

The Citizens of Grayson County,

It seems as though one of the hottest topics around here lately is the status of the Grayson County Jail. I wanted to take a little time and briefly summarize what has taken place and also reiterate some facts that may have been lost in translation.

Even before I took office in January of 2007, it was very apparent that Grayson County had a major issue staring us in the face with our county jail. We were encountering overcrowding issues, had an aging facility that was not passing Texas Jail Commission inspections and were operating with a shaky 49 inmate variance. The commission made it very clear to me early on that we had better do something to alleviate these issues.

We had very clear goals in mind when we started this process. We needed to solve a long time problem with a long-term solution. We did not want to unnecessarily burden the taxpayers. We wanted to provide a facility that safely housed our inmates and met all the necessary criteria of the Texas Commission on Jail Standards. Finally, we wanted a way to save as much money as possible by cutting the cost of housing our inmates.

Typically, these types of problems are solved by requiring the taxpayers to shoulder the burden. However, as the issue was studied, another solution presented itself. Namely, a public/private partnership where the private sector would help us carry the burden. Sheriff Keith Gary and I then began our two year trek across the county visiting with folks at town hall meetings, civic clubs and any other places that would let us tell our story. We carried rusted pipes and pictures of the dilapidated structure. It became quite evident that we needed a new facility. We also talked about the public/private partnership and how this might be a way for us to pay for the jail without burdening the taxpayer.

Historically, we have spent a large percentage of the county budget on housing inmates. Although most of the inmates in the county jail are awaiting their day in court, the Texas Constitution requires the county house them. One of my goals has always been to provide the necessary resources to our law enforcement agencies so that we can get ahead of the game and take the fight to the streets. However, the money to do this will not fall from the sky. The savings with the public/private partnership may allow us to fight crime upstream, on the streets, instead of paying for it downstream.

It has been an arduous task. We have had ups and downs. But, we are finally close to reaching the goal. However, as with most things that are contrary to the norm, there are always questions. I will attempt to answer some of the most frequently asked ones.

## **1. Why don't you allow the people to vote on the privatization of the jail?**

The Texas Constitution only allows the Commissioners' Court of a county to hold an election for the issuance of General Obligation (GO) bonds. It does not allow for the voting of issues or ideas.

## **2. Why don't we just vote on a General Obligation bond and build and operate the facility ourselves in downtown Sherman?**

We currently house an average of 350 inmates per day at \$53.50 per inmate per day. The Texas Commission on Jail Standards recently completed a feasibility study on the future bed needs in the jail for the next 20 years. That study shows that Grayson County will need 720 beds to meet the future needs of the county.

If we attempt to leave the jail downtown, there has not been any scenario that does not involve construction or renovation of a multi-story facility. The cost of construction for building vertically rather than horizontally increases dramatically. If we only replaced our 350 bed facility and were not concerned with any future growth, we can plan on paying around \$85,000 per bed. This would equate to \$30 million. If we were able to pass a GO bond at a 5% interest rate for 20 years, the county tax rate would go from our current \$.4909 to \$.5329 which is an 8.5% increase in the tax rate. If you live in a \$100,000 home, your county taxes would go from \$490 to \$532 annually for the next 20 years. This of course is in addition to your city, school, college and federal taxes. A facility of this size only replaces what we have today. If we built 700 beds, which gets us closer to the commissions' feasibility study, it would require a 17% tax rate increase.

Preliminary estimates for building a 750 bed jail in downtown Sherman are approximately \$63,750,000 compared with a price of approximately \$31,000,000 for a 750 bed jail built on undeveloped land. Other considerations regarding building downtown are the costs associated with housing inmates elsewhere during construction as well as having the largest, most prominent building in downtown Sherman be a jail. Because of the significantly higher costs, a jail built downtown would take privatization off the table and the capital to fund the project would have to come from a General Obligation bond.

After weighing all of the options, the Commissioners' Court determined the best path forward was a privately operated, privately financed single story 750 bed facility on enough land to allow for the most efficient design possible. This dissolves the need for a General Obligation bond and presents the county with substantial cost savings that can be used to take a more proactive fight against crime.

### **3. Why do you need so much land for a jail?**

As discussed earlier, a single story jail is much less expensive to build than a multi-story jail. We are proposing the construction of a single story jail that meets the requirements as set forth by the Texas Commission on Jail Standards. The 750 bed facility will need approximately 30 acres. The remainder of the land will be owned exclusively by Grayson County and will not be a part of the jail facility. Thirty acres allows for an economical design build which lends itself to a lower operational cost. Southwestern Correctional will operate the 750 beds with a staff of 125. Currently, we operate our 350 bed facility with a staff of around 100. Much of this difference comes from the design of the facility. Ample land allows for a more spread out approach which leads to lower staffing requirements and lower costs.

### **4. Why do you need a 750 bed facility?**

As mentioned earlier, the Texas Commission on Jail Standards recently conducted a feasibility study on the future beds needed for Grayson County. The commission said that in their professional opinion, Grayson County will need these beds to meet the 20 year growth pattern of the county. Obviously, we do not have the need for all of these beds today. As we partner with the private sector, we are able to pay for the project, meet our needs for today and ensure we have ample space for growth in the future.

### **5. How does the relationship with the private companies work?**

The private vendors were chosen after the county went through the long, arduous and competitive Request for Qualification/Request for Proposal process. The selected private vendors will finance, construct and operate the facility. Grayson County will be guaranteed enough beds to meet its needs today as well as for the future at a negotiated price. The remainder of the beds will be leased to other counties, the state, or federal entities. Just like Grayson County today, each of these entities struggle with finding ample space to house their inmates. The revenue generated from the combination of Grayson County inmates along with these other inmates will pay the debt service on the bonds as well as the maintenance and operational costs of the facility.

### **6. How does the financing for this project work?**

Lease Revenue (Rated, Insured) bonds will be sold through a Public Facilities Corporation (PFC). The PFC is a legislatively authorized subsidiary entity of the county which can issue revenue bonds for a project like this. The county doesn't have to pledge its ad valorem tax base but simply agrees to appropriate enough revenue from the facility to pay the annual debt service which is about \$3 million a year. Coincidentally, this type of financing mechanism allows many governmental entities to sell bonds at a cheaper interest rate than typical General Obligation (GO) bonds because of the Build America Bond which allows the US government to buy down the interest rate. At last look, Grayson County could sell a GO bond at 5.17%. The new financing structure we are considering will allow the PFC to issue these Lease Revenue bonds at 4.32%. This is unprecedented but allows Grayson County to take advantage of superior pricing. Grayson County is negotiating a bottom line per diem rate for its inmates. So far, that rate is \$46.50. We have also negotiated a credit for all of the commissary and phone

revenue which brings our negotiated price down to \$43.77 per inmate per day as compared with our current \$53.50 rate. These negotiated numbers are based very conservatively on a 75% occupancy rate. If the occupancy rate increases to 95%, Grayson County will pay \$39.05 per inmate per day. This is a cost savings between \$9.73 and \$14.45 per inmate per day which equates to between \$1.24 million and \$1.85 million annually. We have also negotiated a \$2 impact fee for every non-county inmate housed in the facility. If Grayson County has 350 inmates and the facility is 75% full, there would be 210 non-county inmates. The income collected from this fee would equate to \$153,000, further driving down our per diem rate. If the occupancy rate is 95%, we save \$286,000 per year. This impact fee ensures we continue processing our inmates through the judicial system as quickly as possible because we now have an incentive to keep as many beds open for non-county inmates as possible. The beds for the non-county inmates are leased at market rates. All the revenue generated from the beds will pay the debt service first and the remainder will cover the operations of the facility. Through this process we are able to take advantage of an unprecedented financing structure, skillful negotiations and other people's money to build and operate our facility which will be wholly owned by the Public Facility Corporation of Grayson County.

#### **7. Will this facility be a prison?**

No, the facility will be the Grayson County Jail. The excess beds will be leased to other entities as mentioned earlier. For instance, the Federal Courthouses in Sherman and Plano are serviced for the most part by the U.S. Marshall Service. These inmates who are awaiting trial are kept in county jail facilities across more than six counties in our area. Many other counties across the state are facing overcrowding problems as well. As Grayson County has done many times in the past, we would now lease beds to these other counties. Finally, the state is in the same predicament. They too are running low on bed space. It is our goal to take advantage of this. Just like in our current jail, most of these inmates are awaiting trial and therefore have not been sentenced. Once a trial date has been set, the inmate will return to his place of origin.

#### **8. Doesn't the transportation of inmates become expensive and dangerous?**

The cost of transportation is already included in the negotiated per diem rate. The transportation will be conducted by professionals both at the new facility as well as at the Justice Center. The introduction of video conferencing will also alleviate the need of excess travel. As an example of this, I point once again to our Federal Courthouse. Every one of the inmates that stand trial is transported from a different location. To my knowledge, there has never been an incident.

#### **9. Will the Courthouse or the Justice Center leave downtown?**

There are currently no plans for this to happen. If the jail is moved from the downtown area, this allows the Justice Center to utilize the space vacated by the jail. Space is an ever increasing issue as our county grows. Currently, the District Attorney's offices and the District Clerk's offices are feeling the effects of the growth. The vacated space would allow us to expand as needed. Also, as our county grows we will need the courts to expand as well. We will now have the option of renovating the space as needed but will

not be hindered by building regulations imposed upon us by the Texas Commission on Jail Standards.

**10. What happens if Southwestern Correctional goes bankrupt or can't fulfill its obligation?**

We have the utmost confidence that Southwestern Correctional is up to the task both financially and operationally. However, things do happen in life that are unexpected. We are in the process of finalizing our management and operations contract as well as the financial contract. We have retained one of the state's premier attorneys to assist with this. Herb Bristow has negotiated over 20 contracts of this nature. We will be well represented legally. If Southwestern Correctional can not meet its obligations the county will have the choice to hire a new operator or operate the facility ourselves. We still will have been able to take advantage of this unprecedented financing which ensures we will be able to afford the price tag even in a worst case scenario.

**11. When will we start construction?**

We have a 60 day option on our land. During this time we will continue negotiating and finishing up the details of our contracts. Once all of this is finalized and we are ready to sell the bonds, we can begin construction. The anticipated start date should occur around November 2009 with a 14 month build out.

**12. Will the Sheriff have to give up control of the jail?**

The Sheriff is required by the Texas Constitution to house the inmates of the county. The Sheriff will always maintain ultimate control of the facility in accordance with all necessary regulations as set forth by the laws of the land. We have built into our staffing requirements a liaison officer who will be a member of the Sheriff's staff. This person will help ensure good relations between the Sheriff's Office and the private operator. The liaison will also bring additional oversight to the process. The facility will continue to be monitored and inspected by the Texas Commission on Jail Standards.

Hopefully, I have provided answers to many of your questions. As always, my door remains open to discuss further.

Respectfully,

Drue Bynum  
Grayson County Judge