

Bond Oversight Committee

June Update

Denver Public Schools

June 21, 2013



Discover a World of Opportunity™

Agenda

- Committee charter (15 minutes)
- Financial Update (5 minutes)
- Project Prioritization Methodology (10 minutes)
- Diversity Programs (15 minutes)
- 1860 Lincoln Project (10 minutes)
- Sustainability (15 minutes)
- Next meeting agenda (10 minutes)

Meeting Requirements of Ballot Measure

	Ballot Language	Transaction – December 19, 2012
Par Amount of Bonds	\$466 million	\$444.6 Million
Maximum Repayment Cost	\$738 Million	\$695 Million
Maximum Annual Debt Service	\$47.9 Million	\$45 Million

Sources & Uses Summary

Par Amount of Bonds	\$444,600,000
Original Issue Premium	\$70,312,236
Total Sources	\$514,912,236
Approved Projects	\$466,000,000
10% Contingency Reserve	\$46,600,000
Cost of Issuance	\$2,312,236
Total Uses	\$514,912,236

Delivering Approved Projects

- \$30.9 Million Expended to Date (as of May 31, 2013)
- \$16.5 Million Contracted for work to-be-done (as of May 31, 2013)
- Projected Expenditures by Fiscal Year
 - 2012-2013: \$73,230,313
 - 2013-2014: \$152,753,296
 - 2014-2015: \$147,225,913
 - 2015-2016: \$115,920,108
 - 2016-2017: \$25,782,607

Project Scheduling Prioritization Methodology

Prioritization based on immediate needs, opportunities and spending requirements

- Facilities:

- Potential System Failures – Boilers, Roofs, etc.
- Critical Capacity Needs; Building expansions, ECE Capacity needs, and Start Design on New Construction where capacity need is clear.
- Heat Mitigation for non-air-conditioned schools
 - Originally distributed work through the full four years of the bond
 - Re-evaluated and re-scheduled all heat mitigation projects to occur within the first three years of the bond
- Projects that could “quick-start” to make the 2013 construction season schedules for design and construction

- Safety/Security - access control to bring all facilities up to a minimum level of front door security and emergency call abilities

- Critical technology and communications upgrades – district wide and school-by-school

- Project Bundling

- Combining various scopes of work at a campus to reduce the number of potential construction project interruptions at schools
- Project Team resources

- 85% spend-down requirement in Three Years



Downtown Campus: Opportunity for Relocation

- Due to the large critical maintenance needs at the EGTC/EGHS facilities, the district had been searching for sites for the school:
 - EGTC needed substantial space to support a strong educational environment, and needed to remain in the downtown area with good public transportation access to support the needs of their student population.
- DPS became aware of a nearly vacant office building in the downtown area at 1860 Lincoln Street (1860 Lincoln). The facility:
 - is a former home for Qwest Wireless and Union Pacific Railroad,
 - is located in downtown area, with significant nearby parking and excellent access to public transportation.
- Negotiations began in 2012 resulting in a Purchase and Sale Agreement in August, allowing DPS time for due diligence on the building to fully examine its suitability (with the full option to not go forward with the sale) and contingent upon final DPS Board approval.
- Due diligence was conducted throughout the Fall of 2012 to determine if the facility could meet the needs of EGTC & EGHS and other options were evaluated, pending passage of the 2012 bond.
- At the close of the due diligence period on November 30, DPS determined that this facility would provide an excellent home for EGTC & EGHS, and support other priority needs including providing a home for Downtown Expeditionary Elementary School (DDES), which is opening in fall 2013.
- At the close of the due diligence period at the end of November, DPS and the Seller agreed to a \$19.34 million purchase price, and a closing scheduled for December 21st subject to Board approval.



Downtown Campus: Facility Use Plans

- All EGTC classroom-based programs will be moved to 1860 Lincoln following renovation of the facility to create an appropriate educational environment supporting the needs of the school.
- DPS will purchase or construct a new facility for the EGTC trade-oriented programs in an area adjacent to the downtown area, with good access to public transportation (location is TBD).
- EGHS will move into the 1860 Lincoln facility.
- DDES will go into the 1860 Lincoln facility following renovation of the facility to provide an appropriate educational environment supporting the needs of the school.
- Fox Street, 780 Grant, 900 Grant and many DPS staff currently at school locations will also be housed at the 1860 Lincoln facility.
- With the consolidation of the majority of DPS Technology Services staff from 780 Grant into 1860 Lincoln, the Contemporary Learning Academy (CLA – currently located at 2211 W. 28th St.) will be relocated to 780 Grant Street after renovating the facility to provide an appropriate educational environment that supports the needs of the school.
- Subject to appropriate approvals and processes, the EGTC/EGHS, Fox Street (via a sale or land exchange transaction with CCD), 900 Grant and CLA facilities will be sold with the current occupants relocated.

Downtown Campus: Financial Impact

- Upfront (one-time) costs of this project are for the facility purchase, renovations and space preparation, moving expenses and financing costs.
- During the due diligence period, cost estimates for the facility renovations needed to meet the new uses of 1860 Lincoln were prepared in collaboration with an architectural firm (Larson Incitti) with support from a General Contractor (GE Johnson).
- The costs will be funded by 2012 GOB maintenance/repair proceeds already designated for EGTCEGHS, 900 Grant and CLA, proceeds from the sale of EGTC/EGHS, 900 Grant, Fox Street, CLA and the Central Platte Valley land (2011), and facility operating cost savings following consolidation.
- Interim financing is required to finance the facility renovation:
 - Certificates of Participation were issued early in 2013 to provide the funding for the renovations.
 - The obligations are expected to be fully repaid within five years as facilities are sold, with positive cash flow continuing to recur due to ongoing lower facility operating costs estimated at approximately \$900,000 annually.
 - Sale proceeds received will first be used to pay-down any outstanding obligations, followed by use for the district's annual capital maintenance needs
 - No bond funds will be used beyond those already designated in the 2012 bond plan
 - Financing costs are very reasonable given the low interest rate environment and DPS's high credit rating.

Projected Cash Flows (as of December 2012)

Cash flow projections provide a range of potential outcomes, all significantly positive. The sale prices of facilities is the largest variable in determining final results.

Sources of Funds:	Low-End Range (000s)	High-End Range (000s)
GO Bond Proceeds	\$30,205	\$30,205
Facility Sale Proceeds	\$36,000	\$42,000
Operational Cost Savings	<u>\$9,600</u>	<u>\$10,500</u>
Total Sources of Funds	\$75,805	\$82,705

Uses of Funds:	Low-End Range (000s)	High-End Range (000s)
1860 Lincoln Purchase	\$19,340	\$19,340
EGTC Shops	\$7,500	\$7,000
Facility Renovation	\$35,496	\$34,000
Financing Costs	\$1,300	\$1,150
Moving Costs	\$1,400	\$1,250
Operating Cost (pre-consolidation)	<u>\$2,900</u>	<u>\$2,200</u>
Total Uses of Funds	\$67,936	\$65,440

Projected Cash Flow	\$7,869	\$17,765
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Note: GO Bond Proceeds from EGTC/New Facility (\$17.0 million), EGTC/EGHS Maintenance (\$9.5 million), 900 Grant Maintenance (\$2.99 million) & CLA Maintenance (\$0.69 million)



Status Update on Downtown Campus

<p>Sale of Existing DPS Buildings</p>	<p>CLA: Property Marketed/Listed for Sale June 2013 Receive evaluate offers August 2013 CLA moves to 780 Grant Summer 2014</p> <p>900 Grant Engage stakeholders June – July 2013 Market/List property Summer 2013 Staff move to Downtown Campus Spring/Summer 2014</p>
<p>Opening of DDES</p>	<ul style="list-style-type: none"> ▪ TCO/Substantial Completion anticipated December 2013 ▪ School Opening anticipated January 2014 (start of spring semester)
<p>Relocation of EGTC/EGHS</p>	<ul style="list-style-type: none"> ▪ TCO/Substantial Completion anticipated June 2014 ▪ School Opening anticipated August 2014 (start of Fall semester)
<p>Relocation of Central Support Groups</p>	<ul style="list-style-type: none"> ▪ TCO/Substantial Completion anticipated January 2014 ▪ Central support departments are planned to move in multiple phases starting in early 2014.
<p>Construction Update</p>	<ul style="list-style-type: none"> ▪ Soft Demolition & abatement permits ▪ Started abatement of columns on Levels 2 & 7 ▪ DDES Construction Documents completed ▪ DPS approval of typical Administration Floor



Level 2 Abatement (5/14/2013)

Bond Diversity Outreach Program

Program Overview

- Supports an advisory council which includes the leaders of the Denver area minority and women chambers and organizations.
- Affect the means necessary for increased purchasing transactions with the district in expenditures for goods, services, and bond projects.
- DPS is active in hosting outreach trade shows and events for diverse businesses
- Works jointly with the purchasing team to review and pre-qualify companies for professional design and general contracting projects
- Screens all solicitations above \$250K for diverse business participation and actively works to encourage outreach from contractors



"DIVERSITY IS EVERYBODY'S BUSINESS"

Bond Diversity Outreach Program

Description	FY09	FY10	FY11	FY12	FY13 to-date	Total
Majority	\$34,732,024	\$91,624,713	\$114,890,846	\$101,138,817	\$47,829,588	\$390,215,988
Diverse Total	\$7,665,980	\$16,527,954	\$17,326,856	\$15,141,728	\$9,105,517	\$65,768,035
Diverse %	22%	18%	15%	15%	19%	17%
Asian Male	\$10,752	\$20,977	\$26,266	\$5,375		\$63,370
Black Male	\$87,601	\$77,574	\$60,750	\$45,997	\$10,968	\$282,890
Disadvantaged Business	\$487,424	\$794,868	\$689,100	\$868,375	\$138,971	\$2,978,738
Hispanic Female				\$535		\$535
Hispanic Male	\$1,708	\$623,344	\$487,020	\$466,078	\$146,445	\$1,724,595
Native American	\$134,751	\$185,307	\$106,014	\$669,773	\$183,892	\$1,279,737
SBA (Fed certified)	\$170,833	\$603,948	\$440,157	\$214,926	\$145,748	\$1,575,612
Small Bus (City/County)	\$6,725,325	\$13,991,227	\$15,217,729	\$12,040,496	\$8,140,657	\$56,115,434
Veteran Owned			\$50	\$6,029		\$6,079
White Female	\$47,587	\$230,710	\$299,950	\$824,144	\$338,835	\$1,741,226

Bond Diversity Outreach Program Update

With the passage of the 2012 Bond and using community feedback received, DPS is continuing to evaluate and make improvements to our bond solicitation and procurement processes to ensure all businesses have a fair opportunity to compete for publicly-funded projects. These process improvements/changes include:

1. Expanding outreach efforts to diverse businesses – actively sought out diverse businesses, established contact and trained suppliers on how to do business with DPS. Through these efforts, we have increased our diverse design supplier base by 11.5% and diverse construction contractor supplier base by 2.5%.
2. Improving pre-qualification processes to expand the community role in evaluating vendor qualifications and providing greater transparency to what work vendors are qualified to bid/perform:
 - Expansion of community role in pre-qualification process – 2 members of the Business Diversity Outreach Program* and 2 representatives from the construction and professional services community** will participate in the vendor pre-qualifications evaluation process.
 - All vendors will be formally notified of their qualification status and offered an opportunity to appeal.
 - Vendors will have the opportunity to update their credentials for (re)qualification on an annual basis.
 - Vendors will be notified in a timely manner of their qualification status following any submission or resubmission for review.

*The Business Diversity Outreach Program Advisory Council (BDOP) is made up of the Denver Chambers of Commerce along with organizations, associations and community members focus on the utilization of diverse businesses.

**The construction and professional services community includes those who have a working knowledge and understanding of building planning, design and construction, along with industry practices.



Bond Diversity Outreach Program Update (continued)

3. Change bidding/procurement processes – elimination of vendor “short-listing” process on projects:
 - Starting in May, all qualified vendors are given the opportunity to compete for all work in which they are qualified.
 - Bid invitations are being sent to all qualified vendors.
 - Prime contractors are being strongly encouraged to utilize diverse businesses (language changes made to the ‘Request for Bid’ and ‘Request for Proposal’ documents*), and are required to report outreach conducted and the participation of diverse subcontractors in their bid award.

4. Improve diverse vendor reporting processes:
 - System limitations have historically prevented DPS from capturing more than a single certification for each vendor, while many diverse businesses may carry multiple certifications. Beginning with the Lawson Financial system implementation in July 2013, DPS will be able to capture and accurately report on multiple certifications as provided by the vendor.
 - DPS has historically only reported on prime contractor participation on projects, excluding the greater sub-contractor participation. DPS is developing a process and tool to accurately track diverse subcontractor participation on bond design and construction projects. This will increase visibility to actual diverse participation on these projects, and help identify areas where participation may be increased.

*DIVERSE BUSINESS PARTICIPATION:

Denver Public Schools (DPS) is committed to equal employment opportunity and encourages the participation of local and diverse businesses as certified by local, state, national and federal agencies in the solicitation process including prime/subcontractor relationships, joint ventures and/or strategic alliance partnerships.

DPS maintains a database of vendors which includes their name, contact information, and certification including the names of certified MBEs/WBEs. We encourage bidders to make a good faith effort to use certified MBE/WBE.

Each bidder shall provide a list of sub-contractors intended to be used on the project(s) and the diverse business certification, if any, of each sub-contractor.

