

CORRECTIONS STANDARDS AUTHORITY

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To: AB 900 CONDITIONALLY AWARDED COUNTIES –
SHERIFFS
DIRECTOR, LOCAL DEPARTMENT OF CORRECTIONS
PROJECT CONTACT PERSONS

Subject: Bulletin 10-LJCFP 03
Program Update
AB 900 Local Jail Construction Financing Program

The purpose of this bulletin is to provide an update on the Assembly Bill (AB) 900 jail construction program.

Corrections Standards Authority (CSA) Board Actions – Overmatch and Retention

On May 6, 2010 the CSA Board took action on two AB 900 items addressing concerns raised by counties. The first item relates to overmatch, pertinent to projects that proposed greater than 25 percent match. The Board's action allows those counties to decrease their match to 25 percent, keeping with the same project scope, without additional state dollars, and within the minimum match requirements set forth in legislation and the Request for Proposals (December 2007). Keep in mind CSA staff is available to work with every AB 900 county on ways to meet the match requirements. The second board action addresses the percentage of state dollar retention withheld at the end of the project until all final programmatic requirements have been met. The retention amount was reduced to five percent (five percent of the total state dollar amount).

Amendments to Contractual Agreements

Editing is underway to the CSA Jail Construction Agreement, Project Delivery and Construction Agreement, and Ground Lease. These amendments are global in nature and are being made in response to questions or concerns raised by counties. The amended agreements will be posted on the CSA website and a notice will be sent to the designated contact persons in each county as that posting occurs.

Nearly every county has requested the ability to invoice the State for reimbursement of eligible construction costs more frequently than quarterly, as is the stipulated invoicing interval stated in the CSA Agreement. Counties will have the ability to invoice more frequently than quarterly – monthly or bi-monthly is acceptable.

Department of Finance Plan for Financing AB 900 Construction Projects

The State has had minimal access to initiate lease revenue bond funded projects over the last couple of years. This is because loans from the Pooled Money Investment Board (PMIB), the previous source of funding to initiate lease revenue bond funded projects, have been very limited (only court-ordered projects have been approved for funding).

As the AB 900 state teams engaged in discussions with the counties in recent months and the concerns regarding initial funding sources were raised, it appeared that the only way to ensure the counties would receive funding was to commit to complete the sale of bonds earlier than was the normal process. As Department of Finance (DOF) staff began to investigate this option, it became apparent that the requirements that would be placed upon the counties by a lease revenue bond sale would be onerous, present investors with more risk (since projects would not be complete), and would be considerably more expensive for the State (who would be paying for the long-term costs).

As a result, the DOF is looking more diligently to re-initiate loans with the PMIB until the projects are closer to occupancy. The ability to fund the jail projects with State loans will provide more certainty of completion prior to selling bonds. In the event the PMIB has not changed its policy, the Director of DOF could authorize General Fund loans which would ultimately be repaid with a loan from the PMIB or the sale of bonds.

The DOF is committed to working with each county and their unique needs and project schedules to ensure that funds will be available when each county is ready and has fulfilled the balance of the CSA program requirements.

In closing, CSA staff and its AB 900 state team partners are available to assist counties throughout this process. Please do not hesitate to call on us at any time.

Sincerely,



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