

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 0250	Department JUDICIAL BRANCH	Priority No. 017
Budget Request Name 0250-017-BCP-BR-2016-GB		Program 0145 - JUDICIAL BRANCH FACILITY PROGRAM	Subprogram

Budget Request Description
 New Alameda Courthouse Capital Outlay Project Funding Plan

Budget Request Summary

The Judicial Council proposes a transfer of \$377,000 in FY 2016-17 and \$903,000 beginning in FY 2017-18 from the Court Facilities Trust Fund (CFTF) to the Immediate and Critical Needs Account (ICNA) to support the financial plan for the construction of the Alameda County - New East County Hall of Justice. The transfer will be in place for 7-8 years or until the loan to the ICNA is fully repaid.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Michael Sun	Date	Reviewed By AGuzman/McClain	Date
Chief Administrative Officer <i>[Signature]</i>	Date 12/31/15	Administrative Director <i>[Signature]</i>	Date 12/31/15

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA <i>[Signature]</i>	Date submitted to the Legislature 1/7/16
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Analysis of Problem

A. Budget Request Summary

The Judicial Council proposes a transfer of \$377,000 in FY 2016-17 and \$903,000 beginning in FY 2017-18 from the Court Facilities Trust Fund (CFTF) to the Immediate and Critical Needs Account (ICNA) to support the financial plan for the construction of the Alameda County – New East County Hall of Justice. The funds being transferred are from the Gale Schenone Hall of Justice's County Facility Payment (CFP) which is deposited into the CFTF. The transfer would begin upon the trial courts vacation of the Gale Schenone leased facility after project completion and will be in place until the loan from the ICNA is fully paid off, which is estimated to occur in 7-8 years. The FY 2016-17 amount of \$377,000 has been prorated based on the projected date of the lease termination.

B. Background/History

The Alameda County – New East County Hall of Justice project in the City of Dublin was originally authorized in the FY 2009-10 Budget Act and is a joint project that is managed by the county; it will include space for both the County of Alameda and the Judicial Council. This project is on the list of projects to be funded by SB 1407 (Ch. 311, Statutes of 2008), as adopted by the Judicial Council in October 2008. Construction of the project began in August 2014 and is estimated to be completed by February 2017.

The new courthouse will replace a total of 13 courtrooms – six courtrooms in the leased Gale-Schenone Hall of Justice in Pleasanton and seven courtrooms formerly located in the Allen E. Broussard courthouse in downtown Oakland that was vacated due to flooding in July 2007. The court functions previously located in the Broussard facility have been temporarily relocated to three facilities – the Rene C. Davidson Alameda County Courthouse in Oakland, the County Probation Center in Oakland, and the Berkeley Courthouse. In both the Davidson and Berkeley Courthouses, 3 courtrooms are now being shared by 6 judges.

Once complete, the new courthouse will accomplish the following immediately needed improvements to the superior court and enhance its ability to serve the public:

- Provide permanent replacement facilities for the seven court calendars formerly held in the Broussard facility and now scattered into several temporary locations;
- Allow 6 judicial officers – now sharing 3 courtrooms in 3 different facilities – to have full time access to a courtroom, thereby significantly increasing the time for judicial proceedings and reducing case processing times;
- Provide permanent space for the court's central, court-wide information technology functions; and
- Consolidate court functions now located in four unsafe and overcrowded facilities in poor condition.

This project included substantial economic opportunities as the county and court have committed funds and the county has donated the land the facility is being built upon. This project was originally authorized as a lease purchase agreement ("LPA") with the County of Alameda for use and occupancy of the new courthouse, to be partially financed by county-issued bonds and other previously designated cash funding sources, and constructed by the county under a design-build delivery method. Under this LPA option, title to the new courthouse and certain property would be conveyed to the State upon payment of all lease payments due and retirement of the county issued bonds (expected to occur in 25 years).

However, the FY 2014-15 Budget Act proposed a new funding plan to shift the project from a lease purchase, as originally authorized, to a cash-funded project. The new proposal substituted a loan of \$39.113 million from the ICNA to fund the unfunded balance of project costs in lieu of using county-issued bonds. This will result in savings of approximately \$20 million by avoiding the cost of financing the project. It would also allow the Judicial Branch to acquire the Courthouse Project from the County upon completion of construction. The loan would be repaid by the same resources that would have

Analysis of Problem

been used to repay the county-issued bonds. The loan would also be repaid within 7-8 years and will therefore not impact the progress of existing authorized SB 1407 projects.

This funding plan is listed below:

Total Estimated State Project Costs \$122,013,000

Less Available Cash for Direct Project Costs

(Cash Estimated as of 6/30/2014):

Local Courthouse Construction Funds (county funds) \$12,700,000
 Alameda Court Civil Assessments (AOC – Fund 0932) \$20,800,000
 SB 1407 Contribution (AOC – Fund 3138) \$49,400,000
 Total Available Direct Project Cost Cash Offset..... \$82,900,000

Remaining Unfunded State Project Cost Balance (loan from ICNA) ...\$39,113,000

Annual resources have been identified as part of the State’s project funding plan to repay the loan as follows:

Local Courthouse Construction Funds (county funds) – estimated \$2,500,000
 Alameda Court Civil Assessments (AOC-Fund 0932)..... \$2,000,000
Gale Schenone Rent, upon lease termination (AOC–Fund 3066)..... \$ 903,000
 Total Estimated Annual Contributions:..... \$5,403,000

This new funding plan was approved by the Judicial Council, DOF and the Legislature and authorized in the FY 2014-15 Budget Act, Senate Bill 852, Chapter 25, Statutes of 2014. As part of the funding plan, \$903,000 from the CFTF was committed as a resource to repay the loan from the ICNA to fund the project. The submittal of the BCP to transfer CFTF funding to the ICNA was approved by the Judicial Council in August 2008.

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	N/A	N/A	N/A	N/A	N/A
Actual Expenditures	N/A	N/A	N/A	N/A	N/A
Revenues	N/A	N/A	N/A	N/A	N/A
Authorized Positions	N/A	N/A	N/A	N/A	N/A
Filled Positions	N/A	N/A	N/A	N/A	N/A
Vacancies	N/A	N/A	N/A	N/A	N/A

Workload History

Workload Measure	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
N/A						

C. State Level Considerations

This proposal directly relates to the Judicial Council’s strategic plan Goal VI: “Branchwide Infrastructure for Service Excellence – The Judicial Branch will enhance the quality of justice by providing an administrative, technological, and physical infrastructure that supports and meets the needs of the public, the branch, and its justice system and community partners, and that ensures business continuity.” This transfer would allow other planned obligations from the ICNA such as Facility

Analysis of Problem

Modifications and Capital Outlay Projects to occur annually without the need to defer them until the loan is repaid.

In addition this request is in line with the Chief Justice's Blueprint for a Fully Functioning Judiciary in that it includes funding for facilities needs.

D. Justification

The FY 2014-15 Budget Act, Senate Bill 852, Chapter 25, Statutes of 2014, authorized the loan of \$39.113 million from the ICNA to cash fund the project in lieu of using county-issued bonds. This will result in savings of approximately \$20 million by avoiding the cost of financing the project. As part of the funding plan, approved by the Judicial Council, the Legislature and DOF, \$903,000 from the CFTF annually was committed as a resource to repay the loan from the ICNA to fund the project.

Funds in the ICNA have been planned out for approximately the next 30 years and complete repayment of this loan is required. If the proposal is not approved, it will impact the Judicial Council's financial plans including other obligations out of this fund.

Currently the funds in the ICNA primarily support facility modifications, capital outlay costs and debt service. Without the transfer, impacts to these obligations could occur as follows:

- Facility Modifications – Will add to the current backlog of deferred maintenance.
- Funding for Capital Outlay Projects – Could delay or even cancel future capital outlay projects. Delays of much needed projects could result in increasing costs in the future.
- Debt Service Payments – Will Impact the ability to make debt service payments on the lease revenue bonds of past, current and future capital outlay projects. Failure to make these debt service payments will not only adversely affect the credit rating of the Judicial Council, but also the State as a whole.

Approving this proposal would be the best use of resources because it would ensure the ICNA would have sufficient funding to support all of its obligations.

E. Outcomes and Accountability

The outcome of the proposed transfer will be the successful repayment of the loan from the ICNA. The Judicial Council will perform and monitor the on-going transfer to ensure that the loan is successfully repaid.

Projected Outcomes

Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
Loan Repayment		\$377,000	\$903,000	\$903,000	\$903,000	\$903,000

F. Analysis of All Feasible Alternatives

Alternative #1: Status quo, do not transfer CFTF funding in support of the funding plan for this project.

Pros:

- Would result in the CFTF keeping \$903,000 annually in resources.

Cons:

- ICNA loan would not be repaid.
- Not transferring the funds would cause the Judicial Council to defer commitments which could include facility modifications, funding for capital outlay projects and debt service payments.
- Deferring these commitments can cause future costs to increase as well as adversely affect the credit rating of not only the Judicial Council, but also the State as a whole.

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- Would be in opposition to the funding plan as approved by the Judicial Council, the Legislature and DOF.

Alternative #2: Defer \$903,000 in facility modification obligations from the ICNA annually for the period of the loan repayment to facilitate the payback of the loan from the ICNA.

Pros:

- Would result in the CFTF keeping \$903,000 in resources in the fund.
- Would result in payback of loan from the ICNA, thereby allowing the ICNA to meet its obligations.

Cons:

- Deferring \$903,000 in annual facility modifications would cause affected facilities to deteriorate much faster than if the funds had been spent and add to the existing backlog of deferred maintenance.
- Would be in opposition to the funding plan as approved by the Judicial Council, the Legislature and DOF.

Alternative #3: Request \$903,000 annually from the State's General Fund to repay the loan.

Pros:

- Would result in the CFTF keeping \$903,000 in resources in the fund.
- Would result in payback of loan from the ICNA, thereby allowing the ICNA to meet its obligations.

Cons:

- Would result in an additional obligation to the State's General Fund.
- Would be in opposition to the funding plan as approved by the Judicial Council, the Legislature and DOF.

Alternative #4: Transfer \$903,000 annually from the CFTF to the ICNA until the loan has been repaid.

Pros:

- Would result in the payback of the loan from the ICNA thereby allowing the ICNA to meet its planned obligations.
- This alternative has been approved by the Judicial Council, the Legislature and DOF.

Cons:

- Results in the transfer of \$903,000 in resources from the CFTF.

G. Implementation Plan

Construction of the new courthouse began in August 2014 and is estimated to be completed by February 2017. The Gale Schenone lease will be terminated when the project is complete and the court moves into the newly constructed courthouse. The transfers will begin when the Gale Schenone lease is terminated. In FY 2016-17 it is estimated that \$377,000 will be transferred to the ICNA. In FY 2017-18, the full amount of \$903,000 will be transferred annually until the loan is repaid.

H. Supplemental Information

N/A

I. **Recommendation**

The Judicial Council recommends Alternative #4, a transfer of \$903,000 annually from the CFTF to the ICNA until the loan has been repaid. This is the best alternative as this would allow the ICNA to meet its planned commitments. This alternative has been approved by the Judicial Council, the Legislature and DOF. If this request is not approved, it will impact the Judicial Council's financial plan for obligations out of this fund.

BCP Fiscal Detail Sheet

BCP Title: New Alameda Courthouse Funding Plan

DP Name: 0250-017-BCP-DP-2016-GB

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
5324 - Facilities Operation	0	377	903	903	903	903
Total Operating Expenses and Equipment	\$0	\$377	\$903	\$903	\$903	\$903
Total Budget Request	\$0	\$377	\$903	\$903	\$903	\$903

Fund Summary

Fund Source - State Operations						
3138 - Immediate and Critical Needs Account	0	377	903	903	903	903
Total State Operations Expenditures	\$0	\$377	\$903	\$903	\$903	\$903
Total All Funds	\$0	\$377	\$903	\$903	\$903	\$903

Program Summary

Program Funding						
0145 - Judicial Branch Facility Program	0	377	903	903	903	903
Total All Programs	\$0	\$377	\$903	\$903	\$903	\$903