

COUNTY OF SACRAMENTO
CALIFORNIA

For the Agenda of:
May 11, 2005

To: Board of Supervisors

From: Office of the Chief Financial/Operations Officer

Subject: Request For Conceptual Approval To Issue A Request For Proposal For An External Review Of Countywide Overhead And Administrative Support Services

Contact: Chris Marx, Chief of Departmental Administrative Services
Municipal Services Agency, 874-7973

Overview

The County Executive requests conceptual approval for the issuance of a Request for Proposal (RFP) to obtain a consultant or consultants to perform a comprehensive review of the county's general administrative overhead and support services across its agencies and their related costs. The areas examined in this review include information technology, human resources and overall administrative costs, including but not limited to agency administration, departmental administrative services, finance and budget. The purpose of this review is to identify best practices and benchmarks to improve the efficiency of the delivery of these services from an external, objective perspective, while continuing to meet the business needs of the county and its agencies and departments.

Recommendation

1. Conceptually approve the commissioning of a countywide overhead and administrative support services review.
2. Authorize the County Executive to develop a RFP for a consultant or consultants to perform a review of countywide overhead and administrative support services, including its agencies and departments, and bring RFP back to the Board for approval before issuance.

Measures/Evaluation

The development of improved business practices, and possible cost savings, for the County. This review will also measure customer satisfaction levels.

Fiscal Impact

The anticipated cost of this study is included in the Recommended Proposed Budget for Fiscal Year 2005-06, preliminarily estimated to be \$500,000, funded in the amount of \$350,000 from General Fund and \$150,000 from the Municipal Services Agency and Airport Enterprise Fund.

BACKGROUND:

Many organizations within the existing county structure at the countywide, agency and department levels currently provide various types and levels of Information Technology (IT), Human Resources (HR) and administrative services. A comprehensive review of these services is needed to determine if the appropriate level of service is being provided by the organization best-suited to provide these services, and at an appropriate cost.

DISCUSSION:

The focus of this review of services is being proposed as follows, and is detailed further in the attachment:

- Examination of IT, HR, and overall administrative services and their costs (including but not limited to agency administration, departmental administrative services, finance and budget).
- Review will include services currently delivered by countywide, agency and department organizations.
- Nature and cost of services and how costs are shared.
- Consideration of level of expertise required, economies of scale, external requirements (legal, financial, system control, etc.).
- Consideration of the unique business needs of each of the county's agencies and departments.
- Comparisons of how support services are delivered/paid for with other similar size and types of organizations (benchmarks, best practices) and recommendations on what parts of the organization should be delivering the services, comparing like businesses to like businesses.
- Customer satisfaction survey, taking into consideration whether or not a high level of service, presumably at a relatively higher cost, is justified, or if the ultimate customers (the taxpayers and ratepayers) needs are being served, again comparing like businesses to like businesses.
- Consideration of more than what is good for an individual department or agency, but also what is good for the entire County, keeping in mind financial realities and funding sources, as well as the business needs of individual agencies and departments.
- Focus will also be a matter of education and communication with organizations both providing and receiving services, and with the Board.

FINANCIAL ANALYSIS:

The financial impact of the cost of this review will not be known until the actual cost of consulting services is determined. To ensure that consulting services will be affordable, the RFP will assert the County's right to accept all or a portion of the recommended consultant's proposal. The consultant's fee will be funded in part by a General Fund allocation included in the Fiscal Year 2005-06 Recommended Proposed Budget and from the Municipal Services Agency and Airport Enterprise Fund.

The financial impact of any cost savings resulting from changes implemented as a result of this review will not be known until those changes are brought back to, and approved by, the Board.

Respectfully submitted,

APPROVED:

GEOFFREY B. DAVEY
Chief Financial/Operations Officer

TERRY SCHUTTEN
County Executive

REQUEST FOR CONCEPTUAL APPROVAL TO ISSUE A REQUEST FOR PROPOSAL FOR AN EXTERNAL REVIEW OF COUNTYWIDE OVERHEAD AND ADMINISTRATIVE SUPPORT SERVICES

SCOPE OF WORK

The scope of work is proposed as follows:

- Examination of Information Technology (IT), Human Resources (HR), and overall administrative services and their costs (including but not limited to agency administration, departmental administrative services, finance and budget)
- Review will include services currently delivered by countywide, agency and department organizations
- Nature and cost of services and how costs are shared
- Consideration of level of expertise required, economies of scale, external requirements (legal, financial, system control, etc.)
- Consideration of the unique business needs of each of the County's agencies and departments
- Comparisons of how support services are delivered/paid for with other similar size and types of organizations (benchmarks, best practices) and recommendations on what parts of the organization should be delivering the services, comparing like businesses to like businesses
- Customer satisfaction survey, taking into consideration whether or not a high level of service, presumably at a relatively higher cost, is justified, or if the ultimate customers (the taxpayers and ratepayers) needs are being served, again comparing like businesses to like businesses
- Consideration of more than what is good for an individual department or agency, but also what is good for the entire County, keeping in mind financial realities and funding sources, as well as the business needs of individual agencies and departments
- Focus will also be a matter of education and communication with organizations both providing and receiving services, and with the Board

It is desirable to involve the use of independent outside consultants for this work to bring independence, credibility and best-practices expertise to the effort. It is envisioned that three separate RFPs will be issued (or one RFP with three separate responses) corresponding with the IT, HR and general administrative overhead focus areas of the recommended overhead review. County may decide to hire more than one consulting firm, or allow the use of sub-consultants, to allow the flexibility to select multiple firms depending on their expertise. IT, HR and general administrative overhead functions are all different from each other, and the County staff involved in these processes are different, so we may decide to address each focus area separately for best results.

PHASE I – DATA GATHERING

Phase I will be a two-part effort, with county staff assembling data in the first part, and the second part bringing the consultants into the effort. County data gathering would not replace consultants' due diligence efforts and whatever interviews they deem necessary with staff, but would be a preliminary effort that will be delivered to the consultants for their review, with the consultants' role being more of a best practices comparison of our administrative systems rather than an intensive examination of the existing systems.

County staff would be able to begin this effort while the RFP process is ongoing, decreasing the project start-to-finish timeline, and hopefully minimizing consultant costs. County staff may also be able to identify and implement obvious improvements almost immediately even before consultant reports.

Data gathering will focus on the following:

1. Identification of what services are provided as countywide services, what services are provided by agencies to their member departments and what services are provided by departments for themselves
2. The costs of these services
3. How the costs for these services are spread to benefiting entities
4. What parts of the county organization receive each service and at what level
5. Documentation of processes used to deliver services
6. Documentation of the reason(s) that services are currently centralized or de-centralized under our existing structure, in the opinion of the organization providing the service

Data gathering will include the following County organizations:

The organizations that provide countywide (centralized) services, and receive a share of countywide overhead reimbursement or other allocation support paid by departments receiving services, including:

- OCIT
- Internal Services Agency Departments, including:
 - Employment Records & Training
 - Finance
 - Employment Services & Risk Management
(excluding General Services)
- County Executive Cabinet (agency administration)

(Revenue Recovery, County Counsel, Clerk of the Board and Labor Relations will also be excluded)

One example of a countywide function to include in this review that is paid by benefiting departments through an allocation process, not through County overhead, is liability and workers' comp insurance costs.

AND,

The organizations that provide services to their own agency or department, including:

- Municipal Services Agency, and its departments/divisions
- Countywide Services Agency, and its departments/divisions

- Department of Airports
- Department of Economic Development
- Probation Department
- Assessor
- District Attorney
- Sheriff

For example, in the Municipal Services Agency, various levels and types of IT support are provided by OCIT, the Agency's Management Information Services Division and individual departments.

PHASE II – BENCHMARKING/BEST-PRACTICES

This phase would have the consultants gathering information about how support services are delivered/paid for by other similar size organizations (benchmarks, best practices), and comparing these to how the County operates. As there are few similar sized county organizations that deliver all of the types of services this County delivers, consultants may need to gather information from different businesses, such as sanitation districts, water districts and solid waste providers. Consultants will need to identify in advance to County for review those entities suggested for comparison as the first step in this Phase II work.

A secondary task would be to measure customer satisfaction (quality survey-how well services are provided). The consultants will need to take into consideration whether or not a high level of service (at a relatively higher cost) is justified, or if the ultimate customers (the taxpayers and ratepayers) needs are being served, and taking into consideration agency and department unique business needs.

PHASE III – CONSULTANT RECOMMENDATIONS

Consultants to identify and make recommendations regarding:

- overlap/duplication within the organization and whether it is necessary for unique business reasons
- who is best qualified to perform these services
- are there economies of scale that can be obtained by centralization of certain services, is de-centralization a more effective use of resources, or is there an appropriate hybrid combination
- are there legal/audit reasons for centralization of functions
- are there system integrity control reasons for centralization of functions (i.e., COMPASS security)
- should costs be shared in a different manner
- should staff be reassigned to accommodate centralization/decentralization
- comparison of how support services are delivered/paid for with other similar size organizations (benchmarks/best practices) with how the County is currently doing business
- take into consideration, when analyzing customer satisfaction surveys, whether or not a high level of service (at a relatively high cost) is justified simply because it serves the County's internal customers' desires, or if the ultimate customers (the taxpayers and ratepayers) needs are being served

PHASE IV – IMPLEMENTATION

County team to review consultants' recommendations and decide on which to implement and when, and then County team to present consultants' report(s) and the team's recommendations and implementation plan to Board of Supervisors for approval.

COUNTY OVERSIGHT/KEY PARTICIPANTS

Oversight of this project will be provided by the following County staff, who will designate key participants from their respective staffs for various roles in the process:

- Geoff Davey, Chief Financial and Operations Officer
- Mark Norris, Administrator, Internal Services Agency
- Cheryl Creson, Administrator, Municipal Services Agency
- Penelope Clark, Administrator, Countywide Services Agency
- Pat Groff, Chief Information Officer, Office of Communications & Information Technology
- G. Hardy Acree, Director, Department of Airports
- Paul Hahn, Director, Department of Economic Development
- Verne Speirs, Chief Probation Officer, Probation Department
- Kenneth Stieger, Assessor
- Jan Scully, District Attorney
- Lou Blanas, Sheriff

FUNDING

Proposing consultant costs funding source as a General Fund appropriation (included in recommended Proposed Budget for 2005-06) for General Fund departments, with MSA paying directly for its non-General Fund share consultant costs through MSA overhead allocation and Department of Airports paying for its share as an enterprise fund. Consultant agreement(s) will need to break out Tasks within each Scope of Work along funding lines and bill in that manner.

TIMELINE

If authorization is obtained from the Board of Supervisors to develop a RFP for this project, a preliminary timeline is being proposed that will allow the Board to make decisions about implementation of any recommended changes before the Proposed Budget for Fiscal Year 2006-07 is developed. This timeline will include County staff performing data gathering work, development and issuance of RFP, award of contract(s) as approved by the Board, all phases of consultant work, development of staff recommendations based on consultant product and presentation of the consultant report and staff recommendations to the Board with an implementation plan.

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ADMINISTRATIVE SUPPORT SERVICES**

PRELIMINARY TIMELINE

Date	Activity
May 10, 2005	Board conceptual approval to develop Request For Proposal (RFP)
May-August	Phase I data gathering by County staff
May 11-May 20	Development of RFP
May 24	Board approval to issue RFP (with RFP attached)
May 25	Issue RFP
July 6	Deadline for consultants to submit proposals
August 3	Proposals reviewed/consultants interviewed by County team
August 23	Board approval of consultant(s) selection recommendation and contract(s) awarded
August 29	Contract(s) in place and
August 29-October 7	Consultant(s) Phase I work (data gathering)
October 10- November 18	Consultant(s) Phase II work (benchmarking/best practices)
November 21- December 16	Consultant Phase III work (develop recommendations)
December 19-January 27	Phase IV County team review of consultant(s) product and development of County recommendations and implementation plan
February 14	Board presentation of consultant(s) report/recommendations and CEO recommendations and implementation plan
March 2006	Implementation of Board-approved recommendation for Fiscal Year 2006-07 Proposed Budget