



## Staff Analysis

### STATE PUBLIC WORKS BOARD

Monday, September 24, 2018 at 10:00 a.m. in  
Room 113, State Capitol, Sacramento, California

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Pursuant to section 11125 of the Government Code, notice of all Board meetings will be given at least ten days in advance and such notice must include a copy of the agenda. Members of the Public may address the Board prior to it taking action on any matter in the agenda.

This notice and the Board agenda for the current month are available on the Internet at: <http://www.spwb.ca.gov>.

Individuals who need disability-related accommodation, including auxiliary aids for effective participation at this public meeting are invited to make their requests and preferences known to Kathryn Lee at (916) 445-9694 or e-mail to [Kathryn.Lee@dof.ca.gov](mailto:Kathryn.Lee@dof.ca.gov), five days prior to the meeting.

## BOND ITEM

### BOND ITEM—1

**JUDICIAL COUNCIL OF CALIFORNIA (0250)  
NEW INDIO JUVENILE AND FAMILY COURTHOUSE  
RIVERSIDE COUNTY**

*Authority: Chapter 1, Statutes of 2009, Item 0250-301-3138 (6)  
Sections 70371.5 and 70371.7 of the Government Code  
Chapter 33, Statutes of 2011, Item 0250-301-3138 (9)  
Chapters 20, Statutes of 2013, Item 0250-301-3138 (4), as reappropriated by  
the Budget Act of 2014, Item 0250-490  
Chapters 29 and 30, Statutes of 2018, 0250-301-0660 (2)*

**Consider adoption of a resolution to:**

- 1) Authorize actions to be taken to provide for interim financing and declare the official intent of the Board to reimburse certain capital expenditures from the Public Buildings Construction Fund from the proceeds of the sale of bonds.**
- 2) Authorize the sale of lease revenue bonds.**
- 3) Approve the form of and authorize the execution and delivery of a Project Delivery Agreement between the Judicial Council of California and the Board.**
- 4) Approve and take actions and execute documents as may be needed to carry out the purposes of this resolution.**

**Total Bond Appropriation**

**\$45,327,000**

## BOND ITEM

### STAFF ANALYSIS ITEM—1

Judicial Council of California  
New Indio Juvenile and Family Courthouse  
Riverside County

Action Requested

**If approved, the requested action would adopt a resolution authorizing actions to be taken to provide for interim financing, authorize the sale of lease revenue bonds, and other related actions.**

Scope Description

**This project is within scope.** The authorized scope for this project includes construction of a new two story, 5-courtroom, approximately 53,300 square foot courthouse in the City of Indio, Riverside County. The project will consolidate court operations from two facilities and will relieve the current space shortfall, improve security, and replace inadequate and obsolete buildings in Riverside County. The project will replace operations at the Indio Juvenile Courthouse and the Larson Justice Center facility.

Funding and Cost Verification

**This project is within cost.** A total of \$54,118,000 has been appropriated for acquisition (\$3,423,000), preliminary plans (\$2,174,000), working drawings (\$3,194,000) and construction (\$45,327,000). We note current estimates indicate a potential deficit of \$261,000 that has not been recognized by the Board. After bid results are reviewed, staff will determine whether it is necessary to request an augmentation for this project to proceed.

\$54,118,000	Total authorized project costs
\$54,379,000	Total estimated project costs
\$ 8,791,000	Costs previously allocated: \$3,423,000 acquisition, \$2,174,000 preliminary plans, and \$3,194,000 working drawings
\$45,327,000	Costs to be allocated: \$45,327,000 construction (\$39,089,000 contract, \$1,997,000 contingency, \$953,000, A&E, \$3,288,000 other)
\$261,000	Anticipated deficit: \$261,000 construction

CEQA

A Notice of Exemption was filed with the State Clearinghouse on January 28, 2010. The 35-day statute of limitations period expired without challenge.

Real Estate Due Diligence

A Summary of Conditions letter for this project was completed on March 12, 2015. No issues that would adversely affect the quiet enjoyment and beneficial use of the project were identified.

Project Schedule

Approve Preliminary Plans:	June 2015
Complete Working Drawings:	September 2018
Start Construction:	December 2018
Complete Construction:	October 2020

**Staff Recommendation: Adopt resolution.**

## BOND ITEM

### BOND ITEM—2

**DEPARTMENT OF CORRECTIONS AND REHABILITATION (5225)  
BOARD OF STATE AND COMMUNITY CORRECTIONS (5227)  
2018 SERIES C, LEASE REVENUE BONDS  
VARIOUS COUNTY CORRECTIONAL FACILITES**

*Project:* **Imperial Jail Addition**

*Location:* Imperial County

*Authority:* Government Code Sections 15820.91-15820.917 (AB 900, Phase 2)

*Project:* **Kings Jail Addition**

*Location:* Kings County

*Authority:* Government Code Sections 15820.92-15820.926 (SB 1022)

*Project:* **Santa Cruz Jail Addition**

*Location:* Santa Cruz County

*Authority:* Government Code Sections 15820.92-15820.926 (SB 1022)

*Project:* **Stanislaus Adult Criminal Justice Center**

*Location:* Stanislaus County

*Authority:* Government Code Sections 15820.92-15820.926 (SB 1022)

**Consider adoption of a resolution to:**

- 1. Authorize the sale of the State Public Works Board Lease Revenue Bonds, 2018 Series C, Various Correctional Facilities, Tax-Exempt Bonds.**
- 2. Approve the form of and authorize the execution of a Supplemental Indenture to the series I Indenture.**
- 3. Approve the form of and authorize the execution of a Site Lease and Facility Lease for each project.**
- 4. Approve the form of and consent to and acknowledge a Facility Sublease for each project.**
- 5. Approve the form of and authorize the execution of a Continuing Disclosure Agreement.**
- 6. Approve the form of and authorize the release of a Preliminary Official Statement, Notice of Sale contained therein, and authorize the preparation and release of an Official Statement.**
- 7. Approve other related actions in connection with the authorization, issuance, sale, and delivery of said revenue bonds.**

<b>Estimated Project Costs to be Financed</b>	<b>\$113346,000</b>
<b>Estimated Par Value of Bonds to be Issued</b>	<b>\$104,235,000</b>
<b>“Not To Exceed” Par Amount</b>	<b>\$127,385,000</b>

## BOND ITEM

### STAFF ANALYSIS ITEM—2

Various Departments  
2018 Series C, Lease Revenue Bonds  
Various Correctional Facilities

#### Action Requested

**If approved, the requested action would authorize the sale of the 2018 Series C lease revenue bonds and other related actions in connection with the issuance, sale, and delivery of said revenue bonds, including approving the forms of and authorizing the execution of a supplemental indenture, site leases, facility leases, a continuing disclosure agreement, and authorizing the delivery of a preliminary official statement, and an official statement. This action would also approve the form of and consent to and acknowledge facility subleases.**

#### Background

Under Government Code Sections 15820.91-15820.917 and 15820.92-15820.926 the Board is authorized to issue bonds to finance a portion of the cost of the design and construction of various local correctional facilities. This action would authorize the sale of bonds, in part, to provide funds to finance and refinance, on behalf of the Department of Corrections and Rehabilitation of the State of California (“CDCR”) and the Board of State and Community Corrections (“BSCC”), the following correctional facility projects: (1) Imperial Jail Addition; (2) Kings Jail Addition; (3) Santa Cruz Jail Addition; and (4) Stanislaus Adult Criminal Justice Center (collectively the, “Projects”). The Imperial Jail Addition and the Kings Jail Addition constitute the CDCR projects and the Santa Cruz Jail Addition and Stanislaus Adult Criminal Justice Center constitute the BSCC projects.

The counties of Imperial, Kings, Santa Cruz and Stanislaus (“Participating Counties”) have leased the sites of their respective Projects to CDCR and BSCC through ground leases and have provided an easement of the county owned property for access, utilities and repair for the Projects. The Kings County easement agreement and the Santa Cruz County ground lease are being amended to better accommodate the financing as part of the issuance process.

If this action is approved, concurrently with the issuance of the bonds, CDCR and BSCC will enter into site leases with the Board for their respective projects under which the Board will lease the sites at which the Projects are located from CDCR and BSCC. The Board will enter into facility leases with CDCR and BSCC under which CDCR and BSCC will lease the facilities from the Board. The rental payments under the facility leases secure the payment of principal and interest on the Board’s lease revenue bonds. Additionally, with the consent of the Board, CDCR and BSCC will enter into facility subleases with the Participating Counties for the use, operation and maintenance of the Projects. Once the bonds are paid in full (these bonds will have a term of fifteen (15) years) the counties will own their respective correctional facilities.

The bonds will be sold through a competitive sale and awarded on the basis described in the form of Notice of Sale.

#### Description of the Projects

##### **Imperial Jail Addition**

The Imperial Jail Addition includes a new, approximately 62,500 square-foot two-story medium security adult detention center and an approximately 8,000 square foot building for a video visitation center and vocational print shop on approximately 2 acres of county-owned land adjacent to the county’s existing jail located in the unincorporated area of Imperial County adjacent to the city of El Centro. The Imperial Jail Addition provides approximately 274 beds and includes housing, healthcare, program, intake, administrative, and support services space.

The Imperial Jail Addition is complete and was available for occupancy in June 2018. The total cost of the Imperial Jail Addition is approximately \$37.2 million, of which \$33 million is expected to be financed with proceeds from the Board's bonds, with the balance funded from other local sources.

### **Kings Jail Addition**

The Kings Jail Addition includes two buildings to provide space for additional housing, program, treatment, and support space, as well as a day reporting center, to support an existing jail in the city of Hanford on county-owned land.

One of the buildings expands the existing adult correctional facility previously financed, in part, with a portion of the proceeds of the Board's Lease Revenue Bonds (Department of Corrections and Rehabilitation) 2017 Series A (Various Correctional Facilities). This new building is approximately 24,340 square feet and constructed of precast concrete and steel and includes a new mental health unit with 24 beds, multipurpose rooms, an interview room, recreation yards, video visitation, a new kitchen, vocational classrooms, and space for programs, storage, and maintenance.

The other building is an approximately 4,080 square-foot stand-alone wood-framed building on the existing jail site. This building functions as a day reporting center with a lobby, interview rooms, and program and office space.

The Kings Jail Addition is complete and was available for occupancy in June 2018. The total cost of the Kings Jail Addition is approximately \$21 million, of which \$20 million is expected to be financed with proceeds from the Board's bonds, with the balance funded from other local sources.

### **Santa Cruz Jail Addition**

The Santa Cruz Jail Addition includes renovations and expansions to two existing county jail buildings, consisting of a minimum security building and a medium security building, and the construction of a new visitation building adjacent to the existing county jail on county-owned land in an unincorporated area of Santa Cruz County near the city of Watsonville.

Approximately 14,500 square feet of the minimum security building were renovated, including seismic upgrades, a laundry, program, administrative, support, and storage space. Additionally, the minimum security building was expanded by approximately 9,650 square feet to provide space for 64 minimum security beds and a dayroom.

The medium security building had renovations and was expanded by approximately 4,850 square feet. The renovated and additional space consists of a lobby, a walk-in cooler, a safety cell, and storage and support space.

The new visitation building is approximately 3,000 square feet and provides a contact visiting room, non-contact visiting space, an interview room, and support space.

The Santa Cruz Jail Addition is complete and was available for occupancy in June 2018. The total cost of the Santa Cruz Jail Addition is approximately \$28.4 million, of which \$24.6 million is expected to be financed with proceeds from the Board's bonds, with the balance funded from other local sources.

### **Stanislaus Adult Criminal Justice Center**

The Stanislaus Adult Criminal Justice Center includes approximately 57,300 square feet of administrative and inmate housing space connected by an open air courtyard. The Stanislaus Adult Criminal Justice Center also includes security fencing and staff and visitor parking spaces and is constructed adjacent to an existing public safety center on approximately five acres of county-owned land.

The Stanislaus Adult Criminal Justice Center is complete and was available for occupancy in December 2017. The total cost of the Stanislaus Adult Criminal Justice Center is approximately \$40.7 million, of which \$36.6 million is expected to be financed with proceeds from the Board's bonds, with the balance funded from other local sources.

**Staff Recommendation:     Adopt the resolution.**

## CONSENT ITEM

### CONSENT ITEM—1

**GOVERNOR'S OFFICE OF EMERGENCY SERVICES  
PUBLIC SAFETY COMMUNICATIONS NETWORK OPERATIONS CENTER  
SACRAMENTO COUNTY**

*Authority: Chapters 10 and 11, Statutes of 2015, Item 0690-301-0001 (2), as reappropriated by the Budget Act of 2016  
Chapters 14, 22, and 54, Statutes of 2017, Item 0690-301-0001 (2)*

**Consider:**

- a) **Recognizing a scope change**
  
- b) **Approving a reversion**

## CONSENT ITEM

### STAFF ANALYSIS—1

Governor's Office of Emergency Services  
Public Safety Communications Network Operations Center  
Sacramento County

Action requested

**If approved, the requested action would recognize a scope change and approve a reversion.**

Scope Description

**This project is not within scope.** The Budget Acts of 2015, 2016, and 2017 appropriated a total of \$6,272,000 (\$609,000 preliminary plans, \$92,000 working drawings, and \$5,571,000 construction) for the Public Safety Communications Network Operations Center (NOC) project. The project includes a new microwave path and a 120-foot communications tower next to the California Governor's Office of Emergency Services (Cal OES) headquarters complex in Mather, CA. The project will provide a second NOC to reduce the risk of interruption of the source for monitoring and repairing microwave equipment used by other state agencies. The existing NOC, which is based on antiquated analog technology, will be converted to a digital network, allowing Cal OES to decentralize circuit terminations from the existing location and increase network resilience. As approved, the project includes the construction of a new tower to support the installation of multiple satellite dishes, radio antennas, and other equipment.

Cal OES requests a scope change to terminate the project and revert the construction appropriation of \$5,571,000. As a result of recent advancements in microwave capabilities, Cal OES determined that the desired redundancy for communication systems requires less equipment than originally conceived, and the existing tower can support the equipment required to establish redundancy and meet the needs of the NOC. Therefore, a new communications tower is no longer needed for the project. Costs related to the purchase and installation of the required equipment have been funded through the department's support appropriation.

On August 31, 2018, the Department of Finance notified the chairs of the Joint Legislative Budget Committee, the fiscal committees of both houses, and the legislative advisers of the Board of its intent to approve the scope change and recommend the Board recognize this revised project

scope no sooner than 20 days from that date.

Funding and Cost Verification

**This project is within cost.** A total of \$6,272,000 has been appropriated for this project (\$609,000 preliminary plans, \$92,000 working drawings, and \$5,571,000 construction).

This scope change will terminate the project and revert the construction appropriation of \$5,571,000. Revised total project costs are \$701,000 (\$609,000 for preliminary plans and \$92,000 for working drawings).

\$6,272,000 Total authorized project costs.

\$701,000 Total estimated project costs (\$609,000 preliminary plans and \$92,000 working drawings).

\$6,272,000 Project costs previously allocated: \$609,000 preliminary plans, \$92,000 working drawings, and \$5,571,000 construction.

\$5,571,000 Construction funds to be reverted.

CEQA

A Notice of Exemption was filed with the State Clearinghouse on February 8, 2016, and the 30-day statutes of limitation expired on March 9, 2016.

Real Estate Due Diligence

A Summary of Conditions Letter for this project was completed on October 12, 2016 and no significant issues were identified.

Project Schedule

Approve Preliminary Plans:	June 2017
Approve Working Drawings:	August 2017
Complete Construction:	Not applicable

**Staff Recommendation: Recognize a scope change and approve a reversion.**

## ACTION ITEM

### ACTION ITEM—1

**CALIFORNIA HIGHWAY PATROL (2720)  
TRACY AREA OFFICE REPLACEMENT  
1305 E. PESCADERO AVENUE  
SAN JOAQUIN COUNTY**

*Authority: Section 14669.18 of the Government Code*

**Consider authorizing acquisition through the approval of a lease-purchase agreement with early options to purchase.**

## ACTION ITEM

### STAFF ANALYSIS ITEM—1

California Highway Patrol  
Tracy Area Office Replacement  
San Joaquin County

Action requested

**If approved, the request would authorize an acquisition through the approval of a lease-purchase agreement with early options to purchase, contingent on expiration of the legislative notice period without adverse comment**

Background

This request will authorize the Department of General Services (DGS), with consent of the California Highway Patrol (CHP), to enter into a lease purchase agreement whereby a private entity will acquire real property, develop and construct a replacement area office for CHP, in the City of Tracy, ownership of which will vest in the state upon termination of the lease. DGS has completed a Facility Design Program, substantially similar to performance criteria, showing the proposed CHP facility will consist of approximately 25,000 square feet of office space, with an automotive service area, a fuel island, a truck and bus citation clearance area, a communications tower with radio vault, public parking for the main building, secured parking for patrol vehicles, and other related improvements. The new office will be designed to achieve a minimum of LEED Silver certification and meet CHP special use program requirements, including construction pursuant to standards of the Essential Services Act. DGS will provide construction inspection, material testing and peer review throughout the construction process.

The existing Tracy field office has been leased since 1974, is approximately 3,300 square feet and currently houses approximately 40 staff. The facility is undersized and is operationally insufficient, making it difficult for CHP to deliver necessary program requirements in this busy Bay Area corridor. The replacement of the Tracy area office has been a CHP priority for over a decade.

While the project was initially authorized in the Budget Act of 2008, the state has encountered challenges in securing a developer for the Tracy Area Office Replacement. Finally, in July 2017, DGS released a fourth request for proposal for this CHP office project, resulting in submissions by two developers. DGS has identified Magnon Companies, Inc., as its proposed Lessor to implement the project.

In June 2018, the Legislature enacted section 14669.18 of the Government Code to provide acquisition authority for the project. This authority also requires that the lease agreement is subject to Finance approval, and legislative notifications prescribed in section 13332.10 of the Government Code. DGS sent the legislative notification on August 28, 2018, and the period for review expires on September 27, 2018. To date, there has been no objection or adverse comment related to this action.

Finance and Public Works Board staff have worked closely with DGS over the past several months to provide substantive edits to DGS's base lease document and to clarify certain terms and conditions in the transaction. While provisions remain in the lease that are less than ideal for the acquisition of a state facility, a complete redraft of the lease is not viable at this time. With the understanding that further structural changes to the base lease agreements will be implemented for future projects utilizing this delivery method, Finance is prepared to approve this lease to minimize the risk of further delay and cost for this project. Finance does not anticipate approving future transactions in this form and is committed to working with DGS to maintain a build-to-suit lease-purchase structure as a viable project delivery method.

If prerequisite conditions are timely met, it is anticipated that upon project completion rent payments for the new facility will commence in February 2022 at approximately \$3 million annually, with an increase of 2.5 percent annually over the 20-year term of this lease. The terms of the lease provide three early purchase option dates as follows: after year 5 for \$35.3 million, after year 10 for \$27.8 million, and after year 15 for \$16.0 million. If the state does not exercise an early option to purchase, title will be transferred to the state at the end of the 20 year term.

#### Due Diligence

DGS completed a Summary of Conditions Letter for this project on April 10, 2018. Several issues were identified that if unresolved prior to September 30, 2019 would allow the state to unilaterally cancel the lease without penalty. To resolve these issues, the developer must:

- Acquire five acres of undeveloped land from the current landowner.
- Secure an appurtenant easement from the City of Tracy for the installation of utilities and access to the proposed project. If access across the storm drain channel cannot be secured, the developer must ensure access to an existing entrance on an adjacent property.
- Secure a Conditional Use Permit for a CHP Communication Tower.

The above issues are conditions that must be resolved to the state's satisfaction on or before August 2019 before the development of the project can move forward.

#### Phase I Environmental Site Assessment (ESA)

A Phase I ESA report was completed on January 11, 2018. The proposed project site has been historically used for agricultural purposes and is currently vacant flat land. There was no evidence of recognized environmental conditions and no evidence of hazardous substances.

**Staff Recommendation:**      **Authorize an acquisition through the approval of a lease-purchase agreement with early options to purchase, contingent on expiration of the legislative notice period without adverse comment**

**OTHER BUSINESS**

**NONE**

**REPORTABLES**

**NONE**