District, the Commission and the Ohio Controlling Board, all attempts will be made to stay within the budget. Should an increase become necessary, project interest dollars will be the first source of funding. If interest earnings are insufficient, the Commission and the School District are required by law to share any increase in the total project budget in proportion to their respective contributions to the Project Construction Fund, pursuant to 3318.12 and 3318.083, ORC.

Locally Funded Initiatives

A School District may choose to add to the scope of any project and separately fund a scope of work ("Local Initiative"). Examples include an auditorium, joint use community spaces, additional classroom square footage, and athletic facilities. A School District may request the Commission to approve the incorporation of the design and construction of a Local Initiative into the overall project. The Commission will generally approve the incorporation of Local Initiatives involving improvements to the classroom facilities. Whenever a Local Initiative is interconnected with the project funded by the Commission, a Memorandum of Understanding will be executed by the School District and the Commission before bidding the work to specify the additional cost and the terms and conditions for accounting for the cost. The Commission may approve contracts and change orders related to the Local Initiative so long as the financial accounting of moneys to fund the Local Initiative are maintained and accounted for separately and distinctively from the project and the Project Construction Fund.

The School District shall plan for design and management services for the Local Initiative. If the School District elects to utilize the Architect selected for the project as provided in the Master Facilities Plan, the School District will prepare an appropriate Amendment for the Architect's services.

Receiving Funds from the Commission

The Commission may begin making deposits to the School District's Project Construction Fund immediately after execution of the Project Agreement. Deposits will be made quarterly, based on the projected expenditure needs for the project in the upcoming quarter. Payment requests will be made using the Drawdown Tool process.

Audits and Close-Out

A School District shall provide a copy of its annual financial audit to the Commission and cooperate with any additional audit activities the Commission requests.

The project financial closeout activities include two phases. The first phase occurs one month after occupancy of the final building within a segment. This phase includes completion of all closeout documents with estimated numbers and a listing of any outstanding financial issues. The second phase occurs no more than eleven months later, and includes completion of all closeout documents with actual numbers. Closeout documents include the final Drawdown Spreadsheet, the closeout calculator (including disposition of any funds remaining in the Project Construction Fund) and a Certificate of Completion of the Project Agreement.

The closeout process includes completion of a Maintenance Plan, to be approved by the Commission. The Maintenance Plan lists actual and projected revenue into the Maintenance Fund (from the ½ mill levy or alternative funding source) and projected expenditures. A School District is required to have the approval of the Commission of a Maintenance Plan for each completed facility before expending moneys from the Maintenance Fund.