Cost Principles

Team Meetings
May 2013

Background
- Developed by a Team
- Presented to BOT's Committee of the Whole on 8/25/10
- B-30 Administrative Regulation – Revised 2/10/12
- Three Categories
  - Expressly Unallowable
  - Unreasonable
  - Reasonable
Important issues to understand

- Nothing was illegal
- **We do not** have to pay anything back to the District Operating Funds

Major concerns to discuss

- Conferences
- Food
- Tenant Improvements
- Training

Cost Principles

**Bond Program Purpose:** In order for costs to be considered to have valid Bond Program purpose, the following criteria must be met:

1. Documentation must be provided that establishes a clear causal/beneficial relationship between the cost and the related cost objective. Generally the cost objective is a Bond Program project or projects.

2. The cost must not violate the provisions in the California Constitution, which states in part:

   a. Article XIII A, Section 1(b)(3) definition of costs which qualify as Bond Program expenditures: “Bonded indebtedness incurred by a school district, community college district, or county office of education for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities…”

   b. Article XIII A, Section 1(b)(3)(A) definition of costs which do not qualify as Bond fund expenditures: “A requirement that the proceeds from the sales of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3), and not for any other purpose, including teacher and administrator salaries and other school operating expenses…”
Cost Principles

Examples of Expenses Addressed

- **Conference costs**
  - Unallowable – Speaking on a panel
  - Unreasonable – Sending too many people

- **Contributions**
  - Unreasonable – Any pass-through or efforts to solicit

- **Entertainment**
  - Unreasonable – Amusement, diversion, social activities, tickets to shows or sporting events, holiday parties

---

Cost Principles

Examples of Expenses Addressed

- **Food Service**
  - No food of any type
  - Three events < $10k for food
  - Reasonable – Safety events

- **LEED Costs**
  - Unallowable – Certification of staff
  - Unreasonable – Value to Bond program is questionable
  - Reasonable –
    a) Training on complex technical activities; costs to obtain LEED certification of buildings
    b) Cost to obtain LEED certificate if reasonable in amount
Examples of Expenses Addressed

**Tenant Improvements**
- Unreasonable – To benefit current or prospective tenant (not District or College)
  - a) College must use the space for at least 5 yrs after expiration of lease
  - b) No furniture for any tenant
- Question all (FF&E for) food courts with CFO first
- Foundations are not part of LACCD / they are tenants

**Training**
- Unallowable – No valid Bond purpose / General type construction training
- Unreasonable – Too many people to one class
- Reasonable –
  - Unique Bond technical objectives
  - Complex activities
  - Specific work instructions
Cost Principles

Best Practices

- Vendor Solicitations
  - Discouraged
  - Employers’ policy

- Verify all actions related to the Project Lists

QUESTIONS
The Color of Money

BuildLACCD Internal Procedures to Ensure the Correct Usage of Funding Based on the Ballot Language Project List

May 2013

The Color of Money

Proposition 39 November 7, 2000
CA Constitution Article 13A
1. Authorizes Bond Funds for repair, construction or replacement of school facilities if approved by 55% of local voters
2. Requirements – annual performance and financial audit
3. Prohibits use of bond funds for District employee salaries or operating expenses
4. Requires a specified school facilities Project List

Prop A
April 2001
$1,245,000,000

Prop AA
May 2003
$980,000,000

Measure J
November 2008
$3,500,000,000
The Color of Money

Levels of Ballot Language Review

- New Project Request Form – PMA-0043
  - CPM submits form citing correct Bond Ballot with President’s approval
  - BuildLACCD Program Controls and Compliance Manager’s approval required before Financial ID assigned

- Budget Approval Form
  - Submitted by CPM with President’s approval
  - Approved by BuildLACCD Program Controls before validated in the accounting system

- Form BA-0025 Request for Bid (Design Bid Build)
  - Submitted by CPM and approved by Program Controls along with a review to assure scope of services matches Ballot language

- Design Build Step 2 and Step 3 Initiation Forms - Submitted by CPM
  - Full Scope of Services detailed on form – reviewed by DB Team and Program Controls
  - Approvals by CPM, President, Controls, and DB team

- Proposed Board Action (PBA)
  - Bi-Monthly Meetings with CPM and BuildLACCD and District
  - PBA submitted by CPM; reviewed by Program Controls for available funds; for any issues; and compliance with Ballot language

Example I - Ballot Language Challenges

- Prop A
  - “Construct New Education Center”
  - Project 06S-601 Student Services Education Center
  - Now called School of Behavioral Science and Social Sciences

- Prop AA
  - “Construct new student activities/services center”
  - Project 06S-606 “SSAC” used only initials on all documents

- Measure J
  - “No mention of Student Services Building or Education Center”
  - Moving Bookstore from Cox building to SSAC with AA funds
### Proposition A Bond Language

East Los Angeles College: Complete new technology education building; construct new math and science complex; build a comprehensive Student Learning Center complex; and construct a comprehensive Student Activity Center. Funds were not Itemized

- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center

### Proposition AA Bond Language

East Los Angeles College: Complete new technology education building; construct new math and science complex; build a comprehensive Student Learning Center complex; and construct a comprehensive Student Activity Center. Funds were not Itemized

- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center

### Measure J Bond Language

Los Angeles City College: Renovate and modernize Holmes Hall for use as a Center for the Study of Human Behavior; renovate and modernize Jefferson Hall for use as a Language and Literacy Training Institute; renovate and modernize Franklin Hall for use as a Social Skills and Communication Partnership Building; renovate and modernize the Chemistry Building; renovate and modernize the Life Sciences Building; renovate and modernize the Martin Luther King Library; construct new classrooms and labs to support Performing Arts and Entrepreneurship Studies Building including Theater, Music, and Dance. Funds were not Itemized

- Renovate and Modernize Holmes Hall
- Renovate and Modernize Jefferson Hall
- Renovate and Modernize Franklin Hall
- Renovate and Modernize Chemistry Building
- Renovate and Modernize Life Sciences Building
- Renovate and Modernize Martin Luther King Library
- New Classrooms and Labs to Support Performing Arts and Entrepreneurship Studies Building Including Theater, Music, and Dance

---

### CITY COLLEGE EXAMPLE

**Proposition A Bond Language**

- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center

**Proposition AA Bond Language**

- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center
- Construct Performing Arts Center

**Measure J Bond Language**

- Renovate and Modernize Holmes Hall for use as a Center for the Study of Human Behavior
- Renovate and Modernize Jefferson Hall for use as a Language and Literacy Training Institute
- Renovate and Modernize Franklin Hall for use as a Social Skills and Communication Partnership Building
- Renovate and Modernize the Chemistry Building
- Renovate and Modernize the Life Sciences Building
- Renovate and Modernize the Martin Luther King Library
- New Classrooms and Labs to Support Performing Arts and Entrepreneurship Studies Building Including Theater, Music, and Dance
The Color of Money

- What is a “white paper”?
- How is a white paper approved?
- Who approves?
- Where is it filed?