

COMMUNITY, COUNSELING AND CORRECTIONAL SERVICES, INC.

Corporate Office Building
471 East Mercury Street
Butte, Montana 59701

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Board of Directors: Joe Murphy, President • Connie Kenney, Vice-President • Jim Graham, Secretary • Fred Stradinger, Treasurer • Don Peoples, Board Member • Pat Fleming, Board Member • Wayne Harper, Board Member • Kathy Fasso, Board Member • Father Tom Haffey, Board Member • John Kasperick, Board Member

Corporate Staff: Mike Thatcher, CEO • Steve McArthur, Director Community Correctional Programs • Perry Hawbaker, CFO • Colleen O'Leary, Director Human Resources • Dave Boyd, Director Treatment Programs & Services • Ryan Lynch Director of Development & Administration

November 18, 2015

Jeff Burrows, Chairman
Ravalli County Commission
215 S. 4th Street, Suite A
Hamilton, Montana 59840

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Ravalli County Commissioners

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RE: RYO Contract – Secure Juvenile Detention Services – Galen, Montana
Facility Closure – Low Population
60-Day Termination of Contract Notice

Dear Mr. Burrows:

On behalf of the Board of Directors, Management Team and staff of the RYO Juvenile Correctional Facility, I am writing in reference to the above. In accordance with the terms of the current detention contract, under Section 17. Term: Termination: **“either party reserves the right to terminate this Agreement for any reason upon thirty (30) days written notice.”** I am formally providing you with a sixty-day (60) written notice of CCCS' decision to terminate the current Detention Services Agreement Contract that exists between Ravalli County and Community, Counseling and Correctional Services, Inc.

Effective, on January 31, 2016, the RYO Correctional Facility will no longer accept any youthful referrals/placements. The decision to terminate this contract and move forward with the closure of the RYO Correctional Facility is without question the most difficult and heart-wrenching decision the CCCS Board of Directors and staff have been forced to make during the 32-year history of our corporation.

In 2001, CCCS was selected by the Federal Bureau of Prisons (FBOP), as the successful respondent to a comprehensive Request for Proposal (RFP) to design, build, finance and operate a “turn-key” facility. RYO was specifically designed to address the ever-growing needs of the FBOP and the lack of detention space for multiple counties in southwest Montana. The total cost associated with construction and activation of RYO was \$9.2 million and RYO began receiving youthful offenders in December 2002. In December 2014, RYO began its 13th year of operation.

RYO was a huge financial undertaking for CCCS and for many years it proved to be a solid business decision that provided a comprehensive array of critical service delivery for multiple users. RYO historically operated at or near the 60-bed capacity. Of note, RYO was recognized as one of the premier juvenile correctional facilities in the United States. There were many partners who worked closely on the RYO project including local lenders and public officials and together we crafted a financial package that brought this project to fruition. Without the original FBOP five (5) year contract, that contained a minimum bed guarantee, RYO would not have happened.

Bismarck Transition Center
Kevin Arthaud, Adm.
2001 Lee Avenue
Bismarck, ND 58504
701-222-3440 Fax 701-222-3599

Butte Pre-Release Center
Women's Transitional Center
Jay Grant, Adm.
58-68 W. Broadway
Butte, MT 59701
BPRC 406-782-2316
WTC 406-782-6446 Fax 406-723-1170

Connections Corrections Program
Dave Boyd, Adm.
111 W. Broadway
Butte, MT 59701
406-782-6626 Fax 406-782-6676

Discovery House
Carole Kovacich, Adm.
65 Sheep Gulch Road
Anaconda, MT 59711
406-563-3842 Fax 406-563-2451

Gallatin Re-Entry Facility
Melissa Kelly, Adm.
675 S. 16 Street
Bozeman, MT 59715
406-994-0300 Fax 406-994-0306

Martin Hall Juvenile Detention Facility
Robert Palmquist, Adm.
P.O. Box 670
Medical Lake, WA 99022
509-299-7733 Fax 509-299-1447

Nexus Program
Rick Barman, Adm.
P.O. Box 1200
Lewistown, MT 59457
406-535-6660 Fax 406-535-6665

RYO Correctional Facility
Travis Hettick, Adm.
360 Galen Street
Deer Lodge, MT 59722
406-693-9975 Fax 406-693-9988

START Program
George Strutzel, Adm.
801 MT Hwy 48
Anaconda, MT 59711
406-563-7002 Fax 406-563-5069

WATCh Program
Alex Vukovich, Adm.
Box G
Warm Springs, MT 59756
406-693-2272 Fax 406-693-2276

WATCh East
Sarah Simon, Adm.
700 Little Street
Glendive, MT 59330
406-377-6001 Fax 406-377-6004

CCCS assumed significant risk in borrowing the aforementioned monies, over a 20-year debt schedule, all the while recognizing that RYO was subject to renewable contracts, with the FBOP, at the conclusion of the initial 5-year contract.

Over the past 2-years, RYO has experienced significant fiscal shortfalls and the attendant low populations produced an adverse impact on the day-to-day operations of the facility. During the past couple of years, RYO experienced substantial financial losses that had historically been successfully mitigated by some of CCCS' other program operations; however, because of additional financial challenges in these programs, we are no longer in a position to offset the RYO Program's shortfall. Over the past several years, CCCS has aggressively marketed RYO by traveling throughout numerous states in the southwestern part of the United States, as well as to North Dakota and Minnesota. However, our efforts were ultimately unsuccessful and led us to the agonizing decision to close the facility.

CCCS currently has outstanding debt on RYO of \$4.6 million, with slightly better than 7-years of debt service remaining on the loan. Over the past 13-years, RYO has been extremely successful in the provision of comprehensive detention programming for the FBOP, United States Probation, the Bureau of Indian Affairs and multiple counties in Montana. However the current nation-wide trend of low utilization of secure detention placements as an option for juvenile offenders has presented CCCS with such significant fiscal hardships that left us with no alternative choices other than to move forward with the plans to lease the facility to Montana's Department of Public Health and Human Services.

CCCS can no longer generate the required revenue and cash flow to compensate our employees that are mandated by the contractually-required staffing ratios under the terms of the current contracts and service costs. When RYO was constructed, there were approximately 400+ federal youthful offenders in the system and that number has steadily dwindled to a range of between 40 and 60 youthful offenders. There has been an emphasis on placing federal youthful offenders in other community alternatives and as such, this has led a number of other secure detention facilities in the United States to cancel their contracts with the FBOP.

Due to the low population, RYO cannot maintain a financially, self-sustaining operation. In discussions with FBOP officials, all parties agreed that maintaining operations at RYO is no longer feasible and the FBOP has indicated they will release CCCS/RYO from any remaining contractual obligations. All Federal youthful offenders will be scheduled to be transferred from RYO to alternative facilities, sometime during the month of January 2016.

RYO will continue to accept youthful offender placements from your respective county through the end of January, 2016; however, RYO staff will work with local juvenile probation officials to ensure that all youthful offenders are removed and placed in alternative secure detention and/or released no later than Friday, January 29, 2016.

Enclosed within this correspondence, you will find a contract proposal from the Martin Hall Consortium, which provides juvenile detention oversight at a facility operated by CCCS that is located in Medical Lake, Washington. CCCS has operated this facility since November 1st, 1999. Prior to constructing RYO for the FBOP and those counties in Montana, CCCS transported youthful offenders from Montana to the Martin Hall Juvenile Detention Facility (MHJDF), until the activation of RYO. **An additional purpose of this correspondence is to inform each respective county that the 9-Member County Martin Hall Consortium has agreed to offer contracts to any of the Montana Counties who would be interested in utilizing the MHJDF, at a cost of \$200.00 per day.** This cost is somewhat lower than the RYO contract is; however, it does not incorporate the same level of services, specific to mental health evaluations, sex offender programming, comprehensive medical and dental services, etc.

Additionally, CCCS is prepared to offer transportation services for your respective county and/or agency, should you make the decision to utilize the MHJDF as an option for your current juvenile offender needs during this interim period. **CCCS is willing to provide round-trip transportation services from your county**

to the MHJDF at a total cost of \$300.00 per round trip. CCCS has previously provided transportation services and currently has approximately 15-years of experience transporting youthful and adult offenders. CCCS will provide you with a Transportation Services Agreement for the transport of juvenile detainees, in the event you have an interest in contracting for said services. CCCS/MHJDF officials will also work with the counties to see if there are any synergies related to video conferencing for any type of visitation and/or legal hearings.

I would gladly meet with you and your staff and/or any additional local officials to discuss the decision to terminate said contract and shutter RYO. CCCS is cautiously optimistic the option to utilize the MHJDF, during the short-term, provides a viable alternative for your county and/or agency, until you have the opportunity to research and develop a long-term plan.

I thank you in advance for giving me the opportunity to present you with a brief history of RYO and an explanation as to why the CCCS Board of Directors and Management arrived at the ultimate decision to terminate your respective contract and close RYO. I hope you recognize and understand it was driven solely by the adverse fiscal impacts over these past several years that was brought about by the low population and related funding shortfalls. Meeting the needs of youthful offenders, who have been placed at RYO, has always been our priority both in the short and long-term.

In closing, CCCS and the RYO staff look forward to continuing to work with your respective county/agency in your efforts to identify other possibilities and I ask that you please contact me at (406) 782-0417 or mthatcher@cccscorp.com if you would like to schedule a time when I can answer any questions and concerns regarding this decision. We are devastated regarding this painful decision, as we firmly believe the development and implementation of RYO was the hallmark of the dedication and sweat equity of an incredible staff. It took CCCS many years to effectively "shake-down" the RYO operations, in order to enhance overall efficiencies and effectiveness and the closure of RYO will result in the loss of an outstanding, state-of-the-art detention facility and staff who were committed to delivering intensive levels of programming services for youthful offenders. Often times, the youthful offenders housed at RYO were very difficult cases that were extremely difficult to find placements for and many of these youthful offenders were in desperate need of long-term, evidence-based treatment and programming. Without question, many youthful offenders have benefited tremendously by their placement at RYO. This endeavor has been a mutually-beneficial relationship and CCCS has enjoyed our partnership and the opportunity to provide the broad array of service delivery options that were available at RYO. I look forward to visiting with you in the near future to answer any additional questions you may have.

Sincerely,



MIKE THATCHER
Chief Executive Officer
CCCS, Inc.
MT / mh

cc: Ravalli County Commissioners
Brantley Curtis, JPO
Madison Ruetten, JPO
DeAnna Stewart, JPO
CCCS Board of Directors
Perry Hawbaker, CCCS CFO
Travis Hettick, RYO Program Administrator
Enclosure(s)



Community, Counseling and Correctional Services, Inc.

471 East Mercury Butte, Montana 59701 (406) 782-2316 FAX# (406) 723-1170



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Jeff Burrows, Chairman
Ravalli County Commission
215 S. 4th Street, Suite A
Hamilton, Montana 59840

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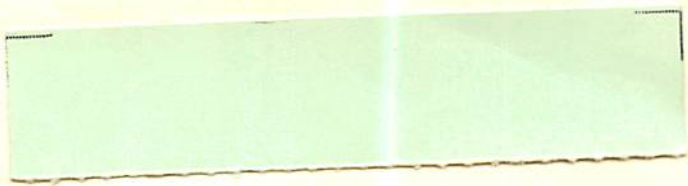
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