

Capital Projects and Financing Considerations

November 5, 2009



Agenda

- **Review Budget Note**
- **Facilities Recommendations**
 - Process Used to Develop Recommendations
 - Projects Reviewed
 - Timeline for Completing Recommended Projects
- **IT Recommendations**
 - Process Used to Develop Recommendations
 - Projects Reviewed
 - Timeline for Completing Recommended Projects
- **Additional Projects**
 - Assessment & Taxation System
 - Library Materials Movement
- **Financing Considerations**
 - Policy Statements
 - Current Debt Analysis
 - Estimated Borrowing Costs and Sources of Repayment
- **Board Questions**

Budget Note

- FY 2010 Budget includes appropriation of up to \$24.6 Million in debt proceeds to finance capital projects

- Budget note included process for determining final project recommendations
 - Subcommittees of Operations Council analyzed and ranked projects proposed by Facilities Management and Information Technology
 - Finance reviewed funding alternatives, including detailed schedule of debt service if Board authorizes borrowing

Facilities

Process Used to Develop Recommendations

- Facilities prepared list of deferred maintenance projects from current backlog
- Energy projects proposed that had financial payback at or close to seven year loan period
- Projects reviewed and approved by team representing Board Staff and departmental representatives

Facilities

Energy Project Funding

- Earlier proposal for Energy Projects loan not needed due to recent ARRA project approvals:
 - Building Automation Systems Project (Funded)
 - Heat Recovery System Project (Funded)
 - Efficient Lighting Project (Not Funded)
 - No need to borrow for County local match

Facilities

Proposed Deferred Maintenance Projects

- **Upgrade 2 Courthouse Elevators** **\$750 K**
 - Repairs to begin as soon as authorized
- **Countywide Sewer Repairs** **\$500 K**
 - Sewerline inspections, repairs begin as soon as authorized
- **Fire Life Safety Projects** **\$770 K**
 - Urgent repairs begin as soon as authorized
- **Countywide Lighting** **\$780 K**
 - Lighting upgrades begin as soon as authorized
- **Total Deferred Maintenance Projects** **\$2.8 M**

Facilities

Courthouse Elevator Repairs

- Courthouse Elevator Repairs are urgently needed ASAP
- If Courthouse Elevator repairs are performed out of existing FY 2010 Capital Program:
 - No room in Capital Program for \$750,000 without delaying or cutting other projects
 - \$443,000 available for Capital if debt payment not needed during FY 2010

Information Technology

Process Used to Develop Recommendations

- Review of Budget Brainstorming Sessions
 - IT Advisory Board
 - IT Leadership Team
 - Employees
- Review of Current Risks Related to IT
- On-going Input from Stakeholders
- New, Collaborative Team Concept
 - 12 Member Team of Employees and Management



Information Technology

Projects Recommended (ITAB & Board Staff)

- Data Center and Disaster Recovery
- Network Enhancement and Phone System Replacement (aka Network Convergence and Voice Over Internet Protocol)

Information Technology

Data Center and Disaster Recovery

- Recommendation: Two Site Data Center with *hot* Disaster Recovery Capabilities
 - Initial virtualization phase
 - New county data center in existing county facility
 - Second Site: co-location/cloud computing
 - Each contains 50% of operational load plus 10% disaster recovery capacity

Information Technology

Data Center and Disaster Recovery

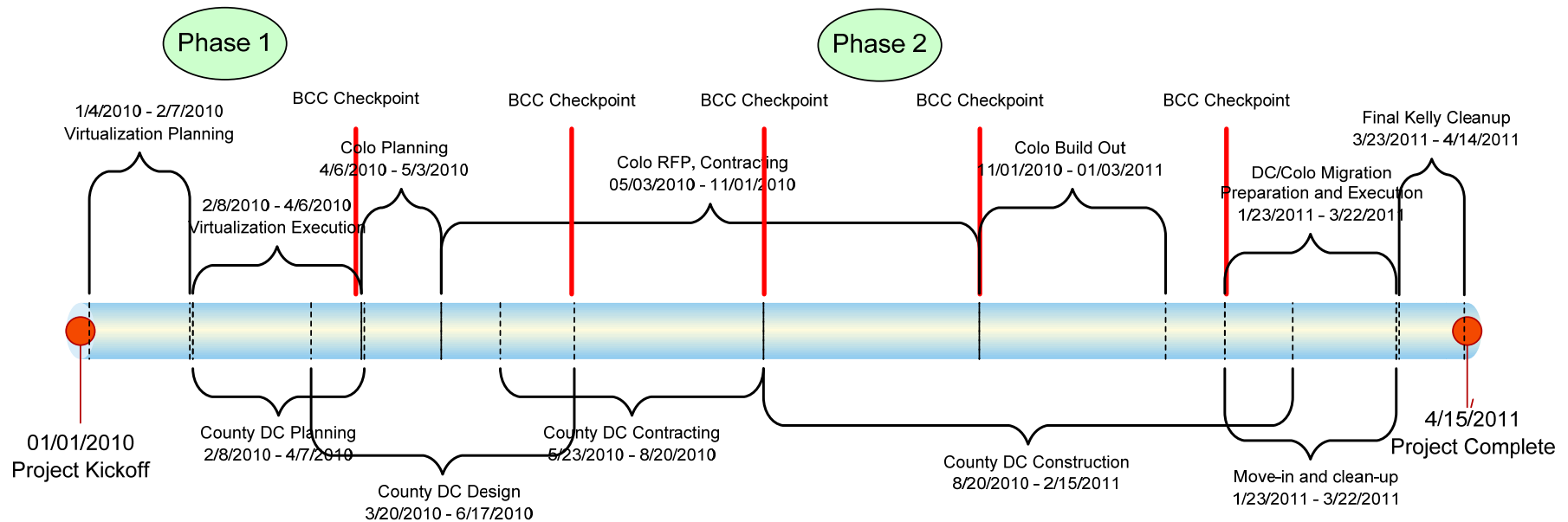
■ Estimated Costs

- Current Operating Costs, ~\$1.2 Million
- Two Site Data Center Recommendation
 - One time only, ~\$3.5 Million
 - 5 year operating costs, ~\$1.9 Million annually
 - Purchasing reliable, efficient sites: county site and disaster recovery site/capabilities

Information Technology Data Center and Disaster Recovery

■ Two Site Implementation Timeline

- ~ 16 month project; for presentation purposes, assumes a start date of 1/1/2010



Information Technology

Network Enhancement/Phone System Upgrade

- Recommendation developed by WAN and Telecom employees and managers
- Reviewed and approved by ITAB
- Change Drivers
 - Vendor bankruptcy
 - Duplication of circuit costs
 - Move/add/change (MAC) costs
 - Supportability



Information Technology

Network Enhancement/Phone System Upgrade

- Proposal
 - Enhance network backbone

 - Converge, “combine” voice and data networks to reduce redundant circuit costs

 - Replace current phone system with Voice over Internet Protocol (VOIP) technologies

Information Technology

Network Enhancement/Phone System Upgrade

■ Benefits

- Reduction in costs: MACs, circuits, vendor-related expenses, hardware
- Flexibility: server location, standards based technology, and productivity tools

■ Risks and Considerations

- Training for staff and employees
- One time only costs
- Change management
- Shorter replacement lifecycle
- Vendor complexity

Information Technology

Network Enhancement/Phone System Upgrade

- Estimated Costs
- Current Operating Costs, ~\$4.3 Million
- Proposed enhancements and upgrade
 - One time only, ~\$3.5 Million
 - Conservative estimates result in reduction of on-going operating costs, ~\$490,000 annually
- Project timeline estimated at 2 years

Other Projects

- A&T System Upgrade - \$5 Million
 - Upgrade to Current Technology and Increased Functionality
 - Improve Public Access to Data
 - Increase Operating Efficiency and Enhance Revenues
 - Partially Funded in FY 2010 w/ \$1.5 Million of OTO Revenue

- Library Materials Movement Project – \$1.6 Million
 - Phase 2 of 4
 - Provide Security for Library Materials
 - Streamline System-wide Materials Handling and Movement
 - Budget Note – Potential Use of OTO Revenue

Financing Considerations

Policy Statements

- County has a stated commitment to financing capital projects on a “pay-as-you-go”, or OTO, basis
- *“If it is financially beneficial to issue bonds or COPs, and if the project has been determined to benefit future citizens, the County will evaluate the feasibility of issuing a long-term debt financing instrument.”*
- *“(T)he County further limits non voter- approved debt . . . to an annual debt payment amount that will not exceed 5% of the County’s General Fund budgeted revenues . . .”*

Financing Considerations

Estimated Outstanding Debt (as of 7/1/2010)

Annual Debt Service Not Adjusted for Debt Buydown

	\$'s in Millions		
	Principal Balance	Annual Debt Service	# Years to Payoff
General Obligation Bonds	\$ 49,710	\$ 9,253	7
Revenue Bonds	2,845	548	6
Pension Obligation Bonds	151,373	15,202	20
Full Faith and Credit Obligations	57,845	8,981	10
Capital Leases	1,020	118	22
Total Debt	\$ 262,793	\$ 34,102	
(Less) GO Bonds	(49,710)	(9,253)	
(Less) Pension Obligation Bonds	(151,373)	(15,202)	
(Less) Revenue Bonds	(2,845)	(548)	
Debt Subject to County Financial Policies	\$ 58,865	\$ 9,099	
FY 2010 General Fund Revenues		\$ 356,000	
Current GF Supported Debt as % of Revenue		2.56%	
Available Annual Debt Service per Policy		\$ 8,701	

Financing Considerations

Estimated Annual Cost of Debt Service

Assumptions - 3.2% Interest, 7 Year Maturity

	Principal	Annual Debt Service	Total Cost
Facilities Projects	\$ 2,800,000	\$ 453,000	\$ 3,171,000
IT Projects	6,000,000	970,000	6,790,000
A&T System Upgrade	5,000,000	809,000	5,663,000
Library Materials Management	1,600,000	259,000	1,813,000
Totals	\$ 15,400,000	\$ 2,491,000	\$ 17,437,000

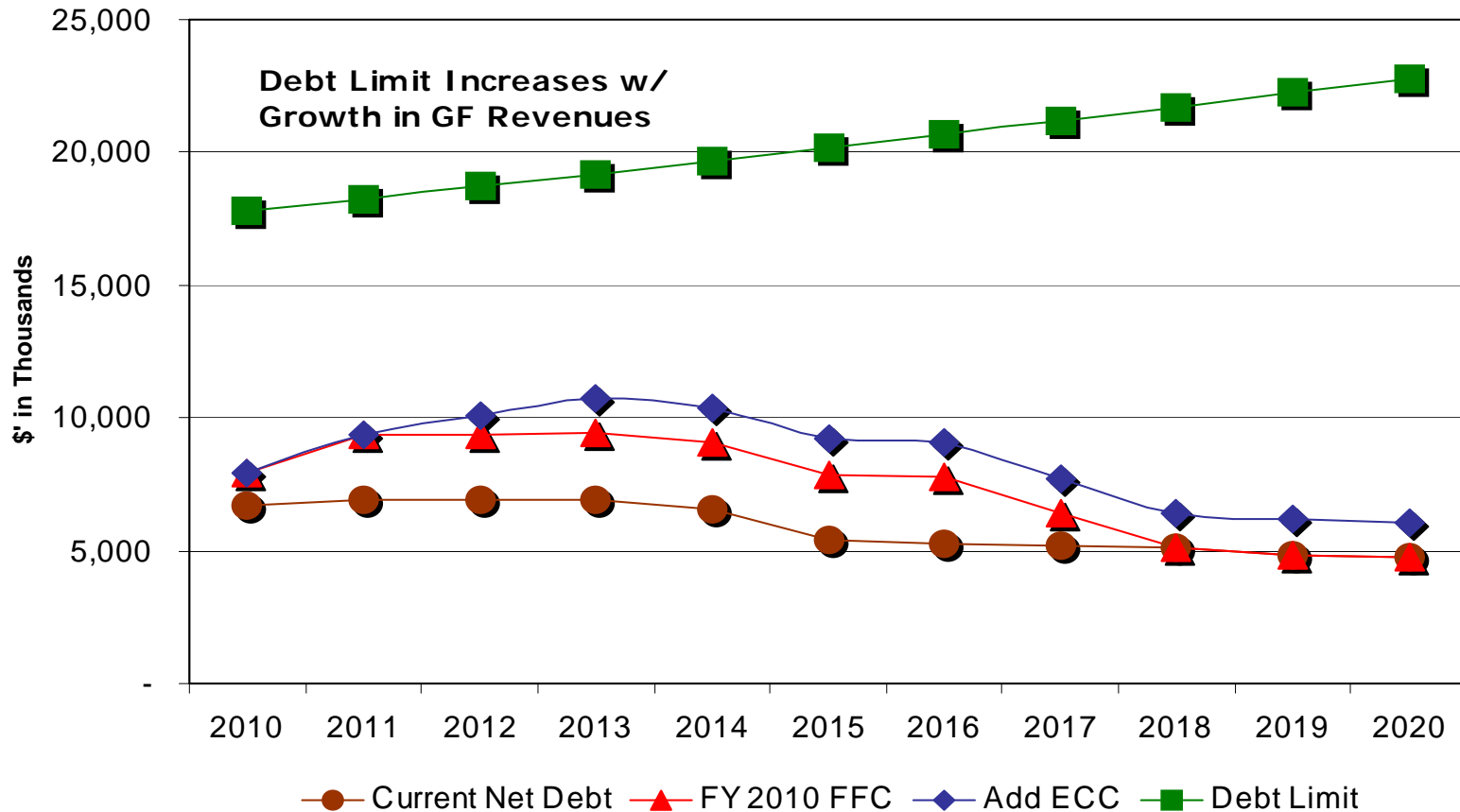
Financing Considerations

Potential Sources of Debt Repayment

- Facilities (\$453K) – Repurposing of FY 2010 Capital Asset Fee Increase
- IT (\$970K) – FY 2010 Constraint Reductions Maintained as Internal Service Charges
- A&T (\$809K) – Increased Operating Efficiencies Leverage Additional State Grant Funds
- Library (\$259K) – Library Levy, Half Potentially Supported by General Fund

Financing Considerations

Debt Analysis (FY 2010 - FY 2020)



Summary

- Specific Project Recommendations
 - Seeking Board Direction on Which Projects to Move Forward
- Pros and Cons of Financing Options
 - Debt Issuance v. OTO v. Combined Approach
- Next Steps
 - Recommend Financing Up To \$15.4 Million to Support Projects Described Today
 - Resolution to Authorize Debt Issuance – December 3rd
 - Finance to Review and Consider All Possible Funding Options
 - Will present final recommendations to Board prior to debt issue
 - Debt Issued – Late January to Mid February
- Board Questions/Comments