

June 5, 2018
Regular Meeting
Item # 5d

CAO

Updated Letter



Vacant ~ District One Fred Stump ~ District Two Bob Gardner ~ District Three
John Peters ~ District Four Stacy Corless ~ District Five

BOARD OF SUPERVISORS COUNTY OF MONO

P.O. BOX 715, BRIDGEPORT, CALIFORNIA 93517
(760) 932-5533 • FAX (760) 932-5531
Shannon Kendall, Clerk of the Board

June 5, 2017

Mr. William Dunkelberger,
Forest Supervisor,
Humboldt-Toiyabe National Forest,
1200 Franklin Way,
Sparks, NV 89431

Dr. Russel Henly,
Asst. Secretary of Forest Resources Management,
California Natural Resources Agency,
1416 Ninth St., Suite 1311,
Sacramento, CA 96814

Re: Good Neighbor Authority Agreement

Dear Mr. Dunkelberger and Dr. Henly;

At its June 5, 2018 Board meeting, the Mono County Board of Supervisors voted to encourage your respective agencies to move forward as quickly as reasonably possible to finalizing a Good Neighbor Authority agreement.

Region 5 of the US Forest Service and California have already signed such an agreement, and the southern portion of Mono County is fortunately covered by this agreement. Unfortunately, in the northern portion of our county there are approximately 500,000 acres within the Humboldt-Toiyabe National Forest, which is a part of Region 4 and is not covered by a similar agreement.

We believe that such an agreement will be helpful in improving forest health and reducing the risk of catastrophic wildfires within our County, as well as improving watershed health, including fish and wildlife habitat.

Currently, the Forest Service does not have funding to adequately address the rapidly developing issues of forest health, or necessary watershed and habitat restoration activities. Poor forest health can lead to larger, more intense, and more destructive wildfires that impact our natural resources, property values, air quality, and recreation economy. North Mono County includes the entire headwaters of the Walker River watershed, and the local economy depends on the quality of those waters for agriculture and recreation uses.

The lack of federal funding to manage these resources has been exacerbated by rapid changes in the landscape due to the recent and unprecedented drought, and these resources have already been negatively

impacted. The County is deeply concerned that the continuation of this combined pattern will lead to increasingly damaged resources, and related damage to our local recreation and agriculture economies.

Meanwhile, California has hundreds of millions of dollars to invest in forest health through its California Climate Initiative, and two additional ballot measures that will hopefully pass this year. A Good Neighbor Authority agreement between the Humboldt-Toiyabe and California will make it easier for some of these dollars from California to be invested in much needed forest health management, watershed restoration and habitat restoration.

Thank you for your consideration and we look forward to progress in negotiating this Good Neighbor Authority agreement.

Sincerely,

Bob Gardner, Chair
Mono County Board of Supervisors

Cc: John Laird, Secretary, California Natural Resources Agency
Kealii Bright, California Natural Resources Agency
Cheva Gabor, Humboldt-Toiyabe National Forest
Assemblyman Frank Bigelow
Senator Ted Gaines
Senator Tom Berryhill
Paul Smith, Rural County Representatives of California
California State Assoc. of Counties

June 5, 2018
Regular Meeting
Item # 7b

Finance / CAO

Presentations

SOUTH COUNTY FACILITY

Fiscal Analysis

7 KEY STEPS IN DECISION-MAKING

1. Define the Problem
2. Generate Alternatives
3. Evaluate Alternatives
 - a. Develop assumptions
 - b. Costing and Forecasting
 - c. Comparing
4. Select an Alternative
5. Develop a Plan for Action
6. Implement the Plan
7. Evaluate the Plan

SUMMARY FINANCIAL INFORMATION	MAMMOTH MALL PURCHASE	MCFLEX CIVIC CENTER	STATUS QUO CONTINUE LEASING
AVERAGE MORTGAGE/LEASE PAYMENTS	\$435,000 \$187,000 \$621,000	\$1,208,000	\$737,000
TERM OF DEBT / LEASE	5YR / 15 YR / 30 YR	35 YR	ON-GOING
ANNUAL OPERATING COSTS (1 st year)	\$372,800	\$152,000	\$448,700
OPERATING COSTS PER SQ / MONTH	\$0.76	\$0.52	\$1.16
EQUITY AFTER 40 YEARS	\$2,600,000	\$5,800,000	\$0

FISCAL ANALYSIS - CONSIDERATIONS

- **Two Alternatives**
 - Mammoth Mall – purchase and renovate
 - McFlex – design and build a Civic Center

Status Quo leasing arrangement - \$1.2 million on-going expense/year

- **Key Points**
 - Future Budget Savings – owning unencumbered facility
 - Budgetary cash flow impact after 40 years
 - Complex financing arrangement
 - Potential loss of County revenues

ECONOMIC ASSUMPTIONS

- Costing Estimates – Source(s)
 - Historical information
 - Consultants (Collaborative, HMC)
 - Public Works / Engineering
- Current leasing arrangement – annual 2% increases
- Annual expenditure growth – 2% CPI for 20 years, then level
- Land Values - \$26.76/SF, no change over 40 years
- Adding staff position(s) – Hourly rate + full benefits
- Time value of Money – not included

MAMMOTH MALL OPTION

Fiscal analysis of purchase and renovation

MAMMOTH MALL – PROJECT REQUIREMENTS

PROJECT FUND	
Purchase price	\$6,000,000
Tenant improvements	6,405,000
Off-site Parking	727,000
Total Capitalized Value	\$13,132,000
Original Issue Discount	213,000
Issuance Costs	748,000
Capitalized Interest	747,000
TOTAL REQUIREMENTS	\$14,840,000

MAMMOTH MALL - PROPOSED FINANCING

DEBT OBLIGATIONS	PRINCIPAL	INTEREST COSTS
TREASURY LOAN <i>(5 year, 3.09%, \$434,771)</i>	\$2,000,000	174,000
TAXABLE BONDS (Certificates of Participation) <i>(15 year, 3.635%-4.0%, \$77,225 - \$244,800)</i>	2,020,000	783,000
TAX-EXEMPT BONDS (Certificates of Participation) <i>(30 year, 3.423%-3.75%, \$389,256 - \$747,744)</i>	10,820,000	8,420,000

DEBT VS EQUITY (upon occupancy)

Debt financing	\$14,840,000
Capitalized value	\$13,132,000
Equity	(\$1,708,000)
% of Debt to Value	113.01%

MAMMOTH MALL – OPERATING COSTS

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ANNUAL	YR 1	YR 10	YR 20	YR 40
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SF / Month	\$0.76	\$0.92	\$1.02	\$1.08
Lease Revenues	\$310,000	\$205,000	\$0	\$0

INCLUDES:

Utilities (no energy improvements)

Repairs & Maintenance

Insurance

Janitorial

Snow Removal

Offsite Parking (maintenance, driver)

Property management (ends after 10 years)

MAMMOTH MALL – *FISCAL ISSUES TO CONSIDER*

- Short escrow closing – may require Bond Anticipation Notes at additional cost of \$217,000
- Complex Financing –
 - Taxable and tax-exempt
 - Legal costs to review existing lease agreements
- Loss of property tax revenues - \$56,194 / \$16,861
- Loss of Federal & State Grant reimbursement - ~\$84,000 / yr

MCFLEX CIVIC CENTER OPTION

Design and construct new building

MCFLEX CIVIC CENTER – PROJECT REQUIREMENTS

PROJECT FUND Estimated all-included cost + contingency	\$20,500,000
Premium (sold at 111.3 of PAR)	(2,453,000)
Issuance Costs	627,000
Capitalized Interest	1,456,000
TOTAL REQUIREMENTS	\$20,130,000

MCFLEX CIVIC CENTER - PROPOSED FINANCING

DEBT OBLIGATIONS	PRINCIPAL	INTEREST COSTS
TAX-EXEMPT BONDS (Certificates of Participation) (35 year, 3.0%-5.0%, \$970,800 - \$1,218,200)	\$20,130,000	\$22,677,000

DEBT VS EQUITY (upon occupancy)	
Debt financing	\$20,130,000
Capitalized value (includes value of land \$1,700,000)	\$22,200,000
Equity	\$2,070,000
% of Debt to Value	90.68%

MCFLEX CIVIC CENTER – OPERATING COSTS

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ANNUAL	YR 1	YR 10	YR 20	YR 40
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SF / Month	\$0.52	\$0.76	\$0.92	\$1.18

INCLUDES:

Utilities (energy efficient)

No R&M 1st Five Years

Insurance

Janitorial

Snow Removal

MCFLEX CIVIC CENTER – *FISCAL ISSUES TO CONSIDER*

- 35 Year Bond Issue and accumulated interest costs
- Capitalized Interest increases if construction period exceeds 18 months - \$80,000 / month?
- Size of Facility to meet County needs for 50+ years
- Transition housing plan if occupancy not ready by October 2019
- Lowest operating costs alternative

OPERATING COSTS COMPARISON

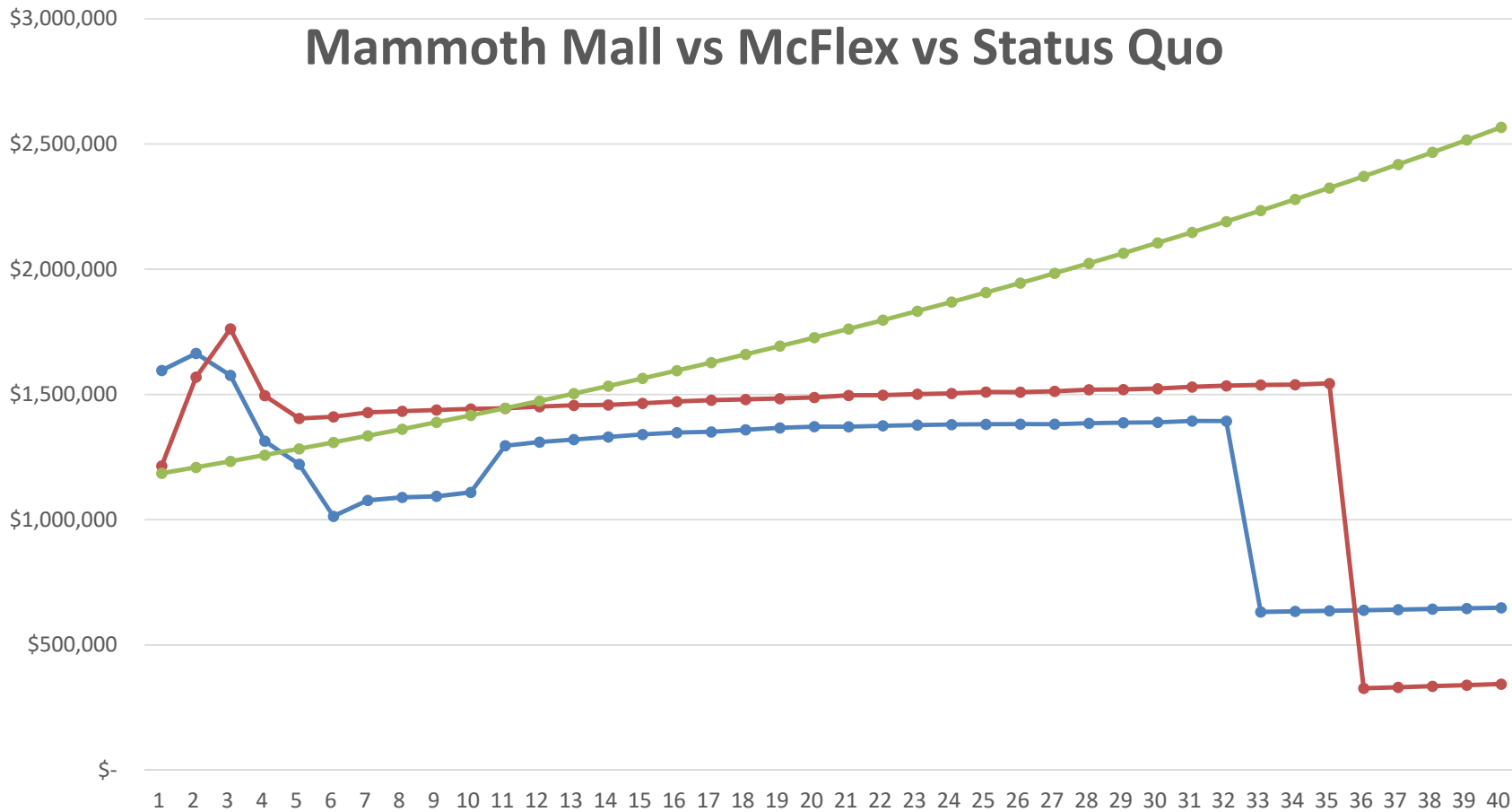
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Operating Costs	\$448,700	\$536,238	\$653,671	\$971,321
SF / Month	\$1.16	\$1.39	\$1.69	\$2.51

ANNUAL CASH FLOW – 40 YEARS

Mammoth Mall vs McFlex vs Status Quo



Status Quo represents current leasing arrangement, increasing 2% per year

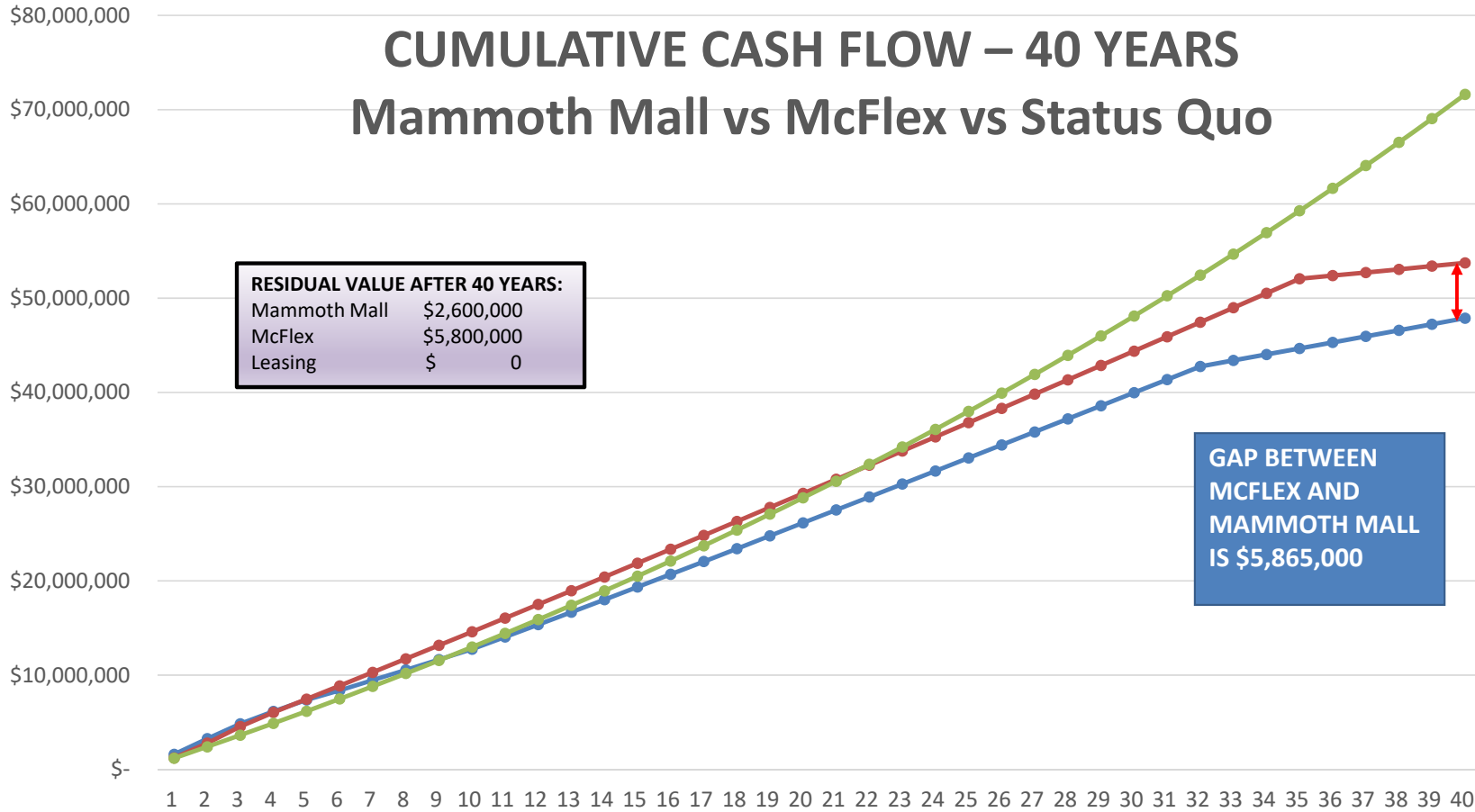
● Mammoth Mall
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June 5, 2018

South County Facility - Fiscal Analysis

CUMULATIVE CASH FLOW – 40 YEARS

Mammoth Mall vs McFlex vs Status Quo



RESIDUAL VALUE AFTER 40 YEARS:	
Mammoth Mall	\$2,600,000
McFlex	\$5,800,000
Leasing	\$ 0

GAP BETWEEN
MCFLEX AND
MAMMOTH MALL
IS \$5,865,000

Status Quo represents current leasing arrangement, increasing 2% per year

● Mammoth Mall ● McFlex ● Status Quo

STRATEGIC DECISION MAKING - BUILDING A FINANCIALLY RESILIENT MONO COUNTY

Resilient behavior means planning ahead and looking beyond the next couple of years

WHAT FINANCIAL VALUES DRIVE THIS DECISION?

- *Do you want to **OWN** or do you want to **RENT**?*
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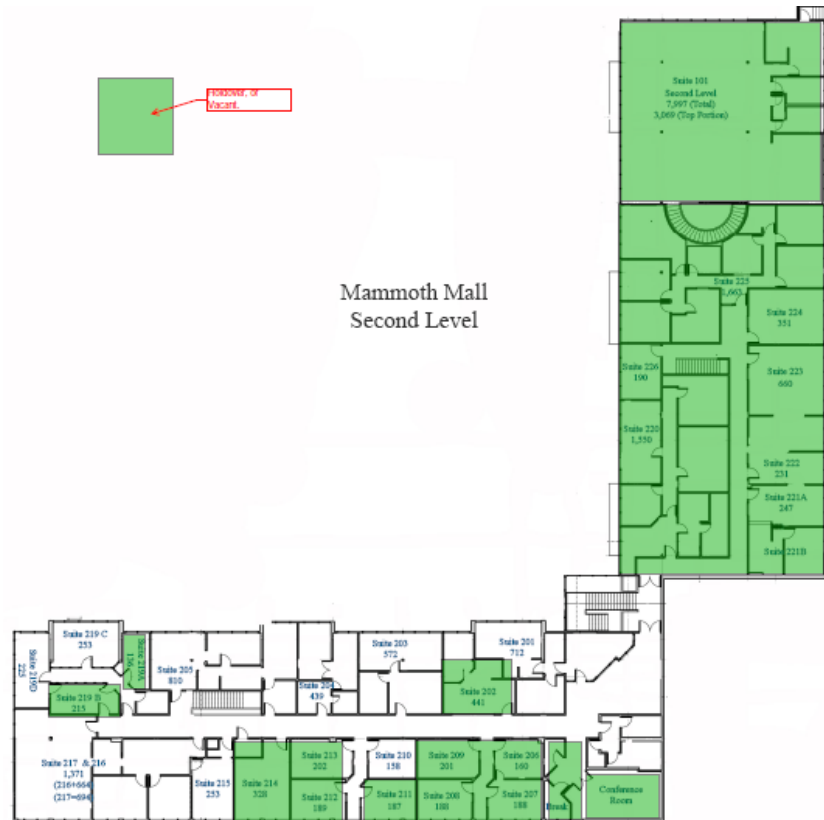
South County Facility --Final Options

JUNE 5, 2018

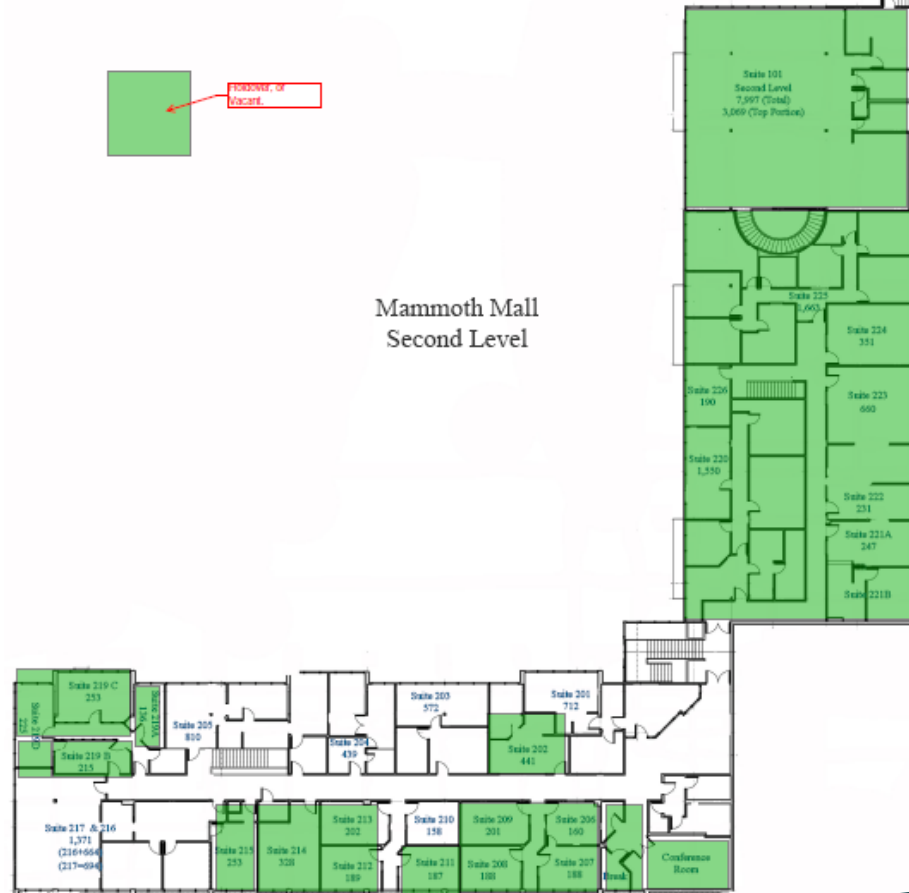
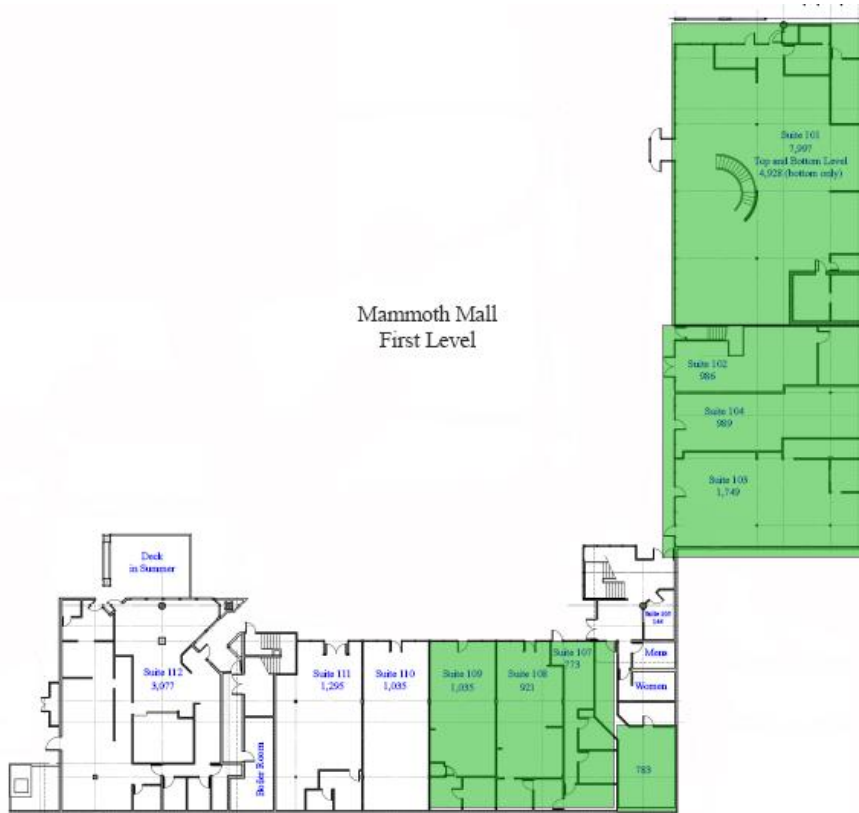
2 essential options:

1. Building Civic Center on McFlex
2. Purchase/ Renovate Mammoth Mall

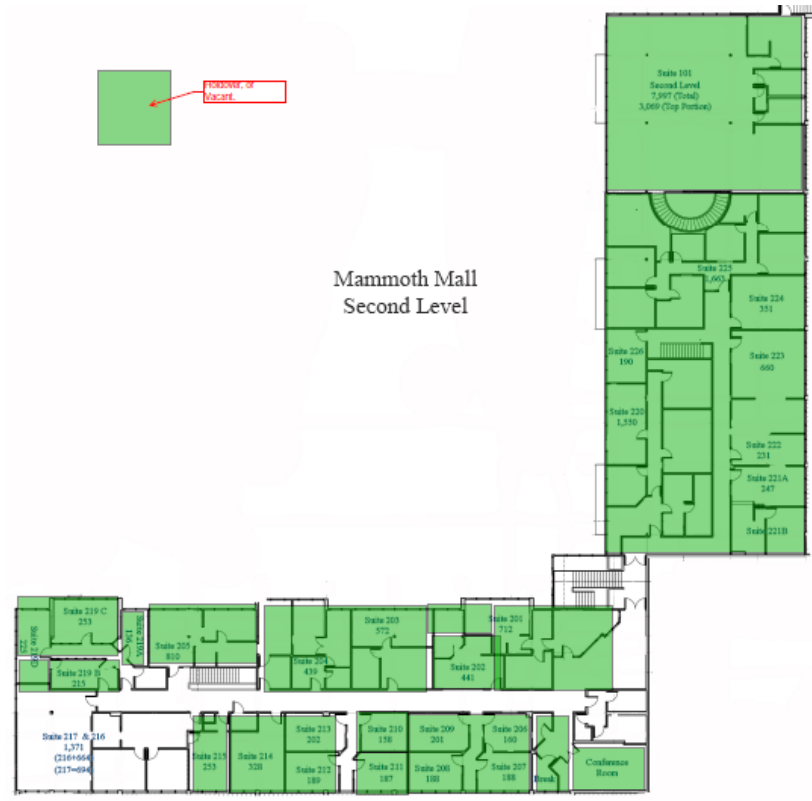
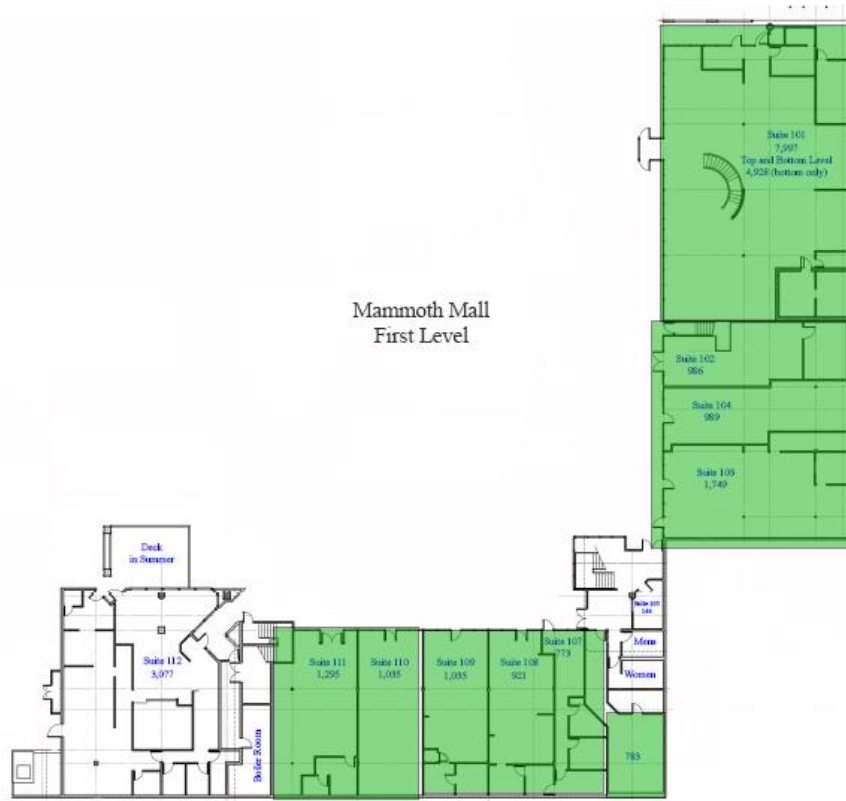
- ▶ Addressing Board questions regarding Mammoth Mall concept
- ▶ Financial Analysis of both options



Currently vacant, or no lease



Space Needs Phase 1



Space Needs Phase 2

Consistency with TOML Planning, Visioning

- ▶ The Mammoth Mall is located in the “Downtown” Zoning District
- ▶ *Intended to provide a thriving mix of residential, non-residential, and lodging uses and a distinctive gateway entry into town, with a focus on ground-level commercial uses and active frontages.*
- ▶ *Government offices are a permitted use, limited to no more than 75% of the ground floor area.*
- ▶ *A minimum of 25% of the ground floor area shall be occupied by active uses for a minimum depth of 20 feet*

Parking

- ▶ We need 131 spaces for our operations and customers.
- ▶ Mammoth Mall has 127 spaces--considering existing agreements, 119 (without Good Life).
- ▶ Need approximately 30 additional spaces
 - ▶ Can't create parking problems for our customers
 - ▶ Can't exacerbate parking problems in Town
 - ▶ Need to invest in reliable alternative

Renovating Mammoth Mall

GOAL: Safe, modest, comfortable facility

- ▶ Full-scale renovation of interior spaces
- ▶ ADA Access – elevator, paths of travel, bathrooms
- ▶ Privacy, confidentiality, security – entrances, exits
- ▶ Snow shedding fix
- ▶ System improvements and energy efficiency



South County Facility

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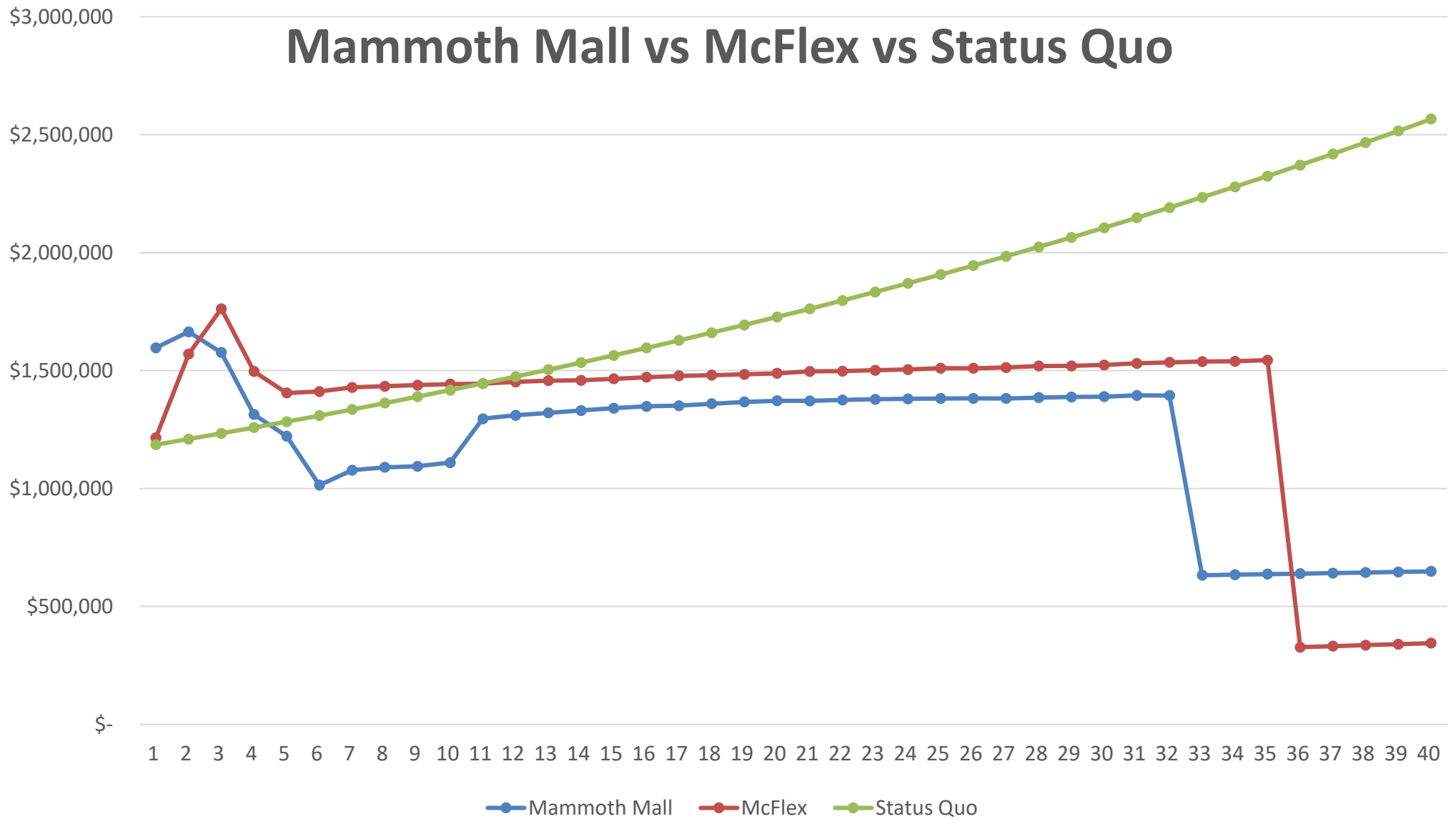
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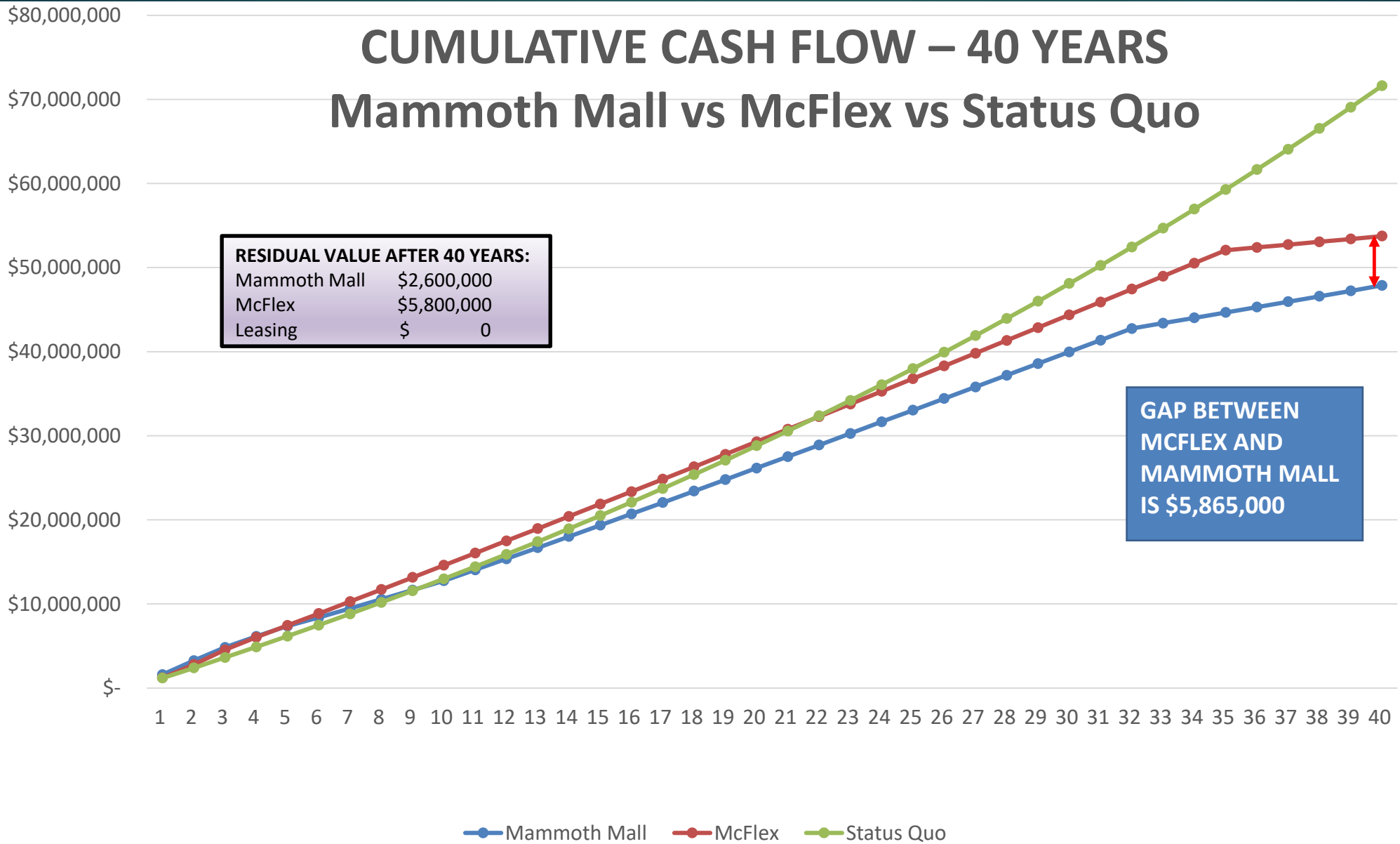
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- ▶ Is this an alternative that gives you sufficient **CONTROL** given the costs?

Strategic Plan Consistency

McFlex

Mammoth Mall

1E Invest in road and other infrastructure projects across the County



2B Monitor and improve public, behavioral health, and social services programs



2D Sustain and protect community, landscape, and environmental character



3C Maintain and expand existing businesses and industries



4A Implement a long-term solution for South County offices



4B Improve operational efficiency and increase customer service and transparency



4C Plan and implement effective energy savings and environmental protection & compliance initiatives



Pros and Cons

Mammoth Mall

PROS	CONS
Cash Flow – savings over current costs	Parking
Uses existing commercial space	Not a reasonable long-term plan.
Staff who manage projects lean toward this option	CEQA Analysis and zoning
Costs Less long-term	Retrofit not ideal for customers/employees
	Remodel risk
	Cost of improvements may not be recoverable
	Bond Anticipation Notes, financing complexity
	Interim Plan – would have to move again, kicking the can...
	Other tenants – quiet enjoyment and relocation
	Property tax loss
	Loss of A-87 reimbursements
	Securing leases – unknown cost
	Would consume potential residential units
	Zoning and visioning – problem for long term
	Not the highest and best use of prime commercial
	Cost of attorney review, analyzing leases, etc.

McFlex

PROS	CONS
Parking	Cash flow – increase over current costs
Long term – no more relocations	Costs more long term
Enhanced customer service	Timing and delivery is questionable
Energy and space efficiency	Building out infrastructure to entire site
Employee morale	Building/delivery risk – construction costs, timing
Have invested \$ already	
Contract is ready	
CEQA complete	
Town MOU in place	
Confidentiality/privacy/security	
Payments close to existing lease payments	
Opportunity to implement motor pool solution	
Staff who would be located in the building prefer over Mammoth Mall	
Highest and best use of McFlex	

Recommendation:

- ▶ Pursue Civic Center at McFlex