



MULTNOMAH COUNTY CENTRAL COURTHOUSE FAC-1 PROJECT PLAN

DECEMBER 2015

PREPARED BY: DAY CPM

IN CONJUNCTION WITH: Multnomah County Facilities & Property Management

SRG Partnership

Hoffman Construction



FAC-1 PROJECT PLAN

TABLE OF CONTENTS

EXECUTIVE SUMMARY

PART A - INTRODUCTION

- Project Sponsors & Stakeholders
- Statement of Need
- Purpose of this FAC-1 Project Plan
- Project Development History
- Project Status

PART B - SUMMARY OF FINDINGS

- Project Goals & Objectives
- Options Analysis
- Project Scope
- Building Programming
- Concept Design Narrative
- Conceptual Cost Estimate
- Conceptual Cost Estimate Summary

PART C – NEXT STEPS

- Next Steps
- Initiate Schematic Design & Design Development phases
- Coordination with the City of Portland’s Major Project Group
- Estimate of Next Steps Activities
- Schedule for Next Steps Activities

PART D - PROJECT MANAGEMENT

- Project Management Team (PMT)
- Project Organization Chart
- Project Communication and Reporting
- MWESB and Subcontracting Plan
- Preliminary Project Schedule

PART E - EXHIBITS

- Financing Strategy

FAC-1 PROJECT PLAN

EXECUTIVE SUMMARY

For over four decades, Multnomah County has sought opportunities to replace the functionally obsolete and seismically deficient Multnomah County Courthouse. The County has determined that the Courthouse inadequately meets its current and future operational needs, and that renovating the current courthouse is not cost effective nor will it meet the County's long term goals. The County's owned land at the West end of the Hawthorne Bridge provides a favorable and cost effective location.

Over the last few months, the Project Management Team (PMT) has worked to develop a revised building program and update the construction and soft costs required to deliver the project. The PMT performed a cost analysis for lease vs. build options to include the District Attorney and four high volume courts (traffic, parking, small claims and landlord tenant). The results were that inclusion of the District Attorney and four high volume courts (traffic, parking, small claims and landlord tenant) would be a better long term value to the County.

The PMT is now fully prepared to initiate the next design phases of the project, and committed to delivering to the County a new facility guided by the established goals and objectives, at the lowest practical cost, and on schedule.

The conceptual estimate for this project, including hard construction and soft costs, is a range of \$290M to \$300M. The preliminary project schedule targets the start of construction in early 2017, with completion and move-in early in 2020.

A Board Resolution has been prepared to seek approval of this FAC-1 Project Plan and authorize the Schematic Design and Design Development phases of the Multnomah County Central Courthouse.

FAC-1 PROJECT PLAN

PART A - INTRODUCTION

Project Sponsors

Multnomah County Chair, Deborah Kafoury
Multnomah County Commissioner, Judy Shiprack
Multnomah County Circuit Court Presiding Judge, Nan Waller

Project Stakeholders

Multnomah County Board of Commissioners
Multnomah County Facilities and Property Management
Oregon Judicial Department
Oregon State Legislature
Multnomah County Sheriff's Office
Multnomah County District Attorney's office
Office of Public Defense Services
Multnomah Bar Association

Statement of Need

The Multnomah County Courthouse is the home of the Circuit Court for Multnomah County. The Multnomah County Courthouse is functionally obsolete and structurally deficient. The building was constructed in two phases between 1909 and 1914. Through numerous studies the County has determined the building inadequately meets its current and future operational needs. It is not designed to current seismic standards nor does it meet best practices for safe and secure transport of prisoners to



the Courthouse and within the Courthouse. Based on a 2011 study, it would be more cost effective to construct a new Courthouse rather than renovate the current Courthouse. The new Central Courthouse will be constructed of systems and materials capable of at least 100 years of service, and designed to

21st century court operation standards and practices. The Multnomah County Courthouse will demonstrate its commitment to justice.

For over forty years Multnomah County studied the options to rehabilitate or construct a new Courthouse. In 2013 the State of Oregon passed SB Bill 5506 that provided up to a 50% match for Capital Construction of seismically deficient Courthouses. The County's Application to the Department of Administrative Services and the Oregon Judicial Department was approved on March 16, 2015.

Purpose of this FAC-1 Project Plan

Facilities and Property Management is requesting the Multnomah County Board of Commissioners to approve the Project Plan. This concludes efforts to define the building program and presentation of updated conceptual cost estimates. Also being requested with this FAC-1 is Board approval to start the schematic design phase, and to allow the project to progress up to a construction start before submitting the Project Design and Construction plan.

Project Development History

In December 2014 the Multnomah County Board of Commissioners approved the Preliminary Planning Proposal by Resolution #2014-141. After a three month due diligence period on the two short listed sites, Multnomah County selected Block 8 at the West End of the Hawthorne Bridge as the site for the new Central Courthouse Project. The Project Management Team recommended the use of a Construction Manager/General Contractor for delivery of the project and in February 2015 the Board approved this recommendation. In August of this year the County, through a competitive RFP process, selected SRG Partnership Inc as the project Architect and Hoffman Construction Company of Oregon as the CM/GC.

Project Status

The Project Team has met with Courthouse Users over the past three months to validate the program size. This involved interviews between the Architect and the Users to understand how the individual User operates now and how they would operate in the new Courthouse. The interviews delved into interaction with the public and the need to separate their public and secure spaces. This work also included an evaluation for inclusion of the District Attorney's Office and four high volume courts within the Courthouse project.

The County has acquired five of nine condominiums in Jefferson Station with the intention of owning the entire building. These office condos will be incorporated into the final program of the Courthouse.

The City of Portland is updating its Comprehensive Plan, a long-range 20-year plan that sets the framework for the physical development of the City. The Central City Plan adopted in August 2015 increased the allowable height on the Courthouse site to 325 feet. The Comprehensive Plan is scheduled for adoption by Portland City Council in the Summer of 2016 with implementation in the Summer of 2017. The Project Team will start discussions with the City for early adoption of the plan revisions as they apply to the Courthouse site. The scope, costs and schedule of this new initiative are presented within this Project Plan.

FAC-1 PROJECT PLAN

PART B - SUMMARY OF FINDINGS

Project Goals & Objectives

During strategic work sessions held during August and September 2015 a “vision” for the building was established as a description of the project’s qualitative goals, desires, and expectations for this building. The project vision establishes guiding principles for the Multnomah County Central Courthouse that will be used to inform and measure design decisions.

The participating groups provided their aspirations and concerns for the entire project and the Courthouse, summarized as follows:

PROJECT MISSION

To design and build a sustainable, accessible landmark courthouse that is a symbol of the importance of the justice system and source of civic pride. The new Courthouse will incorporate 21st century best practices in operations, security and design, capable of adapting to changing needs over its 100-year life.

PROJECT VISION STATEMENT

The new Multnomah County Central Courthouse (MCCCH) will enhance confidence in the justice system, inspire civic engagement and urban vitality, and provide a restorative human experience within a resilient & responsible community landmark.

CHARACTER and QUALITY

Identity: The building must reflect the prominence and importance of Multnomah County’s and the State of Oregon’s commitment to providing justice and due process of law to all members of the community, while demonstrating fiscal responsibility to the taxpayers with the use of durable, sensible materials and systems, and a restrained use of costlier finishes and features.

Art: Participation in the Percent for Arts Program at 2% of construction costs per Ordinance No. 1117

PERFORMANCE and SUSTAINABILITY

Operations: Use of durable, sensible materials and systems focused on low long-term operational cost, and a functional, efficient facility that is easy to maintain.

Longevity: The facility is intended to last at least 100 years, and designed with flexibility to accommodate the future needs and requirements of the County and State programs.

Sustainability Goals:

- Achieve a Leadership in Energy & Environmental Design (LEED) Gold Rating
- Meet the Architecture 2030 Challenge

- Meet 2009 Climate Action Plan
- 1.5% Solar program

COMMUNITY BENEFITS

MWESB Involvement: The County is seeking high level of participation from MWESB businesses and organizations, and has identified an aspirational goal of 20% involvement of the value of construction, and for 15% of the design fee.

Apprentice Involvement: The County is seeking a high level of participation from women and minority apprentices with an overall apprentice workforce goal of 20% in alignment with the County’s Workforce Training and Hiring Program requirements.

COMMUNITY INVOLVEMENT

The project will seek the input of and ensure communication with community members throughout the design and construction process.

Options Analysis

The Board of County Commissioners requested the Project Management Team evaluate the alternative to include the addition of the four High Volume Courts and the District Attorney (DA) into the new Multnomah County Central Courthouse vs. the costs for renting space. The cost to include the DA and four High Volume Courts in the Courthouse includes the debt service costs as well as the Operations and Maintenance (O&M) costs. The DA and four High Volume Courts would require security screening equipment as well as Facility Security Officers if they are located in an offsite location. In addition there is loss of operational efficiency when they don’t work within the Courthouse. Both of these costs are included in the offsite lease costs.

Department	In Courthouse Costs	Offsite Lease Costs	Annual Savings
District Attorney	\$ 1,600,000	\$3,000,000	(\$1,400,000)
Four High Volume Courts	\$1,300,000	\$2,200,000	(\$900,000)
Total/yearly	\$2,900,000	\$5,200,000	(\$2,300,000)
Additional cost to project /30 yr Net Present Value	\$40M to \$50M	\$140M to \$160M	

The District Attorney’s Office and four High Volume courts are to be included in the Courthouse.

Project Scope

The proposed Courthouse would be approximately 445,000 square feet, an eighteen story structure, and include the following features:

- 40 Courtrooms (Civil, Criminal, Family, Mental Health & Probate) as determined by the program plan
- Four (4) high volume courtrooms (parking citations, other violations (primarily traffic citations), Small Claims, and Landlord-Tenant (FED) cases;
- Referees chambers for the above case types, and support staff space for the case management and public services associated with these cases
- Jury deliberation rooms on a ratio to courtrooms as determined by program fit per floor;
- Judicial chambers.
- Circuit Court Public Service and Case Management operations for all case types;
- The main Jury Assembly room for newly reporting jurors and multiuse space for meeting rooms;
- Family court services (a professionally staffed service program for families before the court);
- Probation intake services;
- Grand Jury proceedings rooms and support services;
- Office of the Trial Court Administrator and support staff. Payments, revenue accounting and collections services;
- District Attorney Offices
- Public Defense Resource Center (support space for publically paid attorneys for the indigent);
- Court Care space – a drop-in child care facility for parties with cases before the court;
- Legal Resources Center – a staffed digital library and assistance function for attorneys and the public, including self-represented litigants; and
- Sallyport and secure holding for 70 in-custody defendants.

Building Programming

The Project Team is completing the Program Validation phase. The summary below is the current version of the program validation and some minor refinements and reductions will occur over the next month.

Component	Program Need
	NOSF
1.0 Public Facilities and Building Support	60,639
1.1 MAIN ENTRANCE AND LOBBY	6,190
1.2 BUILDING AMENITIES AND GENERAL SUPPORT	21,238
1.3 BUILDING SYSTEMS SUPPORT SPACES	33,212
2.0 Courtrooms and Ancillary Support	187,340
2.1 ADMINISTRATIVE COURTROOM & PRESIDING JUDGE SUITE	5,238
2.2 CIVIL / CRIMINAL CIRCUIT COURTROOMS	94,043
2.3 FAMILY COURTROOMS	33,654
2.4 JUDICIAL CHAMBERS	33,956
2.5 REFEREE COURTROOM AND ANCILLARY SUPPORT SPACES	16,227
2.6 GRAND JURY	4,222
3.0 Court Operations	49,966
3.1 CIRCUIT COURT ADMINISTRATION MAIN OFFICE	4,574
3.2 JURY ASSEMBLY / LARGE GROUP TRAINING/CONFERENCE AREA	8,026
3.3 CENTRALIZED PUBLIC SERVICE AND PAYMENT CENTER	13,198
3.4 FILES AND RECORDS ACCESS CUSTOMER SERVICE CENTER	3,760
3.5 MAIL ROOM OPERATIONS	1,478
3.6 CIVIL COURT OPERATIONS	4,850
3.7 CRIMINAL COURT OPERATIONS	2,570
3.8 FAMILY & PROBATE COURT OPERATIONS	3,998
3.9 TECHNOLOGY SERVICES	4,292
3.10 FINANCIAL SERVICES	1,226
3.11 COURT OPERATIONS SHARED SPACE	1,992
4.0 Sheriff Space	15,503
4.1 MCSO CIVIL AND COMMAND CENTER	4,898
4.2 MCSO TRANSPORT / CENTRAL HOLDING	10,605
5.0 Court Services	5,817
5.1 FAMILY COURT SERVICES	3,565
5.2 PROBATION REFERRAL & ASSESSMENT	2,251

6.0 District Attorney Office	37,184
6.1 DA Main Reception and Discovery	2,831
6.2 DA Executive Offices & Administration	5,480
6.3 District Attorney Trial Units	18,203
6.4 DA Records Storage	3,013
6.5 Pretrial Support	1,202
6.6 Investigations Unit	2,187
6.7 Victims Assistance & Restitution	4,269
7.0 Public Defense Resource Center	5,033
7.1 PUBLIC DEFENSE RESOURCE CENTER	5,033
Total Net Occupiable Square Feet (NOSF)	361,482
Total Gross Square Feet (GSF)	451,853

Concept Design Narrative

As defined in the Project Goals and Objectives, expectations for building design include:

- **Cost efficiency.** The goal is to realize best value and operational efficiency for the citizens of Multnomah County.
- **Durability.** Design decisions will be made with the goal of a minimum 100 years life expectancy for the building. This means that choices about the kinds of exterior materials, hardware, mechanical systems, roofing and other important elements will be made in the context of maximizing longevity.
- **Functionality.** The project's functional goal is to meet the Courts functional needs now and, to the extent possible, in the future. This means designing for maximum flexibility: floor-to-floor heights will be set to help accommodate changes in above-ceiling mechanical and electrical systems; major mechanical and electrical systems will be located to allow for facilities maintenance and change in a way that minimizes disruption to the program functions of the building; structural systems and column placement will be arranged in a way that accommodates changes in interior layouts to the extent possible within the constraints of the project budget and site.
- **Sustainability.** The project seeks to minimize environmental impact within an urban environment and has specifically set significant goals with respect to multiple performance benchmarks including LEED and Architecture 2030.
- **Aesthetic design excellence.** The project will be designed to be a timeless civic building that complements and acts as gateway into the City.

Conceptual Cost Estimate

The estimate for the project is conceptual in nature, and it is important to recognize that in early planning stages of a project, variations of estimate components may be wide, and that there are essentially no design documents available to make take-off based construction estimates.

A conceptual estimate, when properly assembled, includes contingency factors to reflect that the level of data upon which the estimate is based is limited. The team is using the Target Value Design approach that breaks the project down into multiple sub sections of the project. These groups meet bi-weekly to evaluate the cost estimates and validate the costs.

- For the past several months, the conceptual estimate has been assembled with the following methods and assumptions:
- The construction cost estimate has been compiled by using the past Courthouse projects and normalizing them to the Portland market cost parameters and then escalating to 2015 which then becomes the estimate as a base. This was for approximately 445,000 square foot building, and in a high-rise application. In addition, materials and systems are assumed to remain the

same, but are increased based on cost per square foot increases, and building skin increases to arrive at a model for the approximately 18-story base estimate, or the Anticipated Guaranteed Maximum Price. Contingencies and Escalation are included to address the fact that there are no design documents.

- The cost estimate includes soft costs to account for County Furniture, Fixtures and Equipment (FF&E), Telecommunications Systems, and Building Network and User Hardware Systems. Recent estimates, also based on simple square footage increases, have been provided by the County and established vendors.
- Project Soft Costs also include numerous line items, but essentially cover permits, fees, professional services from consultants, and 2% for Art.

Based on these factors, the results of the collaborative Conceptual Estimate effort reveal an anticipated overall project cost range of \$290 million to \$300 million.

Conceptual Cost Estimate Summary

The County's estimated cost for a new Courthouse ranges between \$290M and \$300M.

Project Estimate: Base Program + DA & 4 Courts	Range - Low	Range - High
Opinion of Probable Cost: Direct Construction:	\$ 170,000,000	\$ 177,000,000
Soft Costs w/out Land Acquisition:	\$ 62,000,000	\$ 64,000,000
Total: Construction / Soft Costs: \$ 2015	\$ 232,000,000	\$ 241,000,000
Escalation	\$ 17,000,000	\$ 18,000,000
Project Contingency:	\$ 35,000,000	\$ 35,000,000
Total Project Estimate w/ Contingency / Escalation	\$ 284,000,000	\$ 294,000,000
Land Acquisition: Allowance	\$ 6,000,000	\$ 6,000,000
Total Project Budget Estimate	\$ 290,000,000	\$ 300,000,000

FAC-1 PROJECT PLAN

PART C - NEXT STEPS

Following is a brief description of the recommended "Next Steps" tasks to move the project forward. This list of tasks is followed by a proposed schedule and estimated costs to perform the tasks, culminating with a return to the Board of County Commissioners to request approval to move on to the construction phase of the project.

Initiate Schematic Design & Design Development phases

These are the primary design phases required to produce a well-defined scope of work for the project, suitable for a significant estimate exercise for construction. Target Value Design Milestone estimates and review of construction materials and systems options will be conducted throughout the process to control costs. At the end of these design phases and subsequent re-estimating work, the results will be presented to the Board of County Commissioners, and as long as the estimate is within budget expectations, work to develop the construction documents will commence.

Coordination with the City of Portland's Major Projects Group

The County has been accepted to the City of Portland's Major Project Group. Monthly meetings have been held with the dedicated project manager from the Major Projects Group (MPG) since September of this year. A kick off meeting will be held in January between the assigned staff from the City and the corresponding representatives from the Project Team. Regular meetings will be held between the individual groups (PDOT, structural, site, electrical and mechanical) to coordinate design with the City's requirements.

Estimate of "Next Steps" activities

The following list of activities required completing: design development phase, and closing on condominiums in Jefferson Station that are currently under option.

Land Acquisition (Jefferson Station)	\$1,100,000
Architecture and Consultant Fees	\$4,400,000
Pre-Construction & Design / Build Services	\$1,000,000
Multnomah County, Initial Permit Fees	\$2,000,000
Contingencies	<u>\$ 900,000</u>
Total	\$9,400,000

Schedule for “Next Steps” activities

Schematic Design Phase	December 2015 – April 2016
Major Project Group	December 2015 - July 2016
Design Development Phase	April 2016 thru July 2016
Brief Board on Design Development	July 2016
Finalize Design /Implementation Documents	July 2016 thru May 2017
Present Project Plan for Construction	December 2016

FAC-1 PROJECT PLAN

PART D – PROJECT MANAGEMENT

The Project Management Team (PMT)

Since August of this year, a new Project Management Team has been formed and has been working closely together to re-evaluate the project and to present the recommendations contained within this FAC-1 Project Plan. The current active team members are:

MULTNOMAH COUNTY:

- JD Deschamps, Project Manager; Facilities and Property Management
- Clifton Serres, Construction Management & Design Manager; Facilities and Property Management
- Greg Hockert, Project Manager; Facilities and Property Management

DAY CPM:

- Mike Day, Principal; Owner Representative
- Paul Smith, Project Manager, Owner Representative

SRG PARTNERSHIP INC:

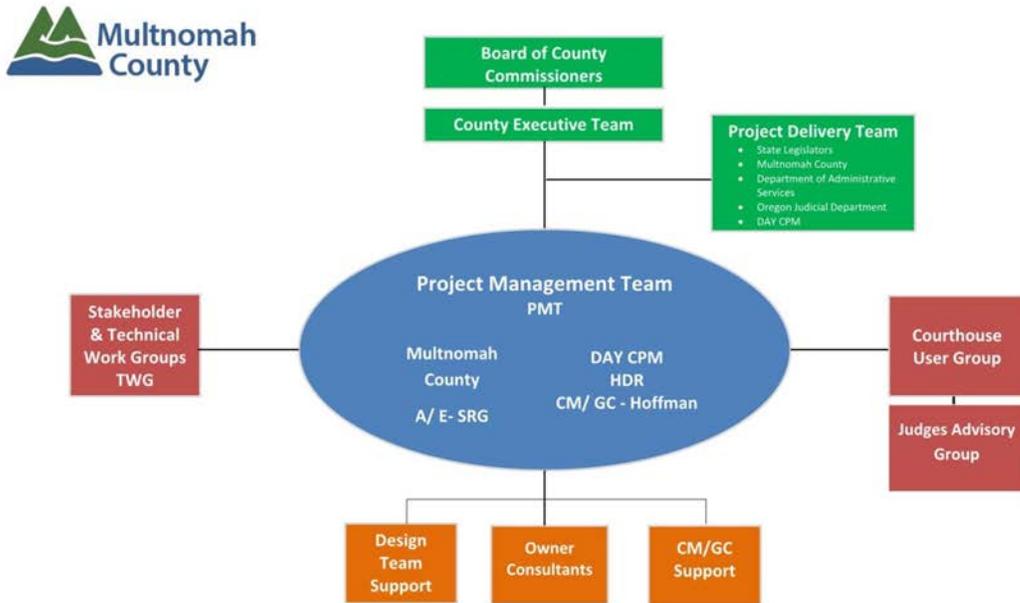
- Hussain Mirza, Principal In Charge
- Bjorn Clouten, Project Manager
- Frank Greene - CGLRicciGreene
- April Pottroff- CGLRicciGreene

HOFFMAN CONSTRUCTION:

- Gerry Hein, Project Principal
- Josh Durham, Project Manager
- Jason Freeborn, Estimator

The Project Management Team is responsible for the day-to-day detailed activities associated with the project, but is a part of a larger group of entities engaged in the common efforts to deliver a successful project to Multnomah County. The full organizational relationships are illustrated in the Organizational Chart on the next page.

**ENTERPRISE ORGANIZATIONAL CHART
MULTNOMAH COUNTY CENTRAL COURTHOUSE**



Project Communication and Reporting

The Project involves multiple stakeholders, committees, groups and team members including those detailed below.

Board of County Commissioners (BCC):

The BCC is composed of the elected Chair and four elected Commissioners of Multnomah County. The BCC is the Project Owner and has the ultimate responsibility to taxpayers for the success of the Project. The

Project Delivery Team (PDT):

The PDT is composed of State Legislators, the County Chair and State of Oregon staff and others who have a stake in how the new Courthouse is programmed, designed, constructed and operated. The PDT meets as needed and will make recommendations to the PMT.

County Executive Team (CET):

The CET is composed of representatives from the Chair's office and each of the commissioner's offices. It also includes the Director of County Assets and the Director of Facilities and Property Management as well as representatives from the County's Legal, Finance, Communications, Procurement and Government Relation groups. The CET meets monthly through design and construction.

Project Management Team (PMT):

The main responsibility of the PMT is to manage the Project. The PMT will be composed of County staff, Owner's Representative, Architectural and Engineering firms and the selected CM/GC. The required members will generally be the lead manager of each staff plus any specialists significant to the current issues. The Project Management Team will meet weekly.

Courthouse Users Group (CHUG):

The County has formed a CHUG with representatives from a broad range of stakeholder interests: Multnomah County Circuit Court Administrators, Judiciary, District Attorney's office, Sheriff's office, Department of Community Justice, and other significant interested groups. The CHUG meets monthly and its role is to provide user input about Project issues and needs.

Technical Working Groups (TWGs):

The County will form specialized TWGs composed of technical experts in specialized fields to advise the PMT and the County on recommendations on specific issues. This may include County staff from the Facilities Division and IT. TWGs will meet as needed.

MWESB and Subcontracting Plan

On this project the County selected both the Architect and Contractor without any subconsultants or subcontractors. These subconsultants were then selected jointly by SRG, the County and Hoffman. Each consultant was required to leave a minimum of 15% of their available fee for MWESB participation. SRG created a subcontracting plan to provide a roadmap for a high level of MWESB participation.

The County sponsored a MWESB outreach event on August 31st that was attended by more than 100 interested parties. That was followed by an interactive workshop at Business Diversity Institute MED week on October 1st where the County Project Manager, Architect PM and Contractor PM all met with three firms interested in a role on the project. A round table discussion held after the event to discuss their approach and provide feedback. On October 9th another outreach event was held at NAMCO's offices.

Hoffman will work in conjunction with Multnomah County and DAY CPM to develop and implement a project specific subcontracting plan for Construction. The plan will define a bidding approach that ensures that the diversity goals for both Hoffman and Multnomah County are met. The plan will be specific to MWESB participation and Work Force Training Goals associated with apprenticeship programs.

The Subcontracting Plan will define multiple approaches to subcontractor procurement which includes Open/Competitive Bidding, Targeted/Select Bidder Lists, and RFP Best Value Selection. Each scope of work will be assigned to one of these procurement approaches to maximize diversity in the project. These scopes of work/bid packages will be clearly communicated to the subcontractor community to ensure participation.

Preliminary Project Schedule

MILESTONES	2015	2016	2017
BOARD DECISION POINT: Approve FAC-1 Amended Project Plan and initiate design and Design Review		 December 2015	
Schematic Design and Design Development		 June 2016	
PMT completes updated Cost Estimate		 June 2016	
BOARD DECISION POINT: Approve start of construction documents		 July 2016	
PMT completes construction documents and establish GMP		 4th QTR 2016	
PMT presents project update to Board, requesting approval to start construction		 4th Quarter 2016	
BOARD DECISION POINT: Approve Project Plan, start construction		 4th Quarter 2016	
Construction Duration - thru 2019			
Commissioning and Occupancy - 2nd qtr.2020			

PROJECT UPDATE NOTES:

Executive Steering Committee Meetings to be held every month

Board Briefings to be held every two months

MEMORANDUM

To: Board of County Commissioners
From: Mark Campbell, Chief Financial Officer
Date: December 4, 2015

Subject: Multnomah County Courthouse Replacement Project – Financing Strategy

The purpose of this memo is to outline a strategy for financing the project to construct a new Multnomah County Courthouse. The project will replace the existing downtown Courthouse which is over 100 years old and is both structurally and functionally obsolete. The project will be partially funded through a partnership with the State of Oregon. During its 2013 session the Oregon legislature passed SB 5506 which provides that the State will support up to 50% of the costs related to “acquiring, constructing, remodeling, repairing, equipping, or furnishing courthouses.” It is assumed that the balance of the project will be financed primarily with long-term debt. Prior, and any future, General Fund cash contributions will limit the amount of long-term debt that will be needed. This memo also provides an overview of the County’s debt capacity and how this project will impact it.

Project Funding and Timing of Resources

The project being proposed for construction is an approximately 445,000 to 455,000 gross square foot, 18 story building located at the west end of the Hawthorne Bridge on land owned by the County. The project team has recommended that the new Courthouse should accommodate all the functions currently located in the existing Courthouse.

The cost to construct this project is estimated to be **between \$290 million and \$300 million**. This financial analysis assumes that the project comes in at the mid-point of that range. This also takes expenses that have previously been incurred for project management and preliminary design into account. Construction is expected to begin in late 2016 or early 2017. Given that the County has secured sufficient funds to complete the design development work and construction document/permitting phases of the project it is anticipated that debt financing will not be needed until early in FY 2018. Project financing will consist of:

GF Cash Transfer	\$ 31,435,000
State of Oregon	125,000,000
Property Sales	10,430,000
Long Term Debt	<u>128,135,000</u>
Total	\$295,000,000

The State’s contribution comes in the form of Article XI – Q general obligation bonds. The 2013 legislature committed \$15 million to the project and the 2015 legislature committed another \$17.4 million. It is anticipated that the 2017 legislature will commit the balance of the \$125 million. Funds contributed by the State have been, or will be, deposited into the Oregon Courthouse Capital Construction and Improvement (OCCCI) Fund. The County will match the amounts contributed by the State under a financing agreement executed between the two parties.

Revenue from the sale of County property at the west end of the Morrison Bridge has been dedicated to the project. The Board of County Commissioners approved resolution 2012-075 which conveyed the property to Melvin Mark Development Company through a disposition and development agreement. The property sale is anticipated to close at the end of December, 2015.

The amount of long-term debt necessary to support the project could be reduced if the Board commits additional one-time-only (OTO) funds to it. As per the County’s *Financial & Budget Policies*, half of the OTO revenues identified in the Chair’s Proposed Budget “. . . will be allocated to the capitalization, or recapitalization, of major County facilities projects.” As a general rule of thumb, each \$1 million committed to the project reduces debt payments by approximately \$60,000 - \$75,000 annually depending upon the duration of the bond issue. In other words a \$1 million cash investment saves the County between \$500,000 and \$800,000 over the life of the bonds.

Debt Service Analysis

Approximately \$128 million of the total project cost is assumed to come in the form of bond proceeds. There are several factors that should be considered when establishing a debt schedule. The length, or term, of the debt service is one of the more important ones. The table below highlights the estimated cost of debt over 20 years and 30 years assuming a level debt service structure.

<u>Term</u>	<u>Interest Rate</u>	<u>Annual D/S</u>	<u>Total Interest</u>
20 Year	3.75%	\$9,220,863	\$56,282,267
30 Year	4.00%	\$7,410,060	\$94,166,792

The County’s *Financial & Budget Policies* state a preference for a 20 year term. However, it also provides flexibility where, for example, an asset would have a longer expected life.

A 30 year amortization period is recommended for this project. This recommendation is based on a couple of key considerations. The primary reason is that the building is being designed to have a useful life of 80 – 100 years so a longer debt term is acceptable. Another consideration is the lower annual payments preserve debt capacity for other capital projects. Finally, in FY 2030 the County will retire debt associated with pension obligation bonds which were issued in 1999. This debt is currently being supported by a surcharge on personnel costs. Some, or all, of that surcharge could be redirected to debt service on the Courthouse which, effectively, could turn a 30 year issue into a 20 year issue.

It is assumed that it will not be necessary to issue long-term debt until FY 2018 with an initial payment due in FY 2019. It is very likely that interest rates will increase by then and the estimates provided above assume a 50-basis point (.5%) increase over current rates.

Impact on Debt Capacity

Debt capacity is limited by state statute and the County's *Financial & Budget Policies*. The internal policy is more restrictive than the state limits and, thus, is the basis for this analysis. That policy limits annual debt service payments for "full faith and credit" obligations that are directly supported by the General Fund to **no more than 5% of budgeted General Fund revenues**. The FY 2016 debt capacity calculation is attached to this memo as Table 1.

As of July 1, 2015 the General Fund directly supports about \$5.3 million in annual debt service payments. This amount is reduced slightly each year until FY 2020. General Fund revenues could support up to \$20.4 million of annual debt service payments. Based on policy – assuming a 20 year amortization at 4% interest – a conservative estimate is that the General Fund could accommodate **an additional \$206 million** in debt issuance.

It should be noted that there are other projects, most notably the Health Department headquarters project, which will require debt financing within the next few years. Based on current cost estimates the County has adequate *capacity* to provide for all of the high priority projects that have been identified. However, capacity is designed more as a limit while ability to pay is ultimately constrained by how the General Fund is currently allocated. In FY 2016 debt service payments represent **approximately 1.3%** of General Fund revenues. Issuing debt up to the policy limit would require a reduction in current, ongoing spending or an increase in General Fund revenues – or a combination of both.

Summary

The downtown Courthouse replacement project is estimated to cost \$290 - \$300 million. As a result of legislation passed in 2013 the State of Oregon is expected to contribute \$125 million to the project. Revenues currently allocated to the project will allow the County to postpone issuance of long term debt until FY 2018.

The County has sufficient capacity, based on the *Financial & Budget Policies*, to accommodate an estimated \$128 million bond issue. A 30 year amortization period is recommended in order to lower annual debt service payments and to preserve capacity for other projects. If additional OTO resources are allocated to the project the annual debt service costs would be reduced even further.

It is important to maintain debt capacity for other high priority capital projects. Given what is currently known about those projects there is adequate capacity to support them. The timing, and amount, of future borrowings will dictate how much the additional debt service will be in competition with other General Fund obligations.

TABLE 1

Description	Credit Rating	Dated	Maturity Date	Amount Issued	Principal Outstanding	2015-16 Prin & Int Payment
General Obligation Bonds	Aaa	3/31/2010	10/1/2016	\$ 45,175	\$ 11,570	\$ 6,015
Pension Obligation Bonds	Aa2	12/1/1999	6/1/2030	\$ 184,548	\$ 118,093	\$ 20,187
OR Transportation Infrastructure Bank	n/a	9/1/2008	9/1/2025	\$ 3,133	\$ 2,723	\$ 311
Full Faith and Credit Obligations						
Series 2010A Full Faith & Credit	AA	3/31/2010	6/1/2017	9,800	2,935	1,538
Series 2010B Full Faith & Credit	Aa1	12/15/2010	6/1/2030	15,000	15,000	713
Series 2012 Full Faith & Credit	Aa1	12/1/2012	12/1/2032	128,000	119,790	9,469
Series 2014 Full Faith & Credit	Aa1	6/1/2014	8/1/2019	22,530	22,530	4,725
Total - Full Faith & Credit				\$ 175,330	\$ 160,255	\$ 16,445
Capital Leases						
Sellwood Library	n/a	1/1/2002	1/1/2032	\$ 1,093	935	118
Sheriff's Office Warehouse	n/a	7/1/2010	7/1/2017	815	257	134
Total - Capital Leases				\$ 1,908	\$ 1,192	\$ 252
Total Subject to Financial Policy					\$ 164,170	\$ 17,008
Less Non General Fund Supported Debt						
Road Fund (OTIB)					(2,723)	(312)
Library Fund (Series 2010A FFCO and Capital Lease)					(1,175)	(243)
Sellwood Bridge (Series 2012 FFCO)					(119,790)	(9,469)
IT Fund (Series 2010A FFCO)					(1,797)	(950)
Facilities Fund (Series 2010A and Series 2014 FFCO)					(2,769)	(718)
Total General Fund Obligations					\$ 35,916	\$ 5,316
(Less) Annual Payment From Other Sources						(20)
Net General Fund Obligation						\$ 5,296
REMAINING BORROWING CAPACITY						
Debt Capacity (Supported by General Government Fund Types Only)						
FY 2016 General Fund Revenues ¹						\$ 407,133
Policy Limitation (5% of GF Revenues)						x 5.00%
5% Policy Limit Dollar Amount						\$ 20,357
Debt Capacity Used (Net General Fund Obligations)						(5,296)
Annual Payment Available					\$ 15,061	
Estimated Principal Value Available						\$ 206,000

1. General Fund Revenues are net of BWC and Dedicated Health Department Funds