

Memorandum



Date:

To: Honorable Chairman Bruno A. Barreiro
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

Subject: *Building Better Communities* (BBC) General Obligation Bond (GOB) Program -
Adoption of Implementing Order Relating to the Use of Surplus and Premium Funds



Recommendation

It is recommended that the Board of County Commissioners (Board) adopt the attached resolution approving an Implementing Order (IO) placing into effect an administrative process for the use of *Building Better Communities* (BBC) General Obligation Bond Program surplus and premium funds.

Scope

This item impacts surplus and premium funds generated from the sale of BBC bonds for the expected 15 – 18 year life of the program that are allocated in all Commission districts.

Fiscal Impact/Funding Source

There is no fiscal impact from the implementation of this recommendation.

Track Record/Monitor

The responsible party for monitoring BBC GOB funds is the Office of Capital Improvements (OCI), Johnny Martinez, P.E., Director.

Delegation of Authority

This item reaffirms a limited authority previously granted to the Mayor or his designee to accelerate projects administratively and extends it to future bond proceeds.

Background

Pursuant to Resolution No. R-67-08 approved by the Board at the January 10, 2008 meeting, the accompanying IO recommends an administrative process for the allocation of BBC surplus and premium funds.

The BBC program is a \$2.9 billion, multi-year capital improvement program funded by the periodic issuance of general obligation bonds. Both surplus and premium funds may be generated as part of the program. While it is difficult to predict how much surplus and premium funds may be available at any given time, these funds are not expected to yield significant dollars relative to the magnitude of the bond program. As the BBC program has matured and evolved, it has become clear that a more defined process is needed for the allocation of these funds.

The Office of Capital Improvements manages the BBC Bond Program. A primary responsibility of administering the program is to apply bond proceeds to projects that are ready to move forward. On October 10, 2006, via Resolution No. 1208-06, the Board authorized the County Manager, with certain limitations to allocate bond proceeds from approved projects that were not moving forward as quickly as expected to fund projects that were ready to start. On April 27, 2007, the Board accepted a report that outlined how these accelerations were being implemented.

Surplus Funds

Surplus funds are comprised of either: a) interest income earned from proceeds on deposit in the construction account, less certain administrative expenses, or; b) proceeds that remain unspent after a project is completed or from the deletion or “significant modification” of a project by the Board. Surplus funds are “new” funds and may be used to subsidize additional costs and new projects subject to the limitations and processes outlined in this Implementing Order.

Premium Funds

As a result of market conditions, the County may from time to time receive a premium in excess of the principal amount of bonds sold; this was the case with the sale of the first series of GOB Bonds. However, it is important to note that while one bond sale may generate premium funds, the next bond sale may not. Premium funds are part of the total \$2.9 billion authorized proceeds. They do not represent “new” funds to the bond program. Therefore, premium funds may only be used to accelerate projects and not for additional project costs or new projects. The status of surplus and premium funds will be detailed in the BBC/GOB Quarterly reports to the Board.

Allocation Procedure

Upon being made aware of budget shortfalls in projects, acceleration requests or requests for new projects by stakeholders OCI will work with the OSBM to apply the evaluation factors contained in the accompanying recommended IO. The results of this evaluation for projects deemed meritorious would be presented to the BBC Citizens’ Advisory Committee (CAC) at their next available meeting. I must stress that the primary use of any interest earnings should always be (1) to cover the cost of administering the BBC program and (2) to provide funding for programmed BBC projects that requires additional dollars to cover the estimated projects cost. No new projects shall be added until all approved projects have been completed or until all the necessary funding for approved projects has been identified and will require the affirmative vote of three-fourths of the Board members in office, after a public meeting.

This item will be presented to the BBC CAC at their May 1, 2008 meeting.

Chief Assistant County Manager