

This discussion is relevant to the FY2015-16 Budget, which the Board will adopt the week of June 10, 2015, because the Operations Funding Plan needs to be updated. While the Sheriff has proposed changes to the Plan to reflect acceleration of transition (or ramp up) costs, the Board has not yet approved changes to the Plan. Funding of the plan continues as scheduled and is not proposed to change for FY15-16; spending of funds would change to reflect greater transition costs in FY15-16. The discussion is also necessary now as decisions related to the construction of the project are imminent. General Services and the Sheriff are scheduled on June 2 to request that the Board approve advertising of construction bids for the AB900 portion of the NBJ; a final decision on the project will need to be made after receipt of bids and before contracts are approved, which will occur in late summer or early fall.

Background:

The background of these projects is discussed in the Sheriff's presentation.

Discussion

The County's current direction has been to proceed with both the AB900 and SB1022 portions the Northern Branch Jail and keep a required level of rated bed capacity at the Main Jail; should the daily population reduce, areas of the Main Jail would not be in operations although required capacity would be maintained.

Custody operations is the Sheriff's responsibility and jurisdiction; however, the Board is responsible for appropriating funding for the operations. The Board's options are to 1) continue with the current direction; 2) consider changes to the current direction by only continuing with AB900 portion; or 3) reconsider the entire NBJ facility projects. As a practical matter, the County could not proceed with SB1022 alone (without AB900) as AB900 is designed to include all control systems, medical, food preparation, laundry and other necessary services. The Board may also wish to consider a longer-term direction, including possible consolidation of custody operations at the NBJ site in the future. To assist in that consideration, CEO staff reviewed the following information:

- Assumptions of Sheriff's custody operations model and projections
- Various bed and jail census population information
- Impact of SB1022 on NBJ
- Maintenance Costs
- Transition Costs
- Changes to funding plan for various scenarios
- Board questions raised during and since workshops

Cost Increase Assumptions in Model

CEO staff reviewed the cost assumptions in the projections of operations at opening and beyond for the NBJ projects. This included review of cost assumptions for staffing, service and supplies and other costs. CEO staff asked for revisions to the data and the Sheriff's Office made those changes. The revised cost assumptions appear reasonable.

Labor costs – all costs were included. Estimated cost increases are relatively low because of the effect of PEPPRA employees replacing more expensive existing employees and modest reductions in the projected retirement contribution rates. The *net* change therefore is modest compared to recent history and is lower than the originally projected cost per custody deputy.

Transition Costs – see below

Maintenance Costs – see below

Staffing Levels

CEO staff was not qualified to determine the appropriate *staffing levels* to operate the new facilities or remaining units of the Main Jail. The personnel required for the AB900 were vetted through the design process and there had been general comfort with those estimates; the necessary staff needed for the Main Jail after AB900 and SB1022 opened had been questioned and appeared high when discussed at the Budget Workshops.

Predictions of the future jail population also have not been made. Scenarios have been provided by the Sheriff given potential reductions in the average daily population and those were reviewed. Staff commissioned a consultant to review the Sheriff's staffing levels at the Main Jail post opening of the NBJ. That analysis is still in process and was not able to be completed as of submission of this report.

Impact of SB1022

On a financial basis, the expected net additional costs of custody operations when adding SB1022 is relatively low: a net increase of \$1.38 million annually (at expected opening in FY 2019-20). The reason is that the Sheriff is only anticipating adding 9 additional new (net) FTE and projects a marginal increase to services and supplies to gain an additional net 124 beds (228 new beds, net of the closure of a Main Jail module and transfer of 20 staff). Thus, the relatively low incremental cost is because most of the overhead, administrative and fixed costs necessary are included in the AB900 facility and don't need to be duplicated with the addition associated with SB1022, or any potential future beds at the NBJ site. In other words, the operations of two large custody operations (Main Jail and NBJ) requiring administration, overhead costs and fixed costs are the primary cost driver rather than additional beds at either site. Conversely, if the Main Jail population declines, there will still remain a large element of "fixed costs".

Should the 228 SB1022 beds (124 net beds) not be constructed, it would mean keeping more bed capacity at the existing Main Jail. The cost of addressing needed renovation and rehabilitation of the Main Jail has not been thoroughly reviewed. However, given that the Main Jail would still need to be in operations even if SB1022 were built, in the short term, the marginal cost of continuing to keep 124 beds available at the Main Jail does not seem significant.

However, whether more beds are necessary, and whether the additional capacity of 124 beds is needed, is based on the Sheriff's predictions of jail population.

Maintenance Costs

Estimates of ongoing maintenance cost for AB900 and SB1022 are still being updated and therefore are excluded from the Sheriff's operating cost projections. The original estimate was \$700,000. The most recent estimate for both facilities is \$1.3 million which includes increased hours of service and support over the existing Main Jail level of service and is approximately 35% higher than the current level of service on a cost per square foot basis. General Services is still reviewing these projections; the revised Operations Funding Plan assumes \$1 million for both facilities and is included in the numbers provided by the CEO staff.

Deferred maintenance and rehabilitation costs – the cost to maintain the existing Main Jail facility have not been factored into the custody costs. These costs are being evaluated. However, given the age of the Main Jail, its current condition, and recent costs for repairs, it is anticipated that annual costs for deferred maintenance will be significant in the coming years.

Should the Main Jail population be reduced, the Sheriff has proposed not utilizing/staffing certain segments of the building. Regular maintenance costs may be reduced in those areas when not being utilized; however, those areas may still need to be maintained and/or deferred maintenance costs incurred in the normal course of operations or if repurposed for other (non-custody) uses.

Transition Costs

The original funding plan for operations included \$300,000 in ramp up or transition costs in FY 2015-16. The Sheriff provided an accelerated plan adding 17 new FTE in FY 15-16 (to be hired by February 2016). The need for accelerated hiring, according to the Sheriff, is due to training time, fall out rate and the anticipated pool of applicants.

While CEO staff questioned the need for staff to be trained so early (two years before opening of the jail), there will be a need for custody recruitment and training with just normal operations, given the average separation rate for custody deputies is approximately 22 FTE per year. Given the Sheriff's overtime challenges in the past two years, caused by vacancies, ramp up time and costs to get new staff trained, accelerating this hiring may help minimize the risk of overtime challenges in the near term and would have a minimal down side as long as hiring can be metered and monitored.

While it would require a greater expenditure from the NBJ Operations Fund Balance than originally planned, it would not require increased General Fund Contributions into the Fund Balance next fiscal year (see Operations funding plan below). However, over time it would require more appropriation to the funding plan by \$3.3 million, assuming SB1022 and using current cost and staffing estimates. If fewer staff are needed based on the projected jail census population as we approach FY2017-18, reductions to future planned hires can be made to reduce the hiring levels.

Funding Plans for Various Scenarios

The Operations Funding Plan was developed to incrementally appropriate funds for the operations of the NBJ using a method whereby a growing amount of funding is appropriated each year until the annual, ongoing funding needed to operate the NBJ is funded on an ongoing basis. Monies set aside in the fund are used to offset the operations in the six years after the jail opens until ongoing appropriations approximately equal ongoing costs. The Plan assumes continuing to fund an increasing portion of General Fund each year until FY 2022-23.

In FY 2015-16, the plan calls for appropriating \$6.1 million in ongoing General Fund contribution. If AB900 continues to move forward, staff would recommend a 2015-16 budget adjustment, allowing the expenditures of \$1.2 million to reflect the transition costs discussed above. If SB1022 continues to move forward, staff would recommend updating the plan to include the additional costs of that project. This would mean adding \$3.3 million over the original funding plan spread over the FYs 2016-17 through 2022-23.

Given the unknown jail population in the future, the Sheriff had discussed developing a “reserve” fund in which budget is appropriated according to a projected level of need but not spent if the daily jail population is less than expected. This appears to be a prudent approach, with the “reserve” fund being a General Fund reserve that the Board would evaluate and appropriate into the Sheriff’s budget for custody operations at an appropriate time either prior or during the fiscal year.

Figure 1 – Comparative Funding Plans:

Total GFC per Year					
Fiscal Year	Original * (1,044 beds)	Revised 5/26/15 (1,199 beds)	Tier 1 (1,033 beds)	Tier 2 (973 beds)	Tier 3 (807 beds)
2011-12	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0
2012-13	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
2013-14	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3	\$ 3.3
2014-15	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.6	\$ 4.6
2015-16	\$ 6.1	\$ 6.1	\$ 6.1	\$ 5.9	\$ 5.9
2016-17	\$ 7.6	\$ 7.8	\$ 7.6	\$ 7.4	\$ 7.2
2017-18	\$ 9.1	\$ 9.5	\$ 9.2	\$ 8.9	\$ 8.5
2018-19	\$ 10.9	\$ 11.4	\$ 10.8	\$ 10.4	\$ 9.9
2019-20	\$ 12.7	\$ 13.3	\$ 12.6	\$ 12.1	\$ 11.4
2020-21	\$ 14.9	\$ 15.4	\$ 14.4	\$ 13.9	\$ 13.0
2021-22	\$ 17.1	\$ 17.6	\$ 16.3	\$ 15.9	\$ 14.6
2022-23	\$ 19.3	\$ 19.9	\$ 18.3	\$ 17.9	\$ 16.2
Total	\$ 108.6	\$ 111.9	\$ 106.2	\$ 103.3	\$ 97.6

* - Original plan did not include SB1022

Conclusion and Observations

1. CEO recommended revisions to Sheriff’s cost model were made.
2. Incremental costs and staffing levels for AB900 are significant: \$16.8 M and 100 employees (for 376 new beds). This includes necessary overhead costs (administration, fixed costs) because the County would be creating two large custody operations in the County,
3. Incremental cost of SB1022 is modest: \$1.38 million and 9 net new employees (228 new beds). Whether these new beds will be needed in the future is unknown at this time. Whether it is more cost efficient to provide these beds with the NBJ project (compared to just maintaining those beds at the Main Jail) is difficult to determine with the information known at this time.
4. Overall transitional spending costs are \$5.3 million higher than the original plan (including SB1022 and using current cost and staffing estimates). The Sheriff has proposed an increase of 17 new FTE for FY 15-16, which would mean spending of \$1.2 million instead of \$300,000 (or an increase of \$900k) in FY15-16 and paid out of the NBJ Operations Fund Balance. There is no anticipated change to the GFC appropriations to fund the plan in FY 15-16 (\$6.1 million)

however; the revised funding plan would require increases beginning in FY 2016-17. For the reasons stated above, there is limited downside to this. As the opening of the jail approaches in 2018-19, adjustments can be made in the hiring plan and appropriations to reflect changes.

5. The difference in the revised funding plan (AB900 and SB1022) is \$3.3 million but wouldn't require additional General Fund Contributions until FY2016-17.
6. In looking at potential tiered reductions, the cost per bed at the Main Jail is very high at lower census levels, which is an impact of fixed costs and the inefficient design of the Main Jail. Sheriff should continue to monitor average daily population over the next years and set appropriate "triggers" to implement adjustments as to tiers.
7. A review of non-sworn positions remaining at the Main Jail after opening of the NBJ should be conducted to see if greater consolidation of overhead/administration can be achieved.
8. Over the long term, considerations should be given to additional new NBJ facilities to replace the aging Main Jail and consider consolidation of operations.

Performance Measure:

None

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

Narrative: Long term funding plans for various scenarios are provided in the above table.

Key Contract Risks:

Staffing Impacts:

Any changes based on Board direction would be brought back to the Board during the upcoming June 2015 Budget Hearings

Special Instructions:

Attachments:

- a) PowerPoint Presentation – CEO Review: Northern Branch Jail Operations Update

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