



Council on Efficient Government

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Mission:

The Council on Efficient Government reviews, evaluates and provides advice on agency outsourcing and best practices, as well as codifies lessons learned to improve government accountability. It is the Council's goal to define the process for reviewing business cases and implement standard processes for outsourcing initiatives.

March 9, 2009

Ms. Laura K. Moneyham, Chief
Florida Department of Juvenile Justice
Contract Development and Planning
2737 Centerview Drive, Knight Building
Tallahassee, FL 32399-3100

Dear Ms. Moneyham,

Thank you for submitting your agency's outsourcing-related business case, "*Cypress Creek JOCC*" for the Council on Efficient Government's review. The electronic version of this business case was received by the Council on February 5, 2009.

This version of the original insourcing business case was received by the Council in accordance with the required timelines stated in Chapter 287.0574, Florida Statutes. This Statute requires business cases to be received by the Council 30 days prior to release of any procurement document(s). The RFP is anticipated to be released on March 5, 2009.

After a thorough review of the business case, Council staff recommends this project **proceed with modifications**, and offers in its *Advisory Report* a business case summary as well as comments and recommendations. We trust you will find this information helpful to the Department during its procurement and contract period activities.

Please contact me if you have any questions and / or concerns.

Sincerely,

Henry Garrigo, Executive Director
Council on Efficient Government

cc: Council File 09-0015, Version 1.0

cc: Mr. Frank Peterman, Secretary
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I. Business Case Summary

1. Proposed Project Title

Cypress Creek Juvenile Offender Correctional Center

2. Provider Requirements

The Provider shall provide a 96-bed residential program for boys who are committed to the Department after being assessed and classified as a maximum or high-risk to public safety and are in need of Mental Health Overlay Services and Substance Abuse Overlay Services. The Provider shall provide a program utilizing a Therapeutic Community Model to serve 96 boys between the ages of 13-21, 24 hours per day, 7 days per week. The Provider shall serve both maximum-risk and high-risk offenders at this facility. Twenty (20) of the 96 beds are designated for substance abuse overlay services and seventy-six (76) beds are designated for mental health overlay services available for youth. The anticipated average length of stay for high-risk males is 9 months to 12 months. The anticipated average length of stay for maximum-risk males is 18 months to 36 months. The program shall be located in a state-owned building at 2855 West Woodland Ridge Drive, Lecanto, Florida 34461 in the North Residential Region (Circuit 5). This is an existing program currently known as Cypress Creek Juvenile Offender Correctional Center.

As a maximum-risk and high-risk facility, the facility is required to have hardware that is secure with perimeter security fencing and locking doors. Facilities shall provide 24-hour awake supervision, custody, call and treatment of residents.

3. The Facility

Cypress Creek Juvenile Offender Correctional Center is a maximum-risk or high-risk program for boys needing mental health services and/or substance abuse services. This program is a gender specific treatment program, which also addresses sexual abuse, domestic violence trauma issues and crime-specific topics. The youth are supervised by trained staff with a minimum staff-to-youth ratio of 1:8 during awake hours and 1:12 during sleeping hours.

The continued operation, via competitive procurement, of this 96-bed a maximum or high-risk residential program with mental health services supports the agency's mission of providing treatment services that strengthen families and turn around the lives of troubled youth by providing treatment for the youth's mental health and/or substance abuse disorders, education/pre-vocational training and evidenced based delinquency interventions.

The Department intends for the operation of the Cypress Creek Juvenile Offender Correctional Center to accomplish several major program goals, including but not limited to the following:

- Focus on treatment and security issues relevant to the youth's intensive mental health/substance abuse needs and legal status and provide high-quality care utilizing evidence-based and promising treatment and practices within a framework based upon Restorative Justice philosophies, principles and practices.
- Provide for the care, safety, and protection of youth in an environment that fosters healthy social, emotional, intellectual, and physical development.
- Deliver comprehensive on-site medical services designed to meet the specialized health needs of the youth.
- Maintain adequate staffing to provide a safe, secure and therapeutic environment.
- Create and maintain good working relationships with relevant community-base agencies, including the mental health, health, social service, and criminal justice systems and with the community.
- Provide equal opportunity and access to quality and effective education that meets the individual needs of each youth.

4. Project Funding

The program's current contract, which expires June 30, 2009, has a per diem rate \$115.11 (filled beds) and \$107.95 (unfilled beds). In addition to the per diem rate, the program has 76 slots designated for Mental Health Overlay Services (MHOS) at a rate of \$35 per slot and 20 slots designated for Substance Abuse Overlay Services at a rate of \$30. The average utilization rate for the high-risk program over past six months has been 99.79 percent. The average utilization rate for the maximum-risk program over past six months has been 100.35 percent.

For this procurement, the program will provide intensive mental health services to 96 boys between the ages 13-21 who have been identified as high-risk or maximum-risk. Please see attached scope of services for detailed description of services to be provided.

The business case to outsource is a response to the Appropriations Act of 2008, Chapter Number 2008-152, Laws of Florida, which dedicates State General Revenue dollars for the Department to outsource its juvenile detention facilities.

5. Affected Stakeholders

Committed Offenders and their Parents, Citizens of Counties located in the Residential North Region in Escambia, Okaloosa, Santa Rosa, Walton, Franklin, Gadsden, Jefferson, Leon, Liberty, Wakulla, Columbia, Dixie, Hamilton, Lafayette, Madison, Suwannee, Taylor, Clay, Duval, Nassau, Citrus, Hernando,

Lake, Marion, Sumter, Flagler, Putnam, St. Johns, Volusia, Alachua, Baker, Bradford, Gilchrist, Levy, Union, Bay, Calhoun, Gulf, Holmes, Jackson, and Washington.

6. Purpose of Juvenile Justice Commitment Programs

The purpose of juvenile justice commitment programs is to protect the public from acts of delinquency and to treat offenders so as to reduce recidivism. The Department of Juvenile Justice operates four restrictiveness levels for residential commitment programs: low, moderate, high, and maximum risk (numbered as levels four, six, eight, and ten). According to Department staff, the levels are a continuum, with each successive level representing an increased degree of risk to the public. Most levels include a variety of programs. These range from wilderness experiences in level four to secure and highly structured confinement in level ten. Some programs, such as boot camps, operate at more than one level.

7. Support of Agency Mission

The Department of Juvenile Justice is the only agency in the state that contracts specifically for commitment facilities for the treatment of delinquent youth.

8. Expenditures and Operations

In FY 1997-98, the Department spent approximately \$199 million on residential commitment programs, serving over 8,000 youth in approximately 150 commitment facilities. Over half of the youth were committed at level six, MR. Although the Department operates some residential programs, (including eight MR programs), it contracts approximately 90% of its residential programs to Providers.¹

¹ Office of Program Policy Analysis and Government Accountability (OPPAGA), Report No. 98-75, March 1999

II. Council Analysis

A. Business Case Strengths

1. Probability for Success

Staff conducted an analysis on the business case submission and projects a good probability for attaining the desired result, primarily due to the Department's experience in outsourcing MR residential juvenile facilities. The Department has successfully contracted its residential services for nearly fifteen years, since 1994.

2. Project Costs- Proposals

Cypress Creek JOCC is funded \$5,223,354.40 annually by General Revenue in the Contracted Secure Residential Program category. Additionally, the Cypress Creek JOCC is projected to save the state \$918,841.80 incurred over a three-year period.

Table 1: "Option One Costs for Outsourcing Contract Term"

Option 1: Competitively Procure Services via a Request for Proposal (RFP).	Number of Beds	Cost per Bed	Number of Days per Bed	Total Cost of Bed per Contract Period	Contract length	Contract Cumulative Costs	Funding Source	Contract Period
MR Beds	96	\$115.11	365	\$4,033,454.40		\$4,033,454.40	Medicaid @ \$RATE/bed day & General Revenue in the Contracted Non- Secure Residential Program Category	FY 09/10
	96	\$115.11	365	\$4,033,454.40		\$4,033,454.40	Same as above	FY 10/11
	96	\$115.11	365	\$4,033,454.40		\$4,033,454.40	Same as above	FY 11/12
MHOS Beds	76	\$35.00	365	\$970,900.00		\$970,900.00		FY 09/10
	76	\$35.00	365	\$970,900.00		\$970,900.00		FY 10/11
	76	\$35.00	365	\$970,900.00		\$970,900.00		FY 11/12
SA Beds	20	\$30.00	365	\$219,000.00		\$219,000.00		FY 09/10
	20	\$30.00	365	\$219,000.00		\$219,000.00		FY 10/11
	20	\$30.00	365	\$219,000.00		\$219,000.00		FY 11/12
				\$15,670,063.20		\$15,670,063.20		

The costs for Option Two, transferring the project from a contracted service to a state-operated service, are depicted below in -Table 2, "Option Two Costs for Outsourcing vs. Insourcing."

Table 2: “Option Two Costs for Outsourcing vs. Insourcing”

Option 2: Transfer the Project from a Contracted Service to a State-Operated Service.	Additional (Approximate) FTE Employees Allocated by the Legislature	Total Annual Cost	Total Contract Years	Total Contract Cost	Total Contract Cumulative Costs	Funding Source	Contract Period
Full-Time Equivalents (FTEs)	109.42	\$3,992,830.00	3	\$11,978,490.00	\$11,978,490.00	LBR	FY09/10-FY11/12
Estimated Direct Costs including Utilities, Medication, Supplies, Equipment, etc.		\$1,536,805.00	3	\$4,610,415.00	\$16,588,905.00	LBR	FY09/10-FY11/12
DJJ Oversight Costs (Fixed Cost)		\$17,310.00	3	\$51,930.00	\$16,640,835.00	LBR	FY09/10-FY11/12
Total Contract Costs for Option 2 Insourcing:					\$16,640,835.00		
Option 1 Outsourcing					\$15,721,993.20		
Δ Option 1 and Option 2:					\$918,841.80		

3. Long Range Program Plan (LRPP)

The Department indicates on the business cover page the Cypress Creek JOCC is included in the Agency's LRPP. Projects included in an agency's LRPP take on added meaning, as they are a part of the framework and justification for the agency's budget. The framework contained within the LRPP is directly linked to the agency budget and accountability structure. The LRPP is a goal-based plan with a five-year planning horizon. The LRPP focuses on agency priorities in achieving the goals and objectives of the state.

4. Governing Legislation re Outsourcing DJJ Facilities

The business case to outsource is a response to the Appropriations Act of 2008, Chapter Number 2008-152, Laws of Florida, which mandates the Department outsource its juvenile detention facilities.

5. Chapter 287.0574, Florida Statutes re Release of Procurement Documents

This outsourcing business case was received by the Council in accordance with the required timelines stated in Chapter 287.0574, Florida Statutes. This Statute states that a business case must be received by the Council 30 days prior to release of any procurement document(s). The anticipated release date for the Request for Proposal (RFP) is March 5, 2009, and the anticipated effective date of the contract will be March 1, 2009.

6. Department Capabilities

The business case to outsource via RFP is strongly supported by the Department's capabilities and experience in issuing RFPs to seek Providers who have not only the interest but also the capability to provide required services.

7. Procurement Market

Currently, there are approximately seven (7) contractors operating high risk programs for boys and twenty and three (3) contractors operating moderate risk programs for boys. Additionally, the Department currently operates six (6) high risk programs and two (2) maximum risk programs for boys. The Department has contracted its residential services since 1994. The Council believes there is sufficient competition to ensure a competitive procurement can be secured by the Department.

8. Contract Term

The initial contract for the program operation is anticipated to be three years and with satisfactory performance and continued funding, one renewal of three years is anticipated for a total contract period not to exceed six years. The Council believes the current contract term is sufficient to ensure contractor compliance.

9. Chapter 985.601, Florida Statutes re RFPs for DJJ Rehabilitative Treatment

This outsourcing is a competitive re-procurement. The Department plans to solicit proposals, through a Request for Proposal (RFP) process, from qualified vendors to implement the legislative directive contained in Chapter 985.601, Florida Statutes, regarding developing and contracting for diversified programs to provide rehabilitative treatment.

10. Continuity of Operations Plan (COOP) Plan

Staff reviewed the previous COOP plans for this facility and found the plans correct and in good order in addressing any concern in the advent of a disaster. Providing for Continuity of Operations Plan (COOP) following a disaster is a top-level concern for enterprises and is vital to maintaining the citizens' confidence, and the reputation of the organization. Therefore, the scope of the COOP must include activities that address the recovery of the entire organization/facility. Currently, the business case does include the necessary components of a disaster preparedness and recovery plan that will enable the Agencies to successfully evacuate, transfer, and then continue operations following an emergency or disaster situation. Currently, the Department develops the above COOP plans once a vendor has been selected through the procurement process.

11. Transition Plan

Currently, the Department develops the transition plans once a vendor has been selected through the procurement process. Staff reviewed the previous transition plans for this facility and found the plans correct and in good order. There is need for Agencies to develop transition plans to ensure the seamless transition of operations to the vendor. Transition plans such as the following are critical for the success of any project. Some examples of transition plans are below:

- Work Transition Plan: Insuring continuity of service from the vendor to the state (vice versa) if there is a breach of contract.
- Employee Transition Plan: Identifying new employee responsibilities for those impacted by the land management demonstration project.
- Outsource/In-sourcing Transition Plan: Developing a plan for the project to either remain outsourced or brought back into the Agencies' management activities once the contract has expired.

12. Risk Assessment

An element of risk is always present when a public entity contracts with an external entity to provide services to its clients. Because the Department's mission and its statutory responsibility includes increasing public safety, turning around the lives of troubled youth, and providing proper oversight of the expenditure of public funds, the Department carefully evaluates the risk associated with each of its contracts/grants.²

The Department has developed a Contract Monitoring Risk Assessment that will be completed, at a minimum, on an annual basis to determine risk to the Department.

The risk assessment tool uses predetermined factors to rank contracts/grants. The weights applied to individual factors will be applied uniformly statewide. The risk factors that, at a minimum, must be considered in assigning a risk level include:

- a. Type of Services for the Contract/Grant- Weights are assigned (within the factor) to the type of service depending upon the risk associated with each service category.
- b. Annual Dollar Amount of the Contract/Grant- The higher the annual contract/grant dollar figure, the higher the risk the Department assumes in contracting with a provider.
- c. Substantiated Incidents- The presence and/or the higher number of substantiated incidents that increases the risk the Department assumes in contracting with the provider.
- d. Prior Performance on Contract/Grant Monitoring Visit/Desk Review- Providers who have previously had serious financial, administrative or program deficiencies or difficulty in being responsive to Department requirements should be considered to present a higher risk than those who have not.
- e. Prior Performance on QA Review- Providers who have previously failed to meet established minimum thresholds should be considered to present a higher risk than those who have not.
- f. Staffing Issues- The presence of staff turnover of key staff or an administrator, or key staff or the presence of any staffing vacancy increases the risk the Department assumes in contracting with a provider.

² Department of Juvenile Justice "Contract Management and Program Monitoring Manual" Page 45.

Business Case Potential Areas of Concern

1. Detailed Costing Data

To understand the true cost and value of “designing, developing, implementing, and operating” this MR program, detailed costing data should be included in all the costing calculations. The Department should consider including the following items in their business case submission. They are:

- a. *Cost-Benefit Analysis (CBA),*
- b. *Return on Investment (ROI),*
- c. *Cost Price Analysis,*
- d. *Earned Value, and,*
- e. *Internal Rate of Return (IRR).*

Because the Legislature establishes the per diem rate paid to vendors through the appropriations process, the Department has a limited role in determining price of each facility. However, the Department should consider conducting a cost-benefit analysis. Consequently, any projected savings and/or efficiencies need to be validated for accuracy and documentation (including an explanation as to how amounts were calculated). Please see our website for Schedule XIIA-1, XIIA-2, and XIIA-3 cost benefit forms at:

http://dms.myflorida.com/other_programs/council_on_efficient_government/resources_forms/forms

Additionally, the Department has an annual direct cost savings of \$306,280.60 for this high/maximum risk facility procurement. The result is a marginal savings (six percent of the contract amount annually) with a significant risk incurred to the Department. Though there is a positive cost savings by outsourcing the above facility, Council staff is equally concerned with the potential risk that is assumed by the Department.

III. Council Recommendations

1. Council Recommendation

The Council on Efficient Government recommends moving forward after modifications with this outsourcing initiative. Despite an incomplete cost analyses the Council staff found the Cypress Creek JOCC to be an overall good business case for outsourcing and recommends proceeding with the project. The Department was able to justify a projected to savings to the state \$918,841.80 incurred over a three-year period through this outsourcing.

2. Probability for Success

The Council's analysis points to a good probability for success in attaining the Department's documented goals. Additionally, an important point to consider is

the Department has been successfully managing the outsourcing of its residential facilities since 1994.

3. Extensive Financial Data Required for Business Cases to Effectively Manage Projects

Although the business case did provide a good cost comparison of the two Department-recommended options, more financial information is needed to ensure project success in the areas of quality and fiscal accountability. Minimally, the Council would like the following financial data included in all business cases:

- a. CBA,
- b. ROI,
- c. Cost Price Analysis,
- d. Earned Value, and,
- e. IRR.

Specifically, the Council would like the Department to explore the complete cost savings model between outsourcing and in-sourcing services for high risk and maximum risk facilities. Currently, the Department has an annual direct cost savings of \$306,280.60 for this high/maximum risk facility procurement. The result is marginal savings (six percent of the contract amount annually) with a significant level of risk incurred to the Department. The Council would like to extend its consulting services to assist the Department in ascertaining the true cost of providing services for High/ Maximum Risk juvenile detention facilities.

The Council would like to thank the Florida Department of Juvenile Justice for the continued opportunities to participate in the Department's planning and procurement processes. We look forward to working with the Department on future outsourcing, or insourcing, initiatives.

If you have any questions or issues concerning this report, or if the Council can be of further assistance, please call us at 850.414.9200.

Thank you again.