

**TO: BOARD OF SUPERVISORS**  
**THROUGH: COUNTY EXECUTIVE OFFICER**  
**FROM: JIM BROWN, COUNTY EXECUTIVE OFFICE**

**SUBJECT: EXPLORE FINANCING OPTIONS FOR PHASE II OF THE JOHN LATORRACA CORRECTIONAL CENTER EXPANSION**

**SUMMARY:** On February 9, 2016 the Board of Supervisors approved acceptance of the California Board of State and Community Corrections (BSCC) conditional award of \$40 million of SB 863 Lease Revenue Bond funds for the expansion and remodeling of the John Latorraca Correctional Center (JLCC). The estimated project budget was \$45.020 million with revenue bond funding of \$40 million and a local 10% cash and in-kind funding match of \$5.020 million. This project will upgrade, expand or add necessary infrastructure, dormitory space, program space, a new sally port for intake and release of inmates, a new kitchen and laundry facility and a medical and mental health building addition to the existing administration building. This project will bring the structure to current codes, increase security, increase capacity and provide needed space for program and services. This phase of the project is moving forward, but construction has not yet begun due to delays with the State.

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**STAFFING IMPACT:** None at this time.

**FISCAL IMPACT:** None by this action.

**CONTRACT / RESOLUTION / ABSTRACT/OTHER SUBMITTED:**

**REVIEW:**

☒ Auditor-Controller

☒ CEO

☒ Counsel

☒ Admin Services

**REQUEST/RECOMMENDATION/ACTION NEEDED:**

- 1) Authorize staff to explore financing options for the John Latorraca Correctional Center Expansion, including the issuance of a General Obligation Bond (GO bond) or Certificates of Participation Notes (COP).
- 2) Authorize staff to identify qualified consultants to assist with financing options for Phase II of the John Latorraca Correctional Center Expansion and return to the Board for consideration of any necessary agreements.

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*For Board Staff Only*

*Target Date: June 4, 2019*

**Summary continued:**

Phase II of the plans for improved correctional facilities is to expand the John Latorraca Correctional Center site and close the Main Jail permanently. The long term vision was that the combined remodel and Phase II Jail Expansion would increase the jail capacity to approximately 850 inmates all located in one location. In addition to the maximum security corrections component at the Main Jail, there are administrative and other operational units within the Sheriff's organization that will need to be addressed in the administrative wing of the Main Jail or relocated to other facilities.

The Downtown Merced Jail was constructed in 1968 with an inmate capacity of 170 (no female inmates are housed in the facility). The Downtown Merced site has serious physical plant and infrastructure issues. In preparation for the correctional facilities, under its contract, CGL Companies, LLC of Sacramento prepared a Facility Conditions Assessment for the John Latorraca Correctional Center, the Juvenile Correction Center and the Main Jail Facility in 2014. The Assessment Summary stated the overall condition of the Main Jail facility was poor. The overall condition index recommended that the facility be replaced. The most recent update (early 2017) identified approximately \$15 million in deferred maintenance costs and a current replacement value of approximately \$25 million.

In August 2017 CGL was contracted to prepare a schematic design of the facility replacement. The estimated cost for a proposed 256 bed facility at that time was approximately \$30 million. This cost does not include costs associated with the demolition of the existing facility or the relocation of administrative functions. Additional work was done at that time to determine the estimated square footage needs and cost of relocating the entire sheriff's operations to include the coroner, evidence storage and special operations vehicle storage into one facility. The cost estimates were approximately \$11 million and to include the other functional areas, the cost would increase to approximately \$22 million.

Staff has been researching various financing alternatives for Phase II. The primary options that have been identified for the project are through issuing Certificate of Participation (COP) notes or a General Obligation bond (GO bond). In the past, the County has issued COPs for financing prior large capital projects and has not previously issued a GO bond. A GO bond is voter-approved debt backed by ad valorem taxes levied on taxable property within the issuing jurisdiction and does not require any County assets as collateral. A COP is backed by the County's General Fund and requires identifying a specific asset (building or buildings) as collateral for the security of the financing. Given the magnitude of deferred maintenance projects for the County as a whole, it seems prudent to explore the possibility of a GO bond.

It is recommended that all financing options be explored, including the feasibility of a GO bond. The first step in exploring options is to engage an outside consultant to help evaluate and assess the feasibility of a GO bond, as well as a firm to conduct some polling to gauge the public interest on a possible tax measure. The estimated cost of the engagement for the lead consultant will be dependent of the length of the engagement and whether a tax measure is placed on a future ballot. The polling firm engagement will be dependent of factors such as the length of the poll and sample size.

It is recommended that the Board authorize staff to explore financing options for Phase II of the Merced County Jail Expansion and engage outside professionals to assist with the feasibility of a GO bond.