

County of Santa Barbara
County Executive Office

County Jail Northern Branch Project
Fiscal Analysis

November 4, 2008

County Executive Office



Construction Cost

● 304 Bed County Jail – Northern Branch Facility

● Total Project Cost:
\$80.2 million



AB 900 (\$56.3M)

- AB 900 State Grant Funds 75% of Construction Cost
- Total of \$56.3 million

Advantages

Provides funding for significant portion of Construction Cost

Disadvantages

Creates liability to Operate the Facility within 90 days of project completion

County Construction Cost (\$23.9M)

(with AB 900)

- With AB 900 acceptance, the County Portion of Construction Cost is

\$23.9 million

- **\$3.3 million** has been spent to purchase land for the project

- **\$20.6 million** remains unfunded

County Construction Cost (with AB 900)

Cash- Flow by Fiscal Year

| Total Capital County Contribution \$23.9M | County Contribution Unfunded | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|--|------------------------------------|---------------|---------------|----------------|----------------|--------------|--------------|
| Total Cash Spent less Payments Received from State | \$(20,582,228) | \$(1,019,000) | \$(2,602,000) | \$ (3,756,292) | \$(17,417,620) | \$ (912,432) | \$ 5,125,116 |

County Construction Cost

(with AB 900)

Funding

Pay-As-You-Go

This option requires redirecting of discretionary general funds from other operations

Disadvantages

- Reduced existing County services

Advantages

- No interest costs
- Can be combined with Pay-As-You-Go Options to fund Operations, thus, proving with a more gradual transition

County Construction Cost

(with AB 900)

Funding

Strategic Reserve

Current Balance approx \$25M

(could be compromised by potential ADMHS adjustments)

Disadvantages

- Vulnerable to Unexpected Liabilities
- Existing ADMHS liabilities may require the use of Strategic Reserve

Advantages

- No interest costs

County Construction Cost

(with AB 900)

Funding

Sale of County Land

Approximately \$40M could be generated from the sale of a 40 acre property in the South County

Disadvantages

- Requires sale of almost all vacant County property

Advantages

- No interest costs

County Construction Cost

(with AB 900)

Funding

New Oil Development Revenue

Tranquillion Ridge Project - pending approval
*(approx \$5M per year on average for 14 years in
General Funds Discretionary Property Taxes)*

Disadvantages

Uncertainty of approval and revenue stream based
on fluctuating prices and production

Advantages

No interest costs

Minimizes impact on existing programs

County Construction Cost

(with AB 900)

Funding

Certificates of Participation

| With AB 900 - Capital Cost Match Financing (\$21M) 20 year term 30 year term | Capitalizing Interest until Project Complete | | Start Payment Right Away | |
|--|--|-------------------------|--------------------------|-------------------------|
| | Payment | Interest Cost Over Life | Payment | Interest Cost Over Life |
| | \$2.7M | \$21.2M | \$2.4M | \$19M |
| | \$2.3M | \$34M | \$2.0M | \$29.5M |

- Advantages: Match Cost to Life of Facility – Leveraging General Funds Over Time
- Disadvantages: Interest Costs

Construction Cost

(\$80.2M)

Financing without AB 900

- Based on magnitude of total cost, only “Financing” options are available
- General Obligation Bonds (requires 2/3 voter approval)
- Certificates of Participation (high payment)

| | Capitalizing Interest until Project Complete | | Start Payment Right Away | |
|---|--|-------------------------|--------------------------|-------------------------|
| | Payment | Interest Cost Over Life | Payment | Interest Cost Over Life |
| With AB 900 - Capital Cost Match Financing (\$21M) | | | | |
| 20 year term | \$2.7M | \$21.2M | \$2.4M | \$19M |
| 30 year term | \$2.3M | \$34M | \$2.0M | \$29.5M |
| Financing of Entire Capital Cost Amount without AB 900 Funds (\$80M) | | | | |
| 20 year term | \$8.5M | \$61.7M | Not Available | Not Available |
| 30 year term | \$7M | \$97.9M | | |

Operating Cost

● **\$13.2 million** in FY 2008-09 Dollars

● Increasing at **5.5%**

(Salaries & Benefits Increases + Inflation)

● **\$17.4 million** at start of operation in FY 2013-14 Dollars

General Fund Target Allocation Reduction in FY2013-14

Funding of the additional ongoing expense with existing discretionary revenues in the first year of operation, would require approximately 7% to 8% reduction from total General Fund Allocations to County Operations

Disadvantages

- Significant Impact on Existing County Services

Advantages

- Board has discretion over the funds

Redirect Proposition 172 Sales Tax

Revenue Limited to Public Safety Purposes
(approx \$30M in FY2008-09)

- Currently allocate to Sheriff, Fire, District Attorney, Public Defender, Probation, and Parks
- Nearly 50% of the funds are currently allocated to Sheriff's Department

Disadvantages

- Significant Reductions to other Public Safety Functions or backfill with General Funds

Advantages

- Alternative means to redirect existing revenue

Gradual Diversion of Revenue Growth

Gradually Divert Future Revenue Growth

| In millions of dollars | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
| Total Discretionary Revenue | \$ 196.33 | \$ 202.35 | \$ 210.59 | \$ 219.36 | \$ 227.69 | \$ 238.78 |
| Total % Change from Prior Yr | 1.06% | 3.07% | 4.07% | 4.17% | 3.80% | 4.87% |
| Total \$ Change from Prior Yr | | \$ 6.02 | \$ 8.24 | \$ 8.78 | \$ 8.33 | \$ 11.09 |

Disadvantages

Gradual Reduction/Impact on Existing County Operations

Advantages

- Board has discretion
- Provides with a more gradual transition than one time reduction from all General Fund Contribution Allocations
- Provides one-time funding prior to operations that can be directed toward funding of the County Construction Cost (*following slide*)

Redirect Revenue Growth for Construction Match and Operating Costs

(Example Starting to Redirect in FY 2009-10)

| | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | | |
|---|--|-------------------------------|-------------------------|---|------------------|------------------|---|--|-------------|
| Funding/Financing of Capital Cost (Assuming AB 900 Funding) - Selected Options | | | | | | | | | |
| Cash Flow With AB 900 Funding (not including COP) | | (\$20,582,228) | (\$1,019,000) | (\$2,602,000) | (\$3,756,292) | (\$17,417,620) | (\$912,432) | | |
| Fund with Existing Revenues | Redirect Revenue Growth <i>(rounded to nearest million)</i> | Percent of Revenue Redirected | Dollar Amount Generated | Borrow from Strategic Reserve in FY 2008-09 and Reimburse in FY 2009-10 | 1.5% | add 1% | add 4.2% (all growth for this fiscal year) | Borrow from Strategic Reserve in FY 2011-12 and Reimburse with FY 2012-13 Growth | \$5,125,116 |
| | | | See FY 2009-10 | \$3,000,000 | \$5,000,000 | \$14,000,000 | \$3,500,000 | | |
| Funding Operating Cost with Existing or New Revenues - Selected Options | | | | | | | | | |
| | | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | | |
| Amount Needed: | | | | | | | \$17.4M | | |
| Fund with Existing Revenues | Redirect Revenue Growth | Percent of Revenue Redirected | Dollar Amount Generated | 1.5% | add 1% | add 4.2% | Some of these funds previously expanded on capital cost can be used toward hiring of staff which will gradually begin to occur in FY 2012-13. | add 1.5% | |
| | | | | See Capital Cost | See Capital Cost | See Capital Cost | \$10,500,000 | \$17,400,000 | |

Revenue Options

- **Oil Revenue**

(State Royalty, Production Tax, Property Tax)

- **Parcel Tax**

- **Utility Users' Tax**

- **Sales Tax**

Revenue Options

● Oil Revenue

(Tranquillion Ridge Project Example – 14 year project)

I. State Royalty up to 20%

(Up to \$20M annual Avg)

II. Property Tax to General Fund

(Up to \$5M annual Avg)

III. Production Tax 1%

(Up to \$10M annual Avg)

Disadvantages:

Fluctuating Revenue & Limited BOS Discretion

Advantages: New Revenue

Revenue Options

● Parcel Tax (Countywide)

- \$150 per parcel generates requisite revenue

| Parcel Tax | | |
|------------|---------------|-----------------|
| Parcels | \$ per Parcel | Total Generated |
| 120,000 | \$ 50 | \$ 6,000,000 |
| 120,000 | \$ 150 | \$ 18,000,000 |
| 120,000 | \$ 250 | \$ 30,000,000 |

Disadvantages:

Limited BOS Discretion (voter approval required)

Only Landlords are Directly Taxed

Potential City Interference for Countywide Tax

Advantages:

New Revenue

Revenue Options

● Utility Users' Tax (Unincorporated Area)

- Approximately 6% tax on most major utilities required to fund operations

(Gas, Water, Garbage, Cable Television)

Disadvantages:

- Taxes Utility Users Only

Advantages:

- Comparable to Santa Barbara City
- About ½ of all jurisdictions in the State charge UUT ranging from 1 to 11 percent

Revenue Options

Sales Tax

1.5% allowable remainder for local jurisdictions

(not including Measure A 1/2%)

The following increments are available: (in FY 2008-09 Dollars)

| Sales Tax | |
|-------------|----------|
| 1/4 % | \$16.5 M |
| 1/2 % | \$33 M |
| 3/4 % | \$49.5 M |
| 1% | \$66 M |
| 1 and 1/4 % | \$82.5 M |
| 1 and 1/2 % | \$99 M |

Revenue Options

Sales Tax

County Needs (- Sales Tax Identified as Potential Funding Source)

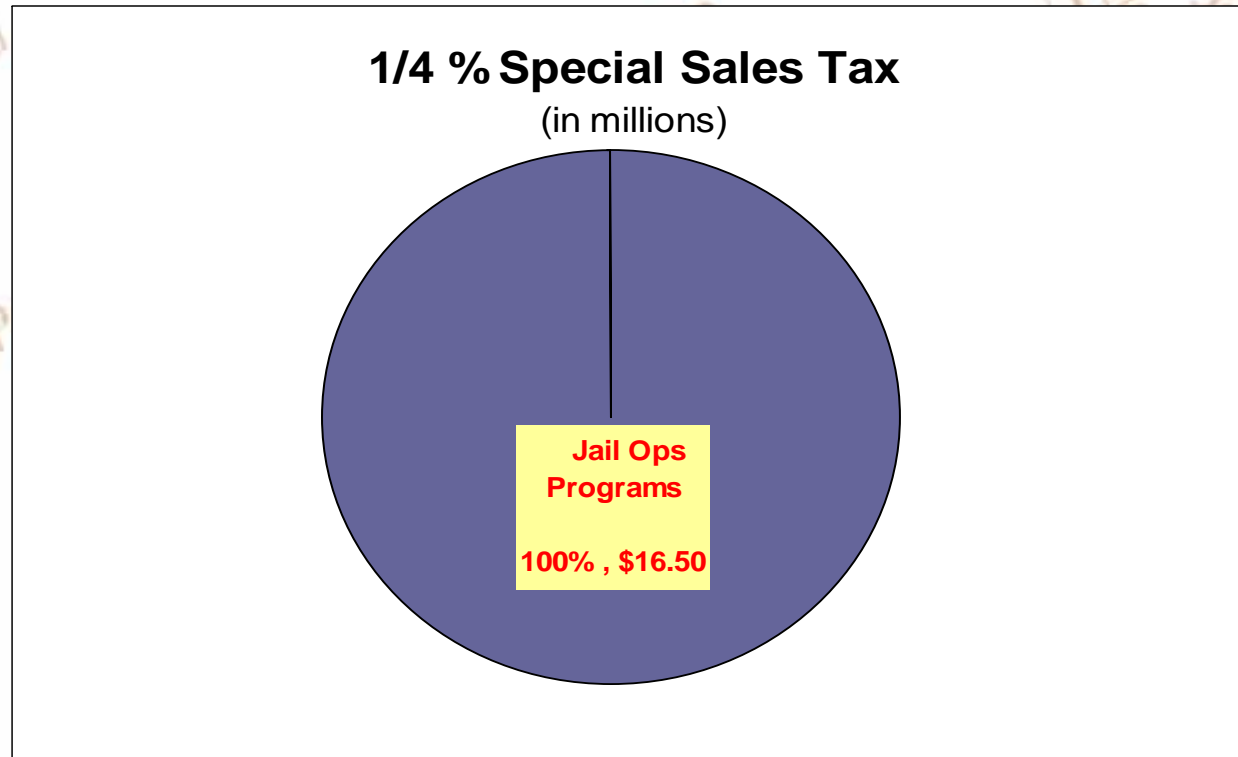
(In Today's FY 08-09 Dollars)

- 1. Jail Northern Branch Operations (\$13.2M)**
- 2. Jail Overcrowding Blue Ribbon Recommendations - Prevention Programming (\$6M)**
- 3. Maddy Emergency Funding (\$8M)**
- 4. Measure A (If not passed) (\$31M Countywide, \$8M SB County)**

Revenue Options

Sales Tax ¼% Special (\$16.5M)

(\$13.2 Jail Ops, \$3 Prevention)

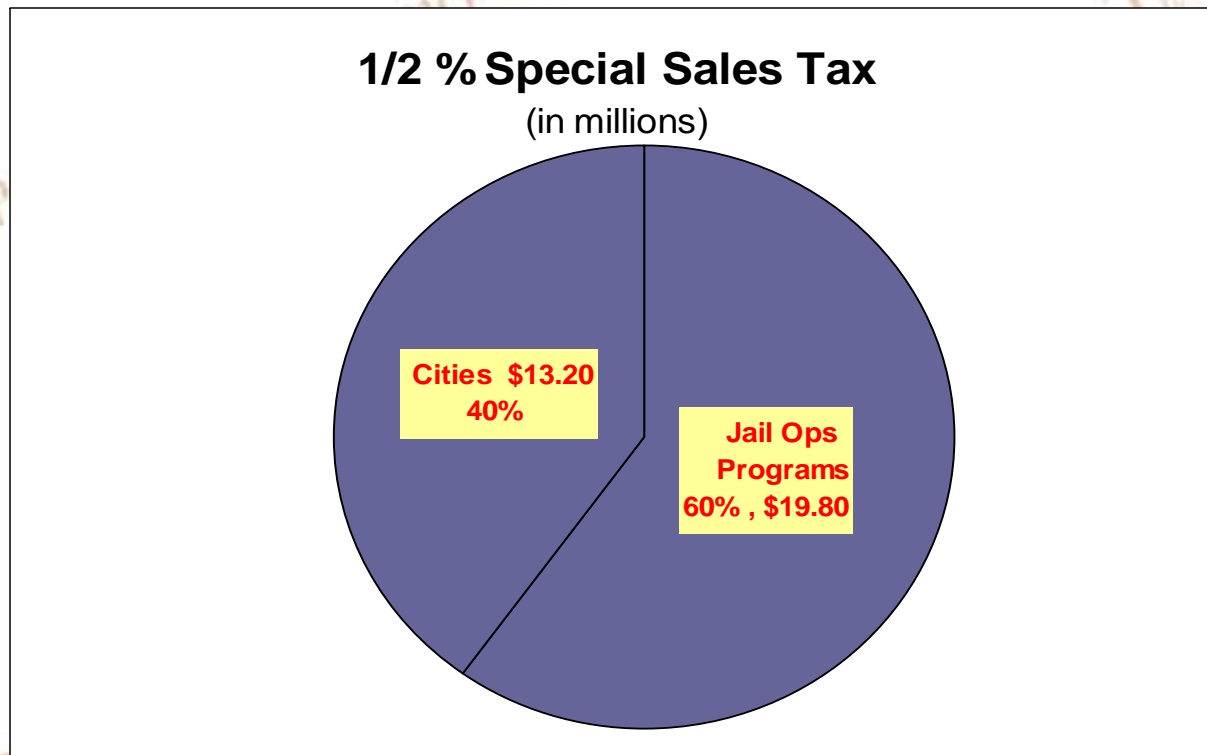


Revenue Options

Sales Tax ½% Special

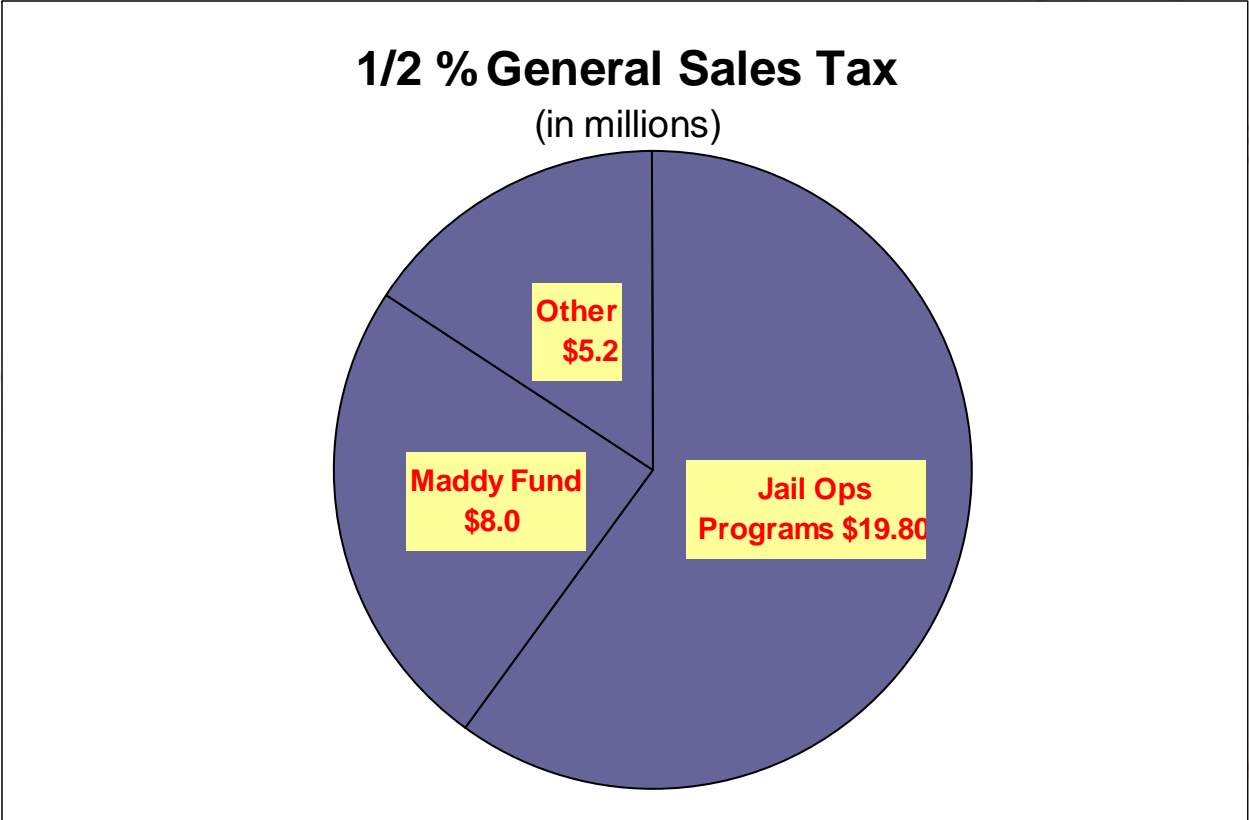
(\$33M)

(\$13.2M Jail Ops, \$6.6M Prevention, \$13.2 City Public Safety)



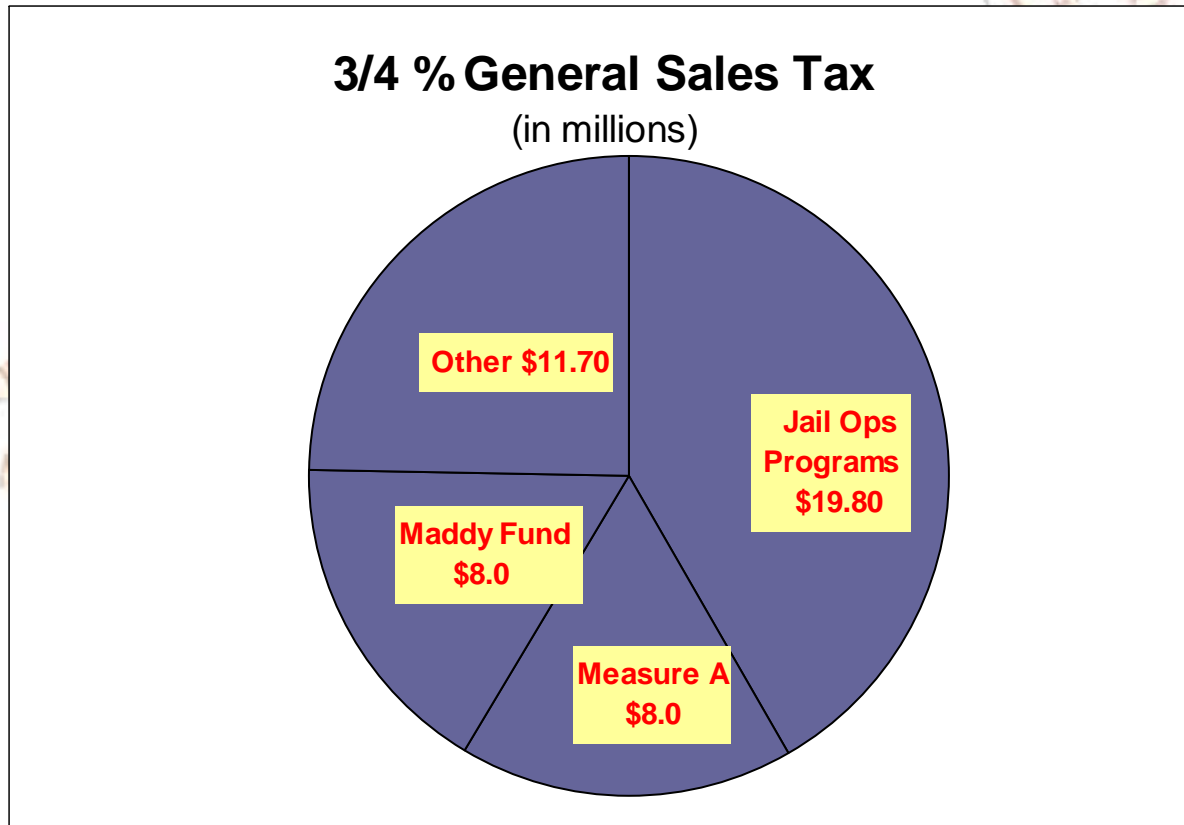
Revenue Options

Sales Tax (\$33M)



Revenue Options

Sales Tax $\frac{3}{4}\%$ (\$49.5M)

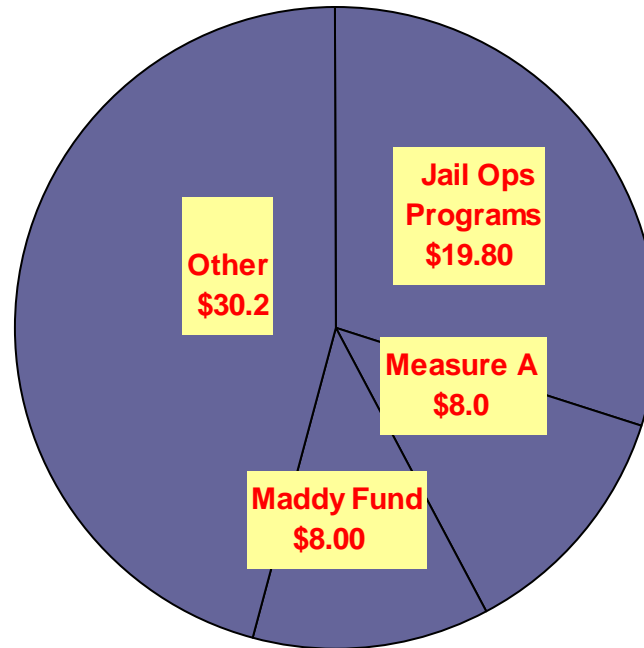


Revenue Options

Sales Tax 1%(\$66M)

1 % General Sales Tax

(in millions)



ELECTIONS

■ General Tax

- June and November 2010

(Cost to County approx **\$80k**) or any election if the Board declares an emergency by a unanimous vote

■ Special Tax

- Any date by Board Resolution or Ordinance
(Cost to County **\$1.5M**)

- State Special Election in June 2009

(County may join at the cost of **\$250k**)

Other Options Considered

- **Economic Development**

Long Term Goal

High Board Discretion

- **Benefit Assessment District**

Not Feasible for Jail Operations but may be used for road improvements, fire protection services and other services that directly benefit the parcels over and above regular services provided

- **Transient Occupancy Tax**

Raising TOT by 2% would generate approximately \$1.2M annually

- **Development Impact Fees**

May be used for Capital Improvements Only

Questions?

