



County of Monterey

Item No.

Board Report

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

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- a. Receive a report regarding financing options for priority capital projects identified by the Board of Supervisors, and
- b. Provide direction to staff.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a report regarding financing options for priority capital projects identified by the Board of Supervisors, and
- b. Provide direction to staff.

SUMMARY/DISCUSSION:

On October 8, 2024, the Board of Supervisors (Board) received a report from the Public Works Facilities and Parks (PWFP) department regarding the prioritization of the top capital projects to focus limited staff resources in the development of those projects. Staff expected the Board would ultimately provide direction to prioritize three to five projects from the Capital Improvement Program (CIP) list.

ID #	Project Name	FY 24/25 Budget	Future Unfunded Need
A	Seaside Community Benefits Office Replacement - 1281 Broadway Ave Seaside	\$3,312,419	\$107,209,824
B	Pajaro Mansion Campus Post Storm Restoration	\$1,376,736	\$4,947,815
C	New Bradley Library and Resiliency Center Project	\$33,926	\$3,573,074
D	Proposed Constitution Parcel Project	\$976,100	\$200,000,000
E	Pajaro Library Branch Rehabilitation	\$344,588	\$ 0
F	King City Courthouse Parking Lot Repaving - 250 Franciscan Way	\$1,624,665	\$1,411,813
G	South County Ag Commissioner Facility Development	\$2,635,004	\$1,384,625

During the presentation PWFP presented the CIP list which includes many projects and (after significant discussion) the Board determined that seven projects from this list should be evaluated for further prioritization. The list of these seven projects is below showing the estimated unfunded amount needed for project completion as reflected in the CIP list provided by PWFP during the October 8 meeting.

Based on this direction, staff at the CAO's office worked with KNN Public Finance (KNN), the County's financial advisors, to develop financing scenarios for four of the seven prioritized projects. The financing scenarios for these four projects will be provided by KNN as outlined in the

presentation attached to this report (projects A-D in the table above). In addition to projects A-D, KNN will also present a financing scenario for the energy projects presented to the Board by the sustainability staff as the Board directed staff to bring back a financing scenario for the cost of ownership of these projects. The remaining three projects (E-F in the table above) can be financed in the short term by using readily available one-time funds from the County’s General Fund.

The financing scenarios for the four projects requiring the issuance of debt assume the County would issue Certificates of Participation (COPs) to finance these projects. This type of financing does not require voter approval but necessitates a pledge of real property as a “leased asset” for financing and can be issued as a “tax exempt” investment to buyers of these COPs. Accordingly, the County would need to identify the pledged assets for debt financing if this option is pursued. Staff is in the process of identifying facilities which will be best suited for this purpose, but in general, the County has sufficient assets to pledge for these four projects if the Board provides direction to issue debt to move forward with construction.

However, the County must also evaluate various factors that constraints the County’s capacity to issue debt. These factors include:

- Legal debt limit
- Credit strength and cost of capital
- Debt management policy requirements for issuance of long-term debt
 - Debt Advisory Committee recommendation
- Availability of pledging assets
- Ability to repay debt

The County’s ability to repay debt without redirecting revenue that is currently being used to provide services is extremely critical. A preliminary review shows that from the four projects in the debt financing scenarios only the Mental Health Rehabilitation Center (MHRC) has the potential to repay debt without redirecting revenues. All other projects do not currently have identified revenue to repay debt, but staff will continue to work with departments to identify potential revenue for these projects if they continue to be prioritized by the Board and staff will return with that analysis at a future Board meeting. In addition, staff will bring a report to the Debt Advisory Committee (DAC) so that it can evaluate debt issuance options and provide a recommendation to the Board.

The MHRC project is one of four projects of the Constitution Parcel master project that was estimated at \$200 million during the October 8, 2024, Board Meeting. A breakout of the projects in the Constitution Parcel master project is provided below as directed by the Board. Please note the total of these four projects is \$194,559,069. The number is different from the \$200 million presented by PWF. If the Board directs staff to prioritize this project or a subset of projects in this area, project cost estimates will be refined at that point.

Mental Health Rehabilitation Center,	\$55,357,926
Outpatient Urgent Care Facility,	\$69,603,370
Parking Structure,	\$30,261,140
Clinic Services Primary Care Facility,	<u>\$39,336,633</u>

Constitution Parcel master project total, \$194,559,069

As you will note, the MHRC financing need is \$55.4 million but the total project constructions is estimated at \$75 million since the Health Department has successfully acquired a \$20 million capital grant for this project. However, although getting a grant provides significant funding for the project, it also creates challenges as the project must be completed by July of 2026 and the facility must be occupied six months after project completion. This creates a compressed timeline for a successful project completion and could potentially create a liability for the County if the project is not completed by the required date. The Health Department and PWWP will be available during the meeting to answer specific questions about this challenge.

OTHER AGENCY INVOLVEMENT:

The Office of County Counsel has reviewed this report.

FINANCING:

There is no financial impact from receiving this report, but if the Board provides direction to move forward with any of these projects, the County will incur debt obligations in the future for the prioritized projects in the amounts described in the presentation.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The County of Monterey, under the Board’s direction promotes an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability, and transparency. An important objective of this strategic initiative is achieving a balanced budget that sustains core services and efficiently allocates resources. Actions in this report help fulfill this objective.

- Economic Development
- Administration
- Health & Human Services
- Infrastructure
- Public Safety

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Attachments:

- KNN Public Finance Presentation
- Staff PowerPoint Presentation