

SB

97

SFIN

FILE

FISCAL NOTE No. 53

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Bill Verson: SB 97

(S) Publish Date: 3-25-97

Revision Date: 3/20/97
 Title: "An Act giving notice of and approving a lease-purchase...Spring Creek Correctional Center...and operation."
 Sponsor: Senator Torgerson
 Requester: HESS, Finance

Dept. Affected: DOT&PF
 BRU: Central Region Design & Construction
 Component: Central Region CIP Program
 COMPONENT SERIAL NO. 563

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Department of Transportation and Public Facilities does not have a role in the proposed lease-purchase agreement. It is an action between Department of Administration and the City of Seward for the construction and operation on an addition to the Spring Creek Correctional Center.

Prepared by: Mike Downing, P.E., Director
 Division: Engineering and Operations
 Approved by: Joseph L. Perkins
 Agency: Department of Transportation and Public Facilities

Phone: 465-2960
 Date: 3/20/97
 Date: 3/20/97

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FISCAL NOTE

No. 1
 Bill Version: SB97
 (S) Publish Date: 3/19/97

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Revision Date: _____ Dept. Affected: Corrections
 Title: "An Act giving notice of and approving a lease BRU: All
purchase agreement with the City of Seward for construction and..." Component: All
 Sponsor: Senator Torgerson
 Requester: Senate HESS COMPONENT SERIAL NO. #0694

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	176.5	479.3	2,911.7	2,911.7	2,911.7	2,911.7
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	20.0	20.0	4,571.8	4,571.8	4,571.8	4,571.8
TOTAL OPERATING	196.5	499.3	7,483.5	7,483.5	7,483.5	7,483.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	196.5	499.3	7,483.5	7,483.5	7,483.5	7,483.5
1005 GF, Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	196.5	499.3	7,483.5	7,483.5	7,483.5	7,483.5

Estimate of any current year (FY97) cost: \$ 0.0

POSITIONS

FULL-TIME	3	47	44	44	44	44
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Please see attached explanation.

Prepared by: Bruce Richards
 Division: Commissioner's Office *Margaret M. Pugh*
 Approved by Commissioner: Margaret M. Pugh
 Agency: Department of Corrections

Phone: 465-3307
 Date: 3/11/97
 Date: 3/11/97

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Assumptions

It will be necessary for the Department of Corrections (DOC), as well as the Department of Transportation and Public Facilities, to be involved in the planning and oversight of this project throughout its construction phase, which will take two years. DOC estimates it will need three new positions to perform the necessary functions associated with this expansion project.

Criminal Justice Planner (73.7) This position will be responsible for prisoner movement, programming, staffing and operational start-up. This will be a full-time position through project completion.

Facilities Manager I (68.7) The manager will serve as DOC's first line of oversight for facility design and construction. The position will continue through final acceptance of the facility.

Administrative Clerk I (34.1) This position is required throughout the project to complete research, maintain files and records, and provide support to the Criminal Justice Planner and the Facilities Manager.

\$20.0 annually is included in the fiscal note to pay for office space, equipment, supplies, travel, etc. for the three positions noted above.

Actual operation of the expansion would begin in FY00, with staff hiring and training to begin in late FY99. This cost is estimated to be \$302,800. This figure includes training and salary costs. Staffing of the new facility would require forty-four additional security and administrative support staff.

Operating Costs

Assuming that the facility can be constructed in two years, operational costs would be incurred beginning in FY 00. Assuming that the prisoners in the facility would be classified close/maximum custody, and assuming that the facility housed 250 prisoners, the DOC would need to hire forty-four additional security and support staff at a cost of \$2,911,700 per year. Non personnel institution costs which include supplies, food, clothing etc. would cost an additional \$2,012,400 per year. Indirect costs which include Inmate Programs, Inmate Health Care, Admin, Institution, etc. would cost an additional \$2,559,400 per year. This is a total operating cost of \$7.5 million per year.

44 security and support staff = \$2,911.7

Non-personnel institution costs = \$2,012.4

Indirect costs (Inmate Programs, Inmate Health Care, etc) = \$2,559.4

Total Operating Costs = \$7,483.5

Revision Date: _____ Dept. Affected: Revenue
 Title: Lease-Purchase Spring Creek Correctional BRU: Revenue Operations
 Component: Treasury
 Sponsor: (S) RLS
 Requestor: (S) HES COMPONENT SERIAL NO. 121

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS - LEASE PAYMENTS		2,577.2	2,575.1	2,577.2	2,577.9	2,575.2
TOTAL OPERATING	0.0	2,577.2	2,575.1	2,577.2	2,577.9	2,575.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	2,577.2	2,575.1	2,577.2	2,577.9	2,575.2
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	2,577.2	2,575.1	2,577.2	2,577.9	2,575.2

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes a lease-purchase agreement with the City of Seward for up to \$25.0 million for expansion of the Spring Creek Correctional Facility.

Assuming a project cost of \$25.0 million, current interest rates plus 75 bp (3/4% per annum), approximately equal annual payments of principal and interest and a fifteen year lease term, the projected lease payments are approximately \$2.6 million per year or \$38.7 million over the lease term. See attached debt service schedule.

(The Department of Revenue's analysis continues on the attached page.)

Prepared by: Forrest Browne *Forrest Browne* Phone: 465-3750
 Division: Treasury Date: March 4, 1997
 Approved by Commissioner: Ross Kinney, Deputy Commissioner *Ross Kinney* Date: March 4, 1997
 Agency: Revenue

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The Department of Revenue recommends several changes to the proposed bill to facilitate the proposed lease-purchase financing at minimum cost to the State. Essentially these changes are:

1. To clarify that the state bond committee will coordinate the financing.
2. To eliminate the requirement that the City of Seward be the lessor and nominal issuer of the financing, to maintain flexibility if a more cost-effective financing structure can be used.
3. To recognize that approximately \$31.0 million of existing Spring Creek Correctional Facility lease-purchase financing is currently outstanding and may need to be restructured or refinanced to accommodate the proposed \$25.0 million expansion at minimum interest cost to the State.
4. To clarify that both the correctional facility and the land will be owned by the State at the end of the term of the lease agreement.

The recommended language changes to the bill to accomplish the above are:

Line 1-2, page 1: eliminate "with the City of Seward".

Line 8, page 1: after "correctional facilities," add "the state bond committee is authorized to arrange for the issuance of certificates of participation for and".

Line 9-10, page 1: after "lease-purchase agreement" eliminate "with the City of Seward under AS 33.30.03".

Line 12, page 1: after "commissioner of corrections." add "Additionally the state bond committee is authorized to arrange for the refinancing of approximately \$31.0 million of outstanding lease-purchase financing on such terms and conditions as are reasonably required to accomplish this Spring Creek Corrections expansion project."

Line 2, page 2: after "(2) the" add "additional".

Line 3, page 2: after "the anticipated" add "additional".

Line 3-4, page 2: eliminate "to be paid by the Department of Corrections".

Line 6, page 2: after "correctional facility" add "and all real estate appurtenant to the correctional facility;"

Dated: 2/1/98
 Delivered: 2/1/98

Sizing Debt Services Schedule
Spring Creek Correctional - Ex
CURRENT RATES +75bp

Fiscal Yr	Coupon MYY	Zer Date	Coupon Cpn	Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Capitalized Interest	Debt Svc Rsv Int & Prin	Cntgncy Fnd Int & Prin	Net Semi-Annl Dbt Svc	Net Fiscal Dbt Svc
2	99	8/1/98				728,597.50	728,597.50				728,597.50	
8	99	2/1/99	N	4.650	1,120,000.00	728,597.50	1,848,597.50				1,848,597.50	2,577,195.00
1	2	0	8/1/99			702,557.50	702,557.50				702,557.50	
8	0	2/1/00	N	4.950	1,170,000.00	702,557.50	1,872,557.50				1,872,557.50	2,575,115.00
2	2	1	8/1/00			673,600.00	673,600.00				673,600.00	
8	1	2/1/01	N	5.150	1,230,000.00	673,600.00	1,903,600.00				1,903,600.00	2,577,200.00
3	2	2	8/1/01			641,927.50	641,927.50				641,927.50	
8	2	2/1/02	N	5.300	1,295,000.00	641,927.50	1,936,927.50				1,936,927.50	2,578,855.00
4	2	3	8/1/02			607,610.00	607,610.00				607,610.00	
8	3	2/1/03	N	5.450	1,360,000.00	607,610.00	1,967,610.00				1,967,610.00	2,575,220.00
5	2	4	8/1/03			570,550.00	570,550.00				570,550.00	
8	4	2/1/04	N	5.600	1,435,000.00	570,550.00	2,005,550.00				2,005,550.00	2,576,100.00
6	2	5	8/1/04			530,370.00	530,370.00				530,370.00	
8	5	2/1/05	N	5.700	1,515,000.00	530,370.00	2,045,370.00				2,045,370.00	2,575,740.00
7	2	6	8/1/05			487,192.50	487,192.50				487,192.50	
8	6	2/1/06	N	5.800	1,605,000.00	487,192.50	2,092,192.50				2,092,192.50	2,579,385.00
8	2	7	8/1/06			440,647.50	440,647.50				440,647.50	
8	7	2/1/07	N	5.900	1,695,000.00	440,647.50	2,135,647.50				2,135,647.50	2,576,295.00
9	2	8	8/1/07			390,645.00	390,645.00				390,645.00	
8	8	2/1/08	N	6.000	1,795,000.00	390,645.00	2,185,645.00				2,185,645.00	2,576,290.00
10	2	9	8/1/08			336,795.00	336,795.00				336,795.00	
8	9	2/1/09	N	6.100	1,905,000.00	336,795.00	2,241,795.00				2,241,795.00	2,578,590.00
11	2	10	8/1/09			278,692.50	278,692.50				278,692.50	
8	10	2/1/10	N	6.200	2,020,000.00	278,692.50	2,298,692.50				2,298,692.50	2,577,385.00
12	2	11	8/1/10			216,072.50	216,072.50				216,072.50	
8	11	2/1/11	N	6.200	2,145,000.00	216,072.50	2,361,072.50				2,361,072.50	2,577,145.00
13	2	12	8/1/11			149,577.50	149,577.50				149,577.50	
8	12	2/1/12	N	6.300	2,285,000.00	149,577.50	2,434,577.50				2,434,577.50	2,584,155.00
14	2	13	8/1/12			77,600.00	77,600.00				77,600.00	
8	13	2/1/13	N	6.400	2,425,000.00	77,600.00	2,502,600.00				2,502,600.00	2,580,200.00
25,000,000.00						13,664,870.00	38,664,870.00				38,664,870.00	38,664,870.00

True Interest Cost (TIC).....6.1411183
 Net Interest Cost (NIC).....6.1393805
 Arbitrage Yield Limit (AYL).....6.0192042
 Arbitrage Net Interest Cost (ANIC)..... 6.0508203

Prepared by: FORREST BROWNE, DOR - TREASURER
 Prepared on: 3/3/97 10:53 8.05 Rpt 14
 Record ID: SCDOC-1998-K :MUNIDB