

Delaware County Board of Prison Inspectors

*Report to assist with the evaluation of the current
public/partnership of the George W. Hill
Correctional Facility*

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I. Background

Phoenix Management Services, LLC (referred to herein as “Phoenix”) has prepared this Report for the Delaware County Board of Prison Inspectors (referred to herein as the “Board”). Pursuant to our engagement letter dated May 3, 2018, Phoenix was engaged to, among other things, assist the Board in evaluating whether it made economic sense for Delaware County (the “County”) to reassume full operational control of the George W. Hill Correctional Facility (referred to herein as “GWHCF” or the “Facility” or the “Prison”).

While operated under contract with The Geo Group, Inc. (“GEO”), the GWHCF facility is actually owned by Delaware County. Beginning in 1998, and continuing until 2009, the daily operations of the Prison were managed and operated by GEO. Thereafter, the Prison was operated by Community Education Centers (“CEC”) under the same arrangement. In April 2017, GEO completed the acquisition of CEC and has continued to operate the Prison since that time. The contract to operate the Prison expired at the end of 2018, and the Board entered into a new, multi-year contract with GEO. The Board requested Phoenix to undertake the analysis described in this Report in order to better understand whether it would be economically advantageous to bring the operation of the Facility back under the daily management of the County.

Working in parallel with representatives of the Board and the senior leadership of the Prison, Phoenix developed a multi-pronged approach to evaluate the potential cost to the County as well as other relevant issues. This approach included: a) meetings with County officials who would be primarily responsible for implementing such a transition from a financial and operational perspective should that direction be decided upon, b) obtaining detailed cost information from a select group of other Pennsylvania counties and their prisons, c) obtaining detailed cost information from GEO that we have been advised is required under their contract, and d) evaluating cost and other select operational data reported to the Pennsylvania Department of Corrections (“DOC”).



I. Background (Continued)

During the early phases of this project, Phoenix provided GEO with a detailed data request that would have enabled us to build a side-by-side analysis of the projected costs that the County would likely incur should the decision be made to bring the Facility back under its control. Despite numerous requests, discussions, and meetings, GEO ultimately decided that it would not comply with Phoenix's requests for information. Notwithstanding our willingness to execute a nondisclosure agreement, and our intent to protect the confidential nature of the information, GEO expressed concerns about information that it regarded as privileged or confidential and therefore did not comply with our data requests. GEO initially suggested that their unwillingness was driven by the then active RFP process, which they felt would put them at a distinct disadvantage as their proposals, and other competing proposals, were evaluated. Phoenix understood their concern and we believed that we had reached an agreement that the requested information would be provided after the contracting process was completed. However, GEO ultimately refused to provide the requested information under any circumstances.

Phoenix's workplan, engagement letter, and analysis always anticipated cooperation from GEO so as to enable us to independently build a detailed cost model for the Board and County to consider. However, GEO's refusal to provide the historical cost detail and corresponding payroll, healthcare data, litigation costs, etc. has severely impaired our ability to develop a side-by-side analysis of the operating costs the prison would likely incur under County control relative to the current contracted costs with GEO. This has also caused unnecessary delays and cost as we have spent additional time evaluating the performance of the Facility relative to its peers in Pennsylvania, while also looking for alternative ways to estimate the costs should the County reassume operational control.

While GEO did not provide the requested detailed historical cost information, they did provide certain information that highlights some of the perceived benefits of the relationship over the past 20 years. Where appropriate, that information has been included within this report.

Phoenix also provided detailed information requests to several peer prisons with the intent of building a financial model based on the operational costs of those facilities. Several of the other prisons would not provide the requested information, stating most often that it was too cumbersome. We would like to thank the leadership of the Montgomery County and Chester County prisons as they were the most forthcoming in responding to our requests.



I. Background (Continued)

County prisons in the Commonwealth of Pennsylvania, including GWHCF, house inmates with maximum sentences of two years as well as those awaiting trial or being held for violation of parole or other reasons. For the most part, the prisons do not control who is admitted or for how long they stay. In 2017, the average in-house daily population at GWHCF was 1,807, total admissions for the year were 9,859, and the average length of stay was 42 days. As is the case with other county prisons across the Commonwealth, the Facility deals with an array of challenges:

- Many of the inmates enter the Prison addicted to alcohol, opioids, and other drugs and go through a detox program at the Facility (21% in 2017) and many of the inmates take prescription drugs during their stay at the Facility,
- Many inmates have mental and behavioral health disorders that require treatments. Many are also being held in the absence of other medically appropriate secure facilities. Their treatment is not best suited for a correctional facility,
- Attempted suicides (21 in 2017 and 34 YTD 2018 at GWHCF) ,
- The Facility admitted 86 pregnant females and there were 12 births while in custody in 2017.

Since beginning operations under the public/private partnership, the Facility has earned multiple accreditations and certifications including:

- ACA accreditation
- Prison Rape Elimination Act certification
- National Commission on Correctional Health Care certification
- PADOC Re-certification (Training Program and Facility Inspection)



I. Background (Continued)

The features of the Board's public/private partnership model has evolved with the changing needs of inmates insofar as correctional facilities can provide appropriate services and programs to them. Some of the programs and achievements for 2017 include:

- Restoration of competency – since inception (2015), 67 of 89 participants returned to mental competency
- Extensive health and wellness programs (statistics not available for 2017)
- Academic programs – 6,116 students, 1,963 certificates awarded (2017 results including various classes shown below):
 - GED Programs – 933 students, 43 GED's awarded
 - Positive Living Assistance Network – 521 students, 175 certificates awarded
 - Work Essentials Skills/Computer Literacy – 398 students, 198 certificates awarded
 - Prison Reentry Education Program (Prep I and Prep II) – 1,789 students, 683 certificates awarded
 - Anger Management – 1,320 students, 632 certificates awarded
 - Anger Management Advanced Class – 136 students
 - Parenting – 60 students, 50 certificates awarded
 - NOPE (Narcotics Overdose Prevention Education) – 154 students
 - Delaware County Community College (English Class Credits) – 12 Students, 12 credits earned
 - Sex Offender – 274 students, 34 certificates awarded
 - Transgender – 26 students
 - Houses of Healing – 356 students, 97 certificates awarded
 - Thresholds – 295 students, 131 certificates awarded
 - Grow Engage Triumph Together – 38 Students, 38 certificates awarded



II. Disclaimer

Phoenix prepared this Report for the Board. Phoenix has not independently verified the information contained herein, and Phoenix does not make any representation or warranty as to the accuracy or completeness of this information and shall have no liability for any representations (expressed or implied) contained in, or for any omissions from, this Report or any other written or oral communications transmitted to the Board or any other party in the course of its analysis.

No other third party should rely on the information contained herein or on any opinion(s) expressed by Phoenix that are contained within this Report.

No person has been authorized to give additional information or to make representations with respect to this Report. The statements in this Report are made as of the date hereof and are subject to change, completion, or amendment without notice. The delivery of this Report shall not create, under any circumstances, any implication that there has not been any change in the affairs of the Facility since the date hereof.



III. Executive Summary

Of particular interest to Delaware County and its residents, GEO assumes all potential liabilities associated with the management of the Facility under the current public/private operational model.

- GEO is solely responsible for healthcare costs for both inmates and employees, which otherwise can present unforeseen risks to the County.
- GEO is solely responsible for any legal or litigation related costs and settlements related to the operation of the Facility. This eliminates a potentially large unknown risk for the County and provides the County with certainty with respect to the costs associated with operating the Facility.
- GEO's management is clearly motivated to keep incidents to a minimum as they are fully responsible for the potential liability costs for such occurrences as deaths, escapes, assaults, and harassment. The operating history shows the Facility has a good performance record when measured against other county facilities in Pennsylvania.

In the event the County reassumed full operational control of the Prison, then it should be understood that certain costs might increase, including:

- Personnel costs under full County management would likely be higher. Monthly take-home pay would need to remain stable or grow to stay competitive with other employment options for Prison employees but pension and benefit costs under the County would be greater,
- Other Prison operating costs would likely be higher due to GEO's purchasing power and vendor relationships,
- Given its national presence, GEO has access to certain specialized resources and capabilities including design, construction management, procurement, recruiting, contract compliance, professional accreditation specialists, and other areas of expertise that result in cost savings for the County under the current model.



III. Executive Summary (Continued)

The County would incur significant transition costs to reassume full operational control of the Prison. Estimated one-time costs would likely exceed \$1 million and would include:

- Replacement of vehicles and other rolling stock,
- Replacement of weapons, uniforms, gear, etc. for correction officers,
- Replacement of furniture, fixtures and equipment,
- Human Resource transition costs including, outside assistance to transition approximately 500 employees to the County's payroll system and benefit structure.

Phoenix analyzed cost and qualitative data from nearby county prisons and found that GWHCF compares favorably with the vast majority of its peers. Phoenix notes, however, that Montgomery County operates at a significantly lower cost per inmate than GWHCF and most other county prisons in the Commonwealth.

- Montgomery County Prison operates at significantly lower staffing levels than GWHCF.
- Phoenix has discussed with the Prison leadership certain potential cost savings opportunities that could be further explored in cooperation with Montgomery County. The Board would need to weigh the potential cost savings against the possible impact on the safety and well-being of inmates, correctional officers, and the community at large as well as the liability costs associated with those risks.
- Based on recent DOC data and information provided by the neighboring prisons, Phoenix observed that GWHCF operates with a superior safety record.



III. Executive Summary (Continued)

Recognizing that we were operating without the benefit of detailed historical financial results as well as healthcare and liability incident history from GEO, Phoenix still attempted to develop an estimate of the costs the County would likely incur should it reassume the daily operation of the Facility:

- The estimate lacks our desired precision due to the lack of information required to make more definitive estimates.
- The estimate shows that the forecasted labor and non-labor costs for 2019 under County control would be approximately \$1.5 million higher than the County's cost under the current GEO contract. However, there are several costs that would likely increase the County's costs dramatically, including:
 - The estimate does not include any of the liability costs associated with running the Prison, such as insurance premiums, self-insurance administrative costs, settlements, verdicts and legal fees, and related expenses,
 - The estimates does not capture the specialized capabilities at GEO's corporate level including construction management, contract management, etc. that the county would need to supplement with staff and/or outside consultants,
 - The estimate does not account for potential wage increases at the expiration of the Collective Bargaining Agreement in 2020. As structured under the GEO contract, those increases will be absorbed by GEO under the fixed price contract. Furthermore, GEO has long-standing success negotiating collective bargaining agreements with unions because they can, if necessary, pull personnel from other prisons in their system during a walkout scenario.



III. Executive Summary (Continued)

Recognizing that the Prison's operating model is not all about dollars and cents, we want to highlight the following:

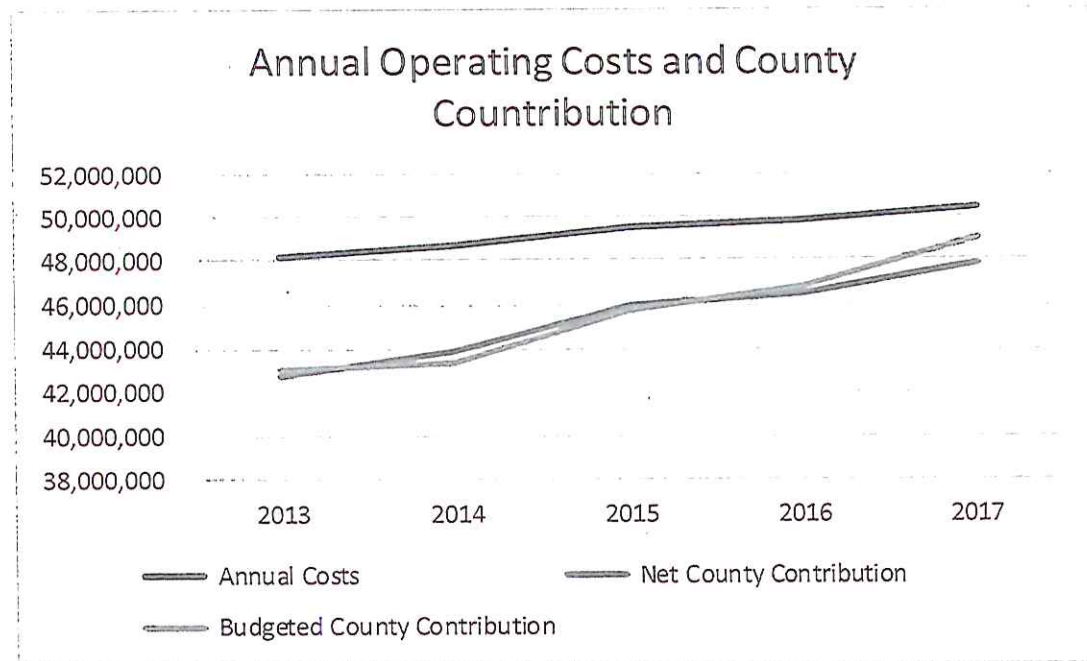
- From a qualitative performance perspective, the Facility compares favorably with other county peer facilities in PA.
- The public/private partnership created between the Superintendent's Office and GEO avoids many of the pitfalls often associated with privately-run prisons. The Board and the Superintendent's Office work closely with GEO to ensure proper staffing levels, safety for inmates, employees, and the public. They also collaborate well in order to provide substantial inmate programs and services.
- When it comes to recidivism rates, the public/private partnership employed at GWHCF provides resources to inmates that help to keep them out of prison, recognizing that certain factors stimulating reentry cannot be controlled by the Prison alone:
 - People are committed to, and discharged from, the Prison through decisions made by others in law enforcement and judicial systems.
 - There are many factors outside of the control of the Facility, including post-release resources and support, employment training, the impact of the opioid epidemic, and lack of resources for the care and treatment of people suffering from mental health issues.
 - While the maximum sentence for a county prison is two years, the average length of stay is relatively short partially as a result of the Prison providing meaningful education, training, and resources.
 - 21% of the Facility's population goes through detox upon admission, and a significant number of inmates are diagnosed with mental health issues.
 - The Delaware County public/private partnership seems to focus on the importance of inmate rehabilitation.



IV. Cost Analysis GWHCF

GWHCF has experienced slowly rising and relatively predictable annual budgets:

- Costs have increased 0.8% to 1.6% each year for the past four years.
- Due to declining revenue, the annual County contribution increased between 1.3% and 4.8% each year.
- Variances to budget are overall well controlled.



	Delaware County				
	2013	2014	2015	2016	2017
Annual Costs	\$ 48,130,477	\$ 48,695,531	\$ 49,469,970	\$ 49,864,089	\$ 50,475,231
Net County Contribution	\$ 42,740,940	\$ 43,822,188	\$ 45,915,780	\$ 46,519,717	\$ 47,881,249
Budgeted County Contribution	\$ 43,014,000	\$ 43,298,000	\$ 45,797,000	\$ 46,821,000	\$ 49,011,000
Variance - Over / (Under)	\$ (273,060)	\$ 524,188	\$ 118,780	\$ (301,283)	\$ (1,129,751)
Variance to Budget	-0.6%	1.2%	0.3%	-0.6%	-2.3%
Annual Change Costs		1.2%	1.6%	0.8%	1.2%



IV. Cost Analysis GWHCF (Continued)

For 20 years, the contracts with GEO and CEC have limited the annual cost increases of operating the Prison to 2% per year, which in turn provides predictability to the County budget.

GEO's new contract foregoes the typical 2% annual increase in 2019, thereby reducing the cost to the County by over \$1,000,000 per year for the life of the contract. Furthermore, GEO is funding approximately \$300,000 in replacement cost for FF&E and \$900,000 in additional recurring expenses that are meant to improve the quality of service and function of the Facility including;

- Establishment of new Vivitrol Opioid Treatment Program,
- Academic/Wellness Program Enhancements,
- Medical Equipment Enhancements,
- Upgrading 10 exam rooms in the Medical Unit to include new computer stations, exam tables, and refurbished millwork,
- Updating 8 Medical Triage Rooms in Housing Units to include new exam tables, flooring, refurbished millwork, and repainting,
- Inmate Areas - Adding ladders and rails to all housing unit cell bunk beds, replacing 1,883 mattresses, installing 12 new 4-seat tables in new Vivitrol Opioid Treatment Program dayroom, installing a new inmate clothing rack system, and replacing movable partitions in the DUI Building,
- Security – Replacing 7 inmate transportation vehicles during the 5-year contract, new key system, replacing K9 building office furniture, 10 new pistols, 12 new CERT gear packs, and 50 new Security Radios,
- Administrative – Replacing original furniture and carpet in the Administration Building, installing a new phone system, 20 new desktop computers, a new lawn mower, new scissor lift, and replace data/phone cables.



V. Cost Comparison to Other Prisons

Based on 2017 DOC-published data, Phoenix compared the 10 largest county prisons by average in-house daily population. At \$76.53 per day per inmate, Delaware County compares favorably with the average of \$90.63. Two facilities had a lower daily cost per inmate, one facility was nearly the same and five counties had a higher daily cost per inmate in 2017. One facility did not report.

Size Rank	County Name	Bed Capacity	Avg. In-House Daily Pop for 2017	Avg. Housed Elsewhere Daily Pop.	Admissions	Total Staff	Annual Prison Budget Spent 2017	Calculated Average Cost Day/Inmate 2017	Revenue for 2017	Comments
1	Philadelphia	8,292	6,534	-	86,513	2,446	\$ 260,892,091	\$ 109.39	\$ 615,196	Sample of a larger system
2	Allegheny	3,129	2,352	n/a	14,810	564	85,994,054	100.17	2,981,436	Similar size - no cooperation
3	York	2,368	2,243	-	13,900	583	54,560,359	66.64	25,128,207	High ICE population skews #'s
4	Montgomery	2,080	1,992	52	10,169	421	38,760,690	53.31	1,917,230	Similar size
5	Delaware	1,883	1,807	25	9,859	435	50,474,951	76.53	2,593,983	
6	Dauphin	1,322	1,037	234	6,421	332	N/R	N/R	N/R	Not reporting budget to DOC
7	Lehigh	1,364	956	22	6,246	337	30,038,063	86.08	1,206,026	
8	Berks	1,396	900	20	6,994	376	35,659,757	97.80	4,101,391	
9	Lackawanna	1,182	889	180	4,810	271	25,446,435	78.42	7,303,333	High profile incidents lately
10	Chester	1,023	823	7	5,711	341	29,998,251	99.86	1,531,958	Sample of a smaller prison
Total (excl. Dauphin)			18,496				\$ 611,824,651	\$ 90.63		

- Calculated Average Cost per day per inmate above was calculated by Phoenix by dividing the annual prison budget spent by the average in-house daily population for 2017 divided by 365. The calculated results did not match the reported figures for each county (some were exactly the same but some reported lower figures sometimes significantly lower), calling into question the accuracy or integrity of some of the reported data.



V. Cost Comparison to Other Prisons

Phoenix met with and received information from Montgomery County and Chester County prisons:

- Montgomery County has experienced substantial budget overruns and large annual increases in recent years.
- Chester County's annual costs were relatively steady during a period of declining population between 2013 and 2016, until 2017 when wages were significantly increased.

	Montgomery County				
	2013	2014	2015	2016	2017
Annual Costs	\$ 31,774,980	\$ 33,300,826	\$ 36,370,467	\$ 38,642,871	\$ 38,792,595
Net County Contribution	\$ 29,470,304	\$ 30,592,200	\$ 33,314,784	\$ 36,135,979	\$ 36,876,156
Budgeted County Contribution	\$ 29,359,444	\$ 29,971,920	\$ 30,077,079	\$ 34,128,343	\$ 36,244,995
Variance - Over / (Under)	\$ 110,860	\$ 620,280	\$ 3,237,705	\$ 2,007,636	\$ 631,161
Variance to Budget	0.4%	2.1%	10.8%	5.9%	1.7%
Annual Change Costs		4.8%	9.2%	6.2%	0.4%
Annual Change Contribution		3.8%	8.9%	8.5%	2.0%
Avg. in-house population	1,941	1,924	1,998	1,943	1,993
Daily Cost per Inmate	\$ 44.85	\$ 47.42	\$ 49.88	\$ 54.48	\$ 53.33
Annual Change Daily Cost per Inmate		5.7%	5.2%	9.2%	-2.1%

	Chester County				
	2013	2014	2015	2016	2017
Annual Costs	\$ 27,050,307	\$ 27,272,681	\$ 27,065,610	\$ 27,649,340	\$ 30,096,716
Net County Contribution				\$ 25,623,956	\$ 28,223,017
Budgeted County Contribution				\$ 25,463,549	\$ 28,798,504
Under/ (Over)	\$ -	\$ -	\$ -	\$ (160,407)	\$ 575,487
Variance to Budget				-0.6%	2.0%
Annual Change Contribution					10.1%
Annual Change Costs		0.8%	-0.8%	2.2%	8.9%
Avg. in-house population	951	959	893	817	823
Daily Cost per Inmate	\$ 77.93	\$ 77.91	\$ 83.04	\$ 92.72	\$ 100.19
Annual Change Daily Cost per Inmate		0.0%	6.6%	11.7%	8.1%



V. Cost Comparison to Other Prisons

When comparing GWHCF to the Montgomery and Chester County prisons from 2013 through 2017, it was noted that Montgomery County consistently had the lowest cost per inmate and Chester County had the highest cost per inmate.

- According to staffing plans shared with Phoenix, Montgomery County has 73 fewer security personnel and 93 fewer full-time employees overall than GWHCF. Montgomery County's cost per inmate is an outlier relative to other county correctional facilities in the Commonwealth based on DOC data. Under its contract, Delaware County requires a minimum staffing level that it maintains is necessary to provide an acceptable level of security for the community, inmates, and employees.

Montgomery County has a similar inmate population to Delaware County in terms of numbers, but has a significantly lower cost per inmate. Several factors could be contributing to this and should be further explored and weighed against inmate health and welfare, public safety concerns, and potential liability costs. Some potential factors include:

- Staffing Levels – facility layout/age, body cameras, inmate management programs, on-site hearings, command & control processes, officer email communication, roll calls. Correctional staff is not used for library, kitchen, maintenance, sanitation, or warehouse duty,
- Preregistration of visitors, reception control, and video visitation,
- Visitations limited to two days per week,
- Medical – CAT provision, 340B program, mental staffing, and on-site dental,
- Bulk purchasing in the warehouse.



VI. County Operating Assumptions

As the County further considers reassuming full operational control of the Prison, Phoenix believes the following County takeover operating assumptions should be considered:

Personnel and related costs - This is the most significant operating cost, aggregating approximately 65%-75% of the total cost of operating the Facility. For example, the Montgomery County Prison, which has significantly lower staffing levels, had employee and benefits costs which made up 73% of its total budgeted costs in 2017.

- **Benefits** – In 2017, the benefit costs for County employees totaled 67% of salaries and wages, which is likely significantly higher than GEO's benefit rates,
- **Pension** – The 7% mandatory contribution from employees into the County pension plan would require the County to gross up salaries to maintain employees' take-home pay. County contribution to pensions, included in the 67% benefits rate noted above, is approximately 3% for the County,
- **Employee contributions to a contractor's 401K plan** (and an assumed 50% employer match) would partially offset any required gross-up of pay,
- **Healthcare** – The County offers a generous employee health plan, and the employee contribution rate is low. For the County, 2017 healthcare benefit costs were 50% of wages. The employee health profile at the Prison has not been analyzed and could present a potential risk to the County,
- **The correctional officer collective bargaining agreement (CBA)** at the Prison expires on December 31, 2019 and its CBA for other represented employees expires on June 30, 2020. When they expire, reasonable cost increases can be expected for the County,
- **Paid Time Off** - The County offers 15 paid holidays and 2.5 hours per week of paid lunch time which could be more generous than private employers,
- **Retiree Healthcare Costs** – Eligibility requirements for the County include age 55 and 20 years of service. This is not a significant cost in the short term but eventually will become a significant cost to the County.



VI. County Operating Assumptions

Administrative Costs - Additional administrative requirements from the County if the County fully operated the Facility:

- Controller's Office
- Human Resources
- Purchasing
- MIS and telecommunications
- Insurance/Risk Management
- Legal – internal and external legal costs
- Contract compliance
- Professional accreditation and other specializations

Non-Personnel Costs:

- Healthcare for Inmates – The County could outsource this to a third party as is the case with most prisons in Pennsylvania and the cost could possibly be in a similar range to the cost under the current contractor,
- Grocery and other provisions – A national contractor likely has greater purchasing power than the County. Outsourcing this to a third party would likely keep the costs closer to GEO's costs,
- Utility costs would not likely change significantly,
- Housekeeping and supplies – 3% to 5% higher due to corporate purchasing power,
- Equipment maintenance – Same as a contractor because they are using local vendors,
- Wages of inmates – Same as a contractor,
- Training and staff development – Approximately the same as a contractor,
- Major equipment and vehicle operations – Same as a contractor
- Material supplies – 3% to 5% higher due to contractor purchasing power



VI. County Operating Assumptions

Legal, liability, settlements, and related costs – Under the GEO contract, these costs are fully absorbed by GEO. In the event the County reassumed operational control of the Facility, then these costs, while partially insurable, would no longer be fully covered by a third party. Litigation could become a major cost for the County and general liability insurance would likely be costly as well (note that Phoenix did not obtain third party quotes for such coverage and we urge the County to explore what insurance related costs might actually be). With nearly 10,000 individuals processed through the Facility annually, it is reasonable to expect a large volume of lawsuits against the County:

- The County would likely need to add attorneys to its legal staff to oversee the lawsuits,
- The County would need to engage outside law firms to represent them in the defense of the lawsuits,
- The County would be exposed to financial damages in unsuccessful defense of lawsuits which could be significant,
- The unpredictability of these costs could add a significant burden to the residents of Delaware County.



VII. County Operating Cost Estimate

Although GEO did not provide Phoenix with detailed historical costs and other data critical to developing a detailed and reliable operating cost estimate under County control, Phoenix believes it is informative to provide the following estimate:

- The top section is a bottoms up estimate of 2018 labor costs under County control based on salary, taxes, & benefit estimates from the County's budget office,
- In the bottom section, Labor and Non Labor cost estimates for 2018 and 2019 are compared to the cost with GEO.

County Operating Cost Estimate			
2018 Estimated Labor Costs		Source	
1	Estimated Salary for 2018 Staffing	\$ 20,204,246	Delaware County estimate based on estimated salaries for current staffing plan
2	Employee Taxes & Benefits	\$ 13,537,598	Based on 2017 Delaware County taxes & benefits rate
	Estimated Salary and Benefits	\$ 33,741,844	
3	Estimated Overtime including benefits	\$ 1,642,092	Average hourly rate + 10% for seniority X 2018 OT hours X 1.6 to reflect holidays
4	2019 Additional Positions including benefits	\$ 843,678	Staff additions per the GEO contract plus county tax and benefit rate
	Estimated 2018 Total Labor Costs	<u>\$ 36,227,614</u>	

Annual Prison Budget Estimate		2018	2019	Source
	Labor	\$ 36,227,614	\$ 36,952,166	2018 Estimated Labor Costs + 2% CPI inflation for 2019
5	Non Labor	\$ 12,862,500	\$ 13,119,750	Estimate based on GEO costs + 5%
	Total Estimated Costs	<u>\$ 49,090,114</u>	<u>\$ 50,071,916</u>	
	Plus Unknown Liability Costs		??	
	Plus additional county resources covered by GEO Corporate		??	
	Plus wage inflation post 2020 CBA expiration		??	
	Total		<u>\$50.1 Million +++</u>	
	Contractual Rate to GEO	<u>\$ 48,568,675</u>	<u>\$ 48,568,675</u>	2018 Actual Results and no increase for 2019



VII. County Operating Cost Estimate

County Operating Cost Estimate Observations:

- The estimates shown on the prior page are for illustrative purposes only. They cannot and should not be relied upon as GEO did not provide sufficient detail for Phoenix to provide the Board with a more accurate estimate. However, based on information we were able to develop or otherwise obtain, we have estimated the labor and non-labor costs for 2019 to be approximately \$1.5 million more than both the GEO contract in 2018 and the amounts that will be paid to GEO in 2019 (no rate increase in 2019).

It should be noted that the estimated labor and non-labor costs do not include the following costs:

- As previously stated, legal, settlements, and liability costs are currently fully absorbed by GEO – in a County takeover, those costs would be covered by the County and managing those costs can be challenging,
- Specialized resources that GEO corporate provides at no additional cost to the County – the County should expect to require additional resources at the County level or they will be forced to rely on outside consultants at an additional cost to the County – these costs are covered in the previous section under Administrative Costs,
- The risk that wages could escalate at the expiration of the Collective Bargaining Agreements (CBAs) in 2019 and 2020 is not accounted for in estimates, though any CBA increases will be absorbed by GEO at that time,
- The estimates do NOT include one time transition costs, which we maintain will easily surpass \$1 million.

While the costs listed above are not quantified in the estimate, they are substantial risks to the ongoing annual County budget and should be considered carefully when evaluating the possibility of the County reassuming operational control of the Facility. Liability costs in a single year could be in the millions, and wages could jump significantly as they did for Chester County when they experienced an 8.9% increase in 2017.



VII. County Operating Cost Estimate

The discussion below corresponds with the estimates in the County Operating Cost Estimate table on page 20.

County Operating Cost Estimate Qualifications:

The County Operating Cost Estimate is for illustrative purposes only. It cannot and should not be relied upon for precision due to the many limiting factors previously discussed in this report. Please note again that the below items are cross-referenced by number to the table on page 20:

1. To be more accurate and therefore more meaningful, the salary estimates should be based on the actual wages paid by GEO with the appropriate adjustments for County control. Instead, the County's budget office has developed salary estimates based on County police salaries and web research, which could be more or less than actual wages.
2. Employee taxes and benefits are based on 2017 actual rates for the County. Hospitalization is a major driver of the high benefits rate and the hospitalization costs for GWHFC personnel could be higher or lower than the County averages. Without having received a claims history, as was requested from GEO, the actual costs that would be incurred by the County could be materially different.
3. Overtime costs are a reasonable estimate based on the 2018 overtime hours, but could be different for a variety of reasons. Among these variables are 1) the assumption that rates will be 10% higher than the average wage because overtime is allocated to employees with seniority first, 2) the assumption that the average overtime factor would be 1.6X to account for normal (e.g, non-holiday) overtime and 3) that holiday premiums would be set at 2.0X base wages.



VII. County Operating Cost Estimate

County Operating Cost Estimate Qualifications (Continued):

4. While GEO has contracted to provide additional personnel in areas they are convinced are necessary to improve the quality of the Prison, there is nothing to assure that the County would increase the budget for these additional personnel. However, for an apples-to-apples comparison, they should be included in the estimate.
5. The non-labor estimate was calculated and derived from information provided by GEO but not verified by them as the actual 2018 non-labor costs (*see note below*). The assumption that non-labor costs under County control would be 5% higher could be too high or too low. GEO did not provide sufficient data to provide a better estimate, such as inmate health care incident rates and costs, that could have been used to obtain a quote from an outside provider. Further, quotes were not obtained for food service or for general liability insurance, though we urge the County to obtain such third party quotes well in advance of making any decision on reassuming operational control of the Facility. Given the national presence maintained by GEO, and their aggregate purchasing power, we believe it is reasonable to assume that costs would be higher for the County, but it is unclear by exactly how much.

Note: The non-labor cost for GEO was calculated from information provided by GEO. Certain documents received from GEO showed a 2%, or \$245,000, increase in their non-labor costs from 2017 to 2018. Backing into a 2018 non-labor cost was calculated by dividing \$245,000 by 2%, resulting in our estimate of GEO's non-labor costs of \$12,250,000. The estimate for 2018 for County control was calculated by increasing the GEO non-labor cost estimate by 5%...\$12,250,000 * 1.05 = \$12,862,500.

Further, based on information which was received directly from GEO, the non-labor costs in the estimate excludes any liability costs associated with legal costs, liability insurance, self-insurance administration, settlement costs and verdicts.



VIII. Estimated Transition Costs

Phoenix also maintains that the County would incur significant transition costs to reassume full operational control of the Prison, and should plan on the assumption that most equipment, furniture, and similar property would have to be replaced at some future point. Estimated one-time costs would likely exceed \$1 million and would include:

- Replacement of vehicles and other rolling stock,
- Replacement of weapons, uniforms, gear, etc. for correction officers,
- Replacement of furniture, fixtures & equipment,
- H/R transition costs including outside assistance to transition approximately 500 employees to County payroll and benefits.



IX. Qualitative Factors & Comparison

Performance Factors (Qualitative Factors):

- Deaths and escapes are critical performance metrics:

	2016 Deaths	2017 Deaths	2016 Escapes	2017 Escapes	2016 Deaths per 1,000 Pop.	2017 Deaths per 1,000 Pop.	2016 Escapes per 1,000 Pop.	2017 Escapes per 1,000 Pop.
Delaware County	2	2	0	1	1.14	1.11	0.00	0.55
Montgomery County	2	4	3	10	1.04	2.01	1.56	5.02
Chester County	2	2	0	0	2.45	2.43	0.00	0.00

- Assaults and recidivism rates are important measures but each prison has different definitions and they are not tracked uniformly:

	2016 Assaults	2017 Assaults	2016 Recidivism	2017 Recidivism
Delaware County	40	50	64%	64%
Montgomery County (A)	9	0	58%	56%
Chester County	86	95	Not Tracked	Not Tracked

- (A) **Montgomery Assaults** - reports only those assaults that required medical treatment or a referral to law enforcement
- Chester Assaults - includes all reported incidents including very minor/incidental contact
- Recidivism - based on the percentage of admits in the year that have previously been in the system



IX. Qualitative Factors & Comparison

Each of the facilities that Phoenix visited take pride in their inmate programs. Each of the facilities provide the full range of programs:

	Work Release	Drug & Alcohol	Community Integration	Physical Fitness	GED Programs
Delaware County	Yes	Yes	Yes	Yes	Yes
Montgomery County	Yes	Yes	Yes	Yes	Yes
Chester County	Yes	Yes	Yes	Yes	Yes

Some qualitative observations:

- The qualitative results under the current public/private partnership are good,
- Change in management adds risk,
- The goals are currently aligned between the County, the Superintendent's office and GEO,
- The Superintendent's office can focus on further improving qualitative measures and programming while GEO manages the health and security detail,
- The current arrangement seems to be working well for all parties involved.

As a side note, and to emphasize the importance of proper staffing levels, it is worth referencing the preliminary report/independent review of the February 1, 2017 event that occurred at the James T. Vaughn Correctional Center in the State of Delaware, in which several inmates took several employees hostage and assaulted a correctional officer leading to the correctional officer's death. The report recommends among other things to conduct a comprehensive staffing study to identify proper staffing levels at the JTVCC.



IX. Qualitative Factors & Comparison

Current Accreditations and Certifications:

- In August 2001, GWHCF became the first Pennsylvania jail to receive ACA accreditation, which continues today with a current score of 99.3%. Out of all of the Pennsylvania county jails, only 3 are ACA accredited today,
- October 2015 Prison Rape Elimination Act (PREA) certification,
- Pennsylvania Department of Corrections (PADOC) Re-certification,
 - Training program recertified June 2018
 - Facility Inspection October 2018
- January 2017 National Commission on Correctional Health Care (NCCHC) certification.