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Bond Program Financial Management:
Rules, Requirements & Challenges

Presented to: Southwestern Region of Michigan School Business Officials

Your Presenters

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- Audit
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- IT
- Strategy & Operations
- Talent Development
- Transactions & Corporate Finance
- Tax
- Wealth Management
- **Real Estate**

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One firm, infinite resources

Plante Moran is one of the nation's largest certified public accounting and business advisory firms. Our relationship with Plante Moran unlocks the collective power of the firm and all its affiliates, not just an individual team or office.

nearly **4,000** total staff

100+ Years serving clients

25 locations in the Midwest, Rocky Mountain Region, & internationally

plante moran REALPOINT

We provide full-service real estate and construction advisory for users of space, concept through completion.

$7B+ of public private partnership & large-scale development projects

$6B+ in active construction program oversight

Millions of square feet in real estate transactions in the last 5 years

$1.5B in incentives procured for clients

Representative K-12 Clients

Experience Beyond K-12

And you might recognize these other clients

OLYMPIA DEVELOPMENT


CARHARTT


DELTA DENTAL

MOTOWN MUSEUM


CITY OF ROYAL OAK

GUN LAKE TRIBE

HENRY FORD HEALTH


HUNTINGTON PLACE


THE KONG COMPANY

A team of true industry professionals

150+

multidisciplinary staff with broad backgrounds, experience, and skills, specializing in real estate and construction

Architecture
Legal
Construction Management
Data Analysis
Development
Engineering
Entitlements

Financial Analysis
Capital Campaigns
Program Management
Public Engagement
Real Estate Investment Banking
Urban Planning

Workplace
Public Finance
Project Cost Accountants
Asset Management
Marketing
Education Leaders




Bond Programs are Full of Complex Rules, Requirements & Challenges

- Property Title Searches, Surveys and Soil Borings
- Hazardous materials assessments and plans
- Technology & Furniture Consultants
- Governance Procedures for Approvals and Authorizations
- Setting Budgets and Schedules and Determining Timing of Bond Sales
- Professional Services RFPs
- MCL 380.1267 & MCL 380.1274 Construction of Public School Buildings Legal Requirements
- Prevailing Wage Laws
- Documentation & Record Keeping
- Meanwhile – *Continue to run your District!*

Managing Risk in School Bond Programs

Contract Risk

Your legal counsel will assist you with contract language but will not typically advise on business terms. Having knowledge and experience of what is fair and reasonable for these business terms is critical. This single factor alone can save you hundreds of thousands of dollars in fees and risk exposure.

Schedule and Cost Escalation Risk

Design and construction industry service providers are all operating at or above their organizational capacity. Understanding what timeframes are reasonable for planning, design and execution of the work will get your projects bought out sooner, and completed faster, allowing you to gain the benefit of improvement, and avoid inflationary cost impacts.

Business Risk to Your On-going Operations

Your Business and Facilities Operations team members may have difficulty managing a complex bond program while also remaining focused on their principal responsibilities of running your District.

Compliance Risk

There are numerous state contracting and financial reporting rules that apply to bond program dollars, and they are ever-changing. The state just last month re-instituted prevailing wage requirements for qualified bond programs.

These risks have the potential to cost hundreds of thousands of dollars, many of which you may never realize you have incurred. Others you could become painfully aware of.

Governance Procedures

Review Current District Procurement Policies

Develop Governance Documents Specifically for Capital Programs

Understanding of Pertinent School Construction Acts/Laws

- Professional Services, Construction & FF&E Procurement plans
- Limits of Authority – may differ from existing policies
- Contracts and/or Purchase Orders
- Invoices and Payment Applications
- Change Management
- Budget/Cost Reconciliation
- Reporting and Communication Plan

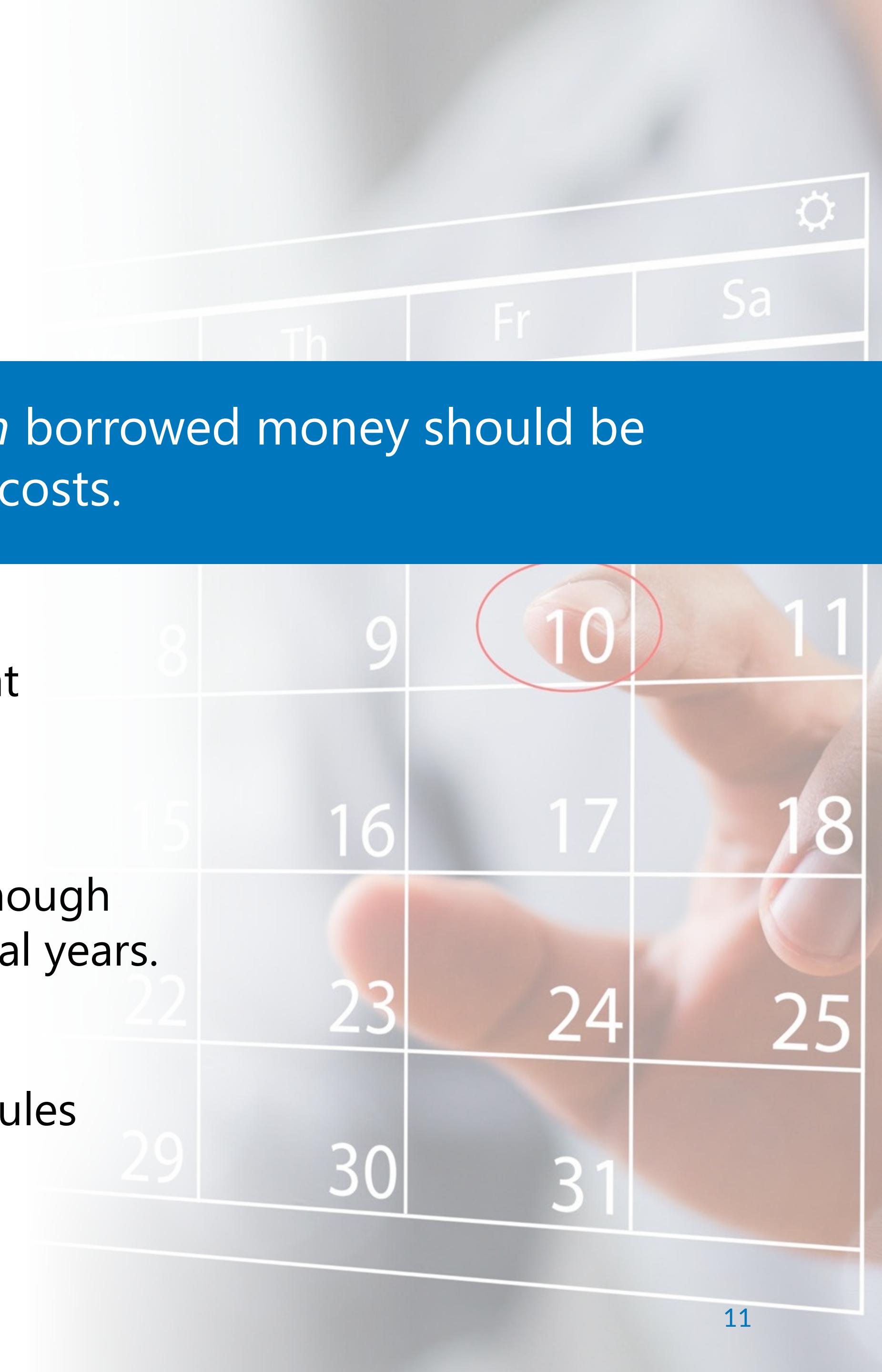
Setting Budgets and Schedules; Determining Timing of Bond Sales

Schools have to carefully plan *when* money is needed and *when* borrowed money should be raised to match project cashflow needs and avoid unnecessary costs.

Estimating how much each project will cost over time and knowing that costs don’t happen all at once.

Making sure cash is available *when contractors need to be paid*, even though bond money may come in stages and expenses rise and fall over several years.

Deciding when to issue bonds (all at once or in Series) based on schedules and other factors without impacting millage rate



Professional Services RFPs

Architect/engineer, construction management, & vendor procurement

1. Negotiating contract terms
2. Identify experienced partners
3. Selection process with weighted criteria
4. Final Team selection recommendations

Construction of Public School Buildings Requirements

MCL 380.1267 & MCL 380.1274

School Building Construction MCL 380.1267	**Supplies, Materials, and Equipment** MCL 380.1274
Threshold is $31,321 for 2025-2026	Threshold is $31,321 for 2025-2026
All labor and materials for complete construction	Follow Board Policies (Policy 5003)
Bid advertisements	Exceptions
Bid security & performance bonding	
Familial disclosure & other statements	
Exceptions	

Prevailing Wage Laws – They're Back

MICHIGAN PREVAILING WAGE LAW

- Applicability
  - State project
  - Advertisement and invitation to bid
  - Construction mechanics
- Obtain and provide wage determinations
- Required contract provisions

Any state qualified bond projects require prevailing wage

Allowable Uses for Bond Proceeds

	Bonds	Sinking Fund
1. Construction of new school buildings	Yes	Yes
2. Construction of additions to existing school buildings	Yes	Yes
3. Remodeling existing school buildings	Yes	Yes
4. Energy conservation improvements	Yes	Yes
5. Asbestos abatement	Yes	Yes
6. School buses and the parts, supplies, and equipment for maintenance	Yes	Yes[5]
7. Purchasing land	Yes	Yes
8. Developing and improving sites	Yes	Yes
9. Developing and improving athletic and physical education facilities	Yes	Yes
10. Developing and improving playgrounds	Yes	Yes[1]
11. Costs of required audit	Yes	Yes
12. Refunding debt	Yes	No
13. Direct program costs (e.g., professional fees, election costs, etc.) paid after voter approval	Yes	Yes
14. Loose furnishings and equipment (including furniture and equipment not permanently affixed to the building) and computers for non-instructional use	Yes	No[2]
15. Purchasing technology limited to the following: hardware and communication devices that transmit, receive, or compute information for pupil instructional purposes and initial purchase of operating system and customized application software if acquired in conjunction with hardware	Yes	Yes[2]
16. School security improvements, including security equipment	Yes	Yes[2]
17. Repairs[4]	No	Yes[3]
18. Maintenance[4]	No	No
19. Supplies	No	No
20. Salaries of school employees	No	No
21. Payments on true leases	No	No
22. Automobiles, trucks, or vans and the parts, supplies, and equipment for maintenance	No	Yes[5]
23. Portable classrooms	No	Yes
24. Uniforms	No	No
25. Textbooks	No	No
26. Upgrades to existing computer operating system or application software	No	No
27. Computer training, consulting, or maintenance contracts	No	No

Documentation and Record Keeping

Access to project data is the cornerstone for all decision-making.

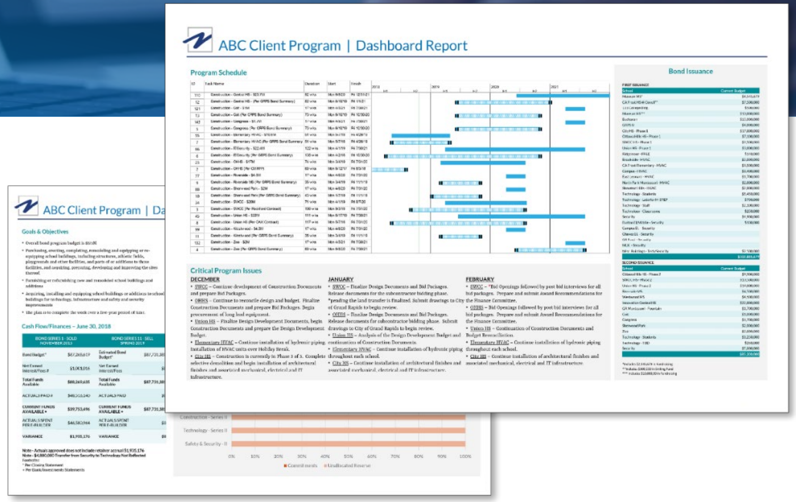
Reduce redundancies, increase efficiency, and improve transparency of project details.

Access to information and reports project leaders can leverage for daily activities and also increases confidence that stakeholder needs are being met through increased visibility.

Faster access to information gives project managers ability to focus on what matters and increase stakeholder involvement in the planning process, reducing risk of scope creep and costly changes

Project tracking & documentation

Trimble (formerly e-Builder):
Technology to keep it all a click away



- Having accurate, real-time data is the cornerstone for all decision-making.
- Our Trimble platform combines scope, schedule, and cost measurements into a single integrated system that empowers decision-making, improves team cohesion, and reduces risk.

Cloud-based access

Our online platform allows you access to documents, no matter where you are

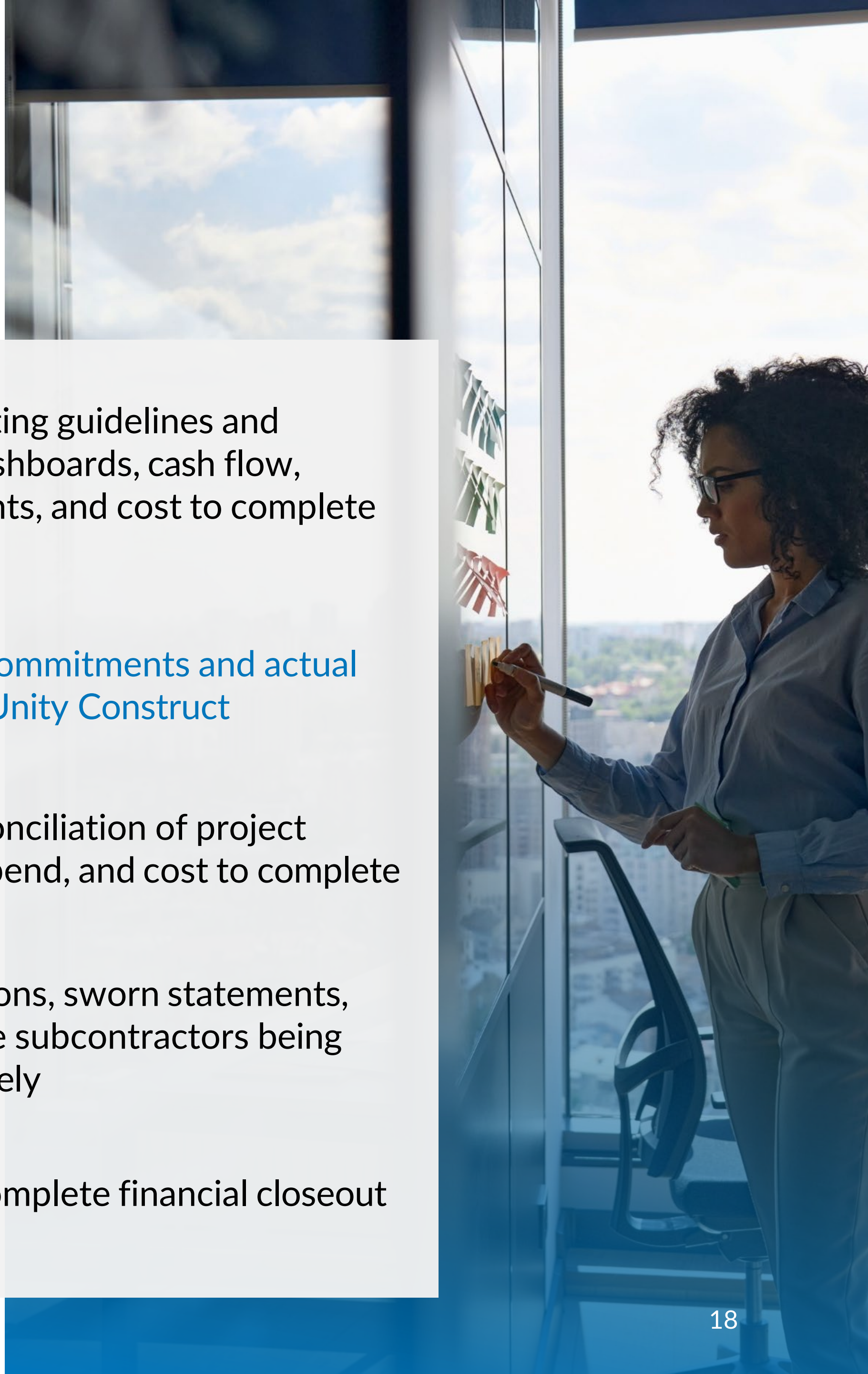
Collaborative environment

Improve collaboration, communication, and accountability between your stakeholders and the project team

Cost management

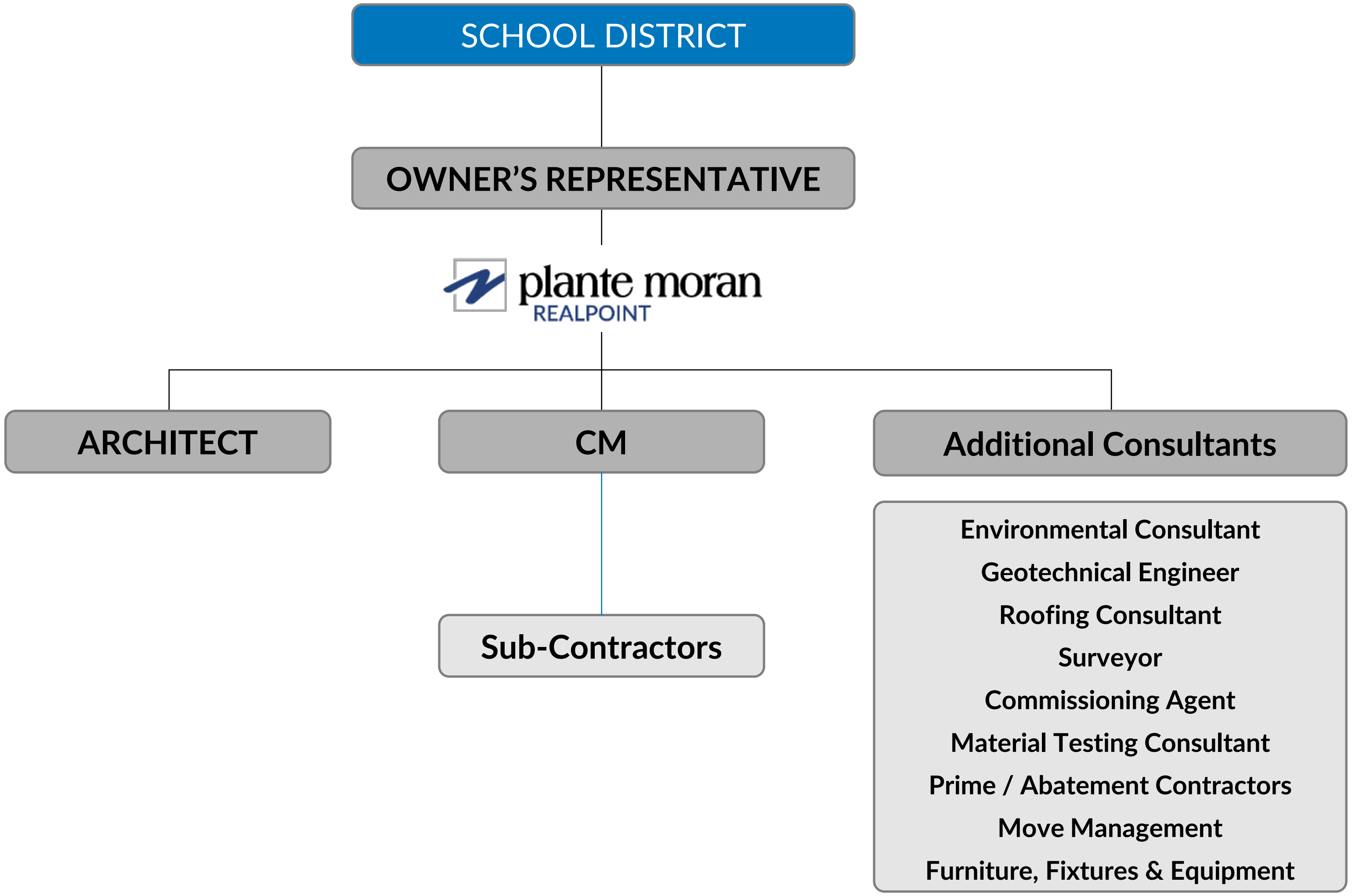
Better decision-making with a database of your costs and change order data

Capital Program Cost Management



- Establish project governance structure and accounting procedures and controls
- Develop processes that allow the project team to work efficiently and collaboratively to process payments, approve contracts and change orders, and complete many of the day-to-day challenges large programs face.
- Establish document control to verify executed contracts, bonds and insurance are on file
- Track cost escalation and inflation data across the construction industry
- Set up and monitor PMIS environment for owner and vendors with project budget, commitments, expenditures, and reporting
- Establish project reporting guidelines and deliverables such as dashboards, cash flow, budget and commitments, and cost to complete reports
- Track project budget, commitments and actual costs through Trimble Unity Construct
- Complete financial reconciliation of project commitments, actual spend, and cost to complete
- Reconcile pay applications, sworn statements, and waivers to promote subcontractors being paid timely and accurately
- Timely, accurate and complete financial closeout

Organizational chart



Approach – Supporting your Business Office

Concept through completion, we solely advocate for you.

BOND IS PASSED

Pre-bond Planning

Strategic Planning

Site & Facility Feasibility Studies

Real Estate Planning & Analysis

Student/Demographic Analysis

Financial Modeling/ Strategies

Current Facility Use & Condition Assessment

Space/Site Programming & Budgeting

Community Stakeholder Input

Bond Issue and/or Millage Campaign Organization Support

BALLOT PROPOSAL PASSED

Program Validation

Strategic planning

Cash flow modeling

budget

Cash flow modeling

Phasing approach

EXPECTATIONS ALIGNMENT AMONG STAKEHOLDERS

Team Assembly

Procurement Strategy

Services Required

Develop **RFPs**

Contract Templates

Criteria Based Selection

Award Recommendations

Award Recommendations

EXECUTED CONTRACT

Design Oversight

Program and Design

Contract Document Review

Oversee, Review,

Oversee, Review, & Monitor Project Budget

Value Engineering and Constructability Review

Monitor Schedule & **Budget**

Monitor schedule & budget

COMPLETED DESIGN

Construction Oversight

Payment Application & Invoice Processing

Site Observations

Change Management

Schedule Monitoring

Budget Tracking

Resolution

Communication & **Reporting**

PROJECT ACCEPTANCE

Project Closeout

Contractor Closeout

Commissioning Coordination

Warranty and System Training

Architect Closeout

Contractor Closeout

PMR Closeout

OCCUPANCY

START OF PROJECT → Oversee the Project (Scope, Budget, Schedule) → PROJECT COMPLETION

START OF PROJECT → Project Cost Accounting/Reporting → PROJECT COMPLETION

Return on investment

Our team can often save you ***two to three times*** our fee … or more

We identify and track the return on investment our clients receive when utilizing our services. Our value-to-fee is directly proportionate to the fees we charge for our services and capabilities. Through judicious identification of cost savings and cost avoidance detail, as collected throughout the life of the project, we can demonstrate your cost savings as a multiple of the fee paid for our services. Our initiatives include:

- ✓ IDENTIFYING AND NEGOTIATING FAVORABLE CONTRACTS
- ✓ INTENSE MONITORING OF THE PROJECT BUDGET AND SCHEDULE TO IDENTIFY CASH FLOW
- ✓ MITIGATION OF PROJECT RISK WHILE OFFERING STRATEGIC VALUE-SOURCED SOLUTIONS
- ✓ COMPETITIVE SOLICITATION AND AWARDING OF SERVICES
- ✓ LEVERAGING OUR EXPERIENCE FROM THE EXECUTION OF MANY PROJECTS BOTH LOCALLY AND NATIONALLY

Congratulations—you made it!

Questions?

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Thank you!

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