



## FY 2010 Budget Worksession – Capital Briefing

Issues/Discussions/Findings	
<b>Chair's Office</b>	
Memo to BCC regarding the assumptions behind the debt repayments. Separate Memo from Chair's Office to follow	
<b>Community Services</b>	
Provide debt schedules to BCC for transportation loans. (See Attached)	
<b>Facilities</b>	
<p><b>FOLLOW-UP</b> – more information on industry standards for facilities replacement reserves.</p> <p>Facilities &amp; Property Management (F&amp;PM) is responsible for the maintenance of over 2.8 million square feet of owned buildings. Annually, our revenues are set to collect enough to pay for adequate maintenance and to provide capital reinvestment for building systems as they reach life cycle. This level of capital reinvestment is adequate in the very short term for our better buildings (Tier 1), but insufficient for all other buildings (Tier 2 and 3). <b>There are no funds being reserved for the replacement of the buildings themselves.</b></p> <p>Like homeowners, most jurisdictions do not have adequate funds set aside for the replacement of their buildings, and face that issue through some kind of financing options. In the case of the County, we still are paying for the purchase or construction of several buildings, such as the Multnomah Building, MC East and Yeon Annex through annual payments for COPs or full faith and credit obligations. The public is still paying for the construction of the Wapato Jail, Juvenile Justice Facility, Children's Receiving Center and reconstruction of the Central Library and all owned library branches.</p> <p>We have not found examples of any local jurisdictions that have actually committed to funding a full replacement program for their owned buildings. As is the case with Multnomah County, most major jurisdictions do set aside funds annually for the recapitalization of building component systems as they reach the end of their life cycle.</p> <p>With the County's \$1.0+ billion replacement cost for owned buildings, it would take approximately an annual investment of \$20+ million per year to begin addressing building replacement reserves. This assumes a 50 year life for the building.</p> <p>F&amp;PM manages its building assets through a comprehensive strategy:</p> <ul style="list-style-type: none"> <li>• Regularly scheduled maintenance to control the degeneration of building systems</li> <li>• System condition assessments</li> <li>• Management of deferred maintenance through capital projects</li> <li>• Management of the portfolio in tiers, based on level of deferred maintenance</li> <li>• System replacement (asset replenishment) - Asset Preservation, Capital Improvement Program – industry standards define that organizations should have adequate reserves to provide recapitalization funding when needed. Currently, F&amp;PM charges departments \$2.35 per square foot per year for this capital replenishment; this funding is inadequate to keep up with the growing deferred maintenance backlog. F&amp;PM strives to keep annual increases at 8% to try to keep up with growing long term deficits in the capital funds.</li> <li>• Propose disposition of buildings that are too costly to maintain in the long term</li> </ul> <p>If the County is to effectively manage its building portfolio, it must recognize and commit to a long range strategy of maintenance, portfolio management, and asset preservation. Once a jurisdiction adopts a set of strategies it is imperative that consistent decisions are made to carry out that policy through annual budgets and sound choices along the way.</p>	

<b>Amendments</b>
<b>Commissioner McKeel</b> – Fund program 80021 Materials Movement for up to \$2.5 million.
<b>Budget Notes</b>
<b>Budget Note:</b> Layout process for choosing list of projects for 18 million debt issue. Identify savings, timeline, specifics of projects and means of paying back debt.

## Transportation Funds Debt Schedule

Project	Fund	Fiscal Year								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
Sauvie Island Bridge *	Bridge	3,000,000	3,253,000							
257th and Orient Ave	Road	288,000	288,000	288,000	288,000	145,762				
223 Railroad Undercrossing **	Road	175,000	175,000	413,000	413,000	413,000	413,000	413,000	413,000	413,000

Project	Fund	Fiscal Year								
		2019	2020	2021	2022	2023	2024	2025	2026	
Sauvie Island Bridge *	Bridge									
257th and Orient Ave	Road									
223 Railroad Undercrossing **	Road	413,000	413,000	413,000	413,000	413,000	413,000	413,000	413,000	

\* - Sauvie Island Bridge loan payments are per the original loan terms

\*\* - 223rd RR Undercrossing payments are interest only for FY10 and FY11, then principal and interest for 15 years.