



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM
H. Martin Lancaster, President

May 1, 2001

MEMORANDUM

IMPORTANT

TO: Business Officers

FROM: Philip V. Albano, Director
Administrative & Facility Services

SUBJECT: Reimbursement of Bond Funds

It has been brought to my attention that some controllers and bookkeepers are not aware of the cash flow schedule for the state construction bond funds and the monthly cash flow restrictions. Each college received an email on February 20, 2001, with an attached Excel file showing the cash flow schedule for their college.

The first spreadsheet in this workbook, "Cashflow," illustrates each individual project and the monthly distribution of bond funds across the life of the project. Please ensure that this information on the cash flow distribution and the monthly restrictions is shared with all staff members who have responsibility for processing project payments and/or reimbursement requests.

Also, as stated in Item #21 of the "Frequently Asked Questions" mailed March 28, 2001 (copy attached), state funds will only be reimbursed in proportion to the total funds in the project and in accordance with the cash flow schedule. This means from the first request for reimbursement, such as design fees and other pre-construction expenditures, that only the pro rata share of the state bond funds will be reimbursed. Please use the DCC 2-16 forms for all requests.

Please be aware that your request for reimbursement is just one of very many that will be coming through for processing. At your college, please process each request as soon as you receive it and send it to Ms. Patricia Edmondson at the System Office as early as possible. If all requests arrive on Tuesday afternoon or Wednesday morning, it may simply not be possible to get all of them processed and paid by the deadline.

PVA/LM/rm

Attachment

pc: Mr. Kennon D. Briggs
Dr. Stephen C. Scott
Presidents
Bookkeepers
Controllers

CC01-085
E-Mail

**Frequently Asked Questions
Pertaining to the State Bond Funds and the Cash Flow Projections**

Following are questions and responses to assist with the orderly flow of the bond projects:

1. Now that the cash flow schedule is in balance, what happens next?
 - A. We must keep the cash flow schedule in balance while moving forward with the projects. We will monitor each project and its expenditures and update the cash flow schedule on a regular basis. We will furnish project status reports and cash flow updates to the State Board, Treasurer's Office, and the General Assembly.

2. When may we submit new projects for State Board approval?
 - A. You may begin to submit NCCCS 3-1 forms (three copies) to start all new projects (both new construction and R&R projects) as you normally would, **one or two months before the design is scheduled to begin.** See Column "S" on the cash flow schedule for design start times. Refer to numbered memo CC01-014 for the specific dates on which State Board agenda items are due.

Funds to pay the design or construction costs will not be available until the first payout month shown on the cash flow schedule.

3. I already have an approved NCCCS 3-1 form for this project. Do I need to amend this form?
 - A. You must amend this form if you will need to use state bond funds to pay for the state's **pro-rata** portion of the design or pre-construction costs. If you do not need to use the state portion at this time, you can wait until after the bids have been taken and construction contracts are awarded to submit a NCCCS 3-2 form.

4. How do we obtain a NCCCS project number?
 - A. Contact Ms. Dee Burns or Ms. Lola Morrison in our office.

5. May we change the name or description of a project on the cash flow schedule as long as the funding and funding distribution times stay the same?
 - A. Yes, but please consult with Ms. Dee Burns or Ms. Lola Morrison in our office before making any change. In order to track the projects, we need for the name on the cash flow schedule to be consistent with the name on the NCCCS 3-1 form.

6. When we submitted our projects that created the cash flow schedule, we did not show a need for all of the funds that were available to us in several of the years. May we now change our projects to request those additional funds that we did not show a need for at the beginning?
 - A. No. In order to balance the cash flow schedule, the funds you did not request in one year were allocated to other colleges that had a need. Conversely, in some other year, you may have been allocated funds that were not needed by other colleges. The State Board has agreed to adhere to the cash flow schedule for three years until they can be certain that we will live within the annual amounts available.

7. May our NCCCS 3-1 and 3-2 forms show bond fund amounts that are different than what was listed in the cash flow schedule for that project?
 - A. There are over 400 projects that we must monitor; therefore, the amount and type of bond funds on the NCCCS 3-1 or 3-2 forms **must** be the same as the cash flow schedule. We realize that changes may be inevitable, and we will work with you to accommodate your needs. **All changes must be approved by the Facilities Services Section and must not negatively impact the cash flow schedule!** You may move funds to a later year, but may not move them to an earlier year. For example, if the amount on the 3-1 or 3-2 form is less than the amount on the cash flow schedule, the difference can be added to another project as long as that project will use the funds in the exact same, or **later** time frame, as shown for the original project. Please contact our office for help in determining whether the change will be feasible.

8. Once the State Board approves a project, may we change the amount of bond funds in that project?
 - A. Once the State Board approves a bond project, the Auditing and Accounting Section begins the process to request the State Budget Office to allot the funds to that project. If the funding changes, the allotment with the Budget Office has to be changed. Additionally, any funding changes will have to be approved by the State Board. This

requires another NCCCS 3-1 form, agenda item, additional State Board time, and a letter of approval. As you can see, this is a time consuming process that we would like to avoid, especially with over 400 projects to monitor. **Therefore, please thoroughly think through your projects before you submit the 3-1.** We will be happy to discuss possible scenarios with you prior to your submitting the 3-1. Again, any changes must not negatively impact the cash flow schedule.

9. What process do we follow in order to purchase property with state bond funds?
 - A. The State Board approves the acquisition of all property. To acquire property adjacent to an existing State Board approved site, submit a letter with the information requested on page 22A of the NCCCS Construction Manual, along with a NCCCS 3-2 form. State bond funds **will not** be available until the payout month (Column R) shown on the cash flow schedule for the land acquisition. To acquire property for a new center, or campus, you must first obtain State Board approval to create a new center/campus. This center/campus approval will be submitted to the State Board for information in one month and action the next month. Once the center/campus has been approved, follow the above procedures.
10. What is the difference between the “Construction” funds and the “R&R” funds?
 - A. The construction funds are site specific and can be used for new construction, R&R, land acquisition, equipment for projects constructed with bond funds, and other construction related purposes. The R&R funds can only be used for repair and renovations and are not site specific. Your board of trustees can move the R&R funds to any of the college’s State Board approved sites.
11. Can the **construction** funds allocated to a specific site, if not needed at that site, be used at another site of the college?
 - A. If the new construction funds that are allocated for a specific site within the county where the main campus is located (home county) are not needed at that site, your board may request the State Board to reallocate the funds to another site either within or outside the home county. With the exception of Mayland Community College, **construction funds may not be reallocated from a site that is outside the home county to a site within the county.** Funds may only be used at sites that have been approved by the State Board.
12. How does a college obtain approval for reallocating **construction** funds from one site to another?

- A. Your board must first approve the reallocation and then send a letter to the State Board justifying the reallocation. **The letter must include some rationale as to why the college's needs have changed since the space and funding projections were made with the construction formula and used in determining the bond fund allocations.** The letters should be sent to the Director of Administrative and Facility Services who will prepare an agenda item. The Finance and Capital Needs Committee of the State Board will consider the request and make a recommendation to the State Board.
13. Can the repair and renovation funds be used for items other than buildings, such as sidewalks, parking lot improvements, or equipment for the renovated facilities?
- A. The R&R funds cannot be used for **new** construction of buildings, additions, parking lots, sidewalks, utilities, etc. Repairs or renovations of these types of existing facilities would be permissible with the R&R funds. **R&R funds cannot be used to purchase any equipment, including telephone systems.**
14. Do either the construction funds or the R&R funds have to be matched?
- A. The construction funds are the only funds that have any matching requirements, and those requirements depend on your ability-to-pay ratio. The R&R funds do **not** have any matching requirements.
15. What is the period of time that we have to match the construction portion of the state bond funds?
- A. The matching requirements have to be met by **July 1, 2006.**
16. If a college cannot meet the matching requirement by July 1, 2006, what will happen to their bond funds?
- A. The bond bill stipulates that any unmatched bond funds will be placed in a special account and allocated to other colleges by use of a ranking formula.
17. If a college was permitted to move **construction** funds from the home county to a State Board approved site in another county and the receiving county had a higher (or lower) local matching rate, which matching rate would apply?
- A. The local matching rate for the county in which the project is located will be the applicable rate. For example, if a college with either a reduced or no matching requirement transfers **construction** funds to another

county with a matching rate that requires a match, the receiving county would have to match the funds at their applicable rate.

18. When will the bond funds be available?
 - A. The Treasurer's Office sold \$48.4 million for community colleges in March 2001 and the first funds should be available in mid April 2001.
19. When will the next sale of community college bonds occur?
 - A. We do not know at this time. The Treasurer's Office has assured us that they will sell bonds in time to meet our cash flow projections. That is why it is important to keep us informed on any changes.
20. How do we receive reimbursement for the bond funds?
 - A. The basic reimbursement procedures will be the same as for other construction projects with one major exception. Payments will only be transferred to colleges on Friday; therefore, **the Auditing and Accounting Section must receive requests for reimbursement before 11:00 a.m. on Wednesday** in order for them to be processed. Requests for reimbursement received after 11:00 a.m. on Wednesday will not be paid until the following Friday. When the end of the month falls on Friday, there will be no reimbursements on that day. Refer to the instructions in the Accounting Procedures Manual and any special instructions from the Auditing and Accounting Section.
As with any construction project, you must furnish us with copies of all contracts, purchase orders, or letters of agreements in order to obtain reimbursement for services or goods.
21. If our project has both state bond funds and non-state funds, can we request the state bond funds first?
 - A. No. State funds will only be reimbursed in proportion to the total funds in the project. However, it is permissible to spend the **non-state** funds first and request the state funds at a later date.
22. What role does my designer have in regards to the cash flow schedule?
 - A. You must inform your designer of the restrictions of the cash flow schedule so that he or she can help you live within those parameters. For example, if the design should be finished early, you will **not** be able to draw the construction portion of the bond funds until the cash flow schedule permits.

23. What will happen to my bond funds if I do not request all of the funds in any given month?
- A. Any funds remaining in a month will roll over and accumulate into the next month for that project. If you see that there will be an unusually long delay, please notify us so that we can adjust the cash flow schedule.
24. What will happen if I need additional funds in a month and there are not enough scheduled or accumulated funds?
- A. If you have deviated in any way from the start or completion dates in the cash flow schedule (e.g., started the design or construction early) you will have to find other sources of funding to meet your needs.
25. What will happen if I have a cost overrun when we take bids?
- A. Your design contract requires the designer to bring the project cost within the funds available or to redesign the project at no additional cost to the owner. If you want to keep the design as bid, you will have to find additional sources of funds. These could be non-state funds or state bond funds as long as they do not negatively impact the cash flow schedule.
26. Will the quarterly Schedule of Expenditures by Project Form (Cash Flow Projections Form) have to be completed for these funds?
- A. At this time, we do not think the colleges will have to complete a Schedule of Expenditures Form. We will update the cash flow projections and make the quarterly reports to the State Treasurer in order for them to determine when to schedule additional sales of the bonds. If you determine that any of your projects will be delayed, you must notify the Administrative and Facility Services Section so we can change the cash flow projections.
27. How long do we have to expend the bond funds?
- A. The bond bill does not specify a date by which the bond funds must be spent. With \$126 million not available until 2005-2006, we expect that there will be ample time allowed to expend the funds.
28. If invoices for design or construction work were paid from other funds prior to the passage of the bond referendum, can these expenditures be reimbursed from the state bond funds?

A. No. Bond funds may only be used to reimburse those **expenditures** that were incurred **after** passage of the bond referendum on November 7, 2000. **You cannot be reimbursed for earlier expenditures.**

29. What exactly is a bundled R&R project?

A. In order to avoid having several thousand small projects (under \$250,000) to monitor, we asked you to “bundle” small R&R projects and show them as one line on the cash flow schedule as you might have done with the 1999 R&R appropriation of \$250,000 per college. For example, if you have five separate and distinct projects of \$150,000 each, we want you to secure **one** NCCCS project number for a \$750,000 project, and complete **one** NCCCS 3-1 form showing all five of the bundled projects when you are ready to start the design. (See Column “S” on the cash flow schedule for design start times.) On the NCCCS 3-1 form, in Section II, list the five projects, along with a catchall phrase like (“Other projects as funds permit”). Separate and distinct projects means that they will be bid separately and are distinctly different projects (e.g., a roof replacement, a boiler replacement, restroom repairs, etc). A “bundled” project **that meets the above parameters** will not have to go through the review of the SCO. After the receipt of bids or when you are ready to start construction on the first of the bundled R&R projects, submit **one** 3-2 form for all of the bundled projects. **In order to receive reimbursements, you must have and submit copies of all contractual agreements along with paid invoices.**

30. Will all new construction and repair and renovation projects have to go to the State Construction Office for their review?

A. For new construction and R&R projects **funded from these bond funds only**, the limit has been raised to projects that are over \$250,000. All other projects

over \$100,000, which are funded with funds **other than** the state bond funds, must go through the State Construction Office.

31. For those **small** projects that do not have to go to the State Construction Office, do I still have to employ a designer (architect/engineer)?

A. General Statute 133-1.1 requires that you employ a designer if:

- A repair project requires major structural changes and costs more than \$45,000; or,
- A new construction project costs more than \$45,000; or,
- The repair of a building, where such repair does not include major structural changes, costs more than \$100,000.

32. If we need a designer for those **small** projects that do not have to go to the State Construction Office, what process must we follow to seek a designer?
- A. You must announce the need for these services following the procedures under GS 143-64.31. After selecting a designer, you will have to negotiate your own design fee and prepare your own design contracts.
33. For the **small** projects that do not have to go to the State Construction Office for review, will they have to go to the Department of Insurance for their review?
- A. Only the plans of projects that involve the **erection** of 10,000 square feet or more of **new** space or **new** additions must be submitted to the Department of Insurance for their review. It would be best to send the plans to the Department of Insurance at each stage of the design rather than at the completion of the design. All projects, both large and small, must still comply with all applicable state and local laws and building codes, and are subject to inspection by the local building inspector.
34. How do we advertise for construction bids for these **small** projects?
- A. For projects of less than \$100,000, you must follow the informal advertising procedures in GS 143-131. For projects of \$100,000 or more, you must follow the formal advertising and bidding procedures in GS 143-129(b) that requires an advertisement in a newspaper.
35. On these **small** projects, will the State Construction Office help us with disputes or claims made by our designers or contractors?
- A. No. You will have to resolve them without the help of the State Construction Office.
36. Are bid bonds and performance bonds required for these small projects?
- A. GS 44A-26 requires that when the total amount of construction contracts awarded for any one project exceeds \$100,000, a 100 percent performance bond and 100 percent payment bond are required of any contractor whose contract portion of the total project exceeds \$15,000. This law does not prevent colleges from requiring these bonds on smaller projects under \$100,000, or smaller contracts.
37. Can state bond funds be used to secure construction management services?

- A. The bond bill allows such expenditures. However, since there will be a legislatively mandated Higher Education Bond Oversight Committee **reviewing and maybe questioning all expenditures**, you should not enter into any such contracts until parameters and procedures have been established and approved. The State Construction Office will review each project on a case-by-case basis and make a determination as to whether Construction management is warranted. In the past, the State Construction Office, who has oversight over our projects, has only approved construction management services for extremely large or complex projects.

You might also consider requiring additional inspection services of your designer. Such services would be at an extra cost, require approval of the State construction Office, and be written into the design contract.

38. I have heard that the University System has received approval from the State Building Commission to use an alternative contracting method called “construction manager at risk” on **some** of their projects. Are we allowed to use this method or other contracting methods?

- A. The State Building Commission has the authority under GS 143-135.26(9) to approve alternative contracting methods on a case-by-case basis. If you are interested in pursuing alternative contracting methods, you will need to **contact the State Construction Office** to find out the procedures for presenting your case to the State Building Commission.

39. The bond bill encourages the use of HUB contractors and requires us to submit a report on HUB participation in bond projects. How can we accomplish this?

- A. The Department of Administration has a HUB Outreach Program that certifies HUB contractors and vendors and lists them by region and trade. You can access this information on the following web site:

<http://www.ips.state.nc.us/ips/vendor/srchven.asp>

You must report the utilization of HUB contractors to our office. You can accomplish this if your accounts payable staff, as they build their vendor file, inquire as to whether the contractor is a HUB vendor and enter the vendor’s HUB information into the file. If this is routinely performed, the HUB utilization will be captured on the same quarterly HUB Report on which your purchases from HUB vendors are shown. If we learn of additional information, we will pass it on to you.