

**LOUISIANA COMMUNITY & TECHNICAL COLLEGE SYSTEM**  
**Policy # 4.007**

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**Title: MANAGING ALTERNATIVE FINANCING PROJECTS**

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	Prior Revision: 02/11/2004
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**I. Purpose and Process**

To manage projects constructed or renovated using Alternative Financing. Alternative financing involves the following steps.

- Partnership with a Non-Profit Corporation.
- LCTCS lease of land or property to Non-Profit Corporation.
- Selection of Tax-exempt Bond Issuer and sale of bonds by Non-Profit Corporation.
- Use of bond proceeds by the Non-Profit Corporation to construct facilities.
- Lease back of Facilities to the LCTCS by the Non-Profit Corporation.
- Base rental payments funded by an appropriation will be used to pay debt service on bonds.
- The LCTCS will acquire property from the Non-Profit Corporation at the end of the lease purchase period when bonds are retired without any additional payment.
- The LCTCS will pay all operating expenses for the leased facilities.

**II. Role of the LCTCS Board of Supervisors**

- A. The LCTCS Board will enter into a Cooperative Endeavor Agreement with the Division of Administration and a Non-Profit Corporation to assist in financing, planning, renovating and constructing of facilities for LCTCS institutions.
- B. The LCTCS will approve, by resolution, the following agreements subject to final negotiation and approval of Board counsel:
1. A Cooperative Endeavor Agreement that provides the details of the roles of the Non-Profit Corporation, the LCTCS, and the State of Louisiana, through the Division of Administration, in the construction finance arrangements.

2. A Ground Lease Agreement for lease of land or property of an LCTCS institution to the Non-Profit Corporation on which to construct or renovate a facility.
3. A Facilities Lease Agreement with an Option to Purchase by which the Non-Profit Corporation will lease the newly constructed or renovated facility to the LCTCS, on behalf of an institution, with the agreement that the LCTCS will acquire ownership of the facility when the bonds are retired without any additional payment.
4. Any other agreements that may be necessary to facilitate construction for LCTCS institutions using alternative financing.

### **III. Role of the Non-Profit Corporation**

- A. Non-Profit Corporation will be identified to facilitate the Alternative Financing process, to include financing, planning, renovating, constructing and developing a facility for an LCTCS institution.
- B. The Corporations Board of Directors may be comprised of stakeholders from the facility's primary service area. Members of the LCTCS Board of Supervisors may serve on the Corporation's Board of Directors, provided that LCTCS Board members shall not form a majority of the Board of the Non-Profit Corporation.
- C. The Non-Profit Corporation is expected to arrange financing with an approved Tax-exempt Bond Issuer.
- D. The Non-Profit Corporation will be the recipient of proceeds from bond sales, and these proceeds will then be used to construct and/or renovate facilities for use by LCTCS institutions.
- E. The Non-Profit Corporation will be responsible for selecting a designer, developer, contractor and/or design/build team based on responses to a Request for Qualifications that substantially complies with state purchasing bid requirements.
- F. The Non-Profit Corporation may retain a financial adviser to assist in the selection of bond counsel, the bond issuer, the underwriter, and a project manager for the construction project. The advisor may also assist in coordination of payment requests/draws and change orders during construction, solicitation of sales tax exemptions from state and local governments, and similar tasks.

#### **IV. Selection of Bond Counsel and Bond Underwriters**

The Non-Profit Corporation will solicit proposals for bond counsel, underwriters and other professionals, based upon issuer requirements or a request for qualifications process.

#### **V. Role of Advisory Committee**

- A. It will be required that each Non-Profit Corporation appoint an advisory committee comprised of a member from the Division of Administration Office of Facility Planning and Control, the Board of Regents, the LCTCS Board staff and a representative from the institution for which the facility is to be constructed or renovated.
- B. The Advisory Committee shall assist the Non-Profit Corporation by recommending a designer, contractor, developer or design/build team based upon the best qualifications submitted in response to the Request for Qualifications.
- C. The Advisory Committee shall provide technical expertise and assistance to the Non-Profit Corporation during the design and construction or renovation of facilities as provided in the Cooperative Endeavor Agreement.

#### **VI. Evaluation and Selection Process of Design/Build Team or Contractor**

- A. The Non-Profit Corporation will be responsible for selecting a contractor and/or design/build team based on responses to a Request for Qualifications or Request for Proposal. The RFQ/RFP should be advertised in local and regional newspapers. Additionally, the RFQ/RFP may be advertised in local and regional trade publications, and mailed to architects, engineers and builders in the community.
- B. The Advisory Committee will provide a comprehensive evaluation of each response and make recommendations regarding selection to the Non-Profit Corporation.
- C. The Advisory Committee will recommend the developer or contractor based on the response to the RFQ/RFP that is most beneficial to the LCTCS and the State.
- D. The Non-Profit Corporation will select designers, developers, design build teams, or contractors on the basis of reasonableness of fee arrangements, design, construction qualifications and time considerations, as recommended by the Advisory Committee applying the following rating criteria:

1. Experience and Qualifications

- a) Organization of Project team in inter-relationship between entities if more than one firm involved. (Prior experience between team entities.)
- b) Financial soundness including adequate bonding capacity and ability to meet insurance requirements.
- c) Support personnel available. Qualifications and experience of personnel for their assigned role in the Project.
- d) Location of Project team member's Project offices.
- e) Experience in construction and design of similar projects.

2. Technical Abilities Experience and Qualifications

- a) Architectural/Engineering design. Soundness and expected reliability and performance. Suitability to projected operations.
- b) Effect on environmental, architectural, and aesthetic, including security and access requirements.

3. Construction and Design/Build Expertise and Qualifications

- a) Experience and qualifications relating to economic viability of proposal.
- b) Experience and qualifications relating to permitting and environmental requirements.
- c) Experience and qualifications relating to programming and costing of the Project.
- d) Experience and qualifications with respect to compliance with State, Federal and Local Law and Statutes.
- e) Experience with the building standard requirements of the State of Louisiana and the Board of Regents.

4. Organization and Quality of Response

- a) Understanding and meeting Project objectives. Response to specific questions and requirements of the RFQ/RFP.
- b) Clarity and appropriateness of assumptions concerning all aspects (including economic and technical).

**VII. Consideration of Minority and Disadvantaged Businesses and Louisiana Businesses**

- A. Each Non-Profit Corporation shall be required to make its best effort to include notification of minority and women owned businesses when soliciting bids for construction of a facility. A list of bonafide small and emerging businesses is available from the Louisiana Department of Economic Development.
- B. Each Non-Profit Corporation shall require documentation from the designer, contractor, developer, or design/build team candidate, which in the sole determination of the Non-Profit Corporation indicates that the candidate is making his/her best effort to comply with the list of Certified Small and Emerging Businesses for each Parish as maintained by Louisiana Economic Development.

**VIII. Relationship Disclosure Statement**

Each designer, developer, contractor, and/or member of a design/build team that submits a proposal to the Non-Profit Corporation, formed for the development, construction or renovation of a facility, shall be required to provide Relationship Disclosure Statements, in accordance with LARS 42:1114, Chapter 15 of the Code of Governmental Ethics.

**IX. Release of Information**

- A. Records related to Alternative Financing arrangements will be available to the public upon request unless the process requires that fees be quoted. In those cases, the records will not be available until after bids have been awarded.
- B. When applicable, the Non-Profit Corporation shall inform all respondents to Requests for Qualifications that the information provided is subject to release to the public.

**X. Maintenance Reserve Accounts (MRA)**

- A. The purpose of a Maintenance Reserve Account (hereinafter “MRA”) on alternative financing projects is to guarantee the long-term uninterrupted maintenance for facilities constructed utilizing this procedure and to preclude the State from future maintenance liability. Provisions for an MRA shall be made a part of each alternative financing project, and the MRA shall be established such that the account remains with the LCTCS, in favor of the institution having responsibility for maintenance. When, at the conclusion of a Facilities Lease, ownership of the facility or facilities inures to the benefit of the LCTCS, so shall the MRA.
- B. Use of funds held in an MRA established pursuant to an alternative financing project shall be certified by the President of the LCTCS or a designee, for purposes including the following:
  - 1. To maintain the facility or facilities and make all repairs, restorations and replacements to the facility or facilities as and when needed to preserve the facility or facilities in good working order, condition and repair.
  - 2. In no event shall MRA funds be used to finance daily maintenance and operating expenses. Said funds are intended to be used for major repairs, and affected LCTCS institutions are encouraged to adopt an MRA Use Schedule, in cooperation with the LCTCS Facility Officer, to promote efficiency and effective preservation of LCTCS property and equipment. Further, no request for MRA funding shall be for an amount no less than \$1,000 in the aggregate.
- C. During the existence of the bonded indebtedness, utilization of the MRA shall additionally be in accordance with all conditions of the bond issue.
- D. The President of the LCTCS is authorized to enlist the services of the System staff to insure that all requests for utilization of MRA funds, from affected campuses, comply with the provisions of this policy.