

**Date:** July 19, 2006  
**To:** Board of County Commissioners  
**Subject:** Report on Administrative Services Budget Review

A Productivity Committee subcommittee reviewed the 2006-07 budget submission for the Administrative Services Division, met several times with the Director and with two department heads. The principal findings and conclusions from the Productivity Committee review follow.

**Current Administrative Services Division Performance**

The Committee reviewed comparative performance data to develop a context for analyzing the current budget submission. Most county and municipal governments have departments similar to Collier’s Administrative Services organization; hence, there is a wealth of benchmark data available for comparative evaluation of productivity and performance levels. In all eight of the performance measures reviewed, Collier’s Administrative Services departments performing in the top quartile of county and muny government survey participants.

**Recommendations**

If all County departments can perform at or near the 75<sup>th</sup> percentile of their peers, Collier taxpayers would be well served. Therefore, the Productivity Committee recommendations to the Commissioners are limited to the following policy items.

1. Expand Administrative Services Charge-outs

If service users are held accountable for the cost of services they consume, their demand for services may be downgraded from “must have” to “nice to have,” and a substitution of requests for “Tiffanys” priced solutions with “Walmart” priced solutions. The County has employed the charge-out principle broadly for Admin Services, with \$77 million or 78% of all expenses charged to user departments as a billed service or formula charge. However, there is an additional \$21 million of Admin Services expenses not currently allocated to users on the theory that there is little to be gained by charging back and forth within BCC units. It is recommended that for next year’s budget cycle the Commissioners instruct staff to explore if a defensible basis for broader expense allocation charge-outs can be established, such as the following:

<b>Summary of Unallocated Expenses (\$000)</b>		
<u>Department</u>	<u>2006-07</u>	<u>Goal 2007-08</u>
Facilities Mgt.	\$10,897	\$2,000
Security	\$ 1,553	\$ 500
Information Tech	\$ 5,041	\$1,000
Purchasing	\$1,280	\$ 500

Assuming a defensible basis for more charge-out of expenses can be established, consideration should be directed toward the potential discipline that added charge-outs might provide for those making the requests and demands for additional or more expensive levels of service.

2. Continue, Expand Outsourcing Efforts

A substantial portion of the Administrative Services staff is comprised of lower wage positions (custodial services, security) and is already outsourced. Since County benefit programs are quite expensive versus local firms, substitution of in-house staff for contract employees can often provide a profit for contractors while simultaneously providing savings to the County. Other potential outsourcing options involving a higher knowledge base should be considered, such as production of the payrolls. Of course, other areas of government (outside the scope of this review) should be reviewed for outsourcing potential as well.

**3. Focus on Year-to-Year Changes**

The budget comparisons focus on the % change based on the **Adopted Budget** amount for the base year. However, at this juncture in the fiscal year the **Forecast** figure (which represents current best estimates) may be a better measure of year-to-year change in spending levels. If an inaccurate budget forecast is made in the base year (usually too high), the problem tends to be carried forward by adding increments to the base figure. For example total Administrative Services operating expense is budgeted at 11.5% increase over 2005 budget, but 17.4% expenditure increase over the current revised forecast. The budget increase versus the revised forecast should be added to the budget package, at least on the department summaries.

**4. Clarify Risk Management Budget Information**

Nearly 2/3 of the Admin Services budget is represented by three categories of insurance; employee benefits (mainly health), property/casualty insurance and workmen’s comp. Actuarial reviews were completed recently to determine optimum deductible and self insurance levels that provide essential protection from loss, balanced with expense control. On the other hand, there is an important note concerning the data provided for Risk Management; such data making it difficult to assess unless one has a significant grounding in insurance. The insurance budget can be especially puzzling to the layperson, as shown in the comparison table below.

<b>Summary of Risk Management Program Budgetary Cost</b>			
<u>Insurance Program</u>	FY 2006-07	<u>Percentage Change Versus:</u>	
	<u>Amount (000)</u>	<u>'05-'06 Forecast</u>	<u>'05-'06 Budget</u>
Property Casualty	\$15,077	- 36%	+ 20%
Employee Group	\$42,821	+ 64%	+ 11%
Workmen’s Comp	\$ 6,773	+ 174%	+ 16%

This is the first year using the new budget software; it is recommended that the Risk Manager work with insurance companies or consultants to develop a clearer summary of the key economics underlying these accounts. A more transparent data presentation will equip the County Manager and Commissioners to evaluate trends and the adequacy of budgets and reserves in these expensive and important insurance programs.

**5. Lighten Up on Small Account Detail**

Separate accounts must be maintained for programs attached to specific funding sources. Several minor accounts are incorporated in the overall department budget, then shown again on an isolated basis. These accounts include at least Grants Acquisition, Dori Slosberg, 800 MHZ system, Security, GAC Land Trust, Americans for Disability, and Freedom Memorial. The amounts involved are as low as \$50,000. Assuming the separate accounting is necessary, it is suggested that the separate breakouts be provided to the Commissioners only on request.

James Van Fleet

Chairman  
Productivity Committee