

COUNTY ADMINISTRATOR
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TO: Jeff Irwin, Chair
Ways & Means Committee

FROM: Robert E. Guenzel
County Administrator

THROUGH: Curtis N. Hedger
Corporation Counsel

DATE: November 15, 2006

SUBJECT: Approval of Resolution Authorizing the Transfer of Funds Remaining from the Chevron Project as well as Using Current and Future Monies in the Public Improvement Fund to Acquire Land and Pay for the Construction of the Proposed 14-A District Court in Saline

Board Action Requested:

County Administration requests that the Board of Commissioners approve a Resolution authorizing the transfer of funds remaining from the Chevron Project, as well as using current and future monies in the Public Improvement Fund to help pay for the purchase of land and construction of the proposed 14-A District Court in Saline.

Background:

On June 2, 2004, the Washtenaw County Board of Commissioners approved a \$6,088,652.00 Energy Services Contract with Chevron Energy Solutions Company (“Chevron”) to provide significant energy efficiency improvements to the infrastructure of all County buildings. On September 1, 2004, the Board of Commissioners approved a bond resolution of \$6,365,000.00 to pay Chevron for these services (“Bond Series 2004”). Unlike previous bonding projects, due to a change in Michigan law, the Board of Commissioners was able to directly issue these bonds and not use the Washtenaw County Building Authority.

The Chevron project financed by Bond Series 2004 is now complete. Due to construction savings and interest earnings, the Bond Series 2004 Bond Issue now has a surplus of \$248,137.00.

Michigan law (MCLA 141.261) also permits any governmental subdivision to create a

Public Improvement Fund (“PIF”). The Statute provides that once created, this Fund may be used to acquire, construct, extend, alter, repair or equip public improvements or public buildings. On December 8, 1999, the Board of Commissioners created the Public Improvement Fund (“PIF”). The PIF is funded with the County’s share of court costs assessed in the 14-A District Court. Currently, there is \$472,229.00 in the PIF. On average the PIF has been receiving between \$150,000.00 and \$160,000.00 per year from assessed court costs.

Michigan law also provides that the County must provide a District Court in Saline. County staff has been diligently working to locate a site where a new facility can be built. It identified approximately 11.2 acres located at 750 North Maple Road which is owned by Xycom Corporation. The County signed an initial sales agreement, contingent upon Board of Commissioner approval, which the County later terminated after a barrel of an unknown substance was uncovered during the Phase I environmental audit. Xycom subsequently paid for a full Phase II environmental audit which revealed that the barrel had contained tar residue which was most likely dumped on the site when the roof of the building next door was being repaired. The Phase II report, which has been confirmed by the County’s environmental contractor, reveals no environmental problems with the site.

Accordingly, the County again entered into negotiations with Xycom for this site, which culminated in another Sales Agreement which is being presented for approval by separate Resolution to the Board of Commissioners.

Discussion:

The budget for the proposed Saline District Court is approximately 2.5 million dollars. This includes all costs, including the purchase of land and construction of the court facility. To avoid the cost of bonding for this project, the County Administration is proposing that the project be funded as follows. First, over half of the projected costs will be paid from existing funds. As noted above, the Chevron project that was funded by Bond Series 2004 is now complete. This Bond Series has a surplus of \$248,137.00. To avoid possible arbitrage issues, these funds must either be used for another capital project or to defease the existing bond issue. Using the money to defease the existing bonds, however, would result in additional costs for the County. County Administration, in consultation with its bond attorney, believes it is better for the Board of Commissioners to authorize that this money to be used to pay for land as well as construction costs associated with the construction of the proposed 14-A District Court in Saline.

In addition, the Board of Commissioners is also being requested to approve the transfer of funds currently in the County’s Public Improvement Fund for the proposed 14-A District Court. Currently, there is \$472,229.00 in the PIF. Finally, under separate Resolution, the Board of Commissioners is being asked to transfer \$734,139.00 of excess bond funds remaining from the Head Start Project which is now complete to the Saline District Court project.

If each of these transactions is approved, the County will have \$1,454,505.00

(\$734,139.00 Head Start excess plus \$472,229.00 currently in the PIF plus \$248,137.00 of excess funds from the Chevron project) of the \$2.5 million dollar Saline District Court budget. The remaining funds will be advanced by the County from its Capital Reserve Fund. The proposed Resolution also calls for the PIF funds to continue to be used to reimburse the Capital Reserve Fund until such time as it is fully repaid for the advanced funds. Given recent history, the PIF accumulates approximately \$160,000.00 per year. If that figures remains constant, the Capital Reserve Fund should be repaid in 7-9 years.

By approving the above-described funding requests, the County would be cost effectively using existing funds, along with an identified revenue source (PIF funding) rather than incurring a new bond with its related costs, to pay for the proposed 14-A District Court.

Impact on Human Resources:

This request will have no impact on the County's human resources.

Impact on Budget:

The fund surplus of \$248,137.00 from the Bond Series 2004 Bonds will be used to help pay for the Saline District Court project. In addition, the fund surplus of \$737,741.81 from the Series 2002 Bonds will be also used to help pay for these costs. Also, the current amount of \$472,229.00 in the Public Improvement Fund will also be used for the project. The remainder of the cost of this project will come from the Capital Reserve Fund and will be reimbursed over an 7-9 year period by the funds accumulated in the Public Improvement Fund.

Impact on Indirect Costs:

There are no indirect costs associated with this Resolution.

Impact on Other County Departments or Outside Agencies:

Approval of the Resolution will approve the funding for the purchase of land and construction costs for the proposed 14-A District Court.

Conformity to County Policies:

This Resolution conforms to all County policies and procedures.

H: general/bondpif

COUNTY OF WASHTENAW

At a _____ meeting of the Board of Commissioners of the County of Washtenaw, Michigan, held on the ___ day of _____, 2006, at __:__.m., Eastern Standard Time, at the County _____ Building in Ann Arbor, Michigan there were:

PRESENT: _____

ABSENT: _____

The following preambles and resolution were offered by _____ and seconded by _____:

RESOLUTION AUTHORIZING TRANSFER OF FUNDS

WHEREAS, the County of Washtenaw (the "County") wishes to authorize the transfer of the amounts remaining in the Chevron Construction Fund #4903, as the project involving this fund has been completed, and the Public Improvement Fund #2830 into the Saline Court Acquisition Fund #4012.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE COUNTY OF WASHTENAW, MICHIGAN, AS FOLLOWS:

1. Upon receipt of a direction to transfer funds from the Washtenaw County Controller/Administrator, the County Finance Director shall transfer such funds into the Saline Court Acquisition Fund #4012.
2. This resolution applies to the funds and amounts as listed on Appendix A attached hereto.
3. In addition, upon direction from the Washtenaw County Controller/Administrator, the County Finance Director shall ensure that future amounts received in the Public Improvement Fund shall be transferred to the Capital Reserve Fund until such time as all funds advanced from the Capital Reserve Fund to the Saline Court Acquisition Fund have been reimbursed.
4. All resolutions and parts of resolutions in conflict with the foregoing are hereby rescinded.

A roll call vote on the foregoing resolution was then taken, and was as follows:

YES: _____

NO: _____
ABSTAIN: _____

The resolution was declared adopted.

STATE OF MICHIGAN)
)ss.
COUNTY OF WASHTENAW)

The undersigned, being the duly qualified and acting Clerk of the County of Washtenaw, hereby certifies that the foregoing is a true and complete copy of a resolution duly adopted by the County of Washtenaw Board of Commissioners at its _____ meeting held on the _____ day of _____, 2006, at which meeting a quorum was present and remained throughout and that an original thereof is on file in the records of the County. I further certify that the meeting was conducted, and public notice thereof was given, pursuant to and in full compliance with Act No. 267, Public Acts of Michigan, 1976, as amended, and that minutes of such meeting were kept and will be or have been made available as required thereby.

Clerk, County of Washtenaw

DATED: _____, 2006

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APPENDIX A

Chevron Construction Fund

Fund # 4903

Business Unit #4903043200

Amount remaining in the fund at 10-01-2006 **\$248,530.17**

Public Improvement Fund

Fund # 2830

Business Unit #2830

Amount remaining in the fund at 10-01-2006 **\$427,229**

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