



Clark County, Washington

Jail Expansion & Renovation: Funding and Financing Options

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Agenda

- ◆ Introduction
- ◆ Types of Debt
- ◆ Review of Funding Sources
- ◆ Potential Alternatives
- ◆ Considerations and Next Steps

Appendices:

Comparison of Funding Options

Key Assumptions



Introduction

- The County is considering a full renovation and expansion of its existing jail (the “Project”)
 - Design beginning late 2025
 - Construction mid-2028 into 2032
- Estimated total capital cost: \$471.5 million
 - *Likely to require debt financing*
- Incremental operations costs (beginning 2031): \$36 million / year
- Incremental maintenance costs (beginning 2031): \$1-2 million / year

Phase	Est. Timeline	Est. Cost (\$000)
1 - Booking, Intake, North Addition	2028-2030	\$210,322
2 - Loading Dock, Completion North Addition	Late 2029	2,436
3 - South Addition	2030-2031	101,932
4 - Existing Building Renovation	2031-2032	<u>156,812</u>
Total:		\$471,502



Introduction (*continued*)

- ◆ PFM has been asked to evaluate various funding sources for capital costs of the Project, as well as incremental operations and maintenance costs
 - *PFM serves as financial advisor to the County and has a fiduciary duty to the County*

- ◆ Given the scale of estimated capital, operations, and maintenance costs, it is unlikely one new tax stream will be sufficient to fund all estimated costs
 - We understand that the County wishes to solidify funding for incremental operations and maintenance costs before requesting voter approval for capital funding
 - Some funding streams have flexibility in their application – they may be used to cover direct capital costs, debt service on bonds, operations, and/or maintenance costs



Introduction (*continued*)

- This analysis makes numerous assumptions (*see appendix*) – **estimates are preliminary and subject to change**

- Approaches to bond sizing and structuring are intended to capture the **maximum possible capital funding amount** that could be leveraged – *actual structuring recommendations will depend on numerous factors as plan of finance is refined*
 - For instance, certain bond structuring scenarios assume 30-year terms, while the County's debt policy generally prescribes maximum terms of 20 years

- Our accompanying report is an important part of this analysis and provides additional supporting detail



Introduction (*continued*)

- ◆ Our analysis evaluated the following potential funding sources

Source	May Be Used For	Voter Approval Required?	Vote Timing
Unlimited Tax General Obligation Bonds	Capital only	Yes (60% supermajority)	Any election Subject to 40% turnout requirement Election may not be held more than twice per year
Public Safety Sales Tax	Capital and O&M	Yes (simple majority)	Primary or general election only
Juvenile Detention Facility and Jails Sales Tax	Capital and O&M	Yes (simple majority)	Any election
Real Estate Excise Taxes	Capital and maintenance only (not operations)	No	n/a
Regular Levy Lid Lift	Capital and O&M (but bonds are limited to 9 years)	Yes (simple majority)	Single-year lid lift: any election Multi-year lid lift: primary or general election only
Potential New Criminal Justice Sales Tax (ESHB 2015)	Capital and O&M	No	n/a



Types of Debt

- ◆ The County may issue two types of general obligation bonds:
 - **Unlimited tax general obligation (“UTGO”)** bonds
 - Require 60% +1 voter approval and 40% voter turnout
 - Voters authorize a maximum principal amount and term of bonds, payable from a new, excess property tax levy
 - **Limited tax general obligation (“LTGO”)** bonds
 - No voter approval required – Council authorization only (“councilmanic”)
 - Voters may approve a particular *tax* (e.g., sales tax) expected to be used to pay debt service
 - Regardless of expected source of repayment, LTGO bonds are secured by County’s “full faith and credit” and regular property taxing authority
- ◆ UTGO and LTGO debt are subject to constitutional limits; however, neither is meaningful in this context (>\$1.5 billion in remaining capacity)
- ◆ *Except as noted (e.g., UTGO bonds), debt analysis assumes the use of LTGO bonds to leverage a tax stream*



Unlimited Tax General Obligation Bonds

- ◆ **Uses:** *any capital purpose (as described in the ballot title)*
- ◆ **Timing considerations:** *may be considered at any election but may not appear on the ballot more than twice per year.*
- ◆ **Description:** *excess property tax unlimited as to rate or amount, as necessary to fund debt service on the bonds*

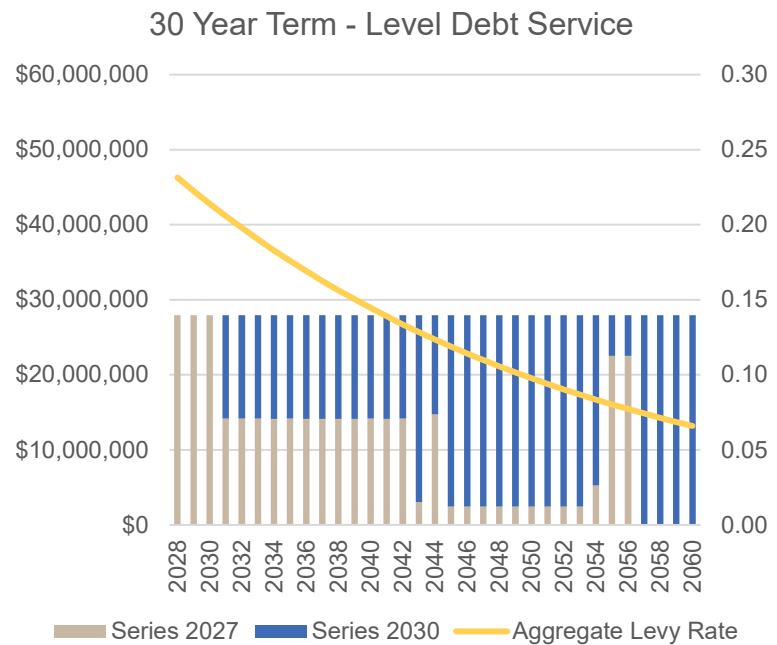
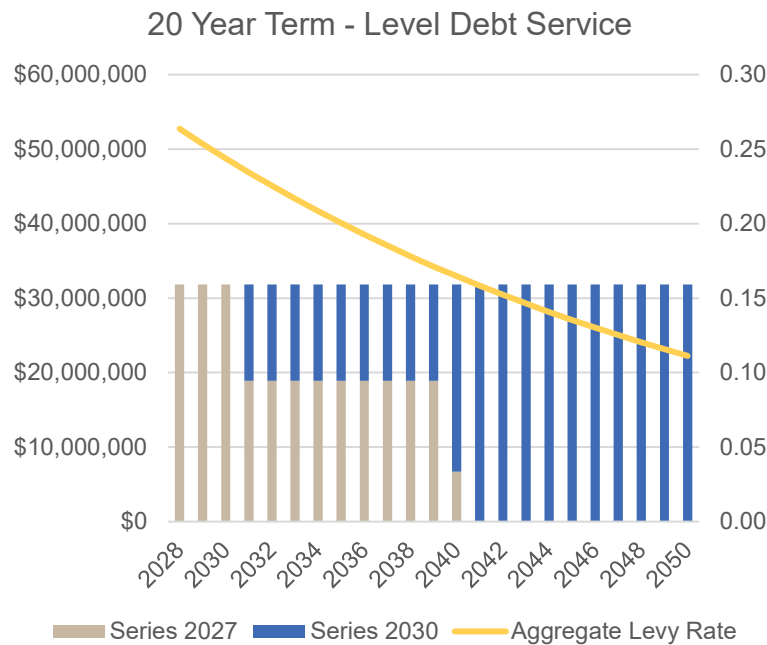
UTGO Bond Sizes and Indicative Property Tax Rates					
Term	Avg. Annual Debt Service (\$000)	Avg. Annual Levy Rate (per \$1,000)	Year 1 Levy Rate (2028)	Avg. Annual Homeowner Cost	Year 1 (2028) Annual Homeowner Cost
20 Years	\$31,835	\$0.18	\$0.26	\$140.20	\$155.60
30 Years	\$27,939	\$0.13	\$0.23	\$117.49	\$136.55
Assumptions: Annual assessed value growth of 4%; “average” home value of \$540,000 as of 2025, escalated 3% annually.					

- ◆ **Conclusion:** *A UTGO bond issue would be a straightforward means of funding capital costs of the Project, with minimal risk to the County.*



Unlimited Tax General Obligation Bonds

- The following charts show the relationship between estimated annual debt service and estimated annual levy rate per \$1,000 of assessed value for the two scenarios described above





Public Safety Sales Tax

- **Uses:** at least one-third must be spent for “criminal justice purposes.” May be used to fund capital, operations, and/or maintenance costs.
- **Timing considerations:** may be considered by voters at the primary or general election **only**.⁽¹⁾
- **Description:** up to 0.2% Countywide sales tax. (County already imposes the first 0.1%.) By statute, 40% is allocable to cities within the County; cities may transfer their share through interlocal agreement. Note that the City of Vancouver accounts for over 69% of the cities’ combined 40% share.

Potential 0.2% Public Safety Sales Tax				
	Est. Annual Revenues (2028) (\$000)	Cumulative Annual Revenues (2028) (\$000)	Est. Total Bond Proceeds (20- Year Terms) (\$000)	Est. Total Bond Proceeds (30- Year Terms) (\$000)
County Only (60%)	\$17,689	\$17,689	\$272,120	\$312,770
City of Vancouver Only (Pro Rata Share of 40%)	\$8,169	\$25,858	\$397,985	\$457,407
Other Cities (Remainder of 40%)	\$3,624	\$29,482	\$453,831	\$521,580

- **Conclusion:** County’s share alone would be insufficient to fully fund capital or O&M costs of the Project. If combined with cities’ share, could be used to fully fund capital costs of the Project or fund most (but not all) incremental O&M costs.

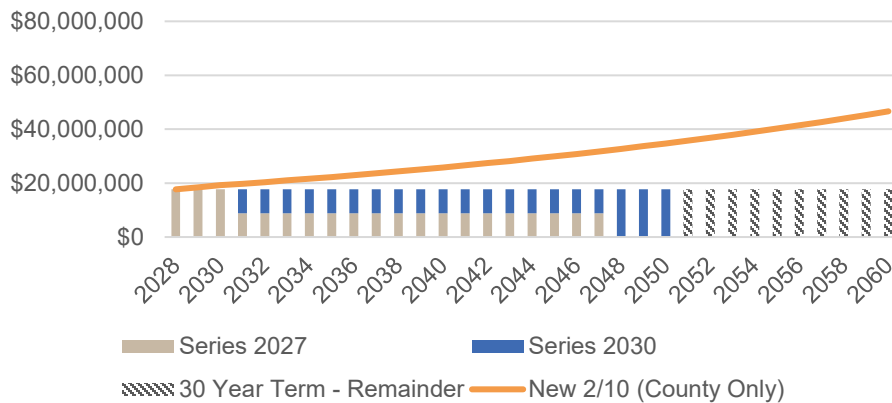
(1) There is pending legislation (ESB 5775) that would authorize counties to impose the public safety sales tax without a vote of the people. This authority would expire Jan. 1, 2028.



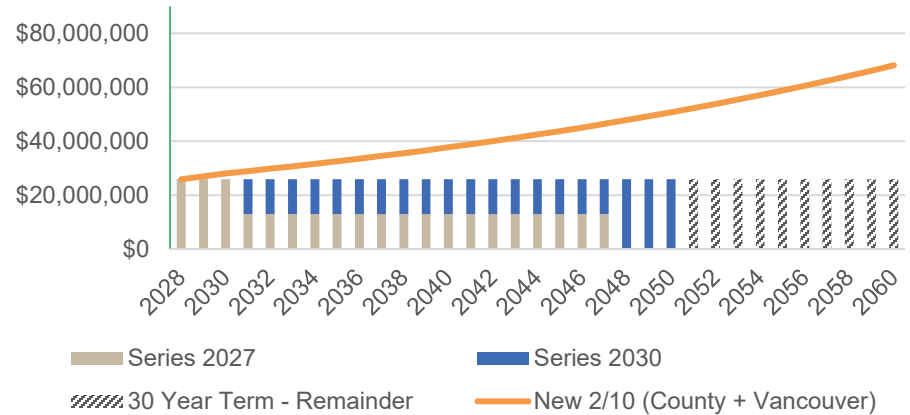
Public Safety Sales Tax

- The following charts show projected revenues from a new 0.2% public safety sales tax, allocated various ways, leveraged via 20- or 30-year series of bonds

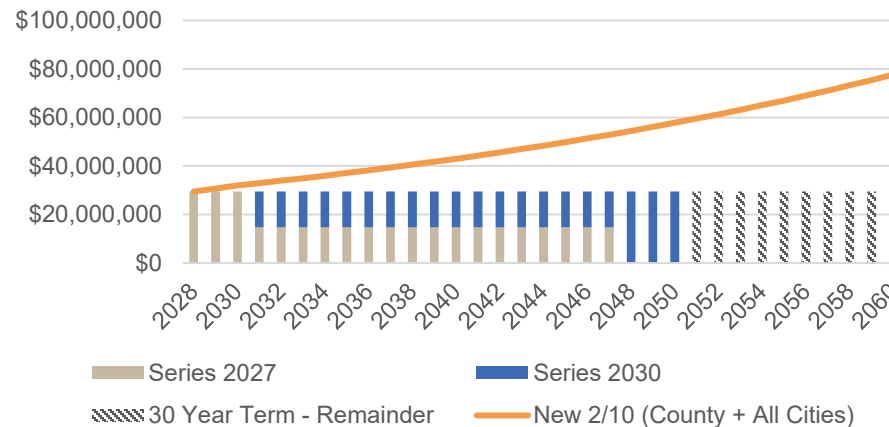
County Portion Only



County + City of Vancouver



County + All Cities





Juvenile Detention Facility and Jails Sales Tax

- **Uses:** capital, operating, and/or maintenance of “juvenile detention facilities” and/or “jails.”
- **Timing considerations:** may be considered by voters at any election.
- **Description:** up to 0.1% Countywide sales tax

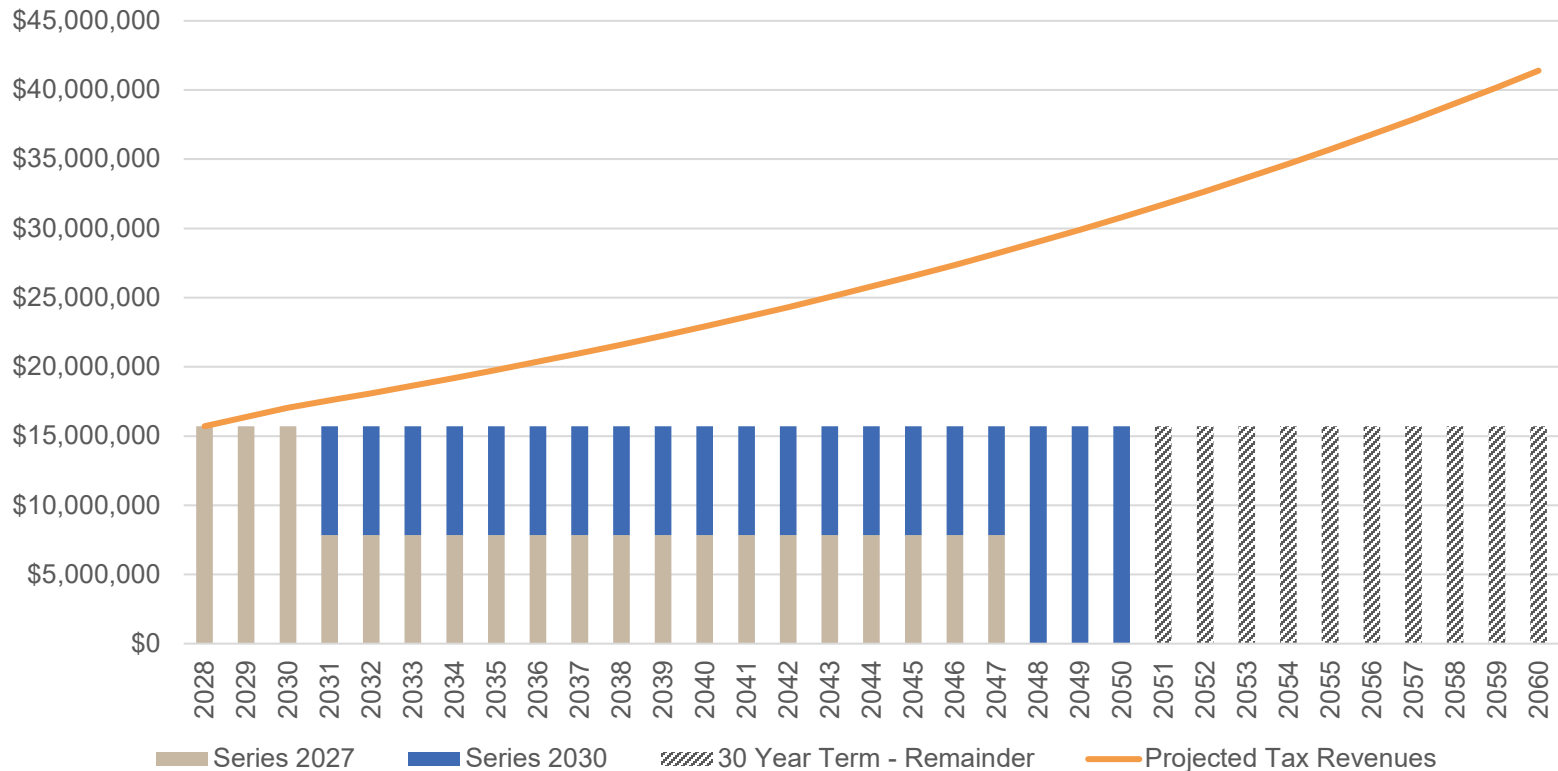
Potential 0.1% Juvenile Detention Facility and Jails Sales Tax		
Est. Annual Revenues (2028) (\$000)	Est. Total Bond Proceeds (20-Year Terms) (\$000)	Est. Total Bond Proceeds (30-Year Terms) (\$000)
\$15,709	\$241,600	\$277,698

- **Conclusion:** Could be used to fund approximately half of either O&M or capital costs of the Project (but not both).



Juvenile Detention Facility and Jails Sales Tax

- The following charts show projected revenues from a new Countywide 0.1% juvenile detention facility and jails sales tax, compared against debt service on bonds with 20- or 30-year terms





Real Estate Excise Tax (“REET”)

- **Uses:** capital purposes (REET I, REET II up to \$1 million/year)⁽¹⁾; maintenance purposes (up to \$1 million/year for each). May not be used to support operations.
- **Timing considerations:** N/A – currently imposed.
- **Description:** two separate 0.25% excise taxes on real estate transactions. Currently a primary source of funding for County capital needs; already used to support debt service on certain outstanding LTGO bonds.

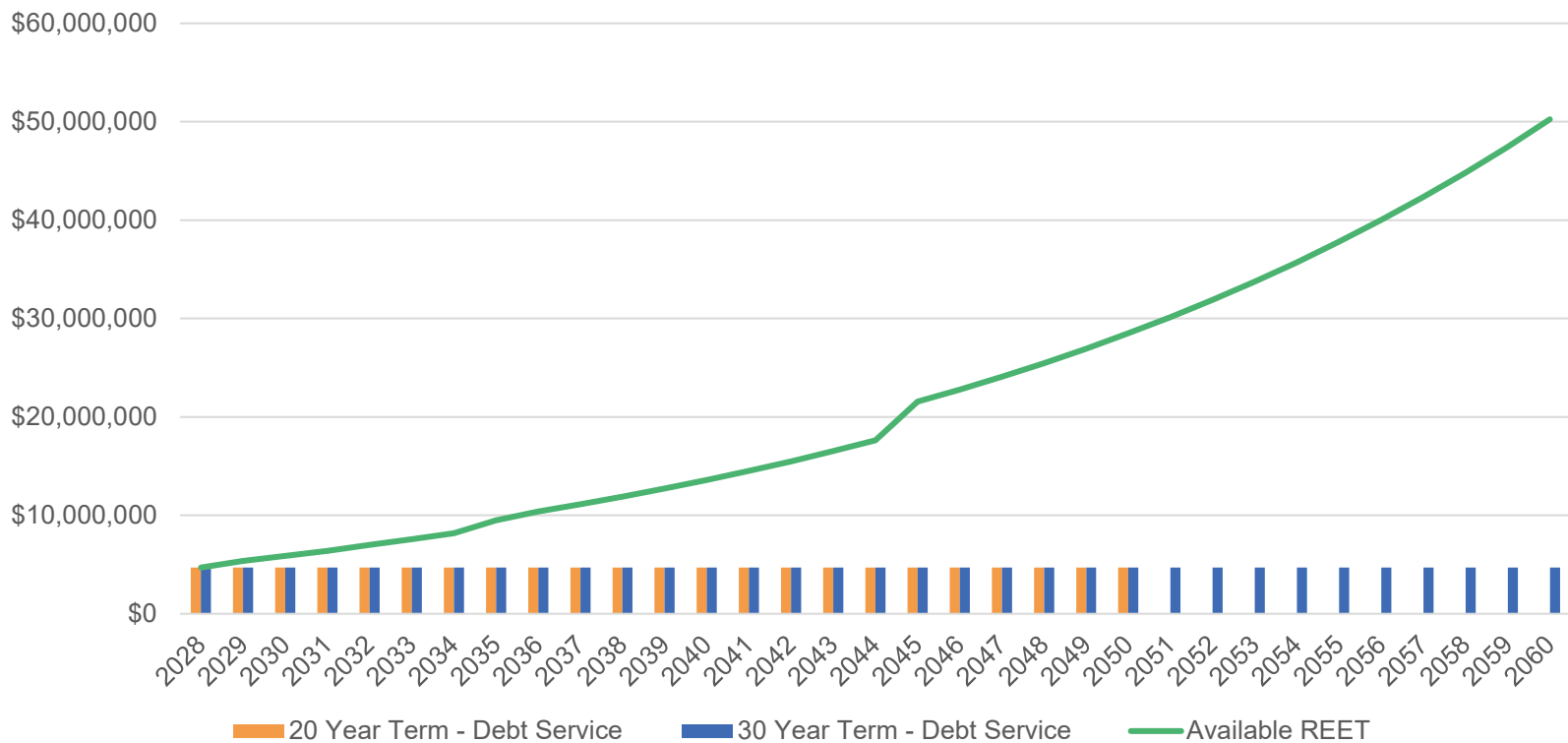
Projected REET Revenues and Debt Capacity		
Est. Annual Revenues (2028) (\$000)	Est. Total Bond Proceeds (20-Year Terms) (\$000)	Est. Total Bond Proceeds (30-Year Terms) (\$000)
\$4,698	\$71,952	\$82,737

- **Conclusion:** Could provide a modest amount of capital funding (<20%) towards the Project. However, that would limit the County’s ability to use REET for other eligible capital projects in the future.



Real Estate Excise Tax (“REET”)

- The following chart shows projected available REET revenues (net of existing debt service requirements) and debt service payments informing the bond size estimates on the prior page





Levy Lid Lift

- **Uses:** any capital, operations, and/or maintenance purposes (as described in the ballot title); however, levy lid lifts may not be used to pay debt service on bonds longer than nine years
- **Timing considerations:** a single-year lid lift may be considered at any election; a multi-year lid lift may be considered at a primary or general election only.
- **Description:** voter-authorized increase in County's general purpose levy, beyond existing statutory limits (1% plus new construction). May be authorized in any amount, up to the County's maximum levy rate of \$1.80 per \$1,000 assessed value (higher if a "road levy shift" is utilized).

Levy Lid Lift			
Description	Approx. Lid Lift (Rate per \$1,000 AV) (2026)	Est. Annual Incremental Revenue (2026) (\$000)	Est. Property Tax Increase for Avg. Homeowner (2026)
Scalable Example	\$0.10	\$12,365	\$55.62
Necessary to Fund Incremental O&M	\$0.33	\$38,300	\$184.85
Remaining Capacity Under \$1.80 Limit	\$1.05	\$118,689	\$585.43
Note: Assumes Countywide assessed value grows 4% in 2026 while maximum lawful levy grows 2.5%. Also assumes an average home value of \$540,000 as of 2025, escalated 3% annually.			

- **Conclusion:** A straightforward means of funding all or a portion of the incremental operational and maintenance costs of the Project. May also contribute some limited amount towards capital costs.



Proposed New Criminal Justice Sales Tax (*Pending Legislation*)

- **Uses:** Any criminal justice purposes, including capital, operations, and/or maintenance.
- **Timing considerations:** N/A – if new legislation (ESHB 2015) is adopted as currently drafted, the additional criminal justice sales tax could be imposed by the County Council without the need for voter approval.
- **Description:** additional 0.1% Countywide sales tax. If allocated consistent with the existing criminal justice sales tax, the first 10% would be allocated directly to the County, with the remaining 90% split among the County and its cities on a pro rata basis. These allocations could be altered by way of an interlocal agreement. Imposing the tax would also qualify the County for state grants.

Potential New 0.1% Criminal Justice Sales Tax				
	Est. Annual Revenues (2028) (\$000)	Cumulative Annual Revenues (2028) (\$000)	Est. Total Bond Proceeds (20-Year Terms) (\$000)	Est. Total Bond Proceeds (30-Year Terms) (\$000)
County Only (10% + Pro Rata Share of 90%)	\$8,033	\$8,033	\$123,340	\$141,788
City of Vancouver Only (Pro Rata Share of 90%)	\$5,960	\$13,993	\$215,166	\$247,315
Other Cities (Remainder)	\$1,783	\$15,775	\$242,632	\$278,880

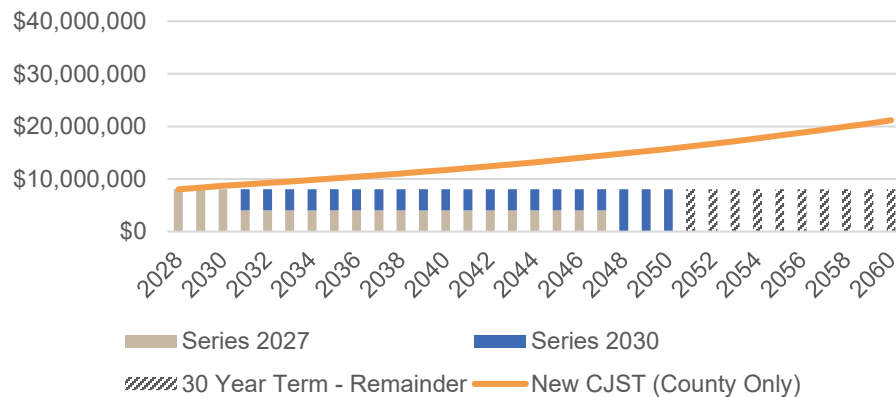
- **Conclusion:** Could provide partial funding for capital or O&M costs as part of a broader funding package. Subject to change over the course of the current legislative session.



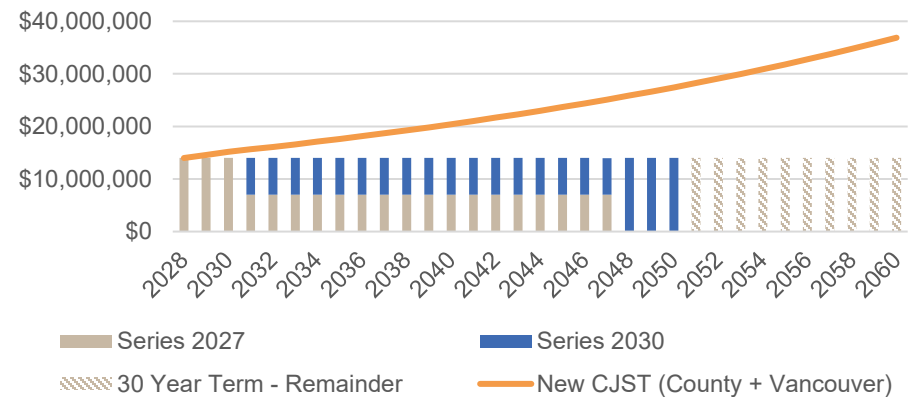
Proposed New Criminal Justice Sales Tax (*Pending Legislation*)

- The following charts show projected revenues from a new 0.1% criminal justice sales tax, allocated various ways, leveraged via 20- or 30-year series of bonds

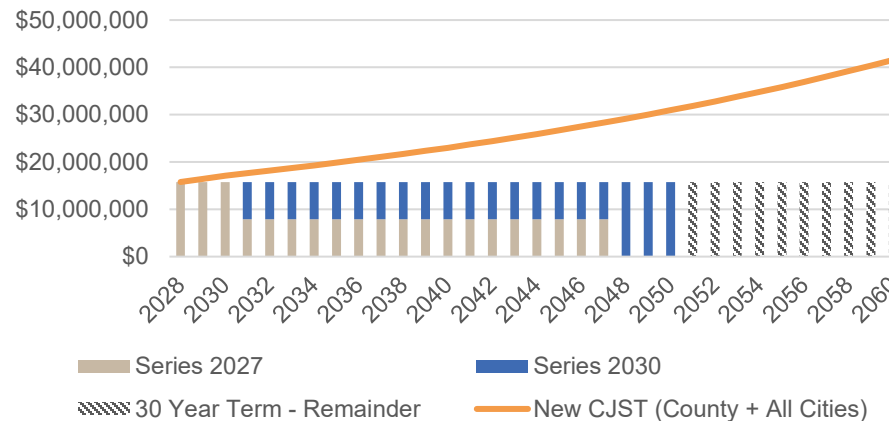
County Portion Only



County + Vancouver



County + All Cities





Potential Alternatives

Scenario	O&M Costs	Capital Costs	Considerations
1	Levy lid lift Est. additional property tax rate of \$0.33 per \$1,000 AV, or \$185 / year increase for avg. homeowner Could be used to fund capital costs in early years	UTGO bonds Est. additional property tax rate of \$0.13-0.18 per \$1,000 AV, or \$117-140 / year increase for avg. homeowner	60% supermajority requirement for UTGO bonds
2	Levy lid lift Est. additional property tax rate of \$0.33 per \$1,000 AV, or \$185 / year increase for avg. homeowner Could be used to fund capital costs in early years	Public safety sales tax 0.2% Countywide sales tax increase Would require revenue-sharing agreement with some or all cities – County's share is insufficient to fully fund capital costs	Public safety sales tax may only be considered at primary and general elections Would avoid supermajority voter requirement as with UTGO bonds



Potential Alternatives

Scenario	O&M Costs	Capital Costs	Considerations
3	Public safety sales tax	UTGO bonds	
	<p>0.2% Countywide sales tax increase</p> <p>Would require revenue-sharing agreement with some or all cities – County's share is insufficient to fully fund O&M costs</p>	<p>Est. additional property tax rate of \$0.13-0.18 per \$1,000 AV, or \$117-140 / year increase for avg. homeowner</p>	<p>Similar as above – public safety sales tax may only be considered at primary and general elections; supermajority required for UTGO bonds</p>
4	Levy lid lift	Some combination of sales taxes: public safety sales tax; juvenile detention facility and jails sales tax; and/or new criminal justice sales tax (ESHB 2015)	
	<p>Est. additional property tax rate of \$0.33 per \$1,000 AV, or \$185 / year increase for avg. homeowner</p> <p>Could be used to fund capital costs in early years</p>	<p>Up to 0.3% Countywide sales tax increase</p>	<p>If combined with other sales taxes, public safety sales tax may not require city-County revenue sharing (at least not to the same extent)</p> <p>Could require additional ballot measures, but would avoid supermajority voter approval required of UTGO bonds</p>



Considerations

- There are myriad combinations of funding alternatives
- Active legislation may influence County's options for funding capital or O&M costs
 - Decisions by cities in the County may also influence decision-making
- Regardless, one or more voter-approved funding sources will likely be required
 - REET can “buy down” Project capital costs but is not sufficient to fully fund them
- Timing and electoral requirements of various measures:
 - Public safety sales tax may only be considered at August primary and November general elections
 - UTGO bonds may only be considered twice in one year
 - Filing deadline for November general election is date of August primary election
- Timing and nature of any revenue-sharing interlocal agreement with cities
 - Agreement does not need to be finalized before voters consider tax measure; however, there should be a general agreement in principle



Appendices



Comparison of Funding Sources

■ The following table summarizes different funding alternatives:

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Unlimited Tax General Obligation Bonds	Capital only	Unlimited; est. average property tax rate between \$0.13-0.18 per \$1,000 assessed value	Any amount, up to full funding need (\$471.5 million)	Avg. annual homeowner cost between \$117-140	Yes, 60% supermajority + 40% turnout requirement	Various terms and structures
Real Estate Excise Taxes	Capital only	0.25% each for REET I and REET II (already imposed)	Bond amount of \$71.9 million to \$82.7 million, depending on term	n/a – already imposed	No	REET is a primary funding source for other County capital needs
Regular Levy Lid Lift	Operations, maintenance, and/or capital	Property tax increase in any amount up to approximately \$1.05 per \$1,000 (\$1.80 per \$1,000 limit)	Up to \$118.7 million annually	Average annual homeowner cost up to \$585	Yes (simple majority)	Numerous structural variations Limited applicability for bonds



Comparison of Funding Sources

■ The following table summarizes different funding alternatives:

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Public Safety Sales Tax	Capital, operations, and/or maintenance	0.2% sales tax (in addition to 0.1% already imposed)	Ongoing (O&M): \$17.7 million (County only) up to \$29.5 million (County + cities) in 2028 OR Bond amount of \$272.1 million up to \$521.6 million depending on term and whether cities' shares are included	\$2 per \$1,000 purchase Motor vehicles excluded	Yes (simple majority); may only be considered at primary or general election Pending legislation that may allow for Councilmanic imposition	Timing, process, and nature of any revenue-sharing arrangement with cities (particularly City of Vancouver)



Comparison of Funding Sources

- The following table summarizes different funding alternatives:

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Juvenile Detention Facility and Jails Sales Tax	Capital, operations, and/or maintenance	New 0.1% sales tax	Ongoing (O&M): \$15.7 million in 2028 OR Bond amount of \$241.6 million to \$277.7 million, depending on term	\$1 on a \$1,000 purchase	Yes (simple majority)	



Comparison of Funding Sources

■ The following table summarizes different funding alternatives:

Source	Potential Application(s)	Rate	Estimated Amounts	Taxpayer Impact	Voter Approval Required?	Considerations
Proposed New Criminal Justice Sales Tax	Capital, operations, and/or maintenance	New 0.1% sales tax	Ongoing (O&M): \$8.0 million (County only) up to \$15.8 million (County + cities) in 2028 OR Bond amount of \$123.3 million up to \$278.9 million depending on term and whether cities' shares are included	\$1 on a \$1,000 purchase	No (but requires successful passage of ESHB 2015)	Timing, process, and nature of any revenue-sharing arrangement with cities (particularly City of Vancouver)



Sources of Information

- ◆ Sources of information include the following:
 - Information provided by County staff, including cost estimates provided to Council on February 12, 2025, and slides accompanying 2025 annual budget public hearing (December 3, 2024)
 - Levy rates, levy amounts, and assessed values per the County Assessor's Office
 - Various publications of the Municipal Research and Services Center (MRSC) of Washington, including the "Revenue Guide for Washington Counties" updated November 2024
 - Sales tax information from the Washington Department of Revenue
 - Population data from the Washington Office of Financial Management



Assumptions

- ◆ Sales tax projections consistent with the County's internal forecasts through 2030 (4.2% annual growth), with 3% annual growth thereafter
- ◆ Annual growth in real estate excise tax (REET) of 6%, again consistent with internal County forecasts
- ◆ Annual growth in the County's overall assessed value of 4%
- ◆ Annual increase in the County's general purpose levy of 2.5%
- ◆ Average home value of \$540,000 as of 2025 per Redfin, assumed to grow at 3% annually
- ◆ For UTGO bonds and most LTGO bond scenarios: two series of bonds, issued December 2027 and December 2030
 - Bonds payable from REET are assumed to be issued in a single series in December 2027 only
- ◆ Tax-exempt municipal bond interest rates as of March 19, 2025, plus 1.0%
 - Estimated true interest costs (TICs) of between 4.79% and 5.22%, depending on scenario
- ◆ Issuance costs of \$200,000 per series plus 0.5% underwriter's discount
- ◆ Level annual debt service

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