

A stylized graphic on the left side of the slide. It features two dark green mountain peaks in the upper left. Below them is a dark green wavy band representing a forest or middle ground. At the bottom is a blue wavy band representing water. The entire graphic is composed of solid-colored shapes with white borders separating them.

Financial Planning for Major Capital Projects

*Presentation to
Board of County Commissioners
March 3, 2015*

- Purpose of This Briefing
 - Outline a Process for Evaluating/Monitoring Capital Projects
 - Respond to Board Concerns and Internal Audit Reports
- Why Now? Don't We Already Do Capital Planning?
 - County Has Many Capital Needs and Limited Resources
 - Describe Current Practices
 - Resources Available to Fund Capital Projects
- Describe the Intersection of Financial Planning and Capital Planning
 - Preview of a Capital Financing Model
- Recommendations



- County Emerged From “Great Recession” in Good Financial Condition
 - Reserves Fully Funded, Low Debt Burden
 - Credit Rating Upgraded by Both Moody’s and S&P
- Assess Infrastructure Needs
 - Facilities and IT Primarily Funded by GF
 - Acknowledge Current Funding Mechanisms Inadequate to Meet Long-Term Capital Needs
 - We Know What the Major Needs Are
- Take Advantage of Existing Processes and Expertise
 - Use Established Planning Processes to Prioritize Projects w/in Each Program Area



- Facilities
 - Aging Facilities, Significant Investment Required
 - Current Planning Process Focuses on Maintenance/Repairs
 - Strategies for Courthouse, Health HQ, and Hansen
- Information Technology
 - Identification of “At Risk” Applications
 - Rapid Pace of IT Change
- Transportation
 - 5 Year Capital Improvement Plan w/ Annual Updates
 - Issue for Transportation is Lack of Funding (Not Solely a Multnomah County Issue)

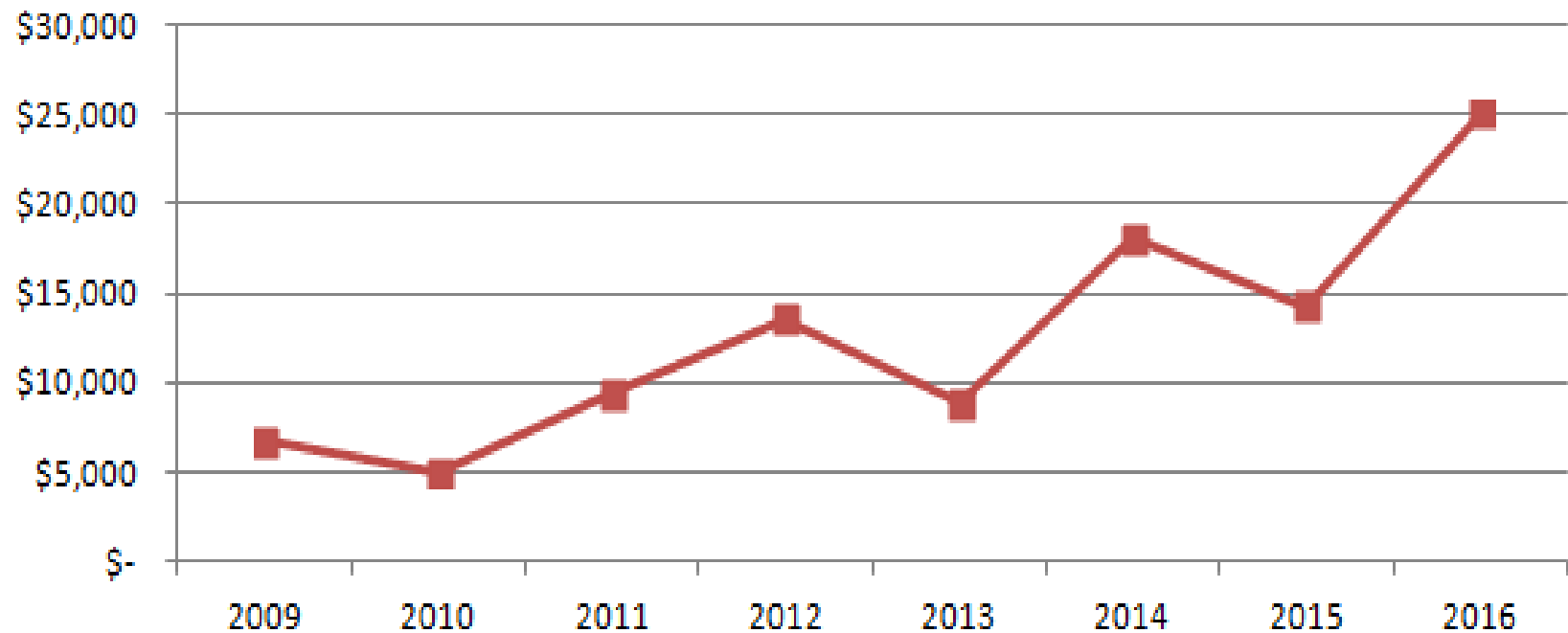


The Challenge // Resources to Support Capital Plans

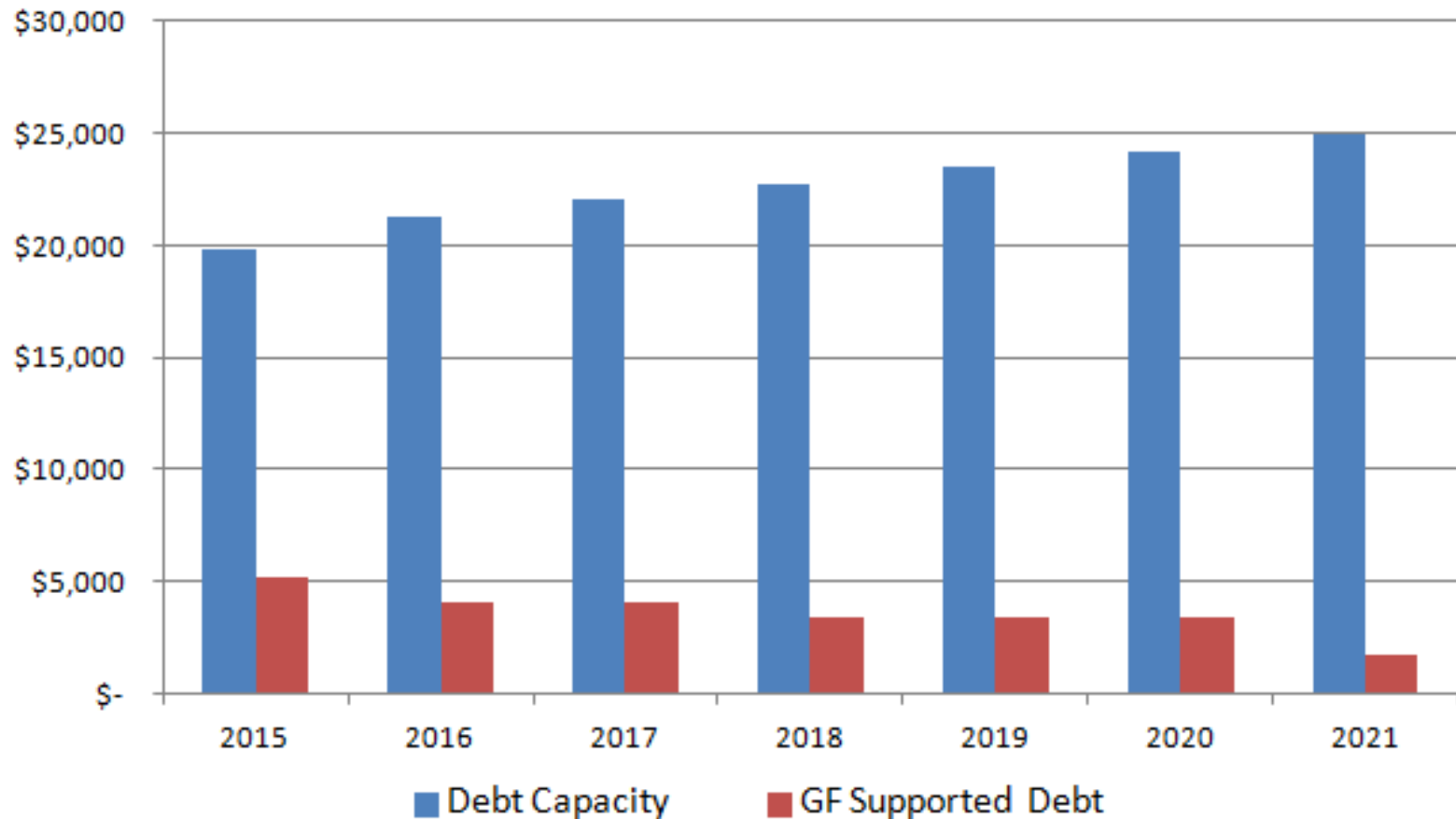
- Replacement Fees
 - Internal Charges to Departments
 - FASP Recommendation – Capital Planning Rate Analysis
- General Fund One-Time-Only (OTO) Revenues
 - Change in Financial & Budget Policies for FY 2015
 - Use OTO and Debt Financing Strategically
- County Full Faith & Credit
 - High Credit Rating/Low Cost of Borrowing
 - Most FFC Debt Matures in FY 2020
- Public/Private Partnerships
 - Probably Most Applicable to Transportation Projects



Net GF One-Time-Only Revenue (\$'s in Millions)



Debt Capacity and Amount Used (\$'s in Millions)



- County's 5 Year GF Forecast Informs Development of Long-Term Capital Plan
 - Many Variables, Requires Annual Evaluation
 - Important to Know Characteristics of Major Revenues and Cost Drivers
 - Good News, We Know a Lot!
- Identify Resources Available to Fund Capital
 - Assume Debt Issuance Supported by General Fund
 - Sensitivity Analysis to Highlight Gaps
 - Provide Insight into Long-Term Impacts and Tradeoffs
- Review Scenarios
 - “Base Case” –Balance FY 2016 Budget Over 5 Years



General Fund Summary

"Base Case" Forecast

	Fiscal Year				
	2016	2017	2018	2019	2020
GF Revenue	\$ 426,385,112	\$ 440,197,390	\$ 454,713,680	\$ 469,126,469	\$ 483,618,951
Baseline GF Expenditures	\$ 403,830,676	\$ 417,490,592	\$ 435,619,176	\$ 453,791,896	\$ 471,104,448
Debt Service	4,103,940	4,103,940	3,352,859	3,352,859	3,352,859
Add'l GF Expenditures	7,700,000	7,960,459	8,306,124	8,652,630	8,982,736
Add'l Debt Service (From Below)	-	-	-	-	-
Total GF Expenditures	\$ 415,634,616	\$ 429,554,991	\$ 447,278,159	\$ 465,797,385	\$ 483,440,043
Surplus/(Deficit)	10,750,496	10,642,399	7,435,521	3,329,084	178,908



General Fund Summary

"Base Case" Forecast w/ Add'l Debt Service

	Fiscal Year				
	2016	2017	2018	2019	2020
GF Revenue	\$ 426,385,112	\$ 440,197,390	\$ 454,713,680	\$ 469,126,469	\$ 483,618,951
Baseline GF Expenditures	\$ 403,830,676	\$ 417,490,592	\$ 435,619,176	\$ 453,791,896	\$ 471,104,448
Debt Service	4,103,940	4,103,940	3,352,859	3,352,859	3,352,859
Add'l GF Expenditures	7,700,000	7,960,459	8,306,124	8,652,630	8,982,736
Add'l Debt Service (From Below)	-	6,784,302	12,314,683	12,314,683	12,314,683
Total GF Expenditures	\$ 415,634,616	\$ 436,339,294	\$ 459,592,842	\$ 478,112,069	\$ 495,754,726
Surplus/(Deficit)	10,750,496	3,858,096	(4,879,162)	(8,985,600)	(12,135,775)



- Multi-Year Process
- Step 1 - Integrate Existing Planning Efforts
 - Begin w/ Facilities and IT
 - Establish Prioritization and Assessment Criteria
 - Evaluate Revenue Strategies
 - Align Projects w/ Operational and Service Delivery Needs
- Step 2 – Develop Detailed Planning Documents
 - Long-Term (10+ Years) Master Plan
 - 5 Year Integrated Plan for All Capital Projects
 - Annual Capital Budget Adjusts to Changing Conditions



- Step 3 – Governance/Capital Plan Leadership
 - Executive Committee for Capital Projects
 - Proposed Membership – COO, CFO, DCA Director, DCS Director, Budget Director, Facilities Director
 - High Level, Quarterly Review
- Step 3a – Cross Departmental, Technical Team
 - Comprised of Departmental Subject Matter Experts, Led by CFO/Budget Office
 - Review Assumptions, Evaluate Project Cash Flows, Flag Potential Issues for Governance Committee
- Step 4 – Create Capacity w/in DCM
 - Dedicate Staff to Long-Term Financial Planning
 - Project Monitoring and Reporting



- County Has Many Capital/Infrastructure Needs
 - Strong Financial Condition Provides Opportunity to Address the Needs
 - Board Focus Should Be on Major Capital Not Maintenance
- County Has Many Elements of Capital Planning
 - Need a Coordinated, Countywide Approach
- Low Debt Burden
 - But, Additional Debt Service Will Require Tradeoffs
- Outline a Process to Provide Board w/ Information Needed to Make Decisions

