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Local Government
Officials' Conference

Shared Services

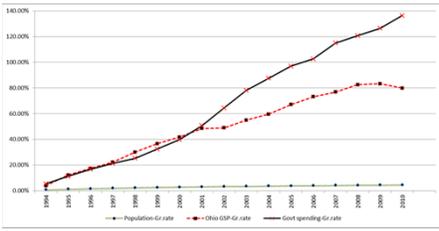
April 4, 2013

Presented by: David Miller
Auditor of State's Office

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Understanding the Need



Source: Ohio Office of Budget and Management

Govt Spending:
\$47.8 billion (1993)
\$107.2 billion (2009)

Gross State Product:
\$268 billion (1993)
\$462 billion (2009)

Population:
11.1 million (1993)
11.5 million (2009)



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Understanding the Need

Public services in Ohio are provided by more than **3,900 units** of local government and public education, which are governed by more than **20,000 elected officials**.

Beyond Boundaries, June 2012



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Understanding the Need

Federal, state and local governments, including schools, **employ more than 780,000 Ohioans** – fully 13 percent of the state’s total workforce in 2011.

Beyond Boundaries, June 2012


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Understanding the Need

The per capita cost of government in Northeast Ohio rose nearly 70 percent between 1992 and 2002, more than twice the rate of inflation for the Midwest (29 percent).

*A Cost of Government Study for Northeast Ohio
Center for Governmental Research, 2008*


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Traditional Solutions

- Cut staffing
- Reduce services
- Increase taxes

...Or a combination of all three!

Not all are bad, they're just unpopular. ☹


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Creative Approach

Shared Services between multiple entities is one way to create cost savings and increased efficiencies in providing necessary public services.

Creative Approach

According to Gould and Magdieli, with careful implementation, governmental agencies should be able to reach the “top end of the estimated 20-40 percent cost savings that have been the benchmark savings rate in the private sector.”

Success Factors for Implementing Shared Services in Government, 2008

What are *Shared Services*?

Ohio Office of Budget and Management

Shared services is a collaborative strategy about optimizing staff, equipment and facilities and other corporate or public resources across jurisdictions to improve operational efficiencies and service delivery.

Beyond Boundaries, June 2012

What are *Shared Services*?

IBM Center for The Business of Government

The concentration or consolidation of functions, activities, services, or resources into one stand-alone unit... [which] then becomes the provider... to several other client units within the organization.

Success Factors for Implementing Shared Services in Government, 2008

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Goals of Shared Services

1. Secure the most efficient government services for Ohio taxpayers.
 - a. Eliminate duplication of services being provided by multiple jurisdictions
 - b. Achieve economies of scale
 - c. Reduce overall costs
 - d. Improve service quality & effectiveness

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Goals of Shared Services

2. Create greater accountability and transparency of government costs and potential savings, so that employers see that Ohio is serious about running a highly efficient government.

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Goals of Shared Services

3. Make Ohio the nation's leader in providing shared services and in breaking down intergovernmental barriers to efficiency.

Beyond Boundaries, June 2012


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Is Success Possible?

This isn't a Partisan Issue:

*"Ohio's individual cities and townships have taken on expenses that are unsustainable, and the state's ability to assist them is limited. **Regional approaches to collaboration and coordination** are necessary to preserve services to Ohioans and achieve affordability."*

Compact with Ohio Cities Task Force, January, 2010, p. 19


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Is Success Possible?

This isn't a New Issue:

*"What the state has generally not done is step back and **redesign major systems** and their governance and finance structures with a goal of improving program and policy effectiveness."*

Redesigning Ohio, December, 2010


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Is Success Possible?

This is a Leadership Issue:

"The Commission, as a whole, concluded from testimony and research that the citizens of Ohio, in numerous cases, already enjoy some of the benefits of collaboration currently permissible under current law..."



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Is Success Possible?

This is a Leadership Issue:

"It also determined, however, that in many cases, it wasn't the 'rules of the game' that inhibited cost-saving collaboration, but rather the 'players in the game.'"

Commission on Local Government Reform and Collaboration, 2010



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Leadership in Perspective

"Our business model has changed permanently. In order for us to maximize our service to students and our impact on the community, we need great partners.

If shared services with like-minded partners enables us to do something better, faster, and cheaper, we're compelled to consider it. My guess is in some cases we'll be buyers, in other cases we'll be sellers."

David T. Harrison - President, Columbus State Community College



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Key Success Factors

- Changes >> Planning and Coordination.
- Scope and Objectives of the project should be clearly identified and delineated.
- Research should establish deliverables to limit risk and minimize issues.

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Success Factor #1

Strong Project Management Skills

- The tools and techniques used to organize and manage resources
- Four-phase approach to implementation include:

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Success Factor #1

Strong Project Management Skills

- Four-phase approach to implementation includes:
 1. **Proposal** – document or business case which communicates the formal economic rationale

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Success Factor #1

Strong Project Management Skills

- Four-phase approach to implementation includes:

2. Planning – establish the timeframe for key deliverables, including all implementation tasks and a schedule

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Success Factor #1

Strong Project Management Skills

- Four-phase approach to implementation includes:

3. Development – requirement development, testing and training for staff

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Success Factor #1

Strong Project Management Skills

- Four-phase approach to implementation includes:

4. Implementation – Rollout of development requirements for daily operation

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Success Factor #2

Senior Level Support

- Visible support can reduce the impact of many obstacles, particularly those throughout the project who do not support it or understand it.

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Success Factor #3

Effective Communication

- Early and frequent throughout planning *and* implementation process
 - Project Team - Stakeholders
 - Contributors - Customers
- Clearly define goals and performance metrics to ensure everyone is working to same end

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Success Factor #4

Strong Change Management

- Provides a **structured approach designed to transition the organization** from its current to the desired future state.

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Success Factor #5

A Phased Approach to Implementation

3 different approaches may be used:

- Direct cutover approach
- Parallel approach
- Phased approach

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Tools for Efficiency

- skinnyOhio.org
 - Shared Services Idea Center
 - Local Government Tool Kit
 - Performance Audits
 - L.E.A.P. Fund
- Local Government Innovation Fund
- BeyondBoundaries.Ohio.gov

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More on skinnyOhio.org

- Mergers and Dissolutions – Streamlined voluntary processes adopted by the General Assembly with helpful sample documents
- Laws to Know – Applicable Ohio Revised Code at your fingertips
- Resources – Many links to internal and external websites, in-state and nationwide

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Sounds great but...

How do we pay for it?



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L.E.A.P. Fund

Leverage for
Efficiency,
Accountability and
Performance

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L.E.A.P. Fund

- \$1.5 million Revolving Loan Fund
- Advances costs for Performance Audit
- Payment of Performance Audit due one year from completion date
- Loan paid back to LEAP fund

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L.G.I.F. Fund

Local
Government
Innovation
Fund

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L.G.I.F. Fund

- \$45 million in allocated funding (\$9 million grants, \$36 million loans)
- Preferred projects promote collaboration, mergers, and shared services among local governments

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Shared Services Idea Center

Information can be **searched by county** or by a number of partnership **categories**:

- General Government Administration
- Fleet Management and Operations
- Economic Development
- Facilities
- Health and Human Services

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Shared Services Idea Center

Searchable categories (cont'd):

- Public Safety
- Public Works
- Education
- Technology
- Miscellaneous

Lake County

- Capital Equipment Utilization Study
- Voluntary study with twenty-four participating entities
- First of its kind study in Ohio



Capital Equipment Utilization Findings

- Within Lake County, capital equipment generally experiences low utilization.
- In addition, each type of equipment analyzed was identified as being duplicated in entities across the County.

Table 1
Non-Seasonal

Type	Total Pieces	Pieces Analyzed	Percentage Analyzed	Avg. Annual Hours	Avg. Utilization
Dump Truck	184	50	33.30%	572.2	28.60%
Front End Loader	18	12	75.00%	434.7	21.70%
Backhoe Loader	14	11	61.30%	79.8	4.00%
Scissor Lift	11	5	45.50%	65	3.00%
Vector Jet	4	4	44.40%	398.3	19.90%
Aerial Truck	14	8	44.40%	621.4	31.10%
Total	254	100	39.70%	N/A	N/A

Table 2
Seasonal

Type	Total Pieces	Pieces Analyzed	Percentage Analyzed	Avg. Annual Hours	Avg. Utilization
Backhoe Loader	38	20	76.30%	303.2	25.50%
Excavator	12	8	66.70%	281.1	23.60%
Bulldozer	3	1	33.30%	576.6	48.40%
Road Grader	6	3	50.00%	90.3	7.60%
Asphalt Paver	7	4	57.10%	40.4	3.40%
Crack Sealer	6	2	33.30%	134.7	11.30%
Asphalt Roller	18	8	44.40%	80.5	6.80%
Dump Truck	3	1	33.30%	850.1	46.20%
Roller Sweeper	12	6	50.00%	422.2	35.50%
Air Compressor	16	7	43.80%	42.7	3.50%
Leaf Vacuum	17	5	29.40%	88.8	26.70%
Total	138	71	51.80%	N/A	N/A

Recommendations

- County-wide equipment sharing program
 - Dispose of underutilized assets
 - Share purchasing of new equipment
- Prioritize basic data collection for capital equipment (most agencies had difficulty providing comprehensive and consistent equipment inventory)

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MARCS

A 2010 study by RCC Consultants indicates that **utilizing MARCS (Multi-Agency Radio Communication System) at a statewide level** through coordination of a “system of systems” could yield over **\$500 million in savings** to ongoing capital and operating expenses for the state and local governments between now and 2020.

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MARCS

- State is investing \$81 million for 21st century upgrade and expansion of system.
- **Please** do not consider a new or upgraded radio system, or additional “interoperability band-aids” without considering and contacting MARCS/IP.



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Public Safety is #1

- SSIC has 69 examples, offering \$16,162,820 in annual savings and \$4,354,940 in one-time savings
- LGIF grant is paying for the 911 consolidation study for four cities in Central Ohio



Ask the Experts

- **Center for Governmental Research** has been contracted to assess in detail the mechanics and costs of merging key public services or even creating a single new municipality out of four East Side suburbs



Reducing Bond Costs

- When the Village of Silver Lake (Summit County) needed to pay for a major capital project, they got creative in finding low-cost options to finance their sewer bonds. Six other Ohio entities joined them in sharing the bond issuance costs to fund one bond counsel and one bond opinion.
- Of the total \$6,500,000 offering, Silver Lake's costs were only for their proportional share of \$200,000.

Leadership is Critical

As you consider which areas of public services could potentially be shared with neighboring entities, please have your legal counsel review the **Sharing Services Issues to Consider** questions to ensure that proper authority exists and that you are leading in the *right* direction.


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Sharing Services Issues to Consider

Recently enacted Ohio Revised Code (O.R.C.) § 9.482 provides political subdivisions to enter into agreements with other political subdivisions to exercise any legally authorized power of the subdivision.

Prior to entering an agreement, following is a list of issues to consider:

- Are you a political subdivision as defined in O.R.C. § 2744.01(F)?**
 - If not, consult with legal counsel to ensure the Ohio Revised Code expressly grants your entity the ability to collaborate with another entity.

- Would your political subdivision benefit from entering into an agreement?**
 - Can you adequately fund the services you are considering sharing with another community or seeking to have performed for your community?
 - Will shared services require you to add staff or require expenditures for costs you would not normally incur?

- Which community will exercise the power, perform the function, or render the service?**
 - Will you require that any elected officials (Village Clerk/Treasurer, Village Fiscal Officer Township Fiscal Officer, City Fiscal Officer), dealing with receiving payment for performing under the contract to obtain additional surety?
 - Will the contract address who is liable for lost, stolen, or unaccounted funds?

- Currently, is there a levy that provides for this service or do you anticipate a levy to fund this service?**
 - Under O.R.C. § 9.482, agreement cannot levy a tax, so each political subdivision would need to have a levy in place or have a levy issue on the ballot.
 - Per O.R.C. § 5705.09(D) do you have a special fund for the levy?
 - Is approval required under O.R.C. § 5705.12 from the Auditor of State to create the fund?

- Do you need to transfer funds into or out of the Special Fund for the Shared Services?**
 - If so, consult O.R.C. §§ 5705.14-5705.16.

- Review your estimated certificate of resources monthly.**
 - Pursuant to O.R.C. § 5705.36(A)(4), if your estimated resources will be lower than anticipated, will this require you to require additional funds from the contracting subdivisions, or lower your payment to the contracting subdivisions?

- Will the contract stipulate that the subdivisions shall pass an appropriations measure contemporaneously?**
 - Depending on the community with which you enter into an agreement, this may affect the timing of the appropriations measure. See O.R.C. § 5705.38.

- How will you ensure expenditures will not exceed appropriations or ensure that the subdivision has the funds to incur the obligation?**
 - A political subdivision must certify funds are either unencumbered and available or in the process of collection before an obligation may be incurred. See O.R.C. § 5705.41.
 - Grants or loans from the United States government or the state are deemed appropriated and in the process of collection. See O.R.C. § 5705.42.

- Which entity will be responsible for the payment of any pension or indemnity fund pursuant to Chapter 4123 of the Ohio Revised Code?**

Other Laws to Consider:

- Health Insurance Pooling (see also O.R.C. § 9.833 - self-insurance pooling for employees).

- Compensation for Employees (Article II, §20 of the Ohio Constitution prohibits in-term increase in pay for elected officials)
 - Township Fiscal Officer may be able to receive additional pay (see O.R.C. §§ 505.27-.33, 505.12, 519.16, 5575.09; see also OAG 2011-027).

- Annexation of Political Subdivisions (O.R.C. Chapter 709).

- Purchase of Equipment to Fulfill Requirements under the Contract (See laws governing competitive bidding, auction purchases and maximum amounts – may vary by type of political subdivision).

- Collective Bargaining Requirements (O.R.C. Chapter 4117).

- Joint Municipal Contracts to Capital Improvements (see O.R.C. § 715.02).