



**MERCER COUNTY CORRECTION  
CENTER COST ANALYSIS**

**September 10, 2019**

**NW Financial Group, LLC**

## Contents

Section	Page
Executive Summary .....	2
Background .....	4
1.0 Introduction.....	7
2.0 MCCC Summary .....	9
2.1 Salaries and Wages .....	9
2.2 Condition of the Facility .....	12
3.0 Structure of the Proposed Mercer/Hudson Agreement.....	14
3.1 Agreement Structure .....	14
3.2 Salaries & Wages.....	14
3.3 Changes in Medical & Other Expenses .....	15
3.4 Changes in Capital Expenses .....	16
3.5 Payment Per-Inmate to Hudson County .....	16
3.6 Transportation.....	17
4.0 Result of Analysis.....	20
4.1 Staffing Plan.....	22
4.2 Effects of Bail Reform.....	22
5.0 Alternatives to the proposed Hudson County Contractual Relationship ...	25
5.1 Middlesex County.....	25
5.2 Monmouth County .....	26
5.3 Summary .....	27

### Appendix A- Operational Assessment Report



## Executive Summary

---

NW Financial was retained to conduct this analysis to identify what fundamental factors are contributing to the costs of running the facility. The objectives of the study are to:

- Evaluate the actual costs of running the Mercer County Correction Center (“MCCC”) in 2018
- Identify patterns in the costs throughout the previous years
- Compare the various options the County has to reduce the costs of the MCCC
- Provide a recommendation on the most efficient steps the County should take to ensure the taxpayers are receiving the greatest economic benefit possible
- Acknowledge that other New Jersey counties have already closed or consolidated their correction facilities

We present the results of our analysis after carefully considering and evaluating financial statements, multiple independent evaluations, historic studies, recent examples, comparable analysis, and expert opinions.

### Key Findings

- 1- Implementation of the Hudson Contract will **save Mercer County taxpayers \$12 million per year in the County Budget**
- 2- Implementation will **reduce personnel needs at the MCCC** from approximately 200 uniformed personnel to 122 uniformed personnel, a 57% reduction
- 3- The revised Mercer staffing will allow **all superior officers to remain** at the MCCC
- 4- The Hudson Contract will assure **all non-superior corrections officers will be offered positions at Hudson County Correction Center (“HCCC”)**
- 5- HCCC has expanded the days and hours of family visitation to inmates, including contact visits and video conferencing
- 6- Utilization of modern computer technology will allow **access to inmates at HCCC through internet connection** by both legal representatives and visitors
- 7- Mercer County has committed to **timely delivery of inmates** from HCCC for trial dates or direct legal consulting on a daily basis and even hourly if needed to satisfy court requirements



- 8- The HCCC offers **superior drug treatment** and health treatment for inmates, including access to dialysis equipment before year end 2019, which is not available at the MCCC. The HCCC health care facilities include:
- Two new medical wards for the inmate population; 64 Male and 15 Female - versus a total bed count at MCCC of 9 beds
  - New Medical Area includes a Detox wing, Negative Pressurized rooms for tuberculosis treatment, and Acute Suicide Cells (none of which are available at MCCC)
  - Dialysis suite (end of 2019 completion)
  - Drug and Alcohol Rehab Unit has 120 beds; 80 male and 40 Female – no separate facility at MCCC



## Background

The County of Mercer (“Mercer”) has been reviewing its costs at the MCCC for the last three budget years and has been tracking a decline in costs related to the lower inmate population at MCCC. At the same time Mercer has been assessing the value of closing a significant portion of the MCCC and entering into an agreement with another county to house most Mercer inmates. NW Financial Group, LLC was retained by Mercer to assist in these deliberations and to verify cost assumptions so that Mercer can make an informed decision on the options for the future of the MCCC.

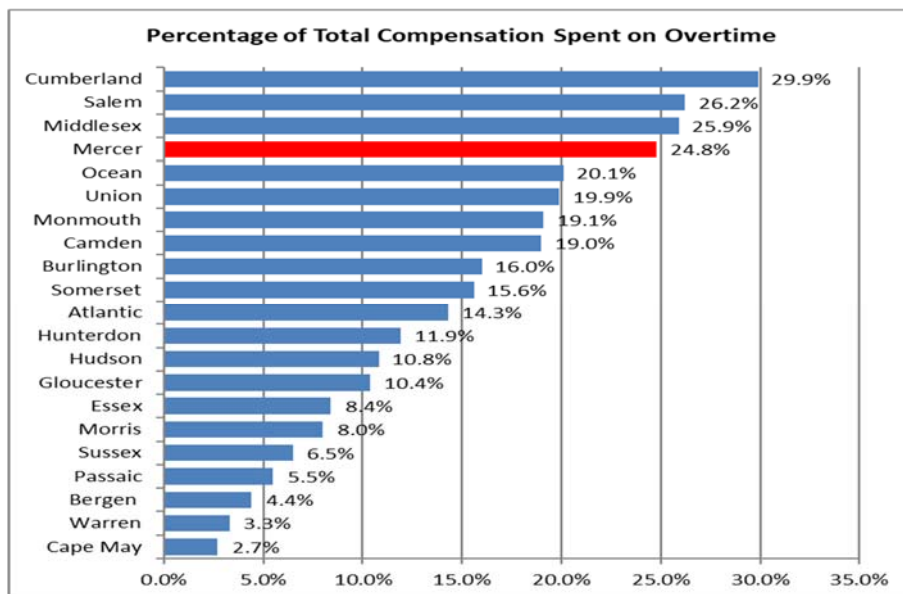
### The Facility

The MCCC is an aging 871 bed facility located in Hopewell, New Jersey. It was originally built over 100 years ago in 1892 and has not had any major improvements in over 20 years. The physical design of the facility would not meet current design standards for correctional facilities, and this results in significant overstaffing to compensate for lack of modern inmate control architecture. These design deficiencies are a major contributor to higher than normal staffing and the need for overtime in order to staff posts that are integral to security.

### Previous Reports

Mercer County has been investigating ways to reduce the budgetary burden of the MCCC facility on taxpayers since at least 2015 when the Office of the State Comptroller released a report on overtime in adult correctional facilities. This report analyzed all 21 counties in New Jersey and found that Mercer County ranked among the top four counties in overtime as a percentage of total compensation, see below:

Chart 1



This report led to further investigation by Mercer and resulted in an operational assessment prepared by the National Institute of Corrections (see Appendix A). Although the report cited Mercer and the staff as pursuing a course of continuous improvements it also highlighted many of the physical and operational challenges of the existing facility that drive up operating costs.

Given the high costs of constructing a new jail – over \$400 million – Mercer then in early 2016 investigated the potential to enter into an agreement that would spread the costs between Mercer County and one or more other counties. A separate initiative investigated the possibility of a regional jail shared by several counties. This option did not come to fruition as other counties chose alternative strategies to fit their needs.

Mercer has also had ongoing discussions with Hudson County (“Hudson”) for the excess capacity in Hudson’s relatively modern facility as a potential home for Mercer inmates. Mercer’s Warden developed a Mercer side staffing plan as a cost basis for a potential agreement to transport inmates for housing to the HCCC in Kearny, NJ. The results of this analysis to transport and outsource showed potential for significant budgetary savings to Mercer.

Mercer decided to pursue the Hudson agreement as it was less complex than a multicounty deal and offered millions of dollars in immediate savings rather than waiting for the construction of a new shared correctional facility in South Jersey.

This report is focused on a detailed analysis of the cost and savings to Mercer if it chooses to proceed with the Hudson agreement. We have also analyzed the opportunities of teaming with either Monmouth or Middlesex Counties, although neither of those counties has offered a firm agreement to Mercer as has Hudson.

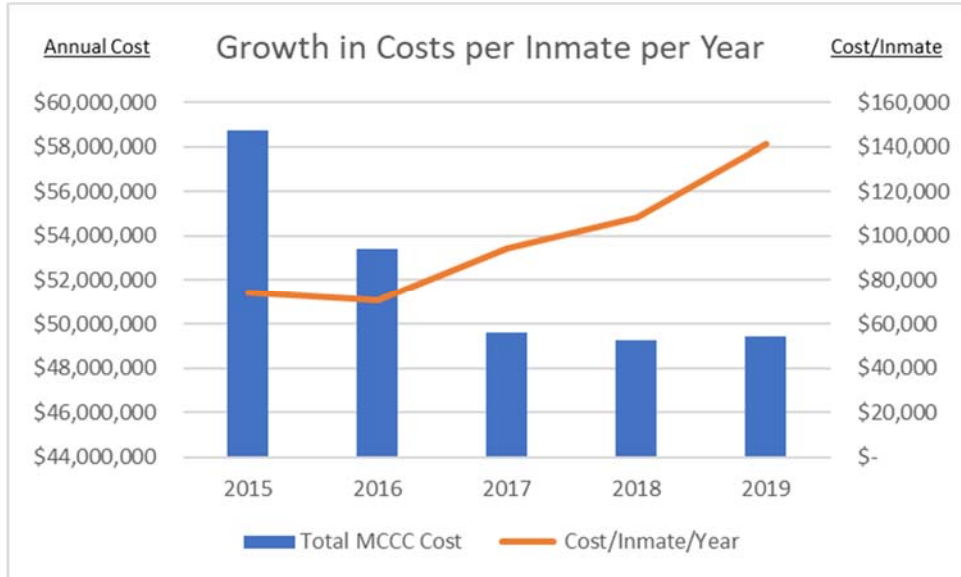
### **Recent Utilization and Costs**

The MCCC, located in Hopewell, New Jersey needs major redesign and/or reconstruction to properly serve its constituency. In years past, overcrowding, lack of maintenance, structural issues, and rising overtime expenses have plagued the 125+ year old facility. With exception of overcrowding, the same issues continue to be a financial burden on Mercer.

The MCCC’s costs have remained at an inflated level above \$48 million a year from 2013 through 2018. A look at the 2015 to 2018 operating results shows that recent bail reform reduced the approximate average daily population from 792 inmates in 2015 to 755 in 2016, 526 in 2017 and then to 456 in 2018 and 350 for the first six months of 2019. Despite this reduction in population the salaries and wages, as well as other expenses for the facility have seen only modest change. MCCC’s operations are more expensive than most other county jails in the State of New Jersey on a per inmate basis.



Chart 2

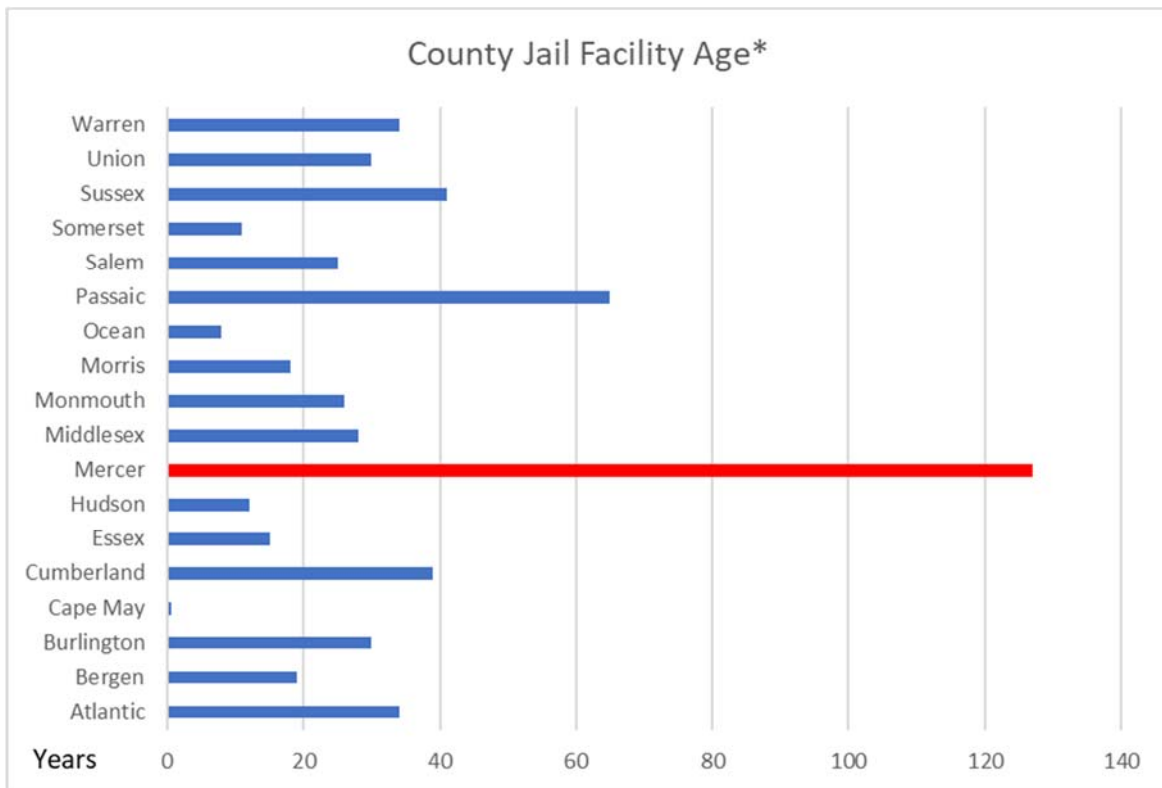


## 1.0 Introduction

The MCCC is a jail facility that confines both adult men and women and has bed space for 870 inmates with minimum, medium and maximum-security classifications. Built in 1892, the Correction Center had served as a work camp for sentenced inmates until an expansion in 1995. In 1998, the County detention center closed in downtown Trenton, and as a result, inmates that were housed in the detention center were relocated to the MCCC.

The MCCC is, as of 2018, by far the oldest county facility in the State as shown below:

Chart 3



\*Several counties have already consolidated or closed facilities including Gloucester, Sussex, Hunterdon and Burlington

The current Average Daily Population (“ADP”) for the facility for 2019 is estimated to be approximately 350 inmates. The MCCC inmate population has dropped from a level as high as 792 inmates in 2015 partly as a result of Criminal Justice Reform in the State of New Jersey.

The MCCC population is comprised of those who have been convicted and sentenced by the Municipal or Superior Courts, as well as those who are pre-trial. State sentenced inmates are





housed while awaiting transfer to State Prison; inmates with sentences of 364 days or less serve their time at the MCCC.

Inmates are provided with medical, social services and mental health services, as well as educational opportunities during their incarceration. Selected inmates may be ordered by the court or assigned by MCCC, as a form of restitution, to participate in community service projects such as the Superintendent’s Labor Assistance Program (SLAP). Inmates classified as minimum security may work on supervised details mowing grass, trash collection and painting at county operated facilities, including the MCCC building and grounds.

MCCC is a department within Mercer and administratively reports to the Mercer County Executive. Mercer has had a correctional facility budget prior to bail reform in 2017 of \$48 million to \$57 million, below is the budget history:

**Chart 4**

	2015 Paid/Charged	2016 Paid/Charged	2017 Paid/Charged	2018 Paid/Charged	2019 Projected
Base Salaries & Wages	\$ 21,875,316	\$ 20,456,832	\$ 18,587,094	\$ 18,162,644	\$ 20,857,940
Overtime	\$ 11,777,519	\$ 9,649,310	\$ 9,532,629	\$ 10,295,336	\$ 7,779,334
Fringe Benefits	\$ 15,321,022	\$ 14,225,207	\$ 12,982,429	\$ 12,759,495	\$ 13,148,729
Other Expenses	\$ 2,673,577	\$ 2,331,470	\$ 2,112,414	\$ 1,687,482	\$ 1,423,954
Capital Expenses (Average)	\$ 3,657,000	\$ 3,657,000	\$ 3,657,000	\$ 3,657,000	\$ 3,657,000
Medical Expenses	\$ 3,431,555	\$ 3,092,605	\$ 2,734,699	\$ 2,706,068	\$ 2,577,952
<b>Total Expenses</b>	<b>\$ 58,735,989</b>	<b>\$ 53,412,424</b>	<b>\$ 49,606,265</b>	<b>\$ 49,268,025</b>	<b>\$ 49,444,908</b>
Savings over 2015 Base Year	\$ -	\$ 5,323,565	\$ 9,129,724	\$ 9,467,964	\$ 9,291,082
Average Daily Inmate Population	792	755	526	456	350
Cost per Inmate per year	\$ 74,130	\$ 70,702	\$ 94,279	\$ 108,034	\$ 141,271

*\* 2018 Salaries & Wages is reduced by retroactive pay of \$2,300,000 to reflect ongoing expense burden*

Given the size of the budget and the rising cost per inmate trend Mercer has been considering options in order to save Mercer taxpayers dollars. Most significant is the option to enter into a contract with another County to house a majority of the MCCC inmates. This would allow the closing of approximately 70% to 80% of the current MCCC facility and result in a significant drop in the costs associated with the remaining needs of the MCCC.

The following report provides an analysis of the cost to operate the MCCC in 2018 as a baseline, based on budget and audited financials from the County.

In addition, the cost of the proposed contract with Hudson to house Mercer inmates is analyzed as well. The comparison of the costs for the operation of MCCC versus the costs of providing the same service through a contract with Hudson clearly demonstrates the significant savings that would result from the arrangement.



## 2.0 MCCC Summary

---

Financial information and general information for the MCCC are based upon information provided by the County including: audited financial statements and budgets for calendar years 2015-2019. The financial results herein are intended to provide a picture of the actual cost of the MCCC's operations and provide a basis for analyzing the potential agreement with Hudson to house Mercer inmates at the HCCC.

**Chart 5**

### Total 2018 Costs

	2018
Base Salaries & Wages	\$ 18,162,644
Overtime	\$ 10,295,336
Fringe Benefits	\$ 12,759,495
Other Expenses	\$ 1,687,482
Capital Expenses	\$ 3,657,000
Medical Expenses	<u>\$ 2,706,068</u>
<b>Total Expenses</b>	<b>\$ 49,268,025</b>

In the latest fiscal year 2018, the MCCC cost Mercer \$49,268,025. Salaries and benefits, including overtime, comprise 84% or \$41,217,475 of the MCCC's total costs.

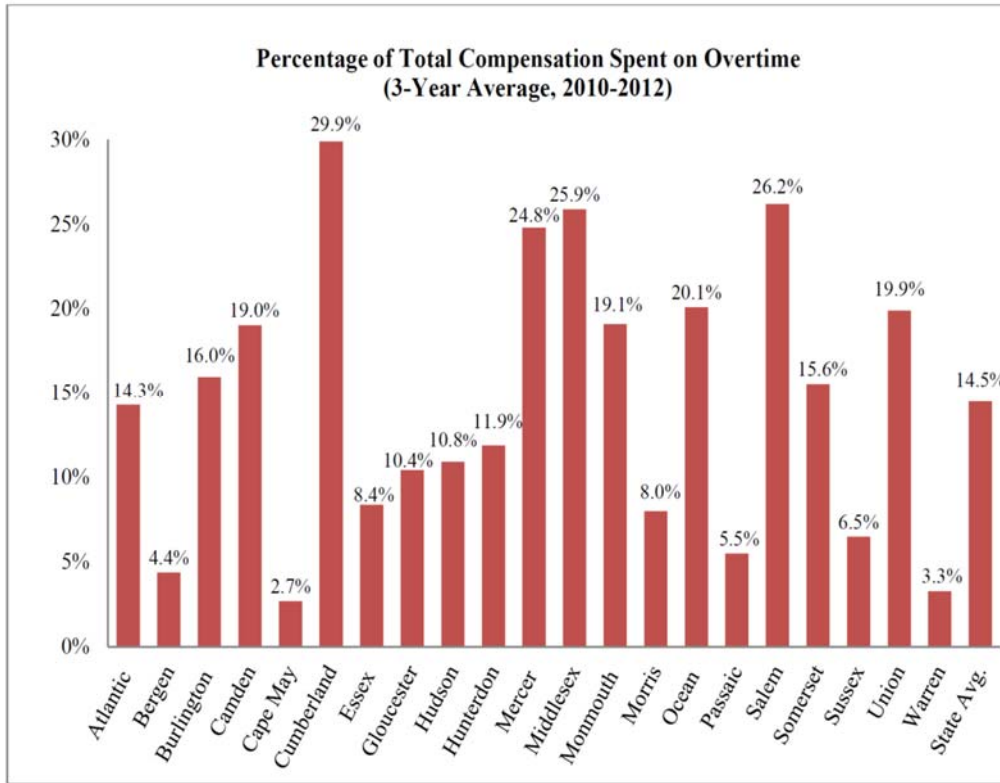
## 2.1 Salaries and Wages

---

Chart 5 above illustrates a breakdown of the total costs of the MCCC in 2018. Salaries and wages were the largest single source of costs. Overtime pay made up 36% of total salaries & wages in 2018. The unusually high amount of overtime pay is the result of several issues such as the aging facility's design of its housing units as well as structural issues and other staffing problems. These issues have led the MCCC to have one of the highest ratios of overtime pay to total wages paid in the state.



Chart 6



Source: “An Analysis of Overtime at Adult County Correctional Facilities across New Jersey”, Office of the State Comptroller, February 5, 2015

Because of the physical structure of the facility, line-of-sight issues arise, in which views of the inmates are blocked. As a result, a higher number of officers are required to ensure a safe environment for both inmates and staff. In newer facilities, the physical layouts allow for the management of as many as 64 or more general population inmates by one officer. By way of comparison, the MCCC’s current situation includes cases where as many as 3.5 officers are required to supervise 70 general population inmates. This ratio of 1 officer to every 20 inmates is less than a third of 1:64 officers per inmate that more modern and efficient facilities manage.

Additionally, the union contract with the corrections officers specifically mandates how many officers must be posted to each specific station. This increases staffing requirements without regard to inmate population.



## Chart 7

**Breakdown of Salaries, Wages & Benefits**

2018 Budget	Uniformed Officers	Non Uniformed Employees	Total Staffing Cost
Salaries & Wages	\$ 25,559,014	\$ 2,898,966	\$ 28,457,980
Staff Count	\$ 219	\$ 46	\$ 265
Average Base Cost/Employee	\$ 116,708	\$ 63,021	\$ 107,389
Fringe Benefit Rate	68%	56%	66%
Average Total Cost per Employee	\$ 79,361	\$ 35,292	\$ 70,787
Total Staffing Cost per Employee	\$ 196,069	\$ 98,313	\$ 178,176

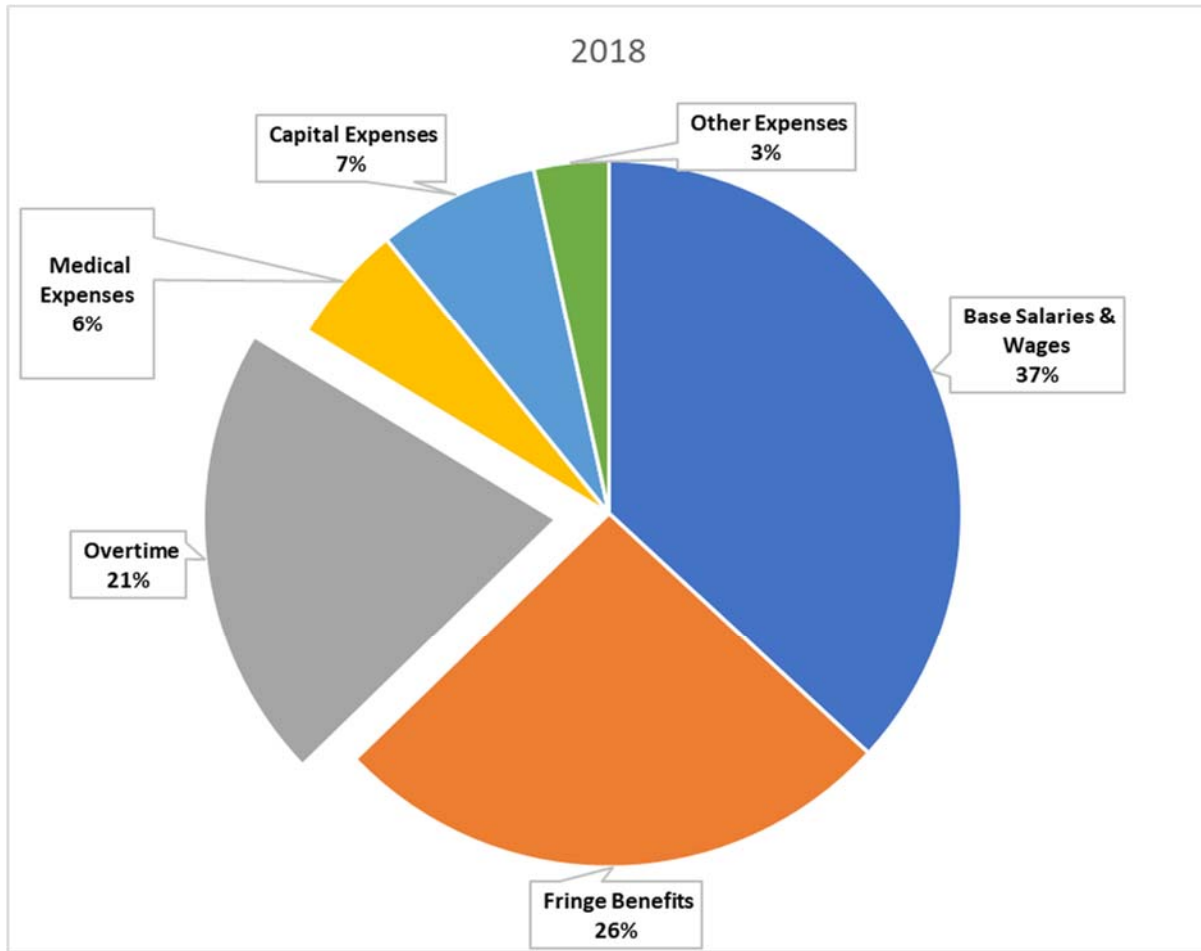
To properly calculate the Mercer's cost of providing benefits to the staff of the MCCC, we have multiplied the salaries and wages by the fringe benefit rate. According to Pino Consulting Group, the firm which produces the County's fringe rate reports, the fringe benefit rate for the Police and Fire Retirement System Employees was 68%. The Public Employees Retirement System fringe rate was 56%.

After applying the proper multiples to the salaries & wages numbers, we can use the "Average Aggregate Approach" to calculate the total cost per employee to the county. This method adheres to the federal guidelines for calculating the fringe benefit costs to a Municipality. The calculation takes the total payroll for the correctional uniform staff and divides it by the number of staff included in the calculation to reach the average gross salary for uniform staff. The average gross salary is then multiplied by the fringe rate to calculate the total amount each staff member costs the taxpayer on average. The exact same calculation for the non-uniform "civilian" staff is used to determine the total amount that each non-uniformed civilian staff member costs the taxpayers.



Chart 8

**Mercer County Correction Center 2018 Cost Breakdown**



Source: Mercer County 2018 Adopted Budget (less retro pay)

**2.2 Condition of the Facility**

The physical condition of the MCCC is also of rising concern. The MCCC is estimated to need millions of dollars worth of repairs and upgrades to improve the physical plant, if it is to be used long term for the full inmate population. These improvements are needed despite recent investments in the facility by the County totaling approximately \$9 million over the past 4 years.

The facility, built in 1892, operates 24 hours a day - seven days a week - 365 days a year. Because the facility is in operation 24/7, one year of operation is equivalent to 4.2 years of operation of a typical school or office building. These factors make regular maintenance and repair difficult. As a result, the facility is challenged in the ability to meet the basic needs of the inmate population.



One example of this is the lack of enough water supply to accommodate an in-house laundry.

Repairs that have been made in recent years include:

- Broken plumbing in many living units
- Rust and mold present in many living units
- Insufficient number of operable showers, toilets, and washbasins for the number of inmates housed in most living units at capacity (per New Jersey Standards and ACA Standards)
- Damage to walls with cracks and or missing blocks

These conditions are a significant cost to taxpayers for annual maintenance and repair. The capacity of housing units, line of sight issues from officer stations to the inmate population, as well as the outmoded design of the facility from many years ago, makes the facility much more labor intensive than newer designed facilities.

In order to fund all the repairs estimated by the facility's planners, the County would have to borrow millions of dollars to fund these needs. *These borrowings would be County of Mercer General Obligation Bonds to be paid directly by the taxpayers with no offsetting revenues.*



### **3.0 Structure of the Proposed Mercer/Hudson Contract**

---

The proposed two-year agreement between Mercer and Hudson regarding Mercer inmates being housed in HCCC, provides a cost-effective solution to the MCCC's issues. The analysis provided herein will address the various details of the proposed two-year agreement and provide an accurate estimate to the cost saving benefits that Mercer can expect.

#### **3.1 Agreement Structure**

---

The core elements of the 2019 draft agreement are listed below:

- Hudson shall provide all onsite services including housing, food, and security, as well as in-facility medical, dental, mental health and formulary medication services. Mercer agrees to pay Hudson \$102 per inmate per day.
- The proposed agreement provides - Mercer shall transport up to 300 inmates with a ramp up period of approximately four (4) consecutive weeks. Sixty days after the execution of the Agreement, Mercer shall pay for a minimum of 300 inmates per day, or any part of a day for the duration of the Agreement.
- Mercer agrees that it will be billed at the minimum number of inmates to be housed by Hudson pursuant to the terms of this Agreement, which is 300, and Mercer shall pay Hudson at the minimum number even if the number of inmates housed daily is less than 300. For any Mercer inmates in excess of the minimum, Mercer shall be billed and shall pay at the \$102 per-day rate, or any part of the day rate, for each additional inmate.

Under the two-year agreement, Mercer will continue the operation of MCCC at a much-reduced level. It will operate only those sections of the existing facility that will be necessary solely for the booking and processing of inmates, as well as housing inmates who have court appearances.

#### **3.2 Salaries and Wages**

---

The largest source of savings for Mercer will be in the reduction of salaries and wages. It is currently anticipated that the MCCC plans on retaining a initial reduced staff of 19 civilians, 9 Lieutenants, 15 Sergeants, and 98 officers. Based upon detailed analysis by the Warden the staffing plan for undertaking the Hudson Agreement would be as follows:



**Chart 9**

**Mercer Personnel Budget with Hudson Agreement**

Position	Salary	Posts				Relief Factor	Rounded to whole FTE	Personnel Cost
		A	B	C	Total			
Lieutenant	\$120,000	2	2	2	6	1.50	9	\$ 1,080,000
Transportation Sergeant	\$105,000	1	1	1	3	1.50	5	\$ 525,000
Sergeant	\$105,000	1	2	2	5	1.80	10	\$ 1,050,000
Officer	\$93,200	13	14	14	41	1.80	77	\$ 7,176,400
Transportation Officer	\$93,200	4	6	4	14	1.50	21	\$ 1,957,200
Total Uniformed					69		122	\$ 11,788,600
Administrative and Civilian	\$72,319						19	\$ 1,374,061
All In Personnel							141	\$ 13,162,661

**Chart 10**

**Savings – Salaries, Wages, and Benefits**

Salaries, Wages & Benefits	2018	\$ 41,217,475
Salaries, Wages & Benefits	Reduced Staff	\$ 20,353,997
Total Savings Anticipated		\$ 20,863,479

**3.3 Changes in Medical and Other Expenses**

Under the agreement, HCCC shall provide housing, food, and basic medical services for the Mercer inmates housed in the facility. As a result, MCCC’s costs associated with food and medical services is expected be heavily reduced. A full breakdown of the estimated savings for other expenses is illustrated in Chart 11.





## Chart 11

**Savings Medical and Other Expenses**

	Projected 2019	Proposed	Estimated Savings
Medical	\$ 2,577,952	\$ 1,731,320	\$ 846,632
Meals at Mercer Jail	\$ 939,434	\$ 268,410	\$ 671,024
Ancillary Jail Supplies	\$ 484,520	\$ 138,434	\$ 346,085
<b>Total</b>	<b>\$ 4,001,906</b>	<b>\$ 2,138,164</b>	<b>\$ 1,863,741</b>

**3.4 Changes in Capital Expenses**

The MCCC has averaged \$3,657,000 in Capital Expenses for the last 5 years (2014-2018), related to the maintenance and repair of the facility.

Under the two-year agreement with Hudson, the MCCC would be operating at a greatly reduced capacity. As a result, certain problem areas of the facility may be taken out of use, resulting in a smaller cost for maintenance and upkeep. Mercer has averaged \$3,657,000 and expects an estimated capital budget of \$1 million per year under the Hudson Agreement, a cost reduction of approximately \$2,657,000.

**3.5 Payment Per-Inmate to Hudson County**

With the implementation of the agreement, as noted in Section 3.1 of this report, Mercer will begin to pay Hudson a fee of \$102 per-day, per-inmate for the first year of the program.

As a result, the minimum amount that Mercer must pay Hudson for the first year is expected to be \$11,169,000. If Mercer inmate population is 50 inmates higher on average the cost would be an additional \$1,861,599. If the inmate population is 350 then the annual cost is \$13,030,500.



### 3.6 Transportation

#### Current Transportation Costs

The County currently transports inmates between the MCCC and the Mercer County Courthouse several times per day to deliver inmates to the courts. The current cost related to inmate transportation exceed \$1,086,000 per year accounted for as follows:

**Chart 12**

#### Personnel Cost of Current Transportation

	Shift Salary	A	B	C	Total	Relief Factor	Rounded to Whole FTE	Personnel Cost
Sergeant	\$ 105,000	0	1	0	1	1.5	2.00	\$ 210,000
Officer	\$ 93,200	0	4	2	6	1.5	9.00	\$ 838,800
					7		11.00	\$ 1,048,800

**Chart 13**

#### Non-Personnel Cost of Current Transportation

	One Way	Total Daily	Total Annually
Miles	12.80	64.00	16,704
Miles per gallon	4	4	4
Fuel Cost per gallon	\$ 3.00	\$ 3.00	\$ 3.00
Gallons Of Fuel	3.20	16.00	4,176
Fuel Cost	\$ 9.60	\$ 48.00	\$ 12,528
Maintenance etc. /mile	\$ 1.50	\$ 1.50	\$ 1.50
Total Maintenance	\$ 19.20	\$ 96.00	\$ 25,056
		\$ 144	\$ 37,584

#### Transportation to Hudson

Transportation of inmates between the Mercer County and Hudson County facilities will occur at least four times a day. Inmates will be transferred via bus or van between the two facilities. Each one-way trip is a 71-mile route. The average Transit Bus has a miles-per-gallon rate of 3.26. The average price of a gallon of diesel fuel is budgeted at \$3.00 per gallon. In addition to the fuel expenses, the County must also pay toll expenses. According to the New Jersey Turnpike's



website, the toll costs for the route that the County must take amounts to \$9.55 for a one-way trip for a class B-2 bus. The total annual toll expenses will be approximately \$54,772.

Chart 14



**Transportation Cost Calculations to HCCC**

Chart 15

**Personnel Transportation Costs to HCCC**

Position	Shift Salary	A #	B #	C #	Total	Relief Factor	Rounded to whole FTE	Personnel Cost
Transportation Sergeant	\$105,000	1	1	1	3	1.50	5	\$ 525,000
Transportation Officer	\$93,200	4	6	4	14	1.50	21	\$ 1,957,200
					17		26	\$ 2,482,200



**Non-Personnel Transportation Costs to HCCC**

**Chart 16**

**Bus Transport (Assumes 8 one-way trips daily)**

	One Way	Total Daily	Total Annually
Miles	71	568	207,320
Miles per gallon	4	4	4
Fuel Cost per gallon	\$ 3.00	\$ 3.00	\$ 3.00
Gallons Of Fuel	17.75	142	51,830
Fuel Cost	\$ 53.25	\$ 426.00	\$ 155,490.00
Maintenance etc. /mile	\$ 1.50	\$ 1.50	\$ 1.50
Total Maintenance	\$ 106.50	\$ 852.00	\$ 310,980.00
Tolls	\$ 9.55	\$ 76.40	\$ 27,886.00
<b>Total</b>		<b>\$ 1,354.40</b>	<b>\$ 494,356.00</b>

**Chart 17**

**Chase Vehicle (Assumes 8 one-way trips daily)**

	One Way	Total Daily	Total Annually
Miles	71	568	207,320
Miles per gallon	8	8	8
Fuel Cost per gallon	\$ 3.00	\$ 3.00	\$ 3.00
Gallons Of Fuel	8.88	71.00	25,915.00
Fuel Cost	\$ 26.63	\$ 213.00	\$ 77,745.00
Maintenance etc. /mile	\$ 0.25	\$ 0.25	\$ 0.25
Total Maintenance	\$ 17.75	\$ 142.00	\$ 51,830.00
Tolls	\$ 9.55	\$ 76.40	\$ 27,886.00
<b>Total</b>		<b>\$ 431.40</b>	<b>\$ 157,461.00</b>

The annual toll, fuel and vehicle maintenance expenses for the transportation of inmates total \$651,817 for year one.

We believe these cost projections are conservative and assume a full 42 passenger bus on each trip, in reality, the Corrections Department has 4 new 12 passenger vans that can reduce cost when transport of fewer inmates is required.

Thus, the total cost of transportation to Hudson is \$3,134,017 and the incremental cost over current transportation costs is \$2,047,633.



## 4.0 Result of Analysis

NW Financial has reviewed the proposed agreement between Mercer and Hudson Counties and is of the opinion that entering into this contract is in the best economic interests of the County and its taxpayers. The savings/economic benefit from the execution of the two-year agreement would be approximately \$11.4 million or approximately 3% of the County's total annual budget, 2018 baseline. The two-year agreement is anticipated to reduce the County's tax burden by over \$22 million based on the operational savings alone. It does not consider salary and wage increases on a larger staff in the out years, or the projected capital cost savings from not having to invest millions of dollars in capital improvements to the buildings infrastructure in order to continue to operate the facility.

**Chart 18**

### **Approximate costs - First full 12 months of fully executed agreement (after 4 week ramp up period) – 350 Inmates at Hudson**

Projected	Projected MCCC 2019	Hudson Agreement	Savings/(Costs)
Total Salaries & Wages (non transport)	\$ 27,588,474	\$ 10,895,964	\$ 16,692,510
Inmate Meals and Other Expenses (non transport)	\$ 1,386,370	\$ 406,844	\$ 979,526
Hudson County Charge		\$ 13,030,500	\$ (13,030,500)
Transportation	\$ 1,086,384	\$ 3,134,017	\$ (2,047,633)
Benefits	\$ 13,148,729	\$ 7,191,336	\$ 5,957,393
Capital Expenses	\$ 3,657,000	\$ 1,000,000	\$ 2,657,000
Medical Expenses *	\$ 2,577,952	\$ 1,731,320	\$ 846,632
<b>Grand Total</b>	<b>\$ 49,444,908</b>	<b>\$ 37,389,981</b>	<b>\$ 12,054,927</b>
Assumed Inmates	350	350	
Cost per Inmate per day	\$ 387	\$ 293	\$ 94
Cost per Inmate per year	\$ 141,271	\$ 106,829	\$ 34,443

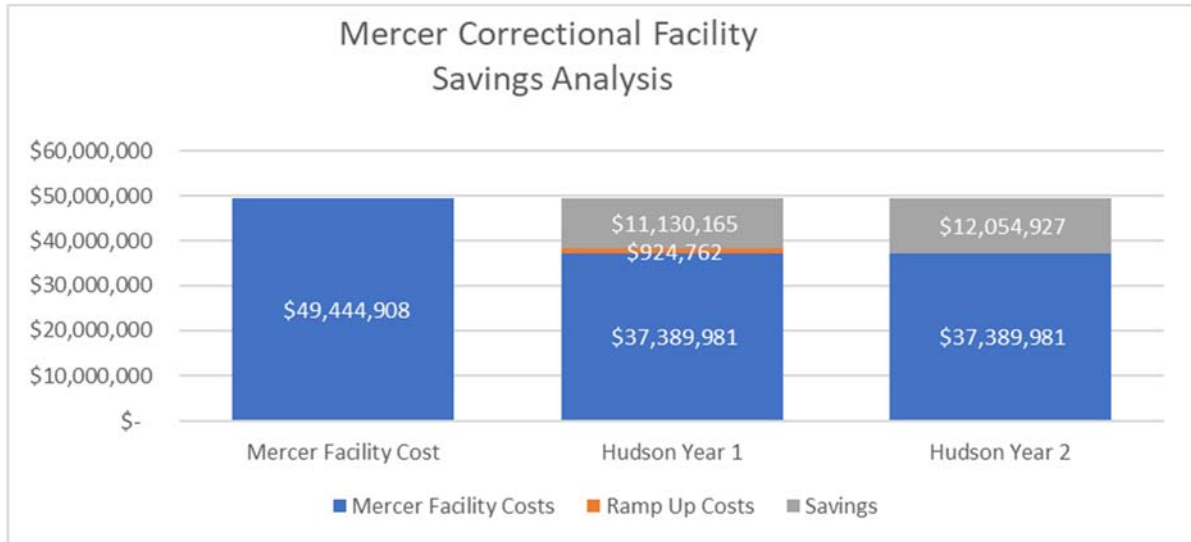
\* Medical expenses include CFG, nursing and prescriptions at Mercer

### **Ramp- Up Period**

During the first 4 weeks of contract implementation it is expected that there would be no savings and thus the following chart illustrates first and second year savings including the full added cost of the ramp up period:



Chart 19



## 4.1 The Staffing Plan

---

In March of 2016, the Patrolman's Benevolent Association 167 and the Superior Officers Association 167a representing the officers and superiors employed by the County of Mercer drafted a report regarding the staffing of the Correction Center at a reduced capacity. The report, prepared by two former wardens, suggested that the number of officers required to safely staff the Correction Center should be as follows: 8 Lieutenants, 12 Sergeants, and 87 Officers.

This report has been taken into consideration in this analysis and the estimated staffing and is reflected in the initial planned staffing shown in Section 3.2 of this report with recommending 9 Lieutenants, 15 Sergeants, and 98 Officers, along with 19 civilians.

## 4.2 Effects of bail reform and Mercer Speedy Trial Program

---

### **Criminal Justice/Bail Reform**

Starting January 1, 2017, the State of New Jersey implemented a new risk-based system of pre-trial release that bases decisions on the release of a defendant on the using of a scientific risk assessment of the likelihood an arrestee will recommit a crime, whether he/she will show up for trial and what threat he/she poses to the community as opposed to how much money the arrestee should pay as bail to get out of jail, without taking those other factors into consideration. The effect of this reform has led to a reduction in the number of defendants being housed in New Jersey County jails because of their inability to pay monetary bail. Contrary to intuition however, this has not necessarily resulted in dramatic decreases in the costs of operating county jails.

The most significant percentage of costs associated with jails is related to salaries, wages, and benefits, as delineated earlier. Unless a jail can significantly reduce its staff, it will not see a significant reduction in costs. While bail reform may lead to a decrease in the population of a jail, it may not necessarily lead to a decrease in the staff. This is due, in part, to very specific methods in establishing and meeting the staffing requirement for MCCC in particular, and all correctional facilities in general.

Staffing requirements in jails are done via "Post Trick Analysis". This analysis considers various factors such as the type of post, the number of officers required for a post at any given time, and the amount of shifts it takes to cover a post.

Even if the population of a jail decreases, the number of posts necessary may not change in a significant way, which results in little to no cuts in the cost of the facility. When the inefficiencies of the MCCC are considered, even with bail reform, the number of officers needed to safely staff the jail may not change.

Unless the Correction Center can close housing units, as a result of any reduction in Average Daily Population (ADP) due to bail reform, it will not be able to reduce posts in the facility. In a housing



unit, which must be staffed on a 24x7x365 basis, it takes 5.8 officers to fill one post. That is the “Post Trick Analysis” and considers the amount of days that one officer will likely be on duty and how many officers are required to fill that one position. The calculation calls for one officer per shift per post in a housing unit. The relief factor is 1.8, which provides for coverage for sick, vacation, personal days off as well as time for on the job injuries and other categories for time off with pay.

The additional complicating factor in reducing the number of housing units in the MCCC is the classification process. The classification system in a jail is extremely significant for the operation of the facility. It is the system that is at the heart of maintaining a safe and secure environment in a correctional setting.

Classification requires the evaluation of every individual who is arrested and remanded to the MCCC. It is an objective process that considers the individuals’ charges, their behavior, the likelihood of them committing other crimes, and anticipating how they will act in the correctional setting. This is the system that determines, who is placed in a maximum, medium or minimum housing unit in the jail.

In order to effectively operate the MCCC in a safe and secure fashion, there must be enough options to place inmates, so that the classification system can be effective. Without that, gang members and known street enemies could be locked up together and could put the safety of the inmate and officer population at risk.

As a result, it may be very difficult to close housing units, just based on the needs of classification. If there is an inmate in a housing unit, there will need to be staff there all three shifts, in virtually all cases.

Therefore, while the ADP may drop as a result of bail reform, the classification system drives where inmates are to be housed and in what security level. That in turn determines how many housing units will be occupied, and that then drives the number of officers required to staff the posts in the occupied housing units.

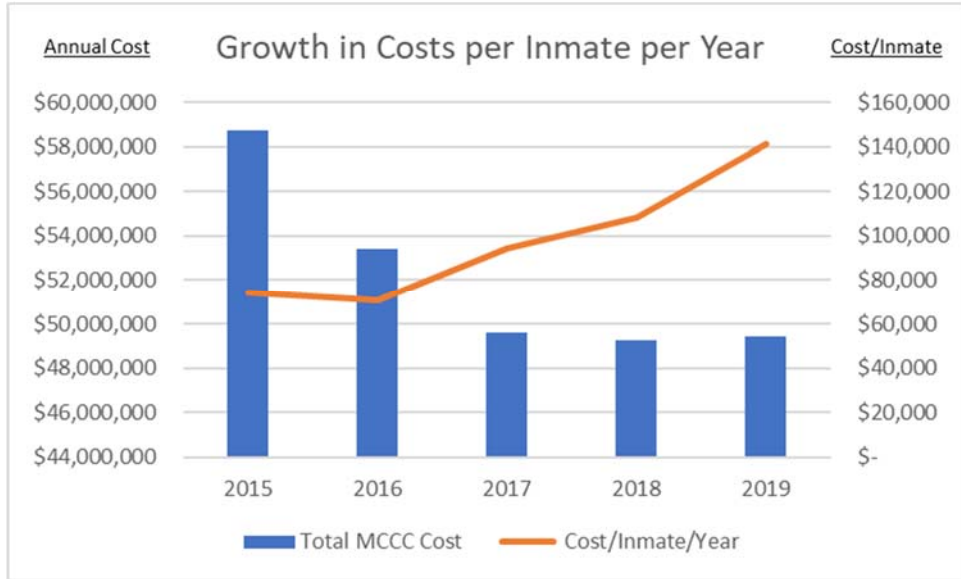
While there are posts that are not required to be filled on a 24x7x365 basis, they either have a 1.5 relief factor, or no relief factor for those positions that do not have to be filled on a daily basis (found primarily in the support services).

Because of these reasons, bail reform has had a meaningful reduction in costs of the Correction Center as population has dropped from the 2015 high of 792 to the 2019 low of approximately 350. However, cost per inmate has actually increased as shown below:





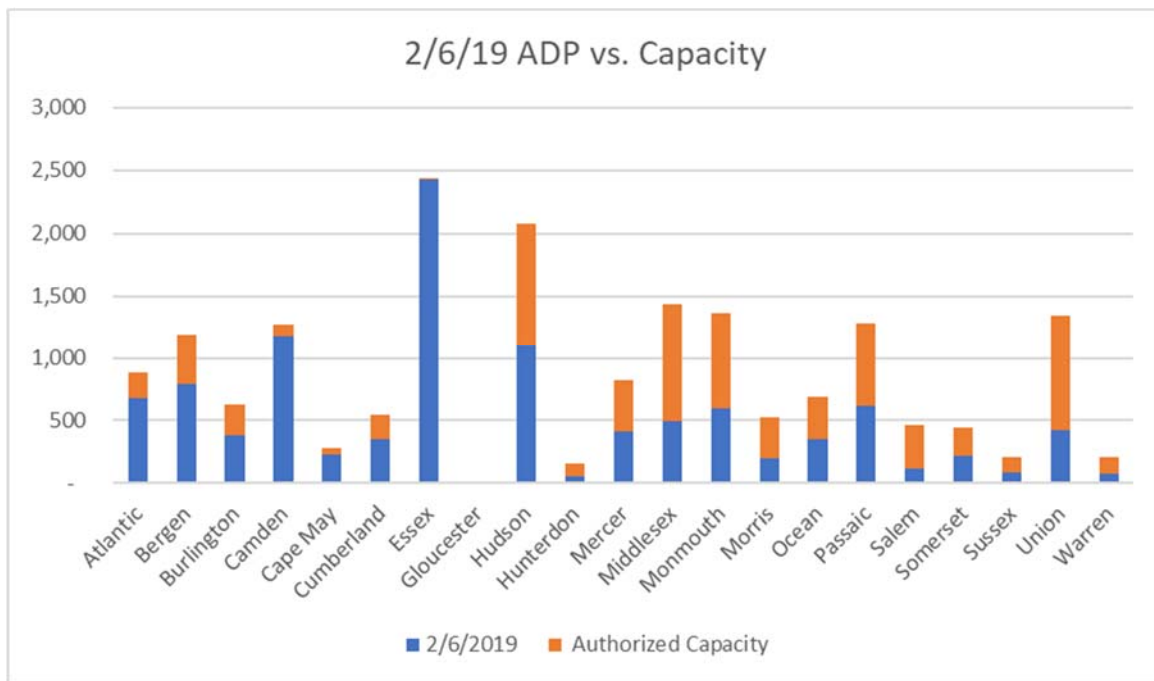
Chart 20



## 5.0 Alternatives to the proposed Hudson County Contractual Relationship

As the final part of this study, a determination of whether there were any other facilities that could accommodate the Mercer desire to contract for housing the bulk of their inmate population. The following chart shows occupancy and capacity for each county jail facility as of February 19, 2019. As can be seen, not every county has capacity to accept Mercer inmates in a meaningful way.

Chart 21



Source: New Jersey County Correctional Facilities occupancy reports filed with the State of New Jersey Department of Corrections

The two obvious alternative counties were Middlesex County and Monmouth County, both of which are less than half the distance from MCCC than the distance from Mercer to the HCCC. The focus of the discussion with each county was to determine their capacity for holding Mercer inmates, and a rough estimate of costs on a per inmate per day basis.

### 5.1 Middlesex County

Middlesex County has vacant space in their facility. Prior to the implementation of bail reform on January 1, 2017, the jail had two (2) dormitories that were available that could be considered for housing Mercer County inmates. The capacity of these two units combined for a total of 250 beds. These would be available for inmates who are classified as medium security.



The County had indicated that there were a couple of conversations with Warden Ellis in early 2016 regarding the interest of Middlesex County in entering a contractual relationship. They are interested; however, there would have to be serious discussions between the two counties to flesh out the arrangements.

Pricing for the contracted beds, would be determined by who is shipped to Middlesex and what services the Middlesex Jail would be expected to provide. In virtually each arrangement where a jail has contracted with another jail, various services are provided within the per diem as well as housing, such as generic medications, with the sending county picking up other more expensive costs, such as name brand prescription medications as one example.

In addition, there was a discussion as to whether Middlesex would be interested in assuming the function of a Reception and Discharge Unit. However, at the time of the discussion, the County was interested in determining the impact of the criminal justice reform measures. The concern is that trying to handle all intakes and discharges for Mercer as well as their own in Middlesex could become too complicated and cumbersome.

In addition to the issues related to the intake and discharge processes as impacted by the criminal justice reform efforts, the County had another concern. The County solicited proposals for a Medical Provider for the inmate population. They selected a new provider and were concerned, to a degree, over the transition from a well-established provider who had provided the medical services for many years.

Given the anticipated high-volume intakes and discharges based on the timeline contained in the guidance provided by the Administrative Office of the Courts, the County wanted to determine the impact before they proceeded with any additional discussions.

The initial range of pricing discussed was in the range of \$85-\$90 per day for inmates, but not with the same services as offered by Hudson, that were transported to the Middlesex County Jail. The range for those inmates that Middlesex would have to transport, would be in the \$105 per day range for the range of services included in the pricing to be similar or equal to those contained in the Hudson County proposed contract.

Over the last year, there have been further inquiries as to the interest of Middlesex County to house the Mercer County inmate population, either with or without handling the Intake and Discharge responsibility. Middlesex has yet to provide a written proposal for such an arrangement and it is accepted that, at this point in time Middlesex County is not interested in such an arrangement.

## **5.2 Monmouth County**

---

Monmouth County has vacant space in their facility. They have also been impacted by the Criminal Justice Reform, as have Middlesex, Mercer and other counties. In that regard, they currently have virtually enough vacant beds to meet the need that Mercer initially discussed with Hudson.



In a recent conversation with County officials, it was acknowledged that they currently have a contractual relationship with the U. S. Marshall Service. This contractual relationship has been in existence for several years. They have recently negotiated a significant increase in their per diem charges with the Marshalls Service.

In addition, they were negotiating a contract with the State of New Jersey for the holding of State Inmates. They have been discussing and working on a contract amendment to increase the contractual blended rate which is currently in existence.

As a result of the negotiated rate with these two entities, the per diem rate will be significantly higher, in order to ensure that they maintain the legitimacy of their increased rates. These rates could range from 5% to 20% higher than the negotiated rate with Hudson.

Monmouth has expressed an interest in diversifying and adding services to what is currently offered in the Monmouth County Jail. They have pursued the opportunity to provide a drug treatment unit which will occupy a former housing unit. Additionally, they have pursued providing a dialysis treatment program and offered that to other counties on a per diem basis.

Monmouth also stated that they would look to have any sending county, such as Mercer, contribute to the capital needs of the facility, which are significant. In more recent conversations Monmouth has indicated that they are not currently interested in housing additional inmates.

### 5.3 Summary

---

*As a result of the factors discussed in this report, NW Financial believes that the Mercer's best course of action to reduce the mounting costs per inmate of the MCCC is to enter into the proposed agreement with Hudson County. We believe that this option will provide Mercer with approximately \$22.7 million of savings over a period of 2 years.*

The HCCC appears to be the only viable option for the County of Mercer. Hudson certainly meets the taxpayer cost concerns of the Mercer public officials. It has substantially more programmatic opportunities than the MCCC; the medical program is significantly more robust than that offered in MCCC, and the opportunities for inmates to realize the benefits of the on-site drug and alcohol rehabilitation programs and housing units, are all positives when it comes to considering the welfare of the inmate population. **Additionally, HCCC has committed to hire all non-superior uniformed correction officers who will not be retained by MCCC. It is expected that superior officers will remain at the MCCC.**

Not calculated here are projected increased costs that could result from recent legislative changes, specifically the expiration of the requirements of Chapter 78; expiration of the 2% limit on arbitration awards over 2 percent of total compensation to uniformed services; and the movement of certain staff from the PERS pension to the PFRS.



**Appendix A**  
**Operational Assessment**

