March 29, 2016

A RESOLUTION OF THE SALT LAKE COUNTY COUNCIL PURSUANT TO SALT LAKE COUNTY ORDINANCE 3.71, RELATED TO THE COUNTY'S PARTICIPATION IN TWO PRIVATE ENTERPRISE PROJECTS AND A DETERMINATION OF THE VALUE THE COUNTY SHALL RECEIVE IN RETURN FOR FUNDS IF THE COUNTY COUNCIL MAKES AN APPROPRIATION TO THE PROJECTS.

RECITALS

WHEREAS, the County Council passed Salt Lake County Ordinance 3.71 entitled "County Participation in and Appropriation to a Private Enterprise Project" (hereinafter "Private Enterprise Ordinance") under the authority of Utah Code Ann. § 17-50-303;

WHEREAS, the Private Enterprise Ordinance was enacted to provide the County with a mechanism to appropriate county funds in aid of private enterprise projects that meet certain requirements and produce specified results;

WHEREAS, the Private Enterprise Ordinance allows an appropriation for a project only if the County receives value in return for the funds appropriated and if the County Council determines that the project enhances the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of county residents;

WHEREAS, before the County may appropriate funds to a project, the Private Enterprise Ordinance requires the Council to adopt by resolution a determination of the value the County will receive in return for funds appropriated based on several criteria;

WHEREAS, the value received may be based on the following factors: expenditures saved, expenses foregone, intangible benefits received by the County, intangible benefits received by county residents, or other conveniences or comforts to county residents;

WHEREAS, the Private Enterprise Ordinance requires the County Council to complete a study on the proposed appropriation and private enterprise project (see Attachment 'A'), to make the study available to the public for fourteen days, and to take public comment on the study;

WHEREAS, the County completed the study, made it available to the public, and held a public hearing on March 15, 2016;

WHEREAS, the County issued a Request for Proposals to find providers for private enterprise projects to further its policy goals for social and criminal justice reform;

WHEREAS, the County received proposals and selected First Step House and Road Home as providers for the projects, including projects to reduce recidivism and to provide homelessness services programs, subject to appropriations from the County Council;

WHEREAS, the County Council has determined that these projects will contribute to the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of county residents; and

WHEREAS, the County has determined, by way of the study, that the County will receive value in return for funds appropriated to the projects.

RESOLUTION

NOW, THEREFORE, IT IS HEREBY RESOLVED, by the Salt Lake County Council that:

- 1. The projects will provide the County with value, as defined in state statute and the Private Enterprise Ordinance and based on the study attached hereto as Attachment A and incorporated herein by this reference, as described below:
 - a. First Step House Recidivism Reduction Program
 - i. Expenditures Saved. The County receives value by saving money on the County's planned expenditures. The recidivism reduction program targets areas that are a current drain on the County budget, including incarceration, police, legal, court, and victim costs. Decreasing recidivism will help decrease this drain on the County budget, saving the County money. Further, the new and rigorous evaluation standards of this program will provide the County with new information on how programs are working and successfully reducing recidivism (See Study pp. 7-10).
 - ii. Expenses Foregone. The County receives value by saving money on the County's future anticipated expenses. Reducing recidivism will decrease the likelihood of future expansions to the jail, which will save the County the expense of such expansions, and the future costs of incarcerating these individuals. Additionally, the program will help our residents by making it easier to keep private funds allocated for social reform projects in Salt Lake County. Keeping this money locally is of immense value to the County because, if successful, it allows these private funds to be used for programs the County would typically need to fund, and therefore saves the County money in these future expenses (See Study pp.7-10).
 - iii. *Intangible Benefits Received by County.* Decreasing recidivism through this process will transform reoffenders into productive, taxpaying citizens. As such, the County finds value in having productive citizens in the County, and in increasing the tax base. Further, the progress and results of these programs will inform the County of improvements that can be made to the County's recidivism programs and policies, helping the County to provide more effective services (See Study pp. 7-10).
 - iv. Intangible Benefits Received by County Residents. Decreasing recidivism through this process will transform reoffenders into productive, taxpaying

citizens. County residents will receive an intangible benefit, of value to the County, by having productive neighbors and fellow citizens. Additionally, reducing recidivism is of immeasurable value, and will greatly improve the lives of those children residents of our County who have a father, mother, or other family member incarcerated. By reducing recidivism, these children residents can have more stable family environments, and will be less likely to become incarcerated in the future. If successful, this is of great value to the County, as it will improve the lives of the County's children residents as well as decrease the amount of future offenders. A final intangible benefit that is valuable to county residents, is that reducing recidivism will reduce the victim cost residents currently face (See Study pp. 7-10).

b. Road House Homelessness Reduction Program

- 1. Expenditures Saved. The County receives value by saving money on the County's planned expenditures. This program targets areas that are a current drain on the County budget relating to homelessness, including substance abuse and mental health programs, as well as incarceration, police, and victim costs that accompany persistent homelessness. Decreasing homelessness will help decrease this drain on the County budget, saving the County money on these planned expenditures. Further, the new and rigorous evaluation standards will provide the County with new information on how these programs are working and improving lives of the homeless (See Study pp. 10-13).
- ii. Expenses Foregone. The County receives value by saving money on the County's future expenses. By reducing the number of persistently homeless individuals who become chronically homeless, the program saves the County future expenditures. It helps these residents become self-sufficient, thus decreasing the County's future spending on behavioral health and other programs for the homeless. Additionally, the program will help Salt Lake County residents by making it easier to keep private funds allocated for social reform projects in Salt Lake County. Keeping this money locally is of immense value to the County because, if successful, it allows these private funds to be used for programs the County would typically need to fund, and therefore saves the County money in these future expenses (See Study pp. 10-13).
- iii. Intangible Benefits Received by County. Decreasing homelessness through this program will transform the persistently homeless into productive, taxpaying residents. It is valuable for the County to have productive, taxpaying residents who work and who can increase the tax base. Additionally, reducing persistent homelessness will reduce the use of the jail as a shelter, providing many tangible and intangible benefits to the County. Further, the progress and results of these programs will inform

the County of improvements that can be made to the County homelessness and behavioral health programs, helping the County to provide more effective services to its residents (See Study pp. 10-13).

- iv. Intangible Benefits Received by County Residents. Decreasing persistent homelessness will reduce the use of emergency shelters by these chronically homeless residents, which will allow other residents who require temporary emergency shelter better access to resources and standards of living. Another intangible benefit received by county residents is having productive neighbors and fellow citizens. Further, the program allows the County to provide more services and reach those residents whose needs are currently unmet. This will increase these residents' standards of living, and help them become a productive member of Salt Lake County (See Study pp. 10-13).
- 2. The implementation of the Private Enterprise Projects shall be subject to the following requirements:
 - a. The County Mayor shall report to the Council on a bi-annual basis, prior to the opening of the county budget, the net value received by the County for funds or resources appropriated by the County Council for each project.
 - b. The reports shall include the expenditures saved; the expenses foregone; the intangible benefits received by the County; the intangible benefits received by residents; and other conveniences or comforts to county residents brought about by way of the projects.
 - c. The County Mayor shall notify the Council of payment benchmarks as set forth by the agreements for "success payments" and "performance payments" as defined by the study. The Mayor will notify the Council in the bi-annual reports whether benchmarks have or have not been reached for the projects.
- 3. This Resolution shall become effective immediately upon its approval and adoption by the Council and will be filed and recorded in the official minutes and records of the Council for this meeting.

APPROVED AND ADOPTED in Salt Lake City, Salt Lake County, Utah, this 29 day of March, 2016.

Max Burdick, Chair

ATTEST:

Sherrie Swensen

Salt Lake County Clerk

Voting:

Council Member Bradley Council Member Bradshaw Council Member Burdick

Council Member DeBry

Council Member Granato

Council Member Jensen

Council Member Newton

Council Member Snelgrove Council Member Wilson

APPROVED AS TO FORM

Melanie F. Mitchell, Unit Chief

District Attorney's Office

Date: 29 March



EVIDENCE-BASED INTERVENTIONS FOR CRIMINAL JUSTICE REFORM

STUDY REQUIRED BY SALT LAKE COUNTY, UTAH CODE OF ORDINANCES, CHAPTER 3.71, "COUNTY PARTICIPATION IN A PRIVATE ENTERPRISE PROJECT"

Salt Lake County policy makers have decided to implement a Private Enterprise Project to address criminal justice needs and to implement policies to address these needs. Salt Lake County has prepared this study pursuant to Utah Code Annotated § 17-50-303 and Salt Lake County Code of Ordinances § 3.71. These provisions require that the County prepare and make available to the public a study to determine: (a) the value the County will receive in return for funds appropriated in aid of a private enterprise project, (b) the purpose for the appropriation, and (3) whether the appropriation is necessary and appropriate to accomplish the County's policy objectives.

This study is the first of several steps in implementing the Private Enterprise Project. It does not contain specific performance or payment measures as those will be further determined during the contract negotiation process. This study will be available for public review and a public hearing will be held so the Council may take public comment on the information contained herein. Subsequently, the Council may adopt a resolution setting forth contract parameters related to the expenditures saved, expenses forgone, intangible benefits received by the County and its residents, and other benefits. The Mayor's office may then negotiate and enter into contracts with the vendors to implement the proposed programs consistent with the parameters set by the Council.

OVERVIEW

The study provides detail on program initiatives that will make a measurable impact in two criminal justice reform areas: Recidivism and Homelessness. It also provides data describing the needs in our communities, the evidence-based models that could be successful in our County, the vendors that have been selected through a rigorous, open procurement process, the outcomes we seek, the role of private enterprise in the financing of these initiatives, and the use of a Randomized Control Trial to measure and validate outcomes. The study also describes the "Pay-For-Success" model that the County has chosen to implement its policy objectives by providing a mechanism for funding and evaluation.

We support efforts to adequately fund and evaluate all programs within the County's criminal and social justice system in order to identify those that best advance our criminal justice reform initiatives. As

prescribed PFS results, the government is held financially harmless and no reimbursements occur. A rigorous, independent evaluation is needed in order to determine if the outcomes are met. This is what makes Pay for Success unique.

Currently, 76% of the total General Fund County resources are consumed by criminal and social justice services. These core services include: operating the jail, the District Attorney's operations, Legal Defender Services, mental and substance abuse treatment, and providing emergency shelter to those who otherwise would live on our streets. The mission of this appropriation is to validate, through rigorous evaluation, two innovative programs that can reduce the ever-growing impact of these services on our budget. The intent is to allocate scarce resources to the most effective programs.

Criminal Justice:		
Services	\$ 4.00	Services provided to 225 individuals.
Project Costs	\$ 0.50	Placeholder equal to 12.5% of Services Budget.
Interest Costs	\$ 0.75	Annual interest+ profit rate of about 7.5% for 2.5 years
Subtotal	\$ 5.25	
Homelessness:		
Services	\$ 4.00	Services provided to 315 individuals
Project Costs	\$ 0.50	Placeholder equal to 12.5% of Services Budget.
Interest Costs	\$ 0.75	Annual interest+ profit rate of about 7.5% for 2.5 years
Subtotal	\$ 5.25	
Combined Costs:		
Services	\$ 8.00	
Project Costs	\$ 1.00	
Interest Costs	\$ 1.50	
Contingency	\$ 1.00	~ 1/8 of Estimated Service Expenses
Total Costs	\$ 11.50	
Notes:		

The County Council is considering appropriating \$3 million this year and up to a total of \$11.5 million over the course of four years to Pay-for-Success contracts. (A more detailed allocation is provided in Table A.) In a Pay-for-Success contract, government ties payments to results. The County will enter into PFS contracts that tie payments to evidenced-based outcomes. This will include a mix of performance payments, based on hitting certain metrics specified in the contracts and success payments that are made only if the contracted results are achieved. The contract details will specify which entity bears the financial risk associated with both types of payments.

As with traditional private financing models, the lead lenders that finance successful outcomes will receive success payments that include a nominal interest rate and the potential for an additional nominal return on their investment. The contracts will distinguish between performance payments, which have a higher likelihood of occurring, and success payments. Obviously, the County would like the private enterprise funds to finance the outcomes that bear the greatest risk of failure. The contract terms, which have yet to be negotiated, will ultimately decide the risk allocation between the County and the private investors. In other Pay-for-Success projects in the United States, a typical base interest rate paid on these loans is at or below 5 percent.

The other critical component of the capital used in the transaction will be grants from private foundations and philanthropists. Even if the project is successful, as determined by the contract, the County will only reimburse the original grant amounts. If the contract metrics are not satisfied, no reimbursement occurs. Philanthropic money reimbursed by the County will be redirected, by law, to other philanthropic needs.

The proposed PFS five-year funding model, as indicated in Table A on page 3, will provide private funds totaling some \$9.5 million. Salt Lake County will only pay for success. If any one of the two vendors do not perform as expected, the County can stop what is not working, and reclaim the money held in escrow.

C. The Goals of These PFS Programs

Since PFS is an evidence-based model that encourages broad community investment, it is an appropriate model to accomplish Salt Lake County's policy goals. Moreover, any appropriation towards a PFS based program will, by necessity, include a robust evaluation system to determine whether the goals of the PFS programs are being met.

Goal 1. Serve High-Cost Individuals More Effectively and With Greater Cost Efficiency

Both the recidivism and homelessness programs target individuals who consume a
disproportionate amount of costly social services. High-costs individuals offer the greatest
likelihood for budgetary savings. These individuals are not currently enrolled in or eligible for
Medicaid.

Goal 2: Address System Gaps

The First Step House (FSH) and The Road Home (TRH) were selected to manage the recidivism program and the homelessness program, respectively. The population targeted for the FSH recidivism program historically has 2.8 arrests and 369 days of incarceration over a three-year period. Nearly 30% of the TRH homeless population was booked into jail in the span of a year, with an average of two new charges and three months spent in jail.

THE PROPOSED PROGRAMS

The County intends to use the Pay-for-Success model in to two separate programs. It is the intent of Salt Lake County policy makers to apply the model to obtain value for taxpayers by reducing recidivism and helping prevent chronic homelessness. The following illustrates how the County intends to apply the Payfor-Success model to accomplish these objectives. The model is designed to allow evaluation so that if a program is not working, the County may change to a more efficient and effective approach.

How First Step House (FSH) will Reduce Recidivism for High-Risk Populations

Of the 7,565 jail inmates released in 2011, about 62% were back in the County Jail within three years, more than half of whom were held on new charges. In addition, certain types of offenders are being incarcerated for longer periods of time. Similar statistics are observed at the state prison level, where more serious offenders are sent. From 2004 to 2013, the State Prison population grew at a rate six times faster than the national average.

First Step House (FSH) employs community-based interventions to address offenders' criminogenic risks, behavioral health, educational and employment needs. This integrated and risk/need-based set of services is critical to preventing recidivism. The U.S. Department of Justice estimates that 64% of the jail population has a mental illness, and more than half of such offenders used drugs or alcohol at the time of their crime. First Step House's evidence-based services will help several hundred individuals who are at high risk for returning to jail avoid committing further crimes and could reduce the total number of days spent in jail and prison by an estimated 35%iv.

Program Overview

The FSH program model will address five major domains defined by the acronym REACH, which stands for Recovery, Engagement, Assessment, Career Development, and Housing. The REACH program will address the major criminogenic needs that have the greatest impact on reducing recidivism, including antisocial behaviors, antisocial personality/negative emotionality, antisocial attitudes and cognitions, antisocial associates, problems with school and work, lack of prosocial activities, family and marital problems, and substance abuse. The goal of this project is to provide comprehensive services that can reduce recidivism and improve the quality of life for those most likely to recidivate to either the County jail system or the State Prison system.

Model

• Risk-Need-Responsivity ('RNR') Model: The REACH program will be built upon RNR principles. This involves (1) treating high risk offenders separately from moderate to low risk offenders (2)

Services

- Assessment and Treatment Planning: At the start of treatment, all participants will receive a comprehensive assessment used to develop a treatment plan. Treatment plans will include specific goals and services to be provided to the client. Ongoing assessment and treatment plan reviews will be completed in individual sessions with a mental health therapist and will take place on a monthly basis. Assessments will include: criminogenic needs assessment, substance use disorder assessment, mental health assessment, housing needs and employment needs.
- Moral Reconation Therapy (MRT). All participants will attend MRT groups. MRT is a treatment strategy that seeks to decrease recidivism among adult criminal offenders by addressing criminogenic needs.
- Cognitive Behavioral Therapy: All participants will receive Rational Emotive Behavioral Therapy (REBT) in a group setting. REBT has been widely used for over 50 years to help people identify and correct their irrational beliefs so they can learn more effective and rational ways of coping. REBT is a robust version of Cognitive Behavioral Therapy.
- Relapse prevention. All participants will participate in relapse prevention groups. These groups
 will use the CENAPS Model of Relapse Prevention Therapy. CENAPS is a model that targets
 relapse behaviors through cognitive behavioral intervention.
- Drug Testing: All program participants will receive weekly, random urinalysis testing as a means of supporting the recovery process. Testing will take place on site and will be sent to FSH's in-house urinalysis laboratory.
- Individual Therapy: Every program participant will be assigned a mental health therapist. Individual therapy session frequency will be determined by American Society of Addiction Medicine (ASAM) criteria and according to individual need.
- Group Therapy: Every program participant will be assigned to a recovery process group. Group therapy session frequency will be determined by ASAM criteria and according to individual need.
- Case management. All participants will meet with a full-time career-development case manager. This case manager will perform a vocation assessment that will evaluate job readiness within the high-risk/high-need framework to match clients with appropriate educational and vocational services. Each client will develop a personal career plan that will include skill development, education, and job placement. All participants will meet with the housing case manager at the start of treatment. The housing case manager will evaluate each participant's housing needs and will work with existing housing resources to help clients with the transition from the REACH recovery residence.

Cost

The estimated program cost per enrolled participant for this intervention is \$19,000 or \$9,500 per individual per year. Please note that:

The engagement spans two years for each participant, and includes 3 months' of temporary housing, intensive case management and therapeutic services.

homelessness*i. Utah's Homeless Information Management System (HMIS) data indicate that 40% of this at-risk population could become chronically homeless if left untreated, putting severe strain on our community's housing, healthcare, and jail resources. These populations already spend significant amounts of time (anywhere from 3 months to a year) in emergency shelters, taking up spaces that could be used by those in need of more temporary shelter.

Potential long-term societal benefits include decreased criminal justice involvement, decreased inappropriate use of the County's emergency services, and/or decreased utilization of emergency shelter beds.

Program Overview

The goal of this project is to provide comprehensive services that can improve the housing stability and behavioral health of persistently homeless individuals in Salt Lake County. The County defines persistently homeless as the portion of the population that is not yet considered chronically homeless, but is at risk of remaining homeless without intervention. This population has spent between 90 and 364 days over the course of a year in emergency shelters or otherwise tracked as being homeless for a similar duration.

The Road Home (TRH) Pay for Success program model will provide a range of housing assistance and wrap-around supportive services that build off the rapid rehousing (RRH) model. RRH is a Housing First model that places priority on moving homeless individuals into permanent housing as quickly as possible. Housing assistance in the PFS project includes TRH (1) identifying housing, (2) providing rental and move-in assistance, and (3) providing case management. Wrap-around services include employment services, behavioral health services, harm reduction and food security. Participants may initially be housed in one of 20 TRH shelter beds dedicated to the PFS project.

Potential long-term societal benefits include decreased criminal justice involvement, decreased inappropriate use of the County's emergency services, and/or decreased utilization of emergency shelter beds.

Model

The program proposed for this PFS project combines evidence-based Housing First and Rapid Rehousing models with evidence-based and innovative behavioral health models. Housing assistance has three key components: housing identification, rental and move-in assistance, and case management. Evidence based behavioral health components include Harm Reduction, Motivational Interviewing and Trauma Informed Care. The program has three key phases: engagement, assessment and placement in appropriate, stable housing for long term self-sufficiency. Engagement with the homeless individual will begin immediately. The Assessment Phase will take no more than 14 days. The services to move from assessment to placement in housing will take an average of one month. The time interval between placements (moving into a suitable unit of housing) to graduation to self-sufficiency, the Case Management Phase, will take an average of four months.

initial contact, assessment and enrollment in treatment. Access to needed therapeutic intervention could, in turn, decrease the length of homelessness by increasing the stability of the individual as they enter housing.

Estimated Costs

The preliminary estimated cost per participant for this intervention is \$12,500 for one year of housing support and supportive services.

Benefits of the Road Home Program for County Residents

This intervention will deliver the following social benefits:

- Reduced emergency shelter service use: Reducing the number of homeless individuals and families will reduce the need for emergency shelter services and help alleviate the pressures on the Rio Grande area. In 2014, \$5.6 million was spent on providing such services by the Road Home alone.^{xiii}
- Avoided crime, bookings, and jail days: Nearly 30% of the homeless population was booked into jail in the span of a year. The average homeless offender was booked for two new charges and spent an average of three months in jail. This intervention will reduce the use of our jail as a shelter.
- Increased taxable income and quality of life: By breaking the cycle of homelessness, the Road Home's project can help consumers of social services become productive taxpayers, increasing the quality of life for those at risk and the members of the community around them.

CONCLUSION

In analyzing the proposed projects by First Step House and The Road Home and the use of a Pay-for-Success financing model, the Council has determined that an initial appropriation of \$3 million is necessary and appropriate for the County to accomplish its goals and objectives of making a measurable impact in the criminal justice reform areas of Recidivism and Homelessness. By tapping private funds to cover the costs of new, innovative but-as-yet unproven social programs, PFS shifts performance risk towards private funders. If a project is successful, the government reimburses the private investors for their project expenses plus interest and sometimes a modest profit. If the private expenditures don't produce the prescribed PFS results, the government is held financially harmless and no reimbursements occur. Success payments will occur based on a yet-to-be negotiated contract. But they will only occur after an independent evaluation—using a Randomized Contro! Trial and rigorous, data-based, real-time analysis—determines that the outcomes specified in the contract have been satisfied. Given a successful scenario and pursuant to this study, the Council finds that Salt Lake County will receive a value for its \$3 million appropriation in the form of tangible benefits (such as the reduction of future demands for jail

Footnotes:

[†] The Community Reinvestment Act is a federal law that requires banks to help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. New Markets Tax Credits is a similar program to spur private investment in tow-income communities.

ii Data retrieved from the Integrated Justice Information System (IJIS)

iii FSH is currently pursuing data to better understand the rate at which inmates released from the County Jail are subsequently sentenced to state prison.

iv First Step House RFP drawing on academic evidence on MRT and SUD effectiveness

v Intergenerational Incarceration: Risk Factors and Social Exclusion: Irene Y. H. Ng, Rosemary C. Sarri & Elizabeth Stoffregen pp 437-459

vi McCollister, Kathryn E. et al., "The cost of crime to society: New crime-specific estimates for policy and program evaluation". *Drug & Alcohol Dependence*, Volume 108, Issue 1, 98 – 109. Retrieved from http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2835847/table/T3/ July 13 2015

vii The population targeted for this program historically has 2.8 arrests and 369 days incarcerated over a three-year period.

viii Mark A. Cohen; Alex R. Piquero "New Evidence on the Monetary Value of Saving a High Risk Youth", *Journal of Quantitative Criminology* Volume:25 Issue:1 March 2009 Pages:25 to 49

ix Comprehensive Report on Homelessness 2014 pp 47

x Homelessness Funding 2013-2014 County and Agency Breakdown 3-28-14

xiSalt Lake County Ten Year Plan to End Chronic Homelessness, retrieved from http://slco.org/crd/pdf/TenYearPlanToEndChro.pdf January 1, 2006

xii The Federal government defines a chronically homeless person as "either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, OR (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years."

xiii The Road Home Annual Report, retrieved from http://www.theroadhome.org/library/media/2014%20Audit.pdf July 20 2015