

EVALUATION OF CORRECTIONS BUREAU MISDEMEANOR JAIL RATES

Pierce County Council Presentation
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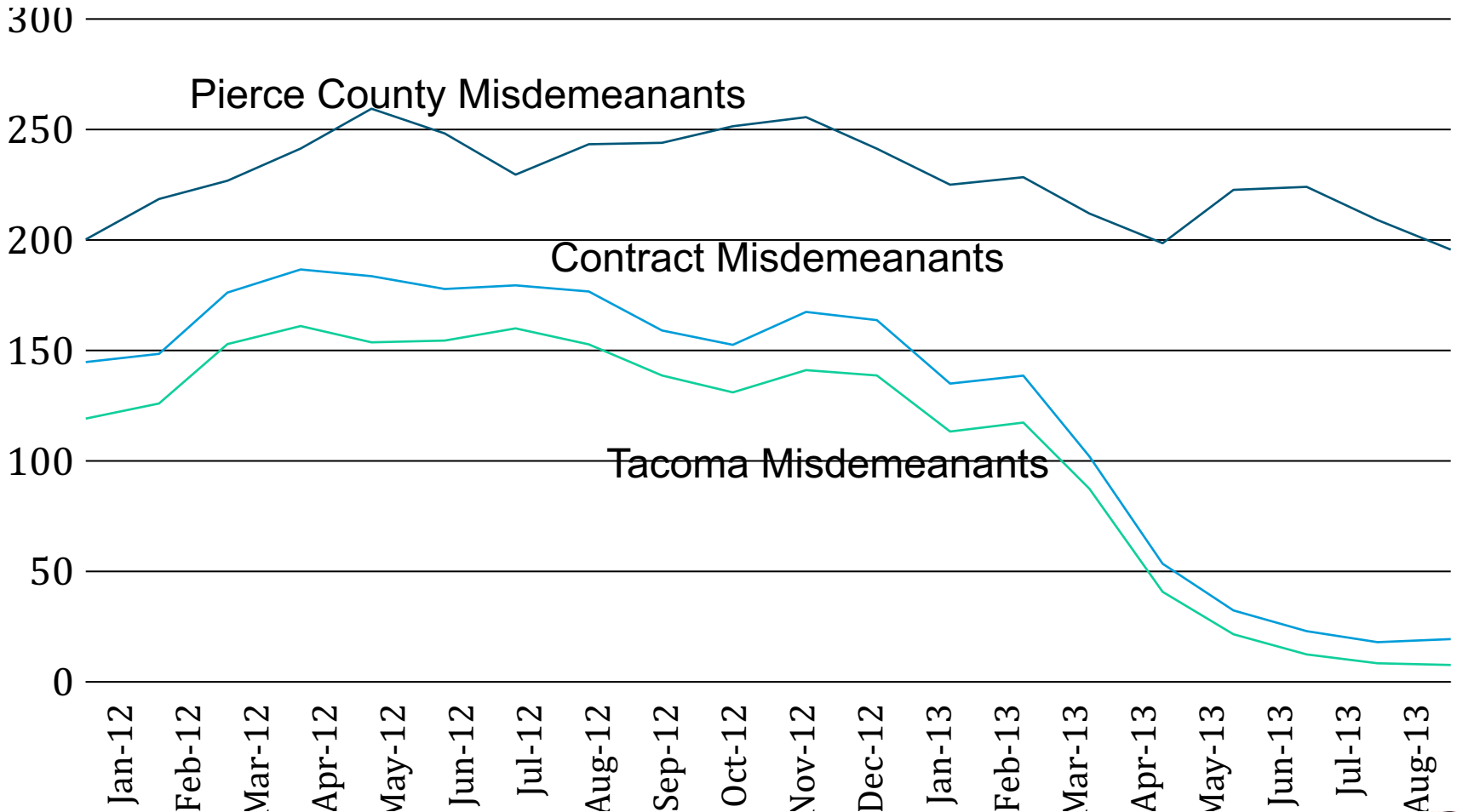
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& Associates*

Overview

- **Project scope:** Develop jail cost information and a rate model to analyze alternative rate scenarios related to housing contract misdemeanor inmates.
- **Objectives:**
 - Determine fully-burdened jail capital and operating costs.
 - Evaluate strengths and challenges to the current rate approach.
 - Develop a model to assess alternative rate scenarios.
 - Identify data needs to support rate analysis.
 - Conduct a review of contracting practices used by other Washington jails.

What is the context?

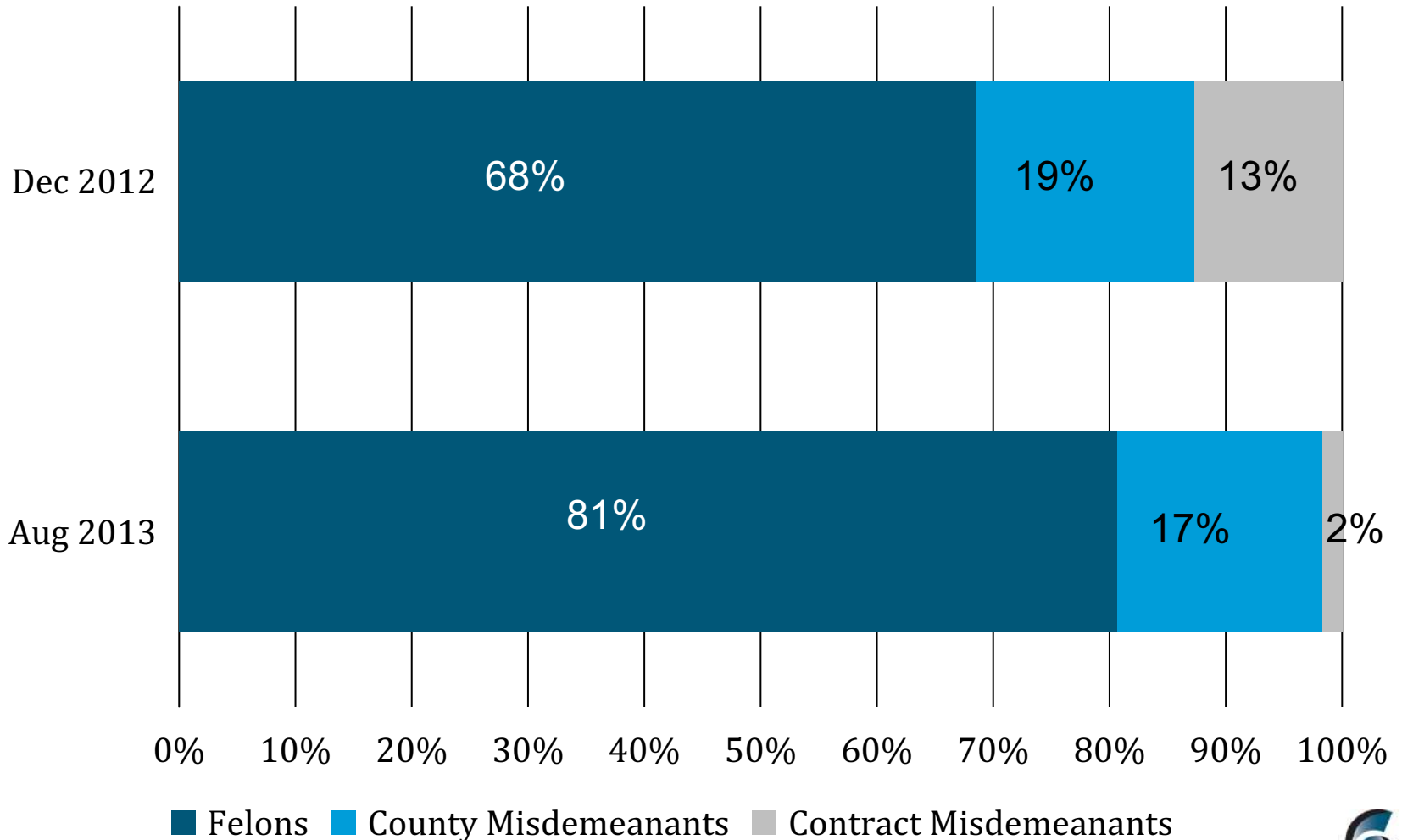
Average Daily Population (ADP) of Misdemeanants is Declining



Source: Total misdemeanants is from inmate data report generated by Pierce County Council staff. Number of contract misdemeanants was calculated from Jail Billing Sheets. Excludes Department of Corrections inmates because they are felons. Please see Appendices A, B, and C for detailed county and contract ADP trends.



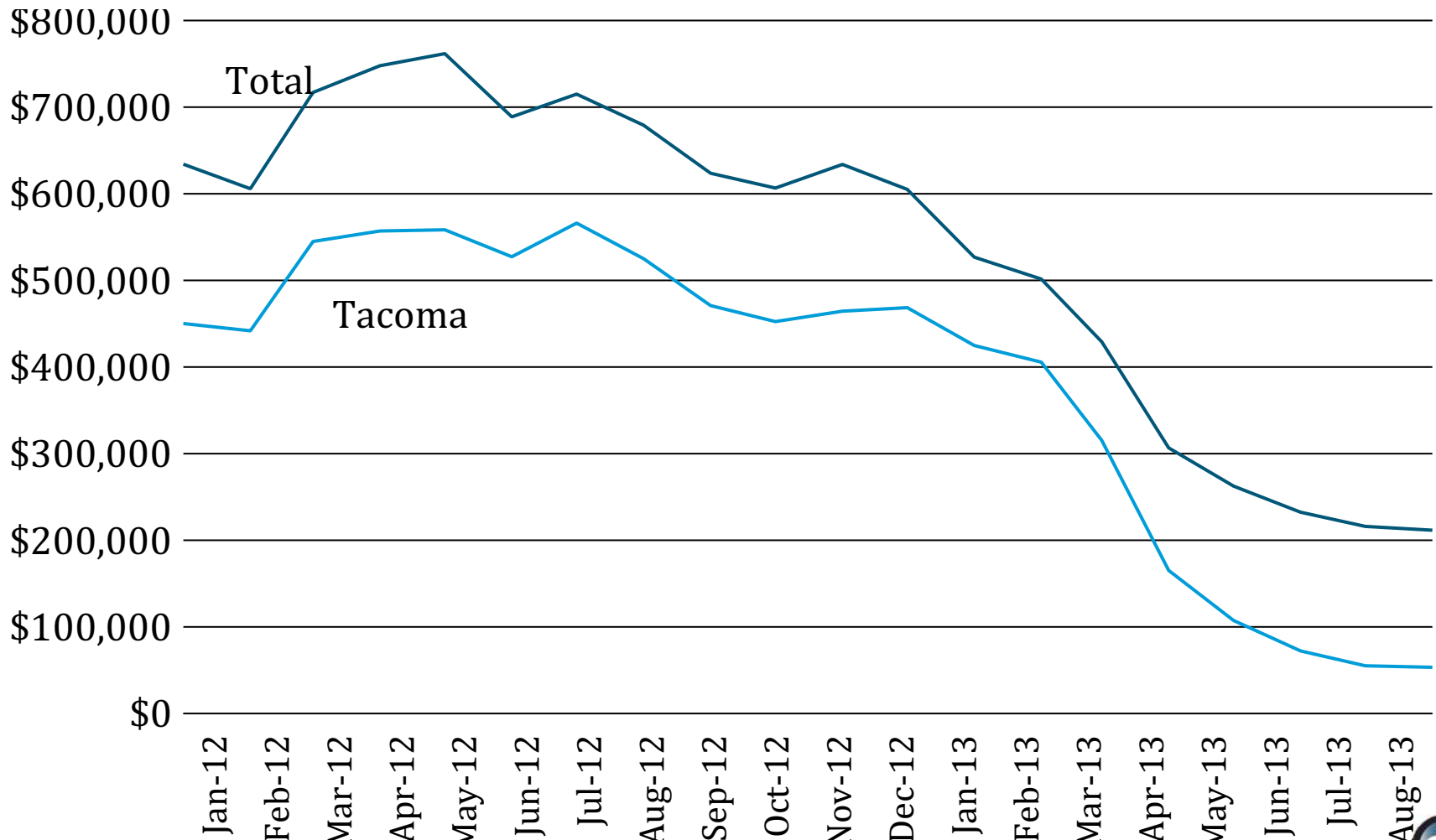
Contract Misdemeanants are Small Percent of Jail Population...and Declining



Source: Inmate data report generated by Pierce County Council staff. Please see Appendix C for detailed ADP by contract jurisdiction



Monthly Revenue from All Contracts



Source: Jail Billing spreadsheets. Totals includes revenue from all contracts, including cities and the Department of Corrections. Please see Appendix C for detailed revenue by contract jurisdiction.

What is the budget impact?

In 2013:

- \$5 million decline in contract revenue in 2013
- \$3 million reductions to 2013 Corrections Bureau Budget
- \$2 million additional support from General Fund

Further revenue declines anticipated for 2014.*

*See Appendix D for detailed budget figures.

What are the jail costs?

Most Jail Operating Costs Are For Care & Custody

Program	2013 Budget
Care & Custody	\$28,255,810
Medical	\$6,078,530
Court Escort	\$3,421,290
Food	\$2,222,450
Mental Health	\$1,730,920
Release	\$1,598,540
Classification and Pretrial	\$1,082,510
Reception	\$1,014,370
Administration	\$634,130
Pharmacy	\$589,230
Facilities and Other	\$3,663,060

These are budgeted operation costs only and exclude debt service.

How do Jail Costs Change with Inmate Population?

Examples of Fixed Costs

- Housing security staffing once units are open*
- Security control
- Booking costs* (some)
- Sheriff and Corrections Administrative
- County Indirect (Budget, Human Resources, Prosecuting Attorney, Debt service
- Building depreciation
- Medical and mental health staff and services* (some)

Examples of Costs that Vary

- Staff costs from opening or closing housing units
- Floor escorts depending on number of housing units open
- Food services
- Laundry, supplies
- Building utilities
- Extraordinary medical and mental health (hospital visits, medications, extra staff for suicide watch)

*Note: Costs are fixed to a point, but will then vary when certain thresholds are reached.

What are the Jail's "base" costs?

Costs of fulfilling County responsibilities

- Corrections Bureau has base costs that will not go away: Obligation to house felons and county misdemeanants.
- Many costs are fixed, but others can vary because of fluctuations in ADP.
- The County is getting close to that base level of operations now because of the large reduction in contract inmates.
 - Any improvements to efficiencies of operations could reduce base costs.

What additional costs are County likely to incur from contracting?

- Staffing costs to re-open housing units
- Costs for food, utilities, supplies
- Cost of extraordinary use of services (medical, mental health, booking)

Who are the contract misdemeanants?

Data on Inmates Not Readily Available

- Data on the housing and services provided to inmates is important for understanding their cost to the County. For example:
 - How much security do they require?
 - Where are they housed?
 - How many require mental health or medical care?
- County has not monitored this information for its own inmates or contract inmates.
- Project team sampled historical housing and classification data to develop estimates.

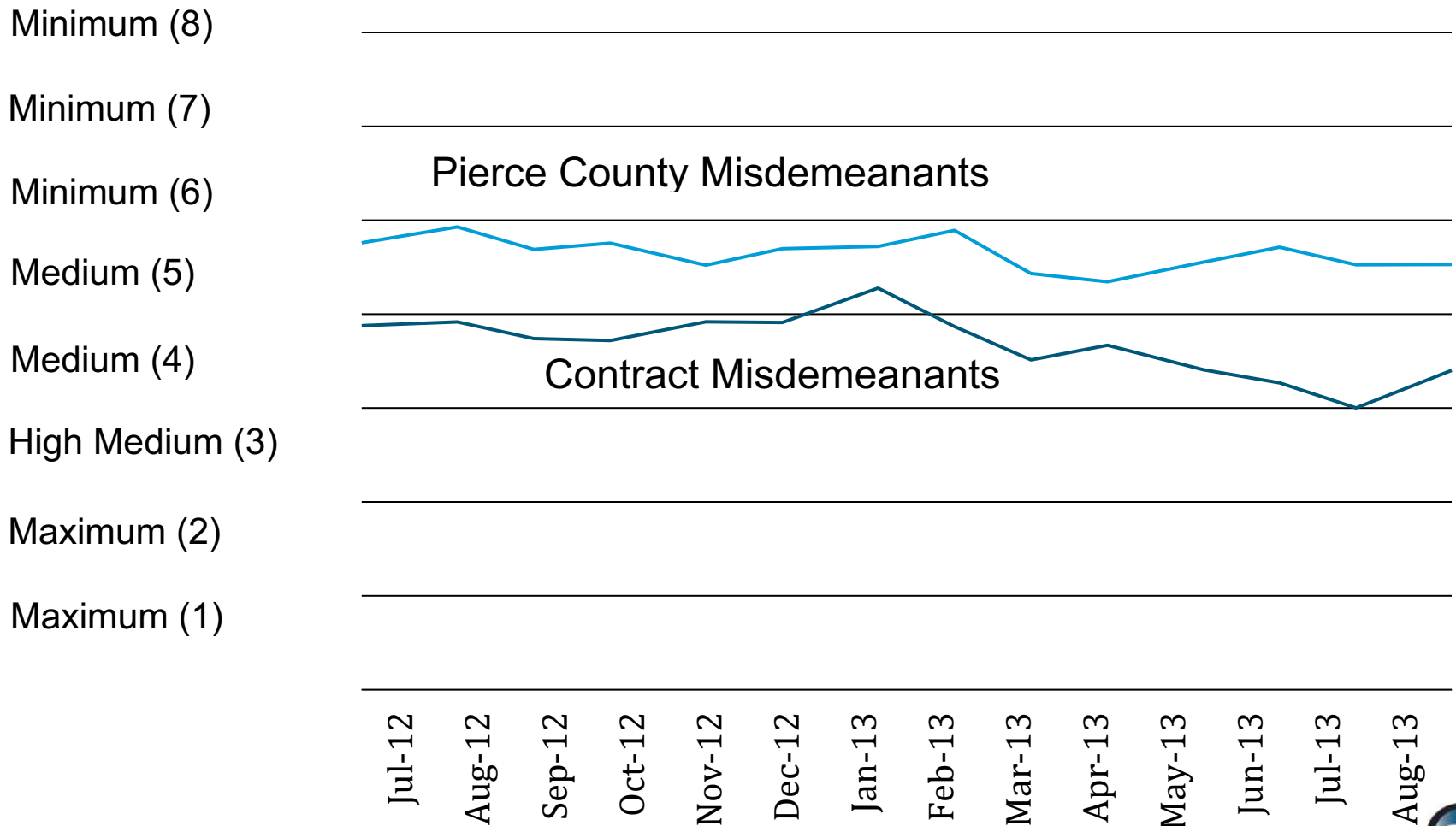
Where Are Contract Misdemeanants Housed?

Housing Security Level	Percent
Minimum or Medium	66%
High Medium or Maximum	17%
Mental Health Housing	8%
Other (temporary locations - intake, booking, etc.)	10%
Total	100%

Source: Analysis of monthly snapshots of inmate data, August 2011 – August 2013.

Information on which inmates receive medical or mental health care, and how much, is unknown. Tracking system is needed.

Contract Misdemeanants Have Higher Average Security Classification than County Misdemeanants



Source: Analysis of monthly snapshots of inmate data. See Appendix E and F for additional detail.

What are Pierce County's contracting options?

Cost-Effectiveness is Always the Goal

Goals:

- 1) Minimize costs of housing felons and county misdemeanants
- 2) If contracting is pursued, need to cover costs of taking in contract inmates

Contracting Options:

- Full cost
 - Marginal cost
 - Competitive market rate
 - No Contracting: House County-responsible inmates only - felons and county misdemeanants
- All options must include detailed knowledge of full costs, and which costs are fixed versus variable.

Key Definitions: Full and Marginal Cost

Full Cost

- Rates include all direct and indirect costs associated with owning and operating the jails
- To determine a full cost rate, total costs are divided by total units of service:

$$\textit{Total Costs} / \# \textit{ Inmates or beds}$$

Marginal Cost

- Rates include *only the additional* cost associated with increasing the units of service
- To determine the marginal cost rate, the additional costs are divided by the additional units of service:

$$\textit{Additional Costs} / \# \textit{ Additional Inmates or Beds}$$

Key Definitions: Competitive Market Rate

Competitive Market Rate:

- Is determined by the rates of competitors
- Includes unique characteristics of Pierce County's Jail, e.g.,
 - Array of services and competencies
 - Dependability and sustainability
 - Location
- At a minimum must cover Marginal Costs (additional revenue must exceed additional expenditures)*

*Please see Appendix G for illustration of Market Rate calculation.

Pros and Cons of Rate Options

Approach	Pros	Cons
Full Cost	All jurisdictions are equal partners and costs are equitably shared.	<ul style="list-style-type: none"> • Can be winners and losers as cost base and ADP changes. • Partners can shift costs by selective bookings. • Costs may be prohibitive for partners depending on market conditions.
Competitive Market Rate	Increase revenue if there is excess capacity and the market rate exceeds marginal costs.	<ul style="list-style-type: none"> • Contract ADP changes can negatively impact revenues. • Partners can shift costs by selective bookings.
Marginal Cost	Useful for setting Market Rate.	<ul style="list-style-type: none"> • Same cons but none of the benefits of Market Rate.

Please see Appendix H for detailed comparison of pros and cons.

Pros and Cons of Rate Structures

Structure	Pros	Cons
Single Daily Rate	<ul style="list-style-type: none"> • Simplicity. • May be attractive to some jurisdictions. 	<ul style="list-style-type: none"> • Partners can shift costs by selective bookings. • May be unattractive to some jurisdictions.
Multiple Rates for Services	<ul style="list-style-type: none"> • Billing more closely aligned with costs of services. • May be attractive to some jurisdictions. • Reduces daily rate. 	<ul style="list-style-type: none"> • More opportunities for winners and losers. • Need to monitor marginal costs for each service for which there is a fee. • Administratively more difficult.
Charge for Fixed Number of Beds	<ul style="list-style-type: none"> • Administratively easier. 	<ul style="list-style-type: none"> • Cost risk to partner • May be unattractive to some jurisdictions

Please see Appendix H for detailed comparison of pros and cons.

County Currently Uses Full Cost Recovery Approach

- County includes most of its costs in a fully-loaded daily bed rate
 - Including costly medical and mental health services
 - A separate booking rate accounts for the fully-loaded costs associated with the booking of inmates
- However, the rates for 2013 were not full cost recovery.
 - Why? Some costs excluded, the rate was lowered for Bookings, and exclusive contracts get lower rates.
- Nevertheless, major contracting partners have begun using other jails.

Full Cost Recovery - Strategies

Changes county could make to attract and retain customers, if continuing contracting is the desired policy

- Offer a menu of rates (single daily rate, multiple rates for different services, exclusive/non-exclusive rates).
- Provide option where most of the costs are included in the daily rate, and a marginal-plus approach for the other services to cover the costs of extraordinary use.
 - Surcharge for exceptional costs (high security, mental health, medical)
- Do not overburden special service rates with overhead, admin, etc.
- Provide safeguards : longer term contracts, exclusivity if there is a daily rate only option, contract by groups of beds.

Full Cost Recovery Requires Specific Conditions to Work

- Full cost recovery approach could be pursued, provided that:
 - Major efficiencies are introduced that would allow the county to lower rates
 - Reduce the Jail's "base" and fixed costs, and
 - Facilities operate at near full capacity to achieve maximum economies of scale.
- This could be a longer term strategy

Competitive Market Strategy

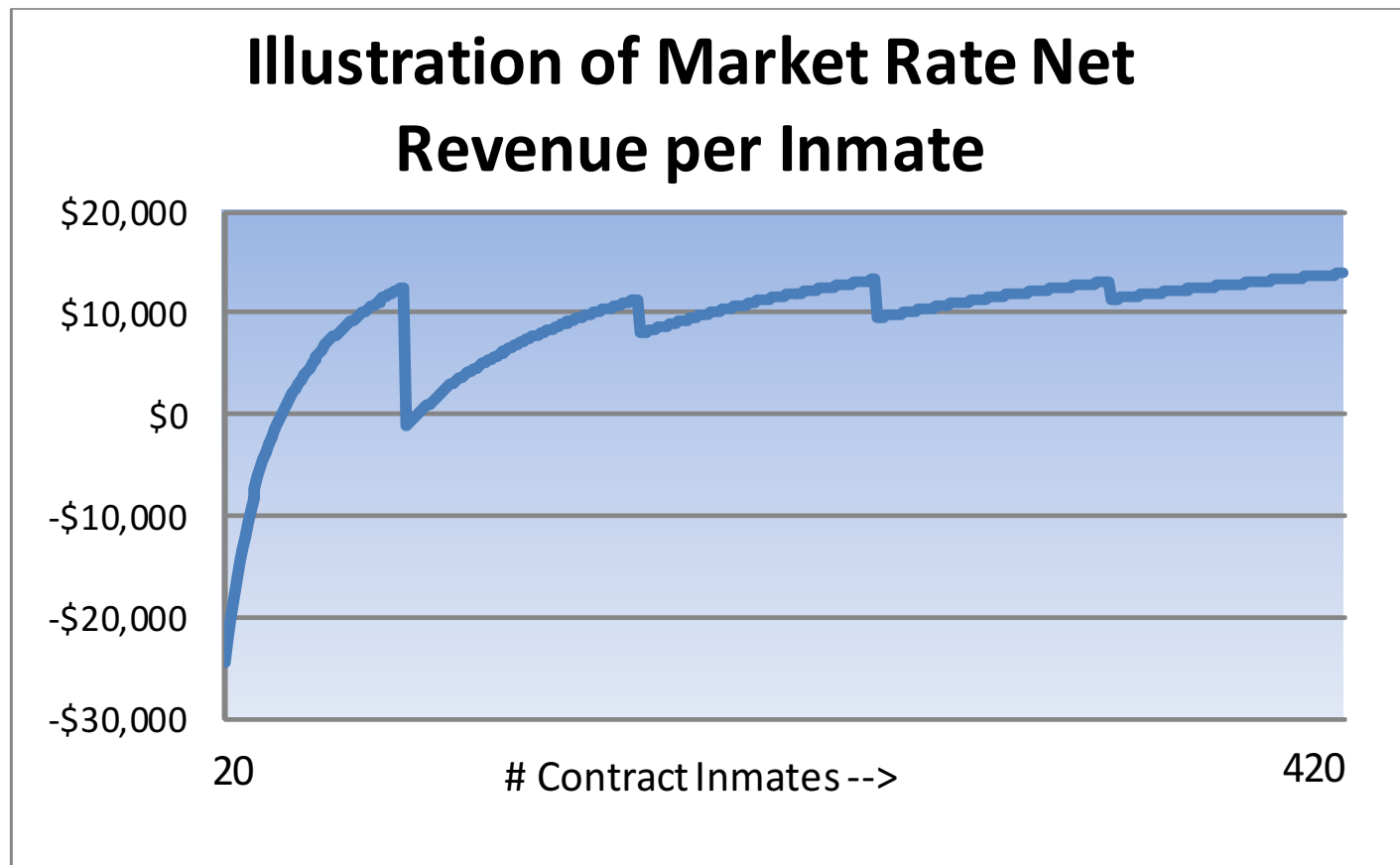
- A shorter term solution would be to:
 - Continue to find ways to lower costs of base jail operations.
 - Adopt a contracting strategy that produces a competitive rate and brings in additional revenue *in excess of marginal costs*.
- Marginal Costs are based on the expenditures required to open and operate *additional* housing units and accommodate more inmates:
 - Security, food, utilities, supplies, etc.

Market Rate Requires Conditions to Work and Safeguard County's Interests

- Maximize utilization of current occupied units, committing to strategies to lower vacancy rate.
- Commit to a security operation plan for currently closed units so county can accurately plan reopening costs.
- Commit to track information needed to monitor contract inmate costs: housing and additional costs (medical, mental health, etc.).
- **Have to be sure that revenue exceeds marginal costs.**
- Contract for beds instead of inmates, and set minimums so that units are full when they open.
- Give discount for exclusivity or consider exclusive contract only.
- Put other safeguards in place, such as cost reimbursement for exceptional expenses not covered in regular rate.

Why Set Contract Bed Minimums?

Thresholds must be reached before revenue exceeds costs



Examples of Contract Safeguards

Strategy	Details
Billing by Groups of Beds	SCORE has established Bed Rates instead of Inmate Daily Rates
Guaranteed Bed Rate	SCORE has established a 10-Year Guaranteed Bed Rate that requires prepayment of all beds on a quarterly basis. This guaranteed rate is lower than the non-guaranteed bed rate.
Minimum Bed Adjustment Charge	King County requires payment of a Minimum Bed Adjustment Charge if the average number of contract inmates falls below an established number.

Please see Appendix H for additional examples of contract safeguards for alternative contracting options, and Appendix I for contracting strategies used by other Washington State jurisdictions.

Appendix J provides sample single daily, and multiple rate scenarios based on Pierce County's 2013 budgeted costs.

Conclusions and Recommendations

Conclusions

- Full cost recovery can be done with a variety of rates and conditions, *provided they are acceptable to cities.*
- Market rate/marginal cost approach could work, *with necessary safeguards in place.*
- Corrections Bureau needs information to be sure revenues will cover both regular and extraordinary costs:
 - What it will cost to house and care for additional inmates.
 - Extra costs for high security, mental health, or medical care.
 - Contract revenue must exceed marginal costs, and be somewhat predictable (contract for groups of beds, lock in exclusive/longer term contracts)
- Bottom Line: Contracting should only be done if the County can be sure revenue exceeds additional costs.

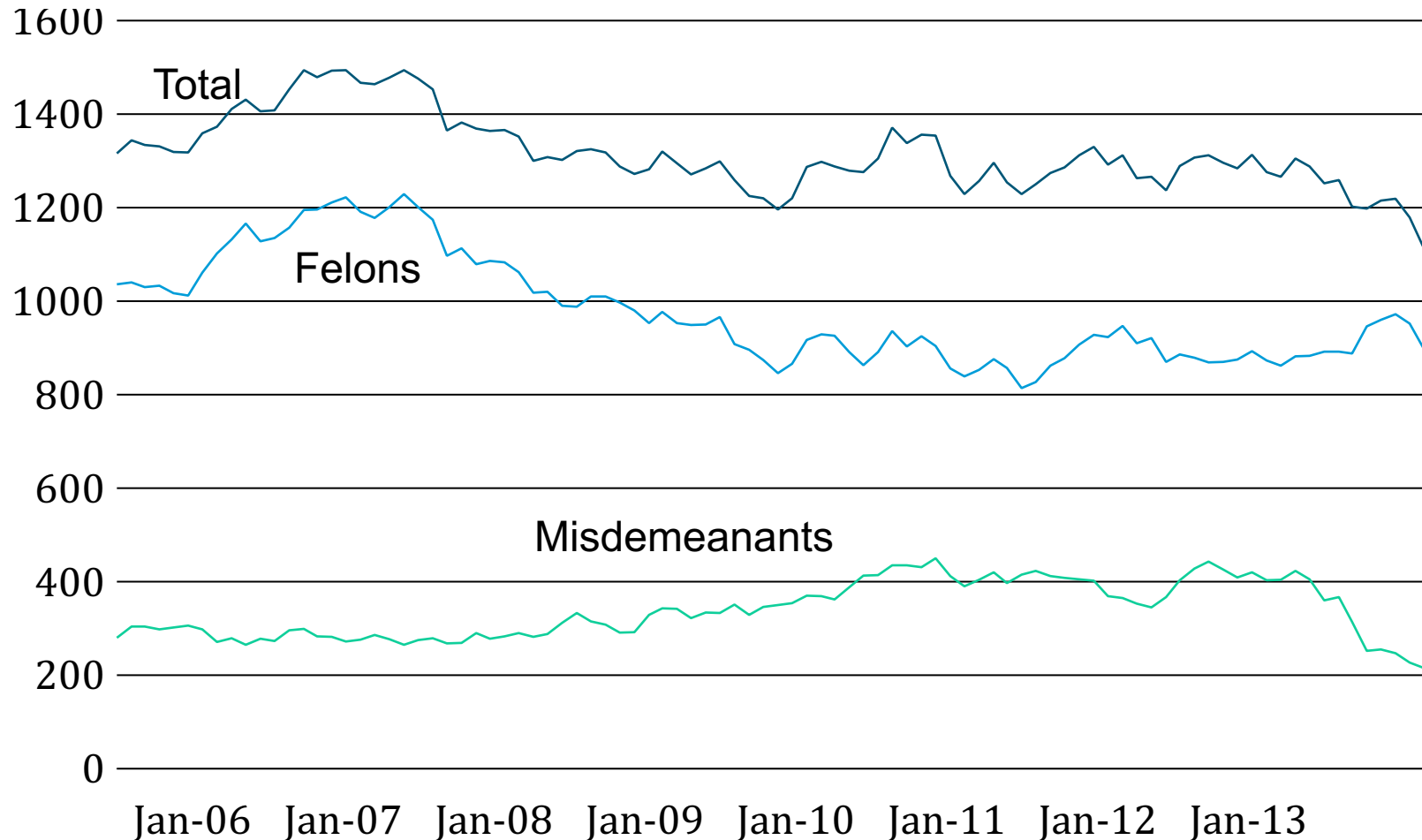
Recommendations for the Corrections Bureau

Regardless of Contracting Approach:

- Identify detailed jail costs:
 - Develop agreed-upon plans for opening and closing units as population increases/contracts. Plans should establish thresholds and rationale for how and when staffing levels will be adjusted.
 - Develop a system for monitoring and reporting inmate data that affects costs, including classification and housing location, and receipt of medical and mental health services.
- If contracting is pursued, employ specific safeguards and contracting approaches to ensure revenues exceed costs.

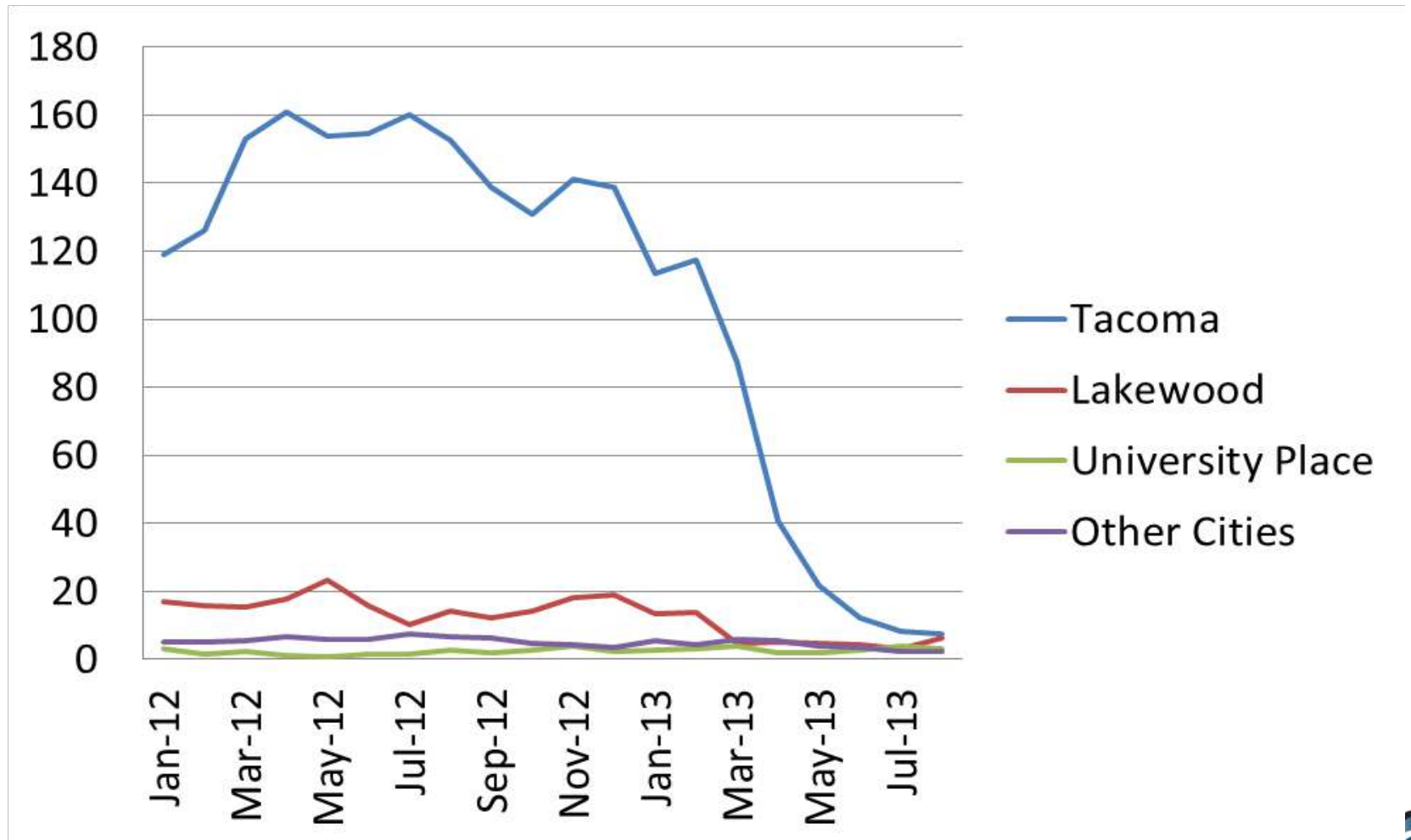
Technical Appendices

Appendix A: Average Daily Population (ADP) January 2006 – July 2013



Source: Inmate data report generated by Pierce County Council staff.

Appendix B: Average Misdemeanant ADP by City January 2012 – July 2013



Source: Jail Billing spreadsheets. Chart includes only misdemeanants. It does not include the Department of Correction’s inmates because they are felons.

Appendix C: Monthly ADP and Revenue from Top 10 Largest Contract Jurisdictions: Aug. 2012 – Aug. 2013

		DOC (Felons)	Fife	Fircrest	Gig Harbor	Lakewood	Milton	Ruston	Steilacoom	Tacoma	University Place	Others
Aug-12	ADP	27	1	0	2	14	0	1	0	153	3	3
	Revenue	\$70,040	\$3,066	\$2,126	\$5,633	\$49,182	0	\$1,770	\$1,760	\$524,926	\$11,732	\$8,750
Sep-12	ADP	30	1	0	3	12	0	0	1	139	2	1
	Revenue	\$75,650	\$7,251	\$1,907	\$8,831	\$42,711	0	\$963	\$2,655	\$470,837	\$7,852	\$4,930
Oct-12	ADP	29	1	0	1	14	0	1	1	131	3	1
	Revenue	\$75,990	\$3,243	\$1,307	\$4,493	\$50,292	\$257	\$2,507	\$3,353	\$452,388	\$8,717	\$3,677
Nov-12	ADP	29	2	0	1	18	0	0	1	141	4	1
	Revenue	\$74,800	\$8,568	\$305	\$5,130	\$63,176	0	\$1,278	\$1,416	\$464,364	\$12,620	\$2,049
Dec-12	ADP	17	1	1	0	19	1	0	0	139	2	1
	Revenue	\$43,775	\$4,019	\$2,772	\$1,358	\$66,837	\$3,480	0	\$216	\$468,420	\$9,144	\$4,647
Jan-13	ADP	5	1	1	1	14	1	0	1	113	3	1
	Revenue	\$14,280	\$6,839	\$3,149	\$5,511	\$51,033	\$2,842	\$634	\$3,343	\$424,768	\$11,087	\$3,257
Feb-13	ADP	10	0	0	1	14	0	1	2	117	3	1
	Revenue	\$23,885	\$2,229	\$818	\$3,808	\$44,965	\$409	\$1,957	\$5,218	\$405,545	\$9,767	\$2,876
Mar-13	ADP	20	1	0	2	5	1	2	1	87	4	1
	Revenue	\$52,700	\$3,773	\$951	\$7,734	\$20,252	\$2,648	\$4,549	\$2,249	\$315,251	\$14,708	\$4,244
Apr-13	ADP	36	0	0	2	5	1	1	0	41	2	1
	Revenue	\$90,525	\$1,902		\$7,780	\$19,628	\$2,014	\$3,169	\$1,452	\$165,154	\$9,599	\$5,374
May-13	ADP	43	0	0	2	5	0	1	0	22	2	0
	Revenue	\$114,070	\$726	\$225	\$5,766	\$17,704	\$2,280	\$2,750	\$317	\$107,386	\$8,790	\$2,440
Jun-13	ADP	46	0	0	1	4	0	0	0	12	3	2
	Revenue	\$118,490	\$1,319	\$1,953	\$3,302	\$15,687	\$1,370	\$818	0	\$72,227	\$11,058	\$6,122
Jul-13	ADP	44	0	0	1	3	0	1	0	8	4	1
	Revenue	\$116,875	\$1,002	\$2,444	\$3,824	\$13,497	0	\$1,881	0	\$55,107	\$16,416	\$4,921
Aug-13	ADP	41	0	0	0	6	1	0	0	8	3	1
	Revenue	\$108,885	0	\$1,718	\$859	\$23,555	\$3,292	\$1,513	\$1,769	\$53,337	\$12,731	\$3,926

Source: Corrections Bureau Jail Billing Sheets. August numbers are not yet finalized.

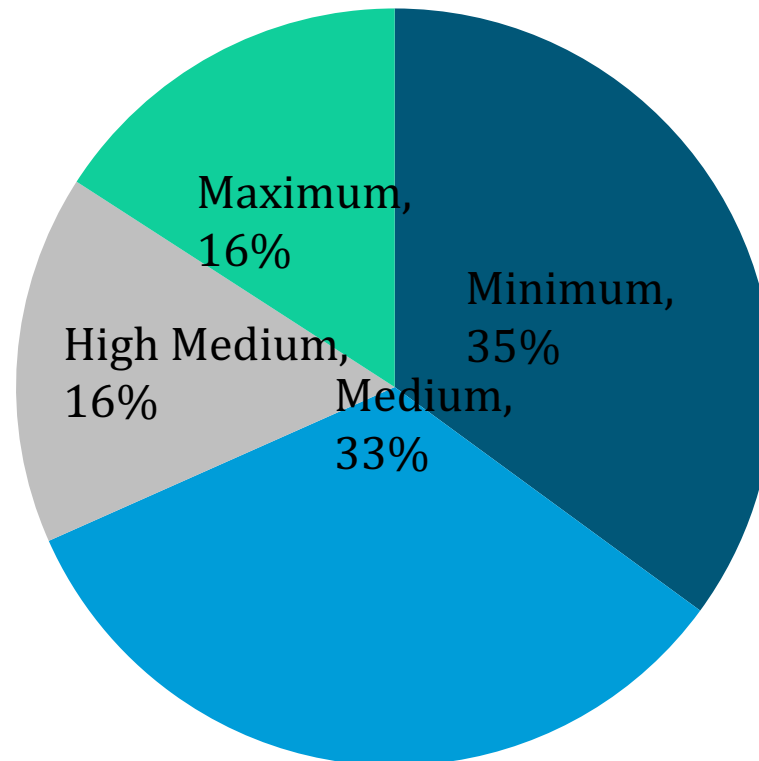
Appendix D: Corrections Bureau Budget Changes 2013 and 2014 (projected)

	2013 Budget	Amended 2013 Budget	Executive's 2014 Budget
General Fund	\$42,287,150	\$44,287,150	\$44,594,560
Intergov./contracts	\$8,637,470	\$ 3,637,470	\$ 2,879,460
Fees/Charges	\$1,631,010	\$ 1,631,010	\$ 1,551,470
Total	\$52,555,630	\$49,555,630	\$49,025,490

The amended 2013 budget includes a reduction of \$5 million in Intergovernmental Revenue and the addition of \$2 million in General Fund support for the Corrections Bureau, resulting in a net reduction of \$3 million.

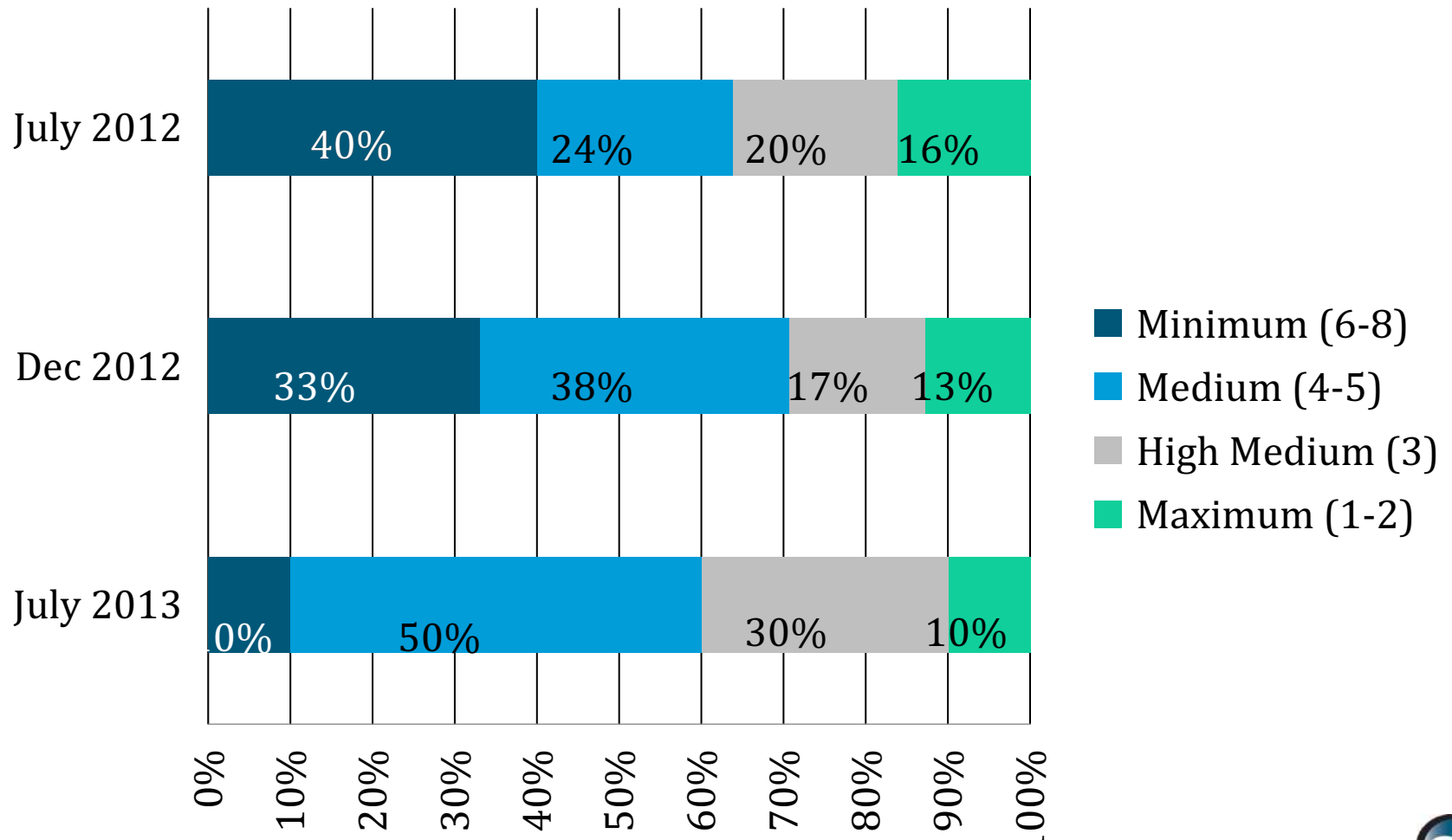
The Executive's 2014 budget includes a reduction of \$6.5 million in Intergovernmental Revenue and the addition of \$2 million in General Fund support for the Corrections Bureau, resulting in a net reduction of \$4.5 million.

Appendix E: Percent of Contract Misdemeanants by Security Classification



Source: Analysis of monthly snapshots of inmate data, August 2011 through August 2013.

Appendix F: Contract Inmates by Security Level July 2012 – July 2013



Source: Analysis of monthly snapshots of inmate data, July 2012 – July 2013

Appendix G: Method of Estimating Net Revenue from Market Rate

Revenue from market rate times new ADP plus current contract ADP

Market Revenue

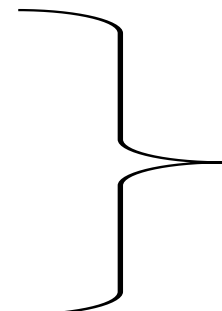
Non-security variable costs of increasing ADP

(e.g., food, utilities, supplies, etc.)

Security housing costs of opening and operating unit

Escort costs of opening and operating unit

Loss of revenue if new rate is applied to current customers



— **Marginal Cost**

≡ Net Revenue

Appendix H: Pros and Cons of Alternative Contracting Strategies

	Advantages	Disadvantages	Safeguards
Full Cost Recovery	<ul style="list-style-type: none"> All jurisdictions are equal partners and costs are equitably shared. 	<ul style="list-style-type: none"> Can be winners and losers as cost base and ADP changes. Partners can shift costs by selective bookings. Costs may be prohibitive for partners depending on market conditions. 	<ul style="list-style-type: none"> Exclusive contracts. Charge premiums for exceptional usage of jail resources. Periodically adjust rate(s). Make-up billings/reimbursements.
Market Rate	<ul style="list-style-type: none"> Contracting jail can increase revenue if there is excess capacity and the market rate exceeds marginal costs. 	<ul style="list-style-type: none"> Contract ADP changes can negatively impact revenues. Partners can shift costs by selective bookings. 	<ul style="list-style-type: none"> Set minimum number of beds and surcharge for exceeding maximum. Exclusive contracts. Charge premiums for exceptional usage of jail resources.
Single “flat” daily rate	<ul style="list-style-type: none"> Simplicity. May be attractive to some jurisdictions. 	<ul style="list-style-type: none"> Partners can shift costs by selective bookings. May be unattractive to some jurisdictions. 	<ul style="list-style-type: none"> Exclusive contracts. Charge premiums for exceptional usage of jail resources.
Multiple rates for services	<ul style="list-style-type: none"> Billing more closely aligned with costs of services. May be attractive to some jurisdictions. Reduces daily rate. 	<ul style="list-style-type: none"> More opportunities for winners and losers. Need to monitor marginal costs for each service for which there is a fee. Administratively more difficult. 	<ul style="list-style-type: none"> Quarterly update of rates, if needed, or have year look-back billing adjustments. Keep rates low by setting at marginal cost plus.
Charge for fixed number of beds	<ul style="list-style-type: none"> Administratively easier. 	<ul style="list-style-type: none"> Cost risk to both parties. 	<ul style="list-style-type: none"> Set minimum number of beds and surcharge for exceeding maximum.

Appendix I: Contract Provisions Used by Other Jurisdictions

Contract (Jail provider in bold)	Daily Rate	Booking Fee	Medical & Mental Health Costs Paid by Sending Jurisdiction	Other Costs or Surcharges
Pierce County	\$89.50 (exclusive); \$92 (non-exclusive)	\$220- \$225	None (medical costs are rolled into daily rate)	Court escort (\$86-90) Special Identification Process (\$120-\$168)
Benton County and Kennewick, Prosser, Richland & West Richland	\$64.64	None	Offsite medical care charges	Prisoner transportation
King County and City of Seattle	\$125	\$95	Acute (\$231.11) and Non- Acute Psychiatric Care Surcharge (\$61) Infirmery Care Surcharge (\$193.87) Offsite medical care charges	1:1 Guardian Surcharge (\$57.67 per guard per hour) Minimum Bed Adjustment Charge if number of inmates falls below a set level
Pend Oreille County	\$75	\$35	All medical costs	
Snohomish County and City of Everett	\$64.38	\$92.70	Non-routine medical costs	Inmate transportation to court
Yakima County and Sunnyside	\$65	None	Offsite medical care charges	
South Correctional Entity (SCORE)	Guaranteed beds: \$80 for 100 or more; \$85 for 50 or more. Non- guaranteed beds: \$135	None	Housing in Medical Unit (\$30) Direct cost for major medical	
City of Fife and City of Tacoma	\$65	\$20	All	Prisoner transport (\$125 per trip) Video arraignment (\$65 per session) Special Identification Process (\$80)

Note: Rates are those in effect at contract execution. All contracts were executed within the last two years.

Appendix J: Rate Model with Sample Single Daily and Multiple Rate Scenarios (2013 Budget Numbers)

RATE CATEGORIES

By Cost Centers with Variable Costs	Base Cost	Include as Separate Rate?	Units	Full Cost Rate	Current Rate	2013 Rate Default	2013 Value Default
Daily Bed (Inc. Security/Housing)	\$52,881,908		ADP	1288	\$112.49	\$92.00	1288
Booking	\$0	No	Bookings	21780	\$0.00	\$225.00	Yes 21780
Escort	\$0	No	Escorts	41700	\$0.00	\$90.00	Yes 41700
Special Identification Process	\$0	No	IDs	739	\$0.00	\$168.00	Yes 739
Mental Health	\$0	No	Bed Days	48180	\$0.00		No
Pre-Trial Screening	\$0	No	Screenings	6170	\$0.00		No
Medical	\$0	No	Bed Days	23667	\$0.00		No
TOTAL	\$52,881,908						

RATE CATEGORIES

By Cost Centers with Variable Costs	Base Cost	Include as Separate Rate?	Units	Full Cost Rate	Current Rate	2013 Rate Default	2013 Value Default
Daily Bed (Inc. Security/Housing)	\$43,279,953		ADP	1288	\$92.06	\$92.00	1288
Booking	\$5,826,206	Yes	Bookings	21780	\$267.50	\$225.00	Yes 21780
Escort	\$3,651,666	Yes	Escorts	41700	\$87.57	\$90.00	Yes 41700
Special Identification Process	\$124,083	Yes	IDs	739	\$168.00	\$168.00	Yes 739
Mental Health	\$0	No	Bed Days	48180	\$0.00		No
Pre-Trial Screening	\$0	No	Screenings	6170	\$0.00		No
Medical	\$0	No	Bed Days	23667	\$0.00		No
TOTAL	\$52,881,908						