

Information about the April 9th Referendum



Expanding the Powers of the Public Building Commission

Final Version January 31, 2013

Legal Authority for the Referendum 50 ILCS 20/4A

The purpose of a public building commission created by the county board of any county may not be expanded until the question of expanding the purpose of the public building commission has been submitted to the electors of the county at a regular election and approved by a majority of the electors voting on the question. The county board must certify the question to the proper election authority, which must submit the question at an election in accordance with the Election Code.

The election authority must submit the question in substantially the following form:

Shall the county board be authorized to expand the purpose of the (insert name of public building commission) to include (insert the purpose or purposes)?

The election authority must record the votes as "Yes" or "No".

If a majority of the electors voting on the question vote in the affirmative, the county board may thereafter expand the purpose of the public building commission.

(Source: P.A. 94-355, eff. 1-1-06.)

The question will look similar to this on the ballot:

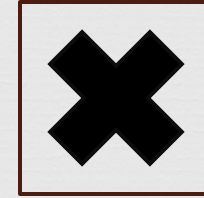


It tracks the language in 50 ILCS 20/4a as written by the Illinois Legislature.



Shall the County Board of The County of Rock Island be authorized to expand the purpose of The Rock Island County Public Building Commission, Rock Island County, Illinois to include all the powers and authority prescribed by the Public Building Commission Act?	YES	
	No	

On April 9th The smart vote is Yes



And here is why...

1. The county is legally required to have a courthouse.
2. **The RICO courthouse building has become dangerous to the public, staff, and to your wallet.**
3. **A PBC is the least expensive way to finance public buildings.**
4. PBC's are routinely used throughout the state to finance public building construction & used to finance the RICO Jail & Justice Center.

LEGAL REQUIREMENT

The Illinois Supreme Court ruled in the 1920 case of *People v. Gallatin County* a county can be compelled to provide a suitable courthouse.



“The duty enjoined by the statute is mandatory, and not permissive, and it is not left to the discretion of the board whether the duty shall be performed or not. **The board is invested with discretion as to materials and methods, but there is no discretion as to the duty...**”

The language below was also taken from the same case and could just as easily describe the RICO courthouse.



“...the evidence shows that the courthouse is in a dilapidated condition; that the roof leaks, and the building is generally out of repair; that windows are broken, and plastering is falling off; that it is wired in an unsafe manner, without proper insulation; ...with no sort of protection against fire.”

The Gallatin County Board refused to repair or replace their courthouse and lost in court.

Why would RICO expect a different outcome?



2 takeaways from the *Gallatin County* case:



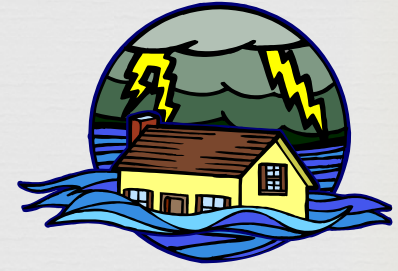
1. A County Board can be successfully sued and forced to provide a proper* courthouse.
2. Only the County Board decides what and where to build and how much to spend.

* Proper would include meeting all applicable codes.



Fires & Floods

Public records at risk



- Common occurrences at the RICO Courthouse:
 - Fires
 - Flooding from broken pipes
 - Leaking roof

- **Putting your important records at risk.**
 - Land and title records.
 - Probate records.
 - Marriage/Dissolution records.
 - Court records

A financial time bomb for taxpayers.

RICO is self insured.



When (not if) someone successfully sues the county for an injury or death, **RICO will turn to you the taxpayer to pay up.**

What would an adverse judgment cost the \$100,000 property owner on their next tax bill?

- \$1M..... \$13.92
- \$5M..... \$69.60
- **\$10M* \$139.20**
- **\$100M** \$1,392.00**

Actual settlements:

*Fulton County, Ga.

**Cook County, Illinois



IT IS IN YOUR FINANCIAL INTEREST TO DEFUSE THIS TIME BOMB .

Defusing the bomb for \$20 per year.

The proposed course of action:



1. Ask voters to expand the powers of the current Public Building Commission (PBC).

THEN:

2. If the expanded PBC is approved:
 - A. There is now money to hire the architects to advise RICO on the numerous building options, locations & sizes;
 - B. Solicit and assemble proposals and cost estimates;
 - C. Solicit public & staff input;
 - D. The RICO Board will select the best option;
 - E. Build it through the PBC.
 - F. **Rule of thumb: \$1 of tax for every \$1M of debt.**



What is RICO planning to build?



- **RICO desperately needs a replacement courthouse.**
- The county administration building is another financial time bomb in the making. It will not last another 20 years.
- With **historically low interest rates**, it is tempting to address both needs at once. On a \$30M capital project financed over 20 years the impact of rising interest rates:
 - **A 1% rise = \$ 3.75M more paid in interest**
 - **A 4% rise = \$15.0M more paid in interest**
- **If the referendum passes, RICO will be in a position to hire the architects and other experts to firm up cost estimates and properly evaluate this important decision.**

Assessing the problem:



1. **The need to replace the courthouse is critical.**
2. **The risks associated with continued inaction high.**
3. There are at least 9 different combinations of location, new construction and renovation options.
4. There are no funds to retain experts to properly evaluate the options.
5. Delay means March, 2014 is the next opportunity for a referendum.
6. Nothing gets built without financing.

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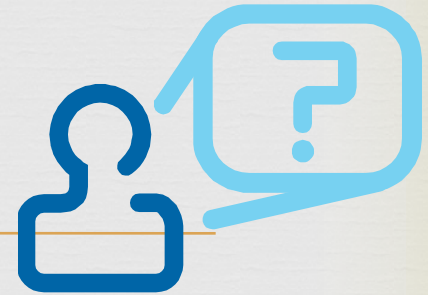
Securing the financing tool is crucial.



- 1) A majority agree a courthouse is needed.
- 2) **Adding location and scope to the referendum question:**
 - **Is not legally required,**
 - Fractures that majority dooming the question to failure,
 - Delays remedial action.
- 3) A majority will likely agree that a PBC is the best way to finance whatever eventually gets built.
- 4) **Once the PBC financing tool is in place:**
 - The election code no longer controls timing.
 - **The critical need is addressed by the County Board in accordance with Illinois law.**

What is a Public Building Commission (PBC) & why does it exist?

(Hint: It is a financing tool.)



- PBC's have been authorized by Illinois law (50 ILCS 20/1) since 1955 and used throughout the state and country.
- **It is an approved, tested, and efficient way for local governments to build, finance, and maintain public buildings.**
- **The PBC is the construction and financing arm of the county board.** The 5 members are appointed by the County Board and promote and support core county functions.

50 ILCS 20/2

Legislative Intent as to why PBC's exist



It is hereby found and declared that there exist in many county seats and in many municipalities within this state inadequate and outmoded public improvements, buildings and facilities for the furnishing of essential government services ... that in many cases by reason of the age of such public improvements, buildings and facilities ... they are no longer adapted or adequate to meet the needs of the growing population; that as a consequence thereof there are many counties... within this State that are compelled to spend large sums of money annually in the rental, operation and maintenance of additional building space ... to meet this ever increasing need, *et seq.*

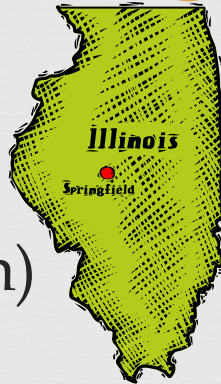
What exactly does a Public Building Commission do?



1. **Provides financing** for public building construction.
2. **Provides the expertise** necessary to administer and supervise a construction project; and
3. If desired, administer maintenance and operation after completion of construction.

A PBC is not unique to Rock Island County.

Some of the other Illinois counties that have some form of Public Building Commission:



❧ DeKalb

❧ DuPage (Wheaton)

❧ Grundy (Morris)

❧ Kane (Aurora)

❧ Lake (Waukegan)

❧ McClain (Bloomington)

❧ Mercer County (Aledo)

❧ Peoria

❧ Sangamon (Springfield)

❧ St. Clair (Belleville)

❧ Will County (Joliet)

❧ Winnebago (Rockford)

RICO used the PBC to construct the Jail and Justice Center.

How does the PBC Work?

(For those that like to know mechanical details.)



Role of County Board

1. **Decides when, what and where to build .**
2. **Decides how much will be spent.**
3. Requests assistance from the PBC in construction & financing.
4. Signs a lease with the PBC as a tenant and agrees to pay rent.
5. Levies a special tax to make the lease payment. The special tax expires at the end of the lease.

Role of PBC

1. Acquires title to the land.
2. **Oversees construction & financing.**
3. Signs a lease with the county as a landlord. Rent pays the bonds, retires the debt and maintains the property.
4. **Issues bonds to pay for construction.** Total bonds outstanding cannot exceed 5% of the county's EAV.

At the end of the lease title to the land and building is transferred to the county.



To review:



1. **Only the elected County Board can tax.**
2. Debt is capped at 5% of EAV by statute. (About \$120M) **The money can only be used for public building construction, renovation and maintenance.**
3. **The elected County Board remains in control. It decides how much to spend. It decides what, where, and when to build.**
4. **Without a signed lease, the PBC cannot issue bonds.**
5. By way of comparison, the 2001 Justice Center just meets the minimum standards required by the Ill. Sup. Ct. You can expect a new courthouse to be comparable.

At Least 4 PBC Cost Advantages:

Using the PBC is the least expensive way to finance public construction.



1. Lower Borrowing Cost:

The PBC can **borrow money cheaper** than a private developer.

- a. Just a 1% lower interest rate **saves taxpayers \$2.5M** over the life of a \$20M construction project.
- b. A county can repay the borrowed funds over a longer period of time than generally available to a private developer. This **lowers the annual payment.**

2. Real Estate Taxes:

- a. As a government body, **the PBC does not pay real estate taxes.**
- b. Whereas a private landlord pays real estate taxes, which get added into the lease payment.
- c. This **saves taxpayers \$600,000 annually** in lease payments on a \$20M building.



Additional advantages that apply to RICO



3. Refinancing:

- a. Taxpayers already pay \$1.5M per year for the Justice Center to be paid off in December, 2019.
- b. For a \$100,000 property owner this is \$20.88 per year.
- c. By refinancing the existing PBC debt in conjunction with the new bonds, **the yearly payment will be lower** than trying to service two bond issues separately.

4. Building Maintenance

The county can finance building repairs, renovations and/or new construction insuring that funds are available to properly repair and maintain whatever is built. So RICO does not end up in this position again.

Why can't RICO use the current PBC to construct a courthouse?



- When this PBC was established in the 1980's, it was limited to just jail purposes. ---**That has severely limited RICO's ability to repair/replace the aging courthouse.**
- A Courthouse and County Administration Center are outside the scope of the present PBC authorization.
- It takes voter approval to expand the scope of the PBC.

Current RICO Public Building Commission



- Current powers are limited to construction, repair, and maintenance of a jail.
- It takes voter approval to expand the scope of the PBC.
- 5 members serving staggered terms.
- Appointed by the County Board.
- PBC members are not paid.
- 4 of the 5 current board members oversaw construction of the 2001 Justice Center.



PBC Lease

\$20 per year impact on your taxes



Rule of thumb: \$1 of tax for every \$1M of debt



Building options

\$100,000 homeowner cost
per year for 20 yrs

New Courthouse
(\$20M)

\$13 - \$20 per year

New Courthouse & Admin.
Center
(\$45M to \$50M)

\$45- \$50 per year

The building's final design and location will dictate how much the payment would be.

What if the referendum fails?



- A county is legally required to have a courthouse and a jail. One way or another the courthouse has to be built.
- RICO is self insured. Local taxpayers are financially liable for injuries/deaths resulting from these dangerous building conditions. Further delays only increase that risk.
- Construction costs and interest rates will increase.
- Litigation is likely & expensive.

In Summary:

Consequences of your **YES vote** on this referendum:



- **Cheapest way for the county to finance construction through a tried and true method.**
- Proper planning can take place.
- It will take about 36 months to plan and build to completion leading to:
 - Improved safety.
 - Reduces taxpayer liability exposure.
 - Addressing a critical building need.



Voters are urged to **vote smart**
and **vote YES** on this
Referendum

Thank you for your
attention.

Questions?

For more information go to the Rock Island County Home Page.

www.rockislandcounty.org/

