

Resolution 2015-16: 147
Phase 2 Financial Plan

By Board Member Benincasa

WHEREAS, the Rochester School Facilities Modernization Program Act (“School Modernization Act”) established the Rochester Joint Schools Construction Board (“RJSCB”), a seven voting member board consisting of equal representation by the City of Rochester (“City”) and the Rochester City School District (“District”), as well as a member jointly selected by the City and the District; and

WHEREAS, under the School Modernization Act, the RJSCB has certain enumerated powers to act as agent for the District, the City, or both; and

WHEREAS, the authorizing legislation for Phase 2 of the Rochester Schools Modernization Program (“RSMP”) was signed into law by the Governor of the State of New York on December 17, 2014; and

WHEREAS, the amended Act authorized up to 26 projects in Phase 2 of the RSMP including District Wide Technology improvements which involve technology upgrades and infrastructure work at several of the possible projects; and

WHEREAS, the School Modernization Act calls for the District to develop a comprehensive school facilities modernization plan for Phase 2; and

WHEREAS, the RJSCB’s Program Manager for Phase 2, Savin Engineers P.C. (“Program Manager”), working with the District, has developed a list of proposed Phase 2 projects known as the Phase 2 Draft Comprehensive Master Plan dated March 2016 (the “Proposed Plan”); and

WHEREAS, the Board of Education approved the Proposed Plan at its monthly meeting on March 24, 2016 (BOE Resolution 2015-16: 630); and

WHEREAS, the Act permits the issuance of debt by the City, the County of Monroe Industrial Development Agency (“COMIDA”) or the Dormitory Authority of the State of New York (“DASNY”); and

WHEREAS, the Act requires that the RJSCB conduct a financial analysis to determine which of these entities provides the most cost-effective solution; and

WHEREAS, the RJSCB’s Financial Advisor, Capital Market Advisors, and the RJSCB’s Bond Underwriter, CitiGroup, have worked with the Program Manager to complete the financial analysis related to the Phase 2 Draft Comprehensive Master Plan; and

WHEREAS, the financial analysis (the “Financial Plan”) has verified that the City does not have sufficient debt capacity to be the issuer of long-term bonds; and

WHEREAS, the remaining two candidates, COMIDA and DASNY, have provided fee quotes based on the issuance of up to \$435 million of long-term bonds; and

WHEREAS, COMIDA has provided the most competitive fee quote and has been recommend by the Financial Advisor and the Bond Underwriter to be the issuer of the long-term Bonds; and

WHEREAS, the RJSCB intends to finance the initial planning, design and certain construction costs of the Phase 2 Projects through the issuance of a Bond Anticipation Note (“BAN”) by the City of Rochester, which will allow the plans and specifications of the Phase 2 Projects to be completed for submission to the State Education Department (“SED”) for approval and will allow construction to continue on the Phase 2 Component of the Monroe High School project, following SED approval of that project (expected in June 2016); and

WHEREAS, the financing of the Phase 2 Projects is expected to be completed in multiple stages to coincide with receipt of approvals from SED and the timing of the needs for construction funding on a cash flow basis. Upon receiving SED approval of the various Phase 2 Projects, long-term bonds are expected to be issued to redeem the BANs and to fund the project costs expected to be incurred prior to the next expected bond issuance, additional design costs, capitalized interest and other financing costs; and

WHEREAS, the long-term bonds are expected to be issued with a final maturity that coincides with the term over which the State will provide building aid, which is currently assumed to be 15 years, consistent with the aid amortization period for the Phase I Projects; and

WHEREAS, on May 31, 2012, the State of New York enacted Chapter 66 of the Laws of 2012 amending section 5 of Chapter 416 of the Laws of 2007, the Phase I Act. Chapter 66, as amended by the Phase 2 Act, provides that any debt service on City notes and bonds attributable to the Rochester CSD under the Phase I Act and the Phase 2 Act shall not be included in the calculation of the City’s maintenance of effort obligation under subsection 5-b of Section 2576 of the State Education Law; and

WHEREAS, proposed legislation (the “Bill”) has been introduced in both the New York State Assembly and New York State Senate related to relief from the traditional Maximum Cost Allowance formula used by the New York State Department of Education to calculate the aid reimbursement that the City of Rochester School District will be eligible to receive; and

WHEREAS, the Bill would authorize the utilization of the two multi-year cost allowances two times in the first five-year period for eight projects for the computation of building aid; and

WHEREAS, in consideration of this authorization, additional multi-year cost allowances could not be reestablished for the effected buildings for a period of ten-years after establishment of the first maximum cost allowance authorized by the Bill; and

WHEREAS, the Financial Plan has been drafted assuming that the Bill is passed and subsequently signed into law by the Governor of the State of New York; and

WHEREAS, the Local Share Amount of the Phase 2 Projects represents the difference between the net debt service on the bonds issued to finance the Phase 2 Projects (net of early-year interest that is capitalized) and the building aid projected to be received related to the Phase 2 Projects; and

WHEREAS, the local share amount is estimated to be approximately \$13.33 million over the life of the bonds issued to finance the Phase 2 Projects (the Minimum Amount); and

WHEREAS, at assumed rates plus (+) 1.00%, the total local share amount over the life of the bonds issued to finance the Phase 2 Projects would increase by approximately \$4.827 million to a total of \$18.15 million (the Maximum Amount); and

WHEREAS, the RJSCB has been working with City and District representatives throughout this process and has recently forwarded the final Financial Plan, including the local share amount, for Phase 2 of the RSMP to the District; and

WHEREAS, the RJSCB anticipates formal approval of the Financial Plan for Phase 2 and the Local Share Amount by the Board of Education at their monthly meeting on April 28, 2016; and

WHEREAS, the RJSCB, the Board's general counsel, and the Program Manager reviewed and discussed the Financial Plan for Phase 2 of the RSMP provided by Capital Market Advisors and CitiGroup at a Special Meeting on April 25, 2016, a copy of which is attached hereto, and after due deliberation, it accepted the Financial Plan for Phase 2; and

NOW, THEREFORE, BE IT RESOLVED:

1. The RJSCB hereby acknowledges receipt of the Financial Plan from the Financial Advisor and the Bond Underwriter; and
2. Upon approval by the Board of Education, anticipated on April 28, 2016, the RJSCB hereby directs the Program Manager to incorporate the Financial Plan into the Proposed Plan document, and to distribute the entire package to the New York State Office of the State Comptroller and the New York State Education Department for review and consideration; and
3. Nothing herein commits the RJSCB, the New York State Office of the State Comptroller or the New York State Education Department to commence in, engage in, fund or approve any action.

Second by Board Member Brown

Approved 6-0-1 with Member Cruz abstaining