

Appendix L:

- 1) BRC July 15 meeting agenda**
- 2) BRC July 15 meeting summary**
- 3) Annual Expenditure Detail**
- 4) Upgrade Existing vs Build New Building Analysis**

**ST. LOUIS COUNTY BLUE RIBBON COMMISSION
ON CAPITAL INVESTMENT INITIATIVE**

Agenda for July 15, 2008 Meeting

1. Commission discussion on draft final report
 - A. Revisions
 - B. Review of recommended timing on election issues
 - C. Individual statements by Commissioners
2. Commission discussion on draft transmittal letter
3. Other
4. Setting of next meeting date
5. Adjournment

Summary of July 15, 2008 meeting (held on the 8th floor of County Government's 41 S. Central Avenue Building).

Commissioners attending: Skip Mange (Chairman); John Siscel, Sally Roth, Judith Metzger, Pat Kellett, Steve Lichtenfeld, Nancy Cross, James Qin, George Brill, Don Musick, Hazel Erby, Barbara Fraser and Colleen Wasinger.

St. Louis County Government personnel attending: Garry W. Earls, Chief Operating Officer; Pam Reitz, Director of Administration; Darin Cline, Director of Intergovernmental Affairs; Sheryl Hodges, Director of Highways & Traffic and Public Works; Lindsey Swanick, Director of Parks and Recreation; Genevieve Frank, County Clerk and County Council Administrative Director; Stephanie Leon Streeter, Deputy Director of Highways & Traffic and Public Works and David Wrone, Public Information Manager for Highways & Traffic and Public Works.

Chairman Skip Mange opened by explaining that most of the meeting would be dedicated to reviewing the Commission's final report. He asked if commission members wanted to reconsider their earlier decision to recommend that the Sales & Use Tax be placed on the April 2009 ballot.

On this subject, Garry Earls explained that the County Executive's office would prefer to place the Sales & Use Tax on the upcoming November ballot, which will attract far larger numbers of voters than can be expected for a spring ballot. More voters mean a greater chance for success, Earls said. However, he conceded that too many individual ballot measures could be problematic – and that voters *will* be asked to approve a variety of different funding requests this November. “We *are* looking at possible overload. “There is certainly an alternative view that this ‘one more ballot measure’ could be the straw that breaks the camel’s back.”

Nonetheless, Earls said the potential benefits of a November election outweigh the possible “overload” phenomenon, and that the administration “might well decide to put this on in November, even if you recommend April.”

Both Mange and Don Musick expressed their doubts that the regional business community would endorse and actively support a Sales & Use Tax measure on the November ballot. “But,” Mange added, “we’re a recommending body; we don’t make the decision.”

Mange added, however, that previous Sales & Use Tax defeats didn’t contain a public safety component, whereas this issue will: part of the funds generated by the tax would be used to construct an interoperable communication system for emergency responders throughout the County.

Commissioner Judith Metzger asked if St. Louis County planned to launch a marketing campaign to promote its facilities initiative. Mange replied that the County would be able to provide educational information to the public, but was precluded by law from taking

an official stance on the measures. Earls added that a private organization would likely be formed to promote the initiatives.

Barbara Fraser stated that from a priority standpoint, a far greater number of County residents would benefit from an interoperable communications system than from a new Health building. "The interoperable communications system will benefit every single person in the County," Fraser said. "And that's more critical than building a new building."

Colleen Wasinger asked if St. Louis County had considered using funds from the General Obligation Bonds measure to develop the interoperable communications system. That issue had been studied, Earls replied, but was ultimately rejected because the communications system would cost approximately \$100 million. After subtracting that figure from the revenue to be generated by the General Obligation Bonds, St. Louis County would have only \$20 million left for building replacement, Earls said.

"We need to do both," he concluded. "\$20 million isn't enough for our infrastructure needs."

Barbara Fraser questioned the Commission's earlier decision to stipulate specific election dates for the four different funding measures. "I'm not sure we're obligated to specify dates," she said. "We want to be supportive of the taxes, not of a particular date."

Commissioner Don Musick disagreed, saying: "It's our job to determine what goes on the ballot and when."

After additional discussion, the Commission was asked whether it wished to maintain its original recommendation to County Executive Dooley that Prop M and the no tax increase General Obligation Bonds be placed on the November 2008 ballot and the Parks Sales Tax and Sales & Use Tax measures be placed on the April 2009 ballot.

Commissioner Nancy Cross suggested that the Commission postpone its recommendation on the Sales/Use Tax measure until later this summer, when it can look at polling results on the issue. "I feel like I'm operating in a vacuum," she said. "I think we need to wait for the Use Tax polling data before we make a specific recommendation on the Use Tax."

That wouldn't be possible, Mange explained: "Timing is an issue. The County Council needs to act; it can't wait for polls to be conducted."

The Commission ultimately voted 10 to 3 to leave its original recommendations unchanged. Mange encouraged the three dissenting commissioners – Wasinger, Fraser and George Brill – to write a minority report, which would be included in the final report.

In regard to the final report, Wasinger asked that the document include any previous studies and cost analysis that would support St. Louis County's central contention that replacing certain key components of its infrastructure would, in the long run, be less

expensive than rehabilitating those facilities. “I’m looking for ‘what do we spend now and how much would we save,’” she said. “Savings are something the voters can appreciate and should be part of the report.”

Sheryl Hodges and Stephanie Leon Streeter replied that this documentation would be either added in the text of the final report or included as an appendix. However, Hodges cautioned that the economic analysis alone does not address issues such as space limitations failing to meet program needs. Hodges also observed that the point of rehabilitation over replacement would be moot unless St. Louis County voters agree to the additional revenue request.

“If the bond issue doesn’t pass, we don’t have the money to upgrade,” she said.

The Commission agreed to meet again on July 29 to give its final approval to the final report.

Annual Expenditure Detail

The goal of St. Louis County is to spend what is needed to keep infrastructure in good working order to meet the expectations of our “customers” who are the residents and business owners. Table 1 below shows annual rehabilitation expenditure requirements to maintain infrastructure in good condition and what is appropriated yearly towards the effort. This information is based on the following assumptions:

- Roads: A life expectancy based on the material used (asphalt or concrete), loading, weathering and the cycle of required interim maintenance. On a scale of 1-10 where 10 is a brand new pavement, pavement should be kept at a level 7 or better.
- Sidewalk: A life expectancy based on the material used (asphalt or concrete), loading, weathering and the cycle of required interim maintenance. On a scale of 1-10 where 10 is a brand new pavement should be kept at a level 7 or better.
- Bridges: A sufficiency rating of the sub and super structure and an expected 40 year life of a bridge. On a percentage scale from 1-100, a satisfactory bridge sufficiency rating is 80%.
- Buildings: A life expectancy based on facility condition assessment ratings (of various features) that compare useful value left versus replacement value and a corresponding 7-year investment cycle. Facility improvement requirements are based on a percentage scale from 1-100, a satisfactory facility rating is 90%.
- Parks: A life expectancy based on facility condition assessment ratings (of various features) that compare useful value left versus replacement value and a corresponding and corresponding 4% replacement cycle.

All procedures are in line with GASB criteria.

Table 1: Annual Renewal Expenditure Requirement

Category	Annual Renewal Expenditure Requirement	Average Annual Capital Appropriation*
Bridges	\$4.3M	\$1.2M
Sidewalk	\$7.1M	\$1.2M
Roads	ARS Asphalt = \$6.3M ARS Concrete = \$2.9M CRS Asphalt = \$6.2M CRS Concrete = \$12.7M	ARS Asphalt + ARS Concrete (Infrastructure Program) = \$3.0M CRS Asphalt + CRS Concrete (Concrete Replacement, Mill/Overlay w/Prep) = \$6.4M
Buildings	\$5.0M	\$0.3M
Parks	\$6.8M	\$1.8M
TOTAL	\$ 51.3 M	\$13.9M

**2004-2008 based on actual budget; 2009-2011 based on projected revenue and short range project forecast; yearly appropriations are averages.*

Currently, we do not spend nor do we have the required annual revenue to meet our annual renewal expenditure requirement as indicated in Table 1. Even if our annual revenue that could be dedicated to renewal was \$ 51.3 M, this amount alone would not provide us the opportunity to add, alter, expand or extend our system (just renew it). Revenue generated through bond financing and related means would allow us to address more of our critical capital infrastructure needs.

Upgrade Existing vs Build New Building Analysis

Analysis Background

Building	Sq.Ft.	2008 Appraisal Value	2008 Replacement Value	2008 Utility Cost per sq.ft.	2008 Maintenance per sq.ft.
111 S. Meramec	70,000	\$4,634,176.00	\$10,064,130.00	\$3.23	\$2.51
121 S. Meramec	138,000	\$15,461,104.00	\$20,709,180.00	\$2.15	\$2.22
Family Courts	120,000	\$19,124,689.00	\$26,497,780.00	\$3.07	\$2.22
Courts	211,000	\$45,448,483.00	\$35,129,582.00	\$1.88	\$2.22

General Assumptions:

- 1) **This analysis does not account for the explicit value of program requirements (unmet needs such as lack of space, security deficiencies etc) in existing facilities**
- 2) Appraisal figures increase at 3%/year. Baseline figures from Christner Inc. Report, 2007
- 3) Replacement costs increase at 3%/year. Baseline figures from Christner Inc. Report, 2007
- 4) Utility costs increase at 0.5%/year
- 5) Present value of buildings determined using a rate of 3%/year
- 6) Present value of renewal determined using a rate of 3%/year
- 7) Analysis year = 2008
- 8) Utility cost goal for an aged building = \$1.50/sq.ft.
- 9) New building life = 35 years
- 10) No salvage estimated in analysis
- 11) Total replacement costs = (cost of new building) + (m+u costs)

Goal: Determine if it is more advantageous to build new or renovate existing buildings

Specific Assumptions:

- 1) Maintenance costs and utility costs start at t=0
 - 2) m=maintenance; u=utility; both of which increase per year but decrease following renewal
 - 3) For a new building, renewal will be required in year 20
 - 4) For an existing building, renewal will be required in year 0 and again in year 20
- **"Add on" cost=25% of new building costs

Note:

The comparison between building new and renewing an existing building will be shown as a decimal

The numerator of the equation will be the value of renewal and the denominator will be the value of the new facility

Numbers greater than 1 indicate building new is more advantageous

111 Building-New

Building Present Worth				\$10,064,130.00
Renewal costs at t=20			\$1,000,000.00	
Present value of renewal costs				\$537,500
m+u costs	<u>m+u original</u>		<u>m+u modified</u>	
year 1-10	\$2.25	year 1-10	\$2.25	
year 11-20	\$4.00	year 11-20	\$4.00	
year 21-35	\$5.60	year 21-35	\$4.85	
Present value of m+u costs				\$8,651,109.00
Total New Building Costs				\$19,252,739.00

111 Building-Existing

Renewal costs at t=0				\$5,500,000.00
Renewal costs at t=20			\$5,000,000.00	
Present value of renewal in year 20				\$2,687,500.00
m+u costs	year 0 = \$5.74	m+u modified	year 0 = \$5.00	
Present value of m+u costs				\$13,289,561.00
Total Renewed Building Costs				\$21,477,061.00
Renewal/Cost new				1.12

Family Courts-New

Building Present Worth					\$26,497,780.00
Renewal costs at t=20				\$1,500,000.00	
Present value of renewal costs					\$806,250
m+u costs	<u>m+u original</u>		<u>m+u modified</u>		
year 1-10	\$2.25		year 1-10	\$2.25	
year 11-20	\$4.00		year 11-20	\$4.00	
year 21-35	\$5.22		year 21-35	\$4.50	
Present value of m+u costs					\$14,287,886.00
Total New Building Costs					\$41,591,916.00

Family Courts-Existing

Renewal costs t=0					\$16,200,000.00
Renewal costs at t=20				\$8,000,000.00	
Present value of renewal in year 20					\$4,300,000.00
m+u costs	year 0 = \$5.29	m+u modified	year 0 = \$4.49		
present value of m+u costs					\$10,489,890.00
Total Renewed Building Costs					\$30,989,890.00
Renewal/Cost new					0.75
					Building
					"add on" cost*:
					\$10,362,239.00
					\$41,352,129.00
					1.00

Courts Building-New

Building Present Worth					\$35,129,582.00
Renewal costs at t=20				\$2,500,000.00	
Present value of renewal costs					\$1,343,750
m+u costs	<u>m+u original</u>		<u>m+u modified</u>		
year 1-10	\$2.25	m+u modified	year 1-10	\$2.25	
year 11-20	\$3.20		year 11-20	\$3.20	
year 21-35	\$4.07		year 21-35	\$3.65	
Present value of m+u costs					\$21,258,832.00
Total New Building Costs					\$57,732,164.00

Courts Building-Existing

Renewal costs t=0					\$10,900,000.00
Renewal costs at t=20				\$5,000,000.00	
Present value of renewal in year 20					\$2,687,500.00
m+u costs	year 0 = \$4.10	m+u modified	year 0 = \$3.50		
present value of m+u costs					\$28,740,804.00
Total Renewed Building Costs					\$42,328,304.00
Renewal/Cost new					0.73

121 Building-New

Building Present Worth					\$20,709,180.00
Renewal costs at t=20				\$2,000,000.00	
Present value of renewal costs					\$1,075,000
m+u costs	<u>m+u original</u>		<u>m+u modified</u>		
year 1-10	\$2.25		year 1-10	\$2.25	
year 11-20	\$3.50		year 11-20	\$3.50	
year 21-35	\$4.32		year 21-35	\$3.60	
Present value of m+u costs					\$14,194,176.00
Total New Building Costs					\$35,978,356.00

121 Building-Existing

Renewal costs t=0					\$15,800,000.00
Renewal costs at t=20				\$8,000,000.00	
Present value of renewal in year 20					\$4,300,000.00
m+u costs	year 0 = \$4.37	m+u modified	year 0 = \$3.50		
present value of m+u costs					\$18,797,302.00
Total Renewed Building Costs					\$38,897,302.00
Renewal/Cost new					1.08