

W.10.b.

FILE NOTE

AGENDA DATE: October 1, 2003

TO: LANE COUNTY BOARD OF COMMISSIONERS

DEPT.: LANE COUNTY ADMINISTRATOR'S OFFICE

PRESENTED BY: Dave Garnick, Sr. Management Analyst
John R. Arnold, Management Analyst II

AGENDA ITEM TITLE: DISCUSSION/Capital Improvement Project Financing

I. DISCUSSION:

A. Background

The Board of Commissioners authorized Title III reimbursements for a variety of activities within the County on an annual basis. These reimbursements are authorized for personal services, benefits, indirect costs and materials and supplies expenditures. For FY04, the Board approved \$5,438,245.00 for Countywide Title III projects. Title III revenues for the same period were projected to be \$4,725,191.00 with an additional \$1,527,836.00 in carryover fund balance from FY02-03. Beginning with FY00-01, the Sheriff's Office received authorization to enhance programs related to search and rescue, correctional work camps, and federal land patrols. Programs were enhanced and this work is ongoing throughout Lane County. In developing these enhanced programs, the Sheriff's Office hired additional staff. These FTE require dispatch services to perform their duties.

The Board of Commissioners has directed staff to work with departments in identifying potential Title III uses, thus easing the reliance on general fund revenue. These activities are ongoing.

The financing proposal also includes departmental lapse as a potential funding source. The financial forecast is predicated upon all departments meeting their 2% lapse requirement. While the Sheriff's Office not only met, but also exceeded their 2% requirement, the departments as a whole did not.

B. Analysis

Title III Funding

County Admin. staff met with the Sheriff's Office several times to determine the appropriateness of using Title III funds for remodeling the dispatch center. Staff has concluded that a portion of the remodel project is qualifying due to the increase in dispatch center resources supporting Title III projects. This increase in Sheriff's Office staff support amounts to the full cost of one workstation and 21.05% of the remaining projected dispatch center remodel costs. This calculation was made using the staffing levels before the arrival

of Title III funds and the staffing levels after. This ratio was calculated to determine the appropriate reimbursement percentage.

Staff also determined that any reimbursement for dispatch center remodel activities would be billable as an indirect cost, rather than a stand alone project, and therefore not subject to additional public notification requirements.

In adopting Title III projects for FY03-04, the Board of Commissioners acknowledged that there would be an anticipated fund deficit of \$1,348,102.00 in FY06-07. If the Board approves the additional reimbursement amount requested for the dispatch remodel project, \$229,771.00, the anticipated Title III deficit would increase to \$1,577,873.00 in FY06/07, all other factors remaining constant.

FY 02-03 Lapse Funding

As previously stated, the Sheriff's Office did meet their 2 % departmental target by lapsing 2.38%. Their lapse generated an additional \$87,675 over and above their requirement. But as often is the case, not all departments met their target. The overall departmental lapse was 1.98%. While this may be very close, it did not generate additional funds over and above the required 2%.

This illustrates a major problem the county has found itself in. We have operated the county on the margin for many, many years. We have maintained a minimal prudent person reserve and tend to spend everything up to that amount. The future outlook shows that our situation is continuing to deteriorate with costs continuing to exceed our ability to pay.

Our current work to update the county's bond rating in an effort to refinance eligible bonds and thereby save the taxpayers money has resulted in a "negative outlook" from Moody's rating agency. This does not mean we had our bond rating reduced. However, if our situation does not improve, our rating could be reduced next time. This is the same rating Multnomah County recently received.

What this means is that according to their independent assessments and financial measurements, our stability as a financial entity is weakening. When they look at past voter sentiment and failed revenue measures, the economic stability of the community, the current business climate, the stability of state funding, uncertain PERS costs, growing health care costs, increasing numbers of loans, etc., they say our outlook is shaky.

One measure they use is how long can the county last based upon our reserve. A single month is about 8% of the year. Our reserve is only 5% of our discretionary revenue (not the whole General Fund). When you add in the 2% lapse, we get up to between 5 – 7% of the General Fund at year-end. Even with that you can see that if we

had to live entirely off of our reserve, we don't even have enough to last one whole month.

We have not received Moody's written report yet since their rating committee only met yesterday, Sept. 25th. We plan to bring it to Finance and Audit as soon as it can be scheduled.

C. Recommendations

No recommendation proffered for Title III. Recommend not using lapse dollars.

II. IMPLEMENTATION/FOLLOW-UP:

Upon Board approval, staff will work with the Sheriff's Office to reimburse all appropriate and allowable expenses under Title III and will transfer the necessary lapse dollars to the Capital Improvement Fund.

III. ATTACHMENTS: Title II/III Receipt and Use Allocation Review

TITLE II/III RECEIPT AND USE ALLOCATION REVIEW

BLM	\$ 2,489,861	\$ 2,509,598	\$ 2,579,848	\$ 2,613,386	\$ 2,647,360
USFS	\$ 6,402,501	\$ 6,453,253	\$ 6,622,128	\$ 6,708,216	\$ 6,795,422
Total BLM(28%) USFS(72%)	\$ 8,892,362	\$ 8,962,851	\$ 9,201,976	\$ 9,321,602	\$ 9,442,782
Title II					
Allocation Amount	\$ 4,446,181	\$ 4,391,797	\$ 4,508,968	\$ 4,567,585	\$ 4,626,963
	50%	49%	49%	49%	49%
Title II Allocation by Agency					
BLM	\$ 1,244,931	\$ 1,229,703	\$ 1,264,125	\$ 1,280,559	\$ 1,297,206
Siustaw NF	\$ 557,018	\$ 550,204	\$ 564,603	\$ 571,942	\$ 579,378
Hood-Willamette NF	\$ 2,304,900	\$ 2,276,708	\$ 2,336,287	\$ 2,366,658	\$ 2,397,425
Rogue/Umpqua NF	\$ 339,333	\$ 335,182	\$ 343,953	\$ 348,425	\$ 352,954
	\$ 4,446,181	\$ 4,391,797	\$ 4,508,968	\$ 4,567,585	\$ 4,626,963
Title III					
Allocation Amount	\$ 4,446,181	\$ 4,571,054	\$ 4,693,008	\$ 4,754,017	\$ 4,815,819
Interest Earnings @ 1.5%	\$ 103,141	\$ 87,867	\$ 82,617	\$ 71,310	\$ 72,237
	\$ 4,549,322	\$ 4,658,921	\$ 4,775,625	\$ 4,825,327	\$ 4,888,056
Lane County Title III Uses					
Management Analyst II- T3 Coord.	\$ 42,331	\$ 108,480	\$ 118,819	\$ 128,919	\$ 139,877
Search and Rescue	\$ 325,446	\$ 202,180	\$ 283,185	\$ 307,256	\$ 333,372
National Dunes Deputies	\$ 76,157	\$ 58,823	\$ 52,970	\$ 57,472	\$ 62,357
Forest Lands Emergency Services	\$ 677,974	\$ 933,773	\$ 1,040,404	\$ 1,128,839	\$ 1,224,790
Forest Work Camp	\$ 1,554,070	\$ 2,476,072	\$ 2,967,695	\$ 3,219,949	\$ 3,493,645
Juvenile Forest Work Team	\$ 68,000	\$ 205,655	\$ 344,701	\$ 374,001	\$ 405,791
Oregon Forestry Education	\$ -	\$ 186,312	\$ 26,616	\$ 26,616	\$ 26,616
Forest Zone Development Permits	\$ 185,229	\$ 24,130	\$ 65,000	\$ 65,000	\$ 65,000
Conservation Easements	\$ 5,775	\$ 550,000	\$ -	\$ -	\$ -
Employee Benefit Reserve	\$ -	\$ -	\$ 231,000	\$ 231,000	\$ 231,000
	\$ 2,934,982	\$ 4,745,425	\$ 5,130,391	\$ 5,539,052	\$ 5,982,449
Total Title III	\$ 2,934,982	\$ 4,745,425	\$ 5,130,391	\$ 5,539,052	\$ 5,982,449
Projected Title III Carryover Balance	\$ 1,614,340	\$ 1,527,836			
Proposed Dispatch Center Remodel					
Projected Title III Carryover Balance w/ Remodel					

AGENDA COVER MEMORANDUM

Agenda Date: October 1, 2003
TO: Board of County Commissioners
DEPARTMENT: Management Services
PRESENTED BY: David Suchart, Director
SUBJECT: Capital Improvement Project Financing

1. Issue/Problem:

Two improvement projects not included in the Capital Improvement Program (CIP) budget for FY2004 require financing beyond the capacity of the operating budgets of those departments requiring those improvements. There are a number of financing options discussed in the following agenda item.

2. Discussion:

2.1 Background

The County currently has a Capital Improvement Program (CIP) which allocates resources for major infrastructure maintenance and construction projects. That program is approved annually by the Board of Commissioners and managed by Management Services through its Facilities Division.

The fund (Fund 435) is made up of three components. The first is the annual allocation for projects. Some of them are multi-year (example: asbestos abatement); some are single year (example: repair of the entry between the Courthouse and the Public Service Building). The second component is for the financing of projects which require long term financing (example: Mental Health Building). The third component is the reserves. Reserves are built up in anticipation of known maintenance projects such as roofs and HVAC. Reserves also serve as a contingency so that emergencies such as remediation or the replacement of a chiller can be financed.

Two major projects have arisen been developed which require funding that can not be financed out of current year departmental operational budgets.

However they could be financed over a period of time from those operational budgets.

The first project was the relocation of the District Attorney's Family Law Division. Family Law was located in the Citizens/Umpqua Bank Building. While the lease had one year more to go the bank was anxious to get the space and the County had vacant space in the new Mental Health Building. An arrangement was made to get out of the lease a year early with no penalty. In discussions with the State it was deemed more appropriate to pay off the costs involved with the remodel and relocation as a part of ongoing reimbursement rather than billing the State for the costs. This also minimizes the impact on the District Attorney's budget as the State only reimburses a portion of Family Law costs.

The second project involves the remodel of Sheriff's Office Dispatch Center. As a result of the Area Information Records System (AIRS) conversion from mainframe to client server architecture and a requirement to upgrade radio equipment the Sheriff's Office has concluded that remodeling of the Dispatch Center was not only required to happen at this time but also doing it at this point would be more efficient. Management Services has been working with the Sheriff's Office on development of both the facility and financial requirements of this project. There is a companion agenda item on today's agenda which would award the remodeling contract. There will be two more contracts on future agendas. One item will be for the telephone system upgrade, and the second for console furniture for the Dispatch Center.

2.2 Analysis

The following table shows the cost factors in developing the "rent" options to be charged to the District Attorneys' Family Law Division. Some of this rent will go to repay the "loan" and some will be used to offset Health & Human Services Mental Health Division "rent" for the Mental Health Building.

	Base Costs	Allocation 1	Allocation 2
Remodel Cost	\$56,962		\$56,962
Indirect for Maintenance/Custodial	\$18,682	\$18,682	\$18,682
Utilities	\$5,119	\$5,119	\$5,119
Depreciation	\$1,411	\$1,411	\$1,411
Bond Payment	\$50,712	\$50,712	\$50,712
Annual Cost		\$75,924	\$132,886
Monthly "Rent"		\$6,327	\$11,074

The first portion of the table shows the costs associated with remodeling and relocating the division to the new building. The last items are the proportionate costs for the division based on the square footage percentage of the building (approximately 15%). Allocation 1 distributes costs for FY 2004 so as not to impact the current budget. Allocation 2 distributes the maximum rent that the division would be responsible for in FY 2005 in order to pay off the "loan". A third allocation could add some of the remodel cost to the current year allocation thus smoothing out next years cost. Last year the division paid \$68,785 in rent.

The following table shows estimated costs for the Sheriff's Office Dispatch remodel and the computation for the proposed "loan".

Project Costs:	Estimate	BID
Construction	\$408,629	\$292,680
Modular Furniture	\$10,000	
Dispatch Workstations	\$100,000	
Radio Consoles	\$300,000	
Dictaphone move	\$1,000	
Estimated Project Cost	\$819,629	\$703,681
Project Funding:		
Title III share	\$229,771	
Departmental lapse FY03	\$166,000	
Loan from CIP Fund	\$423,858	\$307,910

Alternatives/Options

With regard to the District Attorney Family Law remodel there are several three alternatives, two straightforward and one with variations, for calculating the "rent".

- a. Use Allocation 1 for FY04
- b. Use Allocation 2 for FY05
- c. Use an allocation lower than Allocation 2 for FY05 and have the payback occur over two or three years in order to smooth the "rent".

In all cases the State only reimburses 66% of the costs; the remainder comes from the District Attorney's operational budget.

With regard to the Sheriff's Office Dispatch Remodel the computation of the "loan" has revenue assumptions that are affected by County budget practice (use of lapse) and federal regulations (use of Title III monies).

The Title III share has been reviewed by the Management Analyst with oversight responsibilities for the Federal Forest Act. His comments are contained in a file note. Again, once the actual costs have been determined the share contained in the above table will have to be recalculated.

The Sheriff's Office is requesting that \$166,000 of its FY03 lapse be credited to the project. If approved this would result in a transfer of those funds from the General Fund to the CIP Fund 435 and credited to the project. A file note from the budget staff is being prepared to comment on the fiscal impact of this request.

The remaining balance for funding the project would be a "loan" from the CIP Fund 435. It is not an actual loan, in that all expenses would be paid for out of Fund 435. The Sheriff's Office has expressed a desire to pay the balance off as soon as possible.

2.3 Recommendation

In the case of the District Attorney Family Law financing it is recommended that Alternative/Option C be used. The basis for that recommendation is mitigating the effect on the District Attorney's operational budget. As one of the components of the philosophy behind the CIP Fund is to provide longer term financing for projects which are in the best interest of the County this project falls under that heading.

In the case of the Sheriff's Office Dispatch Remodel it is recommended that CIP Fund 435 be utilized for financing the project. No recommendation is made on Title III or the use of lapse funds as this is outside the preview of Management Services.

3. Implementation/Follow-Up

Management Services will work with the District Attorney's Office and the Sheriff's Office to negotiate a payment schedule.

4. Attachments: