



EL DORADO COUNTY GRAND JURY 2009-2010

ADMINISTRATIVE SERVICES CONSOLIDATION COST SAVINGS AND EFFICIENCIES

Case No. GJ 09-022

REASON FOR REPORT

The Grand Jury investigated the potential for cost savings, decreased administrative overhead, greater efficiencies and accountability, and a higher level of service to the citizens of El Dorado County through further consolidation of administrative services.

BACKGROUND

Though there are signs of recovery, these are difficult economic times. Citizens have lost income and seen their purchasing power decrease. A significant number have lost their job or are underemployed. The El Dorado County General Budget has decreased from \$220,000,000 in 2008 to a projected \$181,000,000 in 2010. County personnel positions have been cut from over 2,000 in 2008 to approximately 1,700 in 2009-2010.

The population of El Dorado County has grown substantially. Whereas the population was 124,000 in 1990, it grew to 153,000 in 2000. It is estimated to be 180,000 in 2010, and projected to increase to more than 218,000 by 2015. While the need for services grows, the capacity of El Dorado County to provide services has substantially diminished.

The growth in population of El Dorado County on the “western slope” (west of Echo Summit), still categorizes it as a medium-sized county. Whereas the recent pace of growth in the State has slowed, El Dorado County still had a population increase higher than the California average.

El Dorado County has largely retained its rural and small government structure. Except for a comparatively recent merger of the former Department of General Services into the larger Department of Transportation, little consequential change has occurred. County government is often referred to as a conglomeration of departments, frequently described as “silos,” loosely functioning under one administrative umbrella, nominally headed by the County Administrative Officer (CAO).

What has grown over time is more like a federation or conglomeration of County departments rather than a more cohesive, coordinated, and systemic mode of governance. The current administrative culture, largely inherited from the past, still substantially prevails, and serves to promote just the opposite of what is needed for efficient and effective administration and governance. Loyalty goes more to the individual department rather than to the County. This style of governance promotes a culture that is more parochial, territorial, and internally-focused. The interest of the individual County department becomes the primary working priority, rather than how to provide services to the public across the County in the most efficient and cost-effective manner.

METHODOLOGY

This investigation centered on administrative services provided by County employees throughout all departments. It was careful not to include staff performing liaison functions between a department and the CAO. It identified administrative services in five basic functional areas. A brief description of these administrative services and primary duties included are as follows:

- Fiscal functions of budgeting or fiscal analysis and management; this includes fiscal administrators or officers, technicians and analysts who basically develop and track financial resources, budget trends and projections;
- Personnel and human resource functions of developing and determining classifications, salary schedules and benefits, and who perform various personnel transactions, recruitment and disciplinary actions;
- Business services functions of acquisitions, purchasing, maintenance, facilities management, contracting and procurement;
- Accounting functions of accounts payable, receivables, revenue, expenditures and reconciliations; and
- Information technology functions which include development, maintenance, and utilization of computerized data systems.

Personnel perform each of these basic administrative service functions in all departments of County government.

The following documentation was referenced:

- California Department of Finance Demographic Unit, “California Population Increases At a Slower Pace According to New State Demographic Report,” December 19, 2007
- California Department of Finance Demographic Unit, “E2, California Population Estimates and Components of Change by Year, 1999-2009”
- Fiscal Year 2009-2010 Mid-Year Budget Status Report, Chief Administrative Office, February 24, 2010

El Dorado County interviewees included:

- El Dorado County Board of Supervisors 2009-2010
- County Administrative Officer, El Dorado County
- Senior Administrative Analyst, County Administrative Office
- District Attorney
- Director, Department of Human Resources
- Director, Department of Information Technologies, El Dorado County
- Director, former Department of General Services, El Dorado County
- Deputy Directors, Department of Transportation, El Dorado County

FINDINGS

In accordance with the California Penal Code §933 and §933.05, each numbered finding and recommendation will be responded to by the government entity to which it is addressed. This report is addressed to both the El Dorado County Board of Supervisors and the County Administrative Officer. The El Dorado County 2009-2010 Grand Jury has arrived at the following findings.

An older administrative structure once workable for a small rural county has simply grown with the passage of time.

1. It can be difficult to obtain objective and reliable information that informs or drives decisions made in the best interests of the County.
2. Cohesion and coordination, accountability and responsiveness are more difficult to achieve.
3. Overall efficiency has been harder to realize.
4. Management remains significantly decentralized. As a result, as one well-placed source testified, “Even the Board of Supervisors is overly dependent on administrative assistants housed in County departments.”
5. This method of operating has made County government difficult to manage and control, with multiple power centers and bureaucratic interests focused on maintaining control over their own domains.

Various well-placed and knowledgeable interviewees have freely acknowledged that there is still a significant amount of duplication of administrative services throughout County government.

6. The County Administrative Officer (CAO) has acknowledged that a comprehensive assessment of administrative services across County

departments, inclusive or exclusive of those departments headed by an elected official, has not been conducted for a very long time, if ever.

7. A comprehensive assessment of the extent to which basic administrative service functions may be duplicated or overlapping is long overdue.

In January 2010, the CAO, at the request of the Grand Jury, conducted an initial identification of administrative services personnel performing typical administrative tasks associated with personnel classifications and transactions, budgeting, accounting, business services, and information technology, which resulted in the identification of some surprising and significant costs as well as a substantial number of positions.

8. The apparent first-of-its-kind preliminary survey resulted in a total of approximately 263 positions encompassing just under \$23 million in salaries and benefits. This is the universe of positions and associated cost of County employees who provide administrative services across County departments.

This is a significant universe indeed. However, it would be unrealistic to expect that it represents what could be saved in terms of positions or costs. Admittedly and realistically, a substantial number of these positions are necessary and probably allocated in an appropriate manner throughout various County offices and departments.

At the same time, it can be reasonably assumed that this universe of personnel and associated cost sets the stage and provides a substantial opportunity for consolidation of administrative services among and between County departments.

9. As one example, even if just 10 percent of such costs could be saved through greater consolidation, it would equate to a cost savings of approximately \$2.3 million, and a reduction of 26 administrative positions. It could result, over time, in not only a leaner and less top-heavy County government, but a more service-oriented one.

It is surprising that a comprehensive assessment of County administrative services has not taken place. Considering the enormous potential for cost savings and greater efficiencies, as well as the elimination of overlapping or duplicative administrative functions, especially in a tough economic climate, such an assessment is critical to reasonably and objectively assure an efficient and effective government operation.

Equally as important, and perhaps even more significant to the County over time, are the economies of scale that could be achieved, as well as the potential for enhanced administrative efficiencies.

10. With a less department-centered administrative structure, better questions could be asked that would elicit more objective answers. More consistent and informed could be provided with which to make decisions more

beneficial to the County as a whole. A better “bang for the buck” would be more likely for the taxpaying public. A wider perspective would be created and less parochial interests served. Thus, less self-interested or narrowly focused decisions could be made.

11. Just as savings from less administrative overhead could be obtained, a greater level of actual service to the public could result. Even with the prospect of minimal cost savings, a reallocation and reorientation of services away from administrative overhead would constitute a better deal for the taxpaying public.

Though there have been some meaningful steps taken toward a greater consolidation of administrative services, the need for an over-arching strategy and greater overall focus of effort toward the identification and implementation of administrative service consolidations still exists.

12. More than one substantial source testified that “There is little real consensus or shared strategic vision in the County government.”

Such a reorientation of administrative services could not only benefit the public, it would also better serve County employees.

13. A more cohesive and better coordinated system of governance for the County could result in a certain number of positions needed to oversee a wider scope of service delivery across all departments. Appropriate promotional opportunities would likely exist to provide a higher level of managerial expertise in administering a more diverse and skilled group of administrative personnel. This would also present more opportunity for cross-training of administrative staff. Rather than maintaining the current non-system of departmental silos, a flatter and more systemic County-wide administrative structure could provide more meaningful opportunities for advancement.

It should be noted that the County has a relatively high proportion of elected officeholders directing a number of County offices or departments. For example, El Dorado County is the only county in California with an elected surveyor. The departments or offices directed by elected officials are often described as relatively independent entities. While these officeholders are certainly accountable to the voters, they can be less responsive to any higher administrative or managerial authority. Still, as was pointed out by a prominent source interviewed for this investigation, “Even elected officials experience financial pressures.”

14. Significant questions need to be asked about just what services and functions are improved by virtue of the fact that these officials are elected. They are, in fact, mostly beholden to fulfillment of mandated

responsibilities under the laws of the State of California, whether elected or not.

Nevertheless, it should be emphasized that recent efforts have been made to diminish administrative overhead and realize a greater level of efficiency. Examples include:

- Though somewhat controversial, a significant consolidation and merger of the former Department of General Services within the larger Department of Transportation. This affected far more than just administrative services personnel and functions;
- There is consideration being given to the formation of a Public Works Department that would include the Departments of Transportation, Environmental Management, and elements of the Office of Surveyor;
- Consideration is being given to the partial consolidation of administrative services of the Sheriff, District Attorney, and Public Defender's Office. A Law and Justice Working Group will likely be assessing just how such a consolidation of services could be implemented;
- A merger of the Veterans Service Office with the County Elections Office/Recorder Clerk has, in fact, recently been implemented;
- There has been a recent consolidation of the Department of Agriculture and Weights and Measures Office;
- It is recognized that considerable potential benefits could be obtained through a greater level of co-location of County offices and diminishment of leased space;
- Other initiatives, perhaps most notably a higher and better utilization of access to online or Internet-based services, is underway. An example includes automated business license functions that provide more convenience to the public at less cost;
- Various other approaches to a greater level of organizational consolidation are being actively considered.

These consolidations, mergers, and generally greater focus on functions serving the public, are clearly centered on identifying and compartmentalizing related or similar services. In the absence of a more directed, purposeful, and cohesive vision of how the County government should be organized and structured to minimize administrative overhead and maximize service to the public, various minor, incremental, and lengthy approaches will prevail. Retirements, for example, generally present challenges to the old way of doing business and can present genuine opportunities for making changes.

Job specifications, those broadly based descriptions that provide enough information to classify positions for rank, pay, and benefits, are generally the first level of documentation referenced to begin to determine what type of work employees perform. Actual job descriptions that include a listing of specific responsibilities and duties performed by an employee are the next level of documentation to be referenced when determining what services are performed by which employees.

Without such current documentation, some sort of job audit must be performed to identify this key information. Lacking such documentation, it becomes virtually impossible to identify and facilitate a consolidation of administrative service duties and responsibilities.

Competent and objective performance evaluations of employees are difficult to complete without current job information describing what job responsibilities and duties exist.

15. This investigation revealed that there is very little centralized knowledge or objective information (meaning first-hand information outside of the department itself) about just what administrative services personnel in County departments actually do in performing their jobs. For example, it was revealed that approximately 15 separate County departments have a significant number of personnel performing information technology jobs. But it is not known "...what these people are doing."
16. Testimony from a number of reliable and knowledgeable sources demonstrated that, while job specifications often existed, current job descriptions in County government are "virtually non-existent."
17. It will, therefore, be necessary to identify what services are performed by administrative services personnel in departments to determine the potential for administrative services consolidation. Specific functions performed and the extent or frequency of workload activity become key determinants of what service functions and personnel may be candidates for greater consolidation efforts. This information is also critical for cross-training purposes.

There are a number of approaches and options to achieve a beneficial consolidation of administrative services.

- County departments can be grouped into broad categories of service functions. These include, for example, Law Enforcement and Justice, Land Use and Developmental Services, Health and Human Services, and General Government agencies. A system of several key agencies, each containing departments with like or similar functions, could be organized. Administrative services for these key agencies could be consolidated. County government could become more manageable, cohesive, and service or mission-oriented.
- Another basic approach could involve identifying those departmental missions and service functions that are the most closely related, and consolidating the administrative services function of those departments or offices. The CAO has, in fact, started this process with respect to the previously mentioned Law and Justice Working Group.
- Administrative services staff could be organized along more functional lines across County departments. For example, those staff performing

personnel classification and/or transactions could become more cohesive and concentrated. Fiscal analysis and management staff could be similarly consolidated or grouped to perform those services.

- Yet another approach worthy of examination could be a greater consolidation of fiscal and budgeting services. This could be accomplished by having a single fiscal officer for each group of closely related departments with similar functions.
- Still another approach would be to establish Assistant or Deputy CAO positions over departments providing like or similar functions or services. Though this would lessen the benefits of potential cost savings, it could easily result in other cost savings achieved through greater coordination, efficiency, and enhancement of service levels.

The effective use of information technologies is at the core of many attempts to develop management information and enhance service levels.

18. During the course of this investigation, it became clear that El Dorado County is in urgent need of updating and modernizing its “legacy systems” of information technology. These key systems are foundational in their critical importance.
19. The three primary information technology systems are dedicated to financial management, personnel payroll, and property tax administration. A prominent County official described the Personnel Payroll System as “antiquated.” The current Property Tax System was described as “homegrown.”
20. The need to update and modernize these foundational systems was often cited as the kind of effort needed to make County administrative services more efficient and cost-effective. The need was cited as yet another example of how County administrative services, and information technology systems in particular, should become more enterprise or functionally-oriented across departments rather than solely devoted to and functioning within individual departments.
21. Cost estimates to modernize these key administrative systems varied from a low of \$6 million to a high of \$30 million. The initial estimate for necessary consulting to affect needed changes ranges upward of \$100,000.
22. These three key legacy systems, now over twenty years old (numerous generations in the information technology field), are now so dated that it is fast becoming difficult to find people with the expertise to operate them.

With an increasing number of impending retirements of qualified personnel, and with maintenance of such systems becoming a very real issue, the County will have to make some key decisions in the very near future. One of those decisions should be whether some type of financial reserve or enterprise fund might be advisable to help cushion the now unavoidable financial impact of converting to more cost-efficient and workable systems.

The need to update these key administrative service and information technology systems is very real and becoming quite urgent. Such an effort is integral to the needed modernization of County government. It will not be sufficient to rely on modernizing these systems alone to make the necessary improvements in how administrative services are provided in El Dorado County.

This investigation made abundantly clear that there is a wealth of opportunity in further pursuing the consolidation of administrative services throughout County government.

RECOMMENDATIONS

1. **A long overdue comprehensive assessment of administrative services is needed.** Rather than using the current tough economy as an excuse to avoid a comprehensive assessment of administrative services, now may be precisely the time to conduct such a review. A smarter assessment of cost saving opportunities, rather than across the board cuts, is needed.
 - a. Such an effort did not take place when economic conditions were relatively flush. When revenues consistently rose, there was little motivation or need to upset the traditional and prevailing County culture of governance. **If tough economic times calling for leaner, smarter government do not provide a sufficient stimulus toward this end, then what time would be better?**
 - b. The undeniable challenges presented by a tough economy should not be permitted to serve as an excuse to avoid making the minimal investment necessary to reform and restructure County government. **It should be used as an opportunity to transition and modernize County government.**
2. **The County Administrative Office should be strengthened and its focus on administrative services consolidation should be supported by the Board of Supervisors.** There should be funding approved for either a major or a series of more focused consulting contracts. These would be necessary to identify and implement administrative service consolidations to achieve greater cost savings and efficiencies throughout County

departments. Such efforts should not exclude consideration of County departments headed by elected officials.

3. **County government should be restructured.** It needs to be more functionally-related and service-oriented. If this was done, a further and natural consolidation of administrative service functions would follow.
4. **A senior management level position in the Office of the CAO should be created to help identify opportunities for implementing administrative service consolidations.** This position would also be charged with identifying opportunities for administrative management and operational efficiencies.
 - a. This position would be more accountable to the CAO and better enable what should be a key responsibility of that office. Its responsibility would be to identify and enable improved administrative management and operations throughout the County. The position could easily complement the services currently provided by the Auditor/Controller, an office more focused on financial administration.
5. **The Board of Supervisors, in coordination with the Information Technology Steering Committee and CAO, should establish a reserve fund to help pay for an increasingly urgent need to modernize outdated information technology legacy systems.**
6. **The Board of Supervisors, in coordination with the CAO, should focus attention toward creation of a more cohesive, coordinated, and manageable County government.** Development and adoption of a shared strategic vision would be a substantial step toward this necessary effort.

RESPONSES

Responses to both numbered findings and recommendations in this report are required in accordance with California Penal Code §933 and §933.05. Both the County Board of Supervisors and the County Administrative Officer are expected to respond. Address responses to: The Honorable Suzanne N. Kingsbury, Presiding Judge of the El Dorado County Superior Court, 1354 Johnson Blvd., South Lake Tahoe, CA 96150.

COMMENDATION

The current CAO and staff are to be commended for efforts taken to-date toward greater consolidation of administrative service functions throughout County government.