



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

May 13, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

BOND FINANCED CAPITAL PROJECTS PRIORITIZATION CRITERIA

On November 26, 2012, the Board requested the Chief Executive Office (CEO) to meet with the Chief Deputies of each Board Office to develop a set of criteria or guidelines that could recommend the priority order for completion of projects that address County critical needs and priorities.

Over the past few months the CEO has worked with the Chief Deputies and developed the following list of guidelines that can be utilized to determine the readiness of a project to move from concept to funding consideration and implementation. Please be advised that hospitals are not subject to these guidelines:

- Mandated or Regulatory.
- Life Safety (citations issued or structures red tagged).
- Life Cycle (Based on 50 years) following an evaluation of the structural and infrastructure conditions, maintenance reports, and historical significance.
- Projects that can be leveraged because they have external funding sources that finance 50 percent or more of the project costs (e.g., Supervisorial fiscal contribution, private sector contribution, State/federal grants).
- Operational Savings (e.g., staff savings or energy efficiencies).

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- Program Imperative (the future dictates we must operate differently).
- Economic Development (encourages business opportunities).
- Projects that decrease County liability/exposure.
- Emergency Preparedness.
- Community Equity/Need/Benefit.

These guidelines are not weighted by a score or points. However, they serve as additional factors to a project's viability for funding consideration and readiness.

In addition to the prioritization guidelines, projects must pass through tiers of readiness from Tier V (lowest) to Tier I (highest) as described below. This process is very similar to how the Board currently approaches a project's final approval for completion.

- Tier 1: Board has approved the Project Program, certified the required CEQA documentation, and authorized the implementation of the project's financing plan.
- Tier II: Board has approved the Project Program and certified the required CEQA documentation.
- Tier III: Board has approved the Project Program.
- Tier IV: Project Program is pending Board approval.
- Tier V: Conceptual Project Program is Under Development.

Definitions

Project Program: Functional purpose and operational activities defined; approximate square footage determined, and preliminary cost estimated.

CEQA Certification: Required CEQA review and documentation completed and certified by the Board of Supervisors. Projects that are part of a Master Plan and a programmatic EIR that have been approved by the Board will require further approval of a project addendum, at a minimum.

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Financing Plan: The Board has appropriated sufficient funds, or approved the actual issuance of bonds to finance the full cost of the project.

Current County Indebtedness

The County's annual debt service payment is approximately \$120M. Based on this, the County Debt Ratio (gross debt service payment/annual general County budget) is .62 percent (\$120M/\$19.2B). The County's annual debt service payments at a 2 percent Debt Ratio, which is the County's current policy, would be approximately \$385M. By comparison, annual debt service payments at 4 percent Prudent Debt Ratio, would be approximately \$769M. For every hundred million dollars of County debt issued, the County's annual debt service would increase by approximately \$6M. That would increase the County's Debt Ratio by approximately .03 percent.

In the future, each Major Capital Project brought forward for Board consideration will include a County Indebtedness Impact Statement.

We respectfully request that the Board adopt the Guidelines and Tiers outlined in this memorandum and allow the CEO to work with each of your Offices to fully develop proposed projects for funding consideration. The lead time for readiness of a project to move to Tier I allows the Board adequate funding capability for many projects under consideration.

If you have any questions, please contact Rita Robinson at (213) 893-2477, or via email at rrobinson@ceo.lacounty.gov.

WTF:RLR:acn