COUNTY OF DANE

DEPARTMENT OF ADMINISTRATION
CONTROLLER DIVISION
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CHARLES HICKLIN
Controller/CFO

GREG BROCKMEYER
Director of Administration

Date: May 19, 2022
To: Dane County Board of Supervisors
From: Chuck Hicklin

Re: Financial Considerations of the Jail Consolidation Project

The following is a discussion of the financial issues surrounding the Jail Consolidation Project. These issues include the budget and debt authorization, project expenditures to date, updated project cost estimates, steps necessary to proceed with the project, debt issuance and the ultimate fiscal impact of the project.

Budget Authorization

One consideration relative to the project is the amount authorized in the county's capital budget. The current budgeted amount is the result of three budget actions approved by the County Board.

Initial Budget amount included in the 2017 Adopted Budget	$76,000,000
Supplemental Budget Amount via 2019 RES-035 June 19, 2019	$74,000,000
Supplemental Budget Amount via 2021 RES-320 March 3, 2022	$15,925,000
Total Amount Currently Budgeted	$165,925,000

Debt Authorization

Separate from the amount budgeted, one must consider the amount of debt authorized for the project. Three actions by the County Board have resulted in the current amount of debt authorized.

Authorized via 2017 RES-367	January 18, 2018	$76,000,000
Authorized via 2019 RES-035	June 19, 2019	$74,000,000
Authorized via 2021 RES-320	March 3, 2022	$15,925,000
Total Debt Currently Authorized		$165,925,000

The county has issued some of the debt authorized by the County Board. The issuance was as follows:

Issued in 2018	$3,000,000
Issued in 2019	$10,000,000
Total Issued	$13,000,000
Yet to be issued	$152,925,000

Under state law, the authorization for debt expires after five years. Below is a schedule of debt authorization and its current status and potential expiration.

	Authorized	Issued	Remaining	Expiration of Remaining Amt.
2017 RES-367	$76,000,000	$13,000,000	$63,000,000	January 17, 2023
2019 RES-035	$74,000,000	$0	$74,000,000	June 18, 2024
2021 RES-320	$15,925,000	$0	$15,925,000	March 2, 2027

The $13.0 million issued so far applies against the $76 million first authorized in January of 2018. So, $63 million of that initial authorization has yet to be issued and is set to expire in January 2023. If that debt is not issued, it will need to be reauthorized by a ¾ vote of the County Board.

Project Expenditures to Date

The county has expended approximately $10.7 million on the project to date since 2018:

2018	$ 526,840.00
2019	$ 2,342,818.00
2020	$ 4,187,020.00
2021	$ 3,185,567.00
2022 YTD	$ 518,209.00
Total	$ 10,760,454.00

Updated Project Cost Estimate

The estimated cost for the full project design has increased from the $170.1 million estimated in August 2021 to $190.133 million now. This amount can be reduced by several items suggested in 2021 RES-320, removing the 7th floor, eliminating the Huber area, eliminating the visitation elevator and removing seven parking spaces. The adjusted cost estimate after these items is $175.732 million.

Current estimate of full project design	$190,133,892
Remove 7th Floor	($13,004,281)
Remove Huber Area	($478,024)
Remove Visitation Elevator	($704,326)
Remove 7 Parking Spaces	($214,418)
Adjusted Project Cost	$175,732,843
Project Budget and Authorized Debt	$165,925,000
Project Cost Over budget and Debt Authorized	$9,807,843

Financial Requirements for Project to Proceed

Given that the estimated project cost exceeds the authorized debt, there are several options to close the gap. First, additional elements of the project could be removed to reduce the cost by $9.8 million. However, such changes in the design may result in a project that falls short of the project goals.

Second, the County Board could authorize $9.8 million in additional budget and debt authority. This will require a resolution of the board adopted by a vote of ¾ of the body. With 37 current members of the Board, this would be a vote with 28 members voting in favor.

A third option is that the additional debt authorization could be provided via a referendum. A resolution authorizing a debt referendum requires a majority vote of the County Board and then needs to be affirmed via a majority vote of the electorate. The resolution setting up the referendum must be adopted by the County Board no less than 70 days prior to the November general election. Thus the referendum resolution must be approved on or before the August 18, 2022 meeting of the County Board.

A final option is a combination of the above that would partially reduce the $9.8 million gap through design changes and then add an amount of budget and debt authority by resolution of the County Board or a referendum.

Besides the additional debt authority, an increase in the budgetary authority is necessary. The additional budget authority for the $9.8 million could be added by an amendment to the 2022 Capital Budget, which requires a 2/3 majority vote of the County Board, or it could be added to the 2023 Capital Budget and then approved along with the entire 2023 Capital Budget by a majority vote of the County Board.

Timing of Debt Issuance

The County will begin the process of its annual debt issuance by introducing the final bond resolutions on August 18 with a sale date of September 8. By that date, the strategy to proceed with the project must be known. Either a resolution authorizing the $9.8 million in debt will need to be approved by a ¾ vote of the County Board, or a referendum question must be approved for the November election. If the additional debt is authorized by a ¾ vote of the County Board, then the county will proceed with the issuance of the $63 million in debt that is set to expire in January 2023.

If a ¾ vote cannot be achieved to authorize the $9.8 million in debt, and a referendum is to be placed before the electorate, the county has the option of issuing short-term notes in the amount of $63 million. This would avoid the expiration of the $63 million in debt authorized in 2018. The proceeds of the notes would be held in the bank until the outcome of the referendum is known. If the referendum were to pass, then the county would issue $63 million in bonds sometime in 2023 to provide the long-term financing for the project. If the referendum were to fail, the proceeds of the notes held in the bank would be used to retire the notes. There is a cost to this option since the county would need to pay interest on the notes until they mature. The cost to hold the notes would be approximately $160,000 per month. The notes might be structured with a maturity on April 1, 2023, so the overall cost to have the referendum option would be a minimum of approximately $480,000.

If the County Board does not approve the $9.8 million in additional debt by a ¾ vote or pass a resolution setting up a referendum, the county will not issue the $63 million in bonds or notes and that portion of the authorized debt will expire in January 2023.

Fiscal Impact if the Project Proceeds

The cost of borrowing has risen very quickly in 2022. In the fall of 2021, the county issued 20 year bonds with an overall interest rate of 1.7%. Current rates for comparable debt are now closer to 4% and may increase over the coming months as the Federal Reserve reverses some of its monetary strategies.

If the project proceeds, the county would likely issue debt over a three year period. The first tranche would be the $63 million set to expire in 2023. The second tranche would be the $74 million that would be expiring in 2024, and the final tranche would be issued in 2024.

At today's rates, the cumulative debt service on all three remaining tranches of debt would be $11,975,000. The best estimate today is that this cumulative amount would increase the taxes on the average Madison home by about $55.50 for twenty years.