

MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors
FROM: Thomas M. Miller, Placer County Executive Officer
DATE: April 27, 2010
SUBJECT: Service Delivery Options

Actions Requested

- a. Affirm Placer County's continued use of service delivery options and implementation of process improvements and best business practices.
- b. Authorize the Executive Officer, in cooperation with County departments, to evaluate further practical use of service delivery options, and return to your Board with implementation recommendations.
- c. Direct the Facility Services Director to proceed with implementation of service delivery options, based upon the new Dry Creek Park.

Background

At the February 23, 2010 Strategic Budget and Policy Briefing, the Executive Officer was directed to return this fiscal year with concepts for long term structural changes for the delivery of future county services. Currently, Placer County provides services through various delivery means, however as a more methodological approach is considered, key interests are important to incorporate:

- Ensuring cost effective high quality services
- Valuing existing employees
- Maintaining flexibility to respond to service needs
- Ensuring service delivery methods are sustainable
- Recognizing benefits of competition for service delivery that is cooperative

As discussed with the Board of Supervisors (Board), budgetary constraints have hampered Placer County for numerous years with declining resources resulting in reduction in some service delivery levels and staffing. Proactive measures taken by the Board have mitigated impacts: (1) transferring resources to service areas of increased work and priorities, (2) containing workforce-related costs, (3) reducing one time and ongoing operating costs, and (4) using reserves prudently over several years. Further, the Board has approved numerous actions recommended through the Cost Saving Subcommittee Task Forces to achieve hundreds of thousands of dollars of additional savings annually.

While many of the cost saving and budget streamlining actions have helped, future budget deficit concerns remain. Short term and long range fiscal/economic and workforce realities confronting Placer County require action to ensure Placer County citizens will be provided with high quality services while living within our means. Some of the factors are described:

Revenue decline factors

- Operating revenues and resources available to the County have declined over the past two years by approximately 14.6% and are projected to decline further during FY 2010-11.

- Economic recovery and associated revenue is expected to be slower than the decline, and not expected to reach past levels in the near future.
- State and federal deficit problems are expected to adversely affect the county well into the future.

Workforce reduction and other factors

- Active workforce nearing retirement age – While the County is fortunate to have experienced, long term employees, the average age of the majority of the workforce is approximately 46 years (excluding DSA represented employees). As a result, workforce retirement eligibility (age 50 with 5 years of PERS service) is expected to grow substantially
- Other Post Employment Benefits – County retiree health and dental benefits, (otherwise referred to as OPEB) liability is currently in excess of \$200 million. This obligation is expected to increase significantly in the short term as the County's workforce achieves retirement age, particularly as new employees are hired behind those retiring. The liability is measured point-in-time and, as a result, additions to the workforce will increase the obligation.
- Pension Benefits – The recent economic downturn has had a significant, adverse impact on all governments' pension portfolios. Currently Placer County pays approximately 22-32% of every dollar of payroll toward its pension obligation. Due to the decline in CalPERS investments, the County has been notified by that agency that it can expect to see cumulative rate increases of up to 2% per year through the year 2015 in order to make up for the recent investment losses.

These combined factors present challenges for funding and sustaining staffing levels and are anticipated to result in workforce reductions. At the same time, in some areas such as public health services, property tax assessment, and public safety, there is increased public demand for services. Further, there is a looming threat to local government resources from new state and federal funding reductions. Establishing a framework for assessing how services can be provided now and into the future is prudent and needs to be incorporated formally into our business practice.

I. Service Delivery Concepts

Research suggests an effective approach for embarking on services evaluation includes:

- Incorporating a broad and dynamic concept of governance with local government as conveners, catalysts and brokers for service delivery through collaboration. This involves use of government workforce, other agencies, and contracting with private sector and nonprofit providers to support highest output and maximum use of tax dollars as the goal.
- Recognizing service delivery selection moves beyond the market versus government dichotomy and applies the benefits of competition to all sectors. All sectors public, private and nonprofit are considered when analyzing the competitive market force.
- Identification of services restructuring and process improvement which may be so material to cost savings and quality service delivery that evaluation of that implication is

critical in assessing existing or alternative services opportunities. Further, to maintain a competitive edge for use of County workforce and resources within the County and as outsourcing to other entities, internal efficiency is key.

II. Service Delivery Trends in Local Government

The majority of government agencies are faced with the same fiscal constraints found in Placer County.

- For decades, local governments have increasingly embraced new strategies for providing cost effective delivery of services. Recent years have seen the use of many service delivery models, primarily intergovernmental/interagency and private sector contracting, often with very effective results.
- While use of private sector contract services has been a typical approach, data suggests that counties use of for-profit privatization has remained relatively flat since 2002 with some growth in intergovernmental contracting during that same period.

Regardless of the mix of service delivery options used within jurisdictions, it is common that service delivery choices fall within a range bookended by two approaches: larger consolidated government/agency system service delivery and local marketplace focus typically supported through contracting that is predominately reactive to specific local community service interests.

III. Examples of Service Delivery Options

- Privatization – Contracting service, whole program, or in part, to private for-profit or non profit.

Privatization, primarily-for profit contracting, is fairly popular service delivery choice in many jurisdictions. The Placer County Charter, Section 302(h) acknowledges this service delivery option by providing authority to contract for services if it is more economical to do so. While contracting out is a credible option, staff emphasizes the importance of ensuring: (a) sound contract development and management, (b) analysis of availability of services within the local market, (c) performance based monitoring, and (d) input from users to measure service satisfaction.

Many privatization efforts have failed when a public service provision was simply substituted for a private one. Monitoring greatly enhances the likelihood of successful contracting. Depending upon the complexity, technically or politically, reports indicate that monitoring for contract services can be 10-20% of the contract costs.

- Intergovernmental/Interagency – Multi governmental/agency or bi lateral contracting or agreements for services or investment of funds.

It is not unusual for jurisdictions and agencies to contract with each other for local services on a joint or cooperative basis. This can be particularly attractive in times of economic downturn to eliminate duplicative overhead costs and use existing resources. When implemented during difficult economic times, jurisdictions must be particularly attentive to community interest to engage in this approach over time, even after economic recovery.

- Reverse privatization - Services provided between County departments in lieu of outside contracting.

Placer County has a skilled workforce that can, and does, provide services by agreement to each other. This can be an efficient and effective option for sharing resources and maximizing use of existing staff.

- Other - Literature does identify other models for providing local services that have varying degrees of use. Government contracting its services to private for-profit or nonprofit entities (referred to by some as governmental entrepreneurial), is one example. Efficient government more readily lends itself to being a cost effective service provider.

IV. Placer County - Existing Use of Service Delivery Options

While discussing greater institution of methodology for evaluating use of options, the extent this is already occurring under the leadership of department heads must be acknowledged. Attachment 1 provides more examples, but a few under the most common options are:

Privatization

- Facility Services contracts with Pride Industries for full service custodial service at the County's Santucci Justice Center.
- Health and Human Services contracts with providers to perform specialized services such as child abuse prevention and outreach, transitional housing for foster youth, and jail health and mental health services.
- Administrative Services contracts for telecommunication cabling, Internet streaming video for Board of Supervisor meetings, antenna tower maintenance, and courier delivery services.

Intergovernmental

- Public Works provides transit services to Washoe County and the Cities of Loomis and Rocklin.
- Health and Human Services receives revenue from several counties (Nevada, Yuba, Sutter, Sierra, El Dorado) to provide required public health testing, Psychiatric Health Facility beds, or Children's Shelter beds.
- Administrative Services has an agreement with the State of California Franchise Tax Board for court-ordered debt collection services.
- Probation provides Juvenile Detention Facility beds to Calaveras County

Reverse Privatization

- Community Development and Resource Agency engineering services to Public Works and Facility Services and staffing for the mPower program.

V. Service Evaluation Approach

Evaluation of County services will arise in various ways, for example: through routine organizational reviews; requests for resourcing such as contracts; and from loss of workforce, particularly as attrition occurs. A typical assessment approach will include:

- Evaluating the current service delivery system and alternative options in the context of:
 - o History, legal and regulatory framework

- Policy implications
- Labor implications
- Cost and finance structure
- Sustainability of the service long term
- Fostering competition to all sectors
- Identifying process improvement or restructuring opportunities

An Example of How the Service Approach Applies – New Dry Creek Park

Facility Services is overseeing the development of a new 18.6 acre community park in the Dry Creek Community Plan Area, slated for construction in 2010/2011. Amenities include soccer, softball and baseball fields, play areas, basketball and volleyball courts, tennis courts, restrooms, trails and other amenities. An assessment was conducted and is summarized:

- An initial review and assessment of the regulatory framework, history, policy and labor implications for this service was conducted.
- Using current service levels and model of County workforce, costs were quantified.
- Using the same service level criteria, two options were assessed; intergovernmental contracting and privatization of specific maintenance tasks readily available in the local business community. For privatization, collectively, tasks account for approximately 40% of the required staff hours. For intergovernmental staff applied per-acre cost data which was developed by consultants for western Placer development projects parks maintenance.

ESTIMATED DRY CREEK PARK MAINTENANCE COSTS BY OPTION

	Existing Service Model	Intergovernmental <small>(Average based on consultant data)</small>	Privatization
Cost	\$315,717	\$278,414	\$254,700
Labor as % of total	80%	68%	58%
Difference		-\$37,303	-\$61,017

Recommendation

Staff recommends the Board approve the actions as requested with staff returning on a periodic basis to obtain authorization as needed for implementation.

Fiscal Impact:

The consideration of service delivery options use recognizes interest to have cost savings while delivering quality services. Savings projections will be quantified as assessment of services occurs.

DEPARTMENTS	INTERGOVERNMENTAL or INTERAGENCY	PRIVATIZATION	REVERSE PRIVATIZATION	OTHER Example listed "Government Entrepreneurial"	CESSATION OF PROGRAM/SERVICE For this chart, please note cases where program discontinued
<p>ADMIN SERVICES</p> <ul style="list-style-type: none"> • Telephone Services for PCOE, SSV-EMS, Fire Districts, and Material Recovery Facility • Radio Services for Fire Districts and Hospitals (MedNet) • Network Services for Fire Districts • Regional Interoperable Radio Network Project • Central Services providing print mail, and courier services to Courts, PCOE, and other Special Districts • Revenue Service providing collection services to Courts and other County Departments 	<p>Multigovernmental agency or bilateral contracting or agreements for services or investment of funds</p>	<p>Contracting service, whole programs or in part, to private for-profit or non-profit</p> <ul style="list-style-type: none"> • Telecommunications Cabling Services • Internet Streaming Video (Granicus) for BOS and Planning Meetings • Antenna Tower Maintenance • County Courier Services • State of California Franchise Tax Board for Court-Ordered Debt Collection Services 	<p>Services provided between Placer County departments or by the County in lieu of privatization</p> <ul style="list-style-type: none"> • Telecommunications Services for Other County Departments (ISF) • Central Services for Other County Departments (ISF) 	<p>Placer County contracts its services to private for-profit or non-profit. Contracts with other governments or agencies can be listed under Intergovernmental</p> <ul style="list-style-type: none"> • Cellular Tower Co location Agreements 	
<p>PROBATION</p>	<ul style="list-style-type: none"> • Juvenile Detention Fac Bed Space Contract with Colaveras Co (approved and to be implemented) • Jail Food Service 			<ul style="list-style-type: none"> • Jail Food Services 	<ul style="list-style-type: none"> • Peer Court Contract
<p>PUBLIC WORKS</p>	<ul style="list-style-type: none"> • Northstar Snow Plow and Road Maintenance Services • Transit Services for others (Rocklin, Loomis, Thunder Valley, Colfax, Washoe, etc.) • Water Quality expertise from Resource Conservation District • CDF Washington Ridge Crew 	<ul style="list-style-type: none"> • Squaw Valley Road Snow Plow Services • Alpine Meadows Road Avalanche Control • 24 Hour Roadside Hazard Waste • Street Sweeping • Road & Bridges Construction • Forest Hill Bridge Call Box Maintenance • Tree Removal Service • Snow Removal Parking Lots/Bus Stops, etc. • Pest Control • Traffic Signal Repair Services • Asphalt paving and grinding • Professional Engineering and Surveying Services • Real Estate Appraisal Services • CNG Service Station Maintenance • Various specialty vehicle repairs (electrical, transmission, etc.) • Car Wash Service • Tesco control Systems - Natural gas detector • Bus Cleaning Services • Paratransit Taxi Service - Tahoe • Seasonal Drivers TARI 	<ul style="list-style-type: none"> • Utilize professional staff from other Departments (CDRA) 	<ul style="list-style-type: none"> • Transit Service paid by others Truckee/Tahoe Transportation Management Association) 	

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DEPARTMENTS	INTERGOVERNMENTAL or INTERAGENCY Multi governmental/agency or bilateral contracting or agreements for services or investment of funds	PRIVATIZATION Contracting services, whole programs or in part, to private for-profit or non profit	REVERSE PRIVATIZATION Services provided between Placer County departments or by the County in lieu of privatization	OTHER Example listed "Government Entrepreneurial" Placer County contracts its services to private for-profit or non profit. Contracts with other gov entities or agencies can be listed under intergovernmental	CESSATION OF PROGRAM/SERVICE For this chart, please note cases where program discontinued
PUBLIC WORKS (cont)		<ul style="list-style-type: none"> Placer Commuter Express Digi-A-Ride Services VPSI Van Pool 			
HHS	<ul style="list-style-type: none"> Employment Training Service Consortium Animal Services Contracts PCCE- CarWORKs Child Care, AB 3632 services, First Five MOU Mamh County health claiming host agreement Nevada County - collaborative/regional mental services Nevada County - Crisis hotline Public health microbial testing - Nevada/Yuba counties PHF beds - Sutter/Yuba/Sierra/El Dorado counties Children's Shelter beds - Nevada County 	<ul style="list-style-type: none"> PHF (Psychiatric Health Facility) Short-term Crisis Residential Treatment Non-emergency transport of 5150 clients HIV/AIDS counseling, case management Jail Health/Mental Health Services Homeless Interim Care Services Juvenile Intensive Outpatient and Substance Abuse Treatment Child Abuse Prevention and Outreach Differential Response/Early Intervention to Child Abuse Acute Inpatient Psychiatric Services for Youth Transitional Housing for Foster Youth Kinship Supportive Services Transitional Residential Treatment for Mentally Disabled Adults 	<ul style="list-style-type: none"> Mental Health Acute/Drug Treatment Services 		
FACILITY SERVICES	<ul style="list-style-type: none"> Tahoe Parks Maintenance 	<ul style="list-style-type: none"> S. Placer Justice Center Custodial Services 			
CDRA	<ul style="list-style-type: none"> TRPA Project Review TRPA MOU 	<ul style="list-style-type: none"> Engineering Plan Check Building Inspection (structural) 	<ul style="list-style-type: none"> Engineering & App Processing Engineering Services for Other County Departments Power Admin and App Processing 		
COURTS		<ul style="list-style-type: none"> Public Defender Contract 			
CEO	<ul style="list-style-type: none"> Cal Fire Service Contract 	<ul style="list-style-type: none"> NLTRA Marketing 	<ul style="list-style-type: none"> SB90 Claims Processing Contract 		
SHERIFF	<ul style="list-style-type: none"> Regional Public Safety System MOU WARN Emergency Notification System MOU 				
PERSONNEL	<ul style="list-style-type: none"> Purchase and/or rent recruitment exams from regionalized JPA (Cooperative Personnel Services and WRIS) 	<ul style="list-style-type: none"> Contract for administration of the Employee Service Awards, 	<ul style="list-style-type: none"> Significantly reduced Adecco contract and internally administer Temporary Office Assistant Program. 		

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PERSONNEL (cont)	<p>Purchase of health insurance plans and administration (including health plan contract negotiations and federal/state compliance for plan documents) with CalPERS</p> <p>Contract with CalPERS for deferred comp 401k/457 plan administration (enrollments, etc), plan compliance, and fund management</p> <p>Contract with CSAC EIA dental benefit plan and claims administration (enrollments, etc).</p> <p>Partner with CalPERS for agency-specific retirement planning sessions</p> <p>Contract with CalPERS for retirement defined benefit plan and claims administration.</p> <p>Partner with CalPERS for long term care plan and claims administration</p>	<p>Contract for administration of the Employee Assistance Program;</p> <p>Contract for external T.H.E.V.I investigations;</p> <p>Contract for bilingual skills testing and certification;</p> <p>Contract for legal services for the Civil Service Commission;</p> <p>Contract for claims administration for the cafeteria plan, dependent care and Tahoe Rural Health Subsidy;</p> <p>Contract for development projects related to the ACORN HRIS system</p> <p>Contract for vision service plan to include plan and claims administration with VSP.</p> <p>Contract for life insurance plan to include plan and claims administration with ING</p> <p>Contract for long term disability insurance plan to include plan and claims administration with Lincoln National</p> <p>Contract for accidental death and dismemberment insurance plan to include plan and claims administration with CIGNA</p> <p>Contract with Hartford for deferred comp 401k/457 plan administration (enrollments, etc), plan compliance, and fund management</p> <p>Contract for unemployment insurance claims administration and legal representation with TAI X</p>	<p>Conduct classification and compensation surveys internally.</p> <p>COBRA, District and Benefits being done internally with Personnel Department staff.</p> <p>Scanning and imaging documents performed internally..</p> <p>Retrieve billings for dental/vision and health plans processed internally.</p> <p>Management of required state and federal notifications and administration for employees eligible for FMLA, CFRA, SDF, PFL, Military leave, PDL</p> <p>Management of MOU and/or County Code required notifications and administration for employees eligible for leaves of absence including personal, educational, military, pregnancy, medical, bereavement, etc.</p>		