



AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE Consider approving appropriation transfer requests from various capital project budgets to redirect \$3,132,852 in Capital Renewal Funds into the General Fund; Authorizing deferral of previously approved capital projects totaling \$1,744,079 (4/5 vote required); and Authorizing the Auditor-Controller to return \$2,623,852 in de-allocated General Fund dollars to the Deferred Maintenance Reserve		BOARD MEETING DATE June 14, 2011	AGENDA NUMBER 24
Dept: Contact: Extension:	General Services Department Michael J. Lango, Director 784-7900	Supervisorial District Number All	
	Published Notice Required?	Yes _____	No <u> X </u>
	Public Hearing Required?	Yes _____	No <u> X </u>

DEPARTMENTAL RECOMMENDATION

General Services recommends that the Board of Supervisors:

1. Consider approval of the following:

- Appropriation Transfer Request of \$213,113 to replace General Fund dollars with ACO funds in capital project #1786 (budget unit 1786), 600 Kentucky Street (Post Office) Roof and Mechanical Systems Replacement Project
- Appropriation Transfer Request of \$406,660 to replace General Fund dollars with ACO funds in capital project #1794 (budget unit 1794), Law and Justice Hot Water Generator Replacement Project
- Appropriation Transfer Request of \$400,000 to replace General Fund dollars with Criminal Justice Temporary Construction Fund dollars in capital project #1787 (budget unit 1787), Law and Justice Generator Replacement Project
- Appropriation Transfer Request of \$60,000 to defund excess General Fund dollars from capital project #1726 (budget unit 1726), Acquisition/Sale of Property Project
- Postponement of capital project #1788 (budget unit 1788), Law and Justice HVAC Replacement Project, and an Appropriation Transfer Request to defund \$1,544,079 of General Fund dollars from the project (4/5 vote required)
- Substitution of \$309,000 in Accumulated Capital Outlay (ACO) funding for General Fund dollars in capital project #1706 (budget unit 1706), Lake Solano Park Day Use Stair Replacement Project

- Deferral of capital project #1791 (budget unit 1791), Clay Street Ditch and Drainage Project, and de-allocation of \$200,000 of General Fund dollars from the project (4/5 vote required)
2. Authorize the Auditor-Controller to return the de-allocated General Fund dollars, totaling \$2,623,852, to the General Fund Deferred Maintenance Reserve.

SUMMARY

The recommended actions return \$2,623,852 of capital renewal funds to the General Fund Deferred Maintenance Reserve by substituting available alternate funding that are restricted for capital projects only. As part of this action, additional appropriations of \$509,000 included in the FY2011/12 Recommended Budget are being cancelled, increasing the total amount going back to the General Fund to \$3,132,852. The de-allocated General Fund dollars may be used to fund other capital projects, or re-directed to other programs at the Board's discretion.

In FY 2006/07 and FY2007/08, the Board set aside \$10.375 million in General Fund monies to support capital renewal of building systems, equipment and facilities based on needs that were previously documented in a *Facility Condition Assessment Report* prepared by 3D/International, Inc. and projects included in the *Solano County 5-year Capital Facilities Improvement Plan*, which is updated annually. The Board approved these funds as supplementary funding, since the dedicated sources of funding for projects have historically been inadequate to meet County needs for improvements, equipment replacement and building system upgrades in existing facilities. These capital renewal funds have now been depleted.

Given the protracted economic downturn and the large range of capital project needs that are documented in the *5-year Capital Facilities improvement Plan* approved by the Board of Supervisors on December 14, 2010, General Services has reviewed funding sources for current projects, with a particular focus on those currently using Capital Renewal funds that could be replaced with non-discretionary capital project funding and/or postponed to a later date. The analysis performed by the Department of General Services, with assistance from the County Administrator's Office and the Department of Human Resources, Risk Management Division, identified \$3,132,852 in capital renewal funds (General Fund) that could be redirected.

FINANCING

The following table summarizes the fiscal impact of the recommended actions:

Budget Code	Project Title	Capital Renewal Fund Amount <i>(General Fund Dollars)</i>	Postpone Project / Reduce Funding	Fund with ACO Funds	Fund w/ Criminal Justice Temp. Const. Funds	Remaining to be funded with Capital Renewal Funds
1706*	Lake Solano Park Stair Replacement, Day Use Area	\$309,000		\$309,000		
1726	Acquisition/Sale of Property	\$76,251	\$60,000 (Reduce)			\$16,251

Budget Code	Project Title	Capital Renewal Fund Amount (General Fund Dollars)	Postpone Project / Reduce Funding	Fund with ACO Funds	Fund w/ Criminal Justice Temp. Const. Funds	Remaining to be funded with Capital Renewal Funds
1786	600 Kentucky (Post Office), Roof/Mechanical Systems, Fairfield	\$213,113		\$213,113		
1787	Law & Justice Generator Replacement, Fairfield	\$1,400,000			\$400,000	\$1,000,000
1788	Law & Justice HVAC Replacement, Fairfield	\$1,544,079	\$1,544,079 (Postpone)			
1791*	Clay Street Ditch & Drainage Study, Fairfield	\$200,000	\$200,000 (Postpone)			
1794	Law & Justice Hot Water Generator Replacement, Fairfield	\$406,660		\$406,660		
Total		\$4,149,739	\$1,804,079	\$928,773	\$400,000	\$1,016,251

* 1706 & 1791: Actual cash has not been transferred to Accumulated Capital Outlay budget.

Project budgets 1706 and 1791 were funded by capital renewal funds in FY2010/11 totaling \$509,000; however, as part of third quarter adjustments the revenue appropriations were removed with the intent to re-budget in FY2011/12. Therefore, the cash will no longer be transferred in the current year. If the board approves the redirection of funding as outlined in the table above, then the funds would remain in the General Fund budget (BU 1927) adding to the appropriation transfer of \$2,623,852 for a total \$3,132,852 in capital renewal funds that were previously approved for capital improvement projects that can now be redirected towards other capital projects or other programs. However, if the board chooses to use capital renewal funds to fund all or part of project budgets 1706 and 1791, staff would need to re-budget the appropriations and revenue as part of the FY2011/12 Supplemental Budget request.

DISCUSSION

The Five-Year Capital Improvement Plan for FY2011–2014 contains over 71 capital projects, requiring in excess of \$266 million in financing. In addition, new urgently needed capital requirements continue to arise. With ongoing fiscal challenges due to a prolonged economic downturn, the County can only address the most critical and highest priority capital requirements in the plan. To ensure that these limited available resources are allocated efficiently, County staff conducted a review of funded projects in the County's Five Year CIP, focusing on the following:

- Validation of cost estimates
- Verification of financing means
- Confirmation of project priorities and schedules

Cost Estimates

The Division of Architectural Services of the Department of General Services reviewed the reasonableness of cost estimates under current market conditions. The review indicated that while there were anecdotal evidence in the industry that would suggest some companies submitted artificially deflated bids/proposals to secure construction work, the prevailing general conditions in the construction industry support the current cost estimates on County projects for budgeting purposes. If bids received are lower than estimated costs, then savings can accrue to individual projects and then be used to fund other priority need though time.

Spending Priority Plan

Major capital projects are often financed by issuing bonds or other forms of debt. The County also uses other capital financing means, including grants, special revenue funds, such as: the Criminal Justice Temporary Construction Fund and the Courthouse Temporary Construction Fund, Accumulated Capital Outlay (ACO) Fund, Reserve for Deferred Maintenance, and the General Fund. With total funding requirements for capital projects exceeding the County's financial capacity, it is critical that that the available funding from all sources is used efficiently.

A spending priority plan determines the appropriate funding source(s) for capital projects. By using the most restrictive funding first, less restricted funds, such as those from the ACO Fund, can be directed to other capital projects. General Fund dollars can also be used for capital projects, or re-directed by the Board to other programs at the Board's discretion.

As an example, Criminal Justice Temporary Construction Fund dollars can only be used for the construction, reconstruction, expansion, improvement, operation or maintenance of county criminal justice and court facilities and for improvement of criminal justice automated information systems. They cannot be used for non-related capital projects. By using this funding first, or as replacement funding for any criminal justice and court related capital projects, the Board is able to use its available less-restricted funds for other capital projects and its discretionary funds for other Board priority programs.

The Department's review of funded capital projects and available funding sources identified capital projects funded with General Fund dollars that can be supplanted with alternate funding. Using the same information as in the financing section but organizing it in a different manner, the Department recommends the following changes in funding that will make available \$1,328,773 of previously allocated General Fund dollars for use on other capital projects, or redirection to other programs, at the Board's discretion.

Budget Unit	Project Title	Capital Renewal Fund Amount (General Fund Dollars)	Capital Renewal Funding (General Fund Dollars) to be Shifted to Alternative Funding	Alternative Funding – ACO Fund	Alternative Funding – CJ Temp Constr Fund
1706	Lake Solano Park Stair Replacement – Day Use Area	\$309,000	(\$309,000)	\$309,000	

1786	600 Kentucky St, Fairfield (Post Office) Roof & Mech Systems	213,113	(213,113)	213,113	
1787	Law & Justice Generator Replacement	1,400,000	(400,000)		400,000
1794	Law and Justice Hot Water Generator Replacement	406,660	(406,660)	406,660	
	TOTAL	\$2,328,773	(\$1,328,773)	\$928,773	\$400,000

Scheduling of Projects

Based on past Board approval coupled with projects requested for approval in FY2011/12, County staff plans to initiate or continue work on the following major capital projects:

- 362-bed, 127,800 square foot AB900 Claybank Adult Detention Facility Expansion in Fairfield
- 35,000 square foot William J. Carroll Government Center in Vacaville
- Space consolidation at the John F. Kennedy Library in Vallejo
- Security upgrade for the existing 279-bed Claybank Adult Detention Facility in Fairfield
- Countywide space consolidation study
- Claybank warehouse re-roof
- Lake Solano Park Day Use Stairs Replacement
- The Nut Tree Airport Master Plan
- American Disabilities Act (ADA) Transition Plan Update
- Animal Care Services Administration Building Replacement
- Facilities Assessment Study
- Renovation and modernization of two-story, 7,000 square foot, Suisun Veterans Memorial Building
- Barrier removal and modernization of two-story, 11,000 square foot, Benicia Veterans Memorial Building

This construction schedule is consistent with the high level construction pace set in past years. However, the following FY2011/12 conditions may impact the scheduled start-up and/or completion of capital projects:

- Reduced staffing in affected County departments
- Concurrent construction of major projects:
 - \$83 million, 362-bed, 127,800 square foot, Claybank Adult Detention Facility Expansion
 - \$19 million, 35,000 square foot, William J. Carroll Government Center
 - \$3 million security upgrade for the existing 279-bed Claybank Adult Detention Facility
 - \$2.5 million modernization of two-story, 7,000 square foot, Suisun Veterans Memorial Building
 - \$2.0 million modernization of two-story, 11,000 square foot, Benicia Veterans Memorial Building

Planning, coordinating, and management of construction projects require a huge amount of time and effort on the part of General Services Department staff and those of affected departments. Countywide personnel reductions have reduced departments' ability to support the high level of capital project activities. In past years, projects would just be delayed to compensate for lack of resources. While this practice may be continued, the fiscal impact of unplanned project delays, especially during these economic times, requires a more pro-active approach.

With project funds committed until projects are completed, cancelled, or de-funded, delayed projects tie up funds that can be used on other priority projects. In some cases, funds remained committed to some projects that have been delayed for several years, or sometimes, have not been scheduled. Defunding of delayed, or unscheduled capital projects, and allocating funding, when required, may be a more prudent use of limited capital project funding. This practice would make available more funding for projects with more urgent needs.

To establish a more realistic project schedule, the Department of General Services analyzed the urgency and need of the capital projects in the FY2011/12 schedule. Analysis by staff shows that the useful life of certain existing improvements can be temporarily extended through ongoing maintenance, complemented with selective replacement of parts if they fail. While there are some risks in postponing projects, the calculated risks associated with the postponement appear to be reasonable based on known factors. After evaluating equipment and the conditions in the field, the Department concluded that postponement is reasonable and recommends the de-funding of the following capital projects. Using the same information as in the financing section but organizing it in a different manner, results in the following regarding postponement/deferral of projects:

Budget Unit	Project Title	Total Project Costs	Funding from the Capital Renewal Fund (General Fund Dollars)	Funding Change	Remaining Funding
1788	Law and Justice HVAC Replacement	\$1,544,079	\$1,544,079	(\$1,544,079)	0
1791	Clay Street Ditch and Drainage Study	200,000	200,000	(200,000)	0
1726	Acquisition/Sale of Property	76,251	76,251	(60,000)	\$16,251
	TOTAL	\$1,820,330	\$1,820,330	(\$1,804,079)	\$16,251

Conclusion

A total of seven current capital improvement projects would be affected if the Board approves the requested actions; four of the seven projects would continue, but with alternative funding sources that can only be used for capital improvement projects in lieu of capital renewal funds, and three of the seven projects would be postponed or have reduced funding.

For the three projects that would be postponed or have reduced funding, General Services recommends that the projects be re-evaluated for inclusion in the FY 2012/13 budget request if

sufficient funds for these efforts are available to meet the County's needs in relation to other priority projects.

ALTERNATIVES

The Board could elect not to approve any of the appropriation requests. This action is not recommended since the Board would forego an opportunity to redirect General Fund monies to support other County programs and services.

OTHER AGENCY INVOLVEMENT

Representatives from the County Administrator's Office and Department of Human Resources, Risk Management Division, participated in the process to review and analyze the recommended actions.

CAO RECOMMENDATION

APPROVE DEPARTMENT
RECOMMENDATION

DEPARTMENT HEAD SIGNATURE



Michael J. Lango, Director of General Services