

BUDGET NARRATIVE

Debt Service

Program Description

Purpose

Debt Service is the obligation to repay principal and interest on funds borrowed through the sale of Certificates of Participation (COP's) and bonds. Proceeds generated by COP's and bonds are used to construct and improve correctional facilities. They are also used to provide staff support for related activities including project management, community development coordination, and fiscal services support. Repayment periods range from six to twenty-six years depending on the nature and value of the project. The Department of Administrative Services Capital Investment Section provides schedules of Debt Service obligations for each sale; these are the values used to develop the budget. Occasionally, the Capital Investment Section is able to refinance existing debt which can reduce and/or delay debt obligations.

How Achieved

The 2013-15 Legislatively Adopted Budget included \$129,710,174 General Fund and \$1,262,826 Federal Funds for Debt Service on COP's and bonds issued to finance projects approved prior to June 30, 2013, and those sold or authorized to be sold during the 2013-15 biennium. The budget also included \$815,000 of one-time Other Funds limitation required to spend down accumulated other fund balances. The 2013-15 LAB Debt Service Budget amount includes debt payments for the following: Snake River Correctional Institution expansion, 20 local SB 1145 community construction projects authorized by the 1996 Special Session, evaluation and purchase of eight new sites to accommodate the Department's Long Range Construction Plan, construction of Two Rivers Correctional Institution, construction of the Coffee Creek Correctional Facility (women's prison and intake center), acquisition of the Central Distribution Center, three expansion projects at minimum-custody facilities, and construction of the Warner Creek Correctional Facility in Lakeview. COP's and bonds also funded environmental cleanup projects, electrical upgrades at two institutions during the 1999-2001 biennium, remodeling of the former Oregon Women's Correctional Center during the 2001-03 biennium, the 324-bed expansion of the women's Coffee Creek Correctional Facility in Wilsonville, construction of the men's Deer Ridge Correctional Institution in Madras, and planning and design of the future men's institution in Junction City.

The 2013-15 Legislatively Approved Budget does not include new debt service for the approved Deferred Maintenance funding because the debt payments from the scheduled Spring 2015 bond sale to finance the projects begin in the 2015-17 biennium.

The 2015-17 Legislatively Adopted Budget Debt Service Base Budget is updated to \$127,675,455 General Fund and \$1,119,495 Federal Funds to cover all existing COP and Bond sales including the debt service estimated for the approved 2013-15 deferred maintenance projects. The federal funds budget reflects the expenditure of funding received from a federal program that implemented using Build America Bonds to help states pursue needed capital projects to build infrastructure and create jobs. The 2015-17

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Governor's Balanced Budget added \$4,142,017 of General Fund in Policy Package 116 for debt service to finance the following requested projects during 2015-17:

- POP 105 - Inmate Thin Client – Client Network Replacement – (Debt Service portion - \$150,177)
- POP 106 - Deferred Maintenance Priority 1 Projects – (Debt Service portion - \$1,856,012)
- POP 119 - DAS VOIP Telephony Upgrade – (Debt Service portion - \$2,135,828)

The 2015-17 Legislatively Adopted Budget removed \$4,142,017 of General Fund debt service funding in Policy Package 116 for the projects mentioned above. Debt Service funding for Priority 1 Deferred Maintenance projects will be delayed until the 2017-19 budget due to the anticipated late biennium bond sale date. The Inmate Thin Client package (POP 105) was approved as General Fund eliminating the need for debt service funding. The DAS VOIP Telephony upgrade project (POP 119) was denied.

Agency Request Budget

Staffing Impact

None

Revenue Source

General Fund	\$130,779,552
Federal Funds	1,119,495

Governor's Balanced Budget

Staffing Impact

None

Revenue Source

General Fund	\$130,897,616
Federal Funds	1,119,495
Total Funds	\$132,017,111

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Legislatively Adopted Budget

Staffing Impact

None

Revenue Source

General Fund	\$127,675,455
Federal Funds	1,119,495
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Total Funds	\$128,794,589

EQUIPMENT ACQUISITION FINANCING

Article XI-Q Bond Financing and Other Financing Request Form

STATE OF OREGON, DEPARTMENT OF ADMINISTRATIVE SERVICES
PROGRAM FOR REAL PROPERTY AND EQUIPMENT FINANCING

Please return your response to this Request Form by **May 15, 2014**

Please return the completed form to:

Jean Gabriel, Capital Finance & Planning Manager
Department of Administrative Services
Chief Financial Office
155 Cottage Street NE, U10
Salem, OR 97301-3963

If you have any questions, please call Jean Gabriel at (503) 378-3107.

AGENCY: Oregon Department of Corrections

DIVISION: Director's Office, Planning and Budget

CONTACT PERSON: Rick Crager

TITLE: Planning & Budget Administrator

ADDRESS: 2575 Center St. NE, Salem, OR 97301

TELEPHONE: 503-945-9007

ALTERNATE CONTACT: Nathan Warren, DOC Budget Manager, 503-945-0999

EQUIPMENT ACQUISITION FINANCING

Please specify the equipment items that you expect to acquire using Article XI-Q Bonds or capital leases over the next biennium beginning July 1, 2015. Please indicate the type of equipment and when funds are needed to acquire the equipment. Please note: Financing agreements are defined at ORS 283.085(3) and include any agreement to finance real or personal property that is or will be owned and operated by the state. This includes lease purchase agreements, installment sales agreements, and similar financing arrangements. Do not include operating leases on this form.

EQUIPMENT TYPE

Please list by type, amount needed, and when you will need the funds in the spaces provided (brand names are not required).

Description of Equipment/Personal Property	Dollar Value of Financed Asset	Purchased or Developed *In-House	Date to be Placed in Service/Useful Life	2015-17 Budget Proposal (Yes or No)	Financing Method (e.g. XI-Q Bonds, Capital Lease, etc)
Inmate Thin-Client Network Replacement	\$623,175	In-house	Completed by January 2016 / 7 years	Yes	XI-Q Bonds
VOIP Telephony Upgrade	\$5,566,681	Combination	June 30, 2017 / 7 years	Yes	XI-Q Bonds

*For assets to be developed in house, please provide details on project cash flow or refer to Policy Option Package where that detail is provided.

The Inmate Thin-Client Network Replacement project is contained in Policy Option Package #105 and the VOIP Telephony Upgrade is contained in Policy Option Package #119. The VOIP package was increased to \$12,246,698 in the Governor's Balanced Budget.

REAL PROPERTY ACQUISITION OR RESTORATION FINANCING

Please specify the real property and/or construction projects that you expect to finance through any form of bonds or other financing agreements over the next biennium beginning July 1, 2015. Please indicate the estimated amount needed for each project and when those funds will be required.

REAL PROPERTY AND/OR CONSTRUCTION PROJECTS

Real property acquisitions, restoration and/or construction projects.	Project Cost Estimate	2015-17 Budget Proposal (Yes or No)
<p>Twenty-six Priority 1, deferred maintenance projects, statewide. Projects included road and erosion stabilization, camera upgrades and replacements, roof replacements for prisons, boiler and EVAC upgrades, kitchen floor replacement, public address and other electronic control upgrades, boiler and cooler repairs, and lighting upgrades. Includes funding request for two limited duration project management staff that will be established administratively, if approved. Cash requirements are \$10,563,837 for the 2015-17 biennium, \$1,955,815 for 2017-19 and \$1,700,780 for 2019-21. Included in the Agency Request Budget as Policy Option Package #106, and as priority 6 for the agency.</p>	<p>\$14,220,432</p>	<p>Yes</p>

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Debt Service

116 New Debt Service and Bond Sale Costs

Agency Overview

Policy Option Package 116 provides the necessary funding to issue and manage debt that will be used to fund the financed policy packages outlined in the 2015-17 Budget. There are no position actions taken within this package. Below is the Agency Impact Summary. Please see Division specific narratives for more detail.

- Central Administration Division: 0 Pos., 0.00 FTE, Other Funds: \$529,695 **(eliminated in the LAB)**
- Debt Service: 0 Pos., 0.00 FTE, General Fund: \$4,142,017 **(eliminated in the LAB due to anticipated late bond sale date)**
- Total Package: 0 Pos., 0.00 FTE, Total Funds: \$4,671,712 **(eliminated in the LAB)**

Purpose

The purpose of this package is to provide the necessary General Fund used to service the interest and principal due for bonds issued for 2015-17 Policy Option Packages.

How Achieved

General Fund Debt Service is requested for 2015-17 obligations that will arise from the sale of bonds to finance the following projects:

- Package 105, Inmate Thin-Client Network Replacement \$ 623,175 Other Funds **(eliminated in the LAB)**
- Package 106, Deferred Maintenance Priority Projects \$14,220,432 Other Funds **(approved in the LAB)**
- Package 119, DAS VOIP Telephony Upgrade \$12,246,698 Other Funds **(eliminated in the LAB)**

Debt Service schedules are calculated for agencies by the Department of Administrative Services Capital Investment Section based on requested project values, payback period, current interest rates, projected draw schedules, and general economic conditions. Through this package 116, \$4,142,017 General Fund is requested for the scheduled debt service payment for bonds issued for 2015-17 Policy Option Packages.

Staffing Impact

Positions: 0

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FTE: 0.00

Quantifying Results

Funding for the Debt Service obligations incurred by the sale of bonds to finance approved capital projects is a necessary part of the budgetary decision-making process. If the requested projects are approved for Other Fund financing, this package and the Other Fund expenditure limitation requested in Package 116, Central Administration, will need to be approved in order to sell the bonds and service the outstanding bond obligations for 2015-17.

Agency Request Budget

Revenue Source

General Fund*	\$2,904,458	*General Fund Debt Service
Other Funds	0	
Federal Funds	0	
Total Funds	\$2,904,458	

\$150,177	Inmate Thin Client
\$399,586	Corrections Info Sys Replacement
\$1,386,378	Deferred Maintenance Priority Projects
\$968,318	VOIP Telephony Upgrade
\$2,904,458	Total

Governor's Balanced Budget

Revenue Source

General Fund*	\$4,142,017	*General Fund Debt Service
Other Funds	0	
Federal Funds	0	
Total Funds	\$4,142,017	

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\$150,177	Inmate Thin Client
\$1,856,012	Deferred Maintenance Priority Projects
\$2,135,828	VOIP Telephony Upgrade
\$4,142,017	Total

LAB Budget

The 2015-17 Legislature eliminated all projects that required debt service funding except for Deferred Maintenance projects. Debt Service is not required for 2015-17 biennium due to the anticipated late bond sale date.

Revenue Source

General Fund*	\$0	*General Fund Debt Service
Other Funds	0	
Federal Funds	0	
Total Funds	\$0	

2017-19 Impact:

The actions included in this package will become part of the Base Budget for 2017-19 and will be re-calculated based on the debt service schedule for 2017-19.

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Corrections, Dept of
Pkg: 116 - New Debt Service and Bond Sale Costs

Cross Reference Name: Debt Service
Cross Reference Number: 29100-086-00-00-00000

<i>Description</i>	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
General Fund Appropriation	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Debt Service							
Principal - Bonds	-	-	-	-	-	-	-
Interest - Bonds	-	-	-	-	-	-	-
Total Debt Service	-	-	-	-	-	-	-
Total Expenditures							
Total Expenditures	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-
Ending Balance							
Ending Balance	-	-	-	-	-	-	-
Total Ending Balance	-	-	-	-	-	-	-

BUDGET NARRATIVE

Debt Services

840 LFO SB 5507 End Of Session (SB 5507)

Package Description

Purpose

This package was created by the Legislature. The package includes debt service adjustments and changes in DAS fees.

How Achieved

For the Department of Corrections, this package includes the following adjustments: DAS fee reductions, bond issuance costs, and an adjustment to the estimate of ongoing debt service on capital projects.

Legislatively Adopted Budget

Package created by the Legislature.

Staffing Impact

Positions	0
FTE	0.00

Revenue Source

General Fund	\$(199,639)
Other Funds	\$0
Federal Funds	<u>\$0</u>
Total Funds	\$(199,639)

2017-19 Fiscal Impact

Adjustments made in this package will be included in the 2017-19 Base Budget.

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Corrections, Dept of
Pkg: 840 - SB 5507 End of Session

Cross Reference Name: Debt Service
Cross Reference Number: 29100-086-00-00-00000

<i>Description</i>	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
General Fund Appropriation	(199,639)	-	-	-	-	-	(199,639)
Total Revenues	(\$199,639)	-	-	-	-	-	(\$199,639)
Debt Service							
Principal - Bonds	(155,003)	-	-	-	-	-	(155,003)
Interest - Bonds	341,238	-	-	-	-	-	341,238
Principal - COP	(5)	-	-	-	-	-	(5)
Interest - COP	(385,869)	-	-	-	-	-	(385,869)
Total Debt Service	(\$199,639)	-	-	-	-	-	(\$199,639)
Total Expenditures							
Total Expenditures	(199,639)	-	-	-	-	-	(199,639)
Total Expenditures	(\$199,639)	-	-	-	-	-	(\$199,639)
Ending Balance							
Ending Balance	-	-	-	-	-	-	-
Total Ending Balance	-	-	-	-	-	-	-

DETAIL OF LOTTERY FUNDS, OTHER FUNDS, AND FEDERAL FUNDS REVENUE

Corrections, Dept of
2015-17 Biennium

Agency Number: 29100
Cross Reference Number: 29100-086-00-00-00000

<i>Source</i>	2011-13 Actuals	2013-15 Leg Adopted Budget	2013-15 Leg Approved Budget	2015-17 Agency Request Budget	2015-17 Governor's Budget	2015-17 Leg Adopted Budget
Other Funds						
Transfer In - Intrafund	1,826,394	-	-	-	-	-
Transfer Out - Intrafund	(1,826,394)	-	-	-	-	-
Total Other Funds	-	-	-	-	-	-
Nonlimited Other Funds						
Refunding Bonds	344,952,827	-	-	-	-	-
Total Nonlimited Other Funds	\$344,952,827	-	-	-	-	-
Nonlimited Federal Funds						
Federal Funds	1,262,825	1,262,826	1,262,826	1,262,826	1,262,826	1,119,495
Total Nonlimited Federal Funds	\$1,262,825	\$1,262,826	\$1,262,826	\$1,262,826	\$1,262,826	\$1,119,495

DETAIL OF LOTTERY FUNDS, OTHER FUNDS, AND FEDERAL FUNDS REVENUE

Source	Fund	ORBITS Revenue Acct	2011-2013 Actual	2013-15 Legislatively Adopted	2013-15 Estimated	2015-17		
						Agency Request	Governor's Balanced	Legislatively Adopted
Refunding Bonds	Other	0575	\$344,952,827	\$0	\$0	\$0	\$0	\$0
Interest earnings to pay debt service previously financed with GF dollars	Other	0605	0	0	(10,816)	0	0	0
Transfer of revenue between funds to properly align revenue to programs	Other	1010	1,826,394	0	252,151	0	0	0
Transfer of revenue between funds to properly align revenue to programs	Other	2010	(1,826,394)	0	0	0	0	0
Build America Bonds	Federal	0995	1,262,825	1,262,826	1,206,843	1,262,826	1,262,826	1,119,495