



MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, County Executive Officer
Submitted by: Holly Heinzen, Assistant County Executive Officer
DATE: April 21, 2009
SUBJECT: Capital Facilities Financing Plan

REQUEST

The Board is requested to affirm the recommendations in the following update to the Capital Facilities Financing Plan which provides a framework for priorities and funding for County capital facilities construction through FY 2017-18.

BACKGROUND

The Comprehensive Facility Master Plan was adopted by the Board of Supervisors in 1996, and the Capital Facilities Financing Plan first affirmed July 24, 2006 and reviewed by your Board on August 7, 2007.

The nature of capital facility construction is dynamic and, as a result, activities such as planning, estimated costing and funding, and project prioritization need to be reviewed periodically. Included for your Board's consideration today is the Capital Facilities Financing Plan that includes updated construction costs and delivery dates for facilities identified as priorities for the County through FY 2017-18. Since inception of the original plan, the County's Finance Committee has worked closely with Facility Services to provide the Board and county management team with a framework that supports the capital facility projects by matching potential funding sources with the established project priority and construction timelines.

Since the plan was last presented on August 7, 2007 the economy has entered a recession and ongoing funding available for capital facilities is significantly reduced. The total General Fund contribution for capital facilities is necessarily reduced from \$187 million in the previous plan to \$71 million in this plan and projections for Capital Facilities Impact Fee revenue (CFIF) has been reduced from an estimate of \$97 million in the previous plan to an estimate of \$37 million in this plan. However, due to your Board's foresight in setting aside capital infrastructure reserves over the last decade and the implementation of the Capital Facilities Impact Fee (CFIF) collection process in the mid 1990's the County has funding available to move forward with critical priorities, although some projects will need to be delayed due to lower projected funding sources.

Since the adoption of the Comprehensive Facility Master Plan the following projects have been completed: the Finance and Administration Building, Juvenile Detention Center, Main Jail Housing Unit 4, Fulweiler Administration Building Renovation, Community Development Resource Center, Auburn Justice Center, Placer County – Bill Santucci Justice Center site acquisition, South Placer Courthouse, and the South Placer Justice office building and the Children’s Emergency Shelter. Funding for these projects was provided from a variety of sources, including state and federal grants, Capital Facility Impact Fees (CFIF), Master Settlement Agreement revenue securitization, debt proceeds (certificates of participation) and General Fund new funding contributions and reserves.

CAPITAL PROJECTS 10 YEAR FUNDING REQUIREMENTS

The Capital Projects 10 Year Funding Requirements schedule reflects the proposed delivery of previously identified major projects and their anticipated funding needs through FY 2017-18 (attachment #1). This schedule was developed to illustrate continued implementation of the 1996 Comprehensive Facilities Master Plan, including the updated Criminal Justice Master Plan. The schedule is arranged in tiers, reflecting the general priority of each project. Tier definitions and associated projects are as follows:

Tier 1 – These projects are all currently under construction and significant funding has been allocated by your Board. The Public Works relocation at Cabin Creek is near completion. The construction for the Colfax Library Renovation is expected to begin in July 2009 and be finished by January 2010. The Rocklin Library is in the design stage and construction is expected to begin in the Fall, estimated to be completed by June 2010, and the West Placer Animal Shelter is in the pre-design stage and will require commitments of community funding. The Adult Detention Center in South Placer is in the pre-design phase and expected to be completed by June 2012.

Tier 2 – These are projects where the Board of Supervisors previously provided specific policy direction, but for which significant project funding is still needed. They include the Burton Creek Justice Center, the Auburn Animal Shelter, and the Tahoe General Government Facility. Funding is committed for the Foresthill Library, but further policy direction is needed before proceeding.

Tier 3 – These projects represent the next series of anticipated projects to be completed after Tier 1 and 2 projects. They include a Warehouse/Archive facility recommended for construction on a site in Dewitt that has yet to be specifically determined, a Health and Human Services (HHS) Clinic and Laboratory facility, and renovation for the Auburn Jail after completion of the South Placer Adult Detention Facility.

Tier 4 – Miscellaneous projects in Tier 4 are typically smaller in nature and cost, but occur with regularity every year and therefore funding needs should be addressed in the long range plan.

Tier 5 – These projects represent a number of facility needs that have been identified within the County’s Capital Improvement Plan but have not been included within Tiers 1 through 4. Included in Tier 5 are an HHS Office Building, moved from tier 4 in the last plan due to lack of

funding, a new Administration Center, and three projects within the Placer County – Bill Santucci Justice Center including a District Attorney/Probation Office Building, Sheriff Sub-Station, and Phase II of the Adult Detention Center. Most of these projects will begin the planning and/or construction process after FY 2017-18.

CAPITAL PROJECT FUNDING MECHANISMS

The Capital Project Funding Mechanisms table depicts the timeline and cost for the construction projects described above, identifies proposed funding sources, and depicts the information in a cash flow schedule (attachment #1 / lower half of the sheet). Upon review of current and future construction needs, staff identified \$157 million (in current dollars) of capital facility needs for the next decade and \$343 million for the decade beyond. The following funding mechanisms have been identified to finance these construction costs.

- Existing reserves
- Ongoing General Fund contributions
- Facility impact fees (growth)
- Securitization of Tobacco Master Settlement Agreement revenue
- Community funding to support projects including the West Placer and Auburn Animal Shelters

Utilization of these funds is predicated on a number of assumptions.

- An inflator was applied to project costs increasing the \$157 million to \$182 million by the end of the decade. The inflator was factored at 2.5% for FY 2009-10 and FY 2010-11 4.0% for FY 2011-12 and 6.5% for FY 2012-13 through FY 2017-18.
- Fiscal year 2008-09 was designated the “base year” for funding estimates.
- In FY 2008-09, the General Fund contributed \$12 million toward capital construction. The contribution will decrease to a flat \$4.5 million for four years then increase by \$1.5 million per year until FY 2015-16 when it remains at a flat \$9 million for three years. The total general fund contribution has been reduced from \$187 million in the 2007 plan review to \$71 million in this year’s plan due to the change in the economic outlook and updated projections for General Fund revenues and expenditures.
- Debt levels will be maintained in accordance with the County’s Debt Management Policy. There is no debt issuance included in this plan due to market conditions and advice from the Treasurer Tax Collector that the County’s current debt load limits our ability to issue additional debt. Debt issuance could be included in future plan reviews if conditions become favorable.
- General Fund revenues are expected to increase by 1% - 2% annually over the next decade.
- Community contributions and other revenues are realistically applied as an offset to specific project costs.
- Estimates for capital facility impact fee collections and interest were reduced to \$4.0 million for FY 2008-09 from an estimate of \$9.9 million in the prior year plan. The

current slowdown in building is expected to last several years and the planned use of impact fees will reduce the amount of cash available to earn interest, therefore impact fees and interest revenues are lowered to \$2.3 million in FY 2009-10 and \$2.5 million in FY 2010-11 with gradual increases beginning FY 2011-12.

- Master Tobacco Settlement Agreement, securitized revenues are 100% dedicated to project construction.
- A portion of the capital reserves and facility impact fee balances will be retained to address new and replacement facilities identified for the decade FY 2019-20 through FY 2029-30.

RECOMMENDATION

The Finance Committee, County Executive Office and Facility Services have all been instrumental in the preparation of this updated plan, and each supports the Capital Facilities Financing Plan presented today. Your Board's affirmation of this updated Capital Facilities Financing Plan will provide staff the direction necessary to move forward with the projects identified. These projects will be brought back to your Board individually for approval when specific direction is required.

FISCAL IMPACT

Capital Facility needs identified during the next ten years total approximately \$157 million in current dollars and approximately \$176 million by the time of construction. This contrasts with the current County's capital reserves of \$87.8 million, including reserves held for capital construction (\$39.8 million) and capital facility impact fee balances (\$48.0 million). The conceptual plan for financing the County's facility needs will utilize a combination of accumulated reserves, current or pay-as-you-go funding from within County budget resources, development growth impact fees, tobacco securitization revenues and other revenues to bridge the \$88 million "gap" between the capital funds needed over the next decade and the funds on hand. Approval of this plan provides a framework for staff to proceed with capital projects but does not commit funds. As each individual project is ready to move forward it will be brought to your Board for approval of the cost and the funding mechanisms.

Attachment #1: Capital Facilities Financing Plan

CAPITAL FACILITIES FINANCING PLAN

Attachment 1

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CAPITAL PROJECTS COMPLETED WITHIN THE LAST 3 YEARS:					
Community Development (CDRA)	\$	29,186,735	South Placer Courthouse	\$	51,796,671
Auburn Justice Center	\$	35,592,224	South Placer Justice Office	\$	22,157,368
Children's Emergency Shelter & B Avenue	\$	13,785,012	South Placer Site & Infrastructure	\$	15,262,529

CAPITAL PROJECTS 10 YEAR FUNDING REQUIREMENTS													PROJECT TOTALS
TIER	PROJECTS	07/08 & Prior	08/08	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	
1	1.1 DPW Relocation - Cabin Creek	\$ 10,446,616	500,000	528,171									\$ 11,475,789
	1.2 Colfax Library Renovation	1,826,000											1,826,000
	1.3 Rockin Library	3,559,852	2,392,462										5,951,314
	1.4 West Placer Animal Shelter	8,397,087	1,600,000	5,000,000	2,032,933								17,000,000
	1.5 South Placer - Adult Detention (Phase I)	\$ 15,995,788	32,929,372	21,000,000	19,674,842	12,574,569							\$ 88,174,569
	Subtotal Tier 1:	\$ 24,194,537											\$ 36,248,103
2	2.1 Burton Creek Justice Center	7,000,000											\$ 19,500,000
	2.2 Auburn Animal Shelter	3,938,906				1,914,094	11,000,000	1,500,000					5,750,000
	2.3 Foresthill Library	1,725,000											1,725,000
	2.4 Tahoe Government Center			8,500,000									8,500,000
	2.5 HHS 113-115 Improvements	1,300,000											1,300,000
	Subtotal Tier 2:	\$ 13,963,906											\$ 34,775,000
3	3.1 Warehouse / Archives	\$ 987,068						1,532,932	2,000,000	2,000,000			\$ 8,500,000
	3.2 Auburn Jail Renovation										8,000,000	8,000,000	12,000,000
	3.3 Health & Human Services Clinic / Lab						3,000,000	4,500,000	4,500,000				12,000,000
	Subtotal Tier 3:	\$ 987,068											\$ 30,500,000
4	4.1 Miscellaneous Facilities Projects	\$ 1,076,580	3,150,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	\$ 13,226,580
	Subtotal Tier 4:	\$ 1,076,580											\$ 13,226,580
5	5.1 Health & Human Services Office Building												\$ 45,000,000
	5.2 Administration Center												57,482,252
	5.3 South Placer - DA / Probation Complex												92,001,300
	5.4 South Placer - Sheriff Sub-Station												35,085,410
	5.5 South Placer - Adult Detention (Phase II)												113,398,873
	Subtotal Tier 5:												\$342,967,935
	Total Annual Funding Required:	\$ 40,099,091	\$ 40,571,834	\$ 34,028,171	\$ 19,707,775	\$ 15,488,683	\$ 15,000,000	\$ 8,532,832	\$ 7,600,000	\$ 3,000,000	\$ 7,000,000	\$ 7,000,000	\$ 156,829,375
	Funding Required Plus Inflation:	\$ 40,571,834	\$ 34,878,875	\$ 19,884,856	\$ 18,923,688	\$ 17,465,084	\$ 10,574,956	\$ 9,898,896	\$ 4,216,972	\$ 10,479,176	\$ 11,160,323	\$ 11,160,323	\$ 175,814,761

CAPITAL PROJECT FUNDING MECHANISMS													TOTALS
	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18			
Beginning Cash / Reserves in General & Building Funds & Capital Facility Impact Fees	\$ 39,839,890	\$ 41,619,405	\$ 29,768,701	\$ 31,146,778	\$ 19,223,090	\$ 19,268,006	\$ 17,725,882	\$ 15,326,885	\$ 20,310,014	\$ 18,930,837	\$ 25,470,514	\$ 25,470,514	
1 Revenues	\$ 47,994,884	\$ 23,808,359	\$ 13,108,359	\$ 2,606,359	\$ 6,186,359	\$ 5,606,359	\$ 7,106,359	\$ 11,406,359	\$ 15,706,359	\$ 20,106,359	\$ 24,506,359	\$ 24,506,359	
2 New General Fund Contribution to Projects & Reserves	\$ 12,071,834	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 6,000,000	\$ 7,500,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 70,571,834	
3 Capital Impact Fees - Annual Revenue & Interest Earnings	4,000,000	2,300,000	2,500,000	3,500,000	3,500,000	4,000,000	4,300,000	4,300,000	4,400,000	4,400,000	4,400,000	37,200,000	
4 HHS Replacement Office - Contractor Lease Purchase													
5 Estimated Tobacco Securitization Revenue					9,000,000							18,000,000	
6 Other - Grants, Bonds, Contributions, Courthouse Trust	2,100,000	5,528,171	3,532,933	500,000		532,932						12,194,036	
7 Total Revenue:	\$ 18,171,834	\$ 12,328,171	\$ 10,532,933	\$ 8,500,000	\$ 17,030,000	\$ 10,532,932	\$ 11,800,000	\$ 13,300,000	\$ 13,400,000	\$ 22,400,000	\$ 22,400,000	\$ 137,965,870	
8 Expenditures													
9 Project Funding Requirements (Less use of Impact Fees)	\$ 12,383,308	\$ 21,878,875	\$ 6,854,856	\$ 16,923,688	\$ 13,455,084	\$ 8,074,956	\$ 9,898,896	\$ 4,216,972	\$ 10,479,176	\$ 11,160,323	\$ 11,160,323	\$ 115,126,236	
10 Project Use of Impact Fees	29,188,525	19,000,000	13,000,000		4,000,000	2,500,000						66,688,525	
11 Total Expenditures:	\$ 40,571,834	\$ 34,878,875	\$ 19,854,856	\$ 16,923,688	\$ 17,455,084	\$ 10,574,956	\$ 9,898,896	\$ 4,216,972	\$ 10,479,176	\$ 11,160,323	\$ 11,160,323	\$ 175,814,761	
12													
13 Ending Cash, Reserves & Capital Facility Impact Fees	\$ 65,426,764	\$ 42,875,060	\$ 33,753,137	\$ 25,329,449	\$ 24,874,365	\$ 24,832,341	\$ 29,733,345	\$ 35,816,373	\$ 38,737,198	\$ 49,978,873	\$ 49,978,873	\$ 49,978,873	

Note #1: Required funding inflation is factored at 2.5% for FY 09/10 and FY 10/11, 4% for FY 11/12, and 6.5% thereafter.
 Note #2: Current outstanding debt issued: Administrative and Emergency Services Building (\$10.8M), Juvenile Detention Center (\$9.8 M) & Courthouse (\$34.8 M).
 Note #3: General Fund contribution flat at \$4.5 M for 4 years, then increase by \$1.5 million per year. Flat at \$9 M starting in 2015-16 and thereafter.
 Note #4: Assume no provision to reserves through the Plan's 10 years. Board policy recommends that \$0.5 M per year should be added to capital reserves when that funding allows.
 Note #5: Debt service cost is approximately \$4.5 million per year with \$3 million from the General Fund. General Fund contribution increases to \$0.5 million in FY 11/12.
 Note #6: Potential storage lease savings for the warehouse archives are not included in this plan.

