

Risks to Operator

Below is a summary of the financial and non-financial risks to the operator:

- 1) The operator is responsible for up to \$1.5 million in liquidated damages for delays in completion of the Jail. The County has no responsibility.
- 2) The operator has an unlimited responsibility for all cost overruns, changes, etc. which exceeds the amounts raised for the construction of the Jail. The County has no responsibility.
- 3) The operator is solely responsible for all operating expenses of the facility, even if the revenue generated is insufficient to reimburse them. The operator's reimbursement from the revenue generated is **AFTER all payments to bondholders and all County Fees**. The County has no obligation whatsoever to reimburse the operator.
- 4) The agreement has an initial term of 5 years and the operator must operate the facility for that period. Even if they are incurring losses and not getting reimbursed for operating expenses. With an operating budget of approximately \$5 million annually, the operator has a theoretical exposure of \$25 million.
- 5) A question in almost all requests for proposals for the operation of jails is if an operator has ever terminated, walked away or been terminated under any prior contracts. If the operator does not meet its contractual requirements it will essentially eliminate their ability to get any new business. The cost of this is immeasurable.
- 6) The municipal bond market and the rating agencies understand that these are lease/project revenue bonds and the facility is being managed by a third party operator **not** the County. Therefore, if the operator cannot generate sufficient revenue to pay the bondholders, they will suffer from a significant reputation hit in the bond markets and

may not be able to participate in another public/private partnership for quite a while. The cost of this is immeasurable.

- 7) The County has no direct financial obligations under this transaction outside of paying for the housing of its inmates. All applicable direct financial risk has been passed on to the operator.