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FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 97

Revision Date: _____ Dept. Affected: Corrections
 Title: "An Act giving notice of and approving a lease
purchase agreement with the City of Seward for construction and..." BRU: All
 Sponsor: Senator Torgerson Component: All
 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 and 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

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. SB 97

Revision Date: 3/20/97 Dept. Affected: DOT&PF
 Title: "An Act giving notice of and approving a lease-purchase...Spring Creek Correctional Center...and operation." BRU: Central Region Design & Construction
 Sponsor: Senator Torgerson Component: Central Region CIP Program
 Requester: HESS, Finance 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						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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, Commissioner
 Agency: Department of Transportation and Public Facilities

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

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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						
----------------------	--	--	--	--	--	--

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 bps (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	Coupon 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	4.850	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	38,664,870.00	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 - TREASURY
 Prepared on: 3/3/97 10:53 8.05 Rpt 14
 Record ID: SCDOC-1998-K :MUNIDB

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 2/19/97

FURTHER: Finance

Date of 5-Day Notice: 3/6/97
(in accordance with Uniform Rule 23)

DATE TURNED IN TO OFFICE: 3/19/97

HESS Committee considered SENATE BILL NO. 97

"An Act giving notice of and approving a lease-purchase agreement with the City of Seward for the construction and operation of an addition to the Spring Creek Correctional Center, and setting conditions and limitations on the facility's construction and operation."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
		<i>[Signature]</i>	✓		
		<i>[Signature]</i>	✓		
		<i>[Signature]</i>	✓		
CHAIR:		CHAIR:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
Corrections	3/11/97		✓
Revenue	3/4/97		✓

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Alaska State Legislature



Committee Membership

Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

Senator John Torgerson

District Address:
145 Main St. Loop; Ste. 226
Kenai, AK 99611
(907) 283-2690
fax 283-9267

Session Address:
State Capitol; Room 514
Juneau, AK 99801-1182
(907) 465-2828
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Sponsor Statement

SB 97: Lease-Purchase Spring Creek Correctional Facility

This bill authorizes a maximum of \$25 million for the expansion of the existing correctional facility at Spring Creek, in Seward, Alaska. The expansion would be constructed by the City of Seward. The annual payments for the lease from the State of Alaska will retire the bond obtained by the City for the project's funding.

The proposed addition will provide 250 long term maximum and medium security beds. It will be a stand alone structure and conforms to the basic construction criteria for the existing core unit which was built in 1988. That facility was also constructed by the City of Seward and the funding process was similar to this proposal.

The need for additional in-state prison facilities is well documented. Alaska's jails and prisons are severely overcrowded and we face substantial fines for any violation of court ordered population limits at our correctional facilities.

Construction and operation of this correctional project will clearly show a commitment by the legislature to respond to the public's demand to deal with accelerating crime rates. Obviously, more arrests requires additional jail and prison facilities to house the criminals.

It is important to recognize that the State of Alaska has not significantly increased the number of prison beds since 1988 ... when the Spring Creek Correctional Center in Seward opened.

SS - SB 97: S(HES): 3/10/97: mj

Representing the Kenai Peninsula

Alaska State Legislature



Committee Membership

Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

Senator John Torgerson

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Sectional Analysis

SB 97 - Lease-Purchase Spring Creek Correctional Facility

Section 1: (a) (1) Authorizes a lease-purchase agreement with the City of Seward, so that the City can finance and construct an addition to the existing correctional facility with a maximum facility cost.

(2) Sets forth the maximum annual rental obligation amount and the maximum full term lease payment amount.

(3) Specifies that the state shall own the facility at the end of the lease term.

(4) Specifies that the addition must be designed and constructed to provide at least 250 additional bed.

(b) Provides the notice and approval required by statute.

Alaska State Legislature



Committee Membership

Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

Senator John Torgerson

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Information Packet - Senate HESS Committee SB 97: Lease-Purchase Spring Creek Correctional Facility

- Lease-Debt Service Illustrations
- 3/10/97 letter to Senator Torgerson from Alaska State Employees Association
- 2/10/97 letter to Senator John Torgerson and Representative Gary Davis from Seward Mayor Bencardino
- 11/01/96 letter to Chief of Staff Jim Ayers from Seward Mayor Bencardino
- 10/31/96 memorandum to Seward Mayor Bencardino from Seward Finance Director Rick Gifford
- 10/3/96 letter to City Manager Ron Garzini from Spring Creek Superintendent Larry Kincheloe
- 10/02/96 Population Increase Worksheets (attachment to above 10/3/96 letter)
- 09/16/96 letter to City Manager Ron Garzini from Strand Hunt Construction
- 1985 Prison Lease Flow Chart

SB 97: S(HES) Bill Packet: mj



PUBLIC FINANCIAL MANAGEMENT, INC.

Financial and Investment Advisors

114 West Seventh Street, Suite 1500
Austin, Texas 78701
512-472-7194 (Fax) 512-472-0932

To: Eric Wohlforth
Ron Garzini

From: Don Grimes

Date: Wednesday, January 15, 1997

Re: Spring Creek Expansion Legislation - Debt Service Information

At Eric's request, I have calculated annual and total debt service on a state lease of a Spring Creek expansion which I understand is under consideration. I have used interest rates which are probably about 100 basis points (1%) higher than current market rates for a publicly offered transaction to allow some cushion for market fluctuations.

I am concerned that the sizing may be too simplistic and just want to point out the first Spring Creek issue did not have any principal maturing until the end of the third year of the lease and had 30 months of capitalized interest included in the sizing. There was also an additional year of debt service set aside in a Reserve Fund. Issuance costs, including bond insurance, were also paid from the proceeds. I am enclosing a copy of the Official Statement cover page and source/use of funds page for easy reference.

I will be happy to do a detailed sizing analysis or other scenarios if you will supply more information. Best regards to you both for the New Year.

Spring Creek Correctional Center Lease
City of Seward, Alaska / State of Alaska
Debt Service Illustrations
15-Jan-97

<u>Issue Size</u>	<u>Term of Lease</u>	<u>Interest Rate</u>	<u>Average Annual Debt Service</u>	<u>Total Debt Service</u>
\$ 21,000,000	15 Years	6.75%	\$ 2,269,378	\$ 34,040,663
	20 Years	7	1,982,138	39,642,750
	25 Years	7.25	1,842,559	46,063,975
\$ 25,000,000	15 Years	6.75	2,701,487	40,522,300
	20 Years	7	2,359,798	47,195,950
	25 Years	7.25	2,193,814	54,845,350



ALASKA STATE EMPLOYEES ASSOCIATION

AFSCME Local 52, AFL-CIO

March 10, 1997

Senator John Torgerson
State Capitol, Room 514
Juneau, AK 99801

Dear Senator Torgerson:

As the Statewide President of the Alaska State Employees Association, AFSCME Local 52, I am writing to you to express my support of SB97, the Spring Creek Correctional Facility Expansion Authorization legislation.

On behalf of all correctional officers around the state, I want to thank you for bringing forward this legislation which would authorize construction of the final phase of Spring Creek. Expanding Spring Creek is a win-win situation for everyone. Unlike the private facilities being talked about in Anchorage, the people of Seward want this project. There are no zoning or siting problems because the Spring Creek facility has proven itself to be a good neighbor. Seward's experience with Spring Creek is that the state can operate a safe, efficient, effective corrections facility. The City of Seward is so positive about this experience that they are willing to finance the construction costs themselves.

I am sure you are aware that over the past ten years the State of Alaska has fallen behind in constructing facilities to house our growing prison population. The lack of new prison beds has created a serious overcrowding problem and a dangerous working environment for corrections officers. As a temporary solution, the state has been forced to ship inmates to out-of-state facilities at an ever increasing cost. This practice removes money from our economy to the benefit of outside interests. We need this money and these jobs in our state. It's good for Alaska and good for a town like Seward.

ASEA represents over on hundred and fifty correctional officers who work at the Spring Creek Correctional Facility. Since the completion of the initial phase of construction, a growing number of these correctional officers have moved permanently to the Seward or Kenai Peninsula area. At present, approximately 60% of these correctional officers have found housing and employment for family members in Seward. We hope this trend continues into the future as we expand the Spring Creek Correctional Facility to its maximum designed capacity.

ANCHORAGE OFFICE

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Anchorage, AK 99501
(907) 277-5200 FAX (907) 277-5206
TOLL free: 800-478-ASEA

JUNEAU OFFICE

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Juneau, AK 99801
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TOLL free: 800-478-0049

FAIRBANKS OFFICE

315 Barnette Street, Suite 104
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TOLL free: 800-478-2305

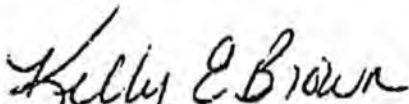
Spring Creek Expansion

Page 2

As more corrections officers move to Seward, they become involved in the local community. These men and women make Seward an even better place to live. They buy homes, shop in the stores, join the PTA, become active in community councils and add revenue to the local tax base. They take advantage of the abundant recreational activities that Seward has to offer. Correctional officers are finding that Seward has a lot to offer. As Seward expands, opportunities for additional and ancillary employment and housing follows. Expanding the Spring Creek Correctional Facility will help the City of Seward in this growth.

SB97 is positive legislation for Alaska; let's work together to make it happen.

Respectfully,


Kelly E. Brown
President

CITY OF SEWARD

P.O. BOX 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- Fax (907) 224-3248

February 10, 1997

Senator John Torgerson
Room 514
State Capitol
Juneau, AK 99801-1182

Representative Gary Davis
Room 420
State Capitol
Juneau, AK 99801-1120

Subject: Spring Creek Expansion

I am writing to you to update you on our efforts to promote an expansion of Spring Creek Correctional Facility. As you can see from the attached letter, we quoted a rate of \$52.28 per inmate per day for an expansion. These figures came from City of Seward finance officials and Spring Creek management.

We are hearing a number of misleading things from Juneau which are probably being generated by those who are promoting their own solution to Alaska's prison overcrowding. For your use, the following are a list of those claims and our responses.

1. There is a morale problem at Spring Creek. This is somewhat true.
People are being hired who are planning to transfer as soon as they are hired. The seven day on/seven day off schedule is a disaster. Any action to expand Spring Creek could, and should, involve direction to encourage local hire, discourage transfer, and eliminate the seven day on/seven day off schedule. This is not the North Slope. There are currently over thirty vacant houses in Seward under \$125,000. As you know Seward is a nice place to live. Direct that new hires and new contracts be on a regular schedule.
2. A private facility is cheaper. True, except for Spring Creek expansion.
A private facility could be cheaper than any alternative except expansion of Spring Creek. If the goal is hard beds for long term prisoners, any intelligent analysis would show Spring Creek expansion to be the most cost effective. For up to 500 more beds no one can compete with Spring Creek because Spring Creek was originally built to allow for expansion. Also, the staff increments are less demanding. (See the letter from the current Superintendent) A Spring Creek expansion would be cheaper than beds in the Lower 48.

Senator Torgerson
Representative Davis
February 10, 1997
Page 2

3. The City built Spring Creek in 1985 and there were engineering problems and construction cost overruns. Not true.
The City of Seward financed Spring Creek. ADOT and Corrections designed and built Spring Creek. The contractors and designers were hired and supervised by ADOT. The City played no role. We did get a great rate for the bonds!
4. The State could finance Spring Creek cheaper. Possibly true.
General Obligation Bonds would normally be cheaper than lease financing. The amount of savings difference between A or AA rated bonds is minimal. My opinion is that GO Bonds are not possible. I wouldn't vote for them, and many Alaskans would not because GO Bonds and conventional prison development is not the most cost effective way to add beds.
5. Seward prison expansion competes with the private jail/prison in Anchorage. Somewhat true.
See our November 1, 1996 letter to Mr. Ayers. We only compete with the Anchorage facility for long term hard beds. We think we are a better site and for up to 500 long term new beds, a cheaper operation and site. We support the jail in Anchorage. It will ultimately be less expensive to add long term beds to any facility already constructed if an addition is planned.

If there are further public discussions about Spring Creek and how it was built or how it could be expanded please let us know. We are eager to participate. We hear a lot of misinformation and would like to add some accurate information to the mix. The morale comments about Spring Creek are particularly disturbing. That is the State's fault, not Seward's

Sincerely,
CITY OF SEWARD, ALASKA



RONALD A. GARZINI
CITY MANAGER

RG:ygw

cc: Honorable Mayor and Members of Council
Port and Commerce Advisory Board
Kent Dawson

CITY OF SEWARD

P.O. BOX 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3138
- Fire (907) 224-3445
- Fax (907) 224-3248

November 1, 1996

Mr. Jim Ayers, Chief of Staff
Office of the Governor
P.O. Box 110001
Juneau, AK 99811-0001

Subject: Prison Expansion

Dear Mr. Ayers:

As you know Seward has been very interested in policy discussions regarding the State's plans to meet the growing prison population. Further, as discussions about private vs. public prisons and how to fund needed beds go on endlessly, we see another serious problem evolving besides a shortage of beds.

The prisoner mix at Spring Creek is changing. It was designed and built as a high security facility for long term inmates. Over time as more and more prisoners are exported (all long term high security) Spring Creek's population is becoming more jail like (shorter term). We are becoming concerned that this trend is unhealthy for Spring Creek, its employees and the community. If you talk to employees at Spring Creek they will tell you long term high security does not mix well with the new people.

In the past we have offered to help the State with its shortage of long term beds. We cannot help with short terms beds but we do want to make you aware that we support the immediate development of a jail facility in the Anchorage area. Further, as the jail facility in Anchorage is being built we recommend a 250-bed expansion to Spring Creek to make it possible to return Alaska's exported prisoners.

Working with an Alaska contractor Strand Hunt, our financial advisor, and the Spring Creek operating budget, we forecast a cost for 250 new beds at \$52.28 per day. See the attached memorandum from Finance Director Rick Gifford. That figure includes debt and operations but excludes medical services. This figure is lower than the current cost for exported prisoners. We see no reason to export prisoners when we can compete price wise here in Alaska by further completing the Spring Creek facility.

Regardless of the decision that is made for Spring Creek, a new jail must be built in the Anchorage area as soon as possible. We are ready to support any efforts to that end be they public or private.

Jim Ayers
November 1, 1996
Page 2

As a companion to that effort we hope you will consider allowing us to bid to assist with returning our long term prisoners to Spring Creek.

Sincerely,
CITY OF SEWARD, ALASKA

COPY

LOUIS BENCARDINO
MAYOR

LB:ygw

cc: Anchorage Mayor Rick Mystrom

Enclosure: October 31, 1996 memorandum from Finance Director Rick Gifford

MEMORANDUM



DATE: October 31, 1996

TO: Mayor Louis Bencardino

FROM: Rick L. Gifford, Director of Finance *RG*
& Administrative Services

SUBJ: SCCC Expansion

Per your request, I have reviewed the information provided by the Spring Creek Correctional Center (SCCC) budget, to determine the additional cost per man day for an expansion for an additional 250 residents. The expansion, including the debt service for the expansion will cost approximately \$52.28 per man day for the additional 250 residents. The following computations support the \$52.28 cost per man day:

- ▶ Debt service is \$1,603,545 annually based on financing \$20 million over 30 years at a 7% interest rate. The annual debt service is based on equal payments for 30 years. Annual payments can be structured under several alternatives which could increase or lower the total financing costs.
- ▶ 250 resident increase X 365 days = 91,250 man days annually.
- ▶

Annual increment costs	\$ 3,167,710	=	\$34.71 per man day
Annual debt service	<u>1,603,545</u>	=	<u>17.57</u> per man day
Total	<u>\$ 4,771,255</u>	=	<u>\$ 52.28</u> per man day

The above figures do not include medical costs.

If you have any questions or would like to review the above with me, please contact me.

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF CORRECTIONS

SPRING CREEK CORRECTIONAL CENTER

MILE 5 NASH ROAD
P.O. BOX 2109
SEWARD, ALASKA 99664
PHONE: (907) 224-8200

3 October 1996

Ron Garzini, City Manager
City of Seward
Post Office Box 167
Seward, Alaska 99664

RE: SPRING CREEK CORRECTIONAL CENTER

Dear Mr. Garzini;

The attached is per your request. This does not take into account debt service or medical costs which were reported in my last data as \$8.00 per day, per prisoner.

Alaska supplements the costs of prisoners in Arizona by paying for medical and prisoner salaries.

Sincerely,



Larry Kincheloe
Superintendent
Spring Creek Correctional Center

LRK:sjl

pc: Frank Sauser, Director, DOI

POPULATION INCREASE WORKSHEET								
Spring Creek Correctional Center								
Resident Increase 250 / Proposal Worksheet								
Date: October 2, 1996								
Page 1 of 3								
ACCT. CODE	DESCRIPTION	UNITS	COST	INCREMENT ONE-TIME	INCREMENT ANNUALLY	ADDITIONAL COMMENTS	Order #	ETA
71000	PERSONNEL Correctional Officer II	30	\$ 60,000.00		\$ 1,800,000.00	PCN's x 30 x @ \$80,000 yr. =		
.....								
72000	TRAVEL				\$ 2,460.00	FY96 Actual X 51% weighted factor		
72380	Non-Employee/Prisoner Travel							
.....								
73000	CONTRACTUALS							
73100	Professional Services				\$ 600.00	FY96 Actual x 51%		
73320	Telephone				\$ 16,900.00	FY96 Actual x 51%		
73380	Postage				\$ 7,800.00	FY96 Actual x 51%		
73420	Motor Pool Charges				\$ 2,700.00	Patrol & Transporting of prisoners		
73460	Freight				\$ 20,000.00	Freight to Procure Food & Non-Food Related Items		
73560	Printing & Binding				\$ 700.00	Prisoner ID Badges, Movement Passes, etc.		
73600	Utilities				\$ 127,000.00	FY96 Actual x 51% x 35% =		
73700	Minor Repair & Maint.				\$ 2,500.00	Non-recoverable restitution for damaged property		
					\$ 178,200.00	CONTRACTUAL TOTAL		
.....								
74000	SUPPLIES							
74200	Office Supplies				\$ 23,800.00	FY96 Actuals x 51%		
74480	Food Supplies (incl. 74490 non-food supplies)				\$ 430,000.00	Base = FY96 Actuals (\$1.57 x 3 x 250 x 365 =)		
74482	Shirts	1000	\$ 7.00	\$ 7,000.00	\$ 7,000.00	Unit cost x 250 @ annual replacement cost.		
74482	Jeans	1000	\$ 7.70	\$ 7,700.00	\$ 3,850.00	Unit cost x 250 @ annual replacement cost x 50%		
74482	Shoes	500	\$ 4.50	\$ 2,250.00	\$ 2,000.00	Estimate		
74482	Socks	1000	\$ 0.65	\$ 650.00	\$ 650.00	Estimate		

POPULATION INCREASE WORKSHEET								
Spring Creek Correctional Center								
Resident Increase 250 / Proposal Worksheet								
Date: October 2, 1996								
Page 2 of 3								
ACCT. CODE	DESCRIPTION Supplies cont'd.	UNITS	COST	INCREMENT ONE-TIME	INCREMENT ANNUALLY	ADDITIONAL COMMENTS	Order #	ETA
74482	Underware Top	1000	\$ 1.54	\$ 1,540.00	\$ 1,550.0	Historic Estimate		
74482	Underware Bottom	1000	\$ 1.32	\$ 1,320.00	\$ 1,350.0	Historic Estimate		
74482	Rubber Boots	250	\$ 9.00	\$ 2,250.00	\$ 1,500.0	Estimate		
74482	Jacket	250	\$ 11.00	\$ 2,750.00	\$ 2,000.0	Historic Estimate		
74482	Bath Towel	500	\$ 2.10	\$ 1,050.00	\$ 1,200.0	Historic Estimate	330859 ?	
74482	Washcloth	500	\$ 1.00	\$ 500.00	\$ 500.0	Historic Estimate		
74482	Laundry Bag	250	\$ 4.30	\$ 1,075.00	\$ 200.0	Historic Estimate		
74482	Baseball Cap	250	\$ 1.87	\$ 468.00	\$ 500.0	Historic Estimate		
74484	Mattress	250	\$ 65.00	\$ 16,250.00	\$ 4,000.0	Historic Estimate	330862	10/8/96
74484	Pillow	250	\$ 6.75	\$ 1,700.00	\$ 850.0	Historic Estimate	330859 ?	
74484	Pillowcase	500	\$ 1.20	\$ 600.00	\$ 600.0	Historic Estimate	330859 ?	
74484	Bedsheet	500	\$ 3.90	\$ 2,000.00	\$ 2,000.0	Historic Estimate	330859 ?	
74484	Blanket	500	\$ 8.17	\$ 2,050.00	\$ 500.0	Historic Estimate		
74486	Soap/Paper Products			\$ 1,000.00	\$ 20,000.0	Historic Estimate		
				\$ 52,153.00	\$ 504,050.0	SUPPLIES TOTALS		
.....								
75000	EQUIPMENT							
	Stainless Steel Dining Tables	52	\$ 1,200.00	\$ 62,400.00	\$ -	Vendor - ACI Wildwood	330858	10/14-31/96
	Metal Wall Lockers	250	\$ 68.00	\$ 17,000.00	\$ -	RFQ Walla Walla - response due 9/13/96	330860	10/10/96
	Metal Wall Shelves	250	\$ 110.00	\$ 27,500.00	\$ -	Vendor - ACI Wildwood	330857	10/14-31/96
	Metal Bunk Beds	250	\$ 242.50	\$ 60,625.00	\$ -	Vendor - ACI Wildwood	330848	10/1-18/96
	Metal Bunk Bed Ladders	125	\$ 52.40	\$ 6,550.00	\$ -	Vendor - ACI Wildwood	330849	10/1-18/96
				\$ 174,075.00	\$ -			
.....								
77000	GRATUITIES							
77000	Prisoner Program Wages	162.5	\$ 0.60		\$ 83,000.0	250 x 65% = 162.5 x \$1.40 day x 365 =		

POPULATION INCREASE WORKSHEET					
Spring Creek Correctional Center					
Resident Increase 250 / Proposal Worksheet					
Date: October 2, 1996					
Page 3 of 3					
COMPONENT SUMMARY: (This Proposal)				COST PER MAN DAY / This Proposal	
71000	PERSONNEL	\$	-	\$ 2,400,000.00	\$ 26.30
72000	TRAVEL	\$	-	\$ 2,460.00	\$ 0.03
73000	CONTRACTUALS	\$	-	\$ 178,200.00	\$ 1.85
74000	SUPPLIES	\$	52,153.00	\$ 504,050.00	\$ 5.52
75000	EQUIPMENT	\$	174,075.00	\$ -	\$ -
77000	GRATUITIES	\$	-	\$ 83,000.00	\$ 0.81
TOTALS			\$ 226,228.00	\$ 3,167,710.0	\$ 34.71
THIS PROPOSAL DOES NOT INCLUDE CONSTRUCTION COSTS AND ONLY EQUIPMENT IDENTIFIED ABOVE.					(Staff to prisoner ratio = 6.25/1)
FISCAL YEAR COMPARRISONS					
COST PER MAN DAY		FY97 (8/31/86)	FY86	FY95	FY94
71000	PERSONNEL	62.47	\$ 69.50	\$ 71.79	\$ 70.59
72000	TRAVEL	0.06	\$ 0.22	\$ 0.23	\$ 0.17
73000	CONTRACTUALS	2.62	\$ 4.71	\$ 4.86	\$ 5.6
74000	SUPPLIES	5.45	\$ 7.26	\$ 8.86	\$ 6.6
75000	EQUIPMENT	0	\$ 0.41	\$ 0.21	\$ 0.3
77000	GRATUITIES	1.25	\$ 1.34	\$ 1.41	\$ 1.4
TOTAL		71.85	\$ 82.44	\$ 85.36	\$ 84.7
VACANCY FACTOR @ YEAR END		2.90	\$ 6.91	4.09	\$ 3.95

STRAND HUNT **CONSTRUCTION**

September 16, 1996

RECEIVED
SEP 1 1996
City of Seward
2441 Cinnabar Loop Road
Anchorage, Alaska 99507-3149

Mr. Ron Garzini
City Manager
City of Seward
P. O. Box 167
Seward, AK 99664

Re: Proposal to the State of Alaska for Spring Creek Correctional Center Expansion

Dear Mr. Garzini:

Strand Hunt Construction would be pleased to have an opportunity to submit a proposal as a team associated with the City of Seward that would be submitted to the State of Alaska for the construction of additional beds to the existing Spring Creek Correctional Facility.

As we have discussed, this proposal should be of great interest to the State for at least three reasons:

1. Inmates are now being shipped out of state. This creates a hardship for families of inmates and does not provide economical benefits to Alaska.
2. Spring Creek Correctional Center was built with a future expansion in mind. The existing facility already has most of the needed infrastructure in place to support several hundred additional beds.
3. The State has looked unfavorable toward both solely private correctional institutions, as well as State owned and run facilities. This proposed blend of private and public groups should be well received.

We have completed an analysis of costs for the construction of a new expansion to be located adjacent to the existing Spring Creek Correctional Center using similar types and grades of materials, to be constructed during the 1997/1998 time period.

We propose to construct 192 additional beds and a courtyard for an amount of \$18,950,000. In addition, we have planned for an additional 192 bed expansion (Phase II) for an amount of \$19,450,000 (subject to price escalation).



Mr. Ron Garzini, City Manager
City of Seward
September 16, 1996
Page two

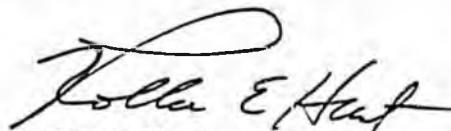
As the next step, we will need to develop costs to guard and maintain inmates so that we can establish a cost per day, per bed, to assure ourselves that we are in a competitive range with out-of-state institutions.

Provided the costs appear reasonable after this review, I would set up a meeting with Governor Tony Knowles to explain our proposal. The State would, most likely, need to see other proposals. We can help develop an RFP package if the Governor would like.

If the above outline seems like a partnership that would be of interest to the City of Seward, I suggest we meet soon to fill in the details that will allow us to move forward together. Please let me know when it would be beneficial to meet and discuss this further.

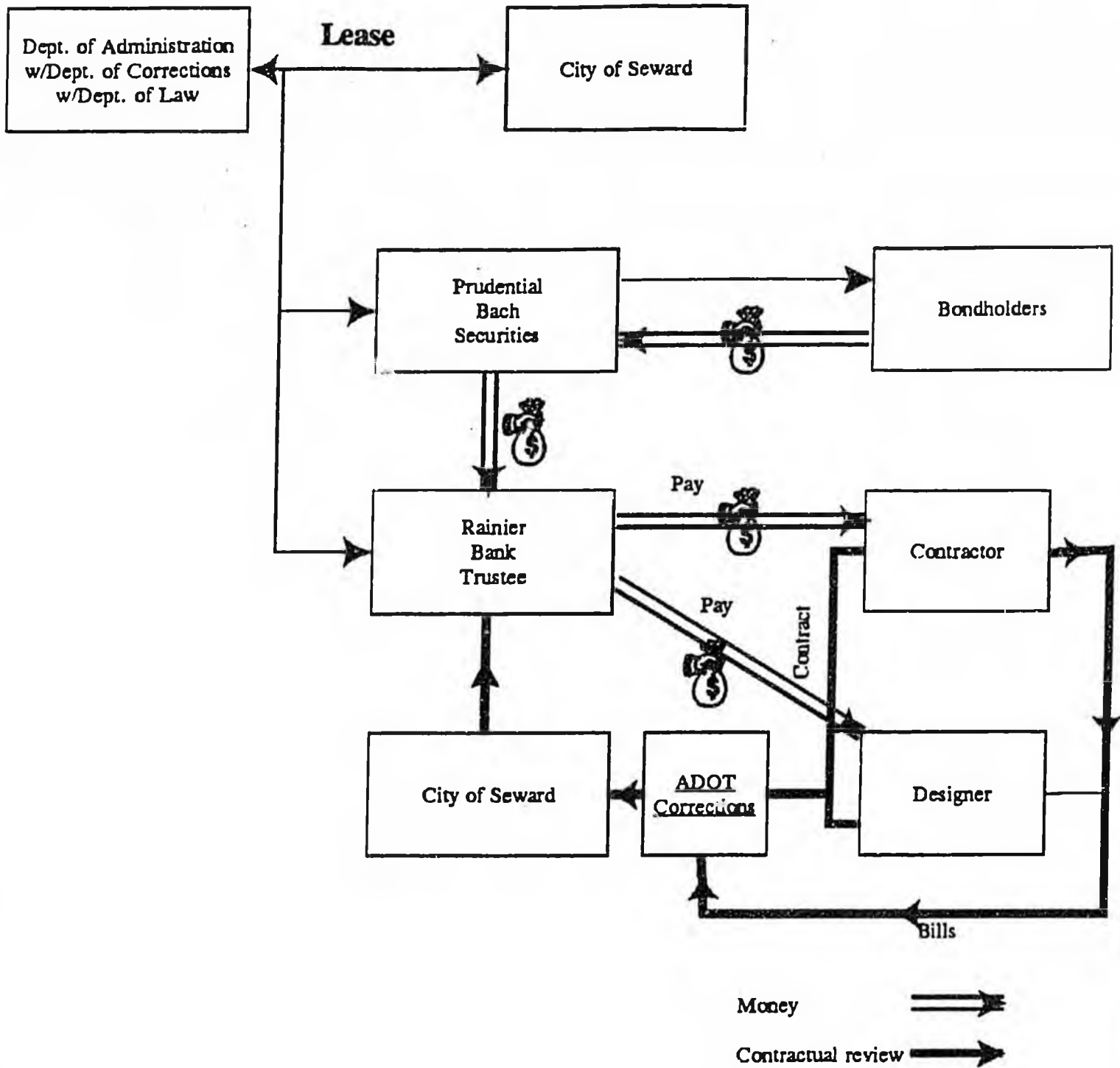
Very truly yours,

STRAND HUNT CONSTRUCTION, INC.

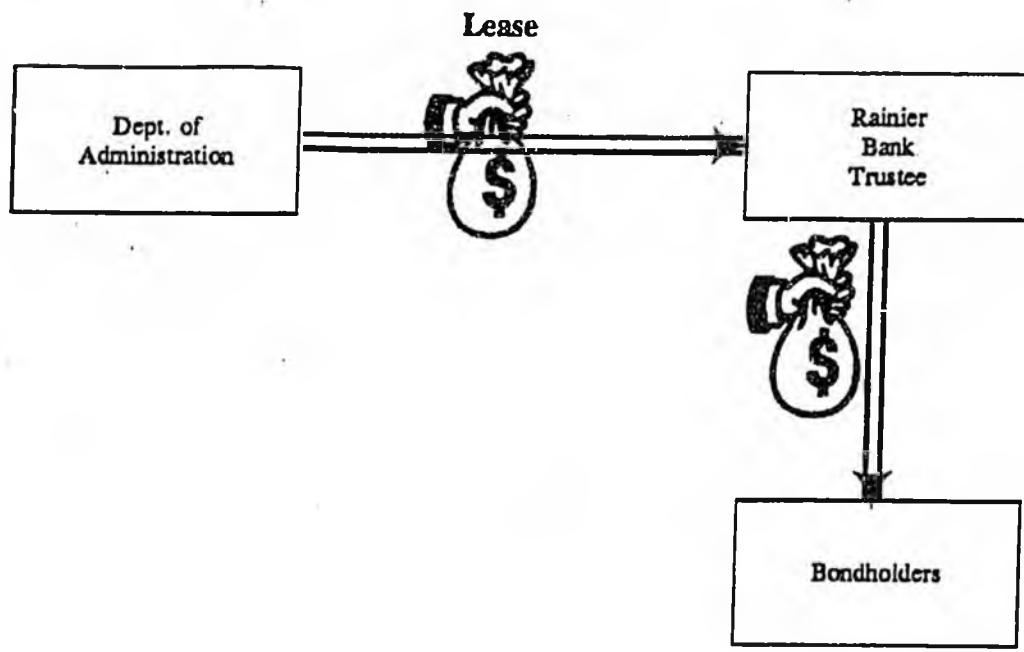


Rollie E. Hunt
President

c/ Thomas W. Presnell

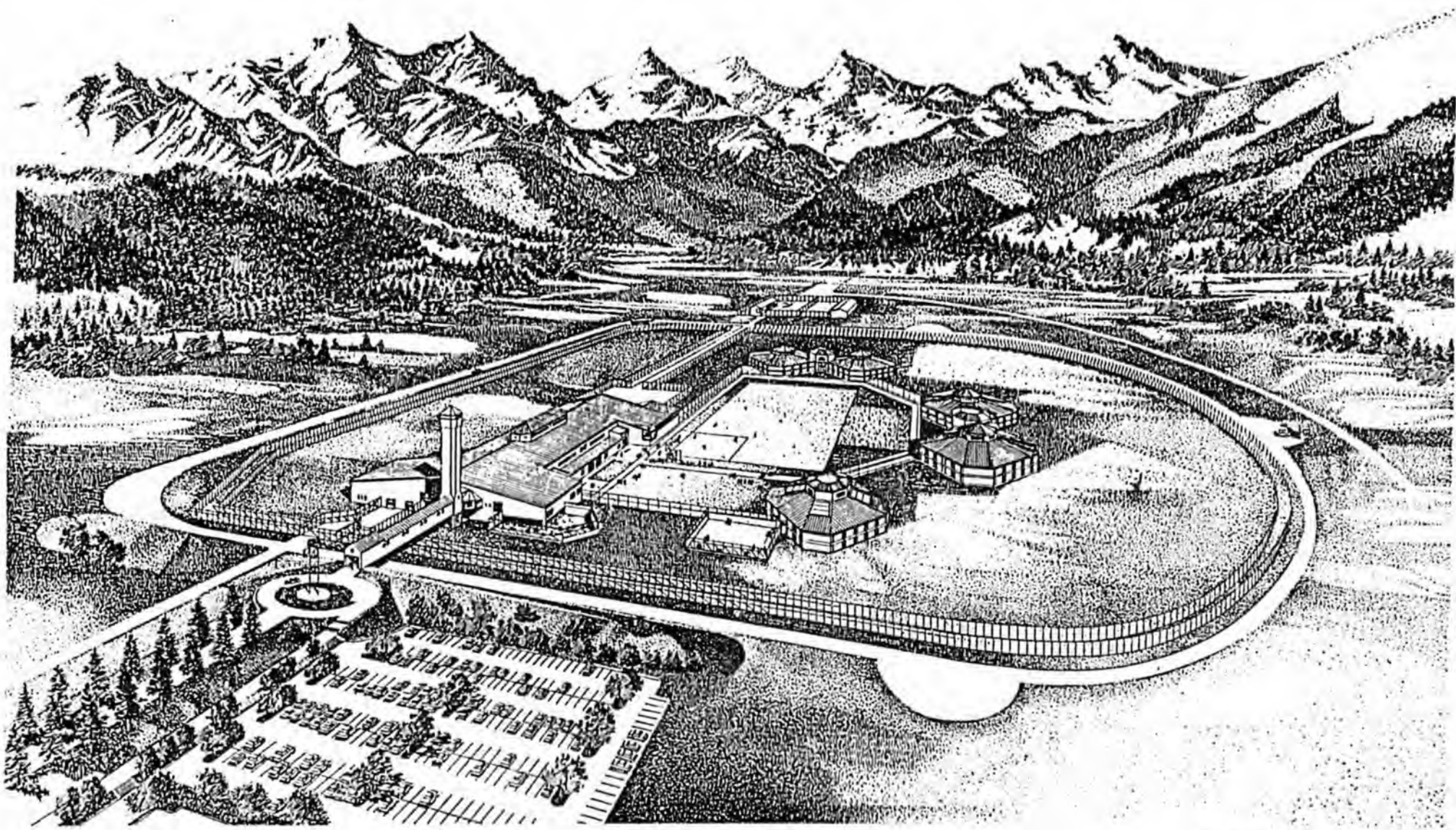


1985 PRISON LEASE
Construction Management
Certificates of Participation in Rents



Note: No Seward Involvement

**1985 PRISON LEASE
Payment Process**

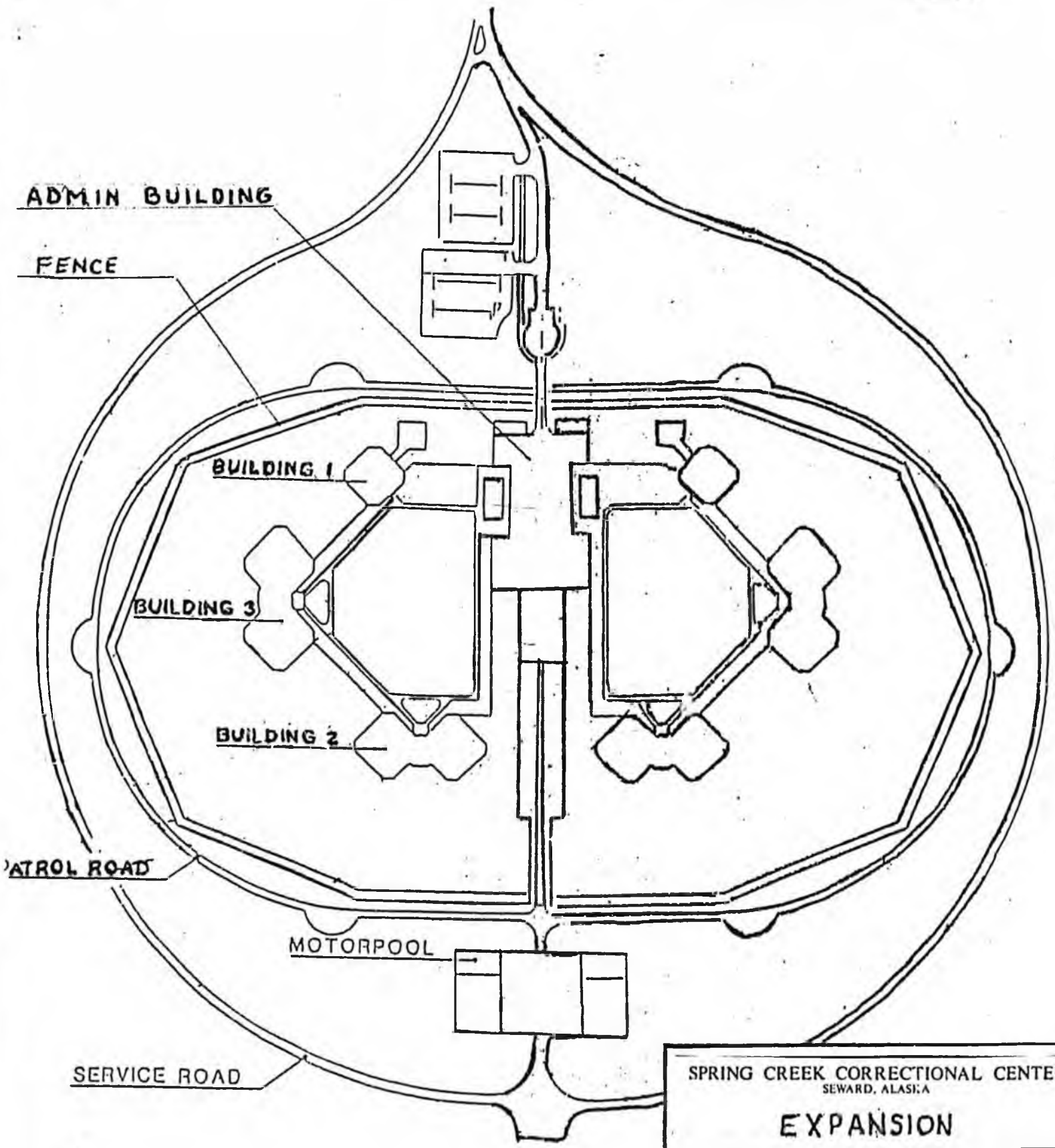


*Peter Management & Engineering Corporation
McClintock of Alaska Inc. Architects
Paul Green Associated Architects*

STATE OF ALASKA
CORRECTION DEPARTMENT
SPRING CREEK CORRECTIONAL CENTER
SIWARD, ALASKA

ALASKA DEPARTMENT OF CORRECTIONS
Commissioner Roger V. Smith
GENERAL INVESTMENT IN TRANSPORTATION AND PUBLIC UTILITIES

NORTH



SPRING CREEK CORRECTIONAL CENTER
SEWARD, ALASKA

EXPANSION

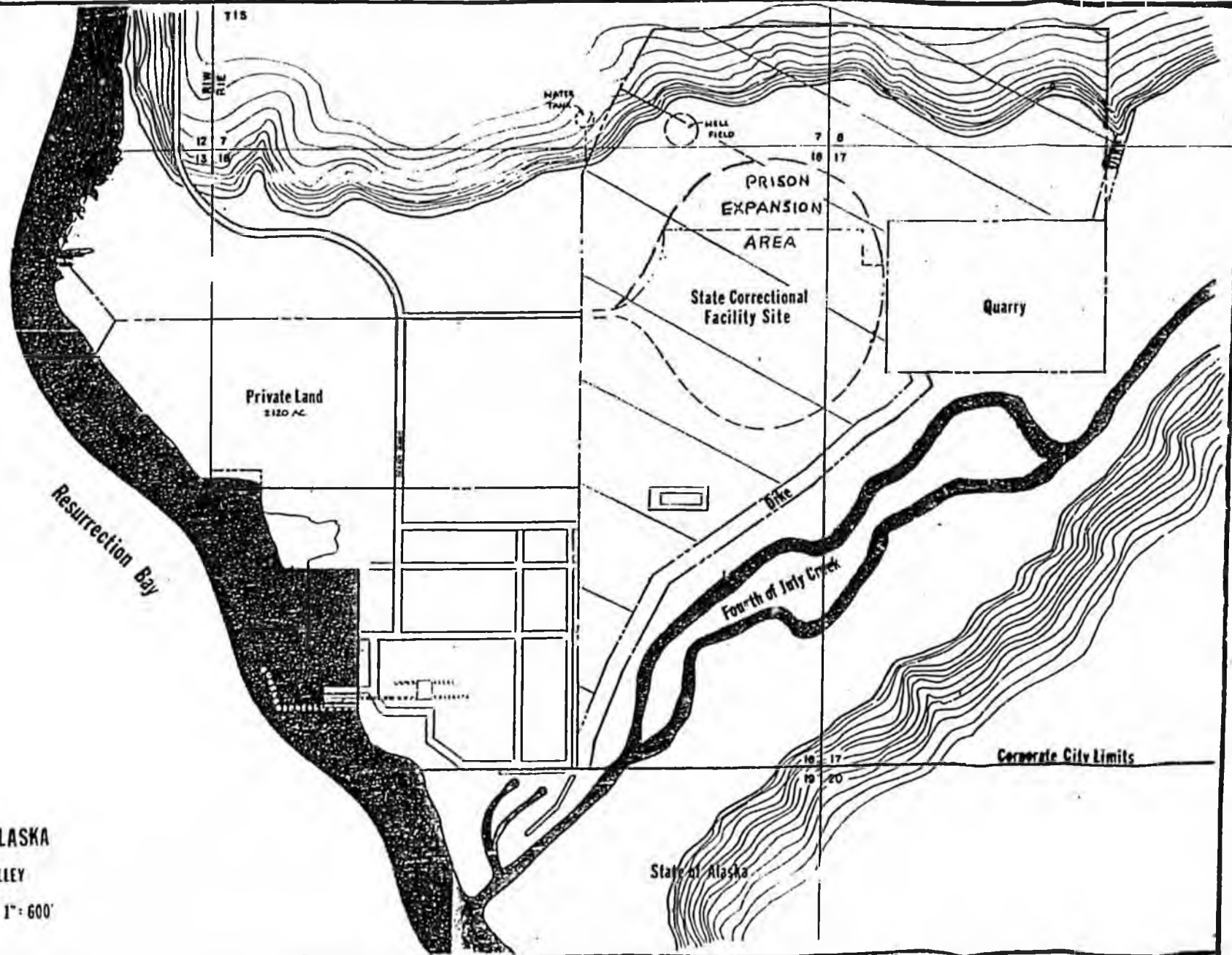


PRISON PROPERTY
± 325 ACRES

CITY OF SEWARD, ALASKA

FOURTH OF JULY CREEK VALLEY

Scale: 1" = 600'



MEMORANDUM



DATE: March 10, 1997

TO: Senator John Torgerson

FROM: Ron Garzini, City Manager *RAG*
Rick L. Gifford, Director of Finance *RHG*
& Administrative Services

SUBJECT: Fiscal Note for SB 97 by the Department of Revenue

Notes:

1. The debt service schedule proposed by the Department of Revenue is fine. The City used a little higher interest rate in order to be on the conservative side.
2. The City would like to see the lease/purchase be between the City and the Department of Administration. We envision a true lease. The Department of Administration can seek input from other departments, but the more departments involved in the agreement, the more complicated and costly the project becomes.
3. The City will obtain the financing, build the expansion project and turn the keys over to the State when completed. We have no objection to providing appropriate funding for the State to conduct inspections and reviews. Again the fewer agencies involved, the more efficient this project can proceed.
4. The City does not plan to refinance the existing SCC facility debt, however the City will contact Ford Motor Credit to examine all options. We worked constructively with Ford Motor Credit in the past.
5. The current agreement between the City and the State provides that the State will assume ownership at the end of the term of the lease agreement, however if the State ceases to operate the facility as a prison, the property would revert to the City. The City utilized its State selection rights to obtain the property initially and would use it for industrial purposes.

DRAFT

DRAFT

ALASKA'S CORRECTIONS PLAN

<u>LOCATION</u>	<u>NEW BEDS</u>	<u>CONST. COSTS</u>	<u>OP. COSTS</u>
Anchorage (replace 6 th Ave. Jail)	260 (400 bed facility)	\$60,000	\$8,076
Palmer (medium security)	221	\$13,050	\$3,763
Hiland Mountain	0 (create women's unit)	\$1,000	0
Mat-Su Pre-Trial	64	\$6,000	\$1,107
Yukon-Kuskokwim (Bethel)	48	\$5,000	\$963
Fairbanks	80	\$10,250	\$2,266
North Slope Borough	50	??	??
Wildwood (Kenai)	149	\$29,200	\$2,111
Spring Creek (Seward)	166-250	\$25,000	\$7,380
Lemon Creek (Juneau)	64	\$9,000	\$1,931
Totals:	<hr/> 1102 - 1186	<hr/> \$158,500	<hr/> \$27,597

ALASKA'S CORRECTIONS PLAN

Three components:

- Limit the number of prisoners going into the "hard bed" system (to the extent that this can be done in a manner that is consistent with public safety)
- Expand the number of "hard beds" to keep up with the growing numbers
- Get the prisoners out of "hard beds" quicker (to the extent that this can be done in a manner that is consistent with public safety)

Pursue expansion options that are:

- Safe
- Statewide (comprehensive)
- Meet regional needs
- Involve community participation (gov't to gov't)
- Cost effective