

**COUNTY OF SACRAMENTO
CALIFORNIA**

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For the Agenda off:
June 17, 2009
9:30 A.M.

To: Board of Supervisors

From: County Executive's Office

Subject: Report Back – Fixed Asset Financing Fund

Supervisory
District: All

Contact: Navdeep S. Gill, Chief Operations Officer, 874-5803
Linda Foster-Hall, County Budget Officer, 874-2453

BACKGROUND

During the recent Board hearings, the Board requested that the Office of Budget and Debt Management to identify the available fund balance in the Fixed Asset Financing Fund, and if the fund could be used to pay for FY 2009-10 Cooperative Extension's two-percent facility allowance costs.

DISCUSSION

The Fixed Asset Financing Fund (FAAF) was established in Fiscal Year 1990-91 by issuing certificates of participation (1990 COP - \$105 million) to facilitate the County fixed assets purchases. The bond covenant stipulates that the fund be used for acquisition and construction of the capital improvements (defined as real property and personal property, equipment and service systems constituting capital outlays of the County).

The FAAF program is an internal financing program where it loans monies to departments to purchase fixed assets and other capital projects. The departments repay the loans with interest from their operating funds in subsequent years.

The repayments from the departments are accounted for and deposited in two separate and distinct categories based on the funding sources:

1. Procurement Proceeds - Are to be used for principal payment on the 1990 COP and to continue providing funds for the acquisition of fixed assets (restricted to the acquisition and construction of capital improvement) throughout the life of the program, which sunsets in June 2020. The current fund balance in this account is \$23.3 million of which approximately \$24.0 million has been committed for capital projects (See Attachment I).
2. Procurement Interest Earnings - Are to be used for the annual debt service interest payment on 1990 COP and other administrative expenses (remarketing fee, letter of

credit and other miscellaneous administrative costs). This portion of the FAAF is discretionary and had been provided contributions to the General Fund in the past.

The current fund balance in this account is \$6.0 million and has been dropping annually because it is funding a deficit (\$600K to \$700K) caused by the annual costs of the October 2002 Interest-rate swap transaction (Resolution Number 2002-1289) and less net earnings from departmental loans (because of the current interest rate spread). If funds are taken from this account to pay for Cooperative Extension's two-percent facility allowance costs, then in the future the General Fund will be required to make the annual debt service payments on this borrowing.

The Interest-rate Swap generated \$11.3 million in one-time financing that was used to balance the General Fund in FY 2002-03.

In total this account has given the General Fund more than \$35 million in contributions since its inception in 1990.

Respectfully submitted,

APPROVAL RECOMMENDED:

LINDA FOSTER-HALL
County Budget Officer

TERRY SCHUTTEN
County Executive

CONCUR:

NAVDEEP S. GILL
Chief Operations Officer

Attachment: FAAF Committed Projects