

# **Capital Projects Management under EFCFA**

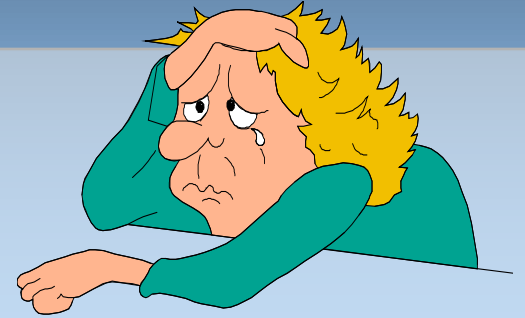
Department of Education

Division of Finance

August 29, 2001



# Capital Projects Management



I. Maintenance

II. Funding & Accounting for Capital Projects

- Pre-Award/Post Award
- Referenda/Non-Referenda

III. Capital Reserve Accounts

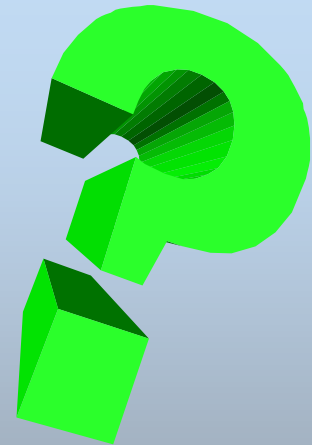
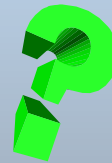
# Maintenance Q's

*Maintenance Reserve?*



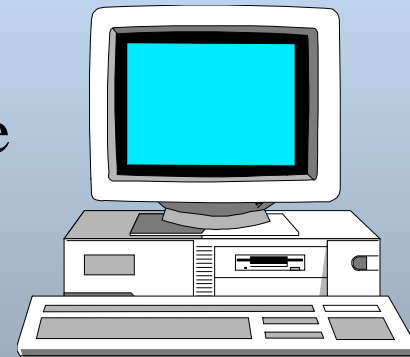
*Required Maintenance Accounts?*

*Certification of Actual Expenditures?*



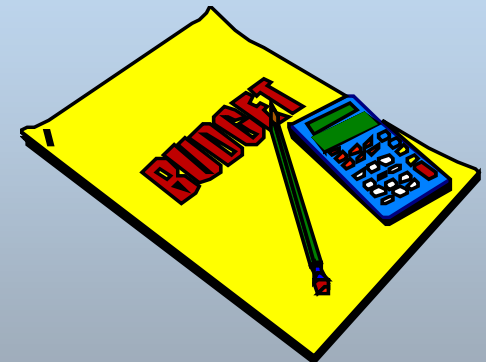
# Maintenance Reserve Account

- Facilities to provide calculation/form of required Maintenance Reserve deposit (for subsequent budget) each October using data from LRFP
  - Required deposit amount can be adjusted for prior/current year expenditures or current year transfers into the maintenance reserve account



# Maintenance Reserve Account (cont.)

- Budget the required Maintenance Reserve deposit
  - Line 7620 - Account 10-606;
  - Recap of Balances
- County budget review of required deposit
- Need approval for deposit of a different amount



# Maintenance Reserve Account (cont.)

- Withdrawal from reserve by board resolution into “Required Maintenance” accounts (261-XXX) as needed
  - Establish Accounts by School Facility by 02-03
- Unexpended withdrawals restored to reserve at year-end
- May deposit surplus into Maintenance Reserve by board resolution during year

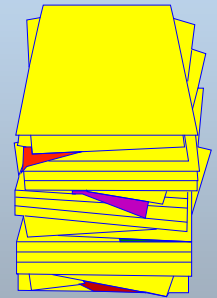


# Required Maintenance Account (cont.)

- Establish 261-XXX by School Facility by 02-03 to meet EFCFA requirements
- Expenditures for Required Maintenance Activities are recorded in four accounts
  - 261-100: Salaries
  - 261-420: Cleaning, Repair, and Maintenance Services
  - 261-610: Supplies
  - 261-800: Other Objects
- Salaries only Full-Time Maintenance

# Actual Maintenance Expenditures

- October 2002 Plan submission is first reporting of Actual expenditures by school facility under 261-XXX
  - Optional proration of district accounts for 00-01 and 01-02 if actuals are unavailable.
- Auditor Certification of annual expenditures beginning in 02-03





# Funding & Accounting for Capital Projects



*Q- How do I fund local \$?*

*Q - What approvals are needed to secure local \$?*



*Q - How do I budget for local \$?*

*In cap reserve? Cap outlay?*

*Q - Options if bids exceed the estimated cost?*

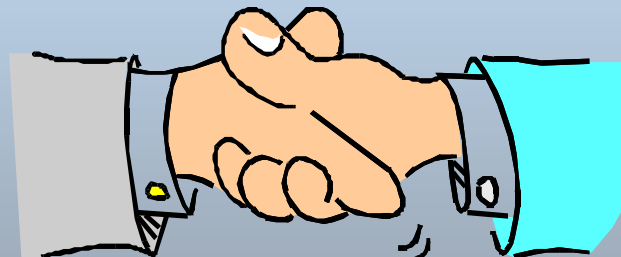
*Q - How do I fund change orders?*

*Q - Where do I record the EDA grant?*



# Funding Options/Approval for Local Support

Overarching policy under EFCFA  
is the requirement for  
approval of local funding (local support)  
needed to implement the capital projects  
in the LRF



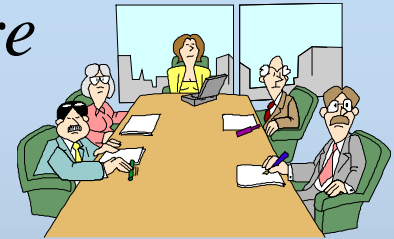
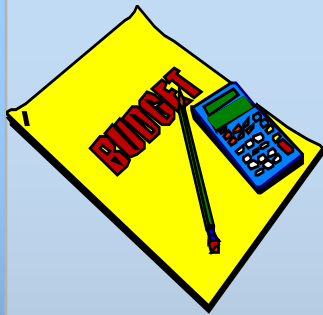
# Funding Options/Approval for Local Support

## Referendum Project

*No Change from Current Practice*

## Non-Referendum Project

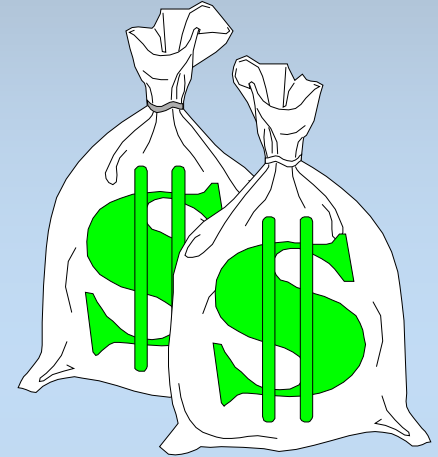
*Planning Required to Ensure  
Local \$ Approval*



- Benefit of EFCFA - Overall Better Capital Project Cost Estimates

# Funding Options/Approval for Local Support

- See Handout
- Options Depend Upon:
  - Pre-Award or Post-Award
  - Non-Referendum or Referendum
  - School Facilities Project (SFP) or Other Capital Project



# Funding Options/Approval for Local Support

## Handout - Key Points

- 🔑 DOE LRFP Approval & Capital Project Approval
- 🔑 Local \$ Approval
- 🔑 For Referenda Projects, Spending is Limited to the Total Authorized Amount & Funding Sources Identified in the Referendum
- 🔑 Change Orders Funded within Referendum Authorized Amount
- 🔑 5% Min. Contingency on all Contract Awards



# Funding - School Facilities Projects

- Handout - Main Revenue Sources



## Non-Referendum

- \* EDA Grant
- \* Budgeted Capital Outlay
- \* Capital Reserve  
Withdrawal

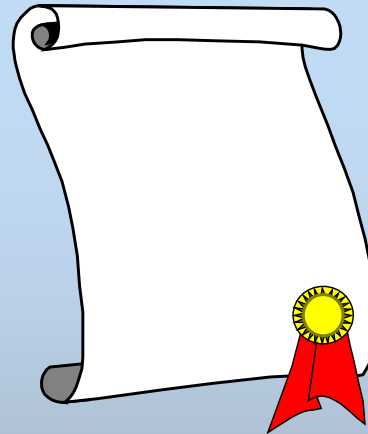
## Referendum

- \* EDA Grant
- \* Bond Proceeds
- \* Other Local \$ in  
Referendum Q

# Funding - School Facilities Projects

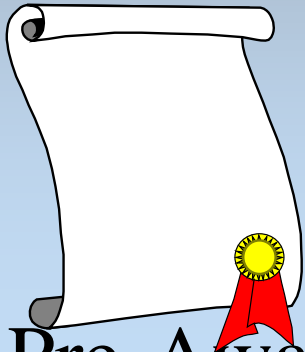
## Referenda Projects

Options are the Same



**Bound by Authorized Amount**

# Funding - School Facilities Projects



## Referenda Projects

### Pre-Award & Post-Award **Same Options**

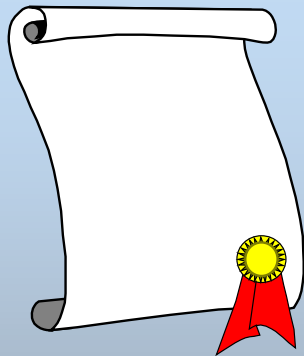
	Pre-Award	Post-Award
Grant/Bond Proceeds	X	X
Other local \$ <u>if</u> specifically identified with amts in Ref Q (surplus, capital reserve, interest etc.)	X	X



# Funding - School Facilities Projects

## Referenda Projects

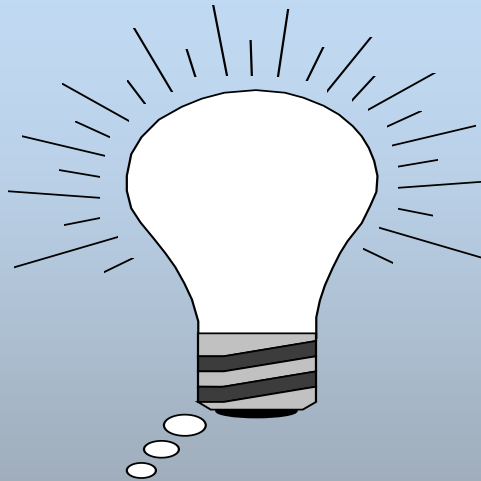
If Bids > Authorized Referenda Amount  
**Same Options**



1. Rebid
2. Negotiate
3. Ask Voters for Additional \$
4. Apply to Commissioner for Surplus Transfer under *N.J.S.A. 18A:22-8.2*

# **Funding - School Facilities Projects**

## **Option to Charge Pre-Referendum Costs to the General Fund**

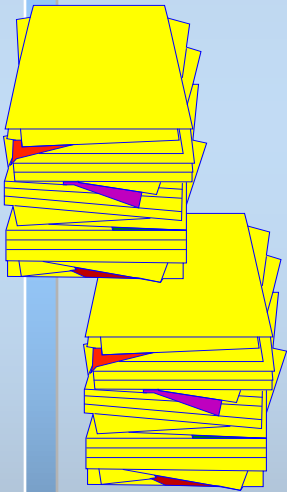
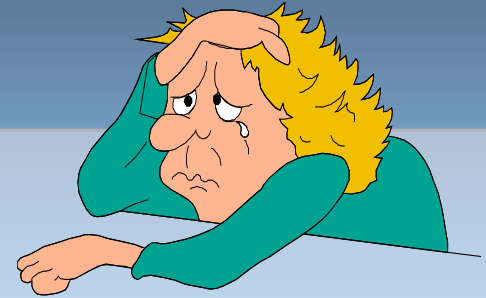


# Funding - School Facilities Projects

## Referenda Projects

N.J.S.A 18A: 22-8.2 Application to  
Commissioner to Transfer Surplus

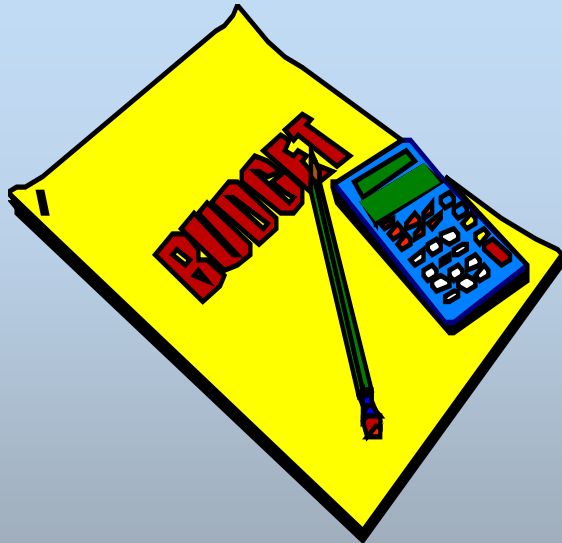
- \* Analysis of Corrective Actions
- \* Detailed Cost/Budget Analysis to Support Need
- \* County Superintendent recommendation no further Alternative Actions can be made
- \* Facilities recommendation that the project is within FES



# Funding Options/Approval for Local Support

## Non-Referenda Projects

Planning Needed To Secure Local \$  
Approval



Excerpt from Final Approval Letters

“...no school facilities project shall be constructed unless the local support amount has received approval as set forth in N.J.A.C. 6:23A-2.7...”

# Funding Options/Approval for Local Support

- N.J.A.C. 6:23A-2.7 requires local \$ approval in the budget, referenda, or capital reserve withdrawals according to the regulations.
- In proposed regulations (adoption Sept 01) changes were incorporated to provide greater flexibility within the overall EFCFA requirement of local funding approval.



# Funding Options/Approval for Local Support

- Changes in Proposed Regulations for non-referendum programs
  - Can seek approval in annual budget prior to determination of final eligible costs
  - Budget into capital reserve or capital outlay
  - Surplus (up to 1% or \$50,000 whichever is greater) to fund “other capital projects” (projects not eligible for or seeking EFCFA \$) during the year
- Capital Reserve
  - Withdrawal for Local \$ of Final Eligible Costs



# Funding - School Facilities Project

- Handout - Non-Referenda Projects



## Budgeted Capital Outlay

- Reallocation among approved capital projects is OK

Capital Reserve of 110%  
of Local \$ of final eligible  
costs

Surplus up to 20% of Contract

Award for Allowable Change Orders

Pre-Award    Post-Award

X                    X

X                    X

X

# Example

## Non-Referendum Project

Final Eligible Costs	\$500,000
Estimated Local \$ (60%)	\$300,000 (cap outlay)
EDA Grant (40%)	\$200,000
Lowest Bid	\$525,000

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### Q - How Award?

A- \* Negotiate or Rebid

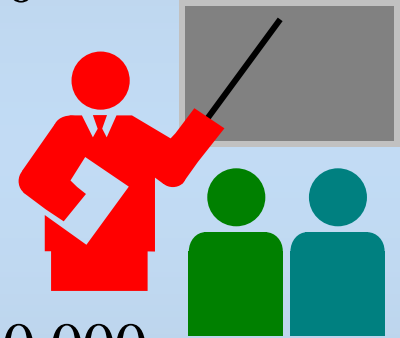
\* Capital Reserve Withdrawal up to \$30,000

( $110\% * \$300,000 = \$330,000 - \$300,000 = \$30,000$ )

\* Reallocate from Budgeted Capital Outlay

### Q- Once Awarded How Fund \$10,000 change order?

A- \* Approp surplus of up to 20% of Bid Award





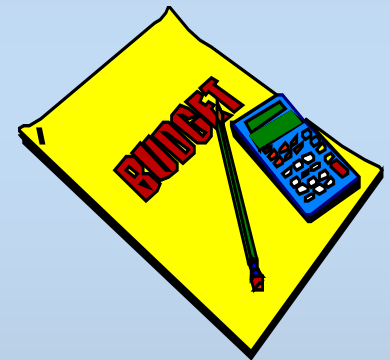
# Funding - Other Capital Projects

## Other Capital Projects

- Handout - Shaded are differences



Voter Approval of Local \$



- No State Share
- Capital Reserve Use Difference
- Surplus Use of 1% of budget by board resolution

# Accounting for School Facilities Projects

- EDA Grants \$ and Associated Local \$ Accounted for in Capital Projects Fund
  - Referendum & Non-Referendum Projects
  - One Exception -- some EDA Grants Received Under Retro Provision



# Exception

## Completed Retro Projects

- For Capital Projects fully funded locally (no-referendum) & completed in 00-01, record retro grant in fund that originally funded project

Original \$

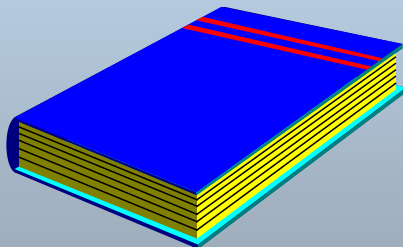
Retro Grant

If capital outlay

Record as Misc Unrestricted  
State Aid

If part or all ECPA

Record as Misc Unrestricted  
State Aid with transfer to Fund  
20 of proportionate share of  
project paid from ECPA

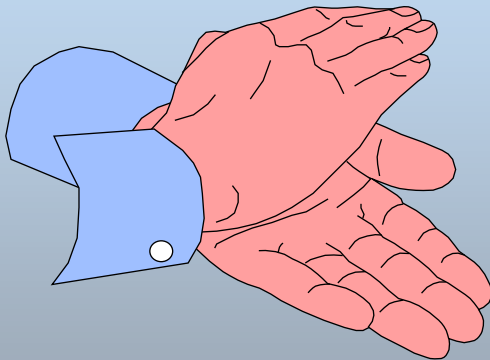


# Exception

## Completed Retro Projects

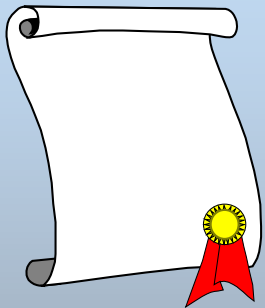
DOE encourages reimbursed monies received from EDA for completed capital outlay retro projects to be deposited into capital reserve in 01-02

or to be used as tax relief in 02-03.



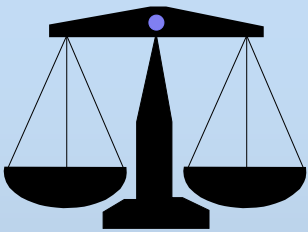
# Accounting for School Facilities Projects

- Referendum Projects - No Change
  - Bond Proceeds, EDA Grant and Local \$ in Approved Ref Q recorded in Fund 30
    - Transfer local \$ Upon Referendum Approval
    - GAAP Technical Manual on Capital Projects for reference



# Accounting for School Facilities Projects

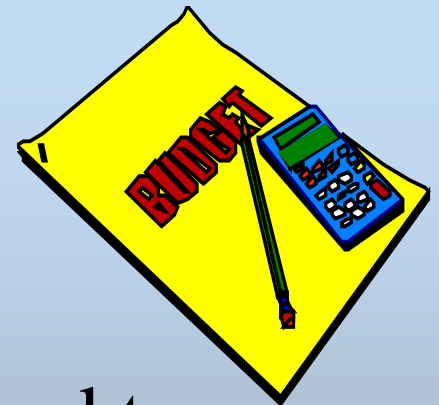
- EFCFA Referendum Projects -
  - Unexpended Balances



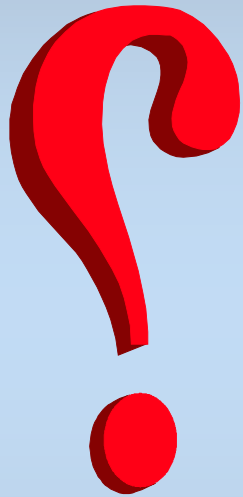
Must be used to Reduce  
Outstanding Principal Amount at the  
earliest call date or to annually  
reduce the debt service principal  
payments

# Accounting for School Facilities Projects

- Non-Referendum Projects
  - Transfer Local \$ to Fund 30 upon execution of grant agreement
    - Budgeted Capital Outlay
    - Capital Reserve Withdrawal  
(110% of local \$ of FEC)
  - Unexpended balances transferred to General Fund upon project completion



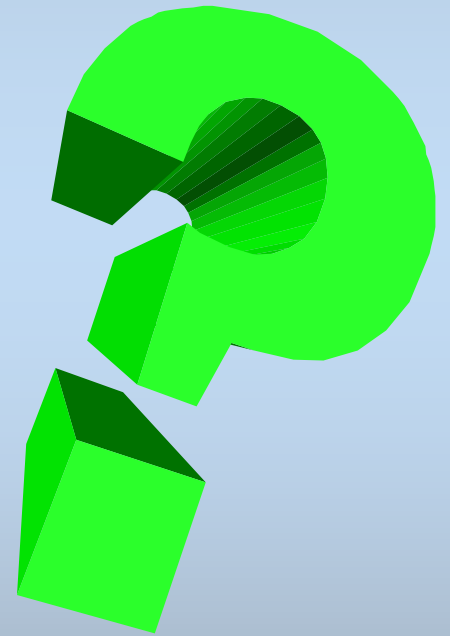
# Capital Reserve Accounts



Transfers???

Deposits???

Withdrawals???





# Capital Reserve Accounts

## Deposits

- \* Budget Time  
(outside cap)



- \* Board Resolution  
unbudgeted FB or  
anticipated excess FB

## Withdrawals

- \* Budget Time  
(required for other capital  
projects, excess costs, “old”  
capital reserve \$)



- \* Board Resolution - 110%  
local \$ of FEC

- 
- Funds used to implement capital projects in LRFP
  - Funds can be transferred to debt service

# Capital Reserve Accounts

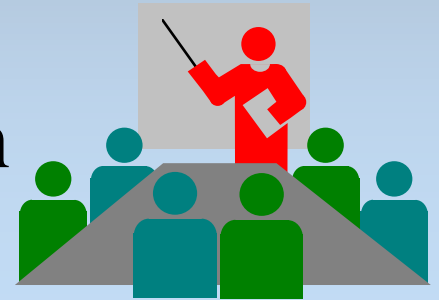
At No Time Can the Total Amount in the Capital Reserve Account Exceed the Total Local \$ Needed to Implement the Capital Projects in your LRFP.

Max Amount Adjusted Annually in QAAR

# Capital Reserve Accounts

## Technical Guidance

- DOE to Issue Revised Chapter in GAAP Technical Manual
- Provide Examples of Entries for Each Activity, e.g.
  - Transfer of Surplus to Reserve
  - Withdrawal to Capital Outlay/Capital Reserve
  - Record Budget Amount



# Capital Projects Management

Questions

