

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years:	2012	2013	2014	2015	2016
Capital Expenditures					
Operating Costs					
External Revenues					
Program Income (County)					
In-Kind Match (County)					
NET FISCAL IMPACT	*	*	*	*	*

*See statement below

ADDITIONAL FTE POSITIONS (Cumulative) _____

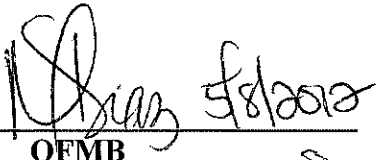
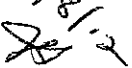
Is Item Included In Current Budget? Yes _____ No x _____

Budget Account No: Fund _____ Agency _____ Org. _____ Object _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:
 The fiscal impact depends upon the recommendations that are implemented. Savings generated will be ad valorem equivalent dollars.

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

 _____ OFMB	N/A _____ Contract Dev. and Control
5/8/12 	

B. Legal Sufficiency:



 Assistant County Attorney

C. Other Department Review:

 Department Director

This summary is not to be used as a basis for payment.



Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants

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April 6, 2012

Elizabeth Bloeser, CPA
Director, Office of Financial Management & Budget
Board of County Commissioners – Palm Beach County, FL

John A. Wilson
Budget Director
Board of County Commissioners – Palm Beach County, FL
301 North Olive Avenue, 7th Floor
West Palm Beach, FL 33401

Re: Efficiency Audit Services – Contract No. 100090/DP

Dear Ms. Bloeser and Mr. Wilson:

Gerstle, Rosen & Goldenberg, P.A., Certified Public Accountants, (GRG), was retained by Palm Beach County (County) by and through its Board of Commissioners (BCC) to conduct a study to identify opportunities for the County to operate in a more efficient, economical and effective manner in order for the County to meet its operating needs. In addition, GRG was to identify certain duplicate operating functions and related costs of the Constitutional Officers that could result in budget savings in the County.

SECTION 1 – Study to Identify Savings Opportunities

Background

The County, as well as other state and local governments, is experiencing a dramatic downturn in its financial cash flow, security, and welfare. After many years of financial prosperity, municipal governments now find themselves strangling on demands for funds from an ever shrinking and declining financial base due to the extreme economic conditions that almost all municipal governments are experiencing with little hope of relief currently in sight. Almost all sources of revenue to the local governments have declined drastically due to the disastrous drop in real estate values and the resulting decrease in the local governments' tax base. According to the U.S. Census Bureau, the percentage of Americans in 2010 who owned their homes has seen its biggest decline since the Great Depression.

Local elected officials and government executives have had to endure demands by their constituents for goods and services without the financial resources to satisfy these needs. While local governments experienced a vast inflow of revenue during the past 10 years, they are now experiencing the drying up of these funds. To assist the local governments' shortfall of funds, it must reduce its operating expenses and look for new

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ways to raise revenues that will enable it to operate its government and still provide the services to its citizens that the County deems necessary.

The management styles of the various governments that were popular in the prosperous and growth years are now being altered to accommodate the drastic reduction in tax revenue and its financial effect in their communities. The County enjoys financial security that is the envy of its peers in the nation, being 1 of only about 5 county governments to enjoy an "AAA" bond rating. The County's current financial strength can be attributed to its elected County Commissioners' and administration leadership that pursued an avenue of conservative financial management practices that has allowed it to develop the County into the "first-class" community it is today. The County's infrastructures including parks, roads, transit systems, libraries as well as its care of those in need which sets the standards for the nation. Unfortunately, times have changed. The County now needs to re-direct its management efforts in order to preserve its accomplishments with fewer dollars to spend but still has the ever present demand for services as previously provided. To that end, the County leadership is aggressively pursuing its aim of conducting its governmental operations and activities in a more efficient, effective, and economical manner.

Some of the County departments appear to be operated under a de-centralized style of management. This method of management, while effective in the past, has resulted in many departments operating as an "island unto itself" with redundant common services, i.e., financial and IT services, as other departments in the County. The departments are self sufficient and do not share their employee talent pool with each other, therefore, there is not an economy of scale in employee utilization.

The County's Internal Auditor issued a report recommending that the County needs to increase its management control over its goals and programs, and needs to establish program performance standards and work performance criteria. On November 10, 2010, the County Administrator approved a recommendation of the County's Internal Auditor that would reinforce the County's efforts to improve the quality of performance measures by increasing the number of measures of effectiveness and efficiency rather than workload measures. The Internal Auditor's review indicated that "a large majority of the performance indicators, chosen for use by departments, and included in our audits, were concerned with measures of workload, rather than the measure of (a) effectiveness measuring results of management actions, or (b) efficiency measuring the amount of service per resource" The County Administrator designated the Director, Office of Financial Management & Budget to direct the County's effort to improve its performance measurement system.

In December 2011, GRG was retained to conduct an efficiency audit to identify areas or functions to create efficiencies and to reduce operating costs, to identify new courses, and to assist in establishing performance benchmarks and measures. Out of BCC's 23 departments that had a FY Ad Valorem and Equivalent target of \$274 million, GRG reviewed 17 departments which represented about 90% of the target. Our review included interviews with all of the leadership group of the County including

administrators, department directors and their management support staffs, and the BCC Internal Auditor as well as reviewing FY 2011 and 2012 annual budgets and various other data and certain Florida State statutes and regulations.

Efficiency studies are utilized by various industries to achieve financial economies usually based on the reduction of labor time on performing a task, thereby enabling the person to perform the task faster or in a more economical manner. In production, manufacturers utilize these savings to increase its production of the number of items that it produces. As an example, an automobile manufacturer that is able to increase its production of automobiles because of labor efficiencies will be able to increase its sales revenue. In government applications however, efficiencies will only create unapplied time since the volume of activity is based on citizen and program demand. Unapplied time can only be alleviated in the government by re-assigning the employee to a vacant position or by "reduction in force"; the latter may be an uncomfortable decision.

GRG has identified potential savings and revenue opportunities in the following areas:

- Operating efficiencies
- Outsourcing
- Staff reductions
- Additional revenue

Operating efficiencies were identified for ISS, Community Services, and Public Safety departments. We noted that 12 of the 23 BCC departments are self managed by their own staff rather than by ISS. As to Community Services and Public Safety departments, GRG recommends that the County consider adopting the use of "voice control systems" for use by case workers in performing their services. It is estimated that case workers spend more than 50% of their time performing the maintenance of the records of their "clients" by computer or manual entries. The "voice control system" is based on voice recognition of the case worker and eliminates the need for clerical and case worker entry intervention. While the estimated savings nationally is 50%, GRG used in its savings calculations a factor of 33 1/3%.

Outsourcing of service needs by government agencies has become very popular in today's government budgeting and operations. Currently, the County's employees, except for fire-rescue employees, receive a benefit compensation package from the County of about 37.73%. The major benefit cost to the County is a fixed dollar amount of \$11,600 per employee, or 22.62% based on an employee earning \$51,279 per annum. Outsourcing relieves the County of the cost of funding these benefits. As such, based on the average County employee wage of \$51,279 plus benefits, or \$70,625, the County would save a minimum of \$19,346 for each job that is outsourced. In addition, usually the total cost of services that are outsourced are less the in-house performed services. Almost all services identified for outsourcing opportunities are maintenance related.

Staff reductions were limited, for the most part, to vacancies and identification by department directors for staff reduction.

SUMMARY OF PROPOSED SAVINGS

April 2, 2012

	OPERATING EFFICIENCIES (OE)		OUTSOURCING (O/S)		STAFF REDUCTION (S/R)		REDUCTION OF OPERATING HOURS		OTHER		TOTAL	
	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount
Palm Tran									\$2,750,000	-		\$2,750,000
Public Affairs					5	\$353,125					5	353,125
Parks and Recreation			285	\$7,594,342	22	1,553,750		\$916,030			307	10,064,122
Facilities Development and Operations (FDO)			175	4,663,192	7	494,375					182	5,157,567
Engineering and Public Works (EPW)			146	3,890,435	13	918,125					159	4,808,560
Public Safety	15	\$1,059,375	44	1,172,460	6	423,750					65	2,655,585
Planning & Zoning			25	666,170	1	70,625					26	736,795
Community Services	121	8,545,625	47	1,252,400							168	9,798,025
Environment Resource Management (ERM)					5	353,125					5	353,125
Office of Small Business									100,000	-		100,000
ISS		2,000,000								-		2,000,000
Total	136	\$11,605,000	722	\$19,238,999	59	\$4,166,875	-	\$916,030	-	\$2,850,000	917	\$38,776,904



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PALM BEACH COUNTY
Estimated Benefit Rate for Average County Employee Wages
Fiscal Year 2012

Average County Wage Excluding Fire Rescue		\$51,279
FICA & Medicare	7.65%	3,922
FRS - Pension Contribution	4.91%	2,518
Health Insurance	22.62%	11,600 *
Workers Compensation	2.55%	1,306
Total Benefits	<u>37.73%</u>	<u>19,346</u>
	Total	<u><u>\$70,625</u></u>

* Fixed amount based on Fiscal Year 2012 Budget

Source: Palm Beach County Government, Office of Financial Management & Budget

The opportunities for additional revenue were developed from department interviews and research. Due to the vast number of fees that the various departments charge for services, admissions and use of facilities and, to some extent, the date of the last fee adjustment, GRG recommends a general across the board fee increase of 7-9% is prudent, particularly in today's economic climate. A fee by fee search is almost impossible.

Calculations

The calculations of the potential savings were determined as follows:

- Operating Efficiencies (O/E): 1/3 of Identified Existing Positions x \$70,625
- Outsourcing (O/S): Number of Identified Positions x \$70,625 x 37.73%
- Staff Reduction (S/R): Number of Identified Positions x \$70,625
- Estimated Dollars

A more detailed analysis of selected departments has been provided in Section 3.

SECTION 2 – Savings From Consolidation of Constitutional Officers' Central Services

Subsequent to starting the BCC review, BCC expanded the scope of the review to include consolidation of the County's Constitutional Officers' Central Services into BCC's central services. These services include:

- Procurement and purchasing
- Budget
- Finance
- Risk Management
- Human Resources
- Payroll
- Legal Counsel
- IT

The Constitutional Officers are:

- Clerk and Comptroller
- Tax Collector
- Property Appraiser
- Supervisor of Elections
- Sheriff

ESTIMATED SAVINGS OF REDUNDENT POSITIONS OF ELECTED OFFICERS

April 2, 2012

FUNCTIONS	CLERK		TAX COLLECTOR		PROPERTY APPRAISER		SUPERVISOR OF ELECTIONS		SHERIFF		TOTAL	
	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount	Positions	Amount
Purchasing	4	\$282,500			1	\$82,604					5	\$365,104
Budget	3	211,875	1	\$91,550							4	303,425
Finance			3	274,650	1	82,604	2	\$138,954			6	496,208
Risk Management											0	-
Human Resources	6	423,750	3	274,650	1	82,604					10	781,004
Payroll	4	282,500									4	282,500
Legal Counsel			2	183,100							2	183,100
IT	20	1,412,500	10	915,500	11	908,644	2	138,954			43	3,375,598
Total	37	\$2,613,125	19	\$1,739,450	14	\$1,156,456	4	\$277,908	0	-	74	\$5,786,939



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Official records request were transmitted to the above mentioned officers. Records requested were:

- Organization chart
- Number of employees
- Number of vacant positions
- Number and organization chart of central service employees
- Job descriptions
- Budget
- Salary and fringe benefits by department

All of the officers replied except the Sheriff, in which no data was received. The salaries and fringe benefits were provided by each officer, however, the salary and fringe benefits for the Clerk and Comptroller were deemed not accurate. As a result, the average wage for BCC employees, other than fire-rescue, was used in determining the personnel costs at the Clerk and Comptroller's office.

The estimated savings from combining Constitutional Officer's central service personnel and elimination of redundancies is \$5,786,939.

SECTION 3 – Detailed departmental analysis.

Respectfully submitted

A handwritten signature in black ink that reads "Gerstle, Rosen & Goldenberg, P.A." The signature is written in a cursive, flowing style.