



MOTHER LODE UNION SCHOOL DISTRICT

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Mother Lode Union School District Facilities Improvements - A 5 Year Journey

PRESS RELEASE

May 25, 2018

(MLUSD)

Mother Lode Union School District has served students, families and the greater communities of Placerville, El Dorado and Diamond Springs since 1951. Today, we educate and serve approximately 1,050 students at two schools. Our elementary school, Indian Creek serves students in transitional kindergarten through grade 4 and was built in 1987 and our middle school, Herbert C. Green serves students in grades 5 through 8 and was built in 1955. Mother Lode also owns the Charles Brown Elementary School campus and currently leases it to the El Dorado County Office of Education (EDCOE).

Our community has shown that they support, trust and value us. In June, 2016, they voted to support Measure C, a \$7.5 million dollar general obligation bond to improve access, safety and the greater learning environment in our schools. The Mother Lode Governing Board is fiscally conservative, pride themselves on “doing their due diligence” and they are highly committed to the successful education of our students.

Three major construction projects on two of our sites, Indian Creek and Herbert C. Green will be completed over the summer of 2018. In order to accomplish this, the 2018-19 Student Calendar had to be adjusted significantly to allow ample time to complete the three construction projects. When most other local school districts will be going back to school in early August, Mother Lode Union School District students won't start until September 4, 2018. This has created some challenges. We know our families count on programs like our Extended Day provided on our Indian Creek campus, manned by EDCOE staff. They also count on the Boys & Girls Club Summer programs. Both of these programs provide childcare as families continue to work. Fortunately, we have worked closely with our partners at EDCOE and the Boys & Girls Club and programs for our families who are impacted due to the delayed start of school will be offered! We are very grateful and sincerely appreciate our relationships and collaboration with both great organizations.

This is the story of our 5 year Facilities Journey.

Prior to the 2013-14 school year, the District did not have a Facility Master Plan. In December of 2014, the Board adopted our Facility Master Plan (FMP) developed by SchoolWorks, Inc. The FMP

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proposed work to be completed on all 3 sites based on site capacities, the age and condition of site facilities, enrollment projections, etc. The conceptual estimated costs to bring district site facilities up to current codes was nearly \$16m. With this understanding of the magnitude of the District facility needs, the Mother Lode Governing Board establish policy requiring 2% of the Local Control Funding Formula be set aside annually for facility needs.

During the 2014-15 school year the District explored facilities needs with staff and updated the FMP.

Much was accomplished during the 2015-16 school year. The Mother Lode Governing Board received a Facilities Master Plan Update and Review and explored Potential General Obligation Bond Measure with the District financial advisor, Lori Raineri with Government Financial Strategies, Inc.

The Mother Lode Governing Board approved Bond Feasibility Voter Survey to be conducted by True North Research and received the results which indicated the Mother Lode Union School District voters' threshold for a general obligation bond was best at the \$19 per \$100,000 assessed valuation. The Board approved Amendment to Facilities Master Plan Contract with SchoolWorks, Inc. for a Developer Fee Study and approved Agreement for Legal Services (General Obligation Bonds, 2016 Election) with Quint & Thimmig LLP. The Developer Fee Survey results from December 2015 concluded that Mother Lode Union School District was eligible to collect Developer Fees at the maximum rate. Prior to this action, the District was collecting Developer Fees at the 2008 rates.

In December of the 2015-16 school year, the District established the Community Engagement Committee on Facility Needs and the committee created a Consensus Report. Thirty-six individuals including current and former Mother Lode employees, parents, a former student and community members dedicated over 300 hours to learning about the District's facilities and collectively penned a Consensus Report which included recommendations the Mother Lode Governing Board should consider regarding plans for school site facility improvements. The Committee's Consensus Report was presented to the Governing Board at their first meeting in January 2016. The Consensus Report can be viewed by clicking [here](#). At their second meeting in January, the Board approved resolution 15.16.05 Ordering a School Bonds Election, and Authorizing Necessary Actions Therewith at their January 2016 meeting and can be viewed by clicking [here](#).

The District prioritized Facility Master Plan Projects with staff and the Board received Facility Master Plan Options 1 & 4 at their March 2016 meeting. To view the Options click [here](#). These Options provided a conceptual plan of projects with estimated costs from 2014's FMP.

Measure C was passed by the voters in June 2016 and the Board approved resolution 16.17.05 authorizing the issuance and sale of District's General Obligation Bonds Election 2016, Series 2016, in the Aggregate Principal Amount not-to-exceed \$7.5m. We sold the Measure C bonds in September of 2016 and began the contracting and detailed planning required as the first steps in implementing the FMP. Measure C Bond sales proved to be good news for the District and our local taxpayers. The District sold the \$7.5 million of general obligation bonds authorized by voters in the June 2016 election to Robert W. Baird & Co., Inc. at a true interest cost of 2.58%. Due to advantageous conditions at the time of sale, taxpayers are projected to pay lower tax rates for a shorter term.

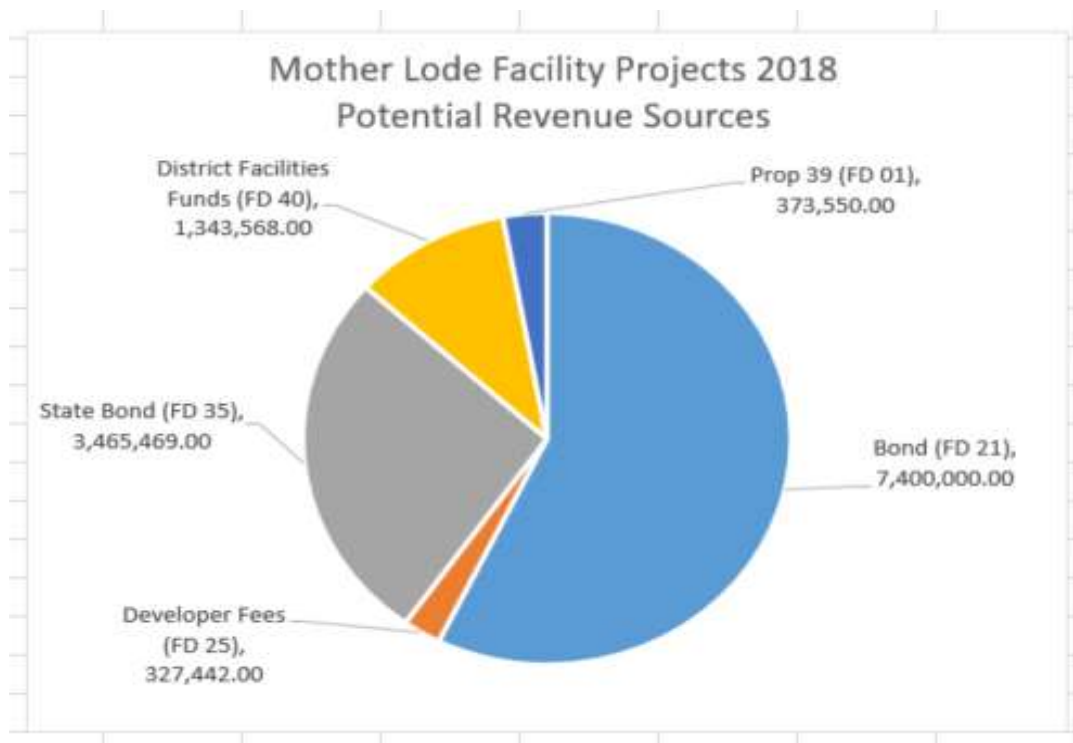
- Projected tax rates at \$16.06/\$100K assessed valuation instead of the estimated \$18.90
- To be paid over a 25-year term instead of the estimated 30-year term
- Saving taxpayers \$5 million in total bond repayment

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Mother Lode has a 1.41 to 1 payback, or said another way, will repay \$1.41 for each \$1 borrowed. The statutory limit is 4.0 to 1. Previous estimates had the District receiving \$7.175 million of bond proceeds for projects after bond related expenses. When in fact, the District received \$7.4 million, or \$225,000 more than budget, for projects.

During the 2016-17 school year, the Mother Lode Governing Board approved the Appointment of Members to Bond Oversight Committee (Series, 2016, Measure C). The District selected Landmark Construction for Pre-Construction Services. Fortunately, the State Facilities Bond passed (Prop 51) which would provide approximately \$3.465m for District facility projects. The District entered into a Construction Management “At Risk” contract with Landmark Construction and selected K. Brainerd, Architect.

During the spring of 2017 and into the 2017-18 school year, significant work was done on design and construction budget, scope and revenues. It became evident that Mother Lode faced a budget and cash flow shortfall due to the delayed and slow implementation of the State Facility Bond (\$3.465m) and project cost escalations. The State Facility Bond was passed by voters in November of 2016, however the state did not sell its first allocation of bonds until nearly a year later.



Total Potential Revenues through 2020 = \$12,910,029

Total Estimated Facility Costs through 2018 = \$13,556,047

Projected Ending Budget Shortfall = \$646,018

Projected Maximum Cash Flow Shortfall (mostly due to State Funding Delays) = \$4,452,869

Majority of State Facility bonds funds anticipated in 2020.

Project Designs were submitted to Division of the State Architect (DSA) and State Funding will be requested upon design completion and DSA approval. We estimated to be in line for State Funding by end of December.

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Local funds applied to Facility Master Plan projects = \$220,000 per year

- Fund 40 = \$170,000 per year
- Fund 25 = \$50,000 per year

The Mother Lode Governing Board explored options to meet budget shortfall and cash flow. They discussed and deliberated delaying portions of site projects or entire sites by 1-3 years and variations of this. The results of the construction project bidding were presented to the Board. The “Guaranteed Maximum Price” (GMP) total costs based on hard bids is \$14,429,136. In October 2017, the current market conditions made the cost of borrowing money approximately 50% more cost effective than the costs of construction labor and material inflation and escalation.

At their January 10, 2018 meeting, the Mother Lode Governing Board was presented with 4 plans that consisted of A) doing all parts of all 3 projects and getting a 15-year loan for \$4.5m, B) doing most of Herbert C. Green (except the locker rooms, rooms 28 & 29 and gym HVAC), all of IC and a 15-year loan for \$3.7m [now \$3.8m], C) doing all of Herbert C. Green except gym HVAC, all of IC and 15-year loan for \$4.5m, and D) doing all of Herbert C. Green except the gym HVAC, nothing at IC and no loan. The Board discussed and deliberated the feasibility of all plans, and the feasibility of going for another General Obligation Bond in 2020. Specifically, after we demonstrated the District delivered on significant projects as a result of Measure C. The Board was in consensus and gave direction to proceed with Plan B below.

The Mother Lode Governing Board approved option B which includes the following 3 projects:

- Project #1: Indian Creek Elementary - parking and traffic improvements
 - three (3) Kindergarten classroom replacements
- Project #2: Herbert C. Green Middle - parking and traffic improvements
 - five (5) 5th Grade classroom replacements
 - administration building replacement
- Project #3: Herbert C. Green Middle - roof and HVAC replacement

With these projects approved, additional borrowing was needed in the amount of \$3.8 million dollars.

Mother Lode’s financial advisor, Lori Raineri from Government Financial Strategies Inc. reviewed the details for potential borrowing for our facilities projects scheduled for summer 2018 at their March 8, 2018 meeting. A Lease-Purchase Legal Structure was explained to the Board as the borrowing option available to schools for short-term funds. The Board was reminded of the risk to the District that should the state bond funding be delayed longer than the two years estimated in our plan, the District will be responsible to make the annual payments.

The Mother Lode Governing Board was made aware that in order to enter into non-voter approved debt, the District must inform both the El Dorado County Office of Education (EDCOE) and the El Dorado County Auditor regarding the district’s notice to enter into non-voter approved debt. EDCOE’s letter reiterated the points previously brought to the Board that include the District can afford the planned repayment, but cautioned that should the State Facility Funding not come through, the general fund would be impacted. The financing for the non-voter approved debt came in better than anticipated. Our initial budget assumed 4.25% interest and actual financing with Opus Bank will be at

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a 3.41% interest rate. Additionally, they offer the ability to “drawdown” which means interest is only accrued as we need the funds. This will save interest costs at the end of the term.

Mother Lode evaluated the risk involved with the \$3.8m “Bridge Financing” Lease-Purchase [loan]. In order to complete all three construction projects in the summer of 2018, and pay for it all by September 2018, bridge-financing was necessary due to the delay of state facility bond processing. Based on the District’s application status on the State Building Program Project details listed below, the District is in position to meet its financial obligations.

The District has submitted three projects to OPSC (Office of Public School Construction) for funding under the State School Building Program.

The first two projects were submitted on 11/15/2013 for modernization work at both Indian Creek (Project 57/61929-00-003) and Herbert Green (Project 57/61929-00-004). These two projects are scheduled for final approval by the SAB (State Allocation Board) on 4/25/2018. At that point they will be placed on the unfunded list and will be able to participate in the next priority funding round. We anticipate they will be funded this fall. The total amount approved for these two projects is \$1,221,576.

The District submitted an additional project on 3/22/2018 for modernization work at Indian Creek (Project 57/61929-00-005). This project is in line for funding on page 15 of the workload list. It is anticipated it will take up to 24 months in order for OPSC to review and approve this project and be awarded funding by the SAB. The total amount of the funding request is \$2,336,628.

The projection for the application approval is based on the position in line the project has on the workload list. We assume it will initially take one month for OPSC to process one page of the modernization workload list. This is a total of 13 to 15 months as two of the pages on the workload list are for CTE projects which are not part of the standard process. We estimate it will take approximately nine months from the time the project is approved until it is funded. This is based on the fact that once a project is approved, in the first month, it will need to submit a priority funding letter stating the project can be started within 90 days of funding. The State is planning to sell bonds every six months so we allow a six-month window for the bond sale to take place as the State only plans to sell bonds based on need and will not have cash on hand when the project is approved. Finally, another two months are allowed for the forms to be submitted for fund release and for the District to actually receive the funds.

At their April 11, 2018 meeting, the Board adopted resolution 17.18.20 Authorizing the Execution of Certain Lease Financing Documents in Connection to Finance the Renovation, Construction and Improvements of School Facilities throughout the Geographic Boundaries of the District and Authorizing and Directing Certain Actions with Respect Thereto.

At the May 16, 2018, Mother Lode Governing Board Meeting, Lori Raineri and Matt Kolker with Government Financial Strategies Inc. presented an overview of the process and outcome regarding the Lease-Purchase for the District’s facility needs for Measure C. Once again, Mother Lode hit the mother lode with the lease-financing. There were 11 bidders for the lease, which provided for strong competition and better rates/options due to the use of a broker. Considering Mother Lode’s reason for bridge-financing, we are completing all 3 projects this summer and will need to pay for them before we will have received all of our State Facility Bond funds, Opus Bank offered the best features such as “draw-down as needed” which saves interest and no penalties for early repayment. The first fund allotment was wired to the District on May 10, 2018.

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Construction day is May 29, 2018! For the next 12 weeks, Mother Lode Union School District will complete over \$1m worth of construction projects each week for 12 weeks. Thank you Measure C banners are going to be proximately displayed throughout and after completion. We are grateful for the opportunity to provide these facility improvements for our students, staff and the greater community as we know our school facilities and fields serve as community parks and recreation places.