



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Department No.: 012
For Agenda Of: 4/16/2013
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Chandra L. Wallar, County Executive Officer, 568.3400
Director(s)
Contact Info: Dennis Bozanich, Assistant to the CEO, 568-3400

SUBJECT: Report on Future Funding of Northern Branch Jail Operations

County Counsel Concurrence

As to form: NA

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive and file a report on the funding plan for future Northern Branch Jail operations
- b) Provide any additional direction to staff

Summary Text:

On February 19, 2013, the Board approved budget revisions required for the County match for the Northern Branch Jail construction project including \$600,000 from the Sheriff's Department share of Proposition 172 sales tax revenue, \$3 million from the New Jail Operations Committed Fund and approximately \$5.3 million from the Strategic Reserve. During deliberations on the budget revisions, the Board requested additional information on the plan to fund the increased cost of future jail operations resulting from the opening of the Northern Branch Jail. In particular, the Board was interested in learning more about the impact to the planned New Jail Operations funds established by the Board following the adoption of the FY 2011-12 Budget.

Background:

Recent Board Actions

On January 15, 2013 the Board of Supervisors approved a Project Construction and Delivery Agreement with the State of California that stipulated the terms of an \$80 million conditional award of funds towards the construction of a new Northern Branch jail near the City of Santa Maria. The total cost of

the jail is currently anticipated to be \$96.1 million of which the State has recognized costs of \$89.3 million. In addition to excluding certain project costs from consideration by the State, the Award Documents and supporting information also identify matching requirements of \$8,889,500 for the County.

On February 19, 2013, the Board acted to provide the project with the necessary appropriations for the required matching funds and project appropriations for the first two phases as determined by the California Department of Corrections and Rehabilitation (CDCR). One source for the required appropriations was \$3.0 million that the Board had previously set aside for funding future increases in the cost of jail operations resulting from the expanded capacity.

Cost for Northern Branch Jail Operations

The current construction schedule has the new jail opening in May 2018 (Fiscal Year 2017-18.) It has been estimated that the annual cost of operating the new 376 bed Northern Branch Jail will be approximately \$17 million, net, more than the County currently expends for custody operations. **This cost will be refined by a detailed staffing analysis to be performed by consultants after completion of schematic design of the jail since required staffing levels are directly related to jail design.**

The operations cost figures below take into account the closure of the existing Santa Maria Branch Jail, the transfer of certain duplicate functions from the Main Jail, and the re-purposing of the Medium Security Facility to transfer staff to the Northern Branch Jail.

Item	Cost
Staffing Estimate - 376 bed facility (Gross)	\$ 16,989,679
Services and Supplies-Including Expanded Medical/Mental Health Services	\$ 3,515,126
General Services staffing and materials	727,637
Sub-total – Gross cost to run facility	\$ 21,232,442
Less Existing Staff and costs-Transferred to facility	\$ (3,887,080)
Net Operations Cost FY 18-19	\$ 17,345,362

The above staffing estimate includes the following additional full-time positions:

- Fifty-seven additional Custody Deputies positions at various ranks, and
- Thirty-six civilian support positions, including: Custody Records, Utility Workers, Accounting, Food Services, and Maintenance.

The services and supplies estimate takes into account all the costs relative to the inmates housed in the facility based upon Sheriff's current experience, in addition to a contract for a private medical mental health entity to provide services to the Medical/Mental Health housing and related expanded services in the Northern Branch Jail.

Separate from the Northern Branch Jail project, a portion of the Medium Security Facility (MSF) may be repurposed. The original Honor Farm was converted to the MSF in 2006. Since then, the County has been forced to house up to 285 inmates in a space rated for 161. The MSF is a dormitory style building,

built in 1961 that now houses inmates of a higher classification than intended. After the Northern Branch Jail project is completed the MSF may be refurbished, re-purposed, and/or redesigned as necessary as a future project. No funding has been identified for the MSF redesign or refurbishment.

Cash Flow Analysis for Construction Costs

A team consisting of members of the Sheriff's Office, General Services, Treasurer, Auditor-Controller, County Counsel and the CEO met and brainstormed methodologies on covering the County's remaining capital project obligation. The team concluded that there are three options available to the County to fund the \$9.7 million in capital matching costs remaining for this project. The options are:

- Option 1: Issue \$10 million in COPs beginning in December 2015 (*Attachment A*)
- Option 2: Issue \$5 million in COPs beginning in December 2015 and contribute \$4.7 million in additional funds in stages between December 2012 and December 2015 (*Attachment B*)
- Option 3: Contribute \$9.7 million in additional funds from another County source in stages between December 2012 and December 2015. (*Attachment C*)

Certain assumptions are common to all the models as follows:

- The Jail Operations Designation remains in place and the funding identified in future fiscal years will occur.
- Initial capital project costs such as architectural fees and utility work are covered by advancing funds from the designation in fiscal years 2012-13 through 2014-15. In options 1 and 2, these advances are then reimbursed by the Certificate of Participation issued in 2015.
- The County will be required to advance payment to the contractors for costs that are the responsibility of the State. The State will reimburse the County for their portion of ongoing project costs, until they have reimbursed up to 90% of their project responsibility.

OPTION 1: This option assumes that \$10 million in COPs will be issued in December 2015 to cover the County match in its entirety. The majority of the expenditures will occur in the three fiscal years prior to issuance, so the majority of the debt proceeds will be used to reimburse the Jail Operations Designation. The remaining funds will be spent in the following fiscal year.

OPTION 2: This option assumes that only \$5 million in COPs are needed to cover eligible costs and that the remaining \$4.7 million will come from a combination of the Jail Operations Designation and from another County source. The Jail Operations Designation had \$3 million on account as of FY2012-13. Strategic Reserve or Proposition 172 revenue from the Sheriff's Office could be used to cover the \$1.7 additional cash contribution.

OPTION 3: This option assumes that no debt is issued and \$6.7 million of additional funding is added to the Jail Operations Designation, combined with the \$3 million currently in the designation, to fund the \$9.7 million match.

Options for Funding Northern Branch Jail Operations

The \$17 million of increased jail operations cost will have a significant impact on the total available discretionary revenue in a given year. Given the Board's continued prioritization of public safety, the County Executive Office proposed and Board adopted Jail Operations Funding Plan. (*Attachment D*)

The Jail Operations Funding Plan is predicated on using a portion of the estimated discretionary revenue growth in future years. For example, discretionary revenue in FY 2012-13 is expected to be \$208.9

million, yet Fiscal Year 2017-18 discretionary revenue is preliminarily estimated to be \$227 million. This is estimated to be net new discretionary revenue of \$20 million. It is critical to note that:

- Fire District has been committed 25% of the future property tax growth until the Fire District is receiving 17% of the property taxes county wide which is estimated to take until FY2021-22;
- Discretionary growth estimates five or more years in the future are based in current understanding about what may occur in the future, and
- Property, retail sales and Transient Occupancy taxes, the largest sources of discretionary revenue, are economically volatile; often quick to decline and slow to recover.
- In addition to the jail, we anticipate other funding needs, such as increasing retirement costs, deferred maintenance, Other Post Employment Benefit (OPEB) costs.

Public safety departments receive a portion of the state sales tax revenues under Proposition 172. Current estimates are that the Sheriff's Department will receive \$14.5 million in FY 2012-13 under the provisions of Proposition 172. Proposition 172 revenue is estimated to increase in a range from 7% to 11% by FY 2017-18 from the current year. This would be between \$0.95 and \$1.6 million of additional Proposition 172 revenue to the Sheriff's Department.

Several options for new discretionary revenue have been considered in recent years. In November 2010 voters defeated a half-cent sales tax increase to fund the Northern Branch Jail and other public safety programs. It was estimated that the Measure S sales tax increase would have raised a total additional \$30 million annually. In February 2012, the Board considered placing on the ballot a measure to tax onshore oil production. A variety of oil production tax options were presented that would generate an estimated \$1.0 to \$3.4 million annually. In June 2012, the Board discussed placing on the ballot an increase in the Transient Occupancy Tax (TOT) rate for hotels in the unincorporated area from 10% to 12%. It was estimated that an additional \$1.1 to \$1.5 million would be collected annually if the rate increase was approved by the voters.

Another option that could be considered by the Board would be the reduction of other services to fund the required net \$17 million for jail operations. A reduction of approximately 7.2% General Fund Contribution to all other departments would have significant service delivery consequences and might jeopardize the ability to draw state and federal dollars that require specific local match.

Attachments:

Attachment A – Adopted Plan for Future Jail Operations Funding

Attachment B – Option 1 Cash Flow Chart

Attachment C – Option 2 Cash Flow Chart

Attachment D – Option 3 Cash Flow Chart

Authored by:

Dennis Bozanich, Assistant to the County Executive Officer