County of El Dorado

Chief Administrative Office

330 Fair Lane
Placerville, CA 95667-4197

Don Ashton, MPA
Chief Administrative Officer

Phone (530) 621-5530
Fax (530) 626-5730

December 20, 2016

TO: Members, Honorable Board of Supervisors

FROM: Don Ashton
Chief Administrative Officer

SUBJECT: USDA LOAN

As you are aware, on December 28, 2016, there will be a special Board meeting in which you will be considering a recommendation to execute a loan totaling approximately $57 million to build a new public safety facility. Acceptance of this loan will result in an annual payment totaling approximately $2.3 million/year.

While this is likely the most significant long term investment this County has ever taken, and it will impact the flexibility the Board has in identifying funding for other very important mandated and discretionary programs, I encourage the Board to approve this recommendation.

<u>Consistent with our Strategic Plan</u>

Building a new public safety facility is consistent with two of the five Strategic Plan Goals: Infrastructure and Public Safety. As you may recall, several years ago the County hired Vanir Construction to conduct an assessment of the County's buildings. This assessment identified the Sheriff's current administrative building, along with the Placerville Juvenile Hall as being at end of life. Subsequently, the County purchased land as the site of the new public safety facility.

Not only will approving this loan allow the County to address the needs of the Sheriff's Office, it will then free up land at the existing headquarters location to build a new juvenile hall for which funding has already been identified, addressing two of the County's most critical facility/infrastructure needs. In addition, upon completion the Sheriff's Office will be vacating the space they occupy in Building A for dispatch staff, office of emergency services staff and their fiscal staff, freeing up needed, County owned space for other programs.

If the Board chooses not to accept this loan the County will still be required to either build a new building for the Sheriff's Office or lease alternative space, both of which are far less desirable options. Specifically, it is unlikely we would be able to find suitable leased space, and any space that was suitable would result in a significant additional General Fund expense. If the Board chooses to build a new facility without the USDA loan, the costs would be significantly higher due to increasing interest rates and increasing construction costs.

Fiscal Impact

Acceptance of this loan will result in an annual payment totaling approximately $2.3 million/year. As I previously stated in June 2016, assuming there is not a significant downturn in the economy, the County should be able to afford this loan payment without a reduction in other services. However, this will limit, and without an unanticipated increase in revenues likely prohibit, increasing County General Fund support for other important services and programs. Examples include funding for roads, aid to rural fire districts, senior programs, veterans programs, libraries, marijuana enforcement, tree mortality and CalPERS increases.

Due to the loan amount being approximately $3.5 million less than requested, there will not be funding available in the current year budget to address these needs without impacting other programs or services. While some funding may be available in FY 2017/18, it will not be sufficient to adequately address all of these needs so the Board will need to be prepared to make difficult decisions during the budget process.

Other Infrastructure Needs

Please also keep in mind the County has other building infrastructure needs such as improvements to the Spring Street Facility, the District Attorney's Office and the El Dorado Center in South Lake Tahoe. We also have IT infrastructure needs that must be addressed, the most important of which is to migrate off of the mainframe. While significant progress has been made in this regard relative to the implementation of FENIX, at the January 3, 2017 Board meeting, staff will be recommending the Board approve a contract to replace the existing Property Tax System, a Board priority that was identified during the FY 2016/17 budget process, as well as a new Land Management Information System (LMIS). While funding for the LMIS system has been identified within the Community Development Agency, it is anticipated an additional $1.2 million will need to be identified during the FY 2017/18 budget process to replace the property tax system.

Identifying funding for the new property tax system must be a top priority in the FY 2017/18 budget process. If funding is not identified, not only could the existing legacy system fail, it will prohibit the County from migrating off the mainframe resulting in increased expense and higher risk in future years.

Conclusion

Understanding acceptance of this loan is a very difficult decision and will impact the ability of the Board to address funding for other services, there unfortunately is not another viable option. Due to the County's prior decisions to not set aside money for deferred maintenance and capital improvements, all of us are now faced with having to prioritize funding for essential infrastructure needs, both facility and IT needs, rather than expanding discretionary services or even increasing service levels for mandated programs. If we fail to make these difficult decisions, it will simply force more difficult choices in the future.

In addition, while your staff will continue to identify and implement ways to become more efficient, we need to anticipate that efficiencies will not be able to identify the tens of millions of dollars in additional funding that will be needed to address all of our infrastructure needs.

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c. Sheriff John D'Agostini
Michael Ciccozzi, County Counsel
Jim Mitrisin, Clerk of the Board