

ANNUAL REPORT 2018

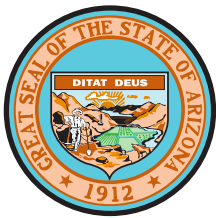


BUILDING ALLIANCES
Arizona Correctional Industries

COOPERATIVE COLLABORATION

Cooperative Collaboration is defined as the act of combining and sharing resources in an effort to work together through mutually beneficial relationships to achieve common goals.

Over the past year, Arizona Correctional Industries, state agencies, and private sector partners came together to share resources and join forces in a spirit of collaboration. These alliances benefited from cooperatively pooling resources, thereby saving money and facilitating progress and innovation for all involved.



2018

Annual Report

Building Alliances

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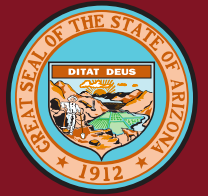
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FROM THE GOVERNOR



The work of the Department of Corrections (ADC) and Arizona Correctional Industries (ACI) improves the lives of many citizens across Arizona. ACI continues to lead the way with innovative programs that make our communities safer: teaching job skills and a positive work ethic to inmates as it partners with private businesses throughout the state as a go-to resource. These efforts continue to build on over 30 years of hard work by ACI and ADC.

We're already seeing positive impacts from Arizona's efforts to reduce recidivism through Reentry and Second Chance Centers. These programs would not be possible without interagency cooperation and public-private partnerships working together to protect Arizona citizens and prepare inmates as they transition back into society.

ACI is financially self-sufficient, and gives back to Arizona. Studies by ASU show ACI provides a significant positive financial impact to the state and contributes to thousands of new jobs created in Arizona each year.

By investing in those reentering society, reducing recidivism, increasing public safety, and helping solve staffing needs for businesses struggling to find qualified employees, our state can reallocate taxpayer dollars to invest in education and infrastructure programs.

Thanks to the hard work going on in Second Chance Centers along with many other efforts of ACI and ADC, recidivism rates are already dropping.



FROM THE DIRECTOR



As we celebrate the Arizona Department of Corrections' 50th year, we can be proud of all we have accomplished as we continue to discover innovative new ways to fulfill our important mission in service to the taxpayers of the state. For the first time in decades we have seen a decrease in the number of inmates within State prison facilities: A testament to our reentry efforts with the invaluable cooperation of some remarkable partnerships from both the public and private sector.

Arizona Correctional Industries (ACI) has helped facilitate and enhance these partnerships for years and took things further this year by working closely with the Department of Economic Security to present the state's first Reentry Employer Forum in June 2018. It was great to see how many employers came to learn about the untapped workforce that might help them meet their upcoming staffing needs.

These private industry employers learned, by working with us and other state agencies, they can help improve reentry outcomes and reduce recidivism. They have begun to see what our long-time labor contract partners have known for years: ex-offenders can make great employees.

With financials that any private company would proudly share with stockholders, an impressive number of total inmate hours worked and several important new private business partnerships, ACI continues to make significant contributions to the Department and the State.

As we strive to reduce recidivism by 25% in the next 10 years, we know that we can depend upon the staff and inmates at ACI to help us achieve this and the Department's other goals and mission.

ACI has a long history of successful partnerships, but in Fiscal Year 2018, we enhanced many alliances and built some exciting new collaborations that made an impact this year and will shape our future. The state agencies and public for-profit and nonprofit organizations we partnered with to host the state's first Reentry Employer Forum helped us create greater awareness of the vast, untapped workforce in Arizona prisons.

Financially, we had another record year with sales of \$44.8 million and net income of \$5,976,792. Our third metric for success was also very impressive again this year: 4.33 million inmate hours, a new record further demonstrating the benefits of inmate employment and the positive effect it has on recidivism reduction. As has been the trend for a few years now, more of our revenue and inmate hours come from our labor contracts, which have continued to grow with several new private business partnerships.

As the VP of the National Correctional Industries Association's (NCIA) Marketing Committee, I was privileged to lead the team in developing some new, print collateral for the association and other member correctional industries (CIs). One piece features answers to some of the most frequently asked questions about CIs, and we are working on another one to highlight the many skills that CI-trained ex-offenders can provide to businesses that are struggling to fill positions. We are also beginning to develop a video introduction for the NCIA modeled after the ACI introductory video we released this year. We are hoping that other CIs will use these flyers and videos as templates for creating their own promotional materials.

ACI had some important staffing additions and promotions, detailed later in this report, and continues to benefit from our dedicated staff, who embrace our mission and makes success possible. We revised how we select our Employee of the Quarter by creating an Employee Nominating Committee composed of team members from every area of ACI. Our annual off-site staff meeting last October, highlighted in this report, also provided an opportunity to recognize and thank the entire ACI team for keeping us on track toward fulfilling our mission.

Throughout the country, there are very few CIs that can cite impeccable, third-party analysis of their impact on their state's economy. ACI is very fortunate to be able to share the findings of the Arizona State University, WP Carey School of Business, Seidman Research Institute study. It estimates the economic impact from ACI to the State of Arizona this year at \$182 million, with the creation of 1,950 private sector jobs potentially generating millions more in state tax revenues.

Our continued success depends on our many alliances within state government and in the private sector. We especially thank the ADC executive staff, the ACI Advisory Board, associates, business partners, customers, suppliers, and our inmate staff for working with us throughout the year. Together we will continue to provide opportunities for inmates to build new, more positive lives for themselves.

Sincerely,



Brian Radecki
CEO/General Manager



Strategic Overview

Early in 2018, ACI was asked to participate in a project with the Department of Corrections to create new designs for the outdated, framed mission/vision statements to reflect our new goals, values, and leader behaviors. The committee was tasked with creating a group of diverse designs that would align with the varying programs and locations in our agency. Though the designs would be different, the message is the same and offers a fresh new perspective.

The committee, made up of Brandi Merritt from the Policy Bureau, Tina Wilson from Inmate Programs and Reentry, and Thomas Brown from ACI, created new designs. The Location-Based Series, which presently has three designs, was recently presented to the Executive Team. The designs were well received and the project has been green-lighted for rollout to all parts of the Department of Corrections. The designs are available for purchase via the ACI website.



Traditional Series



Traditional Series



Traditional Series



Location-Based Series

Arizona Management System (AMS) Comes to ACI



ARIZONA MANAGEMENT SYSTEM



Arizona Correctional Industries (ACI) is a state agency aligned with Governor Ducey's vision and, as such, we have a responsibility to continuously improve our ability to deliver value to our customers. We do this by engaging our employees who do the work, asking them to reflect daily on how they did, find where the waste occurred, and figure out how they can do better going forward.

Recently, ACI business office and shop management staff completed training on the Arizona Management System (AMS). This valuable training has provided us the methods and tools to assist in our efforts to drive continuous improvement throughout ACI. Today we have multiple shops/areas using huddle boards to track the day-to-day issues that stand in their way to winning the day.

Along with the shop/area huddle boards, ACI now has a Tier 2 board that tracks specific measurements that drive the main goals of ACI: to increase the number of

employed inmates from the current 1,928 to 2,500 by the end of FY21 and increase annual revenue to \$50 million by end of FY21. These goals link directly and support the ADC goal of reducing recidivism by 25% in 10 years.



ACI Tier 2 Huddle Board.



Chapter One

BUILDING SUPPORT



To help commemorate its 30th anniversary, Arizona Correctional Industries held its 2017 Annual Meeting on October 18, 2017, at the East Valley Institute of

Technology main campus in Mesa, Arizona. It was a full day of training, camaraderie, and recognition. All in attendance were overwhelmed by the hospitality, expertise, talent, punctuality, pleasantness, cooperation, and positive energy that the students and staff at EVIT's Culinary Training program brought to our event.

The morning was spent in training with Mark Kirstein and Kal Jurdi of Sandler Training. Mark Kirstein, the CEO, has a unique combination of corporate and entrepreneurial achievements, across sales and management roles. Kal Jurdi, the director of business development, has spent the last 10 years training corporations and small businesses around the world in

leadership, team building, and communication.



Kal Jurdi leads a group exercise.

At 2016's meeting, we learned how to better communicate with team members with differing personality types.

It was important to understand that there aren't good personalities and bad personalities—just different personalities. And in that training, Carla helped us discover better ways to interact with them. Taking that to the next level, we wanted to get more into the

communications challenges at our 2017 meeting. So a few weeks prior to the meeting, we asked the entire ACI staff to complete an online survey to learn about the communications challenges we still face.

We appreciate those who took the time to complete the survey. There were many great responses and suggestions consistent with the Department's Employee Engagement Survey results; we still have a lot of work to do in our communications.



Jackson Cabrera and Brian Radecki participated in the morning training.

ANNUAL MEETING 2017



More than 100 Staff and invited guests attended the 2017 Annual Meeting.




Mark Kirstein talked about the communication challenges we all face.

We shared these results with our guest presenters so that they could create an interactive workshop designed to address ACI's specific challenges. They were very effective at getting everyone engaged, talking about specific issues, and suggesting ways to resolve them. Sandler Training gave us an introduction to these concepts in both lecture and small group breakouts.

After the Annual Meeting, the trainers also led several on-site workshops at ACI Central and at the Florence industrial yard to further the discussion and develop practical ways to improve our communications. One result is the Code of Honor that is now posted in all our work areas to remind us how we have agreed, as a group, to more effectively communicate with each other.



The morning was split between lecture and small groups interactions.



Team Code of Honor

- When giving feedback to a teammate:
Commend first then Recommend.
- When emotions are high:
Step Back then reengage within 24 hours.
- When there is confusion pick up the phone then reiterate through email.
- With every problem bring a possible solution.
- Celebrate all wins.
- Use bullet points in emails.
- CC people who are involved in action otherwise don't.

Brian Radecki gave us a glance at the year in review, followed by Dale Beatty covering ACI financials and Clark DesSoye talking about ACI's marketing platforms. Bernie Bronson covered ACI's LEAN program and talked about its first projects and where we are going from there.

After lunch, Clark DesSoye moderated a panel discussion with three former offenders who had all worked in the ACI administrative headquarters in Phoenix. They talked about their challenges and successes and what participating in the ACI program meant to their success transitioning back into civilian life. The panel discussion was videotaped and later viewed by the current administrative inmate staff.



Bernie Bronson talked about ACI's LEAN initiative.



Erika Seborg was one of the small group leaders.



Clark DesSoye led the ex-offender panel consisting of Sandra Pickering, Tami Hanson, and Cindy Deerinwater.

Chuck Manning from the Arizona Department of Corrections Education Division spoke about the department's reentry and second chance programs and showed two videos about the department's reentry efforts.

At the end of the program, awards were given out to those shops and labor contracts that had outstanding performance during the past year: Bakery; Tag Plant (License Plates); Sewing, Douglas; and Sewing, Perryville. Two labor contracts, Papa John's Produce (Phoenix) and Right Away Disposal (RAD, Apache Junction), were recognized for their outstanding performance.

Employee of the Year honors went to Tom Brown, Customer Service Manager who was recognized for his outstanding efforts in the planning and execution of the National Correctional Industries Association Annual Training Conference held in Tucson, Arizona, in April 2017. Tom was also singled out for the redesign project at the Visitor's Center at the Tonto Creek Hatchery for Arizona Game & Fish. The project began in the spring of 2017 and was completed in March of 2018.

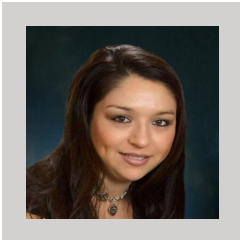


Anil Shukla, Eric Cole, Mike McCarville, Jorge Castillo, and Malinda Strom participated in an exercise.



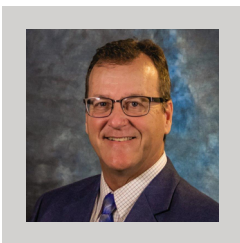
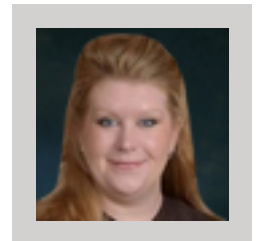
Tom Brown, 2017 Employee of the Year.

PEOPLE



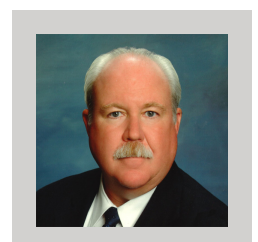
Anjelica Davis has joined the Customer Service staff as a customer service representative. She previously worked for the Litchfield School District in human resources. Prior to that, Anjelica helped make arrangements for emergency housing for the Arizona Department of Housing.

Jennifer Reitan has joined the Accounting department staff as a Buyer II. She was a key member of the same department until September of last year, when she completed her sentence and was released from ASPC-Perryville. Jennifer is the first former inmate to be hired at ACI since 2011, when the policy was changed and such hires were no longer permitted. "We want to show private businesses that we are walking the talk," said ACI CEO Brian Radecki when he announced this new hire at the Annual Meeting in October. "We're constantly asking local businesses to hire the skilled ex-offenders from our programs, but the department itself had policies against such hires," he went on. "I'm excited that going forward, we can offer positions to qualified ex-offenders who have demonstrated the work ethic and learned our processes and procedures while working in our administrative offices. I know that Jennifer will be a great addition to our staff because she has already proven herself through the work she did with us during her incarceration!"



Michael McCarville has transferred from the Inspector General's Office to ACI; he joined our Labor Contracts sector as a regional operations manager. Michael began his new duties on October 7, 2017. Michael started his career in 1992 as a correctional officer and made his way through the ranks in Prison Operations before retiring as a deputy warden in 2013. Michael brings many years of experience of the inner workings of the Department of Corrections and will be a great asset to our team in his role as a regional manager. He augments our continued relationship with all the other divisions in our agency, and most specifically Prison Operations.

Bruce Shiflet was promoted to the position of regional operations manager, where he is assigned to our Labor Contracts sector. Bruce began his new assignment on September 17, 2017. Among his new duties will be the creation of the inmate work contracts that are generated between the Department of Corrections, ACI, and the labor contractor. Bruce started with ACI in 2006 as an IPS working at the Wilcox Eurofresh Contract. In 2012, he was promoted to IPS supervisor, a position at which he excelled. He later relocated to the Phoenix Metro area and was assigned as the IPS supervisor overseeing the Hickman's contract. Bruce started his career in 1981 as a correctional officer and made his way through the ranks in Prison Operations before retiring as a deputy warden in 2006.



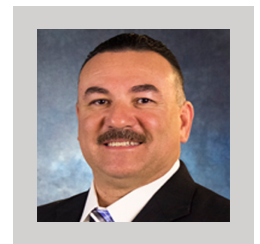
A Great Employee Is Like A Four Leaf Clover, Hard To Find & Lucky To Have.

Tammy Cohen



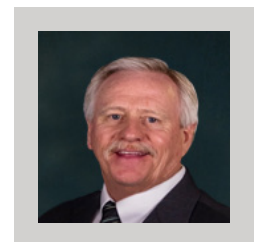
Cinda Lockwood comes to ACI with more than 20 years of outside sales experience. She also has years of experience, and success, selling to the State of Arizona (various departments) for printing, office furniture, and many other items. Cinda will be taking over Ray Sibbitt's area, which was vacated when he retired. Some of her territories include Florence, Chandler Schools, Maricopa, Yuma, and Arizona State Parks. She is a welcome addition to the sales staff.

Mario Diaz has been promoted to operations bureau administrator. Mario will be responsible for all of the ACI labor contract business throughout the State of Arizona, which has continued to expand over the last five years. Mario retired from the Arizona Department of Corrections in 2011 as a correctional major and was given the opportunity to return to ADC as a member of the Inmate Programs and Reentry Division at Arizona Correctional Industries in the Labor Contract Department. He often tells inmates who are part of the ACI program, "This is the side of the agency I enjoy most after 20-plus years because I get to see the good in those who truly want a second chance."



David Barbee has been promoted from the Accounting Division to become the IT EPICOR ERP systems administrator. David will be monitoring the daily operations of the IT department in addition to becoming the EPICOR administrator for all facets of ACI operations. David has more than 20 years of experience in the IT field, and although he has a degree in accounting, his preferences lean more toward the field of technology.

Bernie Bronson has been promoted to the Administrator Services Officer II position at the ACI Phoenix central offices. In this position, Bernie will serve primarily as Lean coach for ACI and be responsible for implementing Lean improvement programs throughout ACI. Bernie earned his Lean Six Sigma Black Belt certification while he was in charge of the industrial yard.



Chapter Two

BUILDING TIES

Real Opportunities Make a Real Impact



Arizona Correctional Industries (ACI) has been working with private businesses to provide inmate labor since 1995, when small teams of inmates began working within the women's prison in downtown Phoenix for Televerde and at Hickman's Family Farms in Glendale. ACI's labor contract program recognizes the importance of these private business partnerships and sets the policies and procedures governing them. By entering into a labor contract with ACI, a private business agrees to work within the parameters set by state and federal regulations as well as ADC policies while employing inmates.



Some of the work sites for these programs are within prison complexes, like the Televerde call center facility that moved to Perryville and expanded over the years, where higher security level inmates can work. Minimum security inmates, who can leave their complexes each day, travel to work at labor contract partners' facilities.

In addition to providing a reliable work force, ACI's private sector labor contract partners reap many benefits:

They get workers who are grateful for the opportunity, eager to learn new trades and skills, and anxious to earn some financial independence.

The wages inmates earn allow them to start paying any restitution they owe and to contribute financially to families on the outside or pay child support. They also can begin saving money that will be available to them when they are released.

The soft skills inmates learn, like effective communication and problem solving, make them more attractive job prospects for any potential employer.

The in-demand technical skills and experience inmates gain greatly increase their employability on the outside (many times with the partner company), reducing recidivism and making communities safer.



We asked inmates working with our labor contract partners around the state to tell us how their ACI job affects them now and what it will mean for their employment prospects after release. Here are their stories that reflect what the ACI program is all about.



My name is Don Perkins, and I'm taking this time to try and put into words how the ACI program has influenced my time here in DOC and to try and express my gratitude for the experience and opportunity they've provided me.

I began working at Fiesta Canning in March 2016. Having four years left on my sentence at the time, I felt very privileged to have the chance to get a job where I'd be able to save some money for my release. However, Fiesta (ACI) has given me more than just a way to make money. Over the past few years I've not only put to use some of the knowledge I already possessed, but have become knowledgeable in many other areas and gained skills I'd never thought possible before. I feel these skills could be put to use upon release to obtain a good job if need be.

I really enjoy learning and I am very grateful to ACI for the opportunity they have provided for me. With the retention money I'll have accrued, I'll be able to have a greater chance at success upon release. The extra money will definitely help to provide for me until my income starts rolling in.

So, ultimately I feel ACI is an amazing program for the Department of Corrections and I honestly feel they affect many lives in a positive way.

Thank you ACI

Respectfully,
Don Perkins

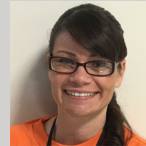


Having the opportunity to work at Aqua Chill through the ACI inmate labor program has been a tremendous opportunity for me. It has not only given me the means to support myself financially and not be a burden on my family while incarcerated, but also to keep up with my professional skills. I have been with Aqua Chill for four years this May and I have been able to gain new skills I did not know that I was capable of. I had previous experience in marketing, but never in telemarketing. I never thought that working in sales/telemarketing was possible and it was a huge undertaking for me to take a step in that direction. Aqua Chill gave me the tools and skills needed to be successful in that new adventure and to carry those skills to the Aqua Chill corporate office once I am released. I have learned a lot about myself and my abilities that I otherwise would have never known.

Within the four years here at Aqua Chill I have been the team lead for a little over two years. I have been able to teach the new skills I have gained to others as the team lead for the call center. Being able to pass on the encouragement and knowledge to new hires has been important for me. Watching and helping others grow into their new skill set gives me a chance to pay it forward.

If it were not for the opportunities provided by ACI I fear the computer literacy and professional skills that I had before coming to prison would have been lost over time. ACI has afforded me the ability to retain those skills and build upon them. The professional work environment provided by ACI has made me feel productive and positive about my experiences while incarcerated. It has given me the confidence to return to the workforce and be a productive member of society.

Respectfully,
Stacy Green



In order to tell you where I'm going, I must tell you where I've been. I'm 47 years old and have been in and out of jail and/or prison for 30 years. As I write this I can't even believe how much I have missed out on. Beside the pain I have gone through, I have hurt my family and friends like no other. When I came to prison this time I was a broken man in many ways. I needed to do something different in my life.

It all started with getting and staying sober. In one more month I will be four years clean. As a direct result I have stayed ticket-free and was able to come to Bachman. I have been privileged to be able to work at ACI/Papa John's for the past 15 months and it is one of the best things that ever happened to me. This is the longest that I have ever held the same job. I wake up every day with a sense of purpose and pride in what I'm doing and who I am.

My goals are all based on what I'm doing in the present. I have never owned anything that I worked for, but that is all changing with the money that I'm saving from this job. I'm going to buy a home for myself and plant my feet firm on the ground, so that I can be a positive part of this world. Just knowing that upon release, I can have a job with Papa John's is a huge weight off me. All I know is that I can make it this time and I will. There is so much more I could say but I will close with this: the best feeling in the world is finally knowing I took a step in the right direction, a step toward the future where everything that I never thought possible is possible.

Thank you for the opportunity and may God bless you all.

Ron Alessi Jr.



I first heard about ACI while in county jail. Everyone who had previously been to prison all talked about ACI retention jobs. From that point forward I made up my mind that I was going to pursue that opportunity as soon as I had the chance. My chance finally came after stepping down to a minimum yard. My whole goal was to be able to save some money for when I get released so I am not so dependent on my family and friends, which will make it easier to transition back into society. An ACI retention job was the only path to achieve all the things I was searching for.

My opportunity finally came about a year and a half ago when I started working at Right Away Disposal (RAD). Since I was a general contractor prior to getting locked up I didn't know a lot about recycling plants, but I asserted myself to learn as much as possible. With the help of ACI and the partnership with Right Away Disposal, I have learned how to repair and maintain conveyer systems. I have learned shipping and receiving, managing product and about product quality assurance. I have been certified on how to safely operate several types of heavy equipment. So ACI has given me the opportunity to put myself in a better spot upon my release with a new set of skills and possibly future employment with those new skills. I am very thankful for what ACI has allowed me to do and for giving me the tools to succeed in the future.

Michael Madden



My name is Andrew Rico, and I have been working for ACI-Safety Services for the past 15 months. While it is not the easiest job and it has definitely proven to be "work," I truly believe that my job has made me (and will continue to make me) a better man.

Waking up at 5 a.m. every day, getting dressed, eating, and then heading in for a hard day's worth of work has given me a purpose for my time here. I have a job that requires me to follow directions, be reliable, be dependable, and to converse with others. All of these are life skills that will benefit me in the future.

I feel that I have been blessed with this job because it is providing me with financial security for my release from prison. As prisoners, it's not an easy task to get out, start from scratch, and build a life—especially a positive life. ACI is giving me a head start on release, because I will leave prison with enough money to get me started in the right direction. A big chunk of my restitution will be paid off before I walk out these gates. Knowing that I will have the finances to find a place to live, buy food and clothes, and focus on finding a productive job and working on my relationships with others relieves a lot of stress. Even though I am in prison, I am accomplishing so much, and I thank God every day for providing me with my job at ACI-Safety Services.

Andrew Rico



I would like to shed some light on an ongoing problem we face in this state and many others. The recidivism rate of convicted felons returning to prison has remained around 76.6% within the first year of release. This is because a lot of ex-convicts get released with dormant skills, no money, and a dusty resume. Unfortunately, because of these obstacles, a lot of ex-cons fall back into their old habits, hence the 76.6% recidivism rate.

Thanks to ACI/Trapp Technology, I will not face many of these same obstacles most ex-cons do. During my employment through ACI, I've learned new skills, received extensive sales training from a very talented sales director, and practiced being in an everyday work environment. In doing so, I've gained valuable experience and work history to fill the gap in my resume. These skills and experience are a huge contribution to my early and future success.

The monetary benefits of ACI will allow me to save enough money to get on my feet and feel stable upon my release. This eliminates a lot of the early challenges most ex-cons face. Working for ACI/Trapp Technology has been a wonderful opportunity. It has benefited me greatly and prepared me for an easy transition back to society with a bright future ahead.

Due to this program, I can confidently say I will not contribute to that large percentage of re-offenders.

Thank you,
John Crowley



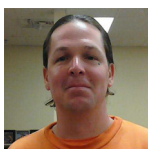
My name is Cory Sasnett. This is my second term in prison, and I am currently serving a six-year sentence. I have been working for ACI Home Town Hero for 17 months. My first time in prison I did not have an opportunity like this. I wish I had, for I might not have come back.

Working for ACI has given me a sense of accomplishment, responsibility and pride. I am accountable for being at work certain times, and conducting myself in a professional manner—skills which will easily translate back into society. On top of that, at the end of a long work day I am able to go home tired and feel almost as if I am living a normal life. I do not find myself interested in what's going on around me here—only in getting a good night's rest and being ready to be back at work. When I call home I'm excited to tell my family about the work that I do, and the wages I make are enough for me to be self-sustaining and not rely on my family for financial support. Nothing feels better than saying I'm able to take care of myself—after all, I got myself here.

I am very grateful to have the opportunity to be employed here. I have spent the majority of my life making bad decisions, and for a long time felt a sense of hopelessness. I no longer feel that. The ACI staff has also shown a sense of involvement in our success, and it appears they genuinely care about our rehabilitation back into society. If we ever need help with anything, they are very attentive and involved. I know that seeing us succeed in here and after release is something that matters to them.

Being in prison presents every person with a choice: You can either use it as a justification to continue to make bad choices, or you can look at it as an opportunity to grow as a person and better yourself. ACI offers us a chance to begin that growth and start to become men and make choices that benefit us and our families. I can speak for almost all the men that I work with: we are very thankful to have this opportunity and conduct ourselves in that manner in all affairs in our lives. I want to personally thank Mr. Martinez, Mr. Holguin, Mr. Balsiger, and all of ACI for making this opportunity a reality.

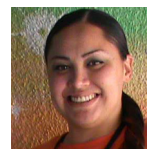
Thank you,
Cory Sasnett

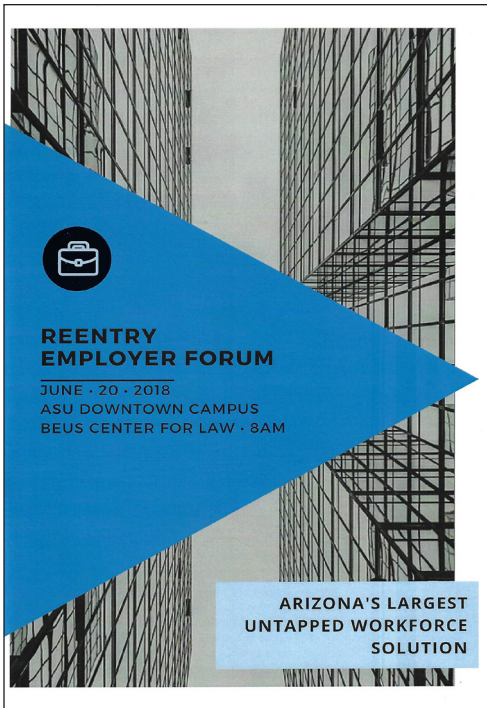


My name is Andrea Hernandez and I'm writing this to express my gratitude to ACI and the huge impact it's had on my life and my future. I've had the pleasure of working for Televerde and now MVD for about four years all together. Both the level of training and the valuable work skills I've learned in the time I've worked ACI jobs have not only given me tremendous confidence in myself but also renewed hope for my success in my future.

Before my time with these companies I only had jobs that required little to no skill level and offered little to no hope for advancement. After my incarcerations I started to hear great things about a company called ACI who contracted with ADC and other companies to provide jobs to the inmates in ADC. Some of these jobs pay enough for you to be able to save money to go home with. It did take some persistence on my end, but I finally got into an ACI job. Now, four years later, I'm a huge advocate for all jobs associated with ACI. I'm extremely grateful for the valuable skill set these jobs have given me and continue to give to me, and also for the personal and professional growth I've experienced since working with these companies. None of this would have been possible without the job opportunities ACI has brought to the incarcerated community; and for that I say, "Thank You."

Andrea Hernandez





Billed as the answer to Arizona businesses that are looking for employees who are ready to work, the state's first Reentry Employer Forum took place Wednesday, June 20, 2018, from 8 a.m. to 11:30 a.m. at the Sandra Day O'Connor College of Law, Beus Center for Law & Society, Rm 141 (111 East Taylor Street, Phoenix, AZ 85004).

To create safer communities and lower recidivism rates, Governor Doug Ducey tasked the Arizona Department of Economic Security (DES) and the Arizona Department of Corrections (ADC) to offer employment services to incarcerated individuals to prepare them for success in Arizona's workforce upon release. Connecting individuals to gainful employment improves their likelihood of living successful and self-sufficient, crime-free lives.

Hosted by the Arizona Department of Corrections, the Arizona Department of Economic Security, Arizona Correctional Industries, and Arizona@Work, the forum also had support from other agencies, private businesses, and nonprofits, including:



With unemployment rates down, employers are struggling to find qualified candidates to fill vacancies. From construction and manufacturing to hospitality and professional services, organizations that are planning to hire in the coming months will find a dwindling pool of capable candidates.

A variety of programs, including on-site prison Second Chance centers, have been created to prepare inmates for Arizona's workforce through comprehensive employment readiness services.

Arizona employers were invited to participate in Arizona's first Reentry Employer Forum to learn the benefits and opportunities available through Arizona's largest untapped workforce option: returning citizens.

More than 250 employers registered to learn how our state government is working to solve staffing shortages while reducing the rate at which that offenders return to prison. Turning offenders (who cost taxpayers more than \$24,000 a year) into productive taxpayers also frees up valuable state resources for other important services (like our schools and infrastructure upgrades).

First Reentry Employer Forum Delivers a Powerful Message

During the breakfast hour before the formal presentations and after the presentations, attendees were able to network with each other, the presenters, and the sponsors who had tables set up at the front of the auditorium.



ADC Director Charles Ryan. Director Ryan spoke of the Department of Corrections' 50th anniversary and how proud he was to serve alongside the dedicated, hardworking people who make up the department. He focused on the agency's efforts in reducing recidivism and how they are making dramatic efforts to change the culture of the department. He finished by recognizing the partners we have in our Arizona employers and their willingness to give offenders a chance to make a difference in their lives.



Director Michael Trailor of the Department of Economic Security. Director Trailor stressed the barriers that former inmates encounter in their reentry process. He praised the combined efforts of the Department of Economic Security and Department of Corrections, especially their collaboration to create Second Chance centers located in state prison facilities that help place inmates in jobs after their release. He mentioned DES's goal of eliminating barriers by providing health care, nutritional benefits, and employment assistance statewide. Director Trailor finished by reiterating how employers can benefit by partnering with state agencies to expand these programs and increase the likelihood of successful and sustainable employment.



Deputy Director Tim Roemer of the Department of Homeland Security and public safety policy advisor to the governor. Deputy Director Roemer thanked the two directors on behalf of the governor for their work in opening the Second Chance centers that Governor Ducey toured at the Lewis Complex. The governor commented that "this was great work, but let's make sure that it is only the beginning." Deputy Director Roemer reminded the audience that this important work cannot be done alone—it needs all of us working together. He talked about the governor's executive order, called the "Real Second Chance Box," which gives individuals the chance to go through the interview process before having to check a box regarding a conviction. In conclusion, Deputy Director Roemer thanked the business community for coming out and being part of this great opportunity to make our community stronger and safer by reducing recidivism.



Hundreds of employers learned about the many programs and initiatives that they can participate in to solve their staffing needs.

The presentations began with welcome messages from Director Charles Ryan and Director Michael Trailor of the two hosting state agencies and opening remarks from Tim Roemer, the deputy director of the Department of Homeland Security and public safety policy advisor to Governor Doug Ducey.





Brian Radecki, CEO of Arizona Correctional Industries, explained the importance of providing real-world, jobs to inmates.



Mark Jones, education administrator for ADC, discussed how the department works with community colleges and local employers to develop curriculum.



Trevor Stokes, Arizona Office of Economic Opportunity workforce program manager, spoke about the new Arizona Career Readiness Credential.



Karen Hellman, Inmate Programs and Reentry Division director at ADC, reminded the audience that 95% of the 45,000 people currently in the state prison system will be getting out at some point: "They will be our neighbors; they will be our friends." She then presented a video about the Second Chance centers.



Michael Wisehart, assistant director of the DES Division of Employment and Rehabilitation Services, spoke about the many incentives available to employers who are willing to work with former inmates.

The powerful discussion with the Employer Panel featured three employers that work with ACI to employ inmates and former inmates to great success: Televerde, Hickman's Family Farms, and Trapp Technologies.

Connie Wilhelm from the Home Builders Association of Central Arizona discussed how her group works with ADC and DES to ensure that as inmates near their release date, they are able to acquire the skills that local contractors need to fill the thousands of unfilled positions they have for skilled plumbers, electricians, plasterers, and carpenters.



Employer Panel, from left: **Aaron Cheatham, reentry and transition manager at Hickman's Family Farms; Connie Wilhelm, CEO of the Home Builders Association of Central Arizona; Monica Marquez, human resources manager at American West Pallets; Jay Bouche, director of marketing for Trapp Technologies; Michelle Corocco, head of global marketing for Televerde.**

The equally impressive Returning Citizen Panel featured two former ACI inmates who now work with Televerde and Arizona@Work in key positions that they rose to thanks to the experience they gained while incarcerated.

Employers in the audience were impressed by the speakers on both panels and asked several questions during and after the program to see how releasing inmates might be able to fill jobs they have open.

Reentry Employer Forum



Returning Citizen Panel from left: **Korbi Johnston**, strategic account manager for Televerde; **Justin Benjamin**, a project support specialist at ADC's Maricopa Reentry Center; **Toni Guana**, director of operations for Perfection Industrial Finishing; **Stephaine Ray**, former inmate clerk at ACI's Central Office and currently assistant economic workforce development director for ARIZONA@WORK in Navajo County.



Dr. Kevin Wright, director of the Center for Correctional Solutions and associate professor at the School of Criminology and Criminal Justice at Arizona State University. Dr. Wright taught the first Inside-Out Prison Exchange Program class in Arizona and is a co-founder of the Arizona Transformation Project. As director of the Center for Correctional Solutions, his mission is to combine academic knowledge about corrections with a community-embedded approach to develop innovative solutions that combine insight and expertise from both views. One important insight of his presentation was for employers: "It's important to think about providing a second chance as meaning that you're providing an opportunity!"



Panelists were questioned about the work ethic of ex-felons with whom they work.



Closing remarks were given by **Matthew Contorelli**, director of government & legislative affairs at the Arizona Commerce Authority (ACA).



Each attendee received an attendee bag provided by the Arouet Foundation that included information and gifts from the sponsors, including a free copy of the latest edition of the *Phoenix Business Journal*, along with a discounted subscription offer.



Chapter Three

BUILDING REPUTATION

Hickman's Transitional Housing



When hiring new staff, most employers are not concerned with the challenges that the new employee might be facing.

A start date and time are agreed-upon and it's expected that the new worker will show up and perform the agreed upon job tasks. For most of us, that seems fair and reasonable. But for someone transitioning out of prison, this may be a challenge. Many ex-offenders have no place to live and no car (and perhaps no license to drive at all). If transitional housing is far from the work site and public transportation between home and work is not available, many returning citizens will find it very difficult to find an affordable and reliable means to get to and from work each day.

Hickman's Family Farms is not like "most employers." They have been employing inmates for more than 23 years and have hired many of them upon their release. As they have expanded their operations, Glenn and Billy Hickman have relied upon ex-offenders to take on management roles and train staff in orange as well as civilians.

"Over the years," Vice President of Operations Billy Hickman explains, "we have made job offers to some very talented ex-offenders as they transitioned out of prison. We knew we could depend on them to keep learning and growing with us after their release. Many have done fine and are still working with us today, but some couldn't make their way to work each day. Their housing was too far away and they struggled to show up, and eventually they just quit or we had to fire them."

"That's just not right!" added Aaron Cheatham, Hickman's reentry and transition manager. "These men and women were part of the Hickman team. Many had worked for us through the ACI program for years, gaining diverse skills, getting certified in different plant operations, learning all about the business. They were company assets that were simply lost to us (and who lost out on real career opportunities for themselves) simply because of logistics: getting here each day."

Even though Hickman's has hired hundreds of transitioning ex-offenders over the years, they recognized that many opportunities were lost. Too many people couldn't be hired or retained simply because of the housing and transportation challenges they faced.

"We've kept our original name, Hickman's Family Farm, because we really consider this to be a big family," Billy noted. "I know that sounds hokey, but it's true. All our employees, inmates or civilian, are vital to our operations. Going 24 hours a day, every day of the year, is not easy. We need to be able to trust that each and every one of us (myself included) will be there to ensure the heating or air conditioning is working. To the 8 million hens in our care, it doesn't matter what day or time it is. If it's too hot or too cold, they won't lay or, even worse, they could die."

"When you work with people in this setting, you really do need to trust them, rely on them; they are part of the family," Billy confided. "So when they fail, it is our failure as well. And I don't like to fail!"

Like every challenge they've encountered since 1944, when the business was started, Hickman's management looked at this issue and came up with a solution. "If the



Hickman's transitional housing facility located at Arlington South, 30 miles west of downtown Phoenix.



Many of the furnishings were designed and manufactured in ACI's wood and metal shops in ASPC-Florence. The dining table and chairs were built to last.



Residents have a small in-unit kitchen.



The platform bed, made by ACI, also serves as a dresser to store clothing and linens.

problem is getting to work from home, why not live here at the plant?" Billy asked at an organizational meeting two years ago.

From there, options were proposed, plans were drawn up, and, eventually, a budget was approved. Thus, the Hickman's Transition Housing Project was created. The goal for stage one was to build 40 housing units on site at their Arlington South location, 30 miles west of downtown Phoenix. Each unit would be a fully furnished studio apartment with a bed and living area, small kitchen, and bathroom. They would be available to any transitioning ex-offender qualified to work for Hickman's, not just those who had worked with them through ACI.

In the fall of 2017, construction began as water and sewage lines were connected and concrete slabs were poured. The two long housing buildings on either side of a central courtyard were built of insulated forms (made of Styrofoam) with reinforced concrete, making each unit easy to heat and cool.

"Sure, I fudged my cost estimates," admitted Paul Yates, the construction project manager (and former inmate), "and Billy skewed the cost numbers some more when he presented them to executive management. But it really isn't about the costs anyway. It's simply doing the right thing for these men and women who need to deal with these difficult challenges as they transition out into civilian life."

"We have no expectation that this investment will be recouped in any real, financial sense," Billy confided. "It's an investment in our family. Do you ask, 'Will Johnny's college tuition pay off for us?' Or 'Will Suzie's dance lessons show a positive ROI (return on investment)?' No. It's just what you do for your kids or, in this case, our team members."

The first occupant moved in in June of 2018. "Billy kept telling me that the apartments would be ready by my release date," said Joe Hays when we spoke in his new home, already personalized with plants on the window sills and rugs on the floor. "I kept saying that I was going to move back to New Jersey once I cleared parole. But as it got closer, I reflected on how much I enjoy working here and how much I appreciate the opportunity I was given and the potential of making this my career path (the kind of career I could never have imagined before I went inside). I started to really think about staying right here. So here I am. I really love this place. With the money I was able to save working with ACI, I got myself a nice car and will be heading into town later (this is my day off) to do some shopping, maybe take in a movie."

"Every week we are moving in new residents now," said Aaron. "Today the first person who came through the Second Chance center is moving in; she didn't work with Hickman's before, but she's looking forward to starting here this week. So this will be something new that I'm looking forward to watching unfold."

"It's such an honor for me," Aaron continued, "that they brought me in to run this 'experiment,' if you will. We have been meeting with folks from the community here, telling them about our plans to develop this housing for *this* population. Everyone has been very supportive. Each group I've met with—chambers of commerce, community groups, other business owners—they all are behind what we're doing here. One local business already offered to host an ice cream social so that the residents here and from the nearby towns could get to know each other. How cool is that?"

The new residents are already starting to bond. "Not everyone has been able to buy cars yet, so when someone who has one is going to town, they ask around to see if they can pick up anything," Aaron related. "We do look out for each other," Joe added. "We all understand where we've come from and what challenges we're facing, and what bad influences we need to avoid. We want this project to be a success, 'cause we know that this is just phase one; they are already thinking about new housing projects with two or three bedroom units for families. We want to see that happen. And we know that if we screw it up here, it won't. So we're going to be here for each other, staying on track. Aaron and the whole Hickman's management and staff, they all want us to succeed and we're determined to do just that, for them and for ourselves and our families."

"Yes, we are over budget," Paul confessed. "What construction project ever came in on budget? But seeing these people moving in each week and making these apartments into their homes, it's just such a great feeling."

"This is what we do," Billy concluded. "We see a problem and we fix it. These folks face so many challenges as they move from behind bars back into our communities. We just felt that if we could make that transition a little bit easier, we could help them succeed. When they succeed, we all win: Hickman's, these returning citizens, and the community at large. That's a very positive return on investment in anyone's books!"



The studios come with a small private bathroom.



Each building includes a shared laundry facility with state-of-the-art washers and dryers, which are free to use for any resident.



Clark DesSoye, marketing director for Arizona Correctional Industries, and Billy Hickman, vice president of operations for Hickman's Family Farms, discuss the housing venture.



Brian Radecki, General Manager
Arizona Correctional Industries
3279 E. Harbour Drive
Phoenix, AZ 85034

June, 2018

Dear Brian,

In 2016 I was tasked with remodeling the visitor center at Tonto Creek Hatchery. Danny Jones our maintenance specialist came up with the final plan for the new interior, which included using the old bathrooms as the new entry and exit points. This gave us two new rooms we could use to showcase information and have a flow pattern for people to walk through and really just opened up the space that we had to work with.

Once we had a workable floor plan I began to make elevation plans and numbered each wall so I could figure out what to display on each. Sometime in March of 2017 I had a lot of ideas in play for what to place on each wall—and this is where ACI comes in. I had asked around our department and had found that ACI does a lot of work for us; I saw some of the things they did for us and was really impressed. I was directed to Tom Brown and Erika Seborg in March of 2016. Both Tom and Erika came up that month and I to look at the old visitor center and our plans for the new one. They both seemed excited to help us with our project. I had given them a lot to do in a short period of time. Everything needed to be complete by the end of fiscal year for us. This was 11 walls of interpretive work for us and they got it done by June!

In the fall of 2017 when our visitation slowed down Danny Jones started the teardown and construction. He had most of the work completed by the end of February 2018. Tom and Erika came up in March with one of their work crews and got all 11 walls of interpretive displays done in one day! Through the next few months Tom and Erika worked with me to finish up the last few remaining walls.

I would like to personally thank Tom and Erika for the outstanding work they did over the last two years and for their dedication. The visitor center **would not be** what it is today without them. I would also like to thank Danny Jones, Bryce Sissons and Trevor Nelson for helping me with the finishing touches and for all their hard work.

Sincerely,
Jim Schaffer
Fish Culturist II
Tonto Creek Fish Hatchery

azgfd.gov | 602.942.3000

5000 W. CAREFREE HIGHWAY, PHOENIX AZ 85086

GOVERNOR: DOUGLAS A. DUCEY | COMMISSIONERS: CHAIRMAN: JAMES S. ZIELER, ST. JOHNS | ERIC S. SPARKS, TUCSON | KURT R. DAVIS, PHOENIX
LELAND S. "BILL" BRAKE, ELGIN | JAMES R. AMMONS, YUMA | DIRECTOR: TY E. GRAY | DEPUTY DIRECTOR: TOM P. FINLEY

In March of 2017, Brian Radecki (general manager) received a call from the Tonto Creek Hatchery inquiring about working with us on a project for their visitor center. He asked Tom Brown and Erika Seborg to go up to the hatchery to see if ACI could work with the Arizona Department of Game & Fish on this project.





That phone call started a process that would ultimately culminate more than a year later in April of 2018 with the re-opening of the Tonto Creek Hatchery Visitor Center.

Located near the headwaters of Tonto Creek beneath the Mogollon Rim in the Tonto National Forest, the Tonto Creek Hatchery is located approximately 21 miles east of Payson, Arizona, off of Highway 260. Turning north off SR 260 at the signed road near Kohl's Ranch Resort, it is another four-plus miles up a seven percent grade to reach the hatchery.

The property is owned by the U.S. Forest Service (Tonto Forest) and operated by the department's Hatchery Program. The facility was constructed in 1937 and had a major renovation in 1993 that converted it to its current configuration of 12 covered raceways. The property is staffed by four full-time employees who reside on site and are responsible for the day-to-day operations and maintenance of the site. The average production of the hatchery is 50,000 pounds of trout, which represents 15% of all the trout stocked in Arizona, contributing to the state economy with approximately \$72.7 million annually.



Bryce Sisson
Hatchery Manager I

Danny Jones
Building Maintenance
Specialist

James Schaffer
Fish Culturist II



Original visitor center, March 2017.



Original visitor center, March 2017.



Original visitor center, March 2017.

Pre-Renovation



Original visitor center, March 2017.

Construction & Installation



Danny Jones installs a chair rail in the new visitor center.



Erika Seborg installs pictures.



Tom Brown works on the fish identification wall.

After the initial trip to the hatchery we were presented with several challenges in order to assist Game & Fish with completing their task. The Tonto Creek Hatchery is open year-round and has a steady stream of visitors until winter. The construction and expansion of the existing building could not happen until the wintertime, when the visitor center could close. Grant monies for this project had been set aside, but would need to be used by the end of the fiscal year in June 2017. This meant all items made for the visitor center project would have to be packaged, delivered, and then stored from the end of June until the construction phase of the project was completed six months later.

The existing visitor center was cramped, inadequately lit, and could not accommodate the number of visitors that descend on the facility all year long. Displays were unorganized and out of date, and it wasn't possible to adequately tell the rich history of the area.

Jim Schaffer a fish culturist at the hatchery, had spent many hours drawing and planning his vision for the expanded visitor center, which would clear out unused rooms in the existing building and nearly double the usable area for the visitor center.

Armed with Jim's drawings, a lot of pictures, room measurements, and a \$5,000 budget, Tom Brown and the Sublimation department at ACI began to design the 11 walls of the new visitor center. Erika Seborg started creating a plan for the outside of the center, replacing signage and making it easier for visitors to get to and from the locations within the hatchery complex.

With a three-month deadline for completion, the design phase was completed and submitted to the hatchery in about a month. The tight quarters of the space called for the displays to be easily read and followed as the story of the hatchery and its history unfold during a walk around the space. The area's most famous resident was Zane Gray, who built a cabin on what is now the grounds of the hatchery and did much of his writing there. Although many artifacts were destroyed in the devastating Dude Fire in 1990, the hatchery still wanted to share what was available of his time there.

Renovation Complete



Completed visitors center installation.

Completing the design and production of the of 90 signs and photographs for the center was a full-time project for the Sublimation department and the inmates from the Perryville Prison who train in graphic design. More than 50 hours were spent restoring photographs and reproducing items from the original visitor center. New interactive displays were finished and all-new signage was created to fill in the gaps and tell a more complete story of the work that goes on at the hatchery on a daily basis. Combined with all-new video screens placed throughout the center, the displays highlight the Arizona Game and Fish Department's contribution to the ecology and economy of Arizona.

In March of 2018, ACI got the call that major construction was complete; we could schedule a date for the all-important installation of the 11 walls of displays making up the new center. With the help of Jose Ruiz and one of ACI's installation crews, Tom Brown and Erika Seborg completed the installation of all of the principal displays in early April.



Jose Ruiz and the ACI installation crew.

"To be able to work with the staff at the hatchery to create something that will educate visitors and help to tell the great story of the hatchery was a privilege and great opportunity for Arizona Correctional Industries," Tom Brown commented upon completion of the project.

There is still more work to do, as the visitor center continues to refine and create new content for the public, and Arizona Correctional Industries will be there to help them complete it.



ARIZONA GAME & FISH DEPARTMENT



The two ACI installation services teams travel statewide to provide install, teardown, and a variety of other construction services to ACI customers. Each team includes a civilian supervisor and a team of between three and six inmates. Operating out of specially equipped installation vehicles, they have everything they need to quickly and efficiently complete the jobs at hand.



The Arizona Department of Game & Fish has used these crews to install signage, shade structures, and an increasing number of projects throughout the state. Recently, the sales and labor contract divisions of ACI made inquiries to the Arizona State Prison Complex Lewis about providing inmates for a full-time installation service crew specifically for Game & Fish. This alliance with ACI will give yet another opportunity for inmates to learn practical job skills to better prepare them for their transition to release.





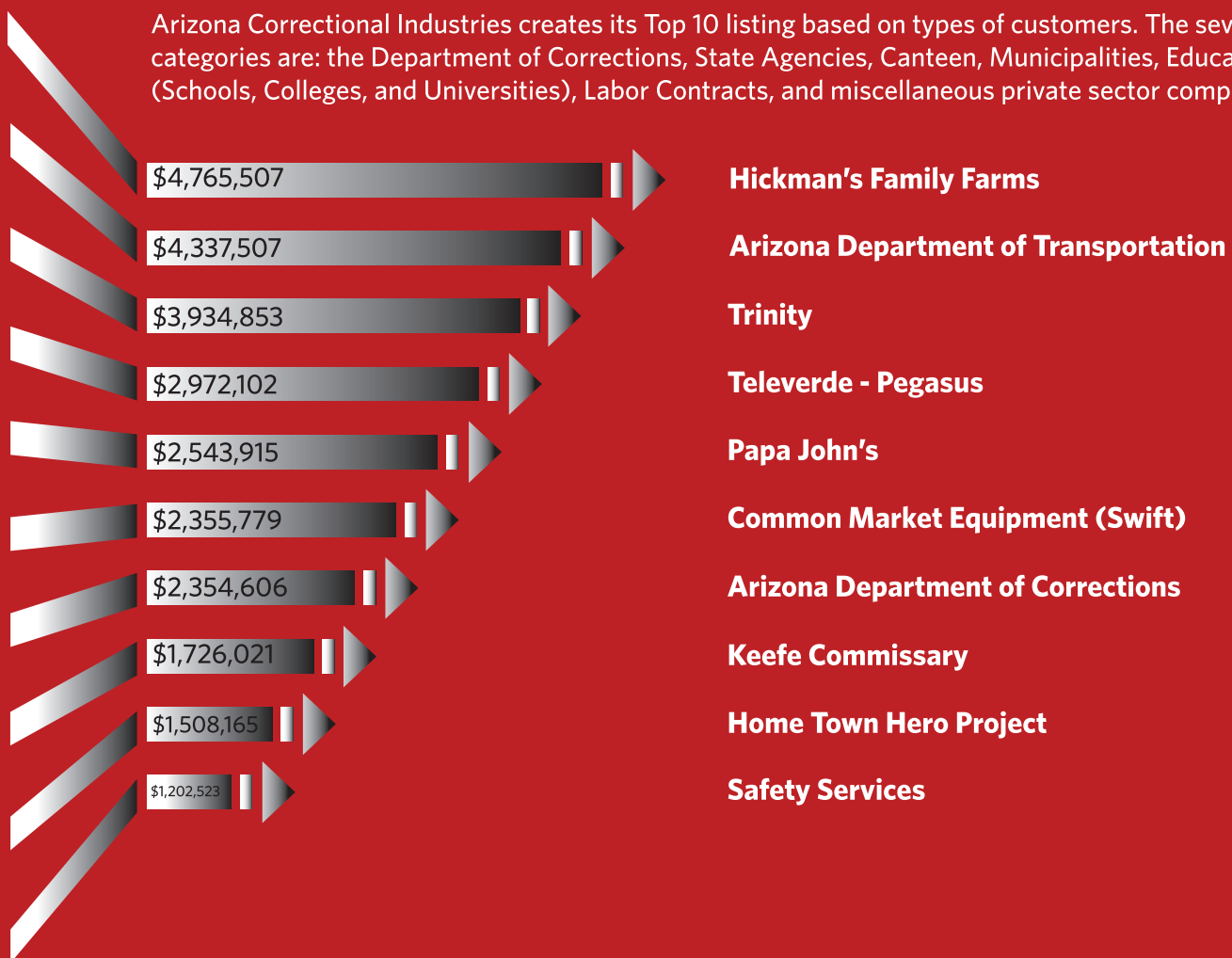
Chapter Four

BUILDING STABILITY

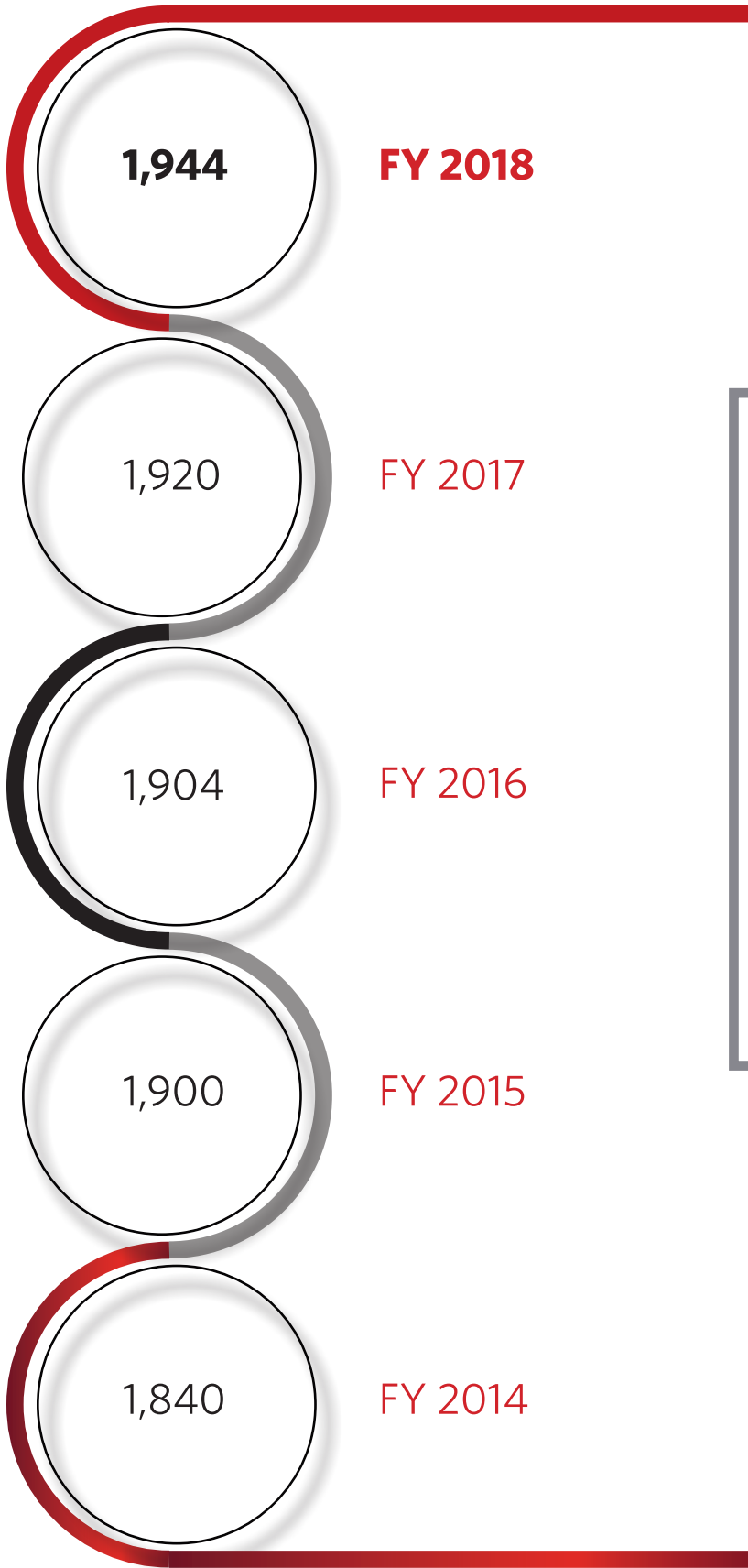


TOP TEN CUSTOMERS

Arizona Correctional Industries creates its Top 10 listing based on types of customers. The seven main categories are: the Department of Corrections, State Agencies, Canteen, Municipalities, Education (Schools, Colleges, and Universities), Labor Contracts, and miscellaneous private sector companies.



Inmate Workers by Fiscal Year



FY 2018

FY 2017

FY 2016

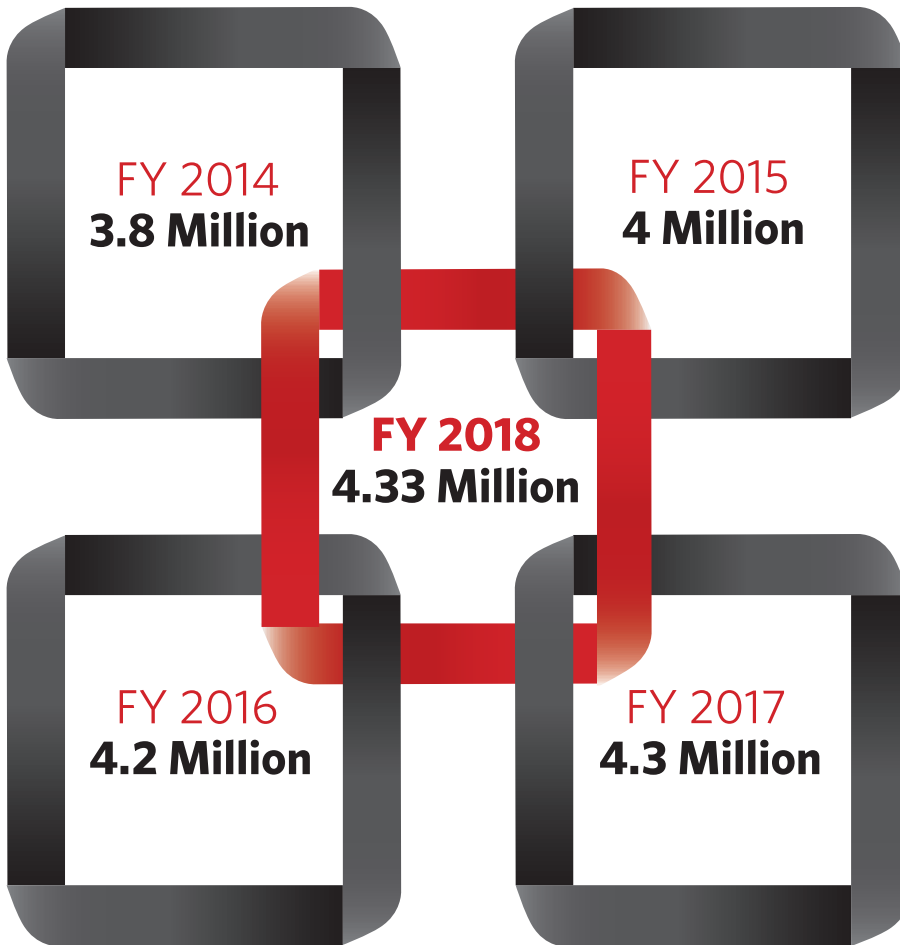
FY 2015

FY 2014

Arizona Correctional Industries continued to expand its inmate workforce this year with the addition of new labor contracts and expansions of existing ones. This made for another strong financial year and continues the organization's forward momentum toward its goal of reaching \$50 million in sales by 2021. The number of inmates who go out to work every day from across the state grew for the fourth consecutive year to 1,944 during FY2017-18.



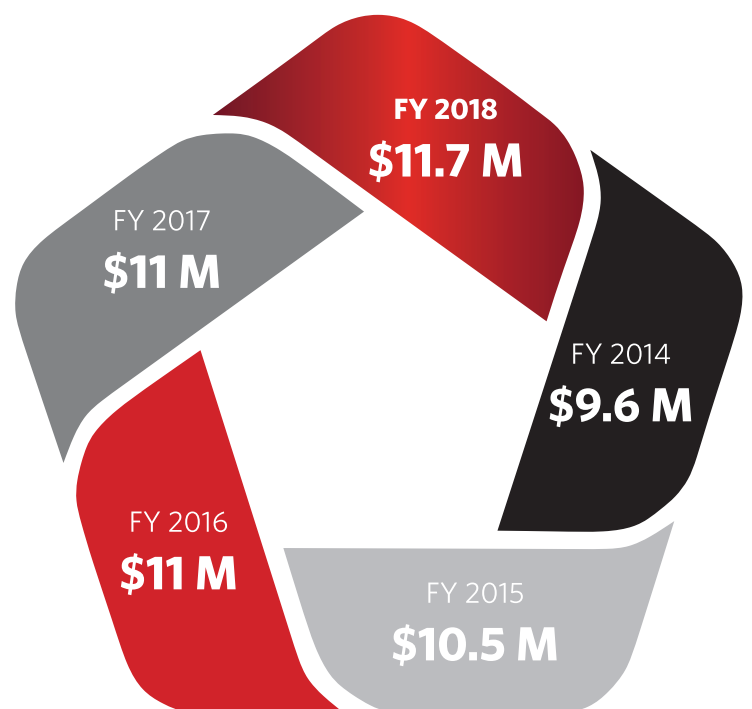
Inmate Hours by Fiscal Year

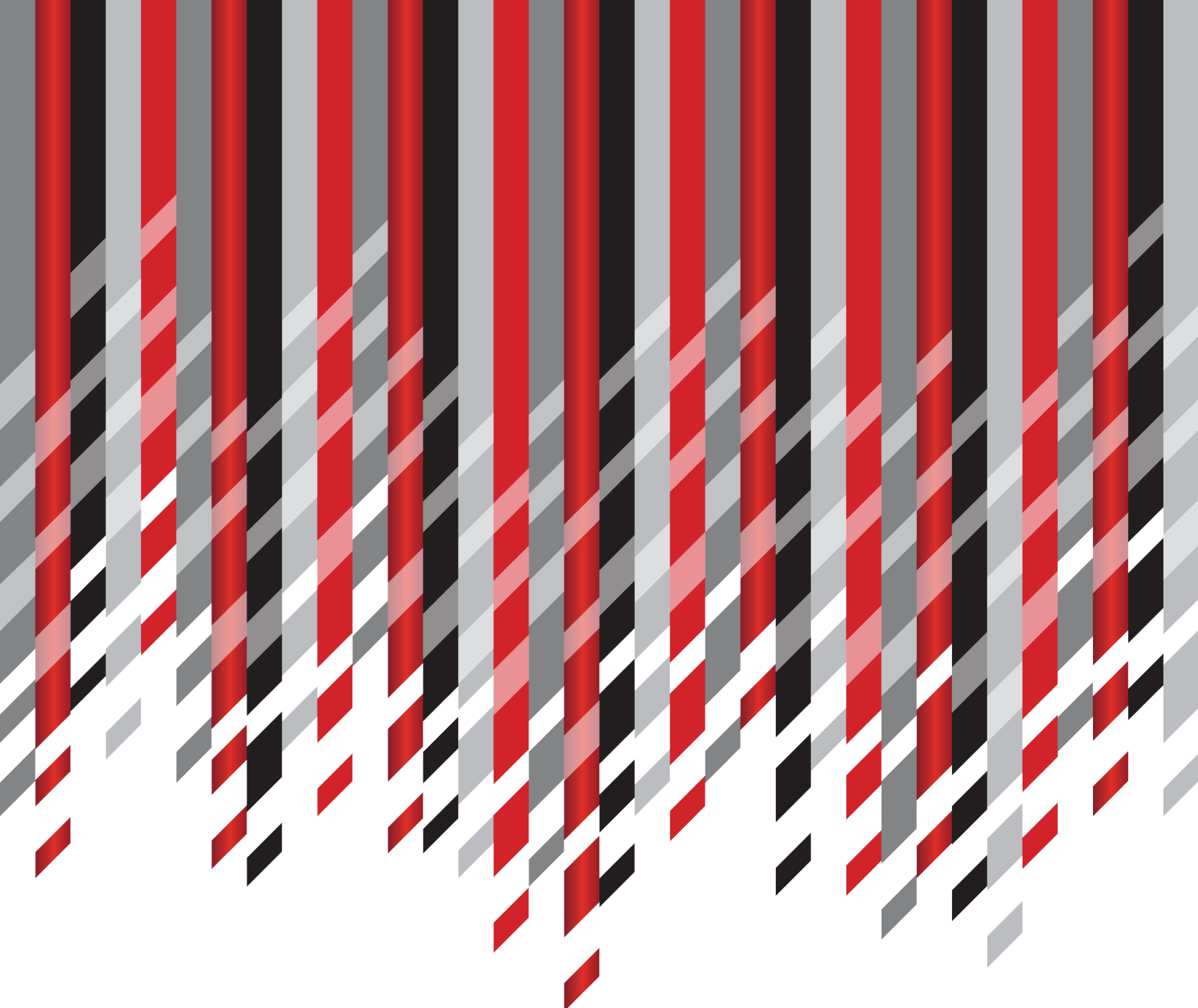


Inmate Hours consist of a combination of Arizona Correctional Industries owned and operated shops and labor contract partnerships, which are made up of Labor Contracts, Pie Programs (PIECP), and Intergovernmental Agreements. This year's total represents a steady increase in numbers over the last five reporting periods.

Inmate wages go directly toward offsetting the cost of room and board in addition to paying court-ordered restitution and victim's compensation funds. In addition, these wages contribute directly to the State of Arizona General Fund. Increases in numbers have translated to a five-year high of inmate wages paid, amounting to \$11.7 million during FY2017-18.

Inmate Wages by Fiscal Year





DEPARTMENT OF CORRECTIONS
FINANCIAL STATEMENTS
(unaudited)

YEAR ENDING
JUNE 30, 2018

Balance Sheet

Year Ending June 30, 2018 and 2017

	2018	2017
ASSETS		
Current Assets:		
Cash in Bank & on Hand	\$ 273,195	\$ 179,493
Cash on Deposit with Treasurer	13,134,468	12,350,731
Accounts Receivable - Net	6,254,956	5,397,999
Inventories	4,885,865	4,367,767
Prepaid Expenses	79,176	175,761
Total Current Assets	24,627,659	22,471,750
Property & Equipment - Net	6,374,279	5,432,895
Long-Term - Other Assets:		
Deferred Pension Contribution	\$ 729,186	\$ 1,369,856
Total Long-Term - Other Assets	729,186	1,369,856
Total Assets	\$ 31,731,125	\$ 29,274,502
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts Payable	\$ 1,192,698	\$ 1,834,025
Accrued Payroll & Benefits	1,106,913	834,278
Accrued Compensation	617,615	585,666
Accrued Liabilities	1,375,915	1,171,561
Total Current Liabilities	4,293,140	4,425,530
Noncurrent Liabilities:		
Deferred Revenue	\$ 65,794	\$ 65,794
Net Pension Liability	7,227,459	7,591,845
Total Noncurrent Liabilities	7,293,253	7,657,639
Deferred Inflows of Resources:		
Deferred Pension Inflow	\$ 509,932	\$ 1,083,327
Total Deferred Inflows of Resources	509,932	1,083,327
Total Liabilities	\$ 12,096,326	\$ 13,166,496
EQUITY		
Contributed Capital	\$ 2,463,077	\$ 2,463,077
Contributed Land / Building	741,162	741,162
Retained Earnings	10,453,767	8,304,069
Current Profit / (Loss)	5,976,792	4,599,698
Total Equity	\$ 19,634,798	\$ 16,108,006
Total Liabilities & Equity	\$ 31,731,125	\$ 29,274,502

Statement of Operations

Year Ending June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Sales	\$ 44,667,735	\$ 43,634,812
Cost of Goods Sold	35,248,582	35,567,782
Gross Profit	\$ <u>9,419,153</u>	\$ <u>8,067,030</u>
Operating Expenses		
Selling	777,109	873,108
General and Administrative	2,815,102	2,704,287
Total Operating Expenses	\$ <u>3,592,212</u>	\$ <u>3,577,396</u>
Non-Operating Revenue/(Expenses)		
Investment Income	84,506	42,256
Misc Income	15,903	3,863
Net Gain/(Loss) on Equipment Disposal	49,441	63,943
Net Non-Operating Revenue/(Expenses)	\$ <u>149,851</u>	\$ <u>110,062</u>
Income before Transfers	\$ <u>5,976,792</u>	\$ <u>4,599,697</u>
Transfers to State of Arizona Funds	(2,450,000)	(2,000,000)
Total net assets, July 1	16,108,007	13,508,308
Total net assets, June 30	\$ <u>19,634,799</u>	\$ <u>16,108,005</u>

Statement of Cash Flows

Year Ending June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Operating Income	\$ 6,190,544	\$ 4,590,469
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	987,268	895,190
Pension expense	253,045	454,808
Employer pension contributions	(550,154)	(487,835)
(Increase)/Decrease in accounts receivable	(856,957)	231,817
(Increase)/Decrease in inventories	(518,098)	(481,098)
(Increase)/Decrease in prepaid expenses	96,585	(39,803)
(Increase)/Decrease in long-term deferred pension contribution	640,670	(633,246)
Increase/(Decrease) in accounts payable	(641,327)	1,745,645
Increase/(Decrease) in accrued payroll & employee benefits	272,634	65,999
Increase/(Decrease) in accrued compensation	31,949	76,689
Increase/(Decrease) in deferred revenue	0	0
Increase/(Decrease) in other accrued liabilities	204,354	(733,856)
Increase/(Decrease) in long-term pension liability	(937,780)	600,219
Net cash provided (used) by operating activities	\$ 5,172,733	\$ 6,284,998
Cash flows from noncapital financing activities:		
Cash transfer to ADC Bldg Renewal Fund	(1,450,000)	(1,000,000)
Cash transfer (to) from General Fund	(1,000,000)	(1,000,000)
Net cash provided (used) for noncapital financing activities	\$ (2,450,000)	\$ (2,000,000)
Cash flows from capital and related financing activities:		
Acquisition and construction of property, plant, and equipment	(1,962,093)	(1,736,181)
Disposal of fixed assets (Gain)/Loss	33,442	34,475
Capital lease interest	(1,149)	0
Net cash provided (used) for capital and related financing activities	\$ (1,929,800)	\$ (1,701,706)
Cash flows from investing activities:		
Interest receipts on investments	84,506	42,256
Net cash provided (used) by investing activities	\$ 84,506	\$ 42,256
Net increase (Decrease) in cash & cash equivalents	877,439	2,625,547
Beginning cash & cash equivalents balance	12,530,224	9,904,677
Ending cash & cash equivalents balance	\$ 13,407,663	\$ 12,530,224



Chapter Five

BUILDING IDENTITY

Marketing with Collaborative Storytelling



One of the most effective ways to disseminate your marketing or brand message is by simply talking with people. We can recite facts and figures all day, and some people will respond positively to that data dump and recognize your organization's value proposition, learning how the products and services on offer might benefit them or their company. But when you relate a story about the work you do every day, demonstrating how it impacts the people you work with and your customers, chances are more of the people you are talking to will respond.

Arizona Correctional Industries is one of those rare organizations whose very mission, purpose, and the reason it was created in the first place, make a great story. We are here to provide people with opportunities to change their lives.

To reach more people with our inspiring stories, we collaborated with several different organizations last year:

HD Broadcast AZ
DES and Arizona@Work
Phoenix Business Journal
Rescue Not Arrested and Dress for Success
LISC
Arouet
St Joseph the Worker
Maximus
Rio Salado College
Alliance Truss
Arizona Commerce Authority

Working with HD Broadcast AZ

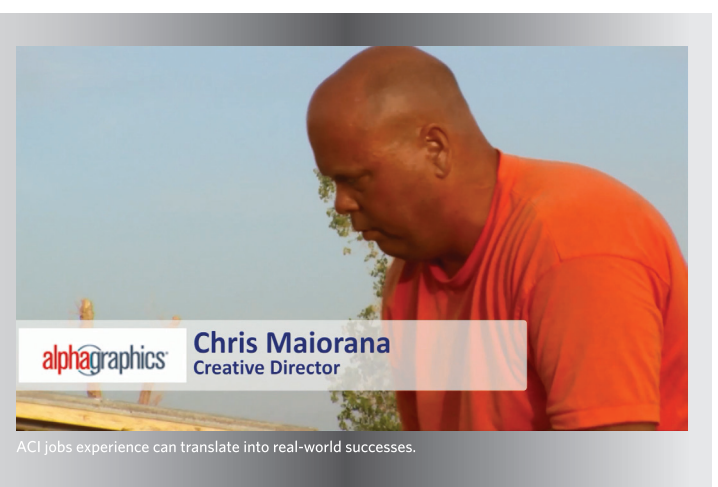
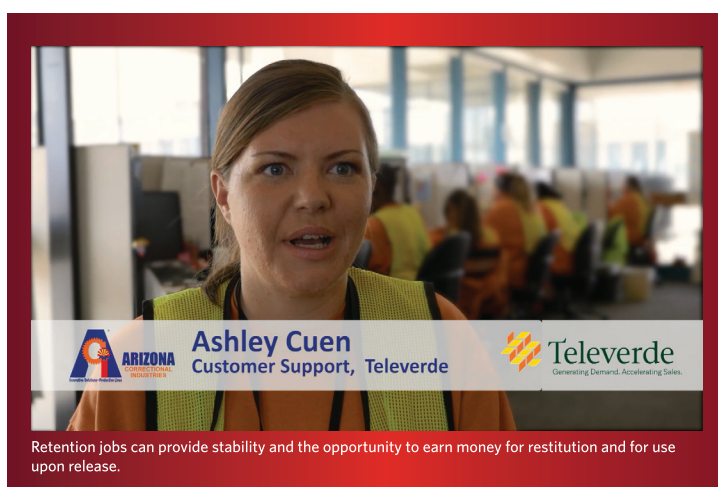
With HD Broadcast AZ, we created an introductory video this year that is now available through our website (and YouTube) and has been posted on some of our social media sites, like LinkedIn, Facebook, and Google+. We also emailed the video to all of our website subscribers. More than 8,100 people received the email, and a respectable 3% of them opened it and watched the video. It has already been viewed hundreds of times.



Maddie Van and Brian Radecki moderate the ACI introductory video.



The goal of the video is to give voice to the people of ACI: our staff, our customers, and the inmates we work with. By having these people tell our story, we are showing viewers who we are as an organization and how passionate we all are about our mission.



We were able to use some video that has been shot over the years for us by Scott Anderson from ADC Support Services. We also shot some new footage at our Annual Meeting, at the ACI central office, and at HD Broadcast AZ's studio in Scottsdale. As we were creating the video, we shared it with our Advisory Board; they gave us some great feedback that was incorporated into the finished video. Since then, we've shared it at the Reentry Employer Forum, where it set the tone for the entire event, and at the Inmate Programs and Reentry Summit. The powerful stories told always resonate.

Along with the Arizona Department of Corrections, Department of Economic Security, Arizona@Work, and Arizona Commerce Authority, we put together the well received Reentry Employer Forum in June 2018, detailed earlier in this report. These same organizations have already begun planning a similar event for next year.






Of course, we continue to tell our story in print and online and through our advertising efforts in the *Phoenix Business Journal*, *Inside Tucson Business*, and several other small local publications. This year, we once again also had stories published in the *National Correctional Industries Association (NCIA) Newsletter*. In addition these items have been posted on our website blog and several social media sites.


Other stories, such as staff additions, promotions, and news reports about ACI's various successes, can be found on the ACI website blog.

In response to surveys of the ACI staff, we created the We're Listening page on our website where anyone can submit an issue of concern along with a possible solution. Management has reviewed and replied to more than 30 submissions to date. Some of the suggestions were implemented and some are still being considered.


This is just another way that we can help give voice to everyone on the ACI team.

aci.az.gov/listening


    

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 **We're Listening**

We want to hear what you're concerned about and how you think it might be resolved.

 [How to use this form](#)

Dashboard: 33 Submissions since 10/30/2017 [3 [Pending](#)|0 Under Review 0|Awaiting Clarification 30|[Resolved](#)]
[Manage Submissions](#)

I am:

Issue concerns: [Edit](#)

What is your issue? (Be as specific as possible)

What is your proposed solution?

The background features a grey perforated metal texture. Overlaid on this are several overlapping geometric shapes: a large red diamond, a smaller grey diamond, and a white diamond. A white diagonal line runs across the top right. The text 'Chapter Six' is centered within the white diamond.

Chapter Six

BUILDING PARTNERSHIPS

New Labor Contract

trapp TECHNOLOGYSM

Arizona Correctional Industries began its labor contract with Trapp Technology in August 2017. The original call center crew included six inmates. The center is located at the ASP Kingman Prison, in the Cerbat Unit. After a successful first year of operation, the call center has expanded and now has an inmate call center crew of 13.

John Crowley is the first inmate from the call center in Kingman to be released from prison. Trapp Technology was impressed with his performance during his time in the call center, and he has recently accepted a position at Trapp Technology in the sales division. As mentioned in his letter earlier in this publication, John credits ACI and Trapp Technology for better preparing him for a successful future ahead.



John Crowley

Thanks to Jay Bouche and Trapp Technology for working to make this labor partnership with ACI a success.

About Trapp Technology

Trapp Technology provides innovative solutions to your most complex cloud, voice, security, and IT challenges. Trapp Technology's services are designed to appeal to the growing number of small- to medium-sized businesses looking to implement solutions that reduce the total cost of ownership, align with internal resources, and leverage the skills and support necessary to achieve business goals.

They help clients leverage technology to unlock their business's full potential.

Trapp's values are simple: listen, plan, guide, and deliver. They listen to your challenges; plan with you for greatness and performance; guide you through the most difficult questions; and deliver results and value to you.

"At Trapp Technology, we've assembled the team who built our advanced application cloud from the ground up to bring an incredible level of IT experience and skill to the marketplace. The value our clients gain is access to that in-house knowledge base, with secure infrastructure, comprehensive IT services, and U.S.-based support from one trusted provider."

*David Trapp,
Founder & CEO*

Vision

We simplify our customers' growing technology requirements by working relentlessly to build trust, value, and confidence through our proven IT management methodologies.

Mission

To be your trusted business partner who delivers clarity and solutions to your IT challenges and needs.

Providing a Valuable Service while Teaching Offenders Transferable Job Skills

Prisons are like self-contained cities. They provide everything necessary for the well-being of the offenders they house. That includes daily meals, clothing, housing, health care (medical and psychological, including substance abuse programs), jobs, laundry, educational and training opportunities, and countless other services to meet the special needs of offenders. One service that may not immediately come to mind, however, is the commissary (or offender store).

These types of operations in the country's prisons and jails generate an estimated \$1.6 billion¹ in sales each year. Like a third of the state prison systems in the U.S., the Arizona Department of Corrections (ADC) contracts with a private company to provide this important service.

For the last 13 years, ADC has been working with Keefe Group to run the commissaries in its 10 complexes across the state. Each unit in each complex has a commissary managed by a Keefe employee, working with a staff of two to ten offenders (depending on the unit population) to accept offender purchase orders and distribute back to them the items they purchased.

Until the summer of 2017, all of the Arizona offender orders were sent to a distribution warehouse in California, where they were fulfilled and routed back to the appropriate prison complex in Arizona. But as part of the new 10-year contract between ADC and Keefe, the latter agreed to create a new fulfillment center in Tucson. Part of the agreement was that the new warehouse be staffed by Arizona Correctional Industries (ACI) offender work crews.

This new warehouse, just seven miles away from the Arizona State Prison Complex – Tucson, is currently managed by the woman who used to run the commissary at that complex, along with eight other Keefe staff.

After less than a year in operation, this new warehouse has become one of Keefe's largest and most efficient fulfillment centers. Five distinct operations take place simultaneously throughout the work day:

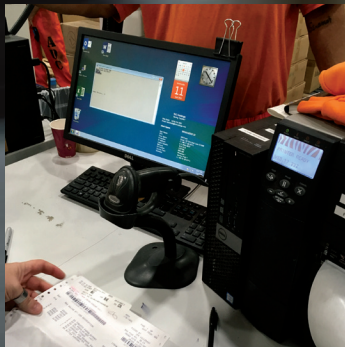
1



The first crew of offenders receives deliveries of products from dozens of Keefe's suppliers. Each type of product is shelved in specific locations in the warehouse. The members of this crew can earn certifications or re-certifications as forklift drivers, which the Keefe managers are qualified to issue.

Some of the unpacked items go directly into the small item shelves set up in a U shape for easy access. The shelves are stocked from the back, while in the front another offender work crew is continuously fulfilling orders.

2



The second crew grabs a plastic bag and prints out a coded order list. Each item on the list includes a letter and number designating where on the shelves it can be found.

The Keefe manager has set goals and targets for production on this fulfillment line. Each offender is tasked with completing 24 orders each hour. If they consistently meet this goal with an accuracy rate of at least 98.5%, they earn a certificate attesting to their accomplishment. These are tangible recognitions that the offenders can take with them when they are released to show potential employers on the outside their successful work experience. Each order is carefully inspected by a civilian Keefe staff member, who then generates a label for the order.

3



The third crew boxes up items, attaches labels, and separates the completed orders into lots for delivery to the different complexes across the state.

4



The fourth crew handles other types of orders, such as clothing (some of which is made in one of ACI's three sewing shops), electronics, arts and craft supplies, and other approved items that offenders can order. These items are packaged separately for delivery.

5



A civilian crew fulfills orders for high-security items, like tobacco products and soaps, which are sealed with tamper-proof tape to ensure that all items safely make it to the offender who ordered them.

Once each type of order is packaged and labeled, it is moved to the loading area, where the orders are segregated into lots for delivery to the different prison complexes. Trucks transport the completed orders daily.

Most weeks, these operations run 10 hours a day, Monday through Thursday, with Friday hours more in the 7- to 8-hour range. But at certain times during the year, like holidays, there may be a surge in the number of offender orders coming through, forcing Fridays to also be closer to a 10-hour day.

By employing offenders in their commissaries and the new warehouse, Keefe is helping them to learn important soft skills such as effective communications, customer service, and time management in addition to the certified and technical skills they are learning and teaching to each other. As they learn, they are also earning money that they can use to pay restitution or child support and to save for their release. Some of their earnings can also be used to buy products through the commissary in their unit back at the complex.

Note:

1. Annual revenue estimates (\$1.6 billion) from the Prison Policy Initiative.





Mutual Trust and Respect Creates Great Partnerships



David Leitch, Papa John's vice president of operations.

When he immigrated to the U.S. in 1999 to work with an international produce grower with football field-sized greenhouses in eastern Arizona, David Leitch had no idea that he was about to start a partnership that would endure for nearly 20 years—and hopefully for many more to come. There were significant challenges for an operation committed to providing low-cost cherry tomatoes and other specialty produce. There was the constant worry that the necessary water for cooling and nourishing the plants might not be available. There was the extreme heat of the Arizona summers. There was also the challenge of maintaining a workforce of hundreds of minimum-wage pickers and packers in the rural areas far from the metropolitan sprawl of Phoenix where the greenhouses were located.



A EuroFresh greenhouse.

The engineers who designed the state-of-the-art greenhouses were able to conquer the challenges of the weather, and local officials worked with management to ensure a dependable water supply. But they had to be even more creative to solve their labor issues. The labor force that came north from Mexico to work the fields during harvest seasons was not always available and had to be continuously trained on operations in the greenhouses. In desperate need of dependable and consistent staff year round, the company quickly turned to Arizona Correctional Industries for a solution. The EuroFresh inmate labor program began in 1999 with 15-20 inmates per day and quickly grew—over the next 16 years, the inmate work crews averaged more than 240 per day, coming from three different complexes in eastern Arizona.

Though he wasn't part of the team that began the inmate labor program, Leitch soon recognized the many benefits of the partnership. With the buses arriving each morning, bringing well-trained workers who were grateful for the opportunity to learn how to grow and package produce on a massive scale, managers did not have to spend as much time training line staff as is typical in most operations that employ large minimum-wage work crews. "It was important for these orange-clad workers to be able to get off the yard each day, commute to work, and do real jobs!" Leitch recalled. "These guys were working together as a team, reaching production goals, and earning significant money (by prison standards). They could save up for their release, send some money home, pay restitution and child support, and even pay some of their room and board. Just like the rest of us. I remember one guy had saved up nearly \$7,000 by the time he was released!"

"Over the years, as inmates were released and new ones joined the program, they were trained by other inmates. That's how good they are," explained Leitch. "Inmates were also training the civilians they worked side by side with."

Back in the Phoenix area, upstart Papa John's Salads and Produce was growing. Its huge production facility in Tempe (near downtown Phoenix) was no longer able



Fresh fruit and produce are received weekly.

to handle the volume of business they were doing with local grocery chain Fry's and national ones like Safeway, Albertsons, and Walmart. In 2010, they built a new operation center in Tolleson (20 miles west of Phoenix, just off Route 10). Though

this new facility gave them the space they needed to expand, it also made it more difficult to keep fully staffed. Luckily, by this time, David Leitch had joined as Papa John's vice president of operations and he had some ideas on how to deal with that issue.

Reaching out to his contacts at ACI like Regional Managers Rich Selapack (since retired) and Mario

Diaz (now operations bureau administrator), Leitch wondered if it would be possible to bring in some inmate work crews at Papa John's. Since it serves markets as far away as Denver, Colorado, and Salt Lake City, Utah, they would need a way to ensure that the items packaged by inmate crews were destined only for the Arizona market.

As they worked with ACI and, later, Arizona Department of Corrections (ADC) representatives to go over security issues and other regulatory requirements for bringing inmate work crews into a private company's operations, they also put together a strategy to keep inmate-produced items separate from those produced by the civilian work crews. Leitch knew which of the unique items that the plant produced went to the local markets and instructed his line managers to always have the inmate crews work on those items alone. Production is regularly audited to ensure that these procedures are followed.



Inmates from ASPC-Lewis sanitizing surfaces.

The inmate labor program started in 2015 with 15 to 20 individuals. It continues to grow, currently including 30 male inmates from the Arizona State Prison Complex Lewis (ASPC-Lewis) working the day shift and 50 women from ASPC-Perryville working the night shift. Operations in the 203,312-sq.ft. building go on 24 hours a day, seven days a week. Fruits, vegetables, sandwiches, and salads are prepared and packaged throughout that grueling work cycle "except for four hours each day when every surface and work area is thoroughly sanitized." Leitch said.

"A feature of our operations the ACI and ADC folks appreciate is our closed circuit monitoring of all the work and break areas and entrances," Leitch noted. "Mario and Bruce [Shiflet, the regional manager currently supervising the Papa John's contract] can connect to the system from their offices in Phoenix and watch the inmates crews all day long... if they want to."

"But realistically," Leitch continued, "they don't need to watch that closely. The inmates on these work crews are very easy to manage: they show up every day, they want to learn all the ins and outs of the job they're assigned to and what other opportunities they might be able to explore, they retain what they've learned and can train new inmates who are added to the crews, they know all the rules and follow them because they want to keep coming here each day."



Inmate workers from ASPC-Perryville.

One worry for private businesses that might consider employing inmates is what their customers might think. "I've never had any pushback from our customers," Leitch said. "I simply say that these folks are paying their dues, for whatever offense they may have committed, and if we can help give them some useful job skills, give them a chance to earn a bit of money so they can pay their restitution and their child support or whatever to family on the outside, and save up some money for their release (so they don't hit the streets with nothing), that's just part of being a good corporate citizen."

"I've seen some great success stories over all these years working with this population," Leitch concluded. "In the last two years, we've hired 10 inmates after their release and they continue to be standout members of our team. We are hoping to expand the inmate program as the opportunities arise and I know that ADC will work with us and ACI to help make that possible. Over the years, I've seen that ADC has changed; they are now much more open to moving beds to accommodate new or expanding labor contract partnerships. It just makes sense to give as many inmates as possible the chance to do real work, earn something toward their debt and their future, and help private businesses meet their staffing challenges."



One of the many products from Papa John's.

Labor Contract Changes

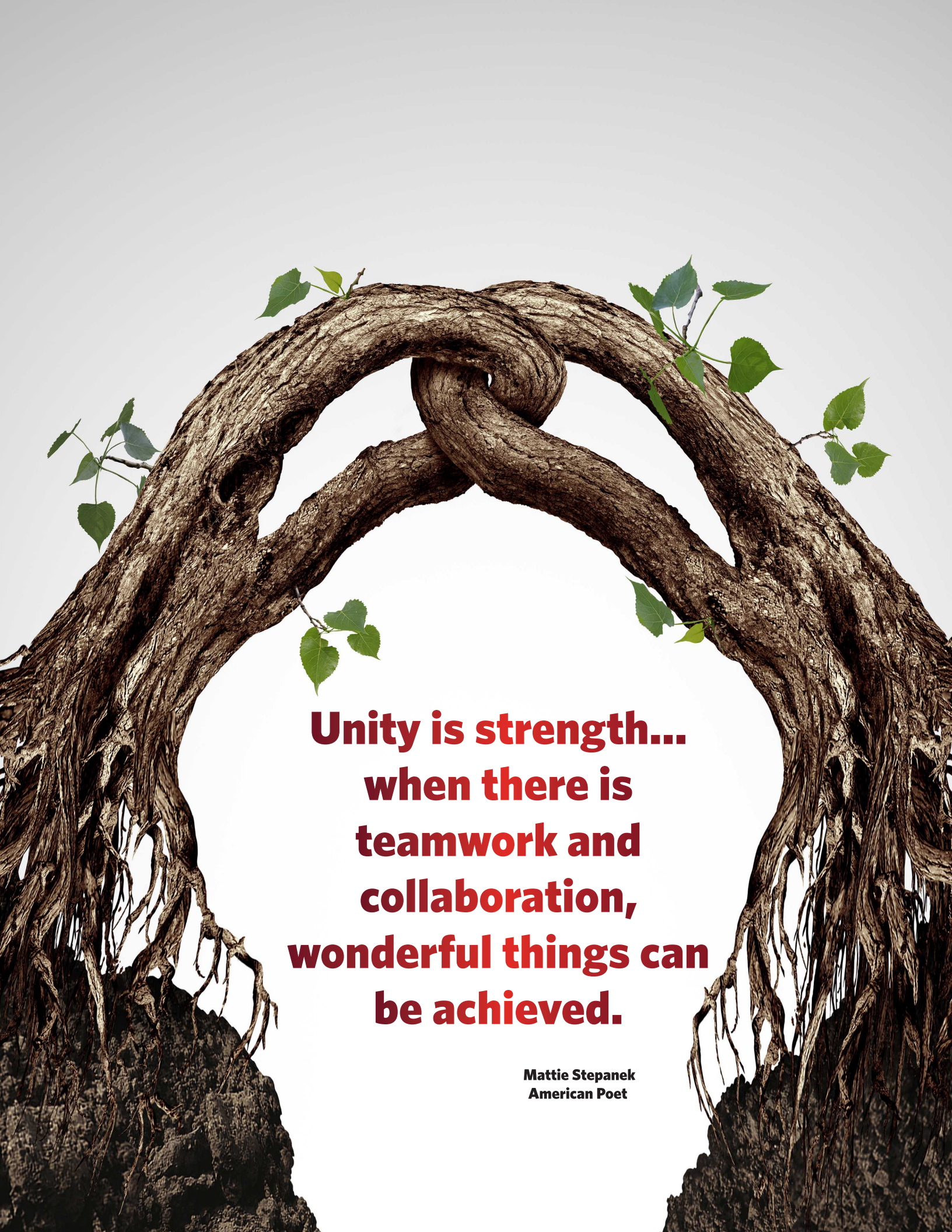


SHOUT OUT

Arizona Correctional Industries would like to give special thanks to the administration at the Lewis Prison in Buckeye for their outstanding cooperation over the past year to reposition minimum and medium custody inmates in order to allow ACI to expand its labor programs for both Papa John's and Erickson Framing, LLC.

Erickson Framing, LLC began its labor contract with Arizona Correctional Industries in late 2015, with the first inmate workers coming from the GEO Phoenix West Complex in Phoenix. Their primary job was the fabrication and assembly of wooden trusses, wall panels, doors, and trim for the Arizona residential housing market.

Erickson is now ready to expand its program with ACI by opening a new facility inside the walls at the Arizona State Prison Lewis in Buckeye, Arizona. This facility will utilize medium custody inmates and the new expansion will employ up to 30 inmates to start.



**Unity is strength...
when there is
teamwork and
collaboration,
wonderful things can
be achieved.**

**Mattie Stepanek
American Poet**



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