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COURT FACILITIES
ADVISORY COMMITTEE

COURT FACILITIES ADVISORY COMMITTEE

MINUTES OF OPEN MEETING

June 28, 2016

10:30 AM – 1:30 PM

Judicial Council of California – San Francisco Office

**Advisory Body
Members Present:**

Hon. Brad R. Hill, Chair
Hon. Patricia M. Lucas, Vice-Chair
Hon. Donald Cole Byrd
Mr. Anthony P. Capozzi
Mr. Stephan Castellanos, FAIA
Hon. Keith D. Davis
Hon. Robert. D. Foiles
Ms. Melissa Fowler-Bradley
Hon. William F. Highberger
Hon. Steven E. Jahr (Ret.)
Hon. Jeffrey W. Johnson
Hon. Laura J. Masunaga
Mr. Stephen Nash
Hon. Gary R. Orozco
Hon. David Edwin Power (Ret.)
Ms. Linda Romero Soles
Mr. Larry Spikes
Hon. Robert J. Trentacosta
Mr. Thomas J. Warwick, Jr.

**Advisory Body
Members Absent:**

Mr. Kevin Stinson
Mr. Val Toppenberg

Others Present:

The following Judicial Council staff/others were present:
Ms. Rebecca Fleming, Court Executive Officer, Superior Court of Stanislaus County
Mr. Jose Octavio Guillen, Court Executive Officer, Superior Court of Sonoma County
Mr. Darrel E. Parker, Court Executive Officer, Superior Court of Santa Barbara County
Mr. Jason Haas, Budget Analyst, State Department of Finance
Ms. Eunice Calvert-Banks, Real Estate and Facilities Management
Mr. Mike Courtney, Capital Program
Ms. Natalie Daniel, Finance
Ms. Kim Davis, Capital Program
Ms. S. Pearl Freeman, AIA, Capital Program
Ms. Angela Guzman, Finance
Mr. Martin Hoshino, Administrative Director
Ms. Donna Ignacio, Capital Program
Mr. Chris Magnusson, Capital Program
Ms. Kristine Metzker, Capital Program
Ms. Leslie G. Miessner, Legal Services
Mr. Raymond Polidoro, Capital Program
Ms. Kelly Quinn, Capital Program
Ms. Lynette Stephens, Finance
Mr. Zlatko Theodorovic, Finance
Ms. Millicent Tidwell, Chief Operating Officer
Mr. Enrique Villasana, Real Estate and Facilities Management

OPEN MEETING

Call to Order, Roll Call, and Opening/Closing Remarks

The chair called the meeting to order at 10:30 AM, roll was taken, and both he and Mr. Martin Hoshino, Administrative Director, provided opening remarks. As part of the closing remarks, the chair and Court Facilities Advisory Committee (CFAC) committee recognized Ms. Kelly Quinn for her years of service to the Judicial Council's Capital Program and as lead staff to the CFAC.

DISCUSSION AND ACTION ITEM (ITEM 1)

Item 1**Status of Construction Funds – Immediate and Critical Needs Account**

The following spoke in person during the public comments portion of the meeting:

1. Mr. Darrel E. Parker, Court Executive Officer, Superior Court of Santa Barbara County
2. Mr. Jose Octavio Guillen, Court Executive Officer, Superior Court of Sonoma County
3. Ms. Rebecca Fleming, Court Executive Officer, Superior Court of Stanislaus County

Consistent with the PowerPoint slides included in the materials that were posted on line following the meeting, Ms. Angela Guzman presented the status of the judicial branch's construction fund—the Immediate and Critical Needs Account (ICNA)—including original assumptions of revenues and expenditures, actual and projected revenue collections from FY 2008–2009 through FY 2018–2019, annual fund expenditures, estimated expenditures compared to the fund's revenue and balance, redirections from the fund and its future project-phase commitments, and the fund's estimated revenues, expenditures, and reserve balance projected from FY 2015–2016 through FY 2034–2035. In addition, Ms. Guzman made the following comments:

- Judicial Council staff provided the last two status updates on the ICNA to the CFAC in December 2014 and March 2015;
- in March 2015, council staff had made the following points:
 - that based on actual collections as of December 2014, council staff developed a revenue projection for FY 2014–2015 of \$250–255 million annually, forecasting that value flat for approximately 30 years or the life of the ICNA;
 - that the council staff has to do long term forecasting (of approximately 30 years) because of the need to debt-finance the majority of the projects in the courthouse construction program; and
 - that revenue projections were uncertain, the forecasting of the flat value (referenced above) was problematic and optimistic, and revenue increases were needed to avoid further project delays;
- capital project debt-service payments from the ICNA began in FY 2014–2015;
- ICNA obligations will include cash-funded and debt-service payments from FY 2014–2015 through FY 2019–2020 and only debt-service payments beyond FY 2019–2020;
- total annual ICNA expenditures range from the current obligation of approximately \$224 million to the future obligation of approximately \$323 million—this future obligation figure factors in the debt-service payments of all capital projects whose Construction phase is not yet underway;
- given its annual expenditures compared to its actual, declining revenues, the ICNA is in deficit spending and relying on its fund-balance reserves to meet current and future annual obligations;
- given its annual expenditures compared to annual revenue projections now adjusted closer to \$200 million for fiscal years beyond FY 2015–2016—based on the decrease in actual ICNA revenue

collected through FY 2014–2015—the ICNA experiences an estimated negative fund balance as early as FY 2021–2022;

- through FY 2016–2017, there has been approximately \$1.4 billion in redirections/loans from the ICNA; and
- from FY 2017–2018 through the remaining life of the ICNA, total redirections/loans in addition to all one-time and ongoing costs, such as the construction program’s debt-service payments, can increase (by approximately \$2.6 billion) to approximately \$4.0 billion.

Action: The advisory committee—with the exception of Hon. Donald Cole Byrd and Hon. William F. Highberger, as an Ex-Officio, non-voting members, and the members who were absent as shown above—voted to approve the following motion:

1. Judicial Council staff consult with the state Department of Finance (DOF) and Judicial Council’s Finance Office so that Judicial Council Capital Program staff can make recommendations for the August 4, 2016, CFAC meeting regarding which projects should commence into their next phase—such as Construction, Working Drawings, Preliminary Plans, or such like—given the condition of the ICNA; and further move that any ongoing projects may proceed pursuant prior to Judicial Council and legislative authorizations and appropriations if the DOF and the Executive Committee of the CFAC concurs in doing so.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:30 PM.

Approved by the advisory body on August 11, 2016.