



# Cuyahoga County, Ohio

## Great Ideas for a Great County

November 3, 2010

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# Introduction

The campaign is now over, and it is now time to govern. With the new County Executive and County Council elected and soon to take office, how can they transform government in Cuyahoga County to make it more effective, efficient, affordable, and accountable?

Great Ideas for a Great County provides numerous specific recommendations for the new officials to consider. The recommendations are gathered in this report to highlight best practices from highly-performing counties around the country, to give emphasis to the most transformative ideas from the inclusive public-private work groups organized by the volunteer Transition Executive Committee, and to provide an example of how Cuyahoga County can meet the specific financial goals set as part of the Charter transformation process.

Great Ideas for a Great County does not just include ideas – it also aims to provide practical guidance on the financial impact and viability of each proposal. While not every desirable change in governance will increase county revenues or decrease county expenditures, Great Ideas for a Great County identifies \$200 million in potential positive budget adjustments over the next five years. Initiative descriptions also include a discussion of the desired outcome, how to measure it, the timeline for implementation, and potential benefits and obstacles.

Great Ideas for a Great County was prepared by Public Financial Management (PFM), a national consultancy of former local and state government budget directors, finance directors, and other officials who focus on public sector budget and operational reform. PFM has worked with Nassau County, New York; the County and City of Philadelphia, Pennsylvania; the City of Pittsburgh, Pennsylvania; the City of New Orleans, Louisiana; the Detroit Public Schools; and numerous other governments across the country facing challenges like those confronting Cuyahoga County. PFM's work with these governments encompasses multi-year budget planning, departmental efficiencies, workforce analysis, and best practices comparisons.

PFM was retained by the Transition Executive Committee to provide research, analytic, and technical support to some of the work groups. PFM was also asked to integrate national best practices and its experience with similar governments around the country with work group efforts to produce key transformational recommendations for county government. The result is Great Ideas for a Great County.

## **Great Ideas for a Great County: An Overview**

The same six principal themes and objectives that were detailed in the preamble to the new Charter were the starting point for Great Ideas for a Great County:

- Effective and accountable leadership;
- Economic growth and job creation;
- Competitiveness;
- Collaboration and regionalism;
- Equity; and
- Streamlined government.

The report offers a series of detailed proposals designed to address these themes – from increasing competitiveness by establishing a County Productivity Bank to streamlining government by reducing management span of control to increasing equity by reforming elements of the criminal justice system.

The recommendations detailed in Great Ideas for a Great County could produce a \$200 million “reform dividend” for Cuyahoga County over the next five years that could both help close looming budget gaps and provide the resources needed to invest in new jobs and other economic development. Just as

important, the report outlines a series of ideas that will enable county government to better provide essential social services to its residents and increase both public safety and justice.

Great Ideas for a Great County also speaks to the fundamental need to change the way that county government works – how it can better deliver quality services to its residents. Many ideas are cross cutting and go to fixing inefficient information technology and procurement systems, making back-office services more effective, improving personnel and human capital management, and focusing on planning and performance measurement to drive accountability. These cross cutting initiatives will lead to a more efficient and effective county government in social service, public works, criminal justice, economic development, and every other function that county leaders are charged with carrying out. The bottom line is that a great county must have a great county government.

### **Organization**

Great Ideas for a Great County is organized into eight sections corresponding to the organization of some of the Transition Executive Committee work groups, with a variety of recommended initiatives in each area. At the end of the document is a table summarizing the estimated annual savings for each of the suggested initiatives.

### **Costing**

The five-year financial impact is estimated for each applicable initiative in this report. These estimates are generally based on Fiscal Year 2010 budget data provided by the County's Office of Budget and Management, and other information obtained from various departments countywide. Given the capability of the County's financial system and the decentralization of much financial information, the estimates included in this report are necessarily approximate – they are intended to give a good general sense of the magnitude of the fiscal impact that can reasonably be expected to result from the recommended actions.

Identified impacts are classified into three major categories:

- New costs associated with the implementation of the initiative;
- Reduction of existing expenditures; and
- Enhancement of collected revenues.

Some recommended actions will have a one-time effect, while others will have a recurring impact. Recurring costs, savings, or revenue enhancements are included in the calculation of the fiscal impact for each year in which they occur. For example, eliminating \$100,000 in recurring contract costs over the five-year period would result in a total five-year financial impact of \$500,000.

In calculating the financial impact that the recommended actions will have in future years, this report assumes flat baseline growth – i.e. if no action is taken by the County, there will be no growth or decline in any revenues or expenditures over the five-year period. Though the vast majority of revenue and expenditure items will typically grow each year, this assumption is made for simplicity, conservatism, and to allow comparison across different initiatives. Readers should understand that each year's fiscal impact is likely to be slightly larger than represented here, based on the rate of growth expected in the relevant revenue or expenditure items. Initiatives with significant changes in personnel are likely to have even more positive variation given historical patterns of wage and benefit growth in the County's public sector.

A summary of the total fiscal impact of all initiatives can be found in the Appendix.

### **Acknowledgments**

The starting point for Great Ideas for a Great County was the high-quality and far-ranging work completed by the 13 work groups of the Transition Executive Committee. While work group members may not agree with PFM's suggested approach in each case, their perspective is present throughout the document, and

their contribution was invaluable. PFM recommends that officials of the new government carefully review the work group reports in conjunction with this document. The County's Office of Budget and Management and the senior staff of multiple county departments spent hours sharing their knowledge of the intricacies of county administration and finance; PFM is grateful for their generous gift of time and expertise. Finally, the members of the Transition Executive Committee and the staff who supported them were instrumental in making this process happen, and PFM appreciates their support and guidance.

### **Conclusion**

Cuyahoga County has had a once-in-a-generation opportunity to plan for the success of its new government. Public sector managers and employees, community leaders, business executives, and volunteers have come together to determine generally and specifically how their new government can transform old paradigms, and to make recommendations to the newly-elected officials. They have articulated their hope that the new structure will encourage accountable, effective government by planning for success and measuring results; bring a bottom-line focus to government; prioritize service excellence; advance equity; value regional coordination; and fund strategic priorities in economic development. Great Ideas for a Great County provides the building blocks for achieving these aspirations.

## Finance and Administration

<b>FA01.</b>	<b>Enhance Multi-year Financial Planning</b>	
	<b>Target outcome:</b>	Producing a multiyear financial forecast to facilitate planning, communication, and decision-making for use of county resources
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	The new Charter prescribes a multi-year budget process; this initiative provides additional background and detail on how it may be a key tool for transformation

### Overview

A critical element in transforming Cuyahoga County's government will be the creation and regular public discussion of long-term county budget trends, and the use of that information to decide how to address policy priorities while balancing current and future annual budgets. This focus on long-term, recurring structural budget balance, and not just annual financial challenges, is a characteristic of high-performing governments. Some governments prepare a detailed multi-year forecast as a prelude to commencing the following year's budget, and long term financial planning is considered a "best practice" by the Government Finance Officers Association (GFOA). The GFOA states that:

*"Long-term financial planning is the process of aligning financial capacity with long-term service objectives. Financial planning uses forecasts to provide insight into future financial capacity so that strategies can be developed to achieve long-term sustainability in light of the government's service objectives and financial challenges."*<sup>1</sup>

This process is critical for Cuyahoga County because it makes transparent the process of identifying significant budget drivers, anticipating future budget gaps, and proposing options to fill those gaps.

The County's new Charter identifies a multiyear plan as one of the responsibilities of the new County Executive. Preparing a multiyear forecast for both operating and capital needs allows the government's leadership to see where the coming gaps are, engages the elected officials in making decisions that are sustainable in the long term, and provides a real context for all parties as the budget process moves forward. This allows decision-makers to avoid starting new programs or capital commitments that cannot be sustained in future years, to begin early planning for adjustments that may be required in the near future, and to generally improve the process of allocating scarce resources. The plan should be developed in the context of the County's adopted financial policies (see FA04).

It is important that a multiyear financial plan address capital needs as well as operating requirements. This component should address projects and expenditures required to maintain existing infrastructure and facilities, desired additions, facilities replacements, and any new facilities proposed by the County. These capital needs can then be reviewed in terms of timing, county priorities, operating impact, and the affordability in the context of available county resources, new debt, pay-as-you-go or other financing structures, and the County's debt policies.

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<sup>1</sup> "Long Term Financial Planning," Government Finance Officers Association, 2008, page 1.

While the County does perform a certain level of multi-year forecasting, it is generally included in the midyear budget review. The current forecasting process is not used as the foundation for multi-year planning and priority setting with elected officials and department heads, despite efforts of the Office of Budget and Management (OBM) to expand its scope. The County should incorporate a multi-year plan into the current forecasting process, and include the participation of and review with Council.

### **Financial Impact**

While this initiative does not have easily quantifiable financial impacts, the process of long-term planning is inherently positive for financial results. The GFOA specifically describes it “as a tool to prevent financial challenges.” Other governments have successfully used multi-year plans to anticipate out-year budget gaps and take earlier corrective action that can often be less painful than last-minute fixes.

### **Responsible Party/Others Affected**

The responsibility for implementing this initiative resides with OBM, which has the right personnel and is already responsible for those forecasting functions currently used by the County. Further, OBM should also seek the involvement of the operating departments to allow for department-level incorporation of expected trends, requirements, and changes in mandates or other funding sources.

### **Authority Required**

No further authority is required for carrying out this function.

### **Time Required**

The County should incorporate at least a basic document in the first budget process that is developed after the new governance structure is in place. This will then be an annual effort, and should be enhanced in the subsequent county budget processes.

### **Key Issues**

Generally, OBM will need to revise budget schedules in order to incorporate this more detailed and inclusive multi-year review. From a policy perspective, the new County Executive will need to communicate the purpose of this effort, at least in the first few years, and to ensure that it is presented and discussed and there is meaningful dialogue and direction that comes from the effort. OBM would also be responsible for follow-up monitoring to determine compliance with and success of these plans.

### **Opportunities for Innovation/Transformation**

This process allows the County to anticipate trends and take a longer-term look at the allocation of resources. In turn, this will help decision-making around spending and revenues to be more meaningful and the changes better executed. In an annual budget process, many governments can make short term budget decisions that may have negative long-term consequences, often without recognizing those impacts when under pressure to address immediate shortfalls. In contrast, the County will likely make better decisions and execute them more efficiently with more planning and resulting lead time. This process will also help the leadership of the County to avoid making commitments that are not sustainable.

<b>FA02.</b>	<b>Develop and Implement a Countywide Strategic Plan Using the Balanced Scorecard or Similar Approach</b>	
	<b>Target outcome:</b>	Improved accountability and transparency
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

Cuyahoga County provides critically important judicial, social, development and health and safety services to its citizens and communities. With a new Charter and a new government, a countywide strategic plan can provide short- and long-term policy direction and meaningful measures to determine progress toward achieving its goals and objectives. Properly conceived and executed, a strategic plan provides elected officials, department heads and citizens a clear focus and set of expectations for county government. It instills the discipline to focus myriad activities and processes into a manageable set of coherent goals that define the organization.

Currently, OBM manages and communicates the County's financial and strategic plans. Departments and agencies also have their own strategic plans and performance measures. This initiative would not preclude individual departmental strategic plans, and in fact recommends them for some areas. However, it suggests an over-arching county strategic plan that will coordinate any individual departmental plans.

A well designed strategic planning process engages all members of an organization to focus on self discovery and understanding; it challenges its leaders to identify and amplify its core competencies, develop a shared vision for its mission and the key methods for furthering that mission. This need is particularly evident in Cuyahoga County, given the new leadership and governance model that is still in its formative stages.

The essence of a strategic plan can be distilled into the answers to five key questions:<sup>2</sup>

- What is our mission?
- Who are our customers?
- What do our customers value?
- What are our results?
- What is our plan?

A strong strategic plan has the potential to create a structure that requires managers to think about how the work they do contributes to the County's goals and mission. Just as important, a well crafted strategic plan provides the tools to measure how well the organization is doing in meeting its objectives. It's often suggested that it is difficult to manage what you cannot measure. Performance measures that are truly measurable and reflect the key functions of an organization provide a foundation for performance budgeting and management (see FA03).

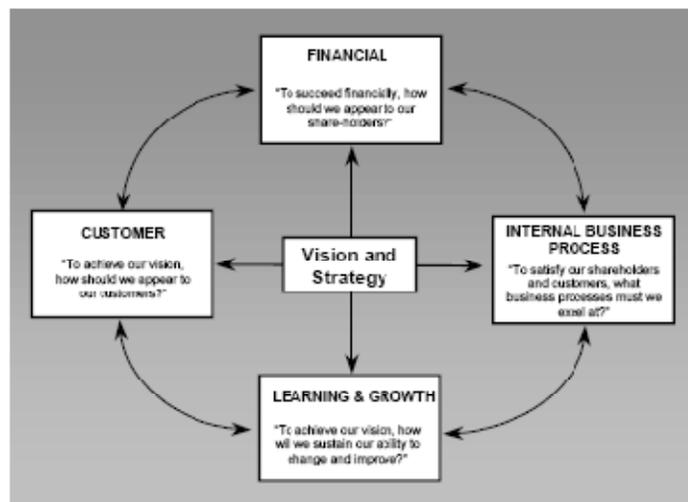
One useful tool for integrating the processes of strategic planning and performance management is the "balanced scorecard". Originally applied to private industry, the balanced scorecard begins with an observation that financial measurements alone are often lagging indicators – they "tell the story of past events" and do not assist in guiding the creation of future value through investments in employees, technology and innovation or enhanced relationships

<sup>2</sup> Peter F. Drucker, "The Drucker Foundation Self-Assessment Tool," 1999, p.4

with customers and suppliers. To drive future performance requires a focus on these “leading indicators” as well. The balanced scorecard approach involved strategic non-financial performance measures in addition to traditional financial measures to give managers a more “balanced” view of organizational performance. In developing a strategy and the measures that assess performance, the private sector balanced scorecard focuses on assessing performance in four key areas:

- Financial – the strategy for growth, profitability, and risk viewed from the perspective of the shareholder;
- Customer – the strategy for creating value and differentiation from the perspective of the customer;
- Internal Business Processes – the strategic priorities for processes that create customer and shareholder satisfaction; and
- Learning and Growth – the priorities that create a climate that supports organization change, innovation, and growth.

The following diagram demonstrates how the original private-sector balanced scorecard model focuses strategy and measures around all aspects of an organization and its key areas of performance:

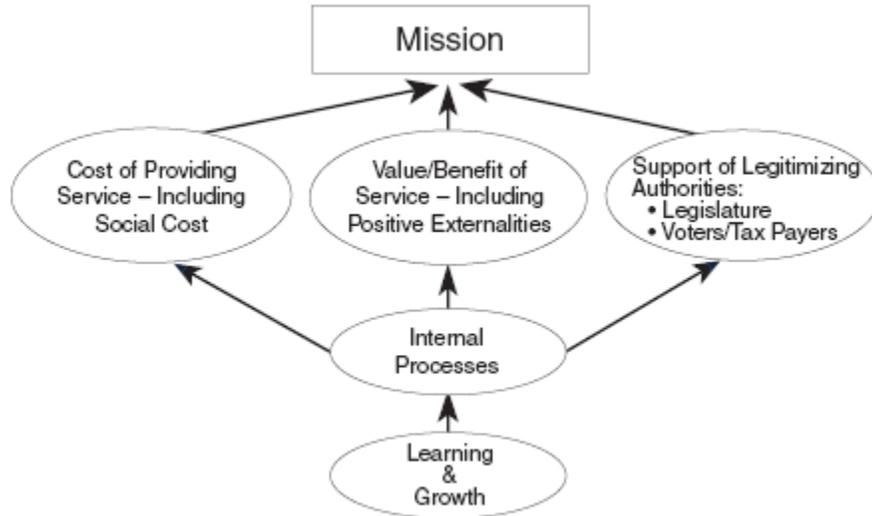


This process has been adopted by many corporations, with many positive outcomes. It has also been adopted and adapted to meet the unique needs of the public sector.<sup>3</sup> In the public sector model, the financial and customer measures are combined to provide a framework in which a government agency has three high level areas of concentration:

- Cost of providing service (including social costs);
- Value or benefit of service (including positive externalities); and
- Support of legitimizing authorities.

The diagram below demonstrates this public-sector adaptation of the balanced scorecard model.

<sup>3</sup> Robert S. Kaplan, “The Balanced Scorecard for Public-Sector Organizations, Harvard Business School Publishing, 1999, p.4.



One of the advantages of a balanced scorecard approach is its flexibility. As an early subject of public sector balanced scorecard efforts, the City of Charlotte, North Carolina chose to modify the balanced scorecard to reflect what it perceived to be the key perspectives to consider in strategic planning. Other large counties have chosen to maintain closer alignment with the private sector model; these include Fairfax County, Virginia; Mecklenburg County, North Carolina; and King County, Washington.<sup>4</sup>

For Cuyahoga County, the integration of a countywide strategic plan and the balanced scorecard will encourage a close relationship between the development of strategic priorities and goals, and identifying the appropriate measures to track progress toward the achievement of those goals.

### **Financial Impact**

While there is no direct financial impact from adopting a balanced scorecard as part of a strategic planning process, its widespread use in both the private and public sector has been tied to its success in improving overall outcomes. At its core, the balanced scorecard relies on a cause-effect hypothesis:<sup>5</sup>

1. Knowledge and skills of employees are the foundation of all innovations, improvements and efficiencies;
2. Skilled, empowered employees will improve the ways that they work;
3. Improved work processes will lead to increased customer satisfaction; and
4. Increased customer satisfaction will lead to better financial results.

While this is primarily a private sector value chain, it is likely that improved work processes will also result in better financial results in the public sector – as well as increased customer/citizen satisfaction with their county government.

<sup>4</sup> While not a definitive list, other large- and medium-sized counties that have used or are using the balanced scorecard include Sarasota and Miami-Dade (Florida); Hennepin (Minnesota); and San Diego, Orange and Santa Clara (California).

<sup>5</sup> Paul Arveson, "A Balanced Scorecard for City and County Services," The Balanced Scorecard Institute, 2003, p.10

### **Expected Outcome/Performance Metrics**

The development of a balanced scorecard and publishing and analyzing results are critical components of this initiative.

### **Responsible Party/Others Affected**

Currently, OBM is responsible for developing and communicating the strategic plan; the equivalent agency often has this assignment in other governments as well. It is possible to have a cabinet-level official who is primarily responsible for performance. Even when this is the case, each department and agency should be responsible for identifying key performance indicators, collecting, validating and analyzing the results and making modifications to programs and processes where necessary to better achieve the expected results.

### **Authority Required**

The County already has the necessary authority to undertake this effort.

### **Time Required**

A balanced scorecard approach can be implemented in three to six months.

### **Key Issues**

There is a need for county staff to understand the balanced scorecard approach and the types of key performance indicators that will be measured. It is important for there to be strong executive buy-in and support for the initiative, both in the development stage and in the collecting, analyzing and reporting of the balanced scorecard performance measures. The initial implementation is therefore likely to be enhanced by using outside resources familiar with the process.

### **Opportunities for Innovation/Transformation**

A balanced scorecard facilitates opportunities for additional innovation and transformation, as long as the County recognizes that it is an on-going activity – the performance measures contained within a balanced scorecard do not by themselves lead to improved results or positive outcomes. As Peter Drucker has noted, "Planning is frequently misunderstood as making future decisions, but decisions exist only in the present. You must have overarching goals that add up to a vision for the future, but the immediate question is not what to do tomorrow. The question is, what must we do today to achieve results. Planning is not an event. It is the continuous process of strengthening what works and abandoning what does not, of making risk-taking decisions with the greatest knowledge of their potential effect, of setting objectives, appraising performance and results through systematic feedback, and making ongoing adjustments as conditions change."

<b>FA03.</b>	<b>Implement CountyStat and Cuyahoga 311 to Facilitate Performance Management</b>	
	<b>Target outcome:</b>	Establish a formal performance measurement and management program supported by data from a countywide one call center
	<b>Five year financial impact:</b>	Five-year cost of approximately \$12.4 million; substantial savings expected, but not immediately quantifiable
	<b>Work Group Recommendation?</b>	Not a specific Work Group recommendation

### Overview

As discussed in the previous initiative (FA02), strategic planning is important in defining the vision and priorities of the County. A strong performance management system is critical to the successful implementation of any strategic plan.

Performance management involves the systematic collection of data and the application of this data to inform decision making and move an organization toward one or more strategic objectives. Performance management is widely accepted as a government best practice. According to the International City/County Management Association (ICMA), when successfully applied, performance management is an important tool in guiding decision-making, improving results, and engaging citizens.<sup>6</sup>

Cuyahoga County government already collects a significant amount of data related to government performance. However, it currently lacks a process for regularly using that data to manage performance.

Local governments across the nation have adopted “PerformanceStat” models, where county executives, mayors, and department heads regularly use performance data to drive organization change, improvement and efficiency. While performance measurement is hardly new – its history in local government dates back to as early as the turn of the last century – technology has made timely and accurate data more available in the last twenty years. The current “PerformanceStat” revolution started with the New York Police Department’s (NYPD) development of CompStat in 1990. The NYPD used regular, data-driven meetings to identify crime problems, develop strategies to reduce crime and hold precinct commanders accountable for results. Under then-Mayor Martin O’Malley, Baltimore became one of the first cities to employ a similar approach to all government agencies through CitiStat. Other cities and counties, as well as state governments, have adopted similar efforts.

Stephen Goldsmith, former Mayor of Indianapolis and now Deputy Mayor of the City of New York, has identified a series of strategies decisions critical to the success of PerformanceStat efforts in improving performance:

- Strong executive leadership of the process;
- A focus on measuring value, not just activities;
- Involving the public; and
- Making sure to measure the right things.

Professor Robert Behn of Harvard’s Kennedy School of Government offers somewhat more practical advice. Stat meetings must have a clear purpose, one person who regularly runs the meetings, an analytical staff to support the process and engage in relentless follow up.

<sup>6</sup> ICMA, “Performance Management: When Results Matter,” <http://icma.org/en/Page/107>.

Regular monitoring of performance allows for continuous improvement of service and the identification and remediation of inefficiencies in government. It is a critical tool for holding department heads and employees accountable. And, to the extent that performance data is regularly made public, it also allows for effective legislative oversight and enables the public to hold the elected Executive accountable.

A CountyStat process does not require implementation of a one call center or countywide 311 system, but this often provides an important source of data for performance measurement and acts as a catalyst for the overall initiative. The 311 structure was initially a response to the high volume of non-emergency calls received by local emergency 911 call centers. In 1996, President Clinton called for the establishment of 311; within a year the federal government approved the use of 311 for this purpose and Baltimore implemented the beginnings of the first system. In 1998, Chicago became the first city to use 311 for non-police and non-emergency services.

311 systems are designed to provide a single point of entry to local government for individuals seeking non-emergency information or services from their local government. With 311, residents and businesses no longer have to play "blue pages roulette" – where they are forced to guess the right phone number to address their question or problem. Instead, 311 allows businesses and residents to call a single, easy to remember telephone number where a centralized staff of call center employees can either provide the information requested or take the information needed to request a city service. Centralized call center staff can directly provide that information to the responsible department or departments of city government to act on.

The effectiveness of a 311 system is dependent on the daily performance of operating departments. While 311 can function as the front door to local government, it does not actually fill potholes, inspect housing or collect garbage. Software supporting most 311 systems, however, allows local governments to measure the timeliness of municipal response to citizen based 311 calls.

In the best run systems, calls to 311 can be used to document and diagnose problems at the community or citywide level. Data about service requests, information requests and local government response can be incorporated into performance measurement and management systems like CountyStat.

311 systems are typically run by local government and are specific to a single city or single county. There are currently no regional or statewide 311 systems in the United States. Localities that implement 311 develop their own processes for responding to calls, their own standard procedures and their own qualification and training requirements for individuals who staff the call or contact centers.

In Cuyahoga County, a First Deputy County Executive or Chief Operating Officer (COO) should lead a monthly CountyStat process based on the CitiStat model. The process could either be staffed by OBM staff or with new, additional dedicated staff.

CountyStat would become a mechanism for identifying opportunities across county government for increasing efficiency and effectiveness. For example, regular assessment of performance data would allow the COO and Chief Fiscal Officer (CFO) to more effectively monitor spending and assess opportunities for vacancy control and attrition. It would also point to areas where additional investment of county resources would be necessary.

In concert with the development of a CountyStat process, Cuyahoga County should also move toward implementation of a "one call center" for county government. A single call center would improve customer service to county residents who would no longer need to go through dozens of telephone numbers in the Blue Pages to identify the right portal for connecting with their government. It would allow for the consolidation of numerous points of contact within county

government, allowing for the staffing of the call center at no cost and creating the opportunity for savings. Also, creation of a countywide 311 system would provide a new source of centralized data within county government and that would help to drive the CountyStat process.

**Financial Impact**

The cost of implementation of CountyStat and Cuyahoga 311 will depend on how the County moves forward with the initiative. The County will need to assess whether new analytical staff will be needed to support CountyStat or whether existing staff in OBM can support the process. Similarly, cost of implementation of 311 will depend upon the degree to which the County can partner with the City of Cleveland, other municipalities and the United Way 211 system.

If the County were to move on its own in implementing 311, the costs could be significant. A recent study by the Pew Charitable Trust detailed a wide range of ongoing operational costs and start up cost for 311 systems. Philadelphia’s system had an annual operating budget of \$2.8 million and start up costs of \$4.0 million.

On the other hand, the potential benefits of successful implementation of 311 are great as well – through efficiencies and related savings.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	0	(4,000)	(2,800)	(2,800)	(2,800)	(12,400)
Total	0	(4,000)	(2,800)	(2,800)	(2,800)	(12,400)

**Expected Outcome/Performance Metrics**

CountyStat should produce quantifiable improvements in service and efficiency across county government. Cuyahoga 311’s effectiveness should be measured – in part – by customer satisfaction.

**Responsible Party/Others Affected**

Implementation of CountyStat should be a priority for the First Deputy County Executive or Chief Operating Officer. Deployment of a one call center should be considered as part of a new Office of Public Engagement and/or the existing County Ombudsman’s office. In the case of Cuyahoga County, it may be possible to partner with the City of Cleveland (which is working toward implementation of 311) and the local United Way (which has a regional 211 system that provides information and referral for social services). Ideally, a countywide 311 system would allow residents to connect to both county government and their local government through one number.

**Authority Required**

The County Executive has the authority to create a CountyStat system. There may be state regulatory issues related to using the 311 number countywide.

**Time Required**

The County should move toward a CountyStat process during the first half of 2011 and develop a plan for implementation of Cuyahoga 311 during the same time period.

### **Key Issues**

It will be critical to have strong executive sponsorship for both of these initiatives. All department heads need to understand that these efforts are high priorities of the county government. The County Executive will need to move quickly to develop a plan of action on both.

### **Opportunities for Innovation/Transformation**

The combination of CountyStat and countywide 311 have the potential to change the way that county government performs and how the residents of Cuyahoga County view their government. It can be an ongoing tool of innovation, collaboration and streamlined government.

<b>FA04.</b>	<b>Review and Update Existing Financial Policies</b>	
	<b>Target outcome:</b>	Ensure that financial policies are appropriate for the economic environment and financial situation
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Partially a recommendation of the Investments & Finance subcommittee of the Finance & Administration Work Group

### Overview

Another characteristic of high performing governments is a set of clear financial policies, publicly discussed and agreed to, that set standards for investments, borrowing, budget performance and other areas to help guide management of financial affairs. These policies can be used to guide financial decisions of the County; both in the short and long term.

The County has a set of financial policies related to certain financial areas that are included in the budget document. Examples of these policies include the following:

#### *Financial and budgetary policies*

- Current appropriations in all funds are limited to the sum of available (unencumbered) cash balances and revenues estimated to be received in the current budget period.
- Enterprise funds are expected to derive 50 percent of their revenue from charges and user fees.
- Sufficient user charges and fees shall be pursued and levied to support the full cost (operating, direct, indirect and capital) of operations. Market rates and charges levied by other public and private organizations for similar services should be considered when establishing tax rates, fees and charges.

#### *Debt management policies*

- The County will adhere to the direct and indirect debt limitations of the State of Ohio.
- Reserves of a minimum of 20 percent shall be maintained to obtain favorable bond ratings to obtain the lowest interest rates on borrowings.

#### *Capital improvement policies*

- The County Commissioners will balance the need for both maintenance of capital assets and provision of direct services to citizens.
- The County will maintain capital funding at existing levels, will avoid deferring maintenance to cut costs, and will not neglect the County's capital inventory.

#### *Investment management policies*

- The County portfolio shall be managed to accomplish the following hierarchy of objectives: 1. Preservation of principal; 2. Maintenance of liquidity; and 3. Maximization of return.

The Investment & Finance subcommittee of the Finance & Administration Work Group recommended that the County continue the internal investment committee, proposing a new membership in light of the change in status of many members under the Charter. The subcommittee also suggested changes to the investment policy.

This initiative expands beyond that subcommittee's charge to suggest policies for budget, cash management and other aspects of county finance. In addition, most of the County's financial policies have not been adopted by the governing body; nor is there a consistent process for communicating these policies, explaining why they are appropriate, and seeking buy-in. One of the GFOA "best practices" recommendations is that key financial policies related to financial planning, revenues, and expenditures be formally adopted by the governing body (in this case the new Council). Further, it is recommended that the adopted financial policies be used to frame major policy initiatives.

Some more procedural financial policies do not need to be adopted by the legislative body. However, policies in key areas should receive buy-in from the Council, and should also clearly be endorsed by the Executive, not just senior staff. Under this initiative, the CFO of the new government would review and identify those financial policies of the County that should be adopted by the Council, as well as those that are more internal and operational in nature. Those policies to be adopted by Council would be presented, explained and discussed prior to adoption. After adoption, decisions made by the County that impact the financial status should be measured against the policies. Additionally, there should be regular reporting on compliance with the policies, and a periodic review of the policies to ensure that they are still appropriate.

At a minimum, policies to be adopted by the governing body should include:

- Fund balance levels;
- Debt leverage;
- Present value targets for debt refunding;
- Structural balance;
- Use of one-time funds;
- Minimum financial reporting requirements; and
- Making commitments with an impact on future years.

### **Financial Impact**

Although there is no up-front quantifiable impact, thoughtful financial policies, carefully implemented, are believed by many jurisdictions to have a positive financial benefit.

### **Expected Outcome/Performance Metrics**

Generally, the County should measure key financial decisions against how such a decision will impact the County's compliance with the adopted policies. Certain recurring indicators should be provided in annual budget planning documents.

### **Responsible Party/Others Affected**

Most of the financial policies will be directly related to the work of one of the agencies under the Fiscal Officer, who should be responsible for aggregating data and reporting.

### **Authority Required**

The new County Executive will be able to develop such policies, but adopted policies will require Council approval.

### **Time Required**

The County should complete this effort within six months.

### **Key Issues**

It will be important for the County to determine which policies will remain administrative and which should be brought for approval. Additionally, since this will be a new process and likely with a number of new persons involved in the county government, it will be important for the County to be able to explain why they are important, and why the various recommended levels are appropriate.

### **Opportunities for Innovation/Transformation**

The County can use this process to establish a core set of financial values that will govern how it operates in the future. Especially in the current difficult economic environment, the policies can be important (in conjunction with the planning described in earlier initiatives) to improve management and allocate scarce resources.

<b>FA05.</b>	<b>Achieve Strategic Structural Realignment</b>	
	<b>Target outcome:</b>	Streamlined administrative support under the appointed Fiscal Officer
	<b>Five year financial impact:</b>	Savings of \$8.4 million
	<b>Work Group Recommendation?</b>	Work Group recommendation and Charter requirement

### Overview

The new Charter calls for the appointment of a Fiscal Officer to perform the functions currently performed by the Auditor and the Recorder, both of which are elected officials. The non-judicial responsibilities of the elected Clerk of Courts will also be assumed by the Fiscal Officer at the inception of the new form of government. These elected officials currently have a number of completely separate “back office” support functions and may perform other duties that will be duplicative and unnecessary in the new structure. It is important that the County take a careful overall look at all of the support functions that have been embedded in these separate offices to capture the savings that may be realized in the realignment of these functions.

Potential administrative functions that may currently exist in each of these separate elected offices include procurement, personnel, information technology (IT), and clerical support services. Consolidation and structural realignment of these “back office” functions will allow the County to realize staff savings and administrative efficiencies.

In addition to the potential cost savings for this initiative, benefits also include:

- Similar functions in different departments having consistent levels of performance;
- Staff reporting to experts in their fields;
- Enhanced opportunities for advancement for staff with special skills; and
- The ability to better manage seasonal changes in the level of work by assigning staff who have down time to work on other projects.

The Finance & Administration Work Group also recommended several specific related actions, including combining transfer and recording of deeds, rightsizing weights and measures staff, and benchmarking staffing levels in accounting that should be part of this effort.

### Financial Impact

In Fiscal Year (FY) 2010, the offices of the Auditor, the Recorder, and the Clerk of Courts, included a total of 314 employees. Assuming that 30 percent of the Clerk of Courts staff resources could be attributed to non-judicial functions, the total staff in these offices with finance-related responsibilities is 212 employees. Under the existing structure, these offices maintained separate administrative functions. The consolidation of these offices under an appointed Fiscal Officer will allow for staff savings as administrative functions can now be combined. Additionally, performance audits of some of these functions have recommended, even without consolidation of offices, a number of opportunities for savings due to overstaffing. While the substantial reorganization of these functions is complex, and all savings will not be immediately realized, the County should have a goal of achieving savings of 10-20 percent over three years. If the County could obtain a 15 percent net reduction in staffing in these offices, it would realize approximately \$2.1 million in recurring savings.

These totals do not include potential savings from integrating the functions of the current Treasurer into the new Fiscal Officer group. While the new Charter anticipates an appointed

Treasurer, that officer and related personnel could also report to the Fiscal Officer, creating the possibility for additional savings not estimated here.

It is assumed that 25 percent of these savings will be realized in FY2011, 75 percent will be realized in FY2012, and 100 percent of savings will be realized by FY2013.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring savings	528	1,583	2,111	2,111	2,111	8,445
Total	528	1,583	2,111	2,111	2,111	8,445

**Expected Outcome/Performance Metrics**

One of the primary outcomes of this review will be identifying and achieving the potential savings and service improvements from the consolidated structure.

**Responsible Party/Others Affected**

The lead agencies for this effort are the Fiscal Officer, Human Resources and OBM. However, departments across the County and possibly external boards will also need to be involved as the functions are realigned.

**Authority Required**

The changes in the governance structure are incorporated in the new Charter; implementation of these changes is a key responsibility of the new County Executive.

**Time Required**

Savings will begin in 2011, but full implementation may take until 2013.

**Key Issues**

Given the number of offices and administrative functions involved, the County faces a number of obstacles to success, including the need to collect critical personnel, lease, and contract information that has been distributed across multiple agencies, and long-standing preferences for independent rather than centralized operations.

**Opportunities for Innovation/Transformation**

Consolidating management of a number of small administrative functions creates the opportunity to take advantage of efficiencies. Administrative, policy and physical consolidation can create a leaner, more efficient and less expensive financial group with stronger performance.

<b>FA06.</b>	<b>Enhance Fee, Tax and License Payment Processes</b>	
	<b>Target outcome:</b>	In consolidating offices with revenue collection responsibilities, the County should enhance fee, license and other payment processes for residents and businesses
	<b>Five year financial impact:</b>	Approximately \$9.3 million in additional revenue
	<b>Work Group Recommendation?</b>	Similar to Work Group recommendation

### Overview

The County is consolidating a number of former offices and functions that collect revenues, or have an impact on the collection of revenues. These areas include the Auditor's Office (property valuation, hotel motel tax, dog, cigarette and other licenses, estate taxes, weights and measures) and the County Recorder's Offices (UCC and other recording and filing fees). Revenues are also affected by the actions of the County Board of Revision (BOR), which addresses contested property valuations, and other county departments, such as the Office of the Treasurer, which collects property taxes, and the court system, which collects fines, fees and other revenues. All of these areas either collect revenues or directly affect the collection of revenues. The transition process should be viewed as an opportunity to achieve several goals related to collection of county revenues. They include:

- Streamline the organization of the collection processes to achieve efficiencies in the payment. This item is closely aligned with recommendation FA05 above.
- Seek all opportunities to improve collection rates for each of the impacted revenues, including processes for collecting delinquent accounts.
- Find opportunities to address and improve the operations and effectiveness of other related areas that impact revenue collections; including the appraisal process and the BOR process. Problems in the execution of both functions have the potential to substantially impact the revenue collections of the County, as well as other taxing jurisdictions.
- Increase transparency and restore public confidence in these functions.
- Seek improvements to processes to achieve a customer friendly approach to the citizens and businesses served by such functions.

These revenue-related functions were reviewed by several sub-committees of the Finance & Administration Work Group, and have also been the subject of recent performance audits by the State Auditor and internal agencies. There are a substantial number of individual recommendations for changes in the processes, efficiency improvements, systems changes, and other related issues. Some of the recommendations are organizational and process changes that can be implemented in the near term. Others include large scale recommendations such as changes in the County's financial systems, and seeking changes in State statutes that impact the collection of revenues. Recommendations also include competition or privatization of certain functions, and closing or consolidation of multiple locations.

The combined recommendations offer substantial and excellent opportunities for the County to both improve collections and collections efficiencies. The County's challenge will be to manage this body of changes:

- Each impacted area needs to catalogue, review, and develop a work plan for implementing each of the recommendations. This process should include identifying a

timeline, costing the implementation, and determine savings and/ or expected revenue enhancements. As a part of this process, the County should also identify any recommendations that it does not intend to pursue and justify such decisions. The County should recognize that some recommendations are likely to be best achieved in a combined manner; that is, it may be more efficient to implement several as a group.

- The County should assign responsibilities for implementation, and should also track progress against the timeline, as recommended by the Transition Executive Committee’s interim report.
- As a part of the review and implementation process, the County should also consider that other jurisdictions collect some of the same revenues; efficiencies must be achieved for all jurisdictions through a combined collection effort as well as making the process more customer-friendly. The most likely entity to spearhead the collections should be the one that is most efficient in the collections, which may be the County, or may be another entity.
- The County should develop a few simple dashboard type performance reports to measure key collections and process ratios to both inform and track progress toward goals.
- The County will need to make both initial and on-going investments to improve collections.

The Records & Licenses Work Group made recommendations including physically combining the recording and transfer of deeds and using Clerk of Court satellite offices to enhance service and make payment easier, which should be part of this process.

**Financial Impact**

The potential impact on the County is improved and simplified customer services, and enhanced collection rates. Improving the collection of property taxes by just half of a percent can generate an additional \$1.7 million in revenue for the County. It is estimated that improving the collection process for licenses, permits, fees, and fines could result in at least a two percent increase in these revenue items. This would yield an additional \$1.5 million annually for the County. This analysis assumes that only 50 percent of this additional revenue would be realized in the first year due to the time that would be required to implement the process changes. Further, additional revenue received from improving property tax collection is assumed to decline each year as improved collection rates in each year would result in less delinquent property taxes to be collected in the subsequent years.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
Potential revenue	1,606	2,366	1,943	1,689	1,689	9,292
Total	1,606	2,366	1,943	1,689	1,689	9,292

**Expected Outcome/Performance Metrics**

The expected outcome of this initiative is improved customer service and an increase in collection rates for various sources of county revenue.

**Responsible Party/Others Affected**

This effort will be led by the Fiscal Officer and Treasurer, who will be responsible for the revenue collection functions of the County.

### **Authority Required**

No new authorization required.

### **Time Required**

While the new offices are created by the new County Charter, the merging and realignment of functions will not happen automatically. The County should have a goal of full integration and restructuring within the first year of the new governance.

### **Key Issues**

Key issues include the mechanical, operational and technological shifts necessary to realign and simplify revenue collection processes.

### **Opportunities for Innovation/Transformation**

The County has a great opportunity to simplify and streamline how it provides these services, and to look for opportunities to eliminate duplicative processes.

<b>FA07.</b>	<b>Actively Manage County Fee Structure</b>	
	<b>Target outcome:</b>	Periodic review of fees compared to cost, and planning around fee adjustments
	<b>Five year financial impact:</b>	Savings of \$1.1 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

The County received \$59.9 million in fee revenue in FY2009, and expects another \$61.8 million in FY2010.<sup>7</sup> Especially in the current economic climate, it is important for the County to pursue a fee structure that allows fee-based programs be to as close to self-supporting as possible. For these purposes, “self-supporting” means revenues are sufficient to support direct operating costs, indirect support costs, and capital costs related to each program. The County should regularly review its fees and the extent to which they cover the fully allocated costs of the respective fee-based services. To the extent that the costs of service exceed the revenue received from the fees, the County should develop a plan to adjust fees appropriately. As a part of the budget process, or at some other regular interval, the new County Council should be made aware of the any fee-based services that are not self-supporting. In certain cases, the County may wish to make a policy decision to not collect the full cost of the fee.

The County has control over the rate charged for some services, but in other cases charges are prescribed or capped by the State. Examples of fees that are locally controlled include:

- Coroner’s fees;
- Child placement fees charged by the juvenile court; and
- Filing fees charged by the Board of Revision

Examples of fees that are set or capped by state law include:

- Treasurer’s fees on inheritance tax duplicates and cigarette licenses revenue collected (Ohio Revised Code §321.27);
- Various filing and recording fees charged by the County Recorder (ORC §317.32); and
- Various fees charged by the County Auditor (ORC §319.54)

The rates that are controlled by the County will be more readily adjusted than those that are prescribed by the State. Regardless, the County should strategically plan the best approach for adjusting any fee that does not cover the costs of the fee-based service, which may involve approaching the Governor and state legislature for changes, perhaps in concert with other jurisdictions. This initiative requires the participation of OBM and any department responsible for generating fee revenue.

Achieving a fee structure that recovers the fully allocated costs of fee-based services to the extent possible will result in increased fee revenue for the County. Also, aligning the costs of fee-based services with the fee revenues will serve to remove any financial burden from these services that is currently being borne by general revenues.

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<sup>7</sup> This excludes fee revenue in internal service and enterprise funds as well as indirect revenue in the general fund.

### **Financial Impact**

While the County has over \$60 million in budgeted fee revenue, the majority of the fees and charges for service that generate this revenue are not controlled directly by the County. A number of the County's fees are set or capped by the State or other entities. In 2009, approximately 30 percent of fee revenue was generated from locally-controlled sources. Also, for some fees and increase or adjustment to cost of service may not be immediately feasible. Through an assessment of the current fee structure, the County should be able to realize an increase of at least two percent on the 20 percent of the total 2010 budgeted fee revenue assumed to be locally controlled and subject to rapid independent adjustment. This analysis assumes that only 50 percent of the additional revenue will be realized in the first year, as it will take some time to perform the assessment of the County's fee structure. On a longer term basis, the County has the potential to achieve higher revenues with changes in State-controlled fees, but that will require making this a legislative priority.

#### **Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Potential revenue	124	247	247	247	247	1,113
Total	124	247	247	247	247	1,113

### **Expected Outcome/Performance Metrics**

The expected outcome of this initiative is increased fee revenue for the County.

### **Responsible Party/Others Affected**

This initiative is likely to be led by OBM, but support and assistance will be required from the departments that are responsible for the fee-based services, as well as the newly created Fiscal Officer, or designee.

### **Authority Required**

Some legislative changes may be required to realize the full savings potential of this recommendation.

### **Time Required**

This will be an ongoing process, but it will likely take some time after the transition to the Charter government for the County to be in a position to focus on this sort of long-term revenue planning.

### **Key Issues**

This recommendation relies upon and complements the recommendation that the County implement a long-term financial planning process (see FA01). Forecasting will be necessary to anticipate future fee revenue needs and to be able to develop a strategy to achieve the appropriate fee structure.

In addition to long-term planning, intergovernmental relations will also be very important as some legislative changes may need to be lobbied with the State in order for the County to achieve revision of fees that need to be adjusted.

The County may wish to adopt a fee policy, modeled on those that other jurisdictions have adopted, setting out when it will and will not attempt to capture full cost of service.

**Opportunities for Innovation/Transformation**

Achieving better alignment of fee revenues with the cost of fee-based services will reduce the burden on the General Fund of supporting fee-based services. This should result in greater equity for the County's taxpayers.

<b>FA08.</b>	<b>Enhance Grants Management Policies and Processes</b>	
	<b>Target outcome:</b>	Improved leveraging of grants funding and management efficiencies
	<b>Five year financial impact:</b>	\$3.8 million in additional grant revenue and reduced burden on general revenues
	<b>Work Group Recommendation?</b>	Grants issues were raised in several Work Group reports; however, the creation of a grants management office was not a Work Group recommendation

### Overview

Grant funding is an important resource for the funding of programs in the County in many areas, particularly in the Justice and Health & Human Services Departments. Currently, the County's grant process is primarily decentralized. As a result, in seeking grants, departments do not always coordinate their efforts, may not involve other departments that could help win an award, may pursue grants that require the County to contribute substantial in-kind or ongoing funding, and may not apply for grants in high priority areas due to of a lack of grant development resources or coordinated planning. Additionally, a decentralized process can preclude facilitation of multi-departmental grant initiatives, which may provide a more effective overall outcome for the County.

At the end of the grant cycle, when funding support ends, the County should have a defined process for determining when the County will continue to support a previously grant-funded effort through levy dollars. A number of existing county programs that are funded through levy dollars began as fully funded grants. This may or may not be the best use of county dollars, but there should be a deliberative process in place to make the determination about what services will continue once the grant funding ends.

To address these issues, the County should implement a centralized approach to grant management. Given the need for oversight and interdepartmental coordination, performance measurement, short- and long-term impact on General Fund expenditures, a preferred location for this function is OBM. It could also reside elsewhere within the newly-centralized financial functions of the County. The responsibilities of the grants management function should include:

- Researching and identifying grant opportunities and determining whether they should be pursued;
- Coordinating grant applications and submissions;
- Internal coordination among departments (streamlining, eliminate duplication of effort, leverage cross-silo resources);
- Overseeing grant compliance and audits;
- Management of process and policies; and
- Tracking grant life-cycles.

In 2010, the National Association of Counties (NACO) recognized the importance and value of a centralized grant administration function. DuPage County, a suburban Illinois government with a population of 932,000, received NACO's Achievement Award for developing a centralizing system to facilitate countywide grant management. The County's Grants Portal Online Resource, provides assistance to county staff in seeking grants, has links to upcoming grant opportunities, and serves as a "one-stop shop" for grants activity. Cities and states are also moving to this type of approach in grants management.

Cuyahoga County should consider a two-stage process for consolidating its grants management activities. The first step should be reorganizing the grants management functions throughout the county departments into a centralized grants management office. The second step should be implementing an online grants resource system.

### **Financial Impact**

There may be substantial negative financial consequences to the County, or any government, of the failure to effectively manage grants. They could include:

- Duplication of grants management functions in departments across the County, resulting in less efficient processes and additional staff time and related cost;
- Financial exposure to the County of failing to comply with grants terms, including recordkeeping, demonstrating matching funds, and other grants requirements;
- Uneven and inconsistent recordkeeping and reimbursement pursuit due to a lack of policies or oversight for agencies with grants;
- Failure to maximize the use of indirect cost recovery;
- Failure to seek all opportunities for grants that might be available and appropriate for the County and consistent with the County's priorities;
- Failure to recognize and address subsequent requirements on the County's finances due to reporting, operational or other commitments that extend beyond the term of the grants; and
- Utilizing scarce grant development resources to apply for grants that are not priorities while other departments may not have the resources to seek grant funding that falls within high priority areas.

For the most part, the financial impact resulting from this recommendation will be in the form of additional grant revenue. While this may not produce direct cost savings for the County, it will allow the County to offer new or expanded grant-funded services and potentially utilize grant monies on programs currently funded by general fund or other county resources.

Of particular concern for Cuyahoga County is program funding after grant expiration. During the transition process staff have identified a number of projects that are currently funded with Health and Human Services levy dollars that were previously fully grant funded. By transferring support to the Health and Human Services levy, it creates the perception that there is no continuing cost to the County even though the program continuation consumes revenue that could otherwise be directed to different, perhaps higher priority programs. A key role of the grants management office will be to identify these instances and provide robust data for policy choices on program continuation and create an incentive for grant funded programs to document improved outcomes.

Total grant funding in 2009 was approximately \$85.0 million. The savings estimate below conservatively assumes that a grants management office will generate a benefit equal to one percent of current grant funding annually by finding new grants, winning more existing grant applications, and controlling General Fund or tax levy assumption of expiring grants. The cost of establishing a small grants management office is assumed to be negligible given the consolidation of currently-distributed grant identification, application, and oversight activities. It is assumed that the full fiscal impact of this initiative will not be realized until 2012 due to required start-up time.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Potential revenue	425	850	850	850	850	3,825
Total	425	850	850	850	850	3,825

**Expected Outcome/Performance Metrics**

There are several outcomes that are expected from this initiative. The most measurable outcomes may include more efficient use of existing grants management staff and broadening the use of grants within the County, both on a total basis and on a comparative basis (versus similar governments). In many cases, new or improved grants will result in service improvements to county residents and businesses.

**Responsible Party/Others Affected**

The implementation process should be led by OBM. However, the changes will need to be coordinated with the new fiscal officer cluster (especially accounting) and on user departments (especially Justice Services and HHS).

**Authority Required**

Under the new County Charter, this is an organizational decision within the power of the newly elected County Executive.

**Time Required**

The County should allow at least six to twelve months for structuring and realignment of the new grants management functions; including the development of policies, procedures, and other departmental guidance. The second phase of this effort, implementation of a grants management system, should begin development after the entity is functional and has a reasonable understanding of the information to be tracked and made available to the departments. Defining needs, reviewing existing system options, and selecting and implementing such a system may require an additional year in total.

**Key Issues**

Some of the key issues in such an effort will be the reluctance of departments to cede responsibility to a centralized function; departmental concerns regarding technical specialty (which may be addressed by a structure that requires some departmental participation in the application and oversight process with the ultimate oversight and management occurring in a central grant management unit) and lack of formalized agreements. The process and structure maybe best implemented through a Memorandum of Understanding (MOU) between individual departments and the grant management unit to formalize the relationship and solidify ownership within a central grant management unit.

**Opportunities for Innovation/Transformation**

Key opportunities for transformation in this effort center on the County being able to leverage the consolidated function to provide transparency in the use of its grants, leverage the use of grants throughout the County, and, equally important, ensure the County targets its grant development resources to its priorities.

<b>FA09.</b>	<b>Clearly Delineate and Establish County Executive and Council Roles and Responsibilities</b>	
	<b>Target outcome:</b>	Ensure legislative and executive branch functions are consistent with Charter mandates in a way that provides for streamlined and effective government operation while enhancing transparency and accountability.
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Parallels some elements of Work Group recommendation; departs from others

### Overview

The new County Charter creates a strong executive government, with a separation of powers between administrative functions (the County Executive) and legislative functions (the County Council). This is a departure from the current Board of County Commissioners (BOCC), structure, where the three elected Commissioners served in both executive and legislative roles.

Article II of the Charter establishes a County Executive as the official responsible for daily operations of the County, with additional responsibilities that include developing the County's budget, capital improvement and financial plans for Council review and/or approval; making personnel decisions, with key appointments subject to Council approval; approving or vetoing Council ordinances; and, executing of county contracts, among others. Furthermore, the Charter consolidates several previously elected offices (e.g. County Treasurer, Auditor and Recorder) under the County Executive.

In contrast, Article III of the Charter establishes County Council as "the legislative authority and taxing authority of the County and a co-equal branch of the county government with the executive branch." County Council duties established in the Charter include, among others adopting the County's tax and operating budgets and capital improvement plan; establishing procedures for the making of contracts pursuant to competitive bidding; establishing procedures for employing experts and consultants; providing for the acquisition, construction and maintenance of county property; participating in intergovernmental initiatives (e.g. public improvement projects, shared services, etc.); and establishing a code of ethics.

With the realignment of offices and the separation of legislative and administrative duties, the new County Executive and Council will develop a working division of functional responsibilities that have previously been under the BOCC, most of which now fall under the authority of the County Executive. Staff will need to be realigned to ensure efficient provision of service and in light of new division of authority at executive and legislative level. For example, currently the Clerk of the Board performs certain procurement related responsibilities; splitting functions into two components that, in other governments, are normally housed in one office (a variety of information and recommendations have been provided to the Transition Advisory Group on these issues).

Ultimately, under the new Charter, the County Executive's role should be to perform the executive/administrative functions of the County. Council's role would be primarily focused on approving the allocation of county resources through the budget approval process and the development of policy and procedures. As policy is set and resources are allocated, the administration of those resources should be left to the executive branch of government as much as is practicable and/or permissible by the Charter and other governing law. The Council Planning Work Group of the Transition Executive Committee has acknowledged this in their recommendations, noting that:

*“The Charter envisions an Executive branch that is able to conduct the business of the County in an efficient and economical manner with Council serving in a budget approving and policy-making capacity. In general, once Council approves the budget and the budget is signed by the Executive, funds should be considered appropriated for use by the department for which the funds were budgeted. Furthermore, Council should be removed from day to day management, which is an executive function.”<sup>8</sup>*

As a large and complex county that seeks to streamline operations and establish clear accountability, it is recommended that the new government separate executive and legislative roles as clearly as possible, and move away from past reliance on overlapping and duplicative reviews and functions.

### **Financial Impact**

No direct financial impact can be quantified, but important indirect benefits from the pace and clarity of decision-making can be expected.

### **Expected Outcome/Performance Metrics**

Proper delineation between administrative and legislative branches of governments and their roles and responsibilities should lead to an efficient and streamlined realignment of former BOCC functions and county staff between executive and legislative branch of government. For specific staff and function realignments recommendations see recommendation FA10, below.

### **Responsible Party/Others Affected**

The County Executive will be responsible for effective realignment of staff. County Council will set policy and procedures to be carried out by County Council.

### **Authority Required**

No additional authority needed. The new Executive and Council have been assigned this responsibility in the Charter.

### **Time Required**

This process begins with inauguration of County Executive and County Council. Process of realigning staff and function across government branches should happen in first 3 months.

### **Key Issues**

The separation of roles is critical to the function of the new government. While the role of the County Executive is familiar, the County Council has a new, vital place as the policy review and oversight body for the County. The Council can help delineate this boundary and put operational responsibility and accountability properly with the Executive in its initial work to organize and approve Executive actions as directed by the Charter.

### **Opportunities for Innovation/Transformation**

The County can move to greater transparency and accountability by establishing the Executive as the policy proposer and executor, and the Council as the oversight and review body in the new structure.

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<sup>8</sup> County Council Planning Work Group Recommendations, Council's Role in Approving Contracts, Attachment 2: Executive Summary of Recommendation

<b>FA10.</b>	<b>Enact Realignment of Legislative Approvals and Procurement Processes</b>	
	<b>Target outcome:</b>	Alignment of approval processes and administrative responsibilities consistent with new Charter
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Parallels some elements of Work Group recommendation; departs from others

### Overview

Currently the BOCC oversees the approval of most county contracts, delegating little authority to senior county administrators or other officials. Furthermore, separate elected officials have independent contracting authority. In addition, the Clerk of the Board performs procurement-related responsibilities of the County. This structure dates to a period when all procurement responsibilities were in the Clerk's Office; subsequently the County shifted some but not all of those responsibilities to a procurement office. Currently, procurement responsibilities that are typically housed in a single procurement office under most other governments are split between two offices.

As detailed in initiative FA09 above, the Charter creates separate administrative and legislative bodies to replace the BOCC. In addition to the broad division of labor described in FA09, the Charter provides an opportunity to streamline the specific area of procurement approval and execution, moving the day-to-day management of the County Executive with policy direction and oversight provided by the County Council.

In 2009, the BOCC approved almost 1,000 contracts and agreements, as well as other amendments; over half of those required actions at multiple BOCC meetings. Furthermore, these contracts excluded those of elected offices, which will come under the control of the County Executive per the Charter.<sup>9</sup> Currently, some contracts may be placed on the BOCC agenda up to three times, including approval to send out a Request for Proposals (RFP) or bid-even if funds were budgeted, another time for award, and a notice that the contract has been approved. Additionally, employee travel and other administrative items have also been subject to BOCC approval.

To mitigate the concern about Council time directed to multiple approvals, the Council Planning Work Group of the Transition Executive Committee envisions the following approval process: "In short, the Executive is given authority to enter into contracts up to \$50,000, a Board of Control is established to approve contracts over \$50,000 and full Council approval would be required for contracts over \$250,000." While an improvement from the status quo, the suggested process adds another layer of bureaucracy, the Control Board. In addition, based on last year's numbers, Council would still be providing action on approximately 200 contracts (likely more with elimination of elected officials' offices).

On the other hand, many other cities and counties – especially larger strong executive governments with hundreds of large contracts each year – have assigned the authority and responsibility for contracting to the executive branch. In the arrangement, the legislative body takes responsibility for oversight and audit of contracting rather than pre-approval:

- The County and City of San Francisco requires approval of contracts over \$20,000 by the Civil Service Commission, appointed by the Mayor.

<sup>9</sup> County Council Planning Work Group Recommendations, Council's Role in Approving Contracts, Attachment 2: Executive Summary of Recommendation

- Allegheny County, Pennsylvania grants authority to the County Executive to “negotiate, award and sign...on behalf of the County, all contracts, agreements or other instruments...” with the exception of certain transfers of property.<sup>10</sup>
- The City and County of Philadelphia requires Council approval only for multi-year contracts (because they will have an impact on fiscal years for which no budget has yet been approved). The City of Los Angeles has a similar structure.
- In New York City (made up of five counties) Council plays no formal role in the award of city contracts.<sup>11</sup>

In this structure, approval and ongoing oversight of the budget is Council's tool for managing the procurement process. This frees administrators to spend time selecting the best vendors and managing project implementation, rather than revisiting spending decisions already authorized during the budget process. It frees Council to spend more time considering the overall direction of county government rather than consuming the limited hours of a part-time body on largely routine approvals.

In recommending a large degree of latitude for the County Executive with a strong budget and oversight role by Council, this initiative is aligned with the need for the County to streamline its approval processes, including shifting administrative responsibilities to the new County Executive and eliminating multiple approvals for most items. Multiple layers of legislative approval slow down the smooth operation of the government and create an unnecessary drag on operating departments, while blurring accountability in a way that does not add material additional protection to the careful use of government funds.

It is important to note that checks and balances are still need and present. Even under a broad grant of contracting authority, County Council will have direction of and access to the Audit Committee and Internal Audit Committee to exercise oversight and ensure compliance with the policies and procedures it sets. Furthermore, transparency of the purchasing process can and should be established in the new government with contract posting and electronic information status systems accessible to the Council and the public for review.

### **Financial Impact**

Streamlining administrative staff for front end procurement processes and eliminating or reducing amount of necessary legislative body approvals of purchases is anticipated to reduce paperwork and staff time associated with contracting and procurement of goods and services. While this change is likely to mean that fewer staff are required after full implementation, specific savings have not been attributed to this initiative.

### **Expected Outcome/Performance Metrics**

Administrative costs can be measured in dollars per contract or service acquired or processed.

### **Responsible Party/Others Affected**

This transition should be primarily the responsibility of the new County Executive, with policy and procedures development provided by Council, and with close coordination with the Clerk's office. The realignment will change the routing/responsibilities/paper flow of the procurement responsibilities throughout the County. All county offices will be affected.

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<sup>10</sup> Home Rule Charter of Allegheny County, Article V, Section 2(i).

<sup>11</sup> Though the Council is involved in leases, disposition of property, and the City has a quasi-legislative review process for the award of concessions and franchises.

**Authority Required**

No additional authority needed.

**Time Required**

This allocation of roles should be an early focus of discussion between the County Executive and County Council.

**Key Issues**

While the balance of roles and authority between the Executive and Council (described above) are paramount, this change will also require technical restructuring of the procurement process, including document flow, level of activities to be within the purview of the operating departments, and responsibilities of quality control and adherence to prescribed procurement processes. Like the new form of government, the changes in approvals will be both new and different. The County's goal should be to strike an appropriate balance between control and the ability to operate effectively.

**Opportunities for Innovation/Transformation**

The County has opportunity to institute efficiencies and increase transparency and accountability through appropriate division of duties between the Council and Executive.

<b>FA11.</b>	<b>Establish Organization of Budget and Other Financial Functions Within the New County Government Structure</b>	
	<b>Target outcome:</b>	Clarify the role and organizational location of the budget function
	<b>Five year financial impact:</b>	NA
	<b>Work Group Recommendation?</b>	Similar to a Work Group recommendation

### Overview

The new County Charter has a substantial impact on the financial functions within the county government. It eliminates a number of elected offices that related to different financial functions, including the Auditor, Recorder, and Treasurer, and a portion of the Clerk of Courts. The new Charter includes several appointed positions to address the fiscal management of the County. These include the County Fiscal Officer and the County Treasurer - appointed by the County Executive and confirmed by the Council- and the Director of Internal Audit, who reports to the Audit Committee. The Charter assigns the County Executive the responsibility for budget functions but does not specifically address the budget office.

To address this last issue, the Budgeting subcommittee of the Finance and Administration Work Group recommended the following:

- The budget function be formally established (retained) as this office is essential to the County Executive's ability to complete their statutory obligations;
- Office of Budget and Management (OBM) be renamed Financial Planning and Analysis (FPA) to be more consistent with its role;
- FPA report directly to the Fiscal Officer ; and
- The performance management function be included in the FPA function.

As a part of the review and research process for the Work Group, the practices and organization of the financial functions of a number of high-performing public sector jurisdictions were reviewed. That research revealed that:

*“Budget is one function that is not the responsibility of an elected finance office in any of the 14 counties surveyed. Budget is a separate organization in 11 of 14 counties. However, it is difficult to identify how the structures are impacted by the responsibilities of other elected finance functions. In a number of counties, accounting or investments are part of an elected official's duties. These are two functions more likely to be in a combined finance function, when one exists. In the four counties where there are no elected financial officials that may impact finance organization structures, three of the four budget offices and other finance functions report to the same deputy, or similar position, as opposed to directly reporting to the county executive. The structures in the cities are quite different; seven of nine cities have budget as a part of an overall finance function.”*

The subcommittee had substantial discussion and debate on this issue, and considered advantages and disadvantages of the ultimate recommendation. A consolidated financial structure is a common structure in a number of governments where those governments have options (not Charter prescribed) as to the organizational structure of the government. However, there are other structures that have worked well elsewhere. The unique issue for Cuyahoga County is the requirement for the Fiscal Officer to also be a Certified Public Accountant (CPA), and to have public sector experience. For combined financial functions, it is not uncommon for

the chief financial officer to come from either the budget function, or the treasury function. Neither area is likely to be headed by a CPA, as CPAs have other qualifications and skills that are also important to the organization. The automatic choice of the fiscal officer as chief financial officer does preclude other financial skill sets for that position. The County could also consider an option that the CFO - type position come from any one of these areas, with the other two reporting to that individual. That approach achieves the subcommittee's goal of a consolidated financial function but does not limit the field to one area. Additionally, the County has the option of having a CFO that is not any one of these three finance offices that are delineated in the new Charter.

**Financial Impact**

N/A

**Expected Outcome/Performance Metrics**

N/A

**Responsible Party/Others Affected**

The existing Office of Budget & Management and other county financial functions would be affected. The CFO and/or Fiscal Officer should be responsible for making a recommendation on this issue to the County Executive.

**Authority Required**

None; the Charter provides sufficient authority.

**Time Required**

The critical nature of the budget and performance management functions dictate that this issue be resolved early in the new administration

**Key Issues**

Regardless of where the budget and performance function is located, it is dramatically enhanced under the new government structure, and in the various initiatives in this document. Existing staff will need to acquire new skills and may need to be augmented to perform the many oversight, measurement and implementation roles assigned. Because of the level of change, the administrative location of the office should be reviewed prior to the next Charter revision.

**Opportunities for Innovation/Transformation**

This approach will give the County more information about performance and more opportunities to determine whether outcomes match plans. Given the new Charter's focus on transparency and accountability, this success of this agency will be fundamental to the overall success of the new government structure.

<b>FA12.</b>	<b>Strengthen Process Controls in the Board of Revision</b>	
	<b>Target outcome:</b>	Establishing and implementing various processes to enhance control and accountability in the review of valuation complaints by the Board of Revision
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Similar to Work Group recommendation

### Overview

The Cuyahoga County Board of Revision (BOR) is a quasi-judicial body responsible for hearing and deciding on complaints about the assessment of real property in the County. The activities of the BOR have recently come under heavy scrutiny in light of allegations of malfeasance. This situation emphasizes the need for greater control and accountability in the process of reviewing and deciding on property assessment complaints.

As with other Ohio counties, the processes used by the BOR to review property assessment complaints are, in large part, prescribed by State statute. Ohio Revised Code (Sections 5715 and 5717) outlines the required processes of property valuation appeals in the State. The BOR also has its own defined Rules of Procedure, adding more specificity to the guidelines laid out by ORC.

Despite these established guidelines, decisions on assessment complaints were found to be altered after being officially ruled on by the Board. A review committee also found a number of other material weaknesses in the operations of the BOR, including complaints awaiting resolution for over 90 days, informal or “off-the-record” decision-making on complaints, and the common use of correction fluid on official documents. In response to these findings, the review committee recommended a lengthy list of changes to improve the BOR processes. These included:

- Establishing and enforcing policies and procedures to ensure compliance with State mandates;
- Creating user-friendly documents and web resources for clearer communication with constituents;
- Establishing and enforcing various policies and procedures to create greater control and accountability in the review process; and
- Enacting hiring policies and operating processes that allow the BOR to be adequately staffed to complete reviews of complaints in a timely fashion.

The County should implement these recommendations to improve performance and increase accountability within the BOR and reduce (and hopefully eliminate) future abuses of process. These changes should also be intended to restore public confidence in the BOR processes.

As evidenced by the current situation, the existence of mandated State requirements is not enough to avoid the occurrence of fraud and abuse. The County should perform regular periodic reviews of the BOR processes to ensure that all established processes and policies are being followed by BOR employees. This responsibility would likely fall under the purview of the proposed Office of the Inspector General (See JS10) or the new Internal Audit function. Ensuring that established rules are being followed and that violators are being held accountable will serve to discourage similar abuses in the future.

Additionally, as a number of the weaknesses identified in the review of the BOR pertained to the organization's failure to meet response time requirements, the County should also develop a simple "dashboard" report that should be sent to the administration and council monthly. This report should note volumes of items pending and processed, actual response times, and the level of compliance (or lack thereof) with mandated response times. This exercise will not only serve to allow for better management of workloads and performance, but will also increase transparency and help to restore public confidence in the BOR.

### **Financial Impact**

N/A

### **Expected Outcome/Performance Metrics**

If implemented correctly, the expected outcome of this recommendation is fewer instances of misconduct in the BOR. Future reviews should reveal far less, if any, material weaknesses in the BOR's practices. Additionally, the County will resolve property tax complaints in a more expedient manner.

### **Responsible Party/Others Affected**

This recommendation will primarily impact the Board of Revision, but also has the potential to involve the proposed Office of the Inspector General (See JS10).

### **Authority Required**

No further authority is required for carrying out this function.

### **Time Required**

The adoption of various control policies can take place immediately.

### **Key Issues**

The two key issues highlighted in this recommendation are 1) the need to institutionalize policies and processes that discourage abuse and misconduct, and 2) the need to establish periodic reviews to ensure that these policies and processes are being followed.

### **Opportunities for Innovation/Transformation**

The transformative potential of this recommendation rests in the possibility to increase control and reduce misconduct, thus helping to restore public trust as the County transitions to the new form of government.

<b>FA13.</b>	<b>Establish a Productivity Bank</b>	
	<b>Target outcome:</b>	Achieve cost savings, revenue gains, and service improvements through strategic investment in innovation, accountability, and entrepreneurship
	<b>Five year financial impact:</b>	Savings of \$363,000 after start-up costs
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

A Productivity Bank is an internal revolving loan program that allows departments to make otherwise unaffordable up front investments in return for longer-term cost savings, revenue gains and service improvements. A Productivity Bank can provide loans to county departments and agencies for individual or collaborative projects that normally would cause a spike in annual operating allocations. Examples might include:

- New more efficient fleet or other equipment to lower operating costs;
- More accurate or speedy equipment for license compliance;
- Staffing increases for business tax compliance; and
- Hardware and software upgrades to improve staffing deployment, equipment utilization or tax compliance.

Eligible projects would be defined as those that could not otherwise be funded from the County's capital budget or from a department's operating budget without jeopardizing normal service levels. Savings and revenues achieved through Bank projects would be reflected in adjusted operating budgets and loan repayments so that the Bank's lending capacity is not depleted and financial benefits can be redistributed to other programs or departments. Initial loan criteria should require that projects generate cost savings or additional revenues in an amount sufficient to repay the loan plus interest within five years. After several years a limited number of loans could be authorized for projects expected to generate substantial service improvements, even if financial benefits were not readily quantifiable.

Loan applications with detailed project proposals and repayment plans would be prepared by departments, with assistance from the Bank. An interdisciplinary Loan Committee, including senior county officials and private sector business leaders, would assess the business case for requested investments and approve or disapprove applications. Committee members could include the Director of Finance, Director of OBM, CIO, and the Director of HR (the latter due to the likely inclusion of technology or staffing issues in most submissions). At least one member of the Loan Committee should be a member of County Council or a designee of the President of County Council. The Council member (or designee) should be a non-voting member of the Committee. Proposed Productivity bank-funded projects in excess of a certain amount (perhaps \$250,000) might require County Council approval.

A useful example of Productivity Bank investment spurring innovation, savings, enhanced revenues, and improved service levels comes from the City and County of Philadelphia. The Mayor and City Council created the Productivity Bank in 1992 to promote a strategic approach to the way in which city government conducted its business. Using a capital base of \$20 million, the Bank proved to be a significant management tool in reforming the operations of the government, especially for technology upgrades. Moreover, these projects created long-lasting innovations that enhanced service benefits well beyond their significant financial impacts.

Examples of departments and agencies that have been loan recipients in Philadelphia include the City Law Department for an upgrade of its computer system, allowing improved delinquent tax collection; the City's information technology department for an automated tape system to perform daily disaster-recovery backup of mainframe computer systems; the Police Department for an on-line photo-imaging system to store criminal mug shots; portable truck scales to enforce heavy vehicle weight limits on county roads; a tracking system for Police officers on court overtime; and up front funding to the City's energy office for an energy-efficient light bulb replacement effort.

Cuyahoga County could establish a Productivity Bank initially capitalized with \$5 million (or another agreed upon number significant enough to support such a Bank) beginning in FY2011. During the first three to five years of the Bank, applications should be required to generate savings or revenue and a return on investment of at least 150 percent. The initial project investments made by the Bank should not exceed approximately 15-20 percent of the Bank's value (\$1.5 to \$2 million if a \$10 million Bank is established). After three to five successful years of Bank operation, applications for service level improvement projects may be submitted. Alternatively, the County might borrow short-term funds to initiate the Bank, and require a return on investment that also recaptured the loan repayment rate.

**Financial Impact**

The cost of implementation will be the sum of the initial investment in the Productivity Bank (amount available for loans) and the cost of a Director's salary and fringe benefits reporting to the Finance Director or Budget Director. Other staff, currently employed by the OBM or other departments as appropriate would assist the Director as needed.

While the Bank will create innovation, savings, and increased revenues, the amount of its financial impact is directly tied to the initial investment (i.e. what programs are funded and how many can be funded) and the level of return. As an example, over a seven-year period, the City of Philadelphia's Productivity Bank-supported projects generated over \$52.3 million in savings and new revenues from Bank loans of approximately \$22.7 million – of which \$16 million had been repaid and \$5 million more scheduled to be repaid.

The financial impact assumption below assumes a \$5.0 million capitalization of the bank from the operating budget over two years and the salary and benefits for a bank staffer, with savings rising toward an eventual 150 percent over seven years and a 7.5 percent annual return beginning in year two. Many other permutations are possible.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(2,590)	(2,590)	(90)	(90)	(90)	(5,450)
One-time and recurring savings	0	750	1,000	1,250	1,500	4,500
Investment return	0	188	375	375	375	1,313
Total	(2,590)	(1,653)	1,285	1,535	1,785	363

**Expected Outcome/Performance Metrics**

As noted above, it is expected that the Loan Committee would carefully assess the merits of a proposal prior to awarding funding, and monitor performance quarterly or more often. Additionally, savings and revenues from Bank initiatives are expected to total 150 percent of

investments over seven years, with an additional repayment of 7.5 percent annually. In many cases service improvements are also likely.

**Responsible Party/Others Affected**

The County Executive would be responsible for establishing the Productivity Bank and appointing its members, with the exception of at least one member of Council (or designee) chosen by the President of County Council.

**Authority Required**

The County Executive has the authority to create the Productivity Bank. Capitalization, whether from the operating budget or borrowing, will require the approval of County Council.

**Time Required**

The Productivity Bank can be initiated immediately, but capitalization may take several months. Savings, revenue enhancements, and service improvements will be created and evolve over a period of years.

**Key Issues**

Constant monitoring of metrics and open lines of communication will ease potential challenges for the Bank and departments.

**Opportunities for Innovation/Transformation**

In addition to achieving bottom line impact, the Productivity Bank can help to promote a strategic approach to the way in which county government conducts its business by encouraging innovation, accountability, and entrepreneurship. Also, the involvement of citizen members of the Bank provides an opportunity for civic engagement as anticipated by the new Charter.

<b>FA14.</b>	<b>Broaden County Revenue Structure</b>	
	<b>Target outcome:</b>	More stable and predictable county revenues
	<b>Five year financial impact:</b>	Not quantified, but could be substantial
	<b>Work Group Recommendation?</b>	No

### Overview

Throughout the country, local government revenue structures are under siege, and this situation is unlikely to change in the near future. The crash of the real estate market nationwide will continue to have serious implications for most major local governments, including Cuyahoga County. Property tax revenues, which have generally acted as a buffer in past recessions, are stagnating, and reductions in assessed valuations are a real concern for the future. At the same time, sales tax collections are not likely to rebound with the State of Ohio experiencing double digit unemployment rates.

According to a recent survey by the National Association of Counties, counties continue to experience revenue shortfalls, with only 36 percent of responding counties not anticipating a revenue shortfall in the current fiscal year. Revenues creating shortfalls include sales taxes, property taxes and reductions in state or federal funding. According to the most recent quarterly report on state and local government revenue by the Rockefeller Institute of Government, even with some rebound in the first half of 2010, revenues are still well below their pre-recession levels for all major tax categories.

Cuyahoga County is experiencing these same revenue difficulties. According to its 2010 Midyear Report, General Fund operating revenue (adjusted for an additional 0.25 percent sales tax in 2010) is \$20.6 million lower than the 2008 pre-recession levels.

While the national recession has impacted revenue collections in the short-term, there are longer term trends that are also troubling for many governments, including Cuyahoga County. It is notable that General Fund operating revenue for 2010, adjusted for inflation, is projected to be \$95.9 million lower than in 2001. Among the factors impacting this revenue stagnation are: the county's reliance on intergovernmental revenue, stagnating economic conditions within the County, and changes in demographics and consumption that impact on revenue performance.

Intergovernmental revenue (state and federal) is the County's largest source of all funds revenue, accounting for 38.9 percent of county revenue. These are impacted by spending decisions made by the state and federal government, formula-based allocations and other budget choices that are largely outside of the County's control. The State's budget problems have led to funding declines in many areas, and this set of circumstances is likely to continue for the foreseeable future. The federal government's own budget issues are also likely to impact Cuyahoga County. It is likely that coming federal budgets will provide less in discretionary spending as the White House and Congress attempt to reduce the size of the federal budget deficit.

There are key economic and demographic issues that are likely to negatively impact the County's two primary own-source tax revenues, property and sales and use taxes. For property taxes, assessed valuation declined by 6.0 percent for 2010, and the continued slump in the real estate industry is likely to continue to impact this collection, particularly when the County Council is required to update taxable real property values in 2012 to reflect current fair market values. Further, state changes in 2005 that eliminated the tangible personal property tax and

replaced it with a commercial property tax will result in more property tax dollars being shifted to debt service and away from general operations.

Nationally, sales and use taxes as a percentage of total income have been declining for over 50 years. There are several factors that have contributed to this decline, particularly legislated exemptions, changes in consumption and the rise of e-commerce. In Ohio, examples of legislated sales and use tax exemptions that reduce overall revenues are exemptions for manufacturing machinery and equipment, warehouse machinery, equipment and inventory and research and development machinery and equipment. More consumer-oriented exemptions include food for human consumption off the premises where sold, newspapers, magazine subscriptions and sales of computers and equipment to licensed K-12 teachers.

While legislated exemptions are often the single largest source of erosion in the sales and use tax base, other factors are becoming nearly as important. Chief among these are changes in consumption and the manner in which most sales and use tax statutes are written. In most states, including Ohio, tangible goods are subject to sales and use tax unless specifically exempted, but services are not taxed unless specifically listed. This is largely because most sales tax statutes were written during a time when services were a much smaller part of the economy.

Over the last 50 years, there has been a dramatic change in what we consume. In 1960, nearly two-thirds of personal consumption was of goods, which are generally subject to sales tax. Today, nearly two thirds of what we consume is services; which are often not subject to sales tax. In Ohio, some services are taxed – including landscaping and lawn care, private investigation and security, exterminating, employment, physical fitness facility, laundry and dry cleaning, personal care, storage and snow removal services. Among the services not subject to sales and use tax are professional, personal and insurance transactions.

Another key factor reducing sales and use tax collection is the increasing importance of e-commerce and other avenues for purchase of goods. Consumers are shifting their purchases to catalog, internet, and other e-commerce transactions, which have lower percentages of actual sales tax collection. Transactions involving the sale or purchase of taxable items conducted over the internet are subject to local sales and use tax law. However, the 1992 U.S. Supreme Court's ruling in *Quill vs. North Dakota* has made collection of the tax problematic. In *Quill*, the Court held that a state or local government may only require a mail-order catalogue company to collect and remit sales tax to the state in which the consumer resides if the company has an acceptable form of physical presence (nexus) in the state.

The best-known study on potential revenue loss from this decision was done by William Fox and Donald Bruce at the University of Tennessee Center for Business and Economic Research. The Fox-Bruce study estimated that the local government loss for Ohio in FY2008 would be in the range of \$112.8 to \$176.4 million. Based on the State of Ohio sales tax report for 2008, Cuyahoga County's share represented 15.24 percent of the local government total. Using the Fox-Bruce estimate, this would equate to an estimated loss of between \$17.2 million and \$26.9 million a year, based on 2008 collections.

Given these and other factors, local governments are increasingly looking to broaden their tax structures. This can include adding additional sources of own-source tax revenue (such as excise taxes, franchise taxes and fees, real estate transfer taxes and income-based taxes); in many instances, a broader focus and attention to non-tax revenue has proven effective. Non-tax revenue generally includes charges for services, licenses and permits, fines and forfeitures, investment earnings and other miscellaneous revenue.

Part of the appeal of charges for services and other non-tax revenue strategies is the ability for the County to make changes without state legislation. Within the area of charges for services, however, the County may not charge more than it costs to actually provide the service. In this case, it is generally prudent for the County to undertake a study to determine the actual cost of

providing service before seeking major changes in its charges for services. As explained in the recommendation dealing with conducting a fee study, there is a significant likelihood that the County is not charging the full cost for a variety of services, which may allow it to raise additional revenue.

Any changes to charges for services should be part of a broad-based strategy to maintain its revenue base, which includes:

- **Maintaining the core base of county revenues.** This may require assistance from the State, particularly to prevent further erosion to sales and use tax collections. The primary strategy in place around the country is to focus greater attention on ensuring that services, particularly consumer services, are subject to sales and use tax. Other strategies, which recognize the critical nature of intergovernmental revenue, would be to establish an integrated grants management and compliance system.
- **Improving collections processes.** While new revenue sources are helpful, it is equally important to collect – preferably on a timely basis – a high percentage of the revenue owed to the County under the current structure. There are three key strategies for accomplishing this:
  - **Compliance.** Two common key performance indicators for local governments are the percentage of the current property tax levy collected in the fiscal year and the total property tax collections (current and delinquent) as a percent of current levy. In general, local governments seek to be above 95 percent on the former and 99 percent on the latter. In the years where this information is available, Cuyahoga County has not consistently achieved these levels of performance. There are a variety of strategies, including public notices/advertisements of delinquent property owners, additional notices to property taxpayers and public awareness campaigns that have proven effective in other locales to boost overall compliance rates.
  - **Convenience.** In general, processes that provide multiple payment options and methods will improve overall collections. Currently, the only license or permit that may be obtained from the County from the home page of the Cuyahoga County website is to obtain a dog license. In other counties, a variety of licenses and permits can be obtained from the home page; Arlington, VA is an excellent example – from the home page, citizens can pay parking tickets, water/sewer bills, real property tax, pay and file business taxes, receive email reminders for bills, and sign up for automatic bank payments. Likewise, many local governments have improved collection rates by accepting credit cards for property tax and other tax payments.
  - **Collaboration.** When it comes to collecting taxes owed, government cooperation and collaboration can significantly increase collections. One extremely effective tool for collecting past due taxes are state and federal tax offset programs. The Federal tax offset program allows the Department of Treasury to offset federal tax refunds where a taxpayer owes past-due child support, nontax federal debt and delinquent state income tax debts. In calendar year 2008, the Department made offsets totaling about \$5.4 billion, including approximately \$390 million of state income tax debts. There are currently proposals in Congress to expand the offset program to add local government tax debt to the list of allowable offsets. The State of Ohio participates in the federal tax offset program, and any expansion of the offset program to local government should have a positive revenue effect for Cuyahoga County. Nineteen states also have their own state tax offset program, which allows the state to offset state tax refunds or other state payments for outstanding debt or payments owed to the state; seventeen of the state programs also extend the offset to taxes owed to local governments. Ohio does not have a state offset

program, and creating such a program would also have a positive effect on revenue for Cuyahoga County.

- **Developing a written policy on charges for services.** A formal policy is a statement providing guidelines for setting fees and charges for services and also identifies factors that the jurisdiction needs to consider when setting the price of goods and services, as well as the degree to which the cost of service is covered by the fees and charges. In addition, the fee policy provides a well-articulated rationale for adopting a cost recovery level of below 100 percent. Many jurisdictions infrequently update fees and user charges, allowing long periods of time to elapse between adjusting fees. This can heighten financial problems, as the cost of providing services increases while the revenue received for those services remains stagnant. In order to rectify this problem, the GFOA has suggested that “A formal policy regarding charges and fees should be adopted. The policy should identify what factors are to be taken into account when pricing goods and services...” These formal policies are called user fee policies. Creation of a user fee policy is considered a best practice for public budgeting according to the GFOA. Over the past decade, many cities and counties have begun to adopt user fee policies to keep fees competitive and assure that fees are set in accordance with the policy objectives of the jurisdiction. Jurisdictions with user fee policies include San Luis Obispo, CA, Henderson, NV, Martin County, Florida, Dallas, Texas, and Boulder, Colorado. Cuyahoga County has no formal policy on how and when to adjust user fees and charges. Lacking a countywide policy, individual departments are charged with maintaining their own fee schedule. A user fee policy will require decisions in five areas:
  - Level of cost recovery
  - Level of detail
  - The government body that will approve the policy
  - Time period of review and adjustment of fees
  - Comparability with other communities
- **Diversify the base of revenues.** While user fees are a useful strategy for diversification, there are others that should also be pursued. Among these are market-based revenue opportunities, which allow the County to use franchise fees, pour rights, signage and other agreements to provide additional revenues.

There is also a growing recognition that the current mix of local government revenues may be inhibiting economic growth (and, ultimately, revenue growth) because of its tendency to pit local governments against one another in competing for new businesses and industry. Under the current structure, where counties tend to rely on the sales tax, cities on the income tax and townships on the property tax, there is a tendency for these local governments to pursue certain types of businesses that fit with their revenue structure. In the long run, this can create a form of ruinous competition that is harmful to the broader region. The State should consider methods to allow – and foster – regional revenue sharing that could limit these practices and ultimately create a more diverse revenue structure for all local governments.

### **Financial Impact**

The financial impact from possible changes will, of course, be dependent on the choices made in each of the categories.

### **Opportunities for Innovation/Transformation**

The possible changes identified to the current revenue structure provide ample opportunity to improve the overall revenue structure and also foster greater collaboration within the region. In

particular changes to allow for revenue sharing among local governments can support regional strategies that have been identified as critical to the region's future growth.

# Health and Human Services

<b>HS01.</b>	<b>Effectuate Health and Human Services Structural Changes</b>	
	<b>Target outcome:</b>	More efficient administration of services; elimination or reduction of service silos
	<b>Five year financial impact:</b>	Savings of \$2.5 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation; similar to Work Group themes

**Overview**

Changing how Cuyahoga County's Health and Human Services (HHS) agencies are organized and interact has the potential to create savings while preserving or improving programs to help county residents.

This initiative identifies a number of recommended structural changes in Cuyahoga County's Health and Human Services to achieve these goals. Currently, the Health and Human Services departments include:

- Employment and Family Services;
- Senior and Adult Services;
- Children and Family Services;
- Child Support Enforcement; and the
- Family and Children First Council (FCFC).<sup>12</sup>

Other administrative units include:

- Office for Homeless Services;
- Office for Early Childhood (which operates Invest In Children); and the
- Office of Re-entry.<sup>13</sup>

There are also a number of smaller programs that have direct reporting arrangements to the Deputy County Administrator for Health & Human Services (DCA) and separate budgeting functions:

- Tapestry;<sup>14</sup>
- Fatherhood Initiative;
- Strong Start/Healthy Marriage;
- Ryan White Part A and B programs; and a
- Health Care Resources Initiative.

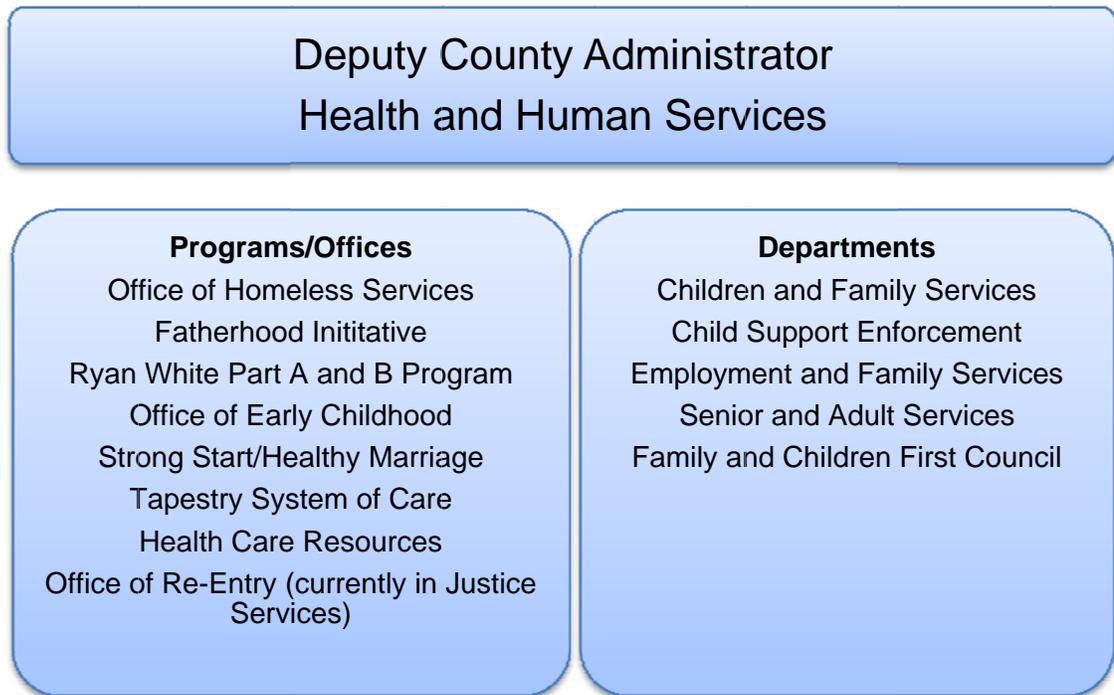
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<sup>12</sup> The FCFC, in addition to being a council mandated in Ohio Revised Code, is also a department with staff in Cuyahoga County.

<sup>13</sup> The Office of Re-entry appears on the County's Justice Affairs Organizational Chart, but also reports to the Deputy County Administrator (DCA) for HHS. The funding support for the Office's programs is predominantly the HHS levy.

<sup>14</sup> A children's mental health program originally funded by Substance Abuse Mental Health Services Administration (SAMHSA).

In all, the DCA has 12 direct programmatic reports, as shown below.



Clearly, Cuyahoga County has multiple agencies providing health and human services programs. Many of the agencies have related missions, and generally work well together. The move to a new County Charter provides a unique opportunity to more formally unite these agencies to gain financial, operational, and programmatic efficiencies.

Three of the recommendations described here call for consolidating multiple departments/offices/programs into a single department. The reasons for consolidation include: 1) the agencies have similar visions and missions; 2) they serve overlapping populations and by reporting through a single structure can serve the multiple needs of individual clients more efficiently and effectively; and 3) staff can be utilized more effectively, and therefore be better able to handle increasing needs of the population related to the economic downturn.

The specific structural recommendations in this initiative are:

- **Health and Human Services programs should report to a single Deputy under the County Executive.** This remains similar to the existing structure. The retention of a single responsible official is important for accountability and efficiency in the new government, and should be continued and enhanced where possible.
- **Family and Children First Council (FCFC) should be a lead agency for family-related programs.** A number of the smaller programs should be consolidated into the FCFC. These programs can maintain a separate programmatic structure but report to the FCFC department head. The departments/programs include: Invest in Children, Fatherhood Initiative, Strong Start/Healthy Marriage, and Tapestry. These programs/departments have missions and goals that are closely aligned with the FCFC. Since the existence of the FCFC is required by state law, it is recommended that the FCFC be the department into which the other departments are consolidated. As an alternative, the County could create an entirely new department and have the FCFC operate out of the newly designated department along with the other programs. State law does not require that the FCFC be a separate department with funded staff.

- **Employment and Family Services should be the lead department for assistance services.** Employment and Family Services provides a variety of mandated services, including access to benefits for Medicaid, food assistance (SNAP or Food Stamps), child care, cash assistance, and emergency assistance under Temporary Aid to Needy Families (TANF). In addition, the department provides additional non-mandated services supporting working families, including employment assistance, support with the Federal Earned Income Tax Credit, and utility assistance. It is recommended that a number of additional human services programs/departments report through the department of Employment and Family Services so that programs serving similar/the same client population report through the same department head. This realignment is especially important in light of the potential for state and federal revenue reductions in the near future.

- The Office of Re-entry and the Transition Executive Committee's Justice Services Work Group have taken the position that re-entry services, currently administered through the Justice Affairs division, should be placed organizationally under the County's senior human services administrator (most likely a Deputy County Executive or Deputy County Administrator for Health and Human Services). This is an unusual reporting arrangement for a re-entry program, but it would be effective as long as the relationships with Justice Services are maintained and fostered. The rationale for the recommendation is that County's re-entry services are fundamentally Health and Human Services programs, and are funded through the HHS levy. Employment and Family Services is the right location for re-entry, as it is aligned with the employment and income maintenance functions. It is essential that the re-entry programs maintain a collaborative relationship with the County's correctional facility and the Justice Affairs office.
- Staff that performs only Medicaid eligibility determination functions should be transferred to Employment and Family Services so that all Medicaid eligibility determination occurs within a single department. Currently, there are 64 staff-members in the Department of Senior and Adult Services that determine Medicaid eligibility (including 45 Eligibility Specialists, 7 Supervisors, 1 Coordinator, 8 Customer Service Aides, 1 Supervisor for Customer Service Aides, 1 Quality Assurance, and 1 Training). This recommendation does not extend to the staff at the department of Children and Family Services that determine eligibility for Medicaid for only their own caseload. This modification would be consistent with state law that makes the department of Job and Family Services responsible for determining eligibility for medical assistance.
- Office of Homeless Services should be an office within the Employment and Family Services department. This may be complicated as the services are shared with the City of Cleveland. However, clients served by both departments are similar and the homeless population typically is also eligible for many of the benefits offered through the department of Employment and Family Services. This merger will facilitate a consumer-oriented approach (a recommendation of the Transition Executive Committee's Health and Human Services Work Group).
- Currently, there is a single department head for Employment and Family Services and one for Child Support Enforcement, while there are two departments on the organizational chart. These two departments should be combined in a single department.

- **Consolidate the two remaining programs into the Office of Health Resources.** The two remaining programs are health-related: Ryan White Part A and B and Health Care

Resources. These two departments are the only two health units within Health and Human Services because the County has a separate Board of Health that performs the public health function and Metro Health provides health care services to the indigent population. Therefore, it is recommended that the Ryan White Part A and B programs and the Health Care Resources unit be placed together with a single programmatic lead that would report to the Deputy County Executive. This small unit could also serve as a liaison with the Board of Health.

These changes would allow the County to reduce the cost of overall program administration and eliminate or reassign the staff to priority areas. With the recommended changes, there will be seven fewer positions reporting directly to the Deputy County Executive.<sup>15</sup> The County will still have to support the administration of these programs but will be able to identify efficiencies from consolidating the programs into a single department. In addition, there will be efficiencies that are identified in back-office functions that will result from merging the departments. Overall, with both administrative and back-office savings, it is estimated that the number of staff can be reduced by a total of 16 (or three percent of the total Health and Human Services back office staff of 551 individuals).

The Transition Executive Committee's Health and Human Services Work Group did not make specific recommendations for structural changes, but did propose a number of values/principles that should guide the new county administration in undertaking a strategic restructuring – including (please see the Work Group recommendation for specific wording):

- Providing consumer centered services that rely on a strategic plan;
- Continuing to provide safety net, including mandated services, for the most vulnerable residents;
- Being accountable for levy dollars providing high quality services in an effective and efficient manner;
- Streamlining administrative structure and establishing a cap on administrative costs to ensure that funds provided through the Health and Human Services levies are predominately used for services.
- Making budget and funding decisions based on performance measures;
- Combining back office operations to the extent feasible and efficient; and
- Maximizing economies of scale, avoiding “diseconomies” of scale from organizational structures that are either too small or too large.

### **Financial Impact**

The savings included on the table below relate to estimates of savings from reduction in or reassignment of staff. These estimates are based on the average cost for a county employee \$66,400 (based on the 2010 budget, \$45,900 for salary and \$20,500 for fringe benefits). In order for Cuyahoga County to identify better estimates, a full review of staffing patterns in each of the departments is required, as well as meetings with department heads to fully understand staff duties and potential efficiencies. In addition, if the County reduces the number of staff, it is anticipated that there will be lost revenue from state and federal funding sources, which is estimated at 50 percent, and is displayed in the potential revenue row. Potential non-personnel savings, such as those from the consolidation of physical locations, are not reflected in this analysis (See PPW01).

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<sup>15</sup> Invest in Children, Fatherhood Initiative, Strong Start/Healthy Marriage, Tapestry, Office of Re-Entry, Office of Homeless Services, Child Support Enforcement Agency (already reporting in practice to Employment and Family Services)

### Financial Impact (\$000)

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	531	1,062	1,062	1,062	1,062	4,780
Potential Revenue	(266)	(531)	(531)	(531)	(531)	(2,390)
Total	266	531	531	531	531	2,390

#### **Expected Outcome/Performance Metrics**

This initiative is expected to reduce the number of administrative staff members through reassignment or position elimination, and to foster a service delivery system that is more customer-focused. The reductions in staffing can be tracked over time by the Deputy County Executive and OBM.

#### **Responsible Party/Others Affected**

The Deputy County Executive for Health and Human Services should take the lead on implementing this initiative. Each of the departments that are affected will participate.

Nearly all of the entities described have external stakeholders, often non-profit groups, that participate actively. These stakeholders should be consulted during the process so that their concerns can be considered in the restructuring. This is noted separately above for the Office of Homeless Services that works collaboratively with the City of Cleveland.

#### **Authority Required**

The authority to implement this initiative already exists, as the changes are in the reporting structure, and all departments required by state law will continue to exist.

#### **Time Required**

The initiative can be implemented in three to six months and should fully take effect during the next fiscal year. First year savings (see "Financial Impact," above) are discounted in 2011 to reflect this timeline.

#### **Key Issues**

Departmental mergers and realignments, especially those involving position reductions and alterations in daily duties, are of great concern to existing staff. It will be important to communicate with staff early in the process and frequently throughout implementation.

Key external stakeholders will likely be concerned about the changes and should be incorporated into the planning process for the mergers to identify and address their concerns.

#### **Opportunities for Innovation/Transformation**

These changes generally support the implementation of a consumer-focused Health and Human Services system as is outlined in the Health & Human Services Work Group's first recommendation for the Transition Executive Committee and also included as an item in this document. Overall, the creation of a more streamlined organization providing the same services through fewer administrative entities and with combined back office staff will be more efficient and provide for enhanced policy integration.

<b>HS02.</b>	<b>Create Consumer-Focused System</b>	
	<b>Target outcome:</b>	Improved quality of care and increased efficiencies in the service system.
	<b>Five year financial impact:</b>	Savings of \$2.6 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

The County should work to develop a consumer-focused system of care in its Health and Human Services programs. This includes structural changes (addressed in the previous recommendation), programmatic changes, new policies and procedures, and new information technology (IT) so that systems can work together in the best interest of the client. The savings are difficult to estimate and identify and only are obtained in the out-years because the interventions take time to have an effect. Further, there are initial costs related to IT and staff development. Anticipated benefits are related to improved outcomes –more efficient service provision and clients more independent of the system – in addition to budget impacts.

The Transition Executive Committee’s Health & Human Services Work Group identified a “No Wrong Door” approach to client services as their first recommendation for the new administration. While it goes by different names, many governments have adopted this format, which typically includes some of the following characteristics: the ability to share information between programs through improved technology, an electronic client record, a consolidated client intake process, and case management for clients with multiple needs. State and local governments that have implemented this kind of structure include the States of Washington and Wisconsin; Montgomery County, Maryland; Nassau County, New York; Montgomery County, Ohio; and Montgomery County, Pennsylvania. These models represent a growing number of counties and states that are implementing this best practice model for their health and human services programs. Some of the benefits of these promising models include:

- Clients are able to access all of the services they need rather than only the services available at the point where they entered the system of care;
- Clients will be referred to programs that will help them become independent of the public benefits system, including employment programs, mental health services, and substance abuse treatment; and
- Staff-members who are responsible for making eligibility determination decisions will be able to more efficiently access client records (electronically), enabling them to make better decisions regarding eligibility faster.

The Health & Human Services Work Group wrote the following in making its recommendation related to a “No Wrong Door” human services system:

*“The Work Group recommends that the Executive, Council, and county employees adopt and adhere to a set of principles that would ensure that the individual consumer remains the centerpiece of the human service delivery system. Where there are limitations on the ability of the county to implement these principles imposed by state and federal regulations, county leaders should engage in active advocacy to remove those policy or regulatory barriers. (See Recommendation #6)*

- *Individuals and families accessing human service programs can have many, often interrelated needs. Efforts should be made to ensure that the service*

delivery system provides a **holistic approach** so that the individual can receive needed services in a coordinated manner even if they cut across agencies.

- A **no wrong door** approach to eligibility should be taken, so that a family receives fully coordinated, comprehensive services no matter how they enter the system.
- The distribution of financial resources under the control or influence of the county should **“follow the need”** – that is, dollars should follow the distribution of social and health needs of consumers and beneficiaries. The distribution of financial resources should not be driven by arbitrary factors such as set-asides for certain political subdivisions. Human services dollars should be available to provide services to residents throughout the county.
- There should be a **focus on accountability** so that all county human service employees and contractors – including case managers, eligibility specialists, and program administrators– assume responsibility for the efficient functioning of the entire system.
- Administrative structures should be **designed around the needs of the service populations**. This includes not only the organization of the Department of Human Services, but also decisions on where, how, and when to deliver services, and staffing levels (see Recommendation #3).
- Recognizing the diversity of the population of Cuyahoga County, it is imperative that services be delivered in a **culturally competent** manner. This means being responsive to the beliefs, practices, and cultural and linguistic needs presented by consumers and their community.
- The focus of human service activities must continue to be **economically and otherwise disadvantaged residents**, those most in need of county services. Such populations include children, older adults, persons with disabilities, the poor, and workers with barriers to employment.

These principles should be put into action in the following ways:

- Development of an **information technology system to share information** across the many programs and human service delivery systems and improve communication while respecting the privacy concerns of those seeking services;
- Creation of a common screening tool and shared consent form that would serve as a **“single point of entry”** for residents into the human services system;
- **Coordinated system of case management** for high risk populations so that individuals with the need for multiple services have a single case manager that is separate from eligibility determination activities. This would cross county departments and outside contracted agencies when appropriate;
- Implementation of an ongoing training and continuing education program for county staff that incorporates **cross-program** knowledge.”

In addition to the above, the Work Group noted that such an effort would take additional IT resources so that the Health and Human Services departments can communicate effectively and seamlessly regarding individual clients shared by multiple programs.

**Financial Impact**

Detailed studies of cost savings from this approach are still underway. However, a recent publication from the Annie E. Casey Foundation, Open Society Institute, and the Ford Foundation entitled “Improving Access to Public Benefits: Helping Eligible Individuals and Families Get the Income Supports they Need”, provides information on government and non-profit sector efforts to provide assistance to families and individuals in need. According to this report: “analyses have shown that providing additional income and supports, through benefits access and maximization projects, is an effective way of helping low-wage working families, particularly children, to move out of poverty.”

In lieu of quantified results from other programs, cost savings have been estimated at the level of a one percent reduction in the County’s share of TANF costs. The numbers are not adjusted based on caseload increases. Cuyahoga County’s 2009 public assistance caseload was 133,749. The Health and Human Services levy supported \$85.5 million of the public assistance expenses. Therefore, a one percent reduction in caseload would lead to a savings of \$855,000 annually in levy dollars.

This initiative requires an initial investment in IT systems and training to produce cost savings from the more efficient and effective delivery of care. The IT systems’ costs are not included here but are included in the IT investment recommendation, see IT01. It is possible that some of the IT investments could be partially reimbursable through state and federal programs (i.e. Medicaid, Title IV-E, TANF, etc.).

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	0	0	855	855	855	2,564
Total	0	0	855	855	855	2,564

*Note: Costs associated with this recommendation are included in IT01.*

**Expected Outcome/Performance Metrics**

Expected outcomes include more accurate and timely information available to staff working with consumers and more efficient and effective service delivery. In order to identify cost savings over time, the County should track caseload against projections to identify overall cost savings. Further, the County should measure the outcomes of this initiative by measuring cost of care for high need clients and by tracking long term outcomes for clients with multiple needs.

**Responsible Party/Others Affected**

The Deputy County Executive and Health and Human Services department heads should take the lead in implementing this initiative. A number of additional county departments and stakeholders should also participate in developing policies and procedures, and formal agreements for case management and case sharing.

**Authority Required**

The required authority is already possessed by the County.

### **Time Required**

Full implementation will take two years if the County pursues this vigorously. Implementation may take longer given that the IT investment initiative calls for the development of an IT investment plan. Such planning is essential but takes time. Key milestones include identification of a vendor for IT, as well as establishing work groups to identify policies and procedures regarding which clients will be shared, how confidentiality concerns will be resolved, what information will be shared, how outcomes will be measured, intake forms, and other issues.

### **Key Issues**

The Work Group identified this as an initiative for implementation upon transition; therefore it is anticipated that there will be considerable community support for this effort.

### **Opportunities for Innovation/Transformation**

Cuyahoga County has the opportunity to develop a best practices health and human services system for its residents that will focus on client service needs rather than the particular access point at which they entered the service system. This focus will provide appropriate levels of care for individuals so that they can ultimately become more independent of the service system, allowing them to participate more fully in the community, contribute to the regional economy, and have a better quality of life.

HS03.	<b>Undertake Strategic Planning Process and Development of Data Resources – Health and Human Services</b>	
	<b>Target outcome:</b>	Improved efficiency will result from developing and funding priorities. All Health and Human Services departments will be working toward the same specific outcomes and goals. The County will develop the data resources to measure performance on the priority areas.
	<b>Five year financial impact:</b>	\$200,000 cost. No savings identified, but existing funding will be directed toward priority areas.
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

**Overview**

The Transition Executive Committee’s Health & Human Services Work Group recommended that Cuyahoga County invest in the development of a strategic plan to set priorities which all departments could support through directing discretionary funding (including levy dollars), development of outcome measures, and reporting on results. The County would benefit from identifying and funding Health and Human Services priorities so that limited resources can be directed most appropriately.

The following wording is excerpted from the Health and Human Services Work Group’s recommendation regarding strategic planning:

*“The newly created Department of Human Services will need a clear set of goals, and strategies to effectively meet the needs of county residents. To establish those guiding principles, a strategic planning process that builds on the activities of the Human Services Transition Work Group should occur during 2011, prior to consideration of the county’s 2012 budget. The Work Group recommends that the following be incorporated into any strategic plan:*

- *An extensive **environmental scan** to determine the current state of human services within the county that recognizes the value of individual agencies or programs having their own individual strategic plan. This process should assess and incorporate the best of the strategic plans of outside organizations and county agencies to enable greater alignment in the human service system. Such a scan should provide the basis of further goal setting and planning for the entire human service system.*
- *Any planning process be **consumer-focused** and recognize that the needs of individuals and families often cross department functional areas (See Recommendation #1). Strategies for improving the ability of consumers to navigate the human services system are of paramount importance.*
- *The Social Security Act’s broad goals for social services under **Title XX** could be used as guidance for planning and organizing social service programs. These goals are:*
  - *“Achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;*
  - *“Achieving or maintaining self-sufficiency, including reduction or prevention of dependency;*

- *“Preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families;*
  - *“Preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and*
  - *“Securing referral or admission for institutional care when other forms of care are not appropriate or providing services to individuals in institutions.”*
  - *In addition, the Work Group recommends that a sixth goal be adopted: Preventing, reducing, or ameliorating the effects of poverty, disease, disability, social isolation, and social dysfunction.*
- *A focus on **improving results and reaching goals**. This should incorporate strategies for prevention and early intervention that can reduce the future need for high cost services. Also, resources must be coordinated to encourage economic independence which includes success in school for children and a path to stable employment for adults.*
  - *Recognition that the county is **responsible for providing the safety net** for its most vulnerable residents. Programs must respond to the county’s legal or moral responsibility to assist individual persons, on a short or long-term basis, when the person’s ability to function independently and effectively has been compromised or interrupted.*
  - *The process should build upon **well-researched techniques** for collecting ideas and creating buy-in from all county constituents.*

*In addition to the strategic plan, which is a one-time process, the county will also require ongoing evaluation and decision support. This will allow the county to effectively respond to changes in needs of the community and to update the strategic plan to keep up with trends and changing practices. Such intelligence would include:*

- *The regular examination and evaluation of statistical data and other forms of information on a variety of social, economic, and health **indicators of quality of life**. Identifying indicators would allow the county monitor trends and progress within the community. Specific goals and targets should be assigned to each indicator to provide a basis for evaluating proposals for programs and strategies. A dashboard or other reporting mechanism would be helpful and would allow county residents to better understand current realities and progress toward shared goals. The various organizations collecting and analyzing this type of data under a Decision Support Collaborative (Recommendation #4) could provide this information.*
- *A **process map** of the human services community that describes how residents may access services for their specific needs. This map should be published regularly so all residents, providers, and funders can see what parts of the larger human service community may be available for addressing their personal needs or the needs of a loved one or consumers.*
- *Recognition that human service staff at all levels should use **best practices** for their profession to ensure high quality. The specialized professional*

*capacity of county staff should continue to be developed to enable them to meet the needs of consumer and handle the complexities that consumers often present.*

- *Provide a profile of the health and human services **funding landscape** of Cuyahoga County tracing the investment of public, private, philanthropic and leveraged support. This would include foundations, charities, trusts, and other public and private funders that provide grants and/or service contracts in health and human services. This report should be compiled annually to:*
  - *Provide a documented delineation of funding, by sector, to serve as a basis to identify, examine and address, on a timely basis, shifts and trends in funding;*
  - *Provide a basis for comparison/benchmarking, with other counties and/or similar regions within or outside the State of Ohio, to assess the cost effectiveness and sustainability of health and human service programs and services;*
  - *Enable the use of trend data to provide a basis for the allocation of diminishing resources to ensure that public dollars are used to provide the highest quality and volume of services in the most cost effective, efficient manner;*
  - *Ensure that all federal matching funds are maximized;*
  - *Identify opportunities for funder collaboration on important issues in our community.”*

### **Financial Impact**

The initial one-time expenditures related to conducting the strategic plan are estimated at \$200,000 with ongoing costs for maintaining data and reporting identified at \$50,000 annually. Summit County commenced a similar effort in 2002 that may be used as a prototype. That initiative cost Summit approximately \$2 million for planning and implementation over the course of nine years.

While a more extended effort like Summit County's may be desirable, it is important to have some results in time for the budget process to plan for 2012. This means that in Cuyahoga County, the process would have to be streamlined and take advantage of much of the work already done in the region (including that of the Work Group and the data gathering efforts of another county initiative, "Cuyahoga 21," which aims to improve efficiency in part through gathering data and measuring performance).

It is anticipated that half of these costs can be reimbursed through various federal and state funding sources. Ongoing costs are related to enhancing the ability to obtain and analyze data. While reflected here for purposes of conservatism, it is likely that these costs would be captured in other recommended initiatives in this section and in the County's overall performance management initiative (See FA03).

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(200)	(50)	(50)	(50)	(50)	(400)
Potential revenue	100	25	25	25	25	200
Total	(100)	(25)	(25)	(25)	(25)	(200)

**Expected Outcome/Performance Metrics**

An outcome of the strategic planning process will be to identify performance measures associated with priorities, and integrate them into the County's performance measurement process.

**Responsible Party/Others Affected**

The Deputy County Executive for Health and Human Services should have overall responsibility together with the department heads.

**Authority Required**

The County already possesses the authority required for this component.

**Time Required**

This process should be completed prior to the 2012 fiscal year's budget process so that the results may be funded programmatically.

**Key Issues**

The County must decide whether it will undertake an overall strategic plan for the entire County. If that is the case, then this effort should be part of an overall county strategic planning effort.

As this is a Health and Human Services Work Group recommendation, it is anticipated that there would be community support to conduct a Health and Human Services strategic plan. While it is desirable to have broad involvement in this planning process, inclusivity will make limiting the number of priorities a challenge. Priorities should be specific and measurable, with sufficiently few identified that they can really be considered priorities. The County will have the responsibility to balance competing interests from different stakeholder groups.

**Opportunities for Innovation/Transformation**

This will provide Cuyahoga County with the opportunity to develop consensus around what measures are important and then fund those first.

<b>HS04.</b>	<b>Implement Contract Policies and Memoranda of Understanding</b>	
	<b>Target outcome:</b>	The County should systematically implement contracting and Memoranda of Understanding policies and procedures, as well as payment terms, across all Health and Human Services agencies and funding sources, including all levy dollars distributed.
	<b>Five year financial impact:</b>	Savings of \$13.4 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

Cuyahoga County is projecting that it will distribute \$268.3 million in funding for Health and Human Services through contracts and memoranda of understanding for health and human services. These funds are distributed to providers including the ADAMHS board, which receives \$36 million dollars in levy funds and the hospital, Metro Health, which receives \$40 million dollars in levy funds. The contracting process in Cuyahoga County has been based in the various departments, which make individual determinations in terms of the frequency of conducting competitive bids, the terms and rates of pay for providers, and the method through which budget and programmatic data are reported. Levy dollars distributed through MOUs should be held to similar standards as contracts. This initiative focuses on creating streamlined and uniform Health and Human Services contracting processes to ensure the best providers at the lowest possible cost. Specific recommendations include:

- All types of Health and Human Services contracts should be re-bid periodically (every three to five years) based upon vendor performance and cost, county resident service needs, and county programmatic priorities;
- Contract and memoranda of understanding (MOU) terms and performance should be clear and consistent;
- Contracts for similar services across all County Health and Human Services departments should have similar terms and rates of payment;
- Providers that have contracts with more than one county department for similar services should have a single contract;
- County departments should, wherever possible, utilize the same contract reporting and monitoring tools; and
- Contract monitoring should include both process and outcome measures of performance.

Health and Human Services departments report that the frequency with which contracts are re-bid varies across departments and programs. Community-based providers report a sense that the competitive process is one of “insider baseball” and that changes in service providers occur infrequently. Infrequent change of providers is not unusual for county human services contracts nationally. The most frequent reason cited by counties for not re-bidding contracts is to maintain the continuity of client services. Indeed, it would not serve the human services system or the constituents to re-bid all contracts on an annual basis because the nature of the work often involves significant time and expense for contract start up, and because consistency helps at-risk clients more easily access the system. Also, more staff time would be needed to accelerate the procurement cycle. On the other hand, winning a contract award should not mean that the selected vendor will provide that service in the County forever. That would create a stagnant service system where the providers are not challenged to do their best, and innovation is not rewarded. To balance these concerns, it is recommended that Cuyahoga

County re-bid contracts on a planned cycle every three to five years, and rotate the contract types that are bid each year so only one-third to one-fifth of the contracts are bid annually.

Once contractors are selected, memoranda of understanding and contracts for services should clearly delineate the terms and the performance expected. Currently, some but not all of the County's contracts are specific as to terms and performance. It is particularly important to apply this policy to services provided with tax levy funds that are distributed to other entities (including the Board of Developmental Disabilities, the Alcohol Drug and Mental Health Services Board, and Metro Health). The County has already begun this process by establishing an MOU with Metro Health for the \$40 million annually it receives in levy dollars. However, this MOU should be modified so that it is more specific regarding the use of county funds. The County should continue this effort in providing specificity and transparency regarding the use of the funds.

In addition, contractors providing similar services through different departments should have contracts with terms and rates that are similar. Reports from county staff and outside contract agencies indicate that this is not currently the case. Further, recognizing that there are different federal and state funding sources and rules that are in place, to the extent possible, service providers should have contract monitoring and reporting forms that are similar. The Work Group recommended that:

*"The contracting process must be as consistent as possible across county divisions. Under the current arrangements, each county division maintains its own contracting process. This often means different processes, forms, and reporting requirements. The end result is that a contract provider must collect different types of data and produce different reports for the same consumer depending on the funding source."*

Contract monitoring and continuation decisions should be based on performance of the contractor on both process and outcome measures. The County should clearly identify the outcomes they expect from the contracts and include reporting on those measures in order to gauge the level of success in service provision.

The Health & Human Services Work Group also identified this as an area for transformation, and touched on many of these issues in the summary of their recommendation:

*"Recognizing that in the future there will be fewer dollars available for health and human services from the State of Ohio and the county, and building on the interrelated nature of human service delivery which relies on both the public and private sector, there are steps that could be taken by both sectors to increase their combined value to the consumers of health and human services in Cuyahoga County.*

*The better coordinated and functioning Cuyahoga County's health and human services operations, the more private agencies will be able to provide high quality, outcome based innovative services at competitive prices. The contracting process with the private sector must be stream lined, transparent, data-driven, and outcomes based.*

- *It is important for a **critical evaluation** to identify the strengths of the county providing services directly and to identify areas where client experiences, outcomes, and access can be improved by entering into contracts with outside providers. Understanding current collective bargaining contracts is critical when making this evaluation. There must be focus on the cost/outcome ratio, the quality of services, access, and the benefit to the consumer provided through contracts between the county and private providers.*

- *Overlapping functions and programs by county departments must be minimized. Efforts should be undertaken to ensure that agencies serving the same individuals or families or addressing similar issues are **well-coordinated**. This includes communication and care coordination.*
- *The contracting process must be as **consistent** as possible across county divisions. Under the current arrangements, each county division maintains its own contracting process. This often means different processes, forms, and reporting requirements. The end result is that a contract provider must collect different types of data and produce different reports for the same consumer depending on the funding source. This places an undue burden on contract agencies. To address this problem:*
  - *The contracting process must be **streamlined and transparent** and ensure that the process and requirements are harmonized across the various public human service agencies as much as possible.*
  - *Contract outcomes must be clear. Evaluation of performance by both outside contractors and internal programs should always be **data-driven and outcome-based**.*
  - *Efforts must be taken to reduce **unnecessary cost** to the provider.*
  - *Contract **clarity** should be sought, where contracts are written in plain language and include clear descriptions of expectations, resources, and outcomes. “*

**Financial Impact**

The financial impact of this recommendation is estimated to be two percent of the \$268.3 million in total contract dollars budgeted for all of the Health and Human Services departments. Because these contracts are supported with federal and state grants, dedicated tax levy funds, and sometimes a limited county match, savings in this area will have at most only a very limited impact on the County’s General Fund budget. However, savings can be redirected to enhance Health and Human Services programs, which will have a direct impact on the County’s development goals.

This estimate was developed based on the fact that the terms of the contracts are not similar and the County has not aggressively pursued negotiating terms for service. Any savings will have to be re-invested in Health and Human Services since most of the funding relates to levy dollars. The one-time and recurring savings are staged over the course of the five-year implementation so the full savings are not identified until the final year.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring savings	0	1,341	2,683	4,024	5,366	13,414
Total	0	1,341	2,683	4,024	5,366	13,414

### **Expected Outcome/Performance Metrics**

Cuyahoga County can measure the success of this initiative by tracking the expenditures for specific services under existing and new contracts, prior to reallocation of any savings.

### **Responsible Party/Others Affected**

The individual departments should meet and agree on terms, payment rates, and schedules for competitive procurement. All Health and Human Services departments and contractors are affected. The Deputy County Executive should coordinate this process.

### **Authority Required**

Authority already exists to conduct this initiative.

### **Time Required**

It is anticipated that prior to the 2012 fiscal year the County will develop and begin to implement new contract terms, streamline the number of contracts, and start a multi-year cycle for rebidding contracts.

### **Key Issues**

Changes in contracting procedures will affect staff and providers. Providers in particular will have to adjust to a system that has more standard contract/MOU terms and performance measures, and a more regular cycle for competition, but should benefit from an improved, consistent and streamlined administrative process. This will be new for some partners, especially those receiving levy funds. All parties will also benefit from consistent documentation of spending in conformance with county priorities, and increased program funding (see next initiative related to Revenue Maximization). To emphasize the benefits of the changes, they should be introduced as a package related to contract reform.

Another challenge is related to instances where providers are funded by multiple county programs and they lose a single award that endangers the viability of the agency. The departments should discuss these issues and identify in advance how they would plan to handle this situation.

### **Opportunities for Innovation/Transformation**

The opportunity exists for Cuyahoga to improve its contracting process so that it becomes more transparent, outcome based, consumer oriented, and competitively priced.

<b>HS05.</b>	<b>Seek Revenue Maximization</b>	
	<b>Target outcome:</b>	The County should undertake a systematic review of all expenditures and ensure that it is receiving all possible reimbursement.
	<b>Five year financial impact:</b>	\$15.1 million in net additional revenue
	<b>Work Group Recommendation?</b>	Not addressed by Work Group

### **Overview**

The County should undertake a process through which each source of expenditure on Health and Human Services is reviewed to assure that the County is obtaining its full and appropriate share of revenue from the State and Federal governments, and to assure that all sources of potential revenue are considered.

Currently, the County's Health and Human Services departments account for \$781.9 million in expenditures and \$751.5 million in total revenue. The revenue figures include \$188.7 million from the HHS levy and \$93.3 million for the Developmental Disabilities levy – which really represent the County's share of expenses in addition to the \$30.4 million in expenses not covered by revenue. The County receives approximately \$500.0 million from federal and state support related to programs. The County may be missing opportunities to obtain revenue from federal and state funding sources (such as TANF, Medicaid, and Title IV-E). Identifying the services that can be reimbursed will take experienced individuals who are familiar with the reimbursement requirements and able to review expenditures to identify those that are:

- Not reimbursed by a funding source (including levy dollars);
- Reimbursed at a lower rate than another funding source that may appropriately support the expenditures for services; and
- Reimbursed under a capped program where all of the funded services provided under the capped program are not appropriately reimbursed.

Once expenditures that are not fully reimbursed are identified, the County should assign staff to work to claim the funds. In addition to simply claiming the funding appropriately, the County may also have to take other steps, including:

- Modifying programs slightly so they are eligible for funding – this may include providing an additional component of service or tracking clients in a manner consistent with what the funding source requires;
- Developing formal memoranda of understanding, along with the necessary reporting requirements identified above, with departments within Cuyahoga government as well as outside entities (including boards);
- Shifting the expenditure of levy dollars from projects that are not reimbursable to projects that are reimbursable; and
- Modifying plans that have been submitted to funding sources.

### **Financial Impact**

The initial costs associated with this project are for the County to hire an outside vendor or utilize internal staff to identify the opportunities for maximizing revenue. The ongoing costs are those that would be associated with staff to track the ongoing savings and to ensure that the

revenue is collected as anticipated. It is anticipated that the County would identify at least \$3.0 million in recurring revenue from an aggressive and systematic review of all Health and Human Services expenditures, including levy dollars. This estimate is based on the overall size of the Health and Human Services program along with the fact that the systematic review of revenue sources has not been undertaken. The estimate for the initial year of the project is higher than subsequent years due to the fact that the County will be able to retroactively claim some expenses from the previous two years.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(300)	(300)	(100)	(100)	(100)	(900)
Potential revenue	4,000	3,000	3,000	3,000	3,000	16,000
<b>Total</b>	<b>3,700</b>	<b>2,700</b>	<b>2,900</b>	<b>2,900</b>	<b>2,900</b>	<b>15,100</b>

**Expected Outcome/Performance Metrics**

OBM should track the increase in revenue over time.

**Responsible Party/Others Affected**

OBM should lead this effort together with fiscal staff in the departments.

**Authority Required**

Authority already exists to conduct this initiative.

**Time Required**

The initial review should take three months to complete, followed by invoicing for past periods.

**Key Issues**

Contract entities that have been receiving funding with relatively few requirements may prefer not to rely on other funding sources because of added requirements to track, report on, and monitor services provided. If the County implements the recommendation regarding monitoring of contracts and memoranda of understanding, this concern will be somewhat removed since all funding will have similar requirements regardless of funding source.

**Opportunities for Innovation/Transformation**

N/A

# Economic Development

<b>ED01.</b>	<b>Conduct Strategic Planning Process – Economic Development</b>	
	<b>Target outcome:</b>	Cuyahoga County should conduct a comprehensive economic development strategic planning process
	<b>Five year financial impact:</b>	Estimated \$500,000 cost. No estimate of cost savings; however, the County will be able to direct funding towards regional priorities in order to more efficiently utilize limited funding.
	<b>Work Group Recommendation?</b>	Yes; also a Charter requirement

## Overview

The Economic Development Work Group has proposed that the County implement a strategic plan for economic development. This follows the new Charter, which requires that the Director of Development, in conjunction with the County Executive and the Commission, prepare and present a five-year plan to the Council (Article VII, § 7.05). This initiative is also included in this Great Ideas document because it is one of the most important aspects of the County's transformation effort, and is directly related to the economic development aspiration in the new Charter.

The Economic Development Work Group included the following synopsis as part of their recommendation:

*“In order to ensure that the County’s limited economic development resources are maximized, the Executive and Commission, in close collaboration with all Partners working on economic development, will have to develop a long-term policy and then align programs with it. This plan must begin with a review of the County’s assets and identify areas that are in need of improvement. Next the Executive, Department, and Commission must identify the economic development drivers that they will focus upon improving in order to restore prosperity to County.*

*Once the drivers are selected, the County will have to determine the role it plays in each to determine whether it will take the lead in furthering them, enhance or support the efforts of others, or simply advocate for the drivers. Finally, because the economy does not recognize jurisdictional borders, the County must decide to what extent regional collaboration is necessary or desirable to achieve its goals.”*

The Work Group recommendation indicated that this effort should recognize that economic development occurs regionally and regional municipalities should be engaged in this effort together; that economic development efforts should be focused on drivers that research shows produce sustainable and measureable improvement on agreed-upon measures of economic development; and these measures be considered in a broad context and include educational attainment, which may not have been included in the past.

The County Charter calls for the appointed Director of Development, “in conjunction with the County Executive and in consultation with the Economic Development Commission” to present County Council with an economic development plan each year by June 1.

The Transition Executive Committee’s Interim Report identified the appointment of the members of the Economic Development Commission and an early start on the first June 1 economic development as high priorities for the new government.

**Financial Impact**

This initiative assumes that the cost of implementation will be approximately \$100,000 in the first year, either staff time or contract support to help complete the first plan on time while meeting Charter mandates for content. In subsequent years, the staff commitment and the cost of additional outside studies is expected to total the same amount. While the County should also ask other partners to participate in and provide resources for this plan, those offsetting contributions are not assumed here. Also, while there are expectations of significant economic benefit to the County from this process, they will accrue very indirectly to the County’s General Fund in the short term, so no direct cost savings are assumed for this initiative. However, based on this strategic plan the County will be able to direct the limited funding available to high priority projects and also work regionally. In addition, the County may want to consider this effort as part of an overall strategic plan for the County (See FA02) and include other areas, such as Health and Human Services (see HS03).

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(100)	(100)	(100)	(100)	(100)	(500)
Total	(100)	(100)	(100)	(100)	(100)	(500)

**Expected Outcome/Performance Metrics**

Funds will be expended on high priority economic development initiatives. The performance metrics should be identified in advance through the strategic planning process.

**Responsible Party/Others Affected**

The other responsible parties include the Economic Development Commission and others affected include regional municipalities, school districts, the public sector, the private sector, labor, and the public.

**Authority Required**

Pursuant to the new Charter, the County already possesses the authority for this initiative.

**Time Required**

The Charter requires that an economic development strategic plan be prepared for presentation to council in June of every year. For 2011, achieving this date will require quick action by the new Administration.

**Key Issues**

For 2011, the first critical issue will be the recruitment and appointment of development officials and members of the Economic Development Commission so that they can meet the June 1 deadline. The establishment of proper roles and responsibilities among the County Executive, the Director of Development, the Commission, and the Council will be a challenge in the first year. A second critical matter will be how to move to a strategic process that sets priorities and

allocates resources accordingly. The result of prioritizing funding will be a more focused, effective economic development effort, but reduced or even eliminated funding for stakeholders with issues/projects that are not identified as the priorities will be difficult.

**Opportunities for Innovation/Transformation**

Cuyahoga County, its constituent municipalities, and the business and non-profit sector in northeastern Ohio will be able to work together to identify economic development priorities and direct newly-available resources to those key areas.

<b>ED02.</b>	<b>Achieve Coordination of Internal and External Economic Development Functions</b>	
	<b>Target outcome:</b>	Cuyahoga County should endeavor to coordinate its economic development functions with both internal, county partners and other municipalities.
	<b>Five year financial impact:</b>	Undefined
	<b>Work Group Recommendation?</b>	Yes. Brings together multiple Work Group recommendations.

**Overview**

The Economic Development, Health & Human Services, and Human Capital/Quality Places Work Groups all made recommendations regarding the alignment and coordination of internal and external entities on economic development. The following recommendations from the work groups have informed this recommendation:

*Economic Development Work Group*

- Achieving alignment between County government and all external partners. End fragmented decision-making and focus on collaboration. Achieve alignment of all Partners working on Economic Development by defining the Commission as the Strategic Coordinator for collaborative thinking, action and evaluation.
- Achieve internal alignment between all departments and entities within county government. The Executive and Council should immediately undertake a management reorganization to ensure that all county functions affecting economic development work together seamlessly, with horizontal coordination and vertical accountability.

*Health & Services Work Group*

- Intersection between Economic Development and Human Services. Human service programs focused on self-sufficiency, job preparedness and economic stabilization should be aligned with economic development initiatives.

*Human Capital/Quality Places Work Group*

- The new county government should connect and align its economic development, community development, county planning, workforce development, human services and public health investments, initiatives and advocacy efforts to promote and enhance the prosperity of all county residents.
- Align County operations and resources to catalyze a significant increase in the educational attainment of all county residents.
- Connect and align investments, initiatives and advocacy efforts with the City of Cleveland, suburban municipalities, other key regional players through public-private partnerships, and other counties in the region.

Other work group recommendations also covered these ideas, indicating the high priority county leaders and stakeholders place on the need to align all efforts that work to improve the self sufficiency of individuals and the economic development of Cuyahoga communities.

### **Financial Impact**

The fiscal impact includes one-time or recurring costs that are over and above those that the County would have without coordinating Economic Development functions internally and externally. The potential revenue is undefined because it is not yet possible to determine the relative contribution of this coordination to the community's economic recovery. However, there is broad consensus that this would improve the likelihood, speed, and magnitude of the community's economic recovery and improve prospects for future growth.

### **Expected Outcome/Performance Metrics**

Individual economic development program metrics are most important, but the County should also demonstrate compliance by creating a list of efforts to collaborate and align programs across all functional areas.

### **Responsible Party/Others Affected**

The County Executive and Director of Development will be responsible for internal collaboration on economic development initiatives, and also for external collaboration with municipalities, the private sector, non-profits and community groups.

### **Authority Required**

The necessary authority already exists. The County may decide to enter into formal memoranda of understanding or contracts with other entities.

### **Time Required**

The internal components of this initiative can be implemented immediately. The external components will be created and evolve over a period of years.

### **Key Issues**

It is not anticipated that there will be any major issues in implementing this initiative.

### **Opportunities for Innovation/Transformation**

A strong County lead in a collaborative regional economic development process will change recent practice. In addition, the expansion of the traditional concept of economic development to more clearly encompass job training, family support, quality of life, health and human services is a major innovation.

## Boards and Commissions

<b>BC01.</b>	<b>Consolidate Boards, Commissions and Advisory Committees</b>	
	<b>Target outcome:</b>	Reduce the number of Boards, Commissions, and Advisory Councils by 20 percent or more (at least 15 fewer) in order to obtain operational efficiencies and allow administrative staff time to work on higher priority initiatives.
	<b>Five year financial impact:</b>	\$600,000
	<b>Work Group Recommendation?</b>	Similar to, but more expansive than Work Group recommendation

### Overview

Cuyahoga County makes appointments to scores of different boards, commissions and advisory councils, according to the Transition Executive Committee’s Boards & Commissions Work Group. In some cases the County merely appoints members to boards and commissions operated by other agencies or governments, while in other cases County staff provides extensive logistical support.

Although it made some recommendations for elimination of dormant bodies, and strongly supported appointment reform, the Work Group generally declined to recommend that the number be reduced, instead noting that the various bodies were composed mainly of volunteers (only a few boards have paid members),<sup>16</sup> and that the costs were limited in most cases. However, the proliferation of boards and commissions generates a large commitment in staff time for the departments that must schedule, organize, and hold meetings; take, publish and maintain minutes; manage and maintain correspondence and official document; educate new members, and provide other support. In addition, the executive must manage the application, appointment and sometimes confirmation process for boards and commissions.

The individual staff effort for any given board may be limited, as some boards meet infrequently (a few are dormant) and conduct circumscribed business. Support efforts are sometimes spread over numerous county staff so that the impact on any one person might not be great. The boards also provide an opportunity for civic engagement. However, the real impact of boards that meet infrequently to provide advisory opinions or input is not insignificant. Staff impact in the aggregate is considerable across the government given the sheer number of boards and commissions, and in each case diverts taxpayer funded staff from other priorities. While boards do serve to highlight specific issues, that emphasis is lost when there are scores of boards. Moreover, there are multiple ways for citizens to be engaged with the issues currently addressed by the boards. The Prosecutor provides legal support for all boards, and in some cases the County must set levy rates. Finally, as noted above, the appointments process, especially at the beginning of an administration, is extremely time-consuming.

With a plethora of bodies serving different functions, with different structure and separate appointment processes, reform in this area should take several paths. First, the Work Group recommended that future appointments be more transparent, including easy web access to the requirements for membership on and application for each body, as well as a commitment to diversity by the appointing authorities. Next, the County should take several steps to slim the list of boards and commissions:

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<sup>16</sup> Board of Revision, Veterans Services Commission, Cleveland-Cuyahoga County Port Authority, Regional Transit Authority, Northeast Ohio Regional Sewer District, and Board of Elections.

- Eliminate the several bodies identified by the Work Group that no longer meet;
- Adopt recommendations by the Boards & Commission Work Group and some other work groups to combine several boards and commissions;
- Take advantage of the elimination of elected offices under the new Charter to transfer the responsibilities of some boards to internal County Executive staff (there are variety of bodies where all or most of the members are former elected officials such as the Commissioners, Auditor, Treasurer, etc.);
- Reconsider transition process recommendations to create new boards and commissions; and
- Consider whether the County should sponsor state legislation to allow it to use its Home Rule status to eliminate, reconstitute, or transfer to staff some of the board and commission responsibilities that exist because of state statute.

In short, the County should not accept the *status quo*, even when there is a statutory basis, but should revisit the rationale and need for all of these bodies. It should rarely create new ones.

Finally, the County should take several financial actions:

- Review the salary and benefit status of all boards and commissions, and determine whether those that grant emoluments using county funds should continue to do so;
- Make a policy decision that new boards and commissions – to the extent permitted by the Charter – will not provide salaries and benefits to their members;
- Identify all boards and commissions that are supported all or in part by specific tax levies or other non-General Fund sources, determine whether there is any General Fund staff, materials, equipment or space support that should be reimbursed, and establish a reimbursement process; and
- Adopt Work Group recommendations to reduce board and commission costs through centralization of support.

**Financial Impact**

With a reduction of boards, and commissions and advisory groups, the County will achieve a variety of savings ranging from staff support time and associated benefits (for meetings, minutes, correspondence, logistics, recordkeeping, legal services, appointing and orienting new members) and overhead for everything from space and energy consumption to bonds and occasionally outside counsel. In certain cases, salaries, per diems or benefits could be eliminated, or costs could be transferred from the General Fund.

It is projected that a savings of \$10,000 for the elimination of each of at least 15 agencies is achievable, even if the only funds utilized are staffing of the commission itself (based on likely costs to the County of \$10,000 per body, or roughly 15 percent of the average cost of an average employee). Savings are not assumed until the second year of the new government.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	0	150	150	150	150	600
Total	0	150	150	150	150	600

### **Expected Outcome/Performance Metrics**

OBM should track the savings for this initiative by identifying the number of boards, commissions, and advisory councils that are modified, merged or eliminated. Savings should be tracked by reviewing actual costs in addition to estimated staff time.

### **Responsible Party/Others Affected**

OBM should take the lead. Each county department that interfaces with a board or commission should also participate.

### **Authority Required**

Depending on the boards selected, authority might exist already, or a change in law might be needed.

### **Time Required**

It is expected to take a year to review all of the Boards, Commissions and Advisory Councils, make a determination on each and implement the elimination or mergers.

### **Key Issues**

A key issue will be reaching consensus that more government is not necessarily better government, and that a formal (if often advisory) body is not the only way to foster citizen participation in county government. In the current structure the large number of boards and commissions, the limited time county leaders have to interact with them, and the lack in some cases of carefully outlined missions and goals has meant that the work of citizen volunteers is not always fully effective. To address these issues, a board and commission reduction process should clearly define the basis for making the determinations, and the process should be transparent.

### **Opportunities for Innovation/Transformation**

This represents an opportunity to be more efficient in utilizing resources so that the County may focus the efforts of its staff and volunteers on priority areas.

# Human Resources

<b>HR01.</b>	<b>Conduct a Countywide Staffing and Span of Control Analysis</b>	
	<b>Target outcome:</b>	Optimal allocation of line and management staff across all county departments resulting in more efficient service to taxpayers, possible cost savings, and cost avoidance
	<b>Five year financial impact:</b>	Possible cost savings of \$47.8 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

**Overview**

The transition to the new government provides the County an opportunity to comprehensively analyze its staffing and supervision levels across all departments to identify areas where job functions may be consolidated or where needs exist. Due to hiring freezes and early retirement programs, the County’s workforce has changed considerably over the past several years, with some departments affected more than others. Additionally, with new agencies coming under the County Executive’s jurisdiction and county departments considering changes to their functions, the time is now to undertake a comprehensive staffing and span of control analysis.

Span of control analysis refers to the ratio of direct reports to managers and is a way to gauge management staffing. Typically, jobs that consist of similar, repeated tasks have high spans of control (i.e., more direct reports per supervisor, whereas specialized job functions have lower spans of control (fewer direct reports per supervisor). The County should strive to eliminate situations, such as in the IT department, where it has ratios of 1:2 or 1:1 in favor of greater span of control.

The County must view staffing from a county-level (“enterprise”) perspective as opposed to a department-level (“local”) perspective. Given its budget conditions that constrain its ability to hire, the County must reallocate staff from departments that have more than they need to those who do not have enough. Furthermore, by taking an enterprise view of staffing, the County will develop more opportunities for career advancement for employees since employees will have options for growth outside of their departments.

Ensuring appropriate staffing levels countywide can also help departments to better control overtime spending. In FY2009, the Sheriff’s Office, the Juvenile Court, and the Department of Central Services comprised over 80 percent of the County’s \$8.8 million in overtime spending. A comprehensive staffing analysis will allow the County to assess the extent to which levels of staffing contribute to overtime costs, and develop a strategy for reducing these costs in the future.

**Financial Impact**

The financial impact of conducting staffing and span of control analysis and implementation of its findings will depend upon whether, from an enterprise perspective, the County can eliminate positions after any reallocation. From a cost avoidance perspective, conducting the analysis will certainly save the County money from unnecessary hiring. The only costs that the County would incur would arise from external consulting services should it seek outside assistance.

To provide a sense of the magnitude of possible savings, using the total 2010 personnel cost estimates of \$533.5 million (\$369.2 million in wages and \$164.3 million in benefits) and assuming a three percent savings, the County could realize savings of approximately \$16

million per year beginning the year after the analysis was completed. We have assumed \$200,000 for consulting costs to assist the County in conducting the analysis.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(100)	(100)	0	0	0	(200)
One-time and recurring savings	0	0	16,005	16,005	16,005	48,014
Total	(100)	(100)	16,005	16,005	16,005	47,817

**Expected Outcome/Performance Metrics**

The County can measure whether the staffing analysis had its desired impact by analyzing general performance of departments before and after implementation. We caution against simply using a reduction of FTEs as a performance metric, since we do not know the magnitude of overstaffing or understaffing in departments.

**Responsible Party/Others Affected**

Due to the comprehensive nature of the proposed study as well as the likely “turf” concerns across all departments, the County Executive must buy-in and champion this analysis and implementation. The Human Resources Department will also need to play a significant role in the study and implementation due to classification and union issues. In order to increase the likelihood of successful study and implementation, the County should seek the input and buy-in of its unions.

**Authority Required**

The County Executive has the authority to undertake this analysis and implementation per Section 2.03 of the Charter.

**Time Required**

The time required to conduct the analysis and implementation will likely take two years – one year for the study and one year to implement fully. Because departments will likely still be rearranging themselves early in the transition, this study should take place once the County Executive has decided how the county government will be structured.

**Key Issues**

In addition to the general upheaval a staffing analysis causes, these types of studies may face internal opposition from department heads trying to “protect their turf.” For this analysis to be successful, the County Executive must champion it and make it a priority. The County Executive must communicate that the analysis is not a job-cutting exercise or “witch hunt,” but rather a way for the County to best organize itself to meet its challenges. He must also be willing to make difficult choices to resolve differences and ensure that the analysis and implementation is done in a fair and objective manner.

As noted earlier, the County will face coordination issues due to some departments being in transition. If analysis cannot be done on certain parts of departments, it should begin in departments that are ready. The County should begin by analyzing its IT, human resources and finance/budget staffing needs first due to the high likelihood of savings from the consolidation of these departments.

### **Opportunities for Innovation/Transformation**

Because concern about employment and staffing has played such a significant role in the movement to adopt the Charter, the County must ensure that it handles these issues fairly and objectively. By reallocating staff resources to areas of greatest need, the County will improve its services to taxpayers and avoid unnecessary costs.

<b>HR02.</b>	<b>Reduce Employee Benefits Costs and Standardize Employee Contributions to Health Care</b>	
	<b>Target outcome:</b>	To provide county employees and their families with excellent health care benefits at a reduced cost. To have all employees make the same contribution to health care.
	<b>Five year financial impact:</b>	Savings of \$28.4 million
	<b>Work Group Recommendation?</b>	Endorses transformational work group recommendation

### **Overview**

In 2010, the County projected spending approximately \$88.1 million on medical claims expenses for its employees. The County is self-insured and offers the same health benefit plans to all of its employees including those in the Prosecutor's Office and the Court. The employee contribution to health care, however, varies based on whether the employee is covered by a union as well as the particular union. The County has experienced health care cost increases of approximately 5.5 percent annually.

Health care costs have increased unabated for the past ten years. According to the 2010 Kaiser/HRET Survey of Employer-Sponsored Health Benefits, average annual premium rates have increased 114 percent between 2000 and 2010. In 2010, the study found that employees contributed 17.8 percent of total premium for single coverage and 29 percent of total premium for family coverage. The employee contribution amounts do not include deductibles, copayments or other costs incurred by the employee.

Like almost every other large public sector employer, the County faces significant cost pressures due to the current economic climate and health care cost increases. In order to meet increased demands for its services and to afford to provide an excellent set of benefits to its employees, the County must take a hard look at the benefits it offers its employees and develop ways of reducing costs.

Because the County is self-insured, it may immediately reduce its health care costs by improving employee health and by increasing employee contributions towards health care. The County has already implemented wellness programs and should continue to monitor their impact. Additionally, the County should also explore implementing on-site wellness clinics. As to employee contributions, currently, an employee's health care contribution depends upon whether he or she has union representation as well as his or her union. As a matter of fairness, every county employee should pay the same amount for the health care plan under which he or she is covered. Because employee health care contributions require bargaining with unionized employees, the County will need union agreement to make these changes.

Long term, the County should analyze its health care plan offerings and provide low-cost health care plan options for employees. To incentivize employees to enroll in low-cost plans, the County may decide to reduce or waive the employee contribution for those plans and require a "buy-up" for the more expensive plans.

### **Financial Impact**

If we assume savings of ten percent from implementation of these initiatives, the County may experience savings of \$8.8 million annually from implementing these ideas. Because these initiatives will take time to be implemented and some will require collective bargaining, full savings are not expected to be achieved until 2014. The cost of undertaking these initiatives is assumed to be a one-time cost of approximately \$250,000.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(250)	0	0	0	0	(250)
One-time and recurring savings	0	4,405	6,608	8,810	8,810	28,633
<b>Total</b>	<b>(250)</b>	<b>4,405</b>	<b>6,608</b>	<b>8,810</b>	<b>8,810</b>	<b>28,383</b>

*Note: This savings estimate assumes that claims costs will not change over the five-year period. Assuming historical growth in health care costs (approximately 8.0 percent), the total five year savings grows to approximately **\$38.1 million**.*

**Expected Outcome/Performance Metrics**

The performance of this initiative may be measured through cost savings.

**Responsible Party/Others Affected**

Changing health benefits would affect all county employees. The benefits group in the Human Resources Department should lead this effort and must have the support of the County Executive, particularly because of the likely opposition by certain employee groups. Because of the need to collectively bargain certain health benefit matters, the County will need union agreement.

**Authority Required**

The County Executive has the authority to implement this initiative per Section 2.03 of the Charter.

**Time Required**

The process of achieving health care savings is ongoing. For unionized employees, the timing depends heavily on when contracts expire.

**Key Issues**

The key issue is obtaining union agreement for health care changes that require bargaining.

**Opportunities for Innovation/Transformation**

By driving health care costs as low as possible, the County may opt to include other Ohio governmental units in its plans. Aggregating more employees into the plans will give the County even more leverage to reduce costs with its current providers. Because the County is self-insured, it must make sure that any governmental unit it includes has as good or better experience rating or would be fully responsible for its employees' costs.

<b>HR03.</b>	<b>Develop a Comprehensive Labor Relations Strategy to Implement Changes</b>	
	<b>Target outcome:</b>	Develop and implement a strategic plan to implement proposed changes that require collective bargaining
	<b>Five year financial impact:</b>	Estimated cost of approximately \$3.75 million over 5 years for outside negotiators; the County will not be able to achieve savings for items that require collective bargaining without union agreement
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

**Overview**

With thirty-one different unions and 63 percent of its workforce unionized, the County needs a comprehensive labor relations strategy as it heads into negotiations and conciliation with its largest unions in order to implement many of the ideas developed during this transition process. Because many of the ideas will require collective bargaining, the County must ensure that it is ready to have the proposals ready when the respective union contract expires. Otherwise, the County may miss the opportunity to implement the significant changes it seeks. Given that the collective bargaining agreement with the County's largest collective bargaining unit (human services employees represented by AFSCME) expires on June 30, 2011, this process must begin as soon as possible.

The new County Executive must also ensure that the budget office works closely with the human resources department during the negotiations and the budget process. Because nearly two-thirds of the County's workforce is unionized, their contracts have a significant impact on the County's overall budget. The fiscal condition of the County must be taken into account when developing parameters for negotiations.

**Financial Impact**

The immediate financial impact of developing and implementing a strategic plan to implement the proposed changes will depend upon whether the County seeks outside negotiators to negotiate the changes. The cost of outside negotiators is estimated below at \$750,000 annually. It is important to consider that from a financial perspective, however, for some changes it seeks, the County must get union agreement. Consequently, the County must make its labor relations strategy a priority.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(750)	(750)	(750)	(750)	(750)	(3,750)
Total	(750)	(750)	(750)	(750)	(750)	(3,750)

**Expected Outcome/Performance Metrics**

The success of this initiative can be measured in terms of the proposals successfully negotiated.

**Responsible Party/Others Affected**

All unionized employees and their unions will be directly affected. Additionally, non-represented employees also have a stake in these negotiations since their wage and benefit package may

be affected by the final settlement. The Human Resources Department should lead this effort, but will need significant support from the County Executive and other departments. Because of the political strength of county unions, the County Executive must fully back the negotiating team and keep politics out of the negotiations.

### **Authority Required**

The County Executive possesses the authority to implement this initiative per Section 2.03 of the Charter.

### **Time Required**

Because county collective bargaining agreements expire at different times, the preparation process must begin now. It will likely take several rounds of bargaining to achieve as much as the County can.

### **Key Issues**

The key issue for implementing the labor relations strategy is reaching agreements with the unions on issues requiring collective bargaining.

### **Opportunities for Innovation/Transformation**

This initiative is better thought of as a means of implementing the ideas stemming from the transition that require collective bargaining. The County Executive must be ready immediately to think about implementing changes that require collective bargaining so that the labor relations strategy can be developed and executed.

<b>HR04.</b>	<b>Ensure a Fair Employee Classification System</b>	
	<b>Target outcome:</b>	Fair employee classification system that ensures employees are paid according to merit and provides them with opportunities for career advancement
	<b>Five year financial impact:</b>	Cost of \$150,000
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

**Overview**

Section 9.03 of the Charter requires the County have a “clear, countywide classification and salary administration system for technical, specialist, administrative, and clerical functions with a limited number of broad pay ranges within each classification.” Further, the Charter clearly intends for the classification system to apply to as many employees under the new government as permitted by law. The Charter requires employees (except those in positions designated as unclassified by general law) of the following entities to fall under the classification system: County Executive, County Council, Fiscal Officer, Medical Examiner, Clerk of Courts, Director of Public Works, Director of Law, County Treasurer, Sheriff and to the extent permitted by the Ohio Constitution “employees of all offices, officers, agencies, departments, boards, commissions or other public bodies, other than separate political subdivisions, that are supported in whole or in part from taxes levied, or other financial assistance provided by the County.” (Charter, Section 9.03).

The lack of a clear and consistent employee classification system can result in employees receiving vastly different salaries even though they perform similar tasks. Indeed, in its performance audit of the Cuyahoga County Auditor’s Office, the Auditor of State found that the County’s Auditor’s Office “does not have a formal compensation plan for determining employee salaries” which contributed to it having higher salaries than comparable offices.<sup>17</sup> Furthermore, if offices do not set minimum requirements for positions, as they would have to under a classification system, unqualified employees may receive employment or promotions. Such a scenario can easily lead to a practice of patronage hires or promotions which causes the employer’s good employees to become cynical and demoralized.

**Financial Impact**

In order to properly undertake this analysis, the County should contract with a company that specializes in classification and compensation analysis. We have estimated \$150,000 for consulting costs.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(150)	0	0	0	0	(150)
Total	(150)	0	0	0	0	(150)

**Expected Outcome/Performance Metrics**

N/A

<sup>17</sup> Cuyahoga County Auditor’s Office Performance Audit, p. 1-8 (August 3, 2010).

### **Responsible Party/Others Affected**

This initiative will affect all employees who are part of the classified service. The Human Resources Department should lead the effort with the support of a firm that specializes in classification issues. Additionally, Human Resources Commission's caseload of classification appeals will also be affected.

### **Authority Required**

The County already has the authority to implement this initiative.

### **Time Required**

The time required for consolidating the various classification systems into one system will likely take one year.

### **Key Issues**

The new county government will have to address creating the single classification system immediately. Currently, the BOCC has a robust classification system that has operated since 1992. From a practical perspective, it makes sense to integrate county employees from the other agencies into the BOCC's classification and compensation system. Concurrently, the County should evaluate the positions to ensure that they are accurate and meet the County's employment needs.

### **Opportunities for Innovation/Transformation**

Having an objective and fair classification system is crucial to ensuring trust among employees and the public that county employees have obtained their jobs through merit, not political connections. If the County pays employees differently even though their jobs are effectively the same, good employees will lose faith in the system. By having a fair and flexible classification system, the County will provide its employees with opportunities for career advancement and will enable the County to provide its taxpayers with better services.

Although the Charter does not require the Prosecutor's Office or the Courts to be part of the County's classification and compensation system, we do not see any reason why those groups should not voluntarily become part of the system. Having a clear classification and compensation system provides employees and taxpayers with the assurance that salaries are appropriate and that employers are hired and promoted based on merit.

<b>HR05.</b>	<b>Invest in Tailored Programs and Training to Meet the Needs of County Departments</b>	
	<b>Target outcome:</b>	Robust training and employee development program that meets the needs of county departments and provides employees with career advancement opportunities.
	<b>Five year financial impact:</b>	Cost of \$5 million over five years
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation; aligns with key Work Group themes

**Overview**

In addition to handling employee issues, human resource professionals also help meet the staffing needs of county departments by recruiting and retaining talent. As part of the changes from the transition, county departments will likely identify skills or staff that they need to perform their duties effectively.<sup>18</sup> Human resources can then assist these departments meet their needs by external or internal recruitment or by internal training.

The need for management and subject-matter specific training has been raised within the human resources area as well as health and human services. Given cost pressures, departments have cut training budgets for basic management training as well as training specific to department functions. By developing innovative and cost-effective ways of delivering training, the County can better meet its human capital needs, improve service to the public, and provide its employees opportunities to advance their careers.

**Financial Impact**

The minimum estimated financial impact from developing a training program is \$5 million over five years. We suggest establishing an office within the Human Resources Department that will be responsible for developing, procuring, and executing training throughout the County.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(5,000)
Total	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(5,000)

**Expected Outcome/Performance Metrics**

The performance metrics of the trained employees should be reviewed to determine improvement. Additionally, the supervisor of the employee who was trained should be interviewed to see whether the employee’s performance has improved.

**Responsible Party/Others Affected**

The Human Resources Department should lead the effort to develop and deliver training by establishing an office devoted to staff development and training. The County may also consider partnering with external entities such as community colleges or other education institutions or private sector corporations who are willing to volunteer their training staff.

<sup>18</sup> If the County undertakes a comprehensive staffing analysis as suggested, the County departments will certainly identify needed skills and staff.

The implementation of a robust training program will benefit all departments under the new government. By investing in its workforce, the County will provide its employees with opportunities for career advancement and its taxpayers with better service.

**Authority Required**

The authority required to implement this initiative is inherent within the function of the Human Resources Department.

**Time Required**

The implementation of a training program can begin immediately and should be ongoing.

**Key Issues**

The key issues for implementing a robust training program are monetary and human capital resources as well as support from the County Executive. Because funding for training programs is often the first item to be cut during a budget crisis, the County must make the commitment to invest in its workforce.

**Opportunities for Innovation/Transformation**

In order to minimize costs, the County should consider partnering with other public entities, educational institutions, non-profit groups and corporations to deliver training to their respective employees. Not only will the County's employees benefit from the training, but the other entities may also benefit from expertise the County has. The County may consider setting up a regional training collaborative supported by public, nonprofit and private entities that all groups can utilize.

<b>HR06.</b>	<b>Enhance On-site Employee Health and Wellness Clinic</b>	
	<b>Target outcome:</b>	The County should consider implementing an on-site employee health and wellness clinic as part of Cuyahoga County's overall employee wellness program.
	<b>Five year financial impact:</b>	Savings of \$11.2 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

There are a number of municipalities nationwide that are implementing on-site employee wellness clinics as a cost savings measure. The clinics tend to be popular with employees and improve morale as well as health. Such programs and clinics, if implemented correctly, can produce significant cost savings on employee health care costs and reductions in absenteeism.

Cuyahoga has had an active employee wellness program, operating since 2005, which began by concentrating on providing information and advocacy regarding health promotion including health and wellness fairs, lunch and learn programs, yoga classes and flu shots. According to a summary provided to the Transition Advisory Group, during the past two years the County has expanded the program and included:

- Establishing a communications campaign;
- Expand screening component of wellness fairs;
- Continue flu shots;
- Continue onsite mammography;
- Add disease management (diabetes management pilot);
- Explore the feasibility of an onsite clinic;
- Broad-based preventive care (benefits modification with wellness impact);
- \$0 Rx co-pay program (benefits modification with wellness impact);
- Nutrition series (Weight Watchers and OSU Extension Nutrition Program);
- Program offerings through the Wellness Council of Northeast Ohio;
- Disease/gender specific events;
- Wellness engine; and
- Data capture & evaluation.

The County has also begun to pursue the operation of an on-site employee health and wellness clinic. Potential sites have been identified and Metro Health has indicated initial interest in staffing the program. This should be reviewed carefully in light of the fact that the County is self-insured and the intention may be for Metro Health to simply charge insurance for this program. The County is strongly encouraged to evaluate whether this is the most fiscally prudent option and consider the option of releasing a request for proposals from various vendors to identify the best savings opportunities.

The County should continue to pursue this model identifying outcome measures and performance goals.

### **Financial Impact**

The annual cost of operating a relatively small wellness clinic is estimated at \$700,000. This estimate is based on readily available information on the amounts other counties have spent (in the range of \$400,000 to \$500,000 for counties smaller than Cuyahoga).

Cuyahoga's total cost for FY2010 for employee hospitalization is expected to be approximately \$88.0 million dollars, covering approximately 8,000 employees and families. The cost savings associated with employee wellness clinics varies widely. According to a local newspaper, one Colorado county expected 20 percent to 30 percent cost reduction per visit<sup>19</sup>. A contract provider estimates savings for different types of health services as between 5 percent and 20 percent (12.5 percent average), and savings for hospitalization at between 5 percent and 8 percent. The table below conservatively assumes the savings at 5 percent of the budgeted hospitalization costs for 2010. These costs are budgeted at \$88 million, 5 percent of that is \$4.4 million (reduced by 50 percent in 2012 and 25 percent in 2013 to account for gradual increase in participation). This estimate also takes into account that fact that some contractors that offer this service and have provided it to other counties offer a guaranteed return on investment.

**Fiscal Impact Table (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(350)	(700)	(700)	(700)	(700)	(3,150)
One-time and recurring savings	0	2,203	3,304	4,405	4,405	14,317
Total	(350)	1,503	2,604	3,705	3,705	11,167

It should be noted that the table above does not take into account the baseline growth in health care costs. Baseline growth in health care cost will have to be calculated to determine the actual budget figures and the savings. Generally speaking, the savings will become larger as the expected costs grow.

### **Expected Outcome/Performance Metrics**

The County can compare projected cost of care to actual cost of care for future periods. Similar analysis can be conducted for absenteeism.

### **Responsible Party/Others Affected**

The Human Resources Department should continue to take the lead in implementing Cuyahoga County's wellness program. Metro Health and the County Board of Health and the Cleveland Clinic, which has a Wellness Institute and its own employee wellness program, may be helpful in formulating the overall plan for the wellness clinic.

### **Authority Required**

No additional authority is required.

### **Time Required**

It will take approximately 12-18 months to implement a fully operational wellness clinic. If the County decides to competitively bid the clinic, an RFP should be released by the end of March

<sup>19</sup> [http://www.northfortynews.com/Archive/A20091004\\_clinicLC.htm](http://www.northfortynews.com/Archive/A20091004_clinicLC.htm)

with a due date at the end of May, and make a decision on a vendor by the beginning of August 2011. The vendor can then have a 4-10 month start-up period.

**Key Issues**

No key issues/concerns.

**Opportunities for Innovation/Transformation**

This is a potential opportunity for the County to improve the health and well-being of its workforce, reduce absenteeism and reduce costs to taxpayers.

# Information Technology

<b>IT01.</b>	<b>IT Organizational Structure and Governance</b>	
	<b>Target outcome:</b>	Consolidate and reconfigure IT personnel into a single organizational structure under a new governance model in order to drive efficiencies and more effective delivery of services.
	<b>Five year financial impact:</b>	Net savings of \$10.4 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

**Overview**

The County currently has a very fragmented information technology governance structure without a centralized IT leadership to ensure that expenditures, staffing allocations, and employee performance align with the needs and priorities of the County. By establishing a countywide IT budget and granting the Chief Information Officer (CIO), in consultation with the County Executive and IT leadership, the authority to approve all IT applications and expenditures as well as the authority to hire staff, the IT department will be in a better position to ensure a more effective governance model. Additionally, by merging all IT staff (bringing those housed within agencies into central IT) into one IT organization and having them report to the CIO, the staff will be accountable to the County as a whole and work more collaboratively across all agencies. This approach will also ensure that the County is in a position to optimize investments and track county IT spending in a more transparent manner.

The IT Work Group identified this as their first recommendation for the new administration. The following contains some of the information provided in the Work Group’s recommendation.

Excluding the courts and prosecutor’s office, the IT organization is comprised of roughly 200 people. Of these individuals, 105 are spread across the 12 general government agencies, while 95 are centrally located in the central IT organization (commonly called “Information Services Center” or “ISC”). About half of the entire county IT budget (approximately \$32 million) is spent within ISC.

ISC has made some progress in centralizing some critical IT infrastructure operations as roughly 40 percent of all equipment is centrally located in the data center. Some documented infrastructure standards exist; however, individual agencies have the right to deviate from standard configurations and equipment models as purchasing decisions are decentralized which can sometimes lead to sub-optimal IT investments. Major IT investments are reviewed by the Automatic Data Processing Board (ADP). The board is comprised of the CIO, IT, and agency representatives from many key agencies. The original intent of the board was to rationalize and approve (or deny) IT investments in accordance with an overall strategic direction; however, typically OBM would have already approved an IT funding request prior to the submittal to the ADP Board, making the Board’s influence minimal.

Creating a new IT governance model would include changes to the organizational, governance and operational structures. Organizationally, a strong CIO would lead in an effort to eliminate redundancy, drive synergies, drive standardization, and improve support levels by aligning the 95 ISC employees and 105 agency IT employees under this IT leadership model. The new governance structure would build a basic IT strategy based on agency needs and IT influencing factors, inclusive of the overall applications architecture for the County with particular focus on back-office applications. Operationally, IT leadership would establish a core measurement

system to standardize, improve, and measure processes and a chargeback methodology for IT spending. In the mean time, it is suggested that the County immediately “freeze” new or discretionary investments in existing applications unless it is a regulatory requirement or has immediate payback. This will stop the duplicative spending and hopefully prevent investments in systems that don’t have a long life.

**Financial Impact****Build IT leadership structure and senior leadership team:** An estimated \$250,000 annual costs increase would include the additional salary for the CIO position. In addition, the City should adopt a strategy to attract top talent as the ISC organization evolves to a centralized, customer-focused IT operation.

**Consolidation of all 200 employees into the central organization:** An annual \$1.5 million cost-reduction could include an approximate 10 percent staff reduction. In some cases there are reporting relationships where an IT manager has only 1, 2, or 3 direct reports. This creates an opportunity to eliminate management roles and combine staff from ISC and the agencies to reach a more standard manager-to-employee ratio between 5-8 FTEs per supervisor – as well as eliminate any redundant positions. Two counties that have gone through similar government transformations (Jefferson County, Kentucky and Alleghany County, Pennsylvania) now retain centralized IT staffs of fewer than 100 employees.

**Evaluate procurement, asset management, and clerical team after consolidation:** Savings of approximately \$100,000 annually is attributed to a staff decrease of ten percent or more in the area of procurement, asset management, and clerical employees currently containing 18 FTEs reporting to an IT manager.

**Evaluate Contracts:** In line with its numerous applications, the County also has contracts for support of these applications including outsourced support and in-house personnel. Through consolidation and sharing of applications, related costs can also be reduced. A formal review of outsourced and in sourced contracts and the support personnel could generate \$1 million in recurring savings.

**Invest in security and disaster recovery:** In line with the significant changes and investments identified for the County’s IT infrastructure, an investment in disaster recovery and necessary security is also needed. This cost is estimated at \$500,000 annually.

The full fiscal impact of these initiatives is expected to be realized by 2013.

**Investment Freeze:** The financial impact outlined below assumes a freeze of \$3 million in new IT investments in 2011, with strategic reinvestment of the same amount occurring in subsequent years.<sup>20</sup>

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(250)	(3,750)	(3,750)	(3,750)	(3,750)	(15,250)
One-time and recurring savings	3,650	5,200	5,600	5,600	5,600	25,650
Total	3,400	1,450	1,850	1,850	1,850	10,400

<sup>20</sup> Costing assumptions were developed by the Transition Executive Committee’s IT Work Group.

### **Expected Outcome/Performance Metrics**

**Short Term:** The expected performance measure should initially be based on the amount of savings. The County established a 15 percent cost savings goal. Therefore in the short-term the IT department should seek a 15 percent cost savings – approximately a \$4.8 million – from its \$32 million budget.

**Long Term:** The county IT department should seek increased internal customer service standards. This could be measured by using surveys to various departments or comparing general IT functionality against service level agreements (possibly used to calculate the chargeback methodologies) as another performance measure.

### **Responsible Party/Others Affected**

This change would affect all departments. Specifically those departments that currently have IT staff internally provided; Children and Family Services, Senior and Adult, Cuyahoga Support Enforcement Agency, Employment & Family Services, Human Resources, Justice Affairs, Department of Development, Recorder, Auditor, Treasurer, Sheriff, Coroner and Engineer.

### **Authority Required**

Authority already possessed by the County, however the resolution originally creating the board may need to be amended or rescinded.

### **Time Required**

An aggressive timeline might be set forth as follows:

<b>Suggested Changes</b>	<b>Start</b>	<b>End</b>
Build IT leadership structure and senior leadership team	January, 2011	March, 2011
Consolidation of all 200 people into the central organization	March, 2011	June, 2011
Evaluate procurement, asset management, and clerical team after consolidation	June, 2011	July, 2011
Freeze application investments	Immediate	TBD
Build IT strategy	January, 2011	March, 2011
Identify direction on back office architecture	January, 2011	June, 2011
Replace ADP Board with strong CIO control	Immediate	TBD
Confirm infrastructure policies and enforce across the County	Immediate	TBD
Identify core processes and create BSC (balance scorecard)	January, 2011	March, 2011
Review chargeback model and approach	January, 2011	June, 2011
Formal review of outsourced/in source contracts and support personnel	March, 2011	June, 2011
Improve disaster recovery and security profile	March, 2011	December, 2011

Time estimates were developed by IT Work Group, and are based on staff assigned full time to projects

### **Key Issues**

The individual departments (which previously had nearly unlimited discretion in IT spending and authority) would now be under the discretion of the CIO and central IT department.

## **Opportunities for Innovation/Transformation**

**Funding Structure:** This reorganization is an opportunity to review the funding structure for IT services. In particular, the County should review and expand its model for reimbursing services.

The chargeback methodology should be reviewed to ensure it incents the agencies to use the standard or preferred applications and infrastructure. This includes a more robust mechanism for identifying all IT spending.

The chargeback model should contain two basic components. The first is a mechanism for computing the “hard costs” associated with IT, which would include either a “per user” or “per consumption” based approach that would charge departments based on their number of Full-time employees with PC’s (possibly also by the specific types of software on those PC’s) or by the number of hours the PC’s/software in each department are actually used (if tracking mechanisms are available).

The second component of the chargeback model is not necessarily as straightforward in terms of hard calculation. The overall IT project management time allocation as well as the development time needs to be added into the overall charge. This could be done through a cooperative agreement, or could be based on another determined methodology.

**Establish Key Positions:** As part of the reorganization, key positions need to be established to provide leadership, standards and best practices, as well as provide a focus on internal customer service.

<b>IT02.</b>	<b>Create Countywide IT Strategy and Establish Countywide Standards</b>	
	<b>Target outcome:</b>	Creating a countywide IT strategy and standard to shift from an agency-focus to a county-focus improving uniformity and reducing costs through standardization and maximizing efficiencies.
	<b>Five year financial impact:</b>	See Recommendation “Standardization of Hardware, Software, Application Systems and Procedures”
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### **Overview**

The newly created IT department will have the direction needed to govern all decisions and investments that support county objectives by developing a countywide IT strategy and corresponding standards. Currently, agencies generally invest in customized applications, without considering countywide standards that would integrate county applications and improve efficiencies or are allowed exceptions to architectural standards. As a result, there are varied brands of servers, printers and PCs with various technical specifications scattered throughout county agencies. By creating a countywide IT strategy and standards, the focus shifts from an agency focus to a county focus to improve uniformity, reduce costs through standardization and maximize efficiency.

The IT Work Group identified this as part of their second recommendation for the new administration. The following contains some of the information provided in the Work Group’s recommendation. Currently, there are architectural standards in place for network infrastructure (switches, routers, firewalls), but no countywide standards in place for the purchase of servers (491), printers (3,811), workstations (6,367), and other peripheral devices and as a result. Currently, there are more than 13 brands of servers, 17 brands of printers, and ten brands of PCs. Additional examples of varying technology can be found in the recommendation labeled “Standardization of Hardware, Software, Application Systems and Procedures” (See IT03). Numerous complex and overlapping technologies have been implemented and many are outdated. This divergence from a common model limits county IT efficiency, causes duplicity of effort, and causes additional expenditures.

The IT organization must be provided with the authority to establish, publish, and enforce IT infrastructure and architecture standards countywide (which is further discussed in the recommendation labeled “IT Organizational Structure and Governance”). This ensures hardware consistency throughout the County, and consistency in software architecture and development tools.

Software architectural standardization will reduce costs by utilizing volume purchase discounts. It will also improve efficiency by reducing the number of applications performing the same function in different agencies. Infrastructure standardization allows larger hardware purchase discounts and consistency for maintenance and support. Use of blade servers and virtualized servers should continue as purchase, maintenance, and environmental savings are achieved through these technologies. Desktop virtualization should be evaluated and piloted to determine the possible cost savings. Server consolidation to the ISC with these technologies will improve staff utilization and reduce hardware costs.

### **Financial Impact**

Cost reductions can be achieved through volume discounts for hardware purchases and software licenses. Training and support costs can be reduced when the standard hardware, software, and development tools are utilized. Consolidation of printers, copiers, and fax

machines will result in cost savings in purchase, maintenance, support, and supplies. Long term cost savings can be achieved when multi-function application systems are implemented, however costs will be incurred to purchase these new systems and convert from the current systems.

See Recommendation “Standardization of Hardware, Software, Application Systems and Procedures” (IT03) for additional costing information.

### **Expected Outcome/Performance Metrics**

The expected outcome of this recommendation is improved uniformity in IT planning and development across the County. A few examples of performance metrics that be used to measure progress toward these goals include:

- Benchmarking for Standardization IT Policies
  - *Best Practice County:*  
Fairfax County, Virginia:
  - *Best Practice County:*  
Sacramento County, California:
  - *City in Ohio:*  
City of Upper Arlington, Ohio:
- Percent of servers centralized across County
- Percent of printers/copiers from same contract across County
- Percent of hardware acquired through volume purchase agreement

### **Responsible Party/Others Affected**

All departments would be affected.

### **Authority Required**

Authority is already possessed by the County.

### **Time Required**

See Recommendation “Standardization of Hardware, Software, Application Systems and Procedures” (IT03) for timing information.

### **Key Issues**

One issue may be whether to make potentially large short term technology investments for multi-purpose systems (i.e. ERP) which may not show immediate savings, but yield savings over the long term. Addressing multiple major projects will require additional qualified IT staff, which would also require added cost.

### **Opportunities for Innovation/Transformation**

IT volume purchase discounts provide an opportunity for the County to improve efficiency while building relationships between the various departments, IT, and procurement. The State of Ohio offers a purchasing program that the County can piggyback, along with a variety of other joint purchasing programs and agreements which the County could look into, that would vastly improve its ability to purchase IT in bulk.

<b>IT03.</b>	<b>Standardization of Hardware, Software, Application Systems and Procedures</b>	
	<b>Target outcome:</b>	Standardize the hardware, software, application systems and procedures within each agency in order to reduce costs and create uniform application development across the County
	<b>Five year financial impact:</b>	Net savings of about \$13.8 million over five years
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

In an effort to standardize the IT operations of the County, there needs to be an immediate focus on not just creating a countywide IT strategy and standards, but additionally on standardizing the hardware, software, application systems, and procedures within each agency. Currently, agencies determine server locations and configurations, operating systems and database management systems, and application selection – driven by agency needs and procedures. Centralizing servers and limiting platform configurations, operating systems, database management systems, and software development/methodology will help the County to be in a position to reduce training and support costs, achieve volume discounts, and improve staff utilization. Crafting standards for new applications and designs for systems will assist in reducing costs and creating uniform application development across the County.

The IT Work Group identified this as part of their second recommendation for the new administration. The following contains some of the information provided in the Work Group's recommendation.

The disparity of hardware, software, application systems and procedures is currently quite substantial. Printer, fax, and copier purchases have been agency driven, resulting in 3,811 printers valued between \$2.6 million and \$3 million serving approximately 8,000 employees; only in some situations are printer-scanner-copiers fully utilized. The printer assortment combined with underutilized multifunction potential has resulted in excessive hardware components, maintenance costs, and supply costs. The County has an assortment of different computer applications within its various departments. It also uses over 100 different outside entities/vendors in order to purchase and/or maintain those applications.

### Financial Impact

**Implement printer, copier, and fax consolidation plan:** The County has a total of 3,811 printers, at an approximate value of \$3.0 million dollars. Industry standards show approximately 30-40 percent savings in annual costs when these items are consolidated.

**Consolidate Servers:** The County has 200 servers. By upgrading to 25 blade or virtual servers with an investment of \$600,000 (and \$400,000 in recurring costs) for new servers and a data center power upgrade, the County could save \$1.2 million annually.

**License Review:** A review of licenses for both hardware and software could generate approximately \$1.5 million in recurring savings through consolidated purchasing and maintenance agreements.

The total fiscal impact of these initiatives is expected to be realized by 2013.<sup>21</sup>

<sup>21</sup> Costing assumptions were developed by the Transition Executive Committee's IT Work Group.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(600)	(400)	(400)	(400)	(400)	(2,200)
One-time and recurring savings	1,050	2,800	4,050	4,050	4,050	16,000
Total	450	2,400	3,650	3,650	3,650	13,800

**Expected Outcome/Performance Metrics**

This recommendation is expected to result in improved uniformity of application development and corresponding cost savings countywide. Examples of potential performance metrics are as follows:

- The new versus preservation IT spending share can help to measure the amount of efficiency and added value going forward. A healthy split is around 60 percent preservation expenditures on existing IT and 40 percent expenditures on new investments. Although the initial percentage could widely vary from these percentages as the County transitions, this is a good benchmark to consider for the future.
- Number of independent accounting applications used in County
- Number of independent HR/payroll applications used in County
- Number of software applications developed outside or without coordination with central IT

**Responsible Party/Others Affected**

All Departments would be affected.

**Authority Required**

Authority is already possessed by the County.

## Time Required

<b>Suggested Changes</b>	<b>Start</b>	<b>End</b>
Review licenses to improve volume purchase agreements (hardware & software)	January, 2011	March, 2011
Develop hardware purchasing & replacement plan	January, 2011	March, 2011
Develop hardware server consolidation plan	April, 2011	June, 2011
Data Center power upgrade for server consolidation	July, 2011	
Implement hardware consolidation plan – consolidate 200 servers to 25 blade/virtual servers	July, 2011	June, 2013
Implement printer, copier, fax consolidation plan	January, 2011	March, 2011
Develop application standards	April, 2011	June, 2011
Stop current application investment	Immediate	TBD
Develop application review plan	January, 2011	June, 2011
Identify application systems to be replaced	July, 2011	December, 2011
Write and release RFP for county ERP application system	January, 2012	June, 2012
Develop non-ERP application consolidation plan	January, 2012	June, 2012
Consolidate non-ERP applications	July, 2012	June, 2013
Review development tools and establish standard tool set	July, 2011	December, 2011
Time estimates were developed by IT Work Group, and are based on staff assigned full time to projects		

## Key Issues

In implementing this recommendation, the new administration should be sure to consider any existing maintenance agreements, as well as agency specific software needs.

## Opportunities for Innovation/Transformation

Improved internal customer service could contribute to a positive transformation of a standardized process including hardware, software, application systems, and procedures. Customer service transformation should occur with a focus on:

- Training in developing and using customer service standards and redress;
- Identifying service standards;
- Developing baseline information on meeting the standards;
- Developing redress procedures for what to do if the customer service standards are not met; and
- Developing tracking and reporting methods for the service standards.

<b>IT04.</b>	<b>Develop a medium-term plan for ERP</b>	
	<b>Target outcome:</b>	Assess opportunities for an ERP system post county consolidation and ISC reform
	<b>Five year financial impact:</b>	Expected to produce long-term savings for the County; potential savings not yet quantifiable
	<b>Work Group Recommendation?</b>	Endorses and expands transformational Work Group recommendation

### Overview

A common theme among the transition work groups was the need and opportunities for benefits from shared and improved core business systems. The County has a number of these systems ranging from SAP as an enterprise human resources application to BRASS, an enterprise budget application from a different vendor. It also maintains individual applications for accounting, purchasing, and other functions. Currently, the County has the following different systems with a common purpose:

- Budgeting – 9 systems
- Accounting – 17 systems
- Time/Attendance – 10 systems
- Purchasing – 10 systems
- Payroll – 8 systems

Of these systems, many are often from the same vendor although procured individually thereby not utilizing volume purchasing agreements or enterprise wide licensing.

- Budgeting – BRASS application – 8 systems
- Accounting – FAMIS application - 10 systems
- Purchasing – Buyspeed application – 6 systems
- Payroll – 4 systems

An integrated Enterprise Resource Planning (ERP) System that can perform multiple functions countywide should be the preferred solution, as it will eliminate interface issues and minimize upgrade complexity and costs. However, implementation of an ERP needs to follow standards and policies in order to achieve the benefits, such as improved reporting, data availability, and increased efficiency due to shared applications and support. The development of an ERP will also require extensive consultation and collaboration with user departments, many of which have addressed service issues with the old, decentralized IT structure by setting up their own systems. Experience in other jurisdictions is that ERP implementation typically takes longer and costs more than initially planned. Since Cuyahoga is beginning the process without a centralized IT system, obtaining user input and user confidence at the outset will necessarily take some time.

The framework and steps to implement IT standards and policies specifically and a countywide IT strategy generally has been discussed in other IT recommendations. Leadership, as well as a strong governance structure, is necessary for a countywide implementation of any application. An ERP implementation will have the following characteristics:

- Technology standards

- Customer service
- Leadership
- User groups
- Standard policies
- Behave as a centralized operation for underlying business functions
- Leverage skills already developed in separate groups, such as SAP HR

Despite the challenges, the value of an ERP is so high that the County should commit early in 2011 to a process for developing system requirements in collaboration with user departments.

### **Financial Impact**

Procuring an ERP will be a large short and medium-term technology investment with defined up front and ongoing costs but less obvious savings. Most costs are assumed to be incorporated in earlier IT initiatives in this document; additional costs are expected to be offset by savings in the medium- and long-term.

### **Responsible Party/Others Affected**

All Departments would be affected.

### **Authority Required**

Authority already possessed by the County.

### **Time Required**

As mentioned above, there are a number of issues which should be addressed prior to an ERP implementation. The success of implementing a countywide IT strategy, and new leadership and governance will impact the timing and options for implementation of countywide core business systems. Leadership, an overall IT strategy and key IT standards and policies should be in place at a minimum before proceeding with an ERP initiative.

Full ERP implementations typically require a minimum of two years from the contract start date. The time frame for implementation will vary based upon the County's assessments and related decisions.

### **Key Issues**

At a time when the County is already going through a major structural transformation, taking on the implementation of all or part of a countywide ERP system is accompanied with some level of risk. Implementation of new technologies can cause compatibility or functionality issues, one reason software choice is important (to ensure it meets the County's public sector needs). There is risk associated both with ensuring the technology fulfills the needed functions of the County as well as in successfully implementing the software. There is also a risk of not meeting the strategic goals. The current operating, management, or political environment may prevent the County from realizing all expected benefits. The last risk is associated with maintenance and potential problems associated with maintaining existing systems during implementation or the new system after it has been implemented. For the new county government, a commitment at the outset to fully utilize the new system will be important to capturing the potential benefit.

## Justice Services

<b>JS01.</b>	<b>Eliminate Patrol and Related Functions in Sheriff Department</b>	
	<b>Target outcome:</b>	Eliminate non-mandated services for municipalities resulting in immediate budget savings
	<b>Five year financial impact:</b>	Minimum of \$3.5 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

The principal responsibility of the Cuyahoga County Sheriff Department is to oversee and operate the County's jail facilities. Every part of Cuyahoga County is incorporated and every incorporated part of the County either has its own police department or contracts with another police department for service.

Still, the Cuyahoga County Sheriff continues to provide patrol and related functions in parts of – and in some cases throughout – the County. It does not receive funding from any of the municipalities to provide these services.

For example, the Sheriff's 2009 report includes a discussion of a Narcotic Unit, a K-9 Unit, a SWAT unit, an East Cleveland Patrol Unit and a Downtown Cleveland patrol unit. In most if not all cases, these activities appear to supplement existing local law enforcement efforts.

### Financial Impact

The current Sheriff Department budget is not allocated by function. As a result, it is difficult to estimate the fiscal impact of patrol functions. Based on the most current organizational chart information available, however, it appears that these law enforcement functions that supplement municipal services are currently staffed by – at a minimum – two captains, four lieutenants and fourteen sergeants. There are, however, at least some duties within this part of the Sheriff's office –such as court security – that would be maintained.

Estimates from OBM suggest that the cost of Downtown Patrol, K-9 and SWAT alone will total just in excess of \$730,000 in 2010.

#### Financial Impact (\$000)

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	730	730	730	730	730	3,650
Total	730	730	730	730	730	3,650

### Expected Outcome/Performance Metrics

Implementation of this initiative would be measured by actual reductions in headcounts and in the operating budget of the Sheriff Department.

### **Responsible Party/Others Affected**

The Sheriff – and if there is one, a Deputy County Executive for Public Safety – should lead this effort. There will be issues related to collective bargaining, primarily the Sheriff’s agreement with the Ohio Patrolmen’s Benevolent Association. In addition, to the extent that the Sheriff’s patrol and related activities are supporting local police agencies, there will be an impact on those local police agencies as well.

### **Authority Required**

It appears that this reduction in the role of the Sheriff would not require new legislation. While the Ohio Revised Code sets forth certain duties for the Sheriff, it does not mandate any level of law enforcement activity. The new Charter is silent as to the duties of the Sheriff, other than to reference the Ohio Revised Code.

### **Time Required**

This proposal could be part of a series of budget modifications proposed by the new County Executive for 2011 or it could be part of the 2012 County Budget. Timing and the overall ability to implement this idea would mostly be affected by the terms of collective bargaining agreements. At a minimum though, there should be some immediate savings through attrition.

### **Key Issues**

To the extent that public safety is a high priority in the County, it is likely that this proposal would be attacked as a reduction in the County’s effort to reduce crime. The proposal is therefore likely to have both political and labor pushback

### **Opportunities for Innovation/Transformation**

There are two alternatives to the simple elimination of the service that might be more innovative or transformative, but harder to implement. First, the Sheriff could attempt to charge municipalities for these additional services. Second, the Sheriff could initiative an effort to provide regional law enforcement services. In other words, rather than eliminate the limited patrol and related functions that exist in the Sheriff Department, the County could (a) offer an expanded, coordinated service to more municipalities and (b) recover the cost of providing those services through annual assessments to participating local governments.

Currently, Cuyahoga County has more than fifty separate local police agencies. Consolidation and coordination would likely improve the quality of service and produce savings for local governments.

<b>JS02.</b>	<b>Evaluate and Consider Expansion of County Reentry Initiative</b>	
	<b>Target outcome:</b>	Reduce average daily population at Cuyahoga County Jail by reducing number of inmates who are re-arrested after prior incarceration
	<b>Five year financial impact:</b>	Estimated net savings of \$5.6 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

In 2010, Cuyahoga County is on track to spend approximately \$60 million on local incarceration. This includes approximately \$55 million for the operation of the County Jail and an estimated \$3 million in prisoner board and care costs related to housing inmates in local jail facilities.

The County has taken significant steps to reduce its cost of incarceration. Through implementation of components of the Justice System Reform Initiative and changes in the charges to the County for prisoner board and care, the prisoner board and care part of the incarceration budget has dropped from \$7.7 million in 2006 to a projected \$3 million in 2010.

Still, after declining by 7 percent between 2008 and 2009, the average daily population of the County Jail is now up by 10.9 percent between 2009 and 2010 year to date.

There are two principal ways to reduce the cost of incarceration in Cuyahoga County – reducing the cost of operations and reducing the jail population. Significant reductions in jail population result in less cost for food, for health care, for use of outside facilities for board and care and – if the reductions are significant enough – can allow for reductions in the number of correction officers needed to oversee the jail population.

One of the best ways to reduce jail population is to reduce the number of offenses taking place in Cuyahoga County. A comprehensive reentry initiative designed to reduce recidivism by offenders returning to their communities from prison or jail could – if successful – reduce County Jail population and cost.

Well run reentry initiatives focused on offenders returning from jail can have an impact. While the majority of jail stays are relatively short, a certain percentage of offenders are in local jail for a long enough period that reentry planning and other services can be meaningful. A 2006 paper by the Urban Institute Justice Center found that “the case for jail based reentry programming is strong” and that such programs were likely to reduce crime and “may have a small positive impact on spending.”<sup>22</sup> As important, investment in prison reentry also reduces recidivism – reducing both local and state incarceration costs.

In addition, research suggests that reentry programs focused on offenders returning from prison also has a direct impact on jail costs. A large number of offenders spend at least some time in the local jail system even if they are eventually sentenced to a state prison facility.

A 2008 paper for the Brookings Institution by Harvard Professor Bruce Western highlighted two reentry programs that were the subjects of random assignment assessments – the Center for Employment Opportunities and ComAlert, both based in New York City.<sup>23</sup> The two programs achieved 19 percent and 18 percent reductions in recidivism rates in the first year after release from prison. The Center for Employment Opportunities program focused primarily on

<sup>22</sup> John Roman and Aaron Chalfin, “Does It Pay to Invest in Reentry Programs for Jail Inmates?” Urban Institute Justice Policy Center, 2006.

<sup>23</sup> Bruce Western, From Prison to Work: A Proposal for a National Prisoner Reentry Program, Brookings Institution, December 2008.

transitional job placement, job development and permanent job placement. The ComAlert program provided subsidized employment, along with housing and substance abuse treatment.

**Financial Impact**

To assess the impact of a successful reentry initiative, it would be helpful to know the number of jail inmates in Cuyahoga County’s jail who have been incarcerated – either in prison or in jail – within the last year. It is reasonable to assume that this percentage will be relatively high: for example, a 2006 analysis of the jail population in Hamilton County, Ohio found that 78.4 percent of 2004 jail admissions had a prior history of incarceration.<sup>24</sup>

To be conservative, we can assume that 60 percent of the ADP in Cuyahoga County Jail had a history of prior incarceration: that would translate into 1,217 inmates on any given day in 2010. If we further assume that a successful reentry program could reduce those incarcerations by ten percent over a phased in, four year period of program implementation, the result would be 122 fewer inmates in the jail per day. Based on an estimated cost per inmate per day of \$74.98, that could eventually lead to annual savings of \$3,311,492 by year five of the phase in period.

There would be costs, however, related to implementation of the program and – to achieve these savings – the program would have to be highly targeted. The current budget for the County’s reentry program is \$2.0 million – for the purposes of assessing financial impact, this proposal assumes a 25 percent increase in funding.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(532)	(532)	(532)	(532)	(532)	(2,659)
One-time and recurring savings	0	828	1,656	2,480	3,311	8,275
Total	(532)	296	1,124	1,948	2,780	5,616

**Expected Outcome/Performance Metrics**

Current and future reentry initiatives in Cuyahoga County should be measured by their ability to provide housing, employment and social service supports to offenders returning to the community from jail or prisons. There should be – and in the case of the current Department of Justice Affairs initiative are – measures focused on job retention as well as placement. Ultimately, the effectiveness of the program should be measured by the degree to which it reduces the likelihood of participant re-arrest and re-incarceration. Moreover, careful evaluation is necessary to ensure that the program serves a cross-section of returning offenders. In other words, there is a need to prevent “creaming” whereby the program only serves former offenders who are least likely to re-offend even without reentry services.

**Responsible Party/Others Affected**

Cuyahoga County has already launched an ambitious initiative designed to reduce recidivism in the County. While it is too early in its implementation to recommend expansion, the program needs to be carefully evaluated to determine its effectiveness. Not all reentry initiatives are successful. But if the Cuyahoga County initiative is successful in its early implementation, the County should carefully pursue expansion. If the current initiative is not successful, it should

<sup>24</sup> Vera Institute of Justice, Assessment of Inmate Population Characteristics and Jail Management Processes in Hamilton County, Ohio, July 31, 2006.

either be modified or eliminated. Funding for reentry programming must be focused on outcomes.

Currently, the County's program consists of a public-private partnership involving the court system, the Department of Justice Affairs, local foundations, the United Way, local social service providers and formerly incarcerated members of the community. The County currently has two contracts for employment services, totaling \$1 million: both contracts apparently are performance based. Additional funding goes toward community outreach and community based social service, housing and other support services at reentry one stop shops.

There is, however, no formal referral mechanism. Any former offender can come into the one stop shop for services. There is also no focused effort on offenders coming out of the County Jail.

It is too early to determine what the results of current efforts will be. The Employment and Training Services program was designed to serve 310 former offenders between July 2009 and June 2010. The Neighborhood Reentry Resource Center opened in February 2010.

While the Reentry Initiative is currently located in Justice Affairs, plans are to move the program to Health and Human Services. The rationale for the move is that many of the services being provided to offenders returning to the community are the same as – or related to – services provided by Health and Human Services.

Still, the success of the Reentry Initiative will require ongoing and close cooperation with the criminal justice system. To the extent that there are efforts to focus on individuals formerly incarcerated in the jail system, it will also require closer cooperation with the Sheriff.

#### **Authority Required**

No additional authority would be required.

#### **Time Required**

There needs to be ongoing and careful monitoring and evaluation of the current program to determine its impact on recidivism and to assess whether it is a viable strategy for reducing incarceration and incarceration related costs. Ideally, a detailed evaluation of the program would be complete in time for consideration of ongoing funding and potential expansion in the 2012 budget.

#### **Key Issues**

While there are models of success for reentry, it is critical to determine the success of the model currently in use in Cuyahoga County prior to future expansion.

#### **Opportunities for Innovation/Transformation**

Depending on the outcomes of the existing pilot program, Cuyahoga County could become one of a handful of national models in reducing local jail population through effective reentry programming.

<b>JS03.</b>	<b>Reduce Jail Operating Costs</b>	
	<b>Target outcome:</b>	Lower cost per inmate per day through savings in staffing, medical and other costs
	<b>Five year financial impact:</b>	Estimated savings of \$8.3 million
	<b>Work Group Recommendation?</b>	Similar to, but more expansive than, Work Group recommendation

### Overview

At a cost per inmate per day of \$74.98, Cuyahoga County has made progress in reducing the cost of operating its jail. The cost is down from \$80.95 per inmate per day in 2009. Cuyahoga County's inmate cost per day appears to be less than the national average. According to data collected by the Census Bureau, local governments spent \$25.7 billion on correction costs in 2007-8. In 2008, Department of Justice data suggest that there were 785,556 individuals in county jails. Based on these numbers, the average national cost per inmate per day in local jail facilities was \$89.51.

Local cost of Correction	\$ 25,665,059,000.00
Average jail population	785,556
Annual cost per inmate	\$ 32,671.20
Daily cost per inmate	\$ 89.51

In reality, cost per inmate per day varies widely from jurisdiction to jurisdiction even within the same state. Virginia publishes an annual cost per inmate per day for all jails in the Commonwealth. In 2008, the average operating cost per inmate per day increased to \$65.97 and ranged from a low of \$36.77 at the Piedmont Regional Jail to a high of \$169.45 at the Loudoun County Jail.

Additional savings to Cuyahoga County may be possible. For example, the Corrections Commission of Northwest Ohio which operates a regional jail that serves the City of Toledo, Lucas County, Defiance County, Williams County, Fulton County, and Henry County, has a 2010 per diem cost of \$67.52.<sup>25</sup>

Just as the County undertakes a series of measures to reduce its average daily population, it should closely evaluate the actual operating costs of the jail. Three areas warrant detailed analysis:

#### *Staffing*

For the Sheriff Department overall, the vast majority of spending is related to compensation and benefits. In 2010, the Sheriff has an overall budget of \$71.4 million – \$40.2 million for compensation (56 percent) and \$18.1 million is for benefits (25 percent). Efforts to reduce cost through reductions in personnel assigned to the jail, however, must be carefully weighed against concerns related to both inmate and officer safety. One area that should be reviewed is the use of overtime. Through July, the Sheriff has expended approximately \$2 million for more than 68,000 hours of overtime for all functions – including the jail. Moreover, between 2006 and 2009 as the ADP in the County Jail declined by 9.2 percent, the number of FTEs also declined – but by just 6.2 percent.

<sup>25</sup> See, <http://www.ccnoregionaljail.org/budget.htm>.

## *Health*

The Sheriff and other county officials recognize that health costs – particularly costs related to care and medication for inmates with mental illness – are also driving the overall cost of incarceration in Cuyahoga County. County Budget and Management officials estimate that in 2010, health costs account for approximately ten percent – \$7.39 – of the overall cost per inmate per day.

Currently, health services in the jail are provided through a combination of outside contracts and Sheriff Department personnel. The Sheriff is working with MetroHealth, a county-funded hospital and health care system, to develop a plan for joint purchasing of pharmaceuticals as a means of reducing cost. At the same time, the Sheriff is planning on eliminating its contract for medical services and moving to provide those services with its own medical staff.

An alternative approach would be for the new County Executive to conduct a managed competition for health care services in the jail. Under this approach, it would issue an RFP that the Sheriff's department, MetroHealth and outside providers could all respond to. The RFP approach would allow the County to evaluate both cost and quality of care. By allowing MetroHealth to propose to provide services, it would enable the County to have greater direct control over the provision of health care to jail inmates without creating a new health care bureaucracy within a non-health department of county government.

## *Food Services*

Based on data from OBM, the cost of providing food to inmates accounts for between \$1.08 and \$1.40 per meal or between \$3.24 and \$4.20 per day; less than 5 percent of the total cost per inmate per day.<sup>26</sup> Other jail systems have been able to achieve lower costs per meal. For example, in August 2009, the Fulton County, Georgia jail system awarded a contractor the right to provide meals at a cost of \$1.12 per meal.

Like staffing, however, the ability to obtain a lower cost for food services by contracting out needs to be weighed against the impact on overall jail operations. The County has recently invested approximately \$5 million in new food service facilities within the County Jail: thus, any contracting out proposal would need to be for personnel to operate the existing kitchen facilities. Other counties that have contracted for food services to achieve cost savings have had serious and significant problems with the quality of food provided. Sheriff officials – echoing other correction officials nationally – have expressed concern that their ability to directly control the quality of food provided to inmates is an essential strategy for maintaining safety and security in the jail.

## **Financial Impact**

By cutting the difference in cost per day per inmate between Cuyahoga County and the Corrections Commission of Northwest Ohio in half, Cuyahoga County could reduce the cost per inmate per day to \$71.25 per day. If there were no change in the 2010 ADP, the result would be approximately \$2.76 million in savings annually. Phasing those savings in over the next five years would result in total savings of just over \$8 million.

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<sup>26</sup> The higher dollar amount includes costs related to correction officers assigned to monitor trustees during preparation of meals.

### Financial Impact (\$000)

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	552	1,105	1,657	2,210	2,762	8,287
Total	552	1,105	1,657	2,210	2,762	8,287

#### **Expected Outcome/Performance Metrics**

OBM would be required to maintain far more detailed information on costs of the jail, including detail on overtime, staff and non-personnel costs. Key metrics would include total cost per inmate per day, cost per meal, medical costs per inmate, jail operation related overtime. It would also be useful to identify a handful of other local jail systems and develop a regular process of benchmarking these cost metrics. Finally, to ensure that cost savings are not being obtained at the cost of correction officer and inmate safety and health, the Sheriff should also be monitoring key metrics in those areas. Those metrics might include the number of inmate incidents, number of correction officer injuries and the number of referrals of inmates for outside health care due to the seriousness of condition.

#### **Responsible Party/Others Affected**

This effort would be led by the Sheriff, but would also require the strong support of the County Executive and the budget staff. To the extent that some positions currently held by employees of the County would be eliminated as a result of outsourcing, there would be a need to work through obligations that may exist under collective bargaining.

MetroHealth would have to be encouraged to work more closely with the Sheriff in developing a proposal in response to the managed competition RFP. The County Purchasing Department would have to be involved in development of the managed competition RFP for health care and any consideration of a competitive bid for food services.

If there are prisoner rights organizations in the community, it would be useful to engage them in the process as well. Doing so could both help to ensure the right balance between cost and quality when it comes to inmate health and food and it could prevent future litigation.

#### **Authority Required**

If there are local or state statutes limiting the County's ability to contract out for services and functions currently performed by county employees, the County would need to carefully assess its approach to this process.

#### **Time Required**

This approach would require a significant planning effort by the County Executive, Budget and the Sheriff. If the County did determine that savings could be achieved by an RFP process – for health and/or food service – that would require time for development of the RFP, responses and evaluation. On the other hand, a detailed assessment of current staffing and overtime utilization could be accomplished within the first several months of the new County Executive's administration.

#### **Key Issues**

The critical issue will be the ability to capture budgetary savings without sacrificing safety and security. The need for close attention to this balance is essential for the long term success of the initiative.

<b>JS04.</b>	<b>Increase Collection Rate on Court Imposed Fines and Fees</b>	
	<b>Target outcome:</b>	Centralize and improve the collection of court imposed fines and fees
	<b>Five year financial impact:</b>	Savings of approximately \$1.7 million
	<b>Work Group Recommendation?</b>	Similar to, but more expansive than, Work Group recommendation

### Overview

The Cuyahoga Clerk of Courts is the official record keeper for the County Court of Common Pleas and the District Court of Appeals. The Court of Common Pleas hears civil, criminal, and domestic relations cases. The Clerk of Courts is responsible for recording, maintaining, indexing, and certifying the legal documents filed in the above cases. The Clerk of Courts is also responsible for receiving, accounting, and dispersing fines, fees, and other payments made in those cases.

According to the 2009 Ohio Courts Statistical Reports, there were 54,756 new filings, transfers and reactivations in the General Division of the Court of Common Pleas in Cuyahoga County: these figures do not include probate and domestic relations cases. OBM's 2010 mid-year report indicates that in 2009, the Clerk of Court collected approximately \$8.9 million in fines and other court charges: the mid-year report projects 2010 collection of \$11.2 million, based in part on timing of deposits. In 2009, the cost of the court-related functions of the Clerk of Court – excluding staff responsible for issuance of title and special funding for computers – was \$11.7 million for 162 full time staff. In other words, the cost per case was approximately \$214 and the fines and fees per case was \$163

Data from the Clerk of Court indicate that collection rates from the domestic relations and civil parts of the court were relatively high – 79 percent and 89 percent for fines assessed between 2005 and 2009. The collection rate for criminal court was much lower – 31 percent – and a total of \$19.4 million remain uncollected.

The Clerk does not have a policy of immediate collection in criminal cases. Generally, defendants are given thirty days before they receive an initial notice requiring payment. The Clerk reports that, in the past, there was an effort to send aged accounts to collection agencies but that it yielded little in return. For newer cases, the Clerk's staff expressed the belief that those cases were relatively easy and that they were being handled adequately internally. The Clerk did report success in collection of fines and fees on those defendants subsequently incarcerated by use of liens on commissary accounts.

Like many jurisdictions, Cuyahoga County does not appear to have a systematic and comprehensive means of collecting court fees and fines – especially those imposed as part of criminal proceedings. This has both a negative impact on the County's finances and on notions of justice. To the extent that fines are a judicial sanction, when they are ignored, it means that they will have none of the deterrent or retributive effects intended under the law.

A 2008 assessment by the National Center for State Courts (NCSC) reported that:

A tension has existed between courts and other branches of government over the level of responsibility and involvement courts should have in collecting the fines and fees they assess. This tension has increased as governments have

faced more and more financial constraints and public scrutiny over the past several years.<sup>27</sup>

The collection process frequently focuses on the efforts of court clerks who are usually charged with the responsibility. In many cases, clerk offices have little incentive to aggressively pursue outstanding fines and fees. Collected fines and fees may go to the state or to local general funds; collection of delinquent fines and fees is difficult; collection activity is also very different from the normal processing of dockets and court filings.

In 1996, NCSC developed a detailed best practices analysis of judicial debt collection, based on work in 40 courts in 22 states. The analysis found that there were three keys to successful fine collection:

- Adoption of a philosophy that active collection was necessary
- Decision to improve community perceptions that fines had to be paid
- Dedicated staff and resources to the collection effort<sup>28</sup>

While court clerks are frequently charged with the actual collection of judicial debt, the NCSC study found that “a collections program cannot be successful without strong, consistent support from the bench.” Successful collection programs depend on judges who are willing to make payment upon disposition the rule, not the exception. The NCSC study found that “successful courts all have a judge who tells defendants that payment must be made that day or within 24 hours...”

Effective collection programs also require clear and specific sanctions for those offenders who fail to pay. In some cases, offenders who willfully fail to pay fines can be jailed. However, jail space is a costly and scarce resource in most jurisdictions. Thus, any program that creates the potential of using jail resources as a means of compelling fine payment should probably be reserved for the most extreme cases and should be based on a careful balancing of the benefit of additional fine collection and the cost of incarceration to the County. For most cases, judges need to have an alternative sanction – in some cases, that may be driver’s license suspension and in other cases, it may be community service.

Some of the most effective programs use different means of finding offenders and offender assets. Best practices include garnishment of wages and unemployment compensation, intercepts of lottery winnings and tax refunds and targeted collection efforts at the largest scofflaws and during holidays.

Other studies have also found that there may be a benefit to customizing certain required payments because some criminal defendants have more resources than others. A number of U.S. jurisdictions have sought to replicate the process for fines used in many European countries. In Europe, courts seek to individualize fines for offenders based on their ability to pay. In the U.S., fines have historically been set based on the severity of the offense. The problem is that a \$500 fine for an individual who earns \$100,000 annually is very different than for a defendant who earns \$10,000 a year. The European system of “day fines” – set based on the value of a day of offender wages – makes it more likely that offenders can afford to make required payments.<sup>29</sup>

In 1993, Dallas County, Texas launched a fine collection pilot program in three criminal misdemeanor courts. The Dallas County program worked so well that the Texas Legislature

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<sup>27</sup> National Center for State Courts, *Future Trends in State Courts*, 2008.

<sup>28</sup> John T. Matthias, Gwendolyn Lyford and Paul Gomez, *Current Practices in Collecting Fines and Fees in State Courts: A Handbook of Collection Issues and Solutions*, National Center for State Courts, 1996.

<sup>29</sup> Justice Management Institute and Vera Institute of Justice, *How to Use Structured Fines (Day Fines) As an Intermediate Sanction*, Bureau of Justice Assistance, 1996.

moved to mandate the program in the majority of county and municipal courts in the state in 2005.

The components of the program include:<sup>30</sup>

- Staff dedicated exclusively to collection activities;
- Expectation that all court costs, fees and fines are generally due at the time of sentencing or pleading;
- Defendants unable to pay in full on the day of sentencing are required to apply for an extension of time;
- Application information is verified and evaluated to establish an appropriate payment plan for the defendant;
- Payment plans are usually strict (e.g. 50 percent of the total amount due must be paid within 48 hours; 80 percent within 30 days; and 100 percent within 60 days);
- Alternative enforcement options (e.g., community service) are available for those who do not qualify for a payment plan;
- Defendants are closely monitored for compliance and action is taken promptly for non-compliance;
- A county or city may contract for collection services on delinquent cases;
- Application of statutorily permitted collection remedies, such as programs for non-renewal of driver's license or vehicle registration; and
- Issuance and service of warrants, as appropriate.

Under the model Texas program, the courts have been able to increase their collection rates significantly. According to data from the Office of Court Administration, counties participating in the program have – on average – seen collection rates grow from 36 percent to 66 percent.

### **Financial Impact**

Implementation of a Texas-like court collection program in Cuyahoga County could occur over a five year period, with the first year dedicated to planning and winning support from the court. Ideally, the plan would be part of a larger countywide initiative designed to centralize revenue collection efforts. In the case of court fines and fees, however, the support of the local judiciary would be essential.

Assuming that there might be offsetting increases in cost and the Cuyahoga County effort would only achieve half of the rate of increase in collection as obtained in Texas, the County could still see an increase in fine and fee collection of 50 percent over four years. In addition to assuming additional resources for the effort, this initiative will require that some current resources currently allocated to the Clerk of Court be more effectively utilized.

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<sup>30</sup> Texas Office of Court Administration, OCA Model Court Collections Program Components at <http://www.courts.state.tx.us/oca/collections/modelcomp.asp>.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	0	(200)	(200)	(200)	(200)	(800)
Potential revenue	0	250	500	750	1,000	2,500
Total	0	50	300	550	800	1,700

**Expected Outcome/Performance Metrics**

OBM and the Clerk would need to regularly monitor the amount of fines and fees assessed, the rate of collection and the amount outstanding or delinquent. This information would also need to be shared with members of the court.

**Responsible Party/Others Affected**

While the Clerk of Court and the new Fiscal Officer would be directly responsible for collection, the success of the initiative would greatly depend on the cooperation of the judiciary. The planning effort should be coordinated by the Deputy County Executive for Public Safety recommended by the Justice Services Work Group.

**Authority Required**

It is possible that there would be a need for some changes in State law to allow the County to utilize all of the strategies identified as best practices. Staff of the Clerk of the Court have indicated that, in the past, they were precluded from sharing certain offender information (e.g. social security numbers) with outside collection agencies. If this remains an issue, it could also be addressed by getting defendants sentenced to fines to waive any right to keep that information private.

**Time Required**

This approach would require a significant planning effort by the Clerk, the Fiscal Officer and the courts. The goal should be to develop a plan in the first three months of 2011 and begin implementation by the middle of the year.

**Key Issues**

Judicial cooperation is the key issue in planning and implementation of this initiative.

<b>JS05.</b>	<b>Implement Bail Reform</b>	
	<b>Target outcome:</b>	Reducing reliance on surety bond could increase the number of defendants awaiting trial who are released, thereby reducing jail population
	<b>Five year financial impact:</b>	Savings of approximately \$10.6 million
	<b>Work Group Recommendation?</b>	Similar to, but more expansive than, Work Group recommendation

### Overview

In 2005, the Justice Management Institute completed a comprehensive analysis of felony case processing in Cuyahoga County. The report prompted the creation of the Justice System Reform Initiative (JSRI) in 2007. JSRI's vision statement calls for "a criminal justice system throughout Cuyahoga County which respects constitutional rights, enables the timely and fair administration of justice, utilizes effective management policies and best practices, facilitates cost efficiency and operational effectiveness, improves the quality of decision-making through timely access to accurate and complete information, ensures transparency in decision making and operations, enhances public safety and security, and provides public accountability."

JSRI has the active involvement of the BOCC, the Prosecutor, the courts, the Public Defender, the private defense bar, the Sheriff, the Coroner, the Cleveland Police Chief, the Cleveland Law Director and representatives of mayors, town managers and police agencies throughout the County. The work of JSRI, especially its focus on early case processing and expedited case management, has led to real improvements in timely disposition of criminal cases. For example, between 2005 and 2009, average arrest to disposition for Court of Common Pleas cases involving offenders in jail declined by ten days – from 162 days to 152 days. This improvement played an important role in reducing the average daily population of the County Jail.

In 2008, the County asked the Justice Management Institute to return and assess progress on thirty six recommendations from its original report. One area where no progress had been made was in reducing the reliance on surety bond for criminal defendants awaiting trial. Under a surety bond, a defendant is required to pay ten percent of the value of the bond to a bondsman, plus a \$15 fee to the court: none of this payment is returned to the defendant at the conclusion of the criminal matter. In 2004, 40.7 percent of criminal defendants scheduled for arraignment posted a surety bond. By comparison, 28.1 percent of defendants were released on personal recognizance (requiring no payment to a bondsman), 27 percent were unable to post bond and remained in jail and only 1.7 percent were released on deposit bail. Deposit bail requires a deposit of ten percent of the bond amount plus a \$45 fee with the court: 90 percent of the ten percent bond is returned to the defendant.

Increasing the use of deposit bail would likely reduce the degree to which inmates held pre-trial are able to make bond. The court's reliance on surety bonds to assure that defendants return to court for trial increases the likelihood of incarceration due to a defendant's means rather than their flight risk or danger to the community. Because defendants can get funds posted as deposit bail back, the financial burden is less. It is even less when defendants are released on their own recognizance.

Moreover, increasing the use of deposit bail would also have a positive impact on county revenue. The \$45 fee and the remaining ten percent of the bond amount would go to the County. In 2004, the Clerk of Court collected \$300,000 from this portion of deposit bail.

As noted in the Justice Management Institute report, both the American Bar Association and the National Association of Pretrial Services Agencies advocate the use of recognizance or supervised recognizance as an alternative to any bond or bail. Other local justice systems make far greater use of personal recognizance based on detailed assessments of flight and danger risk by local pre-trial service agencies. Commercial bail bondsmen are illegal in Wisconsin, Oregon, Kentucky and Illinois.

New York City was an early leader – along with the federal government – in bail reform. In New York City, criminal defendants are screened by the New York City Criminal Justice Agency to determine risk. Recommendations are then made to judges on the eligibility of defendants for pre-trial release. By 2010, in nearly two-thirds of cases that are not disposed of at arraignment in New York City, defendants are released on their own recognizance. A 2005 study found that in New York in those cases where bail was set, only 15 percent of defendants relied on bond to make bail. The New York City model is noteworthy, both because of its early adoption and because New York – based on the preliminary FBI Uniform Crime Report – was the safest large U.S. city in 2009.

Reducing reliance on surety bond would limit the degree to which a defendant's financial circumstances determine whether he or she is incarcerated; it could reduce jail population, saving taxpayer dollars; and – if there is an increase in the use of deposit bail – could produce additional revenue for the County. The New York experience indicates that a well run alternative to bail program can accomplish this without negatively affecting public safety.

**Financial Impact**

Based on 2004 data for the percentage of inmates who remained in jail post-arraignment and 2009 data on the time from arraignment to disposition for jail cases (105 days), approximately 1,235 inmates per day are in jail post-arraignment and awaiting trial. If bail reform could reduce the number of inmates in jail post-arraignment and awaiting trial by ten percent, it could potentially save \$3.4 million annually in jail operating costs (assuming that the population reduction would be sufficient to reducing staffing and other operating costs).

In addition, if half of that reduction was attributable to an increase in deposit bail – resulting in fees to the Clerk – the County would gain approximately \$400,000 a year in revenue from fees. Thus, even if implementation of the initiative would require new staffing for pretrial services, those added costs could be offset in part by additional revenue.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(500)	(1,000)	(1,000)	(1,000)	(1,000)	(4,500)
One-time and recurring savings	1,127	2,253	3,380	3,380	3,380	13,520
Potential revenue	133	267	400	400	400	1,600
Total	760	1,520	2,780	2,780	2,780	10,620

**Expected Outcome/Performance Metrics**

Implementation of this initiative should result in a reduction in the pre-trial inmate population, an increase in defendants on deposit bail and released on recognizance and a reduction in the percentage of defendants posting surety bond. These outcomes can be tracked regularly by the Clerk of Court, the court system and JSRI. In addition, reduction in overall jail population

would need to be tracked by the Sheriff and OBM to determine opportunities to achieve budgetary savings through jail staff reduction.

### **Responsible Party/Others Affected**

The JSRI Coordinator – ideally reporting to a Deputy County Executive for Public Safety – would be the principal staff person assigned to oversee implementation of the initiative. It would require the cooperation and support of the courts and the Prosecutor. The Sheriff and Public Defender – along with the private defense bar – would be affected. Pretrial services – under the administration of the Court of Common Pleas – might also require additional resources to allow for more detailed screening as part of a release on recognizance initiative.

### **Authority Required**

No additional authority would be required to implement this initiative

### **Time Required**

Assuming the support of the judges, this initiative could start to be implemented after a six month planning period. It would take time for judges to gradually shift their behavior and even more time to begin to reap jail cost related savings associated with the initiative.

### **Key Issues**

In its 2008 update, the Justice Management Initiative identified three factors related to the lack of progress in bail reform:

- Insufficient data on the existence and extent of the problem
- Effectiveness of deposit bail (or release on recognizance) in ensuring court appearances
- Valid instruments for assessing pretrial release risk

All of these issues can be addressed in the planning process. In particular, it would seem that judges would benefit from visiting other jurisdictions where bail reform has successfully been implemented, such as New York.

### **Opportunities for Innovation/Transformation**

Implementation of this initiative would go beyond merely reducing the cost of the criminal justice system. It would mark a fundamental reform in the fairness of the Cuyahoga County justice system, reducing the effect that offender income and resources has on the likelihood of incarceration.

<b>JS06.</b>	<b>Create a Regional Approach to Research, Evaluation and Crime Data Analysis</b>	
	<b>Target outcome:</b>	Improve effectiveness and efficiency of crime reduction efforts
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

**Overview**

Cuyahoga County has over 50 separate local police departments with no formal method for jointly gathering intelligence, sharing research or conducting crime analysis across jurisdictional borders. As a result, potentially critical knowledge gaps can exist as opposed to on-going collaborative efforts.

To help share and transfer intelligence and knowledge, the Northeast Ohio Regional Fusion Center was created. And the Cuyahoga Regional Information System (CRIS) was created to provide information to all law enforcement agencies within the County.

The Deputy County Executive for Public Safety should lead an effort to regionalize research and evaluation and crime data analysis with the Fusion Center and CRIS playing leading roles. The regional effort would allow law enforcement agencies – small and large – to have access to research, evaluation and analytical resources to assess the most effective ways to reduce crime across the County.

This new regional effort would recognize that crime knows no boundaries. Some suburbs and smaller cities face some of the same crime problems that larger cities have had to address for years. Yet, smaller departments often lack adequate resources to research and evaluate different crime reduction strategies or to analyze local crime data.

A regional approach offers both the opportunity for economies of scale – not every law enforcement agency would need to employ their own research and analytical staff – and the opportunity for cooperation and coordination to address crime issues that cross jurisdictional boundaries.

Eventually, a regional approach could lead to initiatives such as a regional COMPSTAT program – where multiple departments regularly met to identify and address crime trends across the County. The Providence, Rhode Island Police Department has a COMPSTAT process and also convenes a regular meeting involving law enforcement agencies from the surrounding towns within the region.

**Financial Impact**

All costs would be shared across participating jurisdictions. It is assumed that any additional cost due to an expansion in staff from current levels in CRIS and the Fusion Center would be covered by cost sharing with municipalities. Eventually, both the counties and the participating municipalities would achieve cost savings.

**Expected Outcome/Performance Metrics**

Implementation should eventually lead to participation by all local law enforcement agencies and result in greater use of data and research to reduce crime throughout the County. Performance metrics would initially include the number of participating agencies, the number of requests for research and analytical support and the number of initiatives identified by local law

enforcement agencies as being “data-driven.” Eventually, the impact should be a reduction in crime in the County.

### **Responsible Party/Others Affected**

The County Executive should charge the Deputy County Executive for Public Safety with implementing this initiative. Outreach and collaborative efforts would require significant relationship building with local law enforcement agencies.

### **Authority Required**

The initiative does not appear to require any formal authority to collaborate across the region.

### **Time Required**

The groundwork to enact this proposal could begin action immediately through outreach to other jurisdictions and initial intelligence and research sharing actions.

To effectively structure and organize a regionally-based intelligence gathering and research sharing initiative will take a period of several years.

### **Key Issues**

There may be pushback from other jurisdictions who want to maintain their independence as opposed to collaborate with the bigger county system. To the extent other jurisdictions feel the County is attempting to subsume their current functions, there may political and labor resistance to the initiative.

The issue of command will be significant as it pertains to any long-term formal regionalization effort in intelligence gathering and research functions.

### **Opportunities for Innovation/Transformation**

Cuyahoga County has over fifty local police agencies. The information sharing, intelligence gathering, and research coordination among the jurisdictions is not formalized or uniformly coordinated. Performing such functions on a regional basis is likely to enhance services, reduce knowledge gaps, reduce response-time, and increase productivity throughout jurisdictions in the region. Such an outcome would yield savings for participating jurisdictions and ultimately help to increase public safety.

<b>JS07.</b>	<b>Review and Assess Provision of Indigent Counsel to Criminal Defendants</b>	
	<b>Target outcome:</b>	Assess current process of providing counsel to indigent criminal defendants
	<b>Five year financial impact:</b>	N/A
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

In Cuyahoga County, indigent criminal defendants are represented by either the Public Defender or counsel assigned by the Court. Most indigent defendants are represented by assigned counsel. An analysis conducted as part of a proposal to increase indigent defense fees found that in 2006, assigned counsel represented 63 percent of indigent criminal defendants arraigned in the Court of Common Pleas.

According to data provided by OBM, approximately 95 percent of defendants in criminal court are classified as indigent: this appears to be a dramatic increase from 81 percent in 2006. The courts do not appear to have any form of rigorous means test for determining indigence. As a result, the County may bear the costs of counsel for defendants capable of paying for private counsel.

And those costs are significant. In 2009, the County expended more than \$19.1 million for assigned counsel in the Court of Common Pleas, the Court of Appeals and the Juvenile Court and the Office of Public Defender. The State does provide for reimbursement for approximately 35 percent of these costs and the City of Cleveland provides for the \$1.9 million cost of providing counsel for indigent defendants in the Cleveland Municipal Court.

In other counties, the Public Defender – or in some cases the Legal Aid Society – is the primary counsel for indigent defendants. The most recent national study of indigent defense in the 100 largest counties in the United States found that public defenders provided representation in 82 percent of cases, while assigned counsel provided representation in 15 percent and contract attorneys were responsible for representation in three percent of cases.<sup>31</sup> Concentration of expertise in a Public Defender's office can create economies of scale and improve the effectiveness of defense. Payments to assigned counsel based on hourly rates are also sometimes difficult to monitor. And, the assignment of counsel can sometimes be subject to allegations of favoritism.<sup>32</sup>

The County, the courts and the local bar should study both the effectiveness and efficiency of provision of indigent counsel in Cuyahoga County. The review should examine whether the County should shift a greater percentage of cases to the Office of Public Defender, as well as whether there needs to be closer monitoring of eligibility for indigence.

Finally, the study should also examine other innovative models of providing for indigent defense. For example, the Neighborhood Defender Service of Harlem provides a comprehensive, problem solving, community based alternative to provide indigent defense. As noted on the NDS website, "[I]n contrast to traditional public defense practice, NDS clients are represented by a team that includes criminal and civil attorneys, social workers, investigators,

<sup>31</sup> Carol DeFrances and Marika Litras, *Indigent Defense Services in Large Counties*, 1999, U.S. Department of Justice, Bureau of Justice Services, 2000.

<sup>32</sup> In Allegheny County, assigned counsel was used in cases involving a conflict. Even then, a 2007 newspaper report indicated that a grand jury was investigating whether judges had assigned cases to a select few attorneys. An analysis found that in the case of one judge, one attorney was assigned 45 percent of all cases. Paula Reed Ward and Gabrielle Banks, "How courts line up defense of the needy," *Pittsburgh Post Gazette*, March, 4, 2007.

paralegals, law school and social work interns, and pro bono attorneys. NDS deploys all of these resources in the aggressive defense of its clients.” A 1997 Justice Department study of the program found that by providing more effective representation, NDS was able to reduce periods of incarceration for its clients – resulting in reduced cost.<sup>33</sup>

### **Financial Impact**

It is possible that a study of indigent defense in Cuyahoga County will not result in any savings, but given the amount spent on both assigned counsel and the Public Defender it seems likely that at least some savings will be identified. Any savings though would be discounted to reflect the State reimbursement rate.

### **Expected Outcome/Performance Metrics**

The expected outcome would be to improve efficiency and effectiveness. There should be measures focusing on case outcome, client contact hours, and other pertinent measures to allow as robust a picture as possible in the evaluation process. Ultimately, indigent defense should be viewed and measured against the quality of representation. A review should explore which cases are assigned to outside counsel and which cases are handled by the Public Defender’s office to assess if either outside or Public Defenders are better suited for particular types of cases and can do so more cost efficiently than the other.

### **Responsible Party/Others Affected**

The Deputy County Executive for Public Safety should be made responsible for the study. It will require the cooperation of the judiciary and – as noted above – the participation of the local bar and the Public Defender. The County should also seek the involvement of the Ohio Public Defender Commission.

### **Authority Required**

Ohio Revised Code sets forth requirements and laws surrounding indigent representation. While there does not appear to be any impediment to reducing the use of outside, assigned counsel or conducting a means-test for indigent representation, the County would need to carefully review and assess the Code to ensure actions are allowable.

### **Time Required**

The study should be completed within six months and any recommendations would be phased in over a five year period.

### **Key Issues**

Cost cannot be the sole focus of the study. Across the nation, indigent defense is routinely subject to criticism for underfunding. The goal should be to determine both how to improve efficiency and effectiveness of representation. Cost assessment should consider both the direct cost of provision of indigent defense and indirect costs – such as the cost of longer incarceration.

### **Opportunities for Innovation/Transformation**

There is an opportunity for the County to improve efficiency, maintain public safety and further justice.

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<sup>33</sup> David C. Anderson, Public Defenders in the Neighborhoods, U.S. Department of Justice, National Institute of Justice, March 1997.

<b>JS08.</b>	<b>Conduct an Efficiency Study of the Clerk of Courts</b>	
	<b>Target outcome:</b>	Assess the best means for organization the newly appointed Clerk of the Courts' office
	<b>Five year financial impact:</b>	Net savings of approximately \$300,000
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

**Overview**

The Clerk of the Courts will now be appointed by the County Executive. Certain functions currently in the office involving titles will, by provision of the Charter, be transferred to the Fiscal Officer. With a \$16.8 million budget, including \$10.8 million from the General Fund, the County should conduct an efficiency study to identify opportunities to improve the operations of the Clerk.

In particular, the study should examine potential opportunities for savings and efficiency through new technology, such as electronic filings and the opportunity to search for information on the Clerk's website. There may also be opportunities for efficiencies through greater coordination between members of the Clerk staff who serve the civil courts and the criminal courts.

Lastly, the study would explore opportunities for consolidation or shared services with other judicial clerk offices, including the Cleveland municipal court. For example, in Hamilton County, the Clerk of Court serves both the Court of Common Pleas and the Municipal Court.

An efficiency study presents the opportunity to review best use of personnel, appropriate staffing levels, and process design to present a roadmap to achieve optimal performance.

**Financial Impact**

The cost of an efficiency study would be budgeted at \$100,000. Even if the study produced savings of just one percent of the current budget, it would pay for itself in the first year after completion.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring costs	(100)	0	0	0	0	(100)
One-time and recurring savings	0	108	108	108	108	434
<b>Total</b>	<b>(100)</b>	<b>108</b>	<b>108</b>	<b>108</b>	<b>108</b>	<b>334</b>

**Expected Outcome/Performance Metrics**

The efficiency study should achieve cost reductions and improvements in operations. A review should include an assessment of the Clerk's office and span of control, organizational design, and functional capabilities and identify specific outcome metrics for the Clerk going forward.

### **Responsible Party/Others Affected**

The Deputy County Executive for Public Safety or the Law Director should be charged with overseeing the study. OBM and Human Resources should both be involved in the process. The Clerk and judges would also be part of the process.

### **Authority Required**

There is no new authority that appears needed in order to conduct an efficiency study.

### **Time Required**

The study should be completed during 2011, with sufficient time to allow for recommendations to be incorporated into the 2012 budget process and implementation to begin in January 2012.

### **Key Issues**

The study is necessary as the Clerk of Courts moves from an elected office to an appointed office. While the courts should be an important partner in the study process, they should not control the study. In addition, part of the study should involve users of the Clerk's office – both members of the local bar and members of the public.

### **Opportunities for Innovation/Transformation**

An efficiency study is the first step to assess the new Clerk of Courts office and determine the best manner to provide the services of the office in a more streamlined manner.

<b>JS09.</b>	<b>Consolidate Public Safety Functions Under a Deputy County Executive</b>	
	<b>Target outcome:</b>	Increase coordination and efficiency by consolidating public safety functions under a single direct report to the County Executive
	<b>Five year financial impact:</b>	A minimum savings of \$1.5 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

Under the new Charter, currently elected officials – the Sheriff, the Coroner (soon to be Medical Examiner) and the Clerk of Court – with responsibility for public safety and justice functions in county government will now be appointed by the County Executive. This presents an opportunity for enhanced consolidation and coordination with functions currently performed by the Department of Justice Affairs, which reports to the Board of Commissioners.

The County Executive should consolidate public safety functions under the day to day oversight of a Deputy County Executive for Public Safety. The Deputy County Executive for Public Safety would oversee the operations of the County’s public safety and law enforcement agencies including:

- The Sheriff;
- An Emergency Management Services department;
- A Regional Communications department – a separate office from Emergency Management Services, working in cooperation with Emergency Management Services, to include CRIS, CECOMS, LEADS (interoperability);
- A unified Fiscal and Administrative Services office - to provide support for all public safety departments, including grants and procurement; and
- The Medical Examiner.

The Deputy County Executive organizational model will allow the County Executive and to encourage different departments/offices in the same area to coordinate and collaborate. A Deputy County Executive for Public Safety should function as a member of the senior county leadership team.

Consolidation under a Deputy County Executive would yield the following benefits:

- *Enhanced opportunities for coordination and collaboration.* Consolidating related services under a single direct report to the County Executive would allow for greater communication, coordination and collaboration among those service providers and their managers.
- *Focus on public safety at County Executive level.* Constituting a significant percentage of the total county budget, public safety and law enforcement are critical concerns throughout the County. A single, direct report to the County Executive would clearly place public safety issues high on the county agenda. The direct report to the County Executive can ensure critical issues receive warranted attention at the County Executive level.
- *Maximization of shared support and administration.* Consolidation and coordination could be accompanied by combining Information Technology, Human Resources, purchasing and other support functions for all public safety and law enforcement

offices. Such actions will yield fiscal savings and create enhanced efficiencies within the purview of the Deputy County Executive for Public Safety. Consolidation of some of these functions, however, may be best accomplished across all of county government.

- *Creation of an appropriate organizational layer between the County Executive and office heads.* An organizational layer between the County Executive and department heads can help focus disparate issues for the County Executive's attention. The separation may allow the County Executive to gain the benefit of advice from an individual with a more global perspective on public safety issues than the individual office heads may have.

The Deputy County Executive model succeeded in Nassau County, New York. Under former County Executive Thomas Suozzi, there was a Deputy County Executive responsible for the County Police, the Office of Emergency Management (which also had a dotted line relationship with the Deputy County Executive for Health and Human Services), Correction, Probation and the Medical Examiner (which also had a dotted line relationship with Health and Human Services).

The County Executive created the Deputy County Executive model as a means of encouraging different departments in the same area to coordinate and collaborate. Deputy County Executives also functioned as members of a senior county leadership team and, when most effective, acted more as members of that team than advocates of the departments that reported to them. The goal was to eliminate siloed approaches among multiple departments rather than to merely organize them under a single individual.

Notwithstanding the presence of an organizational layer between the Executive and office heads, it is anticipated that the Executive, on appropriate discrete occasions, would have direct contact with office heads reporting to the Deputy Executive for Public Safety. For example, the head of Emergency Management Services should act as the lead person in emergency management response. As such, the head of the office should report to Deputy County Executive for Public Safety on a day-to-day basis. In instances of an emergency management event, however, the County Executive and the head of Emergency Management Services should have a direct-line of access and communication.

### **Financial Impact**

Because of a lack of transparency in the budgeting process, it is difficult to fully ascertain all costs of administration in different departments that would be consolidated under the direction of a single direct report to the County Executive, a Deputy County Executive for Public Safety. Opportunities for savings, however, are clear.

The Sheriff's office currently has separate organizational units for administration, computer information technology, employee relations (including payroll and purchasing) and personnel/human resources. OBM estimates that the Sheriff currently spends more than \$2 million annually on administrative salaries. The Coroner's office has staff dedicated to information technology, procurement, fiscal affairs and grant writing. The Department of Justice Affairs also has staff devoted to these areas.

At a minimum, public safety departments are spending \$3.0 million annually on purely administrative functions. Consolidation of these functions could generate a minimum savings of ten percent annually. Without full information on all staff positions within different departments that would be subject to consolidation, it is likely that this is a very conservative estimate.

### Financial Impact (\$000)

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	300	300	300	300	300	1,500
Total	300	300	300	300	300	1,500

#### **Expected Outcome/Performance Metrics**

Increased coordination and consolidation of certain functions should result in improvements in effectiveness and efficiency. Initially, performance metrics would need to focus on operational savings – reductions in headcount and budget – as well as improvements in the County's ability to secure grant funding. Greater coordination in grant management should increase collaboration and make the County more competitive for grant opportunities.

#### **Responsible Party/Others Affected**

The County Executive would need to appoint a Deputy County Executive for Public Safety. Working with OBM and individual department heads, the Deputy County Executive would need to work to consolidate administrative functions. In addition, the Deputy County Executive would need to appoint directors of new offices – Emergency Management and Regional Communications. Although these functions exist within county government, they currently are direct reports to the head of the Department of Justice Affairs.

#### **Authority Required**

Section 2.03(14) of the Charter specifically empowers the County Executive to "employ and supervise such number of deputies, assistants and employees as shall be reasonably necessary to assist the County Executive in carrying out the duties of his office."

#### **Time Required**

The reorganization contemplated by this recommendation should begin to take place during the transition process with the appointment of a Deputy County Executive. Consolidation of fiscal affairs and other supports should be possible within the early months of the new county government.

#### **Key Issues**

In the absence of a Deputy County Executive structure, there will be a need to develop an alternative organizational structure. All of these department and office heads should not report directly to the County Executive. In addition, there will be a need to identify all opportunities for consolidation.

#### **Opportunities for Innovation/Transformation**

Consolidation of public safety functions under a Deputy County Executive should allow for a real increase in innovative and transformative efforts related to the day to day operations of the county criminal justice system. Ultimately, these efforts should enhance public safety for all county residents.

<b>JS10.</b>	<b>Create an Office of Inspector General</b>	
	<b>Target outcome:</b>	Create a single office focused on deterring waste, fraud and abuse and maximizing opportunities for loss recovery
	<b>Five year financial impact:</b>	Savings of approximately \$11.0 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

The County currently lacks an internal mechanism for deterring and investigating fraud, waste and abuse in county government. While the Charter provides for creation of an Internal Audit unit, there is also a need for an independent and accountable office within county government that will regularly work to reduce the County's exposure to fraud.

The County should establish an Inspector General to prevent and investigate fraud, waste and abuse in county government. The Inspector General should have significant independence, best achieved by having the Inspector General report directly to the County Executive.

The Inspector General would be expected to work closely with the Director of Internal Audit, the Sheriff and with outside law enforcement agencies and the Prosecutor. While creation of an Inspector General will incur an initial cost, it is anticipated that, within a short time, the Inspector General's office will be self-sufficient and budget neutral.

The goal of the Inspector General is to deter illegal actions and block opportunities to engage in such actions. Two principal means of reducing the risk of victimization and increasing the likelihood of desired agency results are: (1) deterrence; and (2) opportunity blocking.

Deterrence would be achieved through successful investigation, referral and prosecution of criminal cases and a strong focus on civil recovery where there is evidence that a county entity has been victimized. Opportunity blocking would be achieved through an ongoing series of recommendations to improve internal controls, policies and procedures within county government that without change would leave the County exposed to further victimization.

The individual serving as Inspector General should possess: 1) an ability to understand, analyze, investigate financial data; and 2) preferably have a law enforcement background. The Inspector General should have the skills to be able to conduct multiple simultaneous sophisticated investigations.

There are several successful models for this type of role in federal, state and local government.

In 1978, Congress enacted the Inspector General Act creating inspectors general for most federal departments and agencies who are appointed by the President and subject to confirmation by the United States Senate. Inspectors general, under federal law, may only be removed by the President. There are now 69 department or agency inspectors general in the federal government.

According to a 2007 report by the House Committee on Oversight and Government Reform, "[B]y investigating and reporting waste, fraud, and abuse to both agency leaders and to the Congress, Inspectors General play a critical role in maintaining checks and balances in the federal government." The report went on to cite data indicating that federal inspectors general had identified \$9.9 billion in investigative savings and \$6.8 billion in investigative recoveries in 2006 alone.

The New York City Department of Investigation (DOI) is one of the oldest local government agencies dedicated to addressing these issues. Founded in 1873, DOI was originally known as the Office of the Commissioners of Accounts and was created by the New York State Legislature in response to a municipal corruption scandal involving the Tammany Hall political machine. DOI frequently works in concert with state and local law enforcement agencies in criminal investigations. DOI, however, also plays a direct role in the operations of New York City government. DOI conducts more than 2,000 background reviews of city employees annually and makes approximately 150 policy and procedure recommendations to city departments on an annual basis.

In Ohio, the state Office of Inspector General (OIG) “investigates fraud, waste, abuse, and corruption within the executive branch of state government.” The Ohio Inspector General issues reports to the Governor and affected agencies with recommendations for reform and where appropriate makes referrals related to criminal activities uncovered to the appropriate law enforcement agency.

Several county governments also have IG or DOI-like functions. Miami Dade County created its Office of Inspector General in 1997 and includes investigations, audit, administrative and legal units. In its 2008 Annual Report, the Miami-Dade County IG reported having identified \$123.9 million in questionable costs and lost revenue and realizing \$68.7 million in savings, prevented losses and restitution since inception, with \$15.2 million in the last year alone. Montgomery County, Maryland, Sacramento County, California and Palm Beach County, Florida also have inspectors general as do many county or regional public authorities or government agencies (e.g. board of education, water management districts, transit authorities).

A 1996 report to the National Institute of Justice focused on a model for an inspector general office that sought to maximize the benefits of an inspector general office while limiting the potential costs. *Building Clean. The Control of Crime, Corruption and Racketeering in the Public Construction Markets of New York City*, by Kennedy School Professor Mark Moore and Zachary Tumin, describes the results of the first five years of the New York School Construction Authority (SCA) Office of Inspector General.

As part of the new authority, the Inspector General's office was created to reduce the likelihood that the SCA – and taxpayers – would be victimized by criminal schemes or other forms of waste, fraud or abuse. The Inspector General was also a Senior Vice President of the SCA – becoming a senior member of the organization's overall management structure and guaranteeing that he would be “at the table” for key organizational decisions. At the same time, in addition to reporting to the SCA President, the IG also reported directly to the Board of Trustees of the SCA (which included appointees of the New York City Mayor and Governor) thereby guaranteeing a level of independence.

From the start, the SCA IG office was designed to focus more on big picture management and reform and less on minor criminal cases. The first SCA IG, Thomas D. Thacher II, noted that his job was “not to catch criminals but to see that quality schools are built, on time and in budget.”

### **Financial Impact**

Creating an Office of Inspector General will require new spending and new staff. Large jurisdictions invest significant spending in effective inspector general functions. For example, in FY 2009-10, the Miami Dade County IG budget was \$5.3 million and the office had a staff of 38 FTEs: Miami Dade County had a General Fund budget of approximately \$1.3 billion, or double

the General Fund of Cuyahoga County.<sup>34</sup> In FY 2010, New York City's DOI had a staff of 247 and a \$22.5 million budget and projected total city spending of \$48.8 billion in that fiscal year.

At full operation, the Inspector General should have a staff of 15 and a budget of \$1.5 million. Based on the experience of Miami Dade County, the Inspector General should be in a position to generate approximately \$3 in loss prevention, savings and restitution for the County for every dollar expended on the operations of the office.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(1,000)	(1,500)	(1,500)	(1,500)	(1,500)	(7,000)
One-time and recurring savings	0	4,500	4,500	4,500	4,500	18,000
Total	(1,000)	3,000	3,000	3,000	3,000	11,000

**Expected Outcome/Performance Metrics**

The County Executive and County Council should set very clear expectations related to outcomes for a new Office of Inspector General.

Inspectors general are frequently more concerned with publicity or prosecutions and less concerned with reform and improvement in the performance of government. To improve statistics on prosecutions, inspectors general may focus time and resources on relatively less important cases – but ones where conviction is likely. Also, inspectors general frequently report on recommended savings that officials with operational authority may find difficult to implement.

Even at the federal level, where the inspector general model is most well developed, a 2009 study by the Project on Government Oversight (POGO) suggested that these problems exist. For example, with respect to a focus on smaller issues, POGO found that “many OIG employees seem to believe that every allegation that comes into an OIG must be examined, for fear they could find themselves subject to criticism. This kind of risk-averse attitude can drag an IG’s office into spending time and resources on pursuing a lot of minor issues...It could be that these small-potatoes cases help to keep the numbers up and are easier to deal with than a large complex case that might drag on for months—or longer—before yielding anything.” Rather than just focusing on the number of investigations, arrests or convictions, POGO concluded that “[F]ar more useful in determining overall OIG effectiveness would be information on recommendations that were implemented, and whether the results were as anticipated, actual monetary recoveries, and the implications of significant unimplemented recommendations.”

**Responsible Party/Others Affected**

The Inspector General should report directly to the County Executive. This reporting relationship is necessary to ensure that recommendations for reform and fraud prevention receive the highest level of consideration within the executive branch of county government. The Inspector General would work closely with the Director of Internal Audit, the Prosecutor and federal and state law enforcement officials. The Inspector General would also work with County staff designated to train and enforce the new County Ethics Code.

<sup>34</sup> A significant portion of the costs related to the operation of the Miami Dade County IG office are derived from a fee imposed on certain County procurement and construction contracts, whereby one quarter of one percent of the cost of the contract is appropriated to the IG.

### **Authority Required**

Section 2.05 of the Charter provides that the County Executive may "cause the administrative affairs or the official acts and conduct of any official or employee of any county office, department or agency over which the Executive has authority to be examined." The section goes on to provide for the appointment -- by the Executive -- of someone to conduct such investigations and grants the Executive or his appointee the same power as the Council to "take testimony, administer oaths and compel the attendance of witnesses and the production of papers, books and evidence."

By comparison, the Director of Internal Audit -- under Article XI -- is an appointee of the County Council, on recommendation of the County Audit Committee. The Executive is one of five members of the Audit Committee, which also includes the Fiscal Officer (appointed by the Executive, subject to Council confirmation), the President of the Council and two residents appointed by the Executive and subject to Council confirmation. The Internal Auditing Department's mandate is largely set by the County Audit Committee. Unlike the Executive's power under Section 2.05, there is no clear grant of investigative powers to the Director of Internal Audit.

### **Time Required**

The County Executive should move quickly to establish, fund and staff the Office of Inspector General during the first six months of his administration. To ensure continuity and clarity of the Inspector General's role, it may make sense to initially create the office by executive order and then move to adopt local legislation.

### **Key Issues**

There is a significant tension between accountability and independence in the structure of inspectors general offices. On the one hand, IGs need to be independent to be effective at what they do: the need for independence was one reason that federal inspectors general under the Inspector General Act are presidential appointees rather than appointees of the heads of the agency or department that they oversee. On the other hand, the result of independence is that it is harder to hold IGs accountable for desired results, especially management reform.

Some scholars have also argued that corruption prevention efforts can actually render government less effective – and can increase the likelihood of corruption. In *The Pursuit of Absolute Integrity: How Corruption Control Makes Government Ineffective*, Professors Frank Anechiarico and James Jacobs argue that various different types of corruption control could dissuade otherwise honest and capable individuals and contractors from wanting to work or do business with government. Moreover, they suggest that by imposing more barriers to entry for government service or contracting, corruption controls can create more opportunities for corrupt activity to avoid those barriers.

As a result, the County Executive must act with care in establishing the Office of Inspector General to ensure the right balance between independence and effectiveness.

### **Opportunities for Innovation/Transformation**

If the Inspector General model succeeds in Cuyahoga County, it could play a significant role in generating operational savings, preventing waste, fraud and abuse and restoring integrity to county government.

## Procurement and Public Works

<b>PPW01.</b>	<b>More Efficient Facility and Asset Use</b>	
	<b>Target outcome:</b>	More efficient use of currently owned and leased facilities and assets to better utilize space and assess condition.
	<b>Five year financial impact:</b>	Savings of \$1.6 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

Cuyahoga County owns approximately 40 facilities and leases 20 or more additional spaces throughout the County. Its facilities are in varying states of condition and use. There has not been a systematic study of how best to manage these assets; it is likely that some facilities and assets are under-utilized and instances exist where strategies to reduce costs to the County have not been applied. It is also likely that some assets may be sold or otherwise disposed for the County’s benefit. The County should undertake a broad-based review of assets, including building conditions, space utilization, space demand across all governments, and market value to develop a policy for facility use and to assess opportunities to better use or dispose of assets to benefit the County.

The new Charter requires the County Executive to submit a capital improvements program annually, including a list of projects, cost estimates and financing sources, and a long-term capital plan. While in the past the County has prepared five-year plans based on staff knowledge and various studies, there has not been a detailed building study to document current building conditions and necessary improvements. Such an assessment would document current building conditions, focusing on such key issues as roofing and structural areas, and electrical, mechanical and plumbing systems.

The new Charter government will result in significant organizational changes for many county agencies. In turn, this will have an impact on space usage and demand in multiple buildings as the new government realigns departments and divisions. To make the most efficient use of county assets, a space analysis for the new organizational structure should also be performed. This analysis would incorporate the new structure and staffing, so that the requirements of the new government are understood and can be matched with existing facilities.

As the County makes decisions on the structure and location of departments, it should also create an incentive for departments to treat space as a cost of doing business and not a free good. A logical way to do this is to charge departments rent at a specific rate per square foot for all space used. In instances where departments currently rent, the charge would also include any services from the County necessary to maintain the rental space. For those in county-owned space, it should include the costs of maintaining their square footage as well as depreciation. In this way, the county departments will help determine what is the appropriate space for the County to maintain – departments that have more space than they need will ‘vote with their feet’ by seeking to reduce their square footage, which will also provide useful information for the facility use study.<sup>35</sup>

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<sup>35</sup> The process can be managed to take into account space occupied by multiple departments, variable rates for facilities the County must occupy even though charges might be higher, and other anomalies.

### **Financial Impact**

An estimate should be developed for the building condition and space analysis assessment and considered for the 2011 budget. The financial impact amounts below assume that the County has excess space, but that achieving savings will take some time as leases expire, new accommodations are renovated, and overall capital investment in county property increases after the condition survey. The estimated impact is based on the assumption that this process can save ten percent on the annual cost of administrative/central office space beginning in 2014. The annual lease and physical plant costs are estimated at approximately \$8.4 million based on 2008 actual cost data.

#### **Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring savings	0	0	0	840	840	1,680
Total	0	0	0	840	840	1,680

### **Expected Outcome/Performance Metrics**

It is expected that the County will adjust the size of its physical plant and other assets to match its needs. The facility use study should provide tangible recommendations that can be used to measure progress toward this goal.

### **Responsible Party/Others Affected**

There will be an impact on all county agencies, but the Central Services department should take the lead, in conjunction with OBM.

### **Authority Required**

The County already possesses the necessary authority for this activity.

### **Time Required**

The County Executive and Council should consider drafting and issuing a request for proposals to select a consultant team in the first quarter of 2011 to expedite the building condition and space analysis assessments. Integration of needs into the capital improvement plan could begin with the 2012 budget.

### **Key Issues**

Space and location are critical issues for government agencies, and effective space realignment will require regular communication and their input and cooperation. Agency involvement in the consultant team selection process and study result presentations is critical to success.

There are up-front costs associated with this study, and it is likely that the study will also identify deficiencies in the current physical plant. There are strategies (such as engaging a vendor on a performance-based contract where the costs of the study will be paid out of asset sales or monetization) that can mitigate this cost. If these strategies are determined to be undesirable and the review costs are paid out of general operating revenue, it is likely that it will yield greater savings and/or revenue over the five-year period.

### **Opportunities for Innovation/Transformation**

The study would allow the new county government to consider long-term capital costs in facility and real estate decisions, and consider phasing out high-maintenance buildings and overly expensive leases.

Based on the County's reduced staffing levels over the past 24 months, and the new Charter structure, there is anticipation that space efficiencies will result in better use of existing space and the potential disposition of currently owned or leased buildings.

The building condition assessment, and future capital plans, also should consider the County's Renewable and Alternative Energy Technologies (RAET) work being prepared through the Development Department in 2010 with the use of federal stimulus funds.

The County, as an economic development tool, also could consider using vacant space as a means to draw businesses to the Cleveland area. There has been a suggestion to use available space as an economic development tool, with rent-free space for some time period provided to tenants that create new jobs in the city and/or County.

<b>PPW02.</b>	<b>Local Government Shared Services</b>	
	<b>Target outcome:</b>	Cost reduction in back office functions, specifically procurement, through a decentralizing of the current practices
	<b>Five year financial impact:</b>	Not yet quantifiable
	<b>Work Group Recommendation?</b>	Based on key themes from Work Group recommendations focused on regionalism and extending sanitary engineering services

### **Overview**

Cuyahoga County provides a variety of “back office” functions that are also needed by other local governments – including procurement, printing, information technology, clerical, and administrative support. The new Charter government should pursue jointly providing, consolidating or sharing services with other agencies, as other governments around the country have used such approaches to reduce costs and improve service by having one government unit coordinate the service, handle administrative functions, and purchase goods/service in bulk. In the specific area of procurement, joint purchasing can increase spend volume, which can lead to better pricing. The County should act as a catalyst for these broader methods to provide joint services, which are opportunities for all governments involved to maximize workforce and financial resources, maintain services, and leverage buying power.

A shared services approach begins with a process to clearly identify the costs, benefits and potential risks of any proposed arrangement. The analysis should include a review of the current operations within the impacted governments, including program or function goals and objectives, location and proximity of service, current staffing levels, cost per unit of service, current use and compatibility of technology, fixed and mixed costs and opportunities to achieve economies of scale.

Any study must also focus on barriers to sharing services. These include political, economic, human resource, legal or social barriers. In many jurisdictions political barriers have, in practice, led to a primary focus on shared services in areas with little programmatic contact with citizens – payroll, IT hardware, procurement and other transaction-driven back-office processes. Sharing in these areas has little or no impact on frontline service delivery and does not affect local autonomy.

In Cuyahoga County, the Central Services Department and the Office of Procurement & Diversity already provide services that are used by other governmental entities. As one of the largest government units in northeast Ohio, Cuyahoga County is in an excellent position to take the lead in this regionalism initiative. However, other agencies such as the City of Cleveland, regional authorities or large non-profits may be able to host certain shared services. Some possible initial areas for the County to examine are as follows:

#### *Sewer Service*

Another good example of the potential benefit of intergovernmental cooperation is the County’s current provision of sanitary engineering services to municipalities. By taking advantage of economies of scale, and because there is no need to turn a profit, the County can generally provide these services for municipalities for a lower cost than they would have to pay individually. The County should continue to explore opportunities to increase the number of municipalities for which it provides these services.

## *Printing*

Another shared service opportunity that should be further explored by the County is cooperative operation of the County's print shop and the City of Cleveland's print shop. At present, the City and the County operate independent print shop operations. Cuyahoga County should consider contracting with the City to provide printing services for county agencies. The City has recently expanded its capacity and invested over \$1 million in building and system improvements. The City maintains a large operation with a wide range of services, including mail operation.

Interlocal printing agreements are not uncommon among similar governments. The following are examples of such agreements in place:

- *City of Edmonds and Washington State.* In February 2010, the Washington State Department of Printing entered an agreement with the City of Edmonds to provide all necessary printing services to the City in exchange for full reimbursement of associated costs by the City.
- *City of Houston and the Houston Independent School District.* In August 2010, the Houston City Council approved an agreement that will provide printing services from the Houston Independent School District to the City for a period of five years, at a total cost of \$7.557 million, and includes five one-year optional extensions. Houston Independent School District has specific printing needs to serve its own internal purposes. To address this requirement, HISD elected to invest in specialized printing equipment which allowed it to produce a broad array of print services and products. Because HISD had excess capacity for printing equipment utilization, it began offering print services on a fee-for-service basis to other governmental and non-profit organizations. In addition to the City, HISD provides similar services to Lone Star College, several area school districts and other agencies.
- *Woodland and Cowlitz County, Washington.* In July 2010, City of Woodland (WA) City Council approved an interlocal agreement with Cowlitz County under which the County would provide printing, design, binding, finishing, photographic, multimedia duplication, and related services to the City for a charge equal to the actual cost of providing these services.
- *Montgomery County, Maryland and Montgomery County Public Schools.* In FY 2000, Montgomery County, Maryland consolidated its print shop with that of Montgomery County Public Schools (MCPS). Today MCPS's print shop provides all offset printing for Montgomery County government.

## *Procurement*

Allegheny County, which focuses on adopting the best private sector procurement practices, has initiated revenue generating service agreements with the City of Pittsburgh, Airport Authority, Port Authority, Housing Authority, Pittsburgh Public Schools, and Water and Sewage Authority to provide many purchasing activities. These agreements provide a net savings to area citizens while providing income for Allegheny County.

## *Joint Utilities Purchase*

Many of the same agencies are members of the Western Pennsylvania Energy Aggregation Program. The members combined to jointly purchase energy using a reverse auction process in which responding utilities compete in real time to offer the lowest price. The effort began in 2008 with an electricity purchase that was estimated to save \$1.4 million. Most recently, ten governments saved \$1.03 million over three years in a new electricity bid.

A similar process for natural gas purchases for the City of Washington, DC, and 25 governments in the DC region was executed in 2007 and was expected to save \$10 million over three years for the participants.

The City of Pittsburgh and Allegheny County jointly contract for telecommunications services, and the City estimates its savings at about 25 percent of prior costs. Since Cuyahoga County's IT department has already begun to offer similar services to regional governments, this is an obvious target for further cooperation.

#### *Information Technology*

Numerous governments nationwide have combined their enterprise resource planning (ERP) computing systems, or simply merged their financial back office systems. The City of Pittsburgh and Allegheny County are expected to conclude such an agreement shortly; it could provide a good model for Cuyahoga County and its municipalities as the County seeks to enhance its IT capacity (see the Information Technology section of this document).

#### **Financial Impact**

Potential Cuyahoga County investment costs include research, marketing, and additional personnel - all of which vary depending on the extent of services provided/shared. A point of contact for customer support services for issues related to other government agencies and entities may require additional personnel. However, new costs are shared across all participants and the host can typically reduce their existing cost for service provision.

For participating government entities, there are potential yet unknown cost reductions/savings achieved by eliminating duplicate services, leveraging buying power, and maximizing workforce productivity.

Pricing for services will be established at cost or to achieve net favorable income for Cuyahoga County, with cost reductions for independent county government agencies and other (non county) government entities.

#### **Expected Outcome/Performance Metrics**

This will depend on the shared services and the extent of sharing arrangements. Logical performance measures will include cost per unit of service and, in the example of procurement, contract costs per unit of service and/or rebates based on the amount purchased off of jointly administered contracts.

#### **Responsible Party/Others Affected**

The current Office of Procurement & Diversity and Central Services Department would provide the services on a regional basis. Existing county groups, such as the regional caucus of Mayors and City Mangers, are likely to be interested in working with the County. Certain highly specialized services, such as reverse energy auctions, would require the assistance of an outside consultant.

#### **Authority Required**

Authority already possessed by the County. The County would need to obtain agreements with regional entities to move forward.

#### **Time Required**

This is an on-going process that involves continued outreach to other governments. In many instances, successful partnerships lead additional governments to become interested in participating in the shared services approach.

### **Key Issues**

It is necessary for project success to address county department/agencies and other governments' concerns that their needs will no longer be a priority when they are aggregated into a shared service or shared purchasing consortium. A similar concern is that the County is trying to "take over" other government agencies or entities.

These concerns are generally addressed through creation of a MOU that identifies the duties and responsibilities of all parties to the agreement. This identifies the services to be provided, the cost per unit of service and the metrics that will be used to judge the performance of the service provider. These metrics should encompass the time necessary to deliver service, the level of customer support and service available, standard operating procedures, methods for resolving disputes and any necessary appeals to decisions. Finally, good shared services arrangements include active 'customer councils' that provide an avenue for sharing information and pro-actively looking for opportunities to improve communication and operations.

### **Opportunities for Innovation/Transformation**

Shared services arrangements can also be combined with outsourcing/privatization or managed competition approaches to determine the most effective service delivery vehicle.

Particularly in the area of procurement, a shared services model has the potential be a transformational bridge between the greater control provided by a centralized model and the greater customer service provided by a decentralized model.

<b>PPW03.</b>	<b>Seek authority for innovative contracting approaches for purchases of building supplies, services and construction</b>	
	<b>Target outcome:</b>	Allow the use of progressive operating and construction procurement processes to realize cost savings and shorter purchasing/project delivery time periods
	<b>Five year financial impact:</b>	Will vary with size and number of projects included; savings estimated at \$1.4 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### **Overview**

Currently, state law permits only multiple prime trades contracts for construction projects. However, there are a variety of other construction procurement processes that can be better tailored to individual projects and reduce costs or improve quality, including design-build, construction manager at-risk and general contracting. Broadening the options will allow the County to choose the right procurement process for specific projects.

In particular, construction contracting must comply with a provision of the Ohio Revised Code (ORC 153), that requires the County (owner) to hire an Architect/Engineer to prepare construction plans and specifications. Once complete, the owner must advertise for construction bids using the multiple prime contractor method. The owner will make an award and prepare a construction contract for each prime contractor on the project. The owner may choose to hire a Construction Manager to coordinate and manage the construction phase. Compared to other progressive construction procurement and project delivery methods, this method takes longer (due to linear nature of the process) and results in costs that are 10 percent to 30 percent higher than other methods. Furthermore, the owner has increased legal and financial exposure due to the need to bid, negotiate, and often simultaneously execute multiple contracts with multiple parties for one project.

By contrast, a design-build method would enable the County to employ one firm that takes sole responsibility for delivering the project and associated services on time and at the negotiated cost. Cuyahoga County should review operating and construction procurement processes permissible under Charter government and develop suggested changes for cost and procurement/project efficiencies. For construction projects, the new government should allow the use of the Bridging Design Build Method and other progressive methods of construction procurement/project delivery when it is determined to be advantageous. To maximize the benefit of this action, Cuyahoga County needs to investigate/research the best procurement/project delivery method to use based on the goods/services being purchased, the project's scope of work, schedule/timeframe, and funding sources.

This initiative provides an opportunity for the new county government, the design and contracting community and labor to work jointly to develop new options that will increase the amount and pace of infrastructure renewal over the next several years, supporting economic development, jobs and other priorities. Since a change to state law will be required, a coalition of these groups should identify the options and also determine how to approach the state (a broad-based effort to modify state law; a targeted change for home rule counties; a targeted pilot project for Cuyahoga only).

### **Financial Impact**

Construction-related capital projects are best suited for these innovative approaches. While various major construction projects may be underway at any time, for purposes of this financial impact estimate only \$5.0 million of the County's annual capital expenditure is assumed to be eligible for alternative bidding and construction techniques. Using the low end of the savings

estimated elsewhere – ten percent – and assuming that it will take 24 months to develop a County preferred approach and achieve legislative change in Columbus, this initiative could save \$500,000 per year beginning in 2013. An expenditure of \$100,000 in staff, consultant and lobbying time is assumed in the next two years to develop appropriate best practice procurement/project delivery methods for Cuyahoga County, convene regional stakeholders, secure legislative changes, and implement internal procedures.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring costs	(50)	(50)	0	0	0	(100)
One-time and recurring savings	0	0	500	500	500	1,500
Total	(50)	(50)	500	500	500	1,400

**Expected Outcome/Performance Metrics**

In general, these alternate approaches are ways of focusing procurement in terms of *what* is to be achieved, not how it is to be done. The following are logical metrics for these alternate approaches:

- Cost (unit cost, cost growth,<sup>36</sup> intensity<sup>37</sup>)
- Time (construction speed, delivery speed, schedule growth)
- Quality (turnover quality, system quality, equipment quality)<sup>38</sup>
- Ownership (owner’s administrative burden, owner’s satisfaction)

**Responsible Party/Others Affected**

The Office of Procurement & Diversity, County Engineer’s Office, Sanitary Engineering Division, and Central Services will all be affected and will need to collaborate to develop and implement this change.

**Authority Required**

State legislation will be required to allow additional operating and construction procurement/project delivery methods.

**Time Required**

There is not a specific timeframe for these changes, but they are in use in the public sector and do not require significant changes to current processes. As noted above, two years for development and implementation is assumed.

**Key Issues**

Educate the stakeholders on the benefits/changes/issues associated with the Bridging Design Build Method and other progressive construction procurement/project delivery methods.

<sup>36</sup> Defined as [(final project cost – contract project cost)/contract project cost] x 100

<sup>37</sup> Defined as Unit cost/total time

<sup>38</sup> Quality and ownership measures are qualitative as opposed to quantitative measures

### **Opportunities for Innovation/Transformation**

Greater use of performance-based acquisition is a transformational approach to contracting in a variety of areas, including construction. This performance-based acquisition process relies on making it accessible and logical for all involved – to shift the paradigm from traditional “acquisition think” into a more collaborative process where teamwork, program performance, improvement and innovation are the primary drivers. It moves away from contract compliance and focuses on realizing defined outcomes.

A model for this method relies on seven logical steps – although each requires thoughtful planning and execution:<sup>39</sup>

1. Establish an integrated solutions team;
2. Describe the problem that needs solving;
3. Examine private-sector and public sector solutions;
4. Develop a performance work statement or statement of objectives;
5. Decide how to measure and manage performance;
6. Select the right contractor; and
7. Manage performance.

While each of these process steps may occur in current procurement processes, their broad integration provides the foundation for more strategic methods of sourcing and making sourcing decisions. In the long run, it is the involvement – and empowerment of staff to innovate, to focus on solutions and to measure outcomes that will transform procurement and capital project execution within Cuyahoga County government.

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<sup>39</sup> “Seven Steps to Performance-Based Acquisition,” Interagency Partnership in Performance. <https://www.acquisition.gov>

<b>PPW04.</b>	<b>Streamline copier and printer services</b>	
	<b>Target outcome:</b>	Move to managed print services to reduce the number of copiers and cost per page of county printing
	<b>Five year financial impact:</b>	Estimated net savings of \$5 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

### Overview

The County has a cost per copy contract that provides over 400 multi-function high-volume copiers to county agencies. At the same time, there are several thousand printers in the same agencies that are on individual desktops; many of these are high cost per page ink jet printers. The County has been considering issuing a request for proposals for "managed print services" to better use the current high-volume printers, reduce the numbers of "shadow" printers and the ink and other supply costs associated with them, and drive down the County's overall printing cost per page. Under this approach, the multi-function copiers would be networked to an unlimited number of computers, allowing staff to copy, scan, fax, and e-mail information while reducing paper needs. The need to replace printers is eliminated, and the operating costs and staff time associated with the printers (including continuously buying cartridges and toner) goes away.

### Financial Impact

The implementation of "managed print services" should reduce operating costs through the elimination of printer purchases and related operating costs. The actual impact depends upon the number of printers eliminated across county agencies, and the implementation time period for "managed print services." It is estimated that savings will start in 2011, with the greater impact seen in 2012 and future years.<sup>40</sup>

#### **Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring savings	300	800	1,300	1,300	1,300	5,000
<b>Total</b>	<b>300</b>	<b>800</b>	<b>1,300</b>	<b>1,300</b>	<b>1,300</b>	<b>5,000</b>

### Expected Outcome/Performance Metrics

The County should experience a reduction in printer total cost of ownership (TCO), as ink replacement for single desk ink jet printers is significant compared to TCO for high speed laser printers. Printer cost per page is a useful performance measure for this initiative.

It should be noted that there are instances where privacy and confidentiality concerns may warrant the use of individual desk or department printers. At the same time, this is likely to be a small fraction of the ink jet and other desk top printers in use in county government.

It also should be noted that this is a fertile area for shared services. For example, Allegheny County, Pennsylvania allows municipalities to piggyback on their managed print services

<sup>40</sup> The financial impact was developed by the Transition Executive Committee' Information Technology Work Group.

contract; this may be an area where the County and local jurisdictions in the area can cooperate.

**Responsible Party/Others Affected**

All county agencies are affected.

**Authority Required**

The necessary authority is already possessed by the County.

**Time Required**

The County could issue this RFP in late 2010, which would enable the vendor to be on board early in the new government.

**Key Issues**

Managed print services will have an impact on all county agencies as print services are pushed through high-volume copiers, requiring some minimal initial training. In some locations, copiers may need to be added.

**Opportunities for Innovation/Transformation**

Managed print services is a form of shared services; as appropriate, the vendor contract should include the same performance requirements as a MOU between agencies or governments in a shared services model. As the County becomes more comfortable with this approach, it may choose to use similar models in other areas: cloud computing, which is a form of 'pay-as-you-go' approach to IT that reduces transaction costs by eliminating IT overhead costs, is one possible transformative approach.

<b>PPW05.</b>	<b>Use Managed Competition to Evaluate Services Provided to County Agencies and Departments</b>	
	<b>Target outcome:</b>	Managed competition can help determine if the services provided by the current Central Services Department are being provided on a cost efficient basis when compared to private sector competitors.
	<b>Five year financial impact:</b>	Estimated savings of \$16.0 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation, but consistent with key themes in Work Group recommendation focused on service evaluation

### Overview

Central Services offers a wide range of services – including architectural and engineering, custodial, energy management, fleet management, parking, print shop, and real estate – that are also commonly provided by the private sector (and in some cases by non-profit organizations). Because the payment for these services is generally handled through internal service funds, the costs are charged to other agencies based on the level of service provided to each agency.

It may be possible to provide these services more efficiently or effectively or at a reduced cost by using private contractors. There are a variety of methods used throughout the country for private contracting for service. At the same time, it is not a settled issue that private contracting is always the best choice. There are a variety of reasons that it may be more appropriate or cost effective to provide services in-house.

It is possible to provide an environment where private sector firms and public sector employees can both be given an opportunity to compete to provide services. Known as managed competition, this model has also been used to provide a broader choice in how to deliver service.

The City of Phoenix was one of the first large governments to use this process extensively. The City reported savings of over \$25 million from managed competition, with municipal employees winning 18 out of the 51 contracts put out to bid. Other cities reported savings as well, including Indianapolis estimating \$28 million in annual savings by identifying over 150 opportunities to use managed competition; in the instances where city employees prevailed over private sector firms, the City saved an average of 25 percent. Philadelphia estimated that managed competition for 13 city services annually saved \$16.4 million.<sup>41</sup> In compliance with an oversight plan developed after it entered Pennsylvania’s municipal distress program, the City of Pittsburgh opened several services to competition. Solid waste collection and animal control bids were won by city employees; fleet maintenance was outsourced.

It is not surprising that public sector employees, given the opportunity and incentive to compete, can effectively do so. Unlike their private counterparts, the public sector employees do not have to factor a profit into their bids, they have access to a trained and experienced workforce, and they can (if necessary) obtain capital at a lower cost. At the same time, there may be services where the private sector has a competitive advantage that translates into better service and pricing; a managed competition can reveal those services and award contracts to private sector firms when cost effective and strategically appropriate.

A county managed competition model should include specific policies and procedures for conducting the process, including the cost analysis of the competing proposals. This could

<sup>41</sup> “Making Effective Use of Managed Competition,” Seattle Office of the City Auditor, 1995, p. 3.

include comparability of wages and other benefits, employee transition costs, workplace safety policies and records, etc.

In most governments using managed competition, there is a neutral third party that assists with bid preparation and either assesses or certifies responses. This is often an outside firm or independent auditor that acts as a 'referee.' In some cases, a committee of subject matter and financial experts is appointed by the department or entity conducting the managed competition. In most managed competitions, the critical issue is related to analysis of cost and what items should and should not be considered. Common concerns for county departments include internal management expertise in preparing the bid (outside bid development support is sometimes given in complex procurements) and fears that contractor will offer artificially low prices to take on services that cannot easily be restored once given up by the government. A common concern for private sector firms is that all public-sector costs (including overhead) are included in the in-house bid.

To address some of these issues, the City of Phoenix and other governments use what is known as the "go away" cost analysis. In this analysis, the primary concern is the impact of the proposal on the department that is conducting the managed competition. The bids are analyzed by determining what local government costs would "go away" if a private firm were awarded the contract; it then calculates the City's cost of providing those "go away" elements. The primary benefit of this approach is that it levels the playing field by getting to a "bottom line" comparison of the two approaches. At the same time, it takes into consideration sunk costs of in-house services that could not be excised from government's costs even if the contract were awarded to a private sector firm.<sup>42</sup>

The following are some areas where managed competition has been undertaken by other large urban governments:

- Architects
- Building Management Services
- Custodial Services
- Fleet Maintenance
- Fuel Distribution
- Mail and Messenger
- Major Sewer Repair Work
- Painting
- Parking Lot Operations
- Plumbing
- Printing/Copying
- Risk Management
- Road Maintenance
- Sanitary Sewer Maintenance

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<sup>42</sup> The Government Finance Officers Association (GFOA) suggests a four step process in analyzing cost, which includes definition of service, calculation of in-house costs that could be avoided by outsourcing the service, estimating the total costs of outsourcing, and comparing the cost savings to the cost incurred. The GFOA notes that cost is not the only factor that must be considered in the overall analysis. "Recommended Practice, Managed Competition as a Service Delivery Option 2009," Government Finance Officers Association, 2009.

- Security Guards
- Space Planners
- Window Cleaning

**Financial Impact**

It is difficult to estimate potential savings from managed competition, given the variety of services and time to implement. For illustrative purposes, the financial impact below assumes that five percent of internal services costs (a base of \$45.6 million in 2010) could be saved by managed competition by 2012, and ten percent by 2013. This figure should be considered in the context of the shared services recommendation above, for which savings have not been estimated. Between the two approaches, a goal of ten percent of internal services costs is conservative.

**Financial Impact (\$000)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
One-time and recurring savings	0	2,282	4,565	4,565	4,565	15,976
Total	0	2,282	4,565	4,565	4,565	15,976

**Expected Outcome/Performance Metrics**

It is generally assumed that injecting competition into the contracting process will result in improved levels of service or better pricing. That said, identifying the appropriate services to engage in a managed competition is not an insignificant process, and many local governments have sought to increase their use of managed competition without necessarily doing so.<sup>43</sup> One method for the County to use would be to identify those areas that are logical opportunities for managed competition and analyze the in-house versus contracting out opportunities.

Nearly all discussions of managed competition best practices recognize that establishing strong performance standards within contracting procedures is necessary for successful managed competition projects.

**Responsible Party/Others Affected**

The Department of Public Works would likely lead. All agencies would be affected.

**Authority Required**

The authority is already possessed by the County.

**Time Required**

In general, a managed competition process can be put in place and completed in a matter of weeks. However, the planning process prior to initiating a managed competition – including identifying likely targets, putting in place written policies and procedures and educating the workforce on the process, is likely to take 3 to 6 months. Depending on the terms of the County’s plethora of collective bargaining agreements, other conditions may need to be observed.

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<sup>43</sup> As an example, the City of Seattle Office of City Auditor found that in only 23 of 67 services identified by the National League of Cities, the International City/County Management Association or the Washington State Municipal Research Services Center as services often contracted out or as good candidates for managed competition, did departments compare the costs of providing the service in-house as opposed to contracting it out.

### **Key Issues**

Overcoming resistance to change is a very real issue with managed competition. It is understandable that public employees, who typically value job security, will generally not welcome private sector competition. Public sector managers are also concerned about the impact on their role and organization of losing a managed competition. While not all of these issues can be addressed, training and facilitation in putting together bids can help ensure a fair process.

### **Opportunities for Innovation/Transformation**

While managed competition is often portrayed as a measure to reduce costs or improve service delivery, part of its appeal is the opportunity to incent innovation among public employees. A well designed process frees public employees from the shackles of 'the way we do things' and gives front line workers the opportunity to create better processes from the ground up. It encourages the philosophy of continuous quality improvement that has proven effective in a variety of activities in the private and public sector.

<b>PPW06.</b>	<b>Increase Procurement’s Role in the Purchasing Process</b>	
	<b>Target outcome:</b>	Improve purchasing operations and expertise to provide a more streamlined and cost efficient process
	<b>Five year financial impact:</b>	Savings of \$1.1 million
	<b>Work Group Recommendation?</b>	Endorses transformational Work Group recommendation

**Overview**

The current county procurement practice is highly decentralized, with individual agencies having their own buyers and significant purchasing authority. At the same time, recent events have created new requirements for some agency contracting, which falls partially outside the scope of the current procurement entity. In the current structure, many decisions are being made on an *ad hoc* basis, and there is a lack of clarity as to roles and responsibilities of the departments and the central procurement operation.

While there is a natural tendency to entirely centralize all procurement decisions, this has its pros and cons. There are multiple reasons why departments seek (and often are permitted to have) independent purchasing authority. In many instances, procurement decisions must be made within tight deadlines, and centralized authorities are often not adept at quick turnaround. It is also the case that the individuals who best understand department needs are within the department themselves.

On the other hand, procurement is a highly specialized process, and high performing procurement organizations undertake a variety of strategies that can improve pricing, build strong supplier relationships and ensure both efficiency and transparency. In general, this is possible when the procurement operation takes a true leadership role that goes beyond simple issues of autonomy and authority.

There are a variety of methods that can be used to help ensure a more efficient and effective process. To standardize procurement processes, the County should place buyers under the auspices of the Procurement Department and require their participation in all complex procurements. This is likely to lead to more consistent application of policy and methods. At the same time, there is potential to improve value and efficiency by developing procurement professionals who have significant relationships with – and within – the departments they serve.

In general, centralizing and standardizing processes will help improve transparency and accountability, important priorities for the new government. Centralization will not, of itself, necessarily improve the County’s bottom line in regard to the financial terms of contracts or the level of service attained through the contracts. Rather, to unlock the underlying value of the procurement process, the County needs greater capacity – particularly greater employee skills and greater use of technology. A key method for obtaining greater departmental buy-in around an enhanced central role for procurement is to develop a staff with the credentials, qualifications and knowledge about the procurement process, the products and services for which they are responsible, and the departments that use these products and services. This staff then needs to be equipped with the technology to integrate and expedite the process.

In order to more effectively promote and insure professionalism in public sector procurement, the National Institute of Governmental Purchasing (NIGP) and the National Association of State Procurement Officials (NASPO), jointly established the Universal Public Purchasing Certification Council (UPPCC). Realizing the need for a certification program for non-managers, they also developed the Professional Public Buyer (PPB) certificate. Currently, the UPPCC administers the Certified Public Purchasing Officer (CPPO) and Certified Public Purchasing Buyer (CPPB)

certification programs. The CPPO and CPPB credentials are highly regarded and respected among procurement professionals and employers involved in the public sector. To date, the UPPCC has certified well over 10,000 professionals. The CPPB level applies to individuals who have demonstrated prescribed levels of professional competency as a buyer in public and governmental purchasing, and is not required to meet the additional managerial function requirement for CPPO. Realizing that procurement standards and norms should be the same in all public purchasing environments, the UPPCC certification programs have been established to meet the requirements of all public purchasing personnel in federal, state, and local governments. It is recommended that these designations be encouraged and used as a basis for promotion – as a requirement going forward for buyer positions and as an aspect of a succession planning “pool of talent” strategy.

Currently, the central procurement operation has limited scope and authority. Limitations on spending authorizations are significantly below recommended practices. Rather than developing a strategic approach led by qualified professionals, as is appropriate for a function responsible for over 30 percent of Cuyahoga County spending, procurement remains a low level, decentralized administrative function. The challenge is to balance centralization and delegation to optimize overall cost, service, and quality.

There are many good models for this approach. Many states – Ohio, Minnesota, and Virginia – and large urban counties (including Baltimore, Maryland; Fairfax and Arlington, Virginia; Palm Beach Florida; Oklahoma City, Oklahoma; and King County, Washington) have taken a centralized approach for nearly all spending except low-dollar, low-risk purchases. For the State of Ohio and Allegheny County (Pittsburgh), purchasing authority rests with the Chief Purchasing Officer (with budget and legal controls).

With a more integrated procurement function, the County should also undertake strategies to improve the overall process. These strategies should foster competition while encouraging productive relationships with high-performing vendors; they should drive a pursuit of excellence that encourages innovation and continuous improvement; they should promote flexibility while maintaining accountability; they should recognize the needs of a high-speed on-demand world. This would include:

- Establish close, on site communications and a shared services contract with each affected department.
- Provide the Procurement Director with unlimited contract and non-contract spending authority, with requirements for contract review and approval by the legal department, budget/funds availability approval by the finance director, pre-contract approval for multiyear contracts by the immediate supervisor of the Procurement Director, and specific professional services (architects, engineers, financial consultants, legal services, and medical consultants) approval by either the head of the using department or a professional services review committee.
- Raise the reporting assignment for the Procurement Director to report to the County Administrator or Deputy in accord with responsibilities and authority.
- Adopt an enterprise-wide strategic sourcing approach that analyzes historic spending data, creates uniform specifications, aggregates spend, analyzes vendor historical data and uses issue-specific approaches (like reverse auctions) to get the best possible contract for the County.

### **Financial Impact**

Centralization should allow a decrease in the total number of staff, as distributed procurement operations are folded into the central operation. It is estimated that centralization will allow the reduction of four full-time employees by 2012, 15 percent of current staffing; the savings are shown below.

### Financial Impact (\$000)

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	0	266	266	266	266	1,062
Total	0	266	266	266	266	1,062

#### **Expected Outcome/Performance Metrics**

There are varied goals/expected outcomes from the revised procurement operation. Centralization is meant to increase standardization, transparency and accountability. At the same time, improved training and technology coupled with strategic initiatives should reduce the time and cost it takes to procure and improve overall prices and products and services.

There are some logical performance metrics that can be used to judge the effectiveness of the effort. For the procurement process, these would include:

- Managed spend as a percentage of total spend;
- Number of and dollars procured via master contracts;
- Calendar days from requisition to contract for formal bids; and
- Procurement budget as a percentage of total spend.

There are also performance metrics that touch on staff training, such as number/percentage of staff with professional certifications and staff training days per year.

#### **Responsible Party/Others Affected**

The head of Procurement would be the logical responsible party, although other departments should also play a primary role. All departments that buy goods or services or have contracts with third party providers would be affected.

#### **Authority Required**

The authority is already possessed by the County.

#### **Time Required**

The changes to procurement structure should be relatively easy to carry out. The changes to approach, staffing and technology are likely to be multi-year efforts.

#### **Key Issues**

Departments will be asked to release some current authority for purchasing in order to reap cost, quality, efficiency, and service benefits of centralized purchases. Procurement personnel for larger using departments could be situated in those departments. Expanded use of P-cards (see next initiative) would increase departmental flexibility and reduce procurement time for smaller items.

Large, well-run organizations that professionalize procurement limit the involvement of the most senior officials and legislators from process to improve transparency, minimize political influences, reduce opportunities for corrupt practices, achieve cost savings and timeliness, and encourage an open, ethical approach spending. With more than one-third of county spending related to procurement, this might be an uncomfortable transition for Cuyahoga County in the

current environment; elected officials will have to select the best possible procurement leaders and allow them to do their job in order to capture the efficiencies described here.

**Opportunities for Innovation/Transformation**

Over the years, the vogue in procurement practices has moved between centralized and decentralized approaches. The balanced approach proposed here affords greater opportunity to benefit from the standardization of centralization while not becoming overly rigid or ignoring the concerns of customer departments. This approach, which is an internal form of shared services, has the potential to be more efficient and more effective.

<b>PPW07.</b>	<b>Broaden Use of Procurement Cards</b>	
	<b>Target outcome:</b>	Save on incurred purchase order costs by transitioning into a paper- and time-saving procurement card system.
	<b>Five year financial impact:</b>	Savings of \$1.3 million
	<b>Work Group Recommendation?</b>	Not a Work Group recommendation

### Overview

The standard government process of issuing purchase orders for even small dollar items is extremely paper-intensive, time-intensive, and costly. Analysis finds that often the costs associated with processing these small orders exceed the dollar value of the item purchased. The County should broaden its use of Purchasing cards (P-cards) for these types of purchases. P-cards, with industry-standard built-in safeguards, are generally more effective in curbing waste, fraud and abuse than paper-driven systems. They also offer rebates based on the volume purchased – and some innovative governments are using them for higher dollar purchases, such as utilities and construction materials, to increase spending volume and rebate. The County should seek to expand its currently existing P-card program.

Some of the first public sector experience with P-cards came in the federal government, through a pilot project in 10 federal agencies. The program was viewed as having strong potential to realize significant savings, both in processing and in curbing waste, fraud and abuse.<sup>44</sup> In 1993, the National Performance Review recommended that federal agencies increase their use of government purchasing cards for small purchases and increase usage over that year by 100 percent. By September 1994, that goal was met. In a report to the Director of the OBM, ten senior procurement executives found that “by the end of the tenth month, our agencies had increased purchase card usage by 119 percent, making 82,000 purchases per month worth almost \$19,000,000. Since starting this project, the ten agencies have made 750,000 purchases faster, better and at less cost with the card. Plus, they report virtually no waste or abuse.”<sup>45</sup> The interagency team also conducted a cost benefit analysis, which took into account the time it takes procurement and finance to process an action, and established a cost of \$94.20 for processing a purchase order versus \$40.43 for using a P-card – a 60 percent savings.

These savings have been replicated in numerous studies of government P-card programs:

- Fairfax County, Virginia reports that the results of a survey of its users found the average cost to make a P-card purchase is \$10.60 and the average cost for a similar transaction using a Small Purchase Order is \$20.64.<sup>46</sup>
- The Metropolitan Atlanta Rapid Transit Authority implemented a P-card program in 2000 and saw the number of blanket purchase orders decrease by 75 percent. This enabled buyers to handle more complicated procurements while cardholders were empowered and responsible for their small purchases. Based on a six month period, the Authority calculated total savings of \$454,600 in processing costs.<sup>47</sup>

<sup>44</sup> While one of the concerns about P-card programs is the opportunity for individuals to “go shopping” with the government-issued card, in fact, P-card programs can have strong internal controls built into them. In contrast, manual, paper-based purchasing processes make that sort of routine oversight arduous and, as a result, oversight is often perfunctory or involves very small samples of actual paper purchases.

<sup>45</sup> The Government Purchase Card, September 1994 Report to Alice Rivlin, Director, OMB, 2.

<sup>46</sup> Information from the County at [www.fairfax.va.us/dpsm./pdf/pccostanalysis](http://www.fairfax.va.us/dpsm./pdf/pccostanalysis)

<sup>47</sup> National Institute of Governmental Purchasing, Best Practices articles, “Procurement Card Usage,” [www.nigp.org](http://www.nigp.org).

- Hillsborough County, Florida estimated that it saved \$50 per transaction when it implemented its P-card program. Based on 10,000 transactions initially moved to its P-card program, this translated into approximately \$500,000 in savings, with the potential for annual savings of \$2 million once the program was fully operational.<sup>48</sup>
- Rockland County, New York estimated that it realizes \$24 in administrative cost savings for each transaction through eliminating issuance of a purchase order and processing a voucher and check. Based on its transactions, this was approximately \$43,000 in FY 2007.

To be successful, P-card programs do require high level support, education and training. Like most efforts aimed at changing behavior, the key to increased use of the card lies in marketing its benefits and reducing fears of its potential drawbacks. Without a doubt, the biggest concerns with the use of P-cards are maverick spends. However, actual experience suggests that while misuse may occur, it will not occur more frequently than via other purchasing methods. In fact, the controls that can be built into the electronic system should reduce, rather than increase misuse compared to a paper-based system.

**Financial Impact**

The County’s P-card program currently includes approximately 25 active cards in various agencies, and the County is not currently taking advantage of potential rebate benefits. Given the size of the county budget and performance by similar sized-governments, it is likely that annual savings in transaction costs and rebate could reach \$500,000 by 2015.

**Financial Impact (\$000)**

	2011	2012	2013	2014	2015	Total
One-time and recurring savings	0	125	250	375	500	1,250
Total	0	125	250	375	500	1,250

**Expected Outcome/Performance Metrics**

It is expected that a broadened P-card program will achieve multiple benefits. These include:

- Reduced transaction costs;
- Heightened ability to track and control purchases; and
- Additional cost savings through rebates based on the level of county P-card spend.

Each of these should be monitored. Determining the reduction in transaction costs will require the County to perform basic cost accounting for its current accounts payable process. The actual percentage of purchasing conducted with P-cards is also a logical performance metric. The level of rebate – which relates directly to the level of spend – should also be tracked.

**Responsible Party/Others Affected**

P-card programs are generally administered by the procurement operation. All departments would be involved in the expanded P-card program.

<sup>48</sup> John Daly and Michael Buehner, “P-card Utilization in Municipal Government: Advantages and Concerns,” *Journal of Public Procurement, Volume 3, Issue 1, 2003, page 88.*

### **Authority Required**

The authority is already possessed by the County.

### **Time Required**

Because the County already has an active P-card program, the implementation of this recommendation can take place immediately. Other governments' experience with P-card programs suggests that it takes about 12 months to see significant benefits from participation.

### **Key Issues**

There is often concern that P-cards will lead to increased waste, fraud and abuse. A variety of studies of P-cards have documented how proper implementation of P-card programs can provide greater control than paper systems. Nonetheless, this is a legitimate concern that should be addressed in the way the County puts together and administers its program and in its public education campaign around their use. The Auditor of the State of Ohio has put together a useful guide on P-cards that provides concrete recommendations on methods to curb abuse and maintain sufficient internal controls over P-card use.<sup>49</sup>

### **Opportunities for Innovation/Transformation**

The P-card program is a method to better automate procurement, integrate spending information, and reduce costs per transaction. It is a technology solution the expansion of which will make the County less paper-driven and better able to handle routine processes in a less staff-intensive fashion.

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<sup>49</sup> "Procurement through Government Issued Procurement Cards," *The Ohio Auditor of State's Best Practices, Volume 1, Issue 2*, 2004, pages 2-9.

## Appendix: Initiative Costing Summary

ID	Idea Title	2011	2012	2013	2014	2015	Total	Overlap	True Total
FA03	Implement Countystat and 311 to Facilitate Performance Management	-	(4,000,000)	(2,800,000)	(2,800,000)	(2,800,000)	(12,400,000)		(12,400,000)
FA05	Strategic Structural Realignment	527,783	1,583,348	2,111,131	2,111,131	2,111,131	8,444,525	HR01	-
FA06	Enhance fee, tax and license payment processes	1,606,071	2,365,858	1,942,717	1,688,832	1,688,832	9,292,310		9,292,310
FA07	Actively manage County fee structure	123,700	247,399	247,399	247,399	247,399	1,113,296		1,113,296
FA08	Enhance grants management policies and processes	425,000	850,000	850,000	850,000	850,000	3,825,000		3,825,000
FA13	Establish a productivity bank	(2,590,000)	(1,652,500)	1,285,000	1,535,000	1,785,000	362,500		362,500
HS01	Health and Human Services Structural Changes	265,551	531,102	531,102	531,102	531,102	2,389,960	HR01	-
HS02	Consumer Focused System	-	-	854,628	854,628	854,628	2,563,884		2,563,884
HS03	Strategic Planning Process and Development of Data Resources	(100,000)	(25,000)	(25,000)	(25,000)	(25,000)	(200,000)		(200,000)
HS04	Contracts and Memoranda of Understanding	-	1,341,408	2,682,817	4,024,225	5,365,633	13,414,083		13,414,083
HS05	Revenue Maximization	3,700,000	2,700,000	2,900,000	2,900,000	2,900,000	15,100,000		15,100,000
HS06	On-site Employee Health and Wellness Clinic	(350,000)	1,502,552	2,603,828	3,705,103	3,705,103	11,166,586	HR02	-
ED01	Strategic Plan - Economic Development	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(500,000)		(500,000)
BC01	Consolidate Boards, Commissions and Advisory Committees	-	150,000	150,000	150,000	150,000	600,000		600,000
HR01	County-wide Staffing and Span of Control Analysis	(100,000)	(100,000)	16,004,765	16,004,765	16,004,765	47,814,296		47,814,296
HR02	Reduce Employee Benefits Costs and Standardize Employee Contributions to Health Care	(250,000)	5,138,113	8,323,742	11,986,189	12,945,084	38,143,128		38,143,128
HR03	Develop a Comprehensive Labor Relations Strategy	(750,000)	(750,000)	(750,000)	(750,000)	(750,000)	(3,750,000)		(3,750,000)
HR04	Ensure a Fair Employee Classification System	(150,000)	-	-	-	-	(150,000)		(150,000)
HR05	Investment in Tailored Programs and Training to Meet the Needs of County Departments	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(5,000,000)		(5,000,000)
IT01	IT Organizational Structure and Governance	3,400,000	1,450,000	1,850,000	1,850,000	1,850,000	10,400,000	5.7M in HR01	4,700,000
IT03	Standardization of Hardware, Software, Application Systems and Procedures	450,000	2,400,000	3,650,000	3,650,000	3,650,000	13,800,000		13,800,000
JS01	Eliminate Patrol and Related Functions in Sheriff Department	730,000	730,000	730,000	730,000	730,000	3,650,000		3,650,000
JS02	Evaluate and Consider Expansion of County Reentry Initiative	(531,709)	296,164	1,124,037	1,947,799	2,779,783	5,616,074		5,616,074
JS03	Reduce Jail Operating Costs	552,476	1,104,953	1,657,429	2,209,906	2,762,382	8,287,146		8,287,146
JS04	Increase Collection Rate on Court Imposed Fines and Fees	-	50,000	300,000	550,000	800,000	1,700,000	FA05	-
JS05	Bail Reform	759,970	1,519,941	2,779,911	2,779,911	2,779,911	10,619,644		10,619,644
JS08	Conduct an efficiency study of the Clerk of Courts	(100,000)	108,391	108,391	108,391	108,391	333,565	HR01	-
JS09	Consolidate public safety functions under a Deputy County Executive	300,000	300,000	300,000	300,000	300,000	1,500,000	HR01	-
JS10	Create an Office of Inspector General	(1,000,000)	3,000,000	3,000,000	3,000,000	3,000,000	11,000,000		11,000,000
PPW01	Facility and Asset Use	-	-	-	840,109	840,109	1,680,217		1,680,217
PPW04	Adopt copier/printer cost efficiencies	300,000	800,000	1,300,000	1,300,000	1,300,000	5,000,000	IT03	-
PPW03	Seek authority for innovative contracting approaches for purchases of building supplies, services and construction	(50,000)	(50,000)	500,000	500,000	500,000	1,400,000		1,400,000
PPW05	Evaluate Services Provided to County Agencies and Departments through Managed Competition	-	2,282,274	4,564,547	4,564,547	4,564,547	15,975,915		15,975,915
PPW06	Increase Procurement's Role in the Purchasing Process	-	265,551	265,551	265,551	265,551	1,062,204	HR01	-
PPW07	Broaden Use of Procurement Cards	-	125,000	250,000	375,000	500,000	1,250,000		1,250,000
<b>TOTAL</b>		<b>6,068,842</b>	<b>27,039,554</b>	<b>60,741,996</b>	<b>69,309,589</b>	<b>73,494,352</b>	<b>236,654,333</b>		<b>199,357,493</b>