

**Brevard County
Industry Budget Review Report**

May 2008

Brevard County Industry Budget Review Report

Introduction

During fall 2007 a group of Brevard County business leaders assembled to discuss possible issues with the County's future budget development. The concerns involved:

- The (then proposed) property tax amendment
- Declining property assessments following declining housing prices
- Increasing voter demand for lower taxes
- The potential for economic slowdown in Brevard County from the shuttle retirement and fears of an economic recession.

As a group we understood the challenges that would be facing local Government to provide necessary services while at the same time dealing with declining revenues. The group decided to offer their services, including additional resources through their respective companies, to assist the County in exploring means to reduce the County budget. All members of the group had experienced economic downturns and had dealt with necessary budget reductions within their companies. The hope was that by looking at the County budget through a different set of shared experiences, from the perspective of private industry, insights might be gained that would help County management in meeting their challenge.

The group approached Commissioner Mary Bolin with the proposal to help; Commissioner Bolin has assumed a "task" role for the Commission in the area of Government efficiency. Commissioner Bolin welcomed the offer and arranged for meetings with the County Manager's office as well as for support from Stockton Whitten, Assistant County Manager.

Several meetings were held to formulate an approach and gain an initial understanding of the County budget process. A few team members were added as the group better understood the task magnitude within a given schedule. Information was provided the team members on the last five year budgets, budgetary statutes, County organizational structure, and various other County budget related items. All data provided is available to the general public. Recognizing the complexities associated with varying funding sources limited attention was to be applied to increased funding, most efforts would be directed at reducing cost. Areas to be explored included excessive growth during "good times," duplication or over lapping of efforts, business process improvements, possible re-allocation of funding, program eliminations, privatization of functions, creative process changes, smart investment (spend now to reduce operating expenses more later), and budget management and control systems. The objectives stayed loose, but focused on:

- Identifying potential immediate reductions for FY 2008-9
- Identifying activities that would tangibly lower costs through FY 2008-9 and beyond.
- Identifying processes that could be implemented to control and improve cost value over the long haul.

The group by definition has been very informal and has primarily relied upon individual (and company) experiences, with the added ability to work with each other to generate fresh thought. No formalized reporting has existed save this final report to the Commission. All time and resources used were on a purely voluntary basis.

Presented in this report are the findings of the group. The report is divided into several sections:

- General recommendations that transcend all or most departments
- A summary of the reduction opportunities and recommendations for each department
- More detailed reports for each of the departments – these are formatted inconsistently in line with our informal process.

All departmental information has been provided to the respective department. The group hopes this perspective will be of benefit to the Commission and we are available to answer any questions. It is also noteworthy that the Department Managers were aggressively working reduction scenarios in parallel and certain observations may overlap.

Group Composition

Howard Lance, Harris Corporation
George Mikitarian, Parrish Medical Center
Emil Miller, Wuesthoff Health System
John Breitfeller & Leroy Barnidge, Northrop Grumman
Alan Boggs, Riverside National Bank
R. Mason Blake, Dean Mead
Dan Evans, Evans Butler Realty
Mike Thomas, Harris Corporation
Jerry Senne, Holmes Regional Medical Center
George Geletko, Waste Management
Bill Cunningham, Business Advisers International

Paul Villalpando, Northrop Grumman
Tony Alenci, Northrop Grumman
Judy Swartout, Parrish Medical Center
George Fayer, Wuesthoff Health System
Bill Ellis, Holmes Regional Medical Center
Barry Forbes, BB&T
Jim Davis, OEMS; Pete Fusscas
Bob Ludwiczak, Suntree Consultants

Numerous other persons from these individual companies were also involved as were several business students from the Florida Institute of Technology.

General Observations & Recommendations

These recommendations pertain to all or most departments, or to the overall budget management process. Similar recommendations may also be seen in various departments.

1. The County should re-baseline the budget annually based upon expected revenues, actual costs from prior periods, programmed improvements, cost effectiveness improvements, and other budgetary considerations. Revenue projections appear to drive the new budget development process more so than cost requirements.
2. Departments have been historically successful at managing their costs to below budget levels. The fund balances created provide flexibility and cash management capability. Managing personnel levels and service with the fluctuations caused by standard attrition, holding and deferring on operating expenses, and control and deferral of capital expenditures all contribute to this positive variance. These under runs are reasonably consistent across years and could be made available as possible budget reductions or County level balances. The benefit could be immediate and also establish a different and more aggressive baseline for future cost efficiency concepts discussed below. Certain costs, particularly capital, are not expended in a budgeted year but are not available within the budget process as an available under run if multi-year projects or allocated for special longer term requirements such as roads. A review of the past five year trend would indicate approximate amounts available in the FY 2007-8 budget.

Compensation & Benefits - up to	5.5%	\$ 9.3M
Operating Expenses - up to	12.1%	\$ 31.6M
Capital Expenditures		Being assessed

3. Most departments have cost performance measurements, but it does not appear they are used as an active management tool. Each department should have one or more appropriate metrics to measure and monitor their cost performance. The current ones should be used or better ones installed. These metrics, based upon actual cost, should be reviewed routinely by the department, the County Manager's office, and possibly mid-year through a report to the Commission. Using actual cost data they should be reported against each year during budget development as a measure of performance which is factored into budget development, good or bad.

Charting and displaying the measurements would also be a means to gain department awareness. The reduced budgets resulting from item 2 will provide an accurate baseline to measure actual performance.

4. The combination of consistent expenditures below budget and the absence of an aggressive cost measurement tool would suggest an opportunity exists to reduce costs across the board. Entering FY 2008-9 each department should be challenged to find a 5-10% reduction to the actual performance in FY 2007-8.

5. On-going, each department should establish annual goals to improve their cost performance measurement by an agreed upon amount of a targeted 5% or more.
6. Reserves in absolute terms and as a function of the total budget have grown over the past five years. Establishing a formal reserve policy and returning to the level of FY 2003-4 would yield an immediate and significant reduction.
7. The County Budget Department should focus more on financial analysis to aggressively critique the budget during development then on an on-going basis for the type of initiatives included in this report
8. Carry forward items should be included only when necessary to meet the reserve policy or are clearly designated for an obligated project. It is recommended that the designated reserve become a separate line item in the budget, and that a detailed list showing the item, amount, and reason for designation (contract, purchase order, etc) be included with the department budget.
9. Numerous services provided by the County present an opportunity for overlap with Municipalities. The Commissioners should initiate a program to find cost synergies with all the municipalities. These opportunities are particularly evident in Fire Rescue and Parks & Recreation, and facility utilization, and may possibly be available in other areas.
10. Capital presents a significant opportunity for reductions. The County should enhance their current capital planning and management program. It should as a minimum:
 - More aggressively vet requested capital before inclusion in the plan, coordinating all department requirements, long term affordability, and alternatives.
 - The plan should include timing for approval and expenditures, which should be monitored during the fiscal period.
 - All participants to capital expenditures should be included in the review process including facility (as required), central procurement (recommendation follows), risk management, etc. to ensure the full effect and costs are recognized.
 - A deliberate and disciplined capital approval process including involved departments and an elevated approval level as the dollar volume increase.
11. The budget process should include a long term planning aspect. The first fiscal period should be detailed as today with subsequent yearly cost summarized incorporating planned improvements.
12. *Several reviews indicated a high level of benefits. A more thorough review of this area may follow in an addendum.*

Most of the recommendations above are directed more at County policy and management process changes as are many of the individual department recommendations below. The County should consider formal implementation of a comprehensive business and quality management system. More funding reductions may be identified than revenues require in the short term. Implementing a system, training personnel, upgrading processes, and possibly seeking accreditation to a standard would be a worth while investment.

Department Summaries

Detailed department reports and recommendations follow. The summaries below represent only highlights of the respective departments.

Central Services – Procurement

Consolidate all County procurement within Central Services procurement to gain economies of scale, common/best practices, reduce costs, and leverage suppliers. The consolidation would not cost more, but may actually reduce cost by gained personnel efficiencies.

Immediately convene a Supplier Conference looking for a 10% or more price reduction from suppliers, from the \$200m bought annually by the County.

Establish best-in-class procurement policies and practices within the consolidated department; requiring all County purchases above a threshold be procured by the central department.

Centralize construction management, contract award and management.

Develop consolidated buying agreements for various supplies and services procured across departments.

Perform a make/buy assessment on all fleet services, and outsource those with an economic return.

Facilities

The facilities budget is driven largely by other Department use and need for space.

Develop a Countywide coordinated facility plan that includes:

- Increased automation in Citizen services lessening the need for point of contact services and resulting facility
- Standardize architectural designs
- Increase facility project awareness & competitiveness; enhance inside capability for facility cost estimating
- Consider self insuring certain properties (and/or re-negotiating insurance policies)
- Consolidation of use (particularly storage) and disposal of facility assets

These actions should target specific reductions in line with Items 4 & 5 above.

Charter Offices

The Sheriff's office is preparing a budget to be flat with FY 2007-08 which will encompass operating expense reduction and more patrol car leasing.

The Supervisor of Elections will be submitting a 12% budget reduction (\$4.636 to \$4.077) obtained through both salary and contract reductions.

The Clerk of Courts has been implementing reductions in personnel and hours.

Housing & Human Services, HR

The department recommendations submitted for 10% (\$447k), 20% (\$799k) are appropriate.

The accuracy of state mandated costs should be evaluated quarterly.

As with the general recommendations the capital program should be re-assessed for possible need, affordability or postponement.

Parks & Recreation

Develop a long range plan that addresses:

- Coordination between County and municipalities to leverage benefit
- Constitute an independent County-wide Advisory Board to coordinate 3 separate district and 18 unique advisory groups
- Seriously review legal and political options for stopping of referendum projects that will bring potential unaffordable on-going maintenance costs
- Review the closure of low use facilities, and those in poor repair

Revenue:

- Increase user fees for facilities that consider cost of facility operation and use demand, and potentially create need-based waivers for those who may not be able to afford
- Increase fees to “what the market bears” for groups from outside the County
- The Cost Recovery Pyramid Methodology is a sound approach.

Privatization:

The Department has been privatizing activities, but should look further in areas such as athletic field maintenance, landscaping, janitorial, vehicle/equipment maintenance, trade services, and the Equestrian Center.

Transportation, Road & Bridge, Valkaria Airport

Roads & Bridges performs work for other departments with funds from their budget when funds may exist in requesting department budget; charge back process is with old rates producing an allocation that may misrepresent costs and subsequently adversely effect cost and priority.

Support to initial landscaping for homeowner/developer supported neighborhoods could be turned over to the owning benefit organization, and not be County funded.

Standard tree maintenance is very proactive and could be reduced.

The capital plan could accommodate extending life of heavy equipment. This capital extension coupled with slower resurfacing included in the departments 10% challenge is appropriate.

Land acquisition could be delayed for a one time savings.

Street lights for non safety concerns in communities could become responsibility of community, not the County (\$2M expenditure).

Valkaria airport has a jet fuel tank, controlled by Mosquito control, which if they were permitted to see could generate profits. Land assigned to the airport not used for airport services, could also be designated for other potentially profitable use (assuming use does not interfere with airport master plan).

Agriculture, Animal service, Emergency Mgt., Historical Comm., IT, Library, Mosquito Control, SCGTV, Tourism

Capitalize on the current trend to institutionalize in the next budget, or a 17% expense and 60% capital reduction yielding a combined budget reduction of \$15.6M.

Permitting & Enforcement, Planning & Zoning

Require the approval of estimated costs along with work for various studies requested by other governmental officials. Examples would include a request for an investigation by P&Z about the appropriateness of a particular ordinance.

Review the types of projects for which inspections are required in the county to determine their necessity and the level of protection they really provide our citizens. A reduction in the number of inspections requirement could allow for a reduction in staffing and cost levels within this department. It could also allow for more attention to enforcement regarding work that is not permitted, but should have been. It should also be possible to qualify contractors who have performed particular types of jobs well in the past for permits that do not require as many or even any inspections.

Review of 2006 salary study to determine its impact on County salary levels, its appropriateness and relevance today especially in light of benefits as per general recommendations. It would be difficult to undo what has been done, but an understanding of the adjustments that were made could impact future decisions regarding salary levels.

Criminal Justice & Judicial Services

Seize opportunity for personnel reduction in Group vs. individual assignments is three persons (\$180k). Reduce five non-core receptionist positions (\$223k).

Capitalize on current spending levels to reduce full budget (\$395k in Criminal Justice and \$1584k in Judicial Services).

Raise certain fees (remain comparable or better than market) and reduce General Fund use (\$205k).

Fire Rescue

The budget should be brought more in-line with actual expenditures and reserve requirements allowing as per the general recommendations.

Improved coordination between the County and municipalities on fire protection could save money for the County. This coordination exists with rescue, but should be extended to fire. The department also maintains a volunteer program that may no longer be necessary.

Outside Agencies

The EDC has received a significant increase from the County (92.5% over three years). Consideration could be given to reducing the increase. The EDC should be afforded opportunity to show the loss of service if the reduction is made from a historical and prospective view, as well as the return on investment. The decision needs to weight the available funds against the economic needs of the County with the pending shuttle gap, and general economic slowdown.

Funding recommendations are not being put forth for the Merritt Island Redevelopment Organization, however, process could be improved and potential reductions made by the County assisting in finding and writing grants, departments assisting in or actually doing their program implementations, and bring MIRA more into the Government organization. Off sheet capital carry forwards do need to be better identified in the budget (\$3.6M).

Risk Management

Risk Management has actively managed cost in prior negotiations with insurance carriers, but may have opportunities forward:

- Quote certain Water Dept., Public works, and other facilities with AIG Global Energy with a specialty in these areas
- Re-examine general liability deductible to rate in upcoming negotiation considering present value calculation.
- Use softness in auto insurance market in negotiating for lower rate in forthcoming negotiation.

Gain a one time reduction of \$3.5-4M by reducing reserves to the current present value.

Departments

Central Services - Procurement



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April 15, 2008

Mr. Steve Stultz, Central Services Director
Brevard County Board of County Commissioners
2725 Judge Fran Jamieson Way
Bldg. C, Suite C-303
Viera, FL 32940

Dear Steve:

Thank you for inviting Harris Corporation to the Brevard County Board of County Commissioners to solicit industry experience and recommendations on balancing and reducing expenditures as well as share ideas for improved processes. Carol Warner, Chris Peknic and I enjoyed meeting with you and Leslie Rothering. We appreciated your openness and willingness to share as well as consider alternative ideas and approaches.

Below you will find a summary of our recommendations. I am open to further discussions to review the recommendations in person and would welcome the opportunity to discuss additional ideas and best practices in the future.

Executive Summary

In general, we observed an opportunity to consolidate/centralize the current role of Central Services throughout all Brevard County offices, thereby increasing productivity and efficiency. The result should be reduced overall County expenses and improved service levels. For example, since offices such as the Sheriff's, Clerk's, and Property Appraiser's offices have their own procurement services, the County is not currently enjoying economies of scale, reduced costs, common/standard best practices, etc. This could be accomplished without adding additional leadership and better utilizing the management staff already in place.

Recognizing that the Board of County Commissioners currently spends over \$200m with suppliers on an annual basis, we would recommend an immediate conference with all major suppliers to address the current budget situation and request an urgent "across the board" targeted supplier cost reduction of 10% on all existing contracts or spend amount in order to meet current County budget reduction initiatives. Additionally, all on-going procurements greater than a threshold level should be negotiated and awarded by the Central Procurement Services Department only. Cost savings targets should be established, measured, and monitored.

We also recommend that the Central Procurement Services offices be reorganized to handle both the tactical and strategic elements of best-in-class procurement services. It appears that the vast majority of effort is tactical and therefore the County is missing an opportunity to improve savings through increased spend under management, improved negotiations, and supplier leverage. The operating budget of the Central Services Department pales in comparison to the current spend with suppliers. The Central Procurement Services Department should be focusing more time on negotiations, supplier consolidation, and quoting/comparing/awarding best total cost of ownership opportunities. We recommend negotiation training for those individuals who will be focusing on the strategic elements of procurement. More rigor should also be added to the negotiation process to include a step for further review and negotiation at the line item level prior to contract/ procurement award on the larger ticket items.

Since the single largest category of County spend is Construction, we recommend that a centralized construction management service be considered (perhaps outsourced). Currently, numerous suppliers

are used across all departments and spend is not fully leveraged. Also, how do you know when you are getting the best total cost of ownership? At a minimum, we would recommend that construction spend be closely monitored and compared to best in class performance.

Regarding Fleet Services, we would recommend a make-buy analysis be completed for all elements of fleet services, i.e., outsourcing. This analysis should include options for all services provided today, as well as major components such as oil/filter changes, routine maintenance, break/fix, etc. An industry best practices comparison among other county offices around the country as well as outside industry comparisons where there are comparable fleet service requirements should be included in the analysis.

We observed several opportunities for overall process improvement (e.g. purchase order change process for Library Services) and propose that the County look to industry (e.g. Harris Corporation) to assist with a few lean events.

Please refer to the attached document outlining specific recommendations and areas of opportunity for further details. We look forward to hearing from you to review and discuss at your convenience. .

Sincerely,

Janice Lindsay
Vice President, Strategic Sourcing

Cc: Mike Thomas

Encl: Details- Specific recommendations and areas of opportunity



***Specific Recommendations
Brevard County Board of County Commissioners
April, 2008***

I. Area of Opportunity: Centralization of Purchasing Services

Summary

Personnel who are not trained in purchasing, negotiation, and contracts doing work (items under \$15k). Purchasing not involved on selection and negotiation committee for supplier selection and award.

Recommendations

Recommend all Purchasing and Contracts be performed in one central department staffed by professional Purchasing and Contracts personnel.

Strategic functions to be performed by higher level personnel and tactical functions performed by administrative support personnel in order to maximize savings.

All Contracts & PO's only executed by Central Purchasing Department. Only authorized personnel should be able to allow expenditures.

Recommend a quick study be performed on all the informal quotes under \$15K performed by non-Purchasing personnel in user departments to show potential redundancies and cost increases. Other departments should not be allowed to do quotes up to \$15K; potential of increased costs.

Central Purchasing could have a staff member physically located at other Departments to increase relationship and customer service, ie., Sheriff's Dept., County Clerk Office, etc. The Parks Department is funding a Purchasing Agent and has reaped benefits.

Question: does it make sense for School Board to have separate Procurement Department?

Based on total volume and total personnel, need to rationalize and determine bidding procurement processes based on number of Purchasing staff. Does it make sense to bid everything over \$750.

Major spend categories such as Construction and Solid Waste should be identified and take priority. Concentration on these categories will reap most cost savings.

Question: Is there an org chart or list of all personnel who are performing Purchasing functions for the County to determine the current level of decentralization? The majority of private sector companies centralize purchasing functions in order to consolidate spend, maximize required volumes and thereby receive the greatest discounts and lowest costs.

II. Area of Opportunity: Rationalization of Supply Base and Improved Spend Management

Summary

There is no supplier rationalization process or spend management program with the central office or within the various Brevard County Charter organizations. Within the Central office, the Central Services Procurement Manager performs various purchasing agent functions and IT services duties. Additional contracting and procurement is conducted by various Brevard County Charter organizations. Therefore, a lack of visibility by the central office into functional charter priorities, procurement, and contracting undermines attempts at supplier and contract consolidation and initiatives around enterprise goals such as leveraging the total spend of the Brevard County supply base.

Recommendations:

Establish & execute a cross-functional rationalization process and spend management program. Focus on large spend categories such as construction and fuel across all charter departments for purposes of identifying common suppliers. Reduce the number of common suppliers and establish common contracts. A supplier rationalization and spend management program will allow Brevard County to leverage their total spend, and improve supplier management opportunities increasing movement from arms length, tactical supplier relationships to collaborative win/win relationships. This will increase efficiencies by reducing the number of suppliers to manage and providing the ability to move from tactical to more strategic operations.

III. Area of Opportunity: Further Leverage of Existing Supply Bbase

Summary

There are approximately 160 existing contracts in Central Services. Approximately 100 of them expire in 2007. These existing contracts may or may not have been negotiated prior to award. Some were awarded strictly on quoted pricing.

Recommendations

Conduct a Supplier Conference with current major suppliers, address the current County budget situation, and request an immediate across-the-board targeted supplier cost reduction of 10% on each existing contract to support County budget reduction initiatives.

A negotiation escalation process should be established to influence non-compliant suppliers as well as a reward process for participation and reduction recommendations beyond the targeted amount.

IV. Area of Opportunity: Contract Prioritization

Summary

There are numerous contracts in various categories which are negotiated by Central Services Procurement but also by other individuals in other departments.

Construction contracts make up approximately 2/3 of all spend.

Recommendations

- 1) Create master list (spreadsheet) of all contracts which include:
 - Annual \$ spend.
 - Contracts categorized and grouped into similar categories.
 - Contracts prioritized by \$ spend and potential cost savings.
 - Merge and Consolidate the following categories:
Lawn/ landscaping

Construction
Fuel
Auto related
Cell phones/ pagers/ telecomm
Information Services
Human Resources

By consolidating requirements in Bids and giving Bidders the option to bid on more than one option, increases their volume, and therefore Bidder will bid lower price and reduce County costs.

2) Review bid and contract processes for Construction contracts.
After construction supplier is chosen, should negotiate off their proposal.
Negotiate labor rates, hours, direct costs, indirect costs, profit. Can utilize FAR for guidelines on what are allowable costs.

Develop a labor rate database for types of Engineers and levels and all construction type personnel. Will be able to determine reasonable labor rates from this database.

3) Develop Negotiation Strategies for Fuel related contracts.

4) Only personnel trained in Contract Negotiation should be negotiating the County contracts.

5) Standardize all bid and contract documents and enforce the adherence to these standards.

V. Area of Opportunity: Process Efficiencies

Summary

Central office utilized purchase cards for low dollar (<\$750) spend items. This is consistent with the capitalization policy.

Purchasing agents must “cut & paste” bid and contract clauses to accommodate bid process documentation.

In most cases RFX responses went directly to award without negotiation. Selection and negotiation committees exist in some cases, however, procurement personnel are not part of these committees. Personnel on negotiation committees are not trained in negotiation. It is unclear whether supplier assessment and performance monitoring occur and where the responsibility lies.

Supplier Performance is not tracked. Some department metrics exist with the central office.

Payment and payment terms are not consistent and Brevard County is not taking advantage of discount terms.

Work order to requisition to purchase order process is time consuming.

In some cases departments receive and pay for goods.

Recommendations

Expand the purchase card program across charters for efficiency improvement, increased incentives and rebates. Review contract expiration dates and proactively negotiate additional sign-on incentives and increased basis points. Investigate the use of procurement cards for payment of repeat charges beyond the \$750 limit by approaching Bank of America for a supplier database view and recommendations. Additional rebates can be earned through the implementation of an ePayables system.

Develop standardized bid and contract documents as well as a policy dictating adherence to those documents.

Develop a policy dictating price and T & C's negotiation on all contracting prior to award. Experience dictates substantial additional cost reduction opportunity as a result of negotiations.

Assign procurement personnel to participate in selection committee. Establish a supplier assessment process and assure rationalized strategic sources are presented to the committee.

Assign procurement personnel to participate in negotiations. Train all personnel involved in supplier negotiations.

Establish a method to monitor and track supplier performance, ie., Quarterly, Semi-Annual or Annual Supplier Reviews.

Review existing metrics and establish metrics and benchmarks for best in class performance for all departments and major spend areas. (e.g. productivity measures, cycle time, cost reduction initiatives, fuel costs per gallon compared to retail and other like county agencies, etc.)

Investigate current early payment practices (actual vs. 45 day obligation), and taking of cash discount opportunities where appropriate.

Investigate opportunity for improved operational efficiency for work order to requisition to purchase order process.

Assure separation of duties, specifically in the receipt and payment of goods.

Department(s)

Facilities

Facilities Department

Two meetings have taken place. The first was with the Director, Mr. Stephen Quickel. The second meeting included Mr. Quickel, his Assistant Director and management staff. Also attending was Jennifer Murtha from RSM McGladrey, the auditing firm. Ms. Murtha was familiar with the processes of the department. Discussions attempted to identify possible improvements in their process. The Facilities Department has done very well to keep up with the responsibilities it accepts. They need to have more authority to go with the responsibility. They should continue to advise the County Manager's office and the County Commission on financial efficiencies the department could achieve if programs and budgets could be scheduled to save money and time. This advisory capacity also applies to determining the feasibility and advisability of renovations and property management.

Overview of the Department

The Facilities Department has two main functions: Construction and Management. Both functions require the use of salaried employees and private sector vendors that competitively bid for various projects or functions. The department has responded to budget cuts by cutting the staff positions. While this saves money, it also removes some supervisory functions relative to the private sector contractors. Due to the nature of their responsibilities, their department out-sources many of their services, including architectural design, building contracting, air conditioning repair, janitorial services, etc. The number of square feet they construct and maintain grows each year. The amount of out-sourcing therefore increases to keep up with the increased demand. The department measures their Facility Management's efficiency based on a cost per square foot. This is an appropriate way to approach to the evaluation since the number of total square feet increases year over year. On the Facility Construction side they calculate the square foot cost of each project and present that as a performance measurement. The cost per square foot for the construction of a project varies based on the requirement, for instance, the judicial facilities naturally are higher cost. The Facilities Department has built up a knowledge base that goes from the early planning stages of a building, through the construction phase and then into the management of the facility over its life. This is a valuable knowledge base and one that should be an active part of future planning.

Immediate FY 08-09 Reduction Opportunities

- Lower insurance costs by self-insuring more facilities or negotiating lower rates. This function is actually done through Risk Management Department, Jerry Visco, Director.
- Evaluate the location of facilities (when possible) based on long term costs and weigh that against the convenience for citizens and employees using the facility.
- Compare the cost of leasing vs. buying vehicles. This function is done through the Purchasing Department.

Intermediate Term Reduction Opportunities

- Add a staff position (or assign responsibility to existing staff) to professionally estimate the component costs of construction projects. Currently the responsibility falls to the architect of the job. This could also be accomplished as a contracted fee to provide estimation services on particular projects.
- Develop programs or hire marketing consultants to advise on increasing awareness among contractors and to encourage more participation and competition for projects.
- Decrease the amount of archival record storage by employing electronic data storage and retrieval.
- Consolidate storage needs into fewer or preferably a master facility if more efficient.

Long Term Changes in Process

- Analyze the feasibility of disposing of real estate assets. Advise appropriate department (currently in the Asset Management Department) or have this responsibility fall within the purview of Facilities Department.
- Develop a long range plan for meeting the facility needs of the county. This would be in conjunction with the County Commission.
- Seek standardized architectural designs to be used and re-used.
- Create revenue sources by instituting user fees.
- Create revenue sources by offering businesses or individuals advertising or building naming opportunities.
- Seek ways to automate citizen services through the internet or mail, thereby lessening the need to utilize county facilities.

Departments

Housing & Human Services

**Brevard County
Government Efficiency
Budget Process Overview**

Government Efficiency

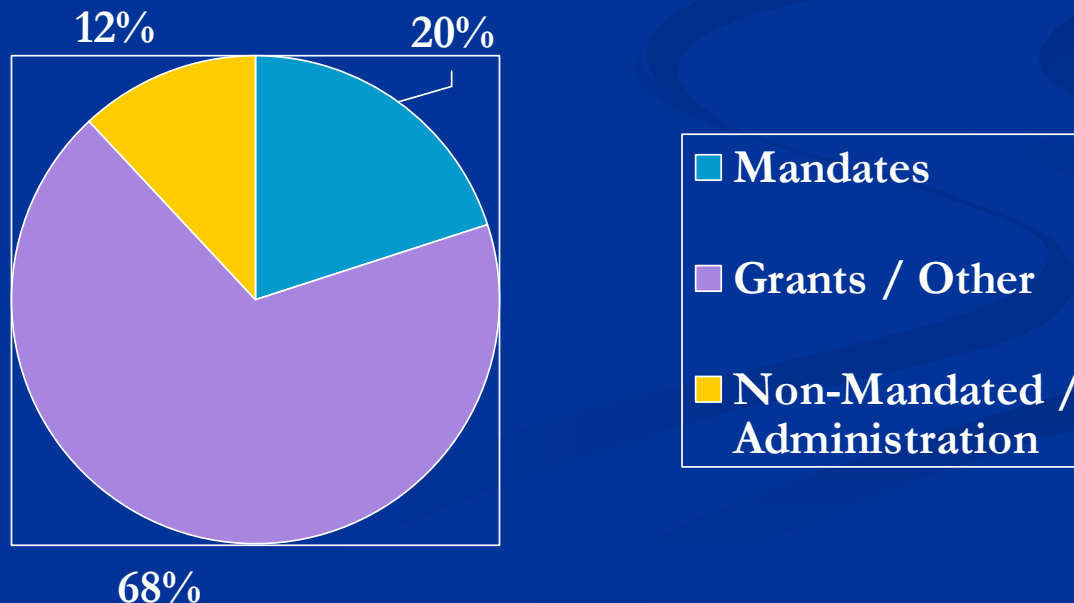
Housing & Human Services

- Services Overview
- Potential Reduction Opportunities
 - 10% of Non-Mandated
 - 20% of Non-Mandated
 - State Mandated Evaluation
 - Capital Improvement Evaluation

Government Efficiency

Housing & Human Services – Overview

- Community Planning & Revitalization \$20.9M
- Community Resources \$11.4M
- Country Acres Children's Home \$1.5M
- Veteran \$.3M



Government Efficiency

Housing & Human Services - Potential Reduction Opportunities

- Reviewed Departmental Budget and Their Recommendations:
- Concur with Their Non-Mandated Funding Recommendations as Follows:

(\$000s)

Program / Service	10%	20%	
Bakers Act	7	7	
TANF Grant	322	322	
Guardian Ad Litem		118	-2 FTE
JAC		62	
211		45	
CBO		127	
Veterens	51	51	-1 FTE
Planning Team-GF portion	61	61	-1 FTE
CAA-GF portion	6	6	
Total	447	799	

Government Efficiency

Housing & Human Services - Potential Reduction Opportunities

- Evaluate State Mandated Services Cost Estimates Quarterly for Accuracy:

(\$000s)

Program / Service	Amount
Medicaid	4,376
Health Care Responsibility Act	200
Baker Act	1,786
Kids Care	56
Indigent Burial	80
Legal Aid	257
Child Protection Team	86
ADA	78
Inmate Medical Bills	125
Total	7,044

Government Efficiency

Housing & Human Services - Potential Reduction Opportunities

- Evaluate Capital Improvement Programs for Need, Cost and/or Postponement

(000s)

2007-2008 Projects	Initial Adopted Budget	Open Projects		
		Status	Budget	Expended
Myrtle Avenue	60	Permitting	60	
West Canaveral Groves	330	Scope Phase	50	
Houston Lane	500	In Review & Comment Phase	560	60
Schoolhouse Greenway	150	Permitting	165	15
Beavis Road Phase One	201	Permitting	250	10
Schoolhouse Street Paving	3	Design Phase	250	
W. Cocoa Playground Equipment	3	Design & Scope Phase	50	
Woody Simpson Park Community Room	3	Scope Phase	400	
Woody Simpson Park Exercise Trail	3	Scope Phase	65	
Harry T. Moore Avenue	400	} Unknown		
Player Lane	150			
Main Street	631			
Wiley Avenue	18			
East Mims Street Lighting	3			
Tropical Street Lighting	3			
West Cocoa Street Lighting	3			
Total	2,461		1,850	85

Department(s)

Parks & Recreation

Brevard County Efficiency Review Project Parks and Recreation

The Brevard County Parks and Recreation Department is a very large and diverse organization with an FY'07-08 budget of ~\$240M. The mission of the Department is to provide recreation and leisure activities reflecting the interests and values of citizens and visitors, thereby enhancing the quality of life in Brevard County.

Background

This review was conducted by Mike Thomas and Erika Ward of Harris Corporation and Angelica Isaacs who is a student at FIT. A special thanks goes to Jennifer Murtha of RSM McGladrey, Inc., who is working for the County under a consulting agreement. Jennifer attended all of our sessions and shared tremendous insight gained from her work with the County.

Our contacts from the Parks and Recreation Department were Don Lusk, the Department Director, and Larry Wojciechowski, Finance Manager. Don and Larry have extensive experience with the County and did a magnificent job of leading us through the complexities of the Department's budget and expenditures. They were patient with our never ending lists of questions and very candid in their views and discussions. Our team feels the Department is in good hands under their leadership.

The Department manages:

- 106 parks with others under development
- 12 school athletic complexes
- 15 community and cultural centers
- 5 nature centers and trails
- 3 campgrounds
- 3 golf courses
- 22 boat ramps
- 42 beach access sites
- 18,000+ acres of Environmentally Endangered Lands (EEL)

The \$240M budget is divided up as follows:

• Operating Expense	\$62M
• Debt Service	23M
• EEL	59M
• Referendum	95M
• Grants	1M
	<hr/>
	\$240M

This is important for many reasons. In the context of this review, only the Operating Expense portion is considered to be in play, though it is our understanding there are discussions ongoing about referendum money also being subject to review.

The funding sources for the Department are as follows:

- Board of County Commission General Fund Revenue
- Special recreation taxing districts
- Municipal service taxing units
- Intergovernmental revenues
- Voter approved bonds
- Grants and donations
- User fees, facility rentals, etc.

Specific Findings/Recommendations

1. Need for a long range plan

The County is faced with a looming budget crisis that cannot easily and quickly be fixed. As with other organizations, the tendency so far, as we see it, has been to cut a little everywhere with very tactical decision making. If the County is committed to a reduction in operating expenses long term, dramatic changes in the structure of operations are needed.

Market Street Services, Inc., prepared in 2002 a “*Brevard Tomorrow: Preferred Future Strategic Plan*” which addressed many of the issues the County must grapple with today. Included were things like:

“The plurality of municipalities in the County has led to multiplicity and duplication of services, wide variations in rules and regulations, and a lack of cohesiveness and identity within the County.” It went on to address the numbers of different law enforcement agencies, fire/rescue agencies, and duplicative other services. Certainly there are many benefits that could be shared from combining forces in some of these areas.

Through consolidation or joint service agreements, with the resulting pooling of resources, clarification of processes, and unification of communities, there could be significant long term financial benefit to all involved. There are many, many topics that should be addressed here, some of which will come up in the reviews of other departments. But clearly a leveraged combination of the County and the municipalities could realize substantial savings in procurement of common needs, labor reductions, the elimination of duplicative service, regulatory confusion, and unnecessary competition, and tremendous overall benefit for residents and businesses.

Looking specifically at Parks and Recreation, this long term plan should address the following:

- Presently Parks and Recreation is managed through three geographically based Operations: North Area Parks, Central Area Parks, and South Area Parks, each with a Commissioner. This obviously leads to competition between the areas for resources with seemingly no oversight protecting ‘the greater good’.

It is recommended that there be a County wide Advisory Board established to include business representatives with a County wide view of budgets and services.

The Department also deals with 18 Citizen Advisory Boards appointed by the Commissioners. Although these Boards provide a very valuable channel of communication, they are nonetheless Special Interest Groups which often allow a small interest to command significant dollars. An independent County wide advisory board would be able to weigh the desires of these Special Interests in a more balanced way across the County.

- The County has enjoyed ample funding to take care of its facilities. That is now in jeopardy, but several new facilities are under construction funded by past referendum approvals. In our discussions, referendum dollars were considered sacred.

It is recommended that the legal and political options for not spending approved referendum dollars be reviewed. It is not prudent to continue to build facilities the County cannot afford to maintain. It is our understanding this is being discussed.

- The long range plan should also address the potential closure of low use facilities or facilities which are in dire straits. A comment was made 'we never close anything'.

It is recommended that the Department develop a cost/benefit comparison for all major facilities with the intent of identifying those where low usage does not justify the cost of maintaining them.

- The long range plan should address future land acquisitions and that function should be consolidated so as to not have land being acquired by different departments.

2. Revenue

Although the focus of this project was on expenses and efficiency, we were collectively struck by the obvious opportunity the Department has to collect considerably more in user fees, facility rentals, and related. Increasing fee amounts, or changing them at all, will certainly be controversial and will require Commissioner approval. Doing so could also be at odds with the mission to provide these opportunities at minimal cost and may require need based waivers for those who cannot afford the fees. But with the budget crisis looming and the recent action of the voters on 1/29/08, the Department no longer has the funds to maintain all facilities and therefore this area must be explored. Some areas have done extensive cost/benefit and price elasticity analyses, like the golf courses, but we consider this an area ripe for examination. Specifically:

- The Department should review with Commissioners the cost of operating each facility and the user fees each generate to determine if subsidization is appropriate. A good example is the Palm Bay aquatics center.

User fees should be set so that the fees correspond directly to the demand for the facility/service and the cost of providing it. The Department provides, for instance, very high quality athletic fields, many with lights, but recovers only a portion of what it costs to provide this capability. The Department should, for instance, standardize light fees so that those that use the lights pay for the lights.

- The Department should share in the concession revenue generated in County facilities. As we understand it, this money is kept by the individual leagues.

- The Department should actively seek naming rights and advertising dollars with no ongoing reciprocity requirements and the proceeds going to the Department. Currently all advertising goes to the league which generated it.
- The Department should increase fees to what the market will bear for events scheduled by and/or for residents outside Brevard County who use the County facilities.
- The Department should look at increasing the number of revenue generating special events or other commercial use of the parks, such as soccer/baseball camps, etc.
- The County should consider a leisure services foundation for fundraising and the development of a 'friends of the parks' group.

One notion that Don gave us is the use of a Cost Recovery Pyramid Methodology (attached) to generate a cost recovery philosophy. Certainly there are others but this philosophy is an interesting concept.

3. Privatizing Various Services

To date, the Department has privatized:

- Pier food, bait, and gift concessions
- Golf lessons, carts, maintenance, and concessions
- Laundry at campgrounds

In addition, they have gone to:

- Contract recreation instructors and officials
- Invasive species removal
- Camp school bus transportation
- Some use of construction management contracts

We feel the Department should continue to look for opportunities to privatize or contract services where it is financially beneficial to do so and/or the Department does not have the expertise required. These could include, but would not be limited to:

- Athletic field maintenance
- Landscaping and horticulture
- Janitorial services
- Vehicle and equipment maintenance
- Trade services (plumbing, electrical, etc.)
- Operation of the Equestrian Center, if such a center is even necessary

We appreciate the fact that there are many issues involved here, including Unions, but all areas must be examined.

4. With maintenance of the athletic fields being such a significant expense, the Department is also investigating the use of artificial turf on some or all of those fields. These efforts should continue.

5. An obvious target would be to close or sell the golf courses. Although the circumstances differ for each of the three, this is not a feasible option.

Conclusion

There are areas where substantial synergies and economies of scale could be realized by the County, but realizing them will take drastic changes in the structure and operation. There are numerous political forces in play, undoubtedly beyond the complete comprehension of this team.

The Parks and Recreation Department can undoubtedly trim cost and improve efficiency in many areas, but the real savings require dramatic, and unpopular actions, some of which we have addressed.

Our team looks forward to continuing our support in the next steps. Meanwhile we will continue to examine what we have gathered and learned in search of additional ideas.

Cost Recovery Pyramid Methodology



The creation of a cost recovery philosophy and policy is a key component to maintaining financial control, equitably pricing offerings, and identifying core programs, facilities and services for an agency.

Critical to this philosophical undertaking is the support and buy-in of elected officials and advisory boards, staff and ultimately of citizens. Whether or not significant changes are called for, the organization wants to be certain that it is philosophically aligned with its constituents. The development of the cost recovery philosophy and policy is built upon a very logical foundation, using the understanding of who is benefiting from the parks and recreation service to determine how that service should be paid for.

The development of the cost recovery philosophy can be broken down into the following steps:

Step 1 - Building on Your Mission - What is Your Mission?

The entire premise for this process is to fulfill the Community mission. It is important that organizational values are reflected in the mission. Often mission statements are a starting point and further work needs to occur to create a more detailed common understanding of the interpretation of the mission. This is accomplished by involving staff in a discussion of a variety of Filters.

Step 2 - Understanding Filters and the Pyramid

Filters are a series of continuums covering different ways of viewing service provision. The **Primary Filters** influence the final positioning of services as they relate to each other and are summarized below. The **Benefits Filter**, however, forms the **foundation** of the **Pyramid Model** and is used in this discussion to illustrate a cost recovery philosophy and policies for parks and recreation organizations. The other filters are explained later.

Filter	Definition
Benefit	Who receives the benefit of the services? (Skill development, education, physical health, mental health, safety)
Commitment	What is the intensity of the program?
Trends	Is it tried and true or a fad?
Obligation	Is it our role to provide? (Is it legally mandated, e.g. ADA)
Market	What is the effect of the program in attracting customers?
Relative Cost to Provide	What is the cost per participant?
Environmental Impact	What is the impact to the resource or other visitors?
Political	What out of our control?
Who We Serve	Are we targeting certain populations?



The Benefits Filter

The principal foundation of all the filters is the **Benefits Filter**. It is shown first as a continuum and then applied to the Cost Recovery Pyramid model.

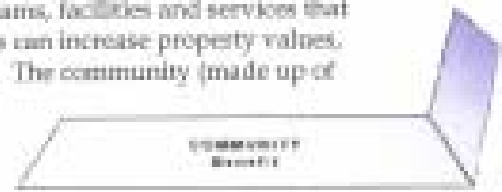
Conceptually, the base level of the pyramid represents the mainstay of a public parks and recreation program. Programs appropriate to higher levels of the pyramid should only be offered when the preceding levels below are full enough to provide a foundation for the next level. This foundation and upward progression is intended to represent the public parks and recreation core mission, while also reflecting the growth and maturity of an organization as it enhances its program and facility offerings.



It is often easier to integrate the values of the organization with its mission if they can be visualized. An ideal philosophical model for this purpose is the pyramid. In addition to a physical structure, pyramid is defined by Webster's Dictionary as "an immaterial structure built on a broad supporting base and narrowing gradually to an apex." Parks and recreation programs are built with a broad supporting base of core services, enhanced with more specialized services as resources allow. Envision a pyramid sectioned horizontally into five levels.

COMMUNITY Benefit

The foundational level of the pyramid is the largest, and includes those programs, facilities and services that benefit the **COMMUNITY** as a whole. These programs, facilities and services can increase property values, provide safety, address social needs, and enhance quality of life for residents. The community (made up of residents of the State of Arizona) generally pays for these basic services and facilities through taxes. These services are offered to residents at minimal or no fee. A large percentage of the tax support of the agency would fund this level of the pyramid.



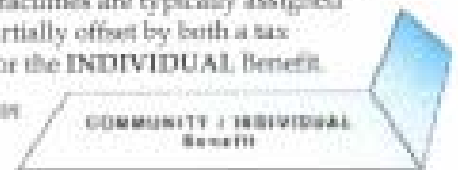
Examples of these services could include the existence of the community parks and recreation system, the ability for youth to visit and enjoy facilities on an informal basis, development and distribution of marketing brochures, low-income or scholarship programs, park and facility planning and design, park maintenance, and research, or others.

NOTE: All examples are generic - your programs and services may be very different based on your agency's mission, demographics, goals, etc.

COMMUNITY / INDIVIDUAL Benefit

The second and a smaller level of the pyramid represents programs, facilities and services that promote individual physical and mental well-being, and provide recreation skill development. They are generally the more traditionally expected services and beginner instructional levels. These programs, services and facilities are typically assigned fees based on a specified percentage of direct and indirect costs. These costs are partially offset by both a tax subsidy to account for the **COMMUNITY** Benefit and participant fees to account for the **INDIVIDUAL** Benefit.

Examples of these services could include the ability of teens and adults to visit facilities on an informal basis, ranger led interpretive programs, and beginning level instructional programs and classes, etc.



INDIVIDUAL / COMMUNITY Benefit

The third and even, yet smaller level of the pyramid represents services that promote individual physical and mental well-being, and provide an intermediate level of recreational skill development. This level provides more **INDIVIDUAL** benefit and less **COMMUNITY** Benefit and should be priced to reflect this. The individual fee is higher than for programs and services that fall within the lower levels of the pyramid.

Examples of these services could include summer recreational day camp, summer sports leagues, year-round swim lessons, etc.



MOSTLY INDIVIDUAL Benefit

The fourth and even smaller level of the pyramid represents specialized services generally for specific groups, and may have a competitive focus. In this level, programs and services may be priced to recover full cost, including all direct and indirect costs.

Examples of these services might include specialty classes, golf, and outdoor adventure programs. Examples of these facilities might include camp sites with power hook-ups.



HIGHLY INDIVIDUAL Benefit

Stretching to the top, the fifth and smallest level of the pyramid represents activities that have a profit center potential, and may even fall outside of the core mission. In this level, programs and services should be priced to recover full cost plus a designated profit percentage.

Examples of these activities could include rifle diving lessons, golf lessons, food concessions, company picnic rentals and other facility rentals, such as for weddings, or other services.



Step 3 - Sorting Services

It is critical that this sorting step be done with staff, and with governing bodies and citizens in mind. This is where ownership is created for the philosophy, while participants discover the current and possibly varied operating histories, cultures, missions and values of the organization. It is the time to develop consensus and get everyone on the same page, the page you write together. Remember, as well, this effort must reflect the community and must align with the thinking of policy makers.

Sample Policy Language:

XXX community brought together staff from across the department to sort existing programs into each level of the pyramid. This was a challenging step. It was facilitated by an objective and impartial facilitator in order to hear all viewpoints. It generated discussion and debate as participants discovered what different staff members had to say about serving culturally and economically different parts of the community; about historic versus recreational parks; about adults versus youth versus seniors; about weddings and interpretive programs; and the list goes on. It was important to push through the "what" to the "why" to find common ground. This is what discovering the philosophy is all about.

Step 4 - Understanding the Other Filters

Inherent in sorting programs into the pyramid model using the benefits filter is the realization that other filters come into play. This can result in decisions to place programs in other levels than might first be thought. These filters also follow a continuum from however do not necessarily follow the five levels like the benefits filter. In other words, the continuum may fall totally within the first two levels of the pyramid. These filters can aid in determining core programs versus ancillary programs. These filters represent a layering effect and should be used to make adjustments to an initial placement in the pyramid.

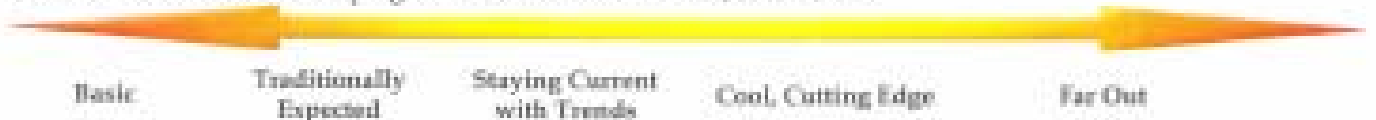
THE MARKETING FILTER: What is the effect of the program in attracting customers?



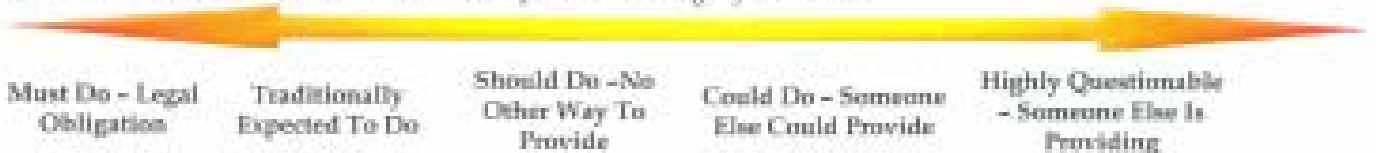
THE COMMITMENT FILTER: What is the intensity of the program, what is the commitment of the participant?



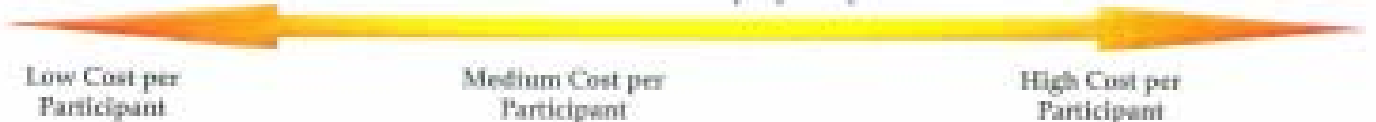
THE TRENDS FILTER: Is the program or service tried and true, or is it a fad?



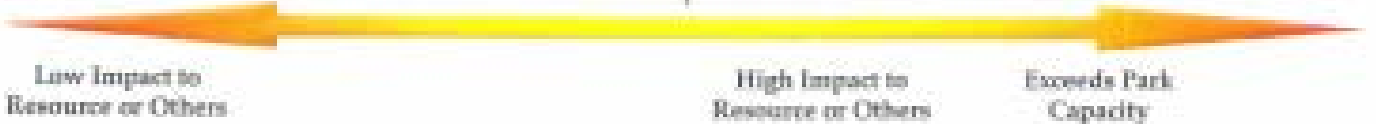
THE OBLIGATION FILTER: Is it our role to provide? Is it legally mandated?



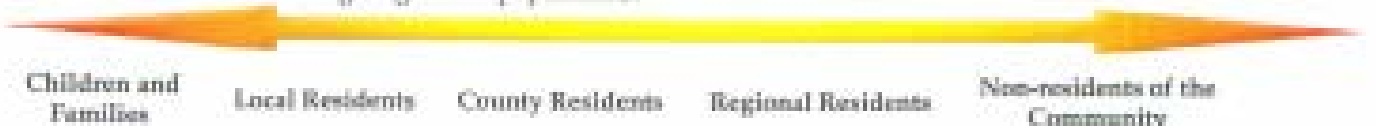
THE RELATIVE COST TO PROVIDE FILTER: what is the cost per participant?



THE ENVIRONMENTAL IMPACT FILTER: what is the impact to the resource or other visitors?



WHO WE SERVE: Are we targeting certain populations?



THE POLITICAL FILTER: What is out of our control?

This filter does not operate on a continuum, but is a reality, and will dictate from time to time where certain programs fit in the pyramid.

Step 5 - Determining Current Subsidy/Cost Recovery Levels

Subsidy and cost recovery are complementary. If a program is subsidized at 75%, it has a 25% cost recovery, and vice-versa. It is more powerful to work through this exercise thinking about where the tax subsidy is used rather than what is the cost recovery. When it is complete, you can reverse thinking to articulate the cost recovery philosophy, as necessary.

The overall subsidy/cost recovery level is comprised of the average of everything in all of the levels together as a whole. Determine what the current subsidy level is for the programs sorted into each level. There may be quite a range in each level, and some programs could overlap with other levels of the pyramid. This will be rectified in the final steps.

Step 6 - Assigning Desired Subsidy/Cost Recovery Levels

Ask these questions: Who benefits? Who pays? Now you have the answer: Who benefits – pays! The tax subsidy is used in greater amounts at the bottom levels of the pyramid, reflecting the benefit to the **Community** as a whole. As the pyramid is climbed, the percentage of tax subsidy decreases, and at the top levels it may not be used at all, reflecting the **Individual** benefit. So, what is the right percentage of tax subsidy for each level? It would be appropriate to keep some range within each level; however, the ranges should not overlap from level to level.

Again, this effort must reflect your community and must align with the thinking of your policy makers. In addition, pricing must also reflect what your community thinks is reasonable, as well as the value of the offering.

Examples

Many times categories at the bottom level will be completely or mostly subsidized, but you may have a small cost recovery to convey value for the experience. The range for subsidy may be 90-100% - but it may be higher, depending on your overall goals.

The top level may range from 0% subsidy to 50% across revenues above all costs, or more. Or, your organization may not have any activities or services in the top level.

Step 7 - Adjust Fees to Reflect Your Comprehensive Cost Recovery Philosophy

Across the country, ranges in overall cost recovery levels can vary from less than 10% to over 100%. Your organization sets your target based on your mission, stakeholder input, funding, and/or other circumstances. This exercise may have been completed to determine present cost recovery level. Or, you may have needed to increase your cost recovery from where you are currently to meet budget targets. Sometimes just implementing the policy equitably to existing programs is enough, without a concerted effort to increase fees. Now that this information is apparent, the organization can articulate where it has been and where it is going – by pyramid level and overall, and fees can be adjusted accordingly.

Step 8 - Use Your Efforts to Your Advantage in the Future

The results of this exercise may be used:

- To articulate your comprehensive cost recovery philosophy;
- To train staff at all levels as to why and how things are priced the way they are;
- To shift subsidy to where it is most appropriately needed;
- To recommend program or service cuts to meet budget subsidy targets, or show how revenues can be increased as an alternative; and,
- To justify the pricing of new programs.

*This Sample Cost Recovery Philosophy and Policy Outline is provided by:
GreenPlay, LLC, 3050 Industrial Lane, Suite 200, Broomfield, CO 80020
(303) 439-8369; Toll-free: 1-866-848-9959; info@GreenPlayLLC.com; www.GreenPlayLLC.com*

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Departments

Charter Offices

Charter Offices

Attached is information on the Sheriff's budget. This is based on a meeting with Tom Jenkins. Per Tom the budget is incomplete, with the goal to be flat with the FY07-08 budget. This will be achieved by operational expenses reductions..... In an effort to reduce cash flow Tom indicated the new budget would reflect leasing of cars versus purchase of squad cars.

Based on the previous budget total expenditures for the Sheriff Budget will remain around \$107,061,000.

The Supervisor of Elections budget review was held with the Asst. Supervisor given the recent departure of Fred Gale. The FY08-09 budget will reflect a 12% decrease from \$4,636,000 to \$4,077,000. This reduction is based on a decrease in Other Salaries from \$361,000 to \$5,100 and Other Contracts from \$842,000 to \$500,000. The major assumption concerns anticipation of only one election next year in November 2008. An upside variance could occur if a special election is necessary to fill Sen. Posey's seat.

The Clerk of Courts is in process to reach at least a 10% reduction by not filling vacant position(s), a work week reduction for selected staff, increased fees for credit card use, investing the use of Group Purchasing Organizations (GPO's) to reduce supply expenses and bidding office machine contracts.

CUTTING COSTS

Immediately after taking office Sheriff Parker voluntarily undertook a thorough review of past spending practices of the agency. Non-essential spending was identified and terminated. The types of expenditures that were eliminated included:

- Eliminating 23 supervisory and support positions
- Reassigning 15 Deputy Sheriff positions from desk jobs to law enforcement duties and road patrol
- Reducing take home cars for administrative and support personnel
- Reducing the number of cell phones

USE OF BUDGET SAVINGS

Savings from these reductions were used to:

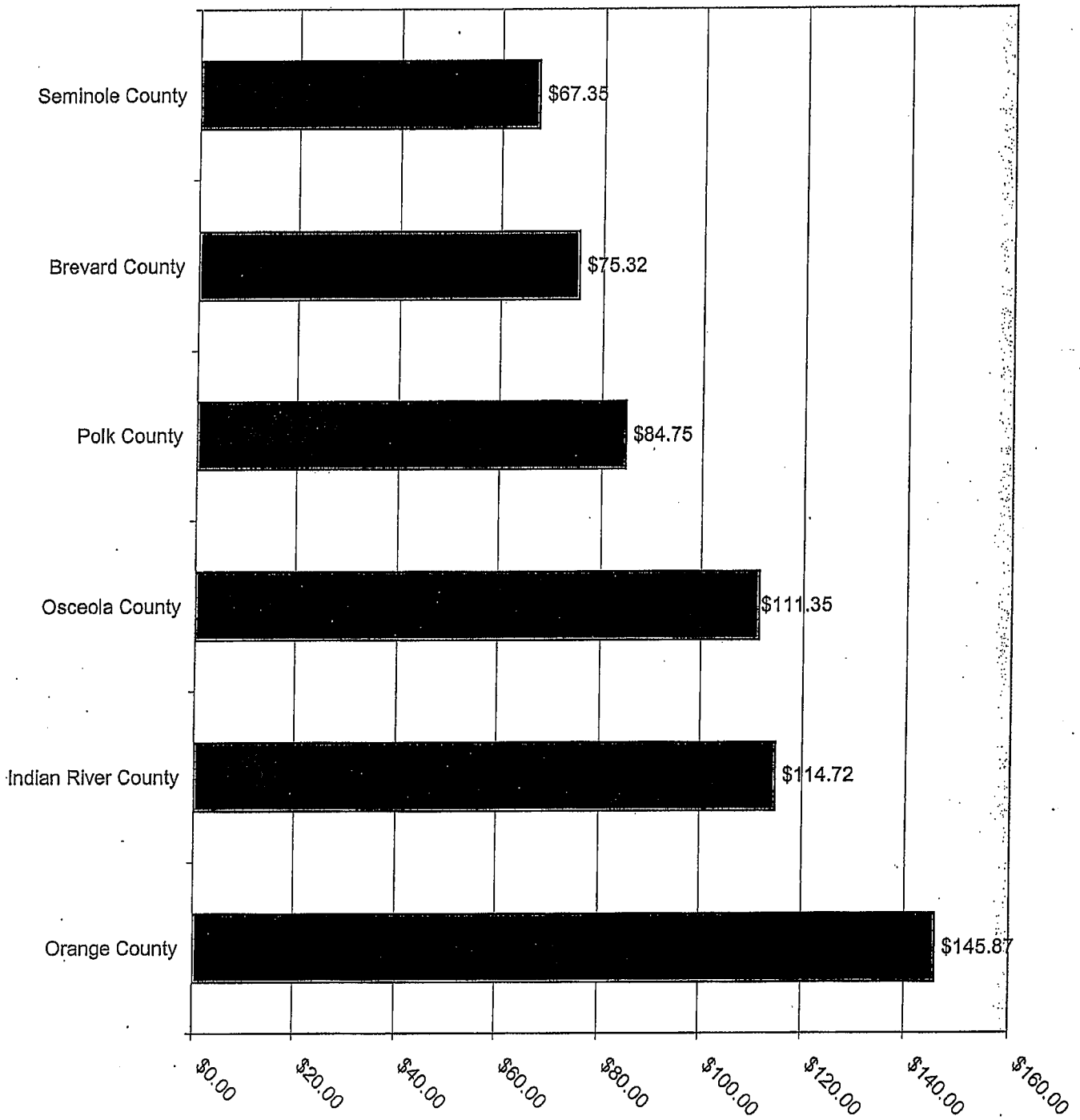
- Add a total of 30 Deputy Sheriff's to law enforcement and road patrol
- Add 8 Communications Officers to the depleted corps of call answerers and dispatchers in the 911 Communications Center.

YEAR END BUDGET SAVINGS

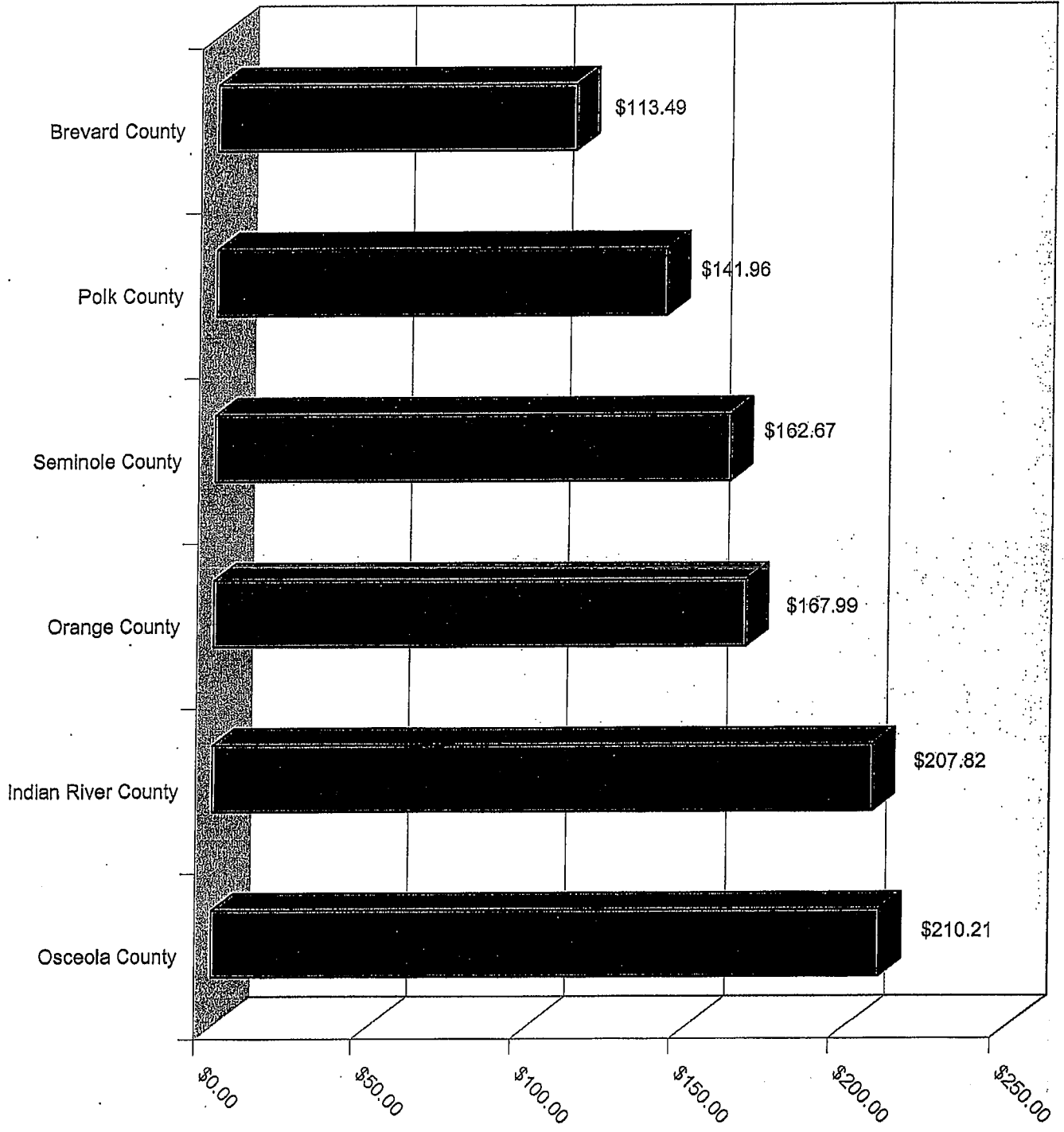
The Sheriff's Office has used year-end budget savings to provide the following enhancements:

- Convert an annex building at the Jail Complex to a Female Jail to relieve overcrowding at the maximum security jail
- Rewrite and modernize it's 20 year old criminal justice information and jail management software
- Purchase a new building to house the Crime Scene Lab and Criminal Investigations unit .
- Renovated office space to consolidate the Warrants unit and Civil Processing unit; and redesigned evidence storage area to significantly increase storage capacity.

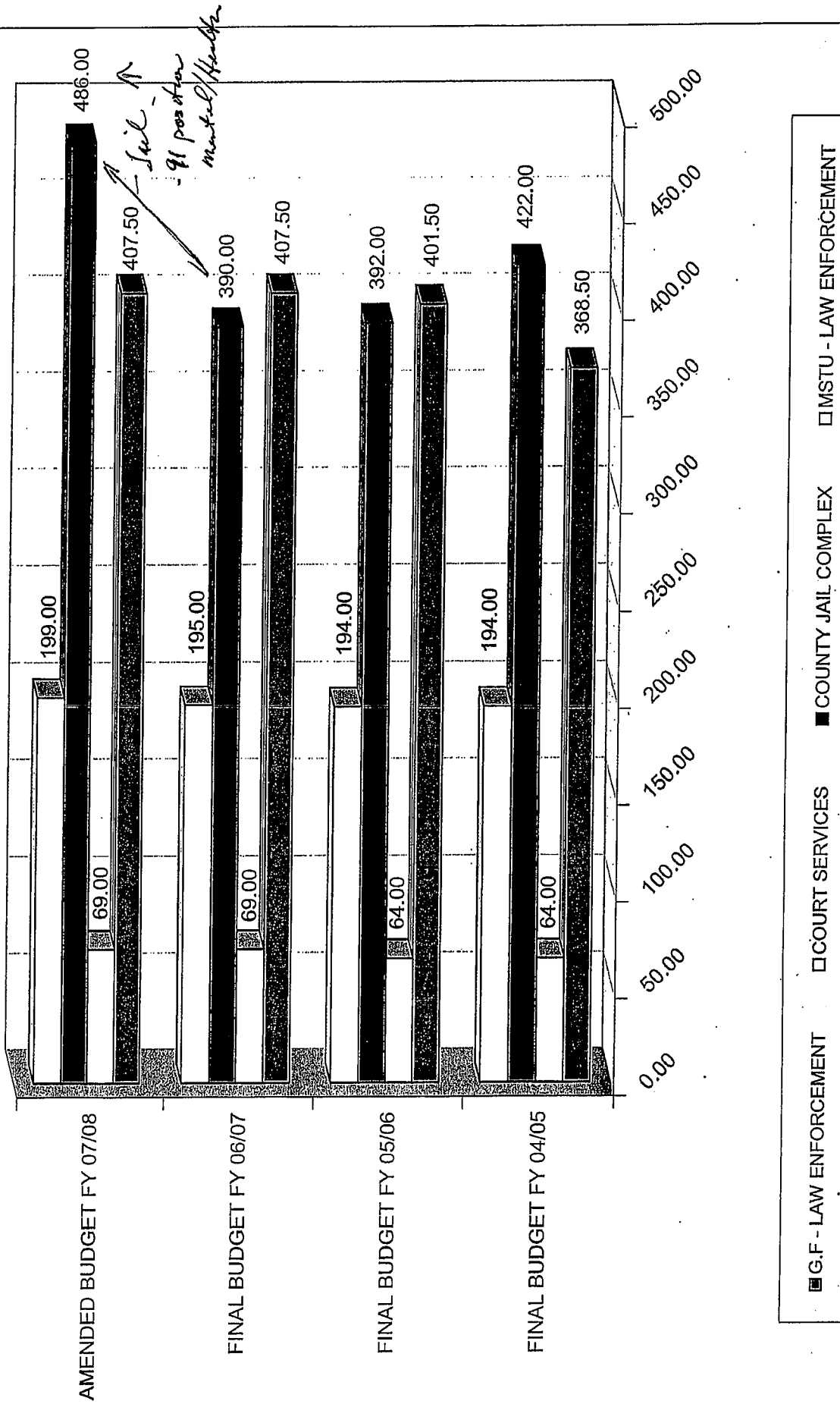
JAIL BUDGET PER CAPITA



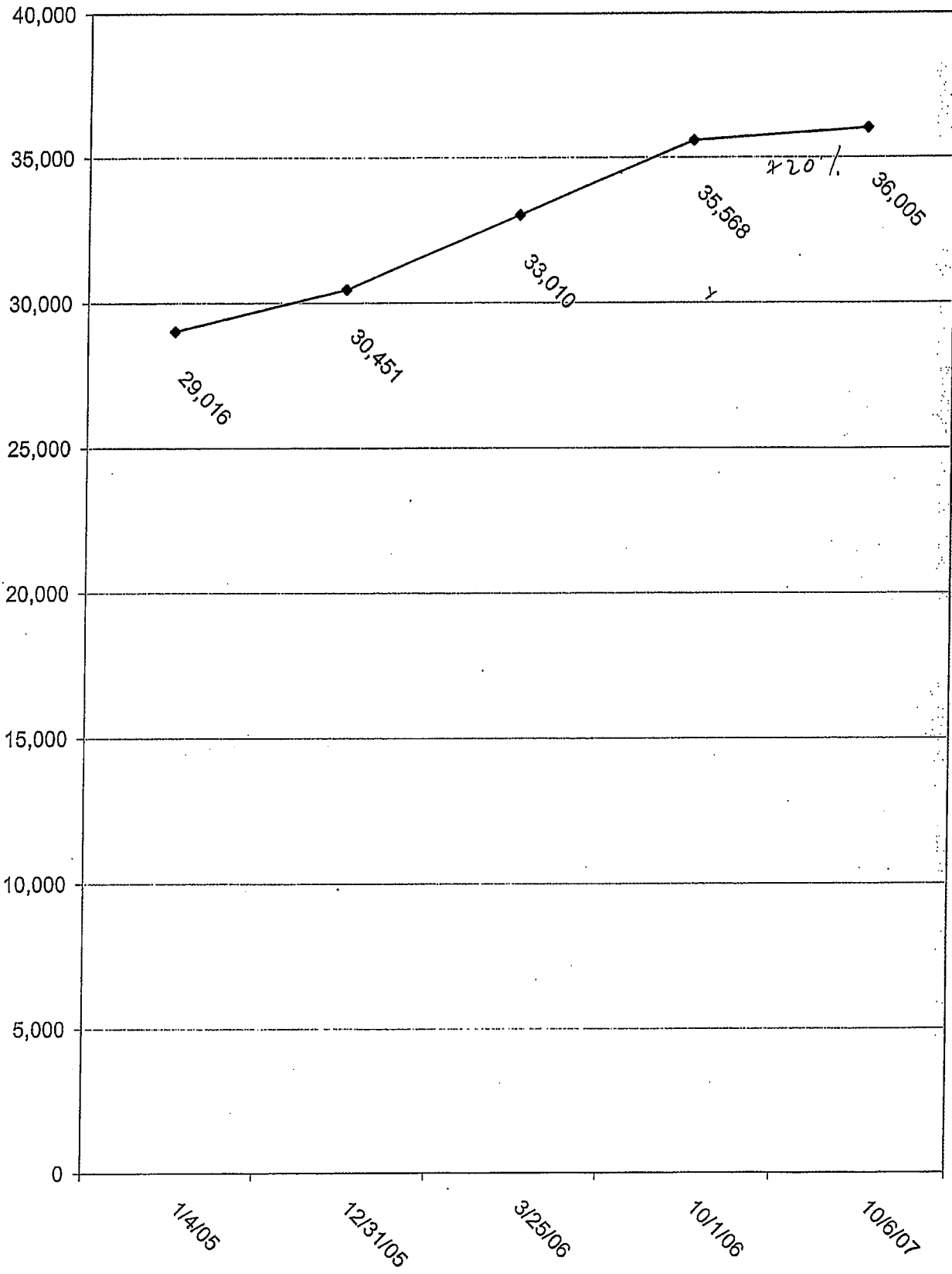
FY08 LAW ENFORCEMENT PER CAPITA BUDGET



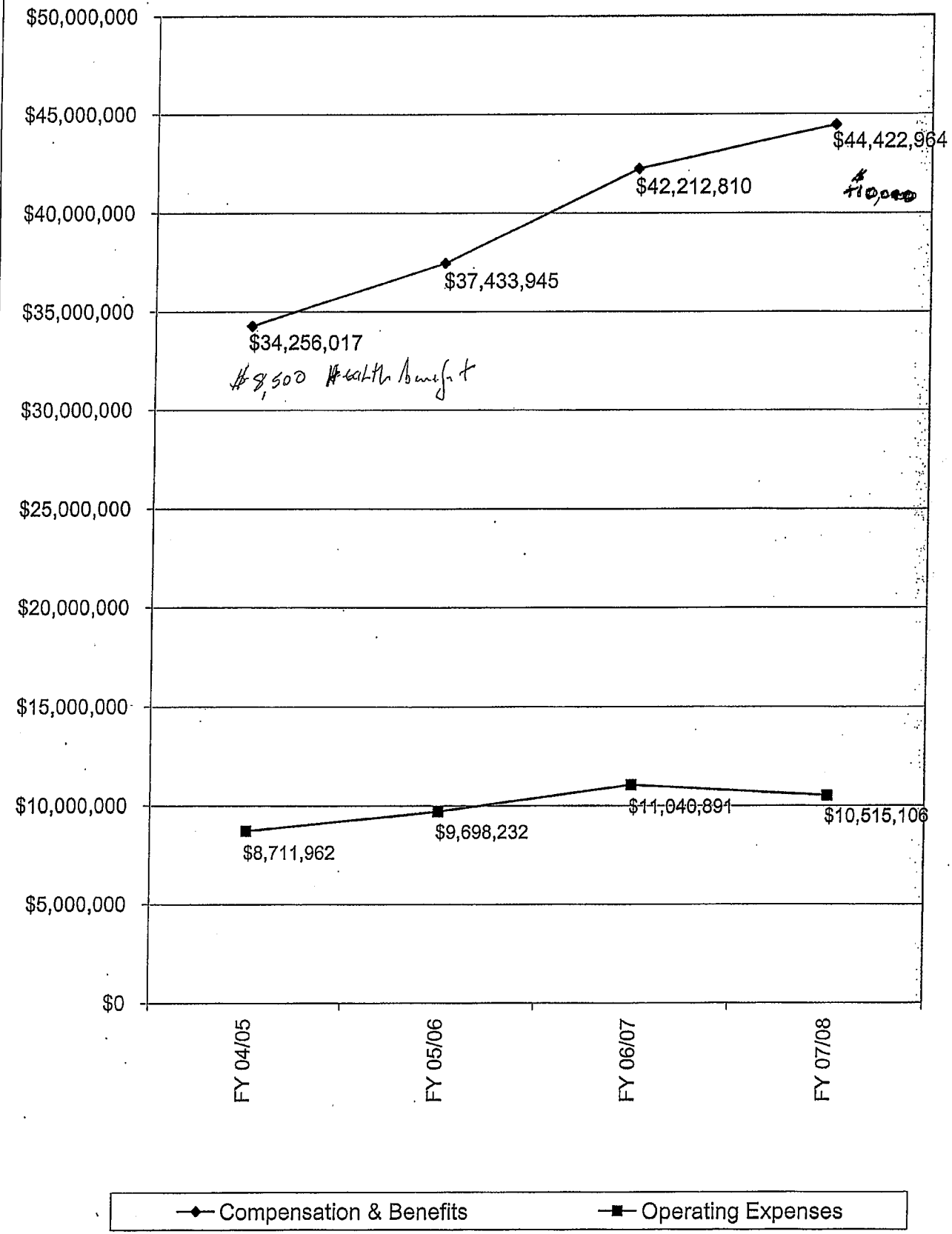
BCSO TOTAL POSITIONS BY PROGRAM



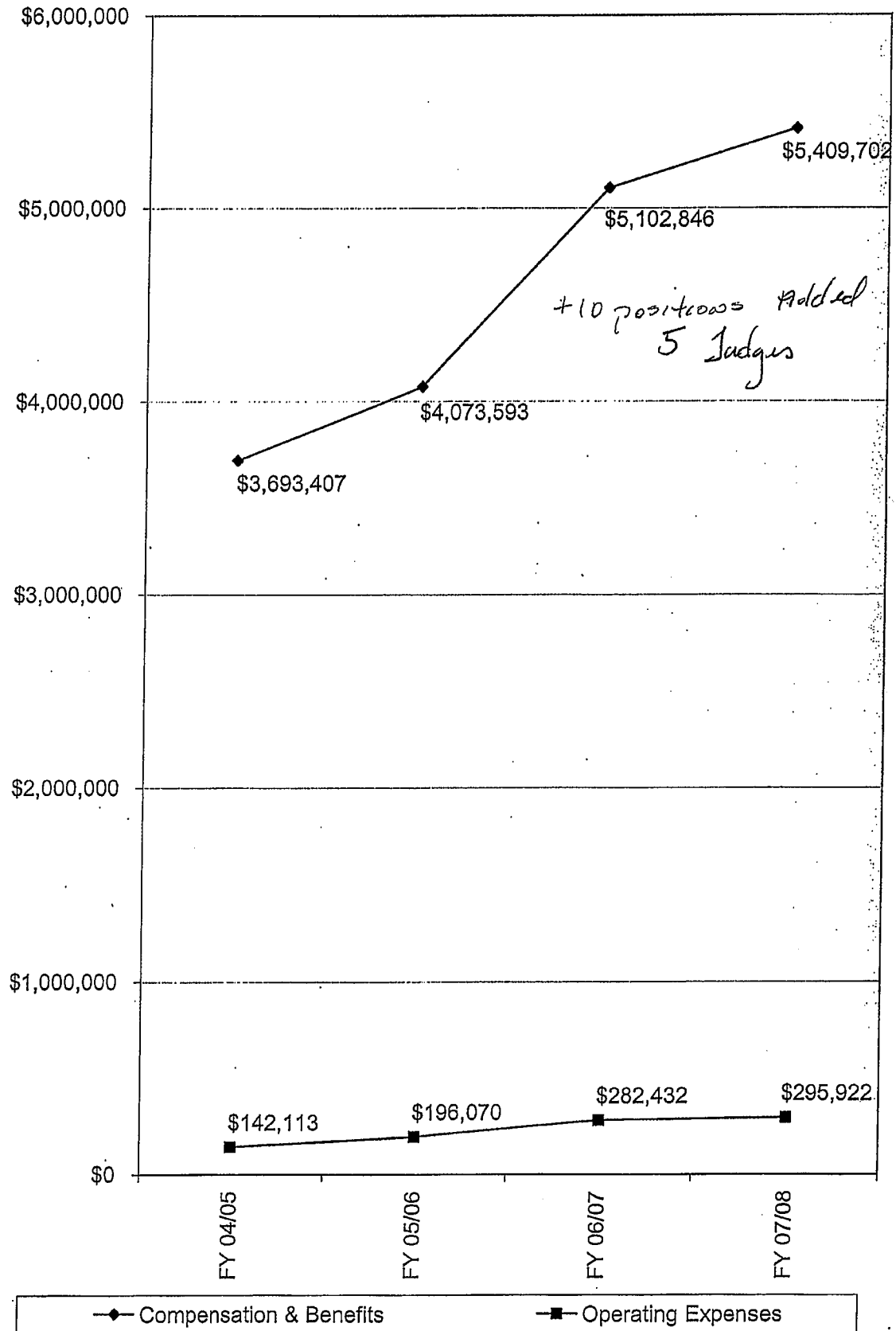
STARTING SALARY FOR DEPUTY & CORRECTION OFFICERS



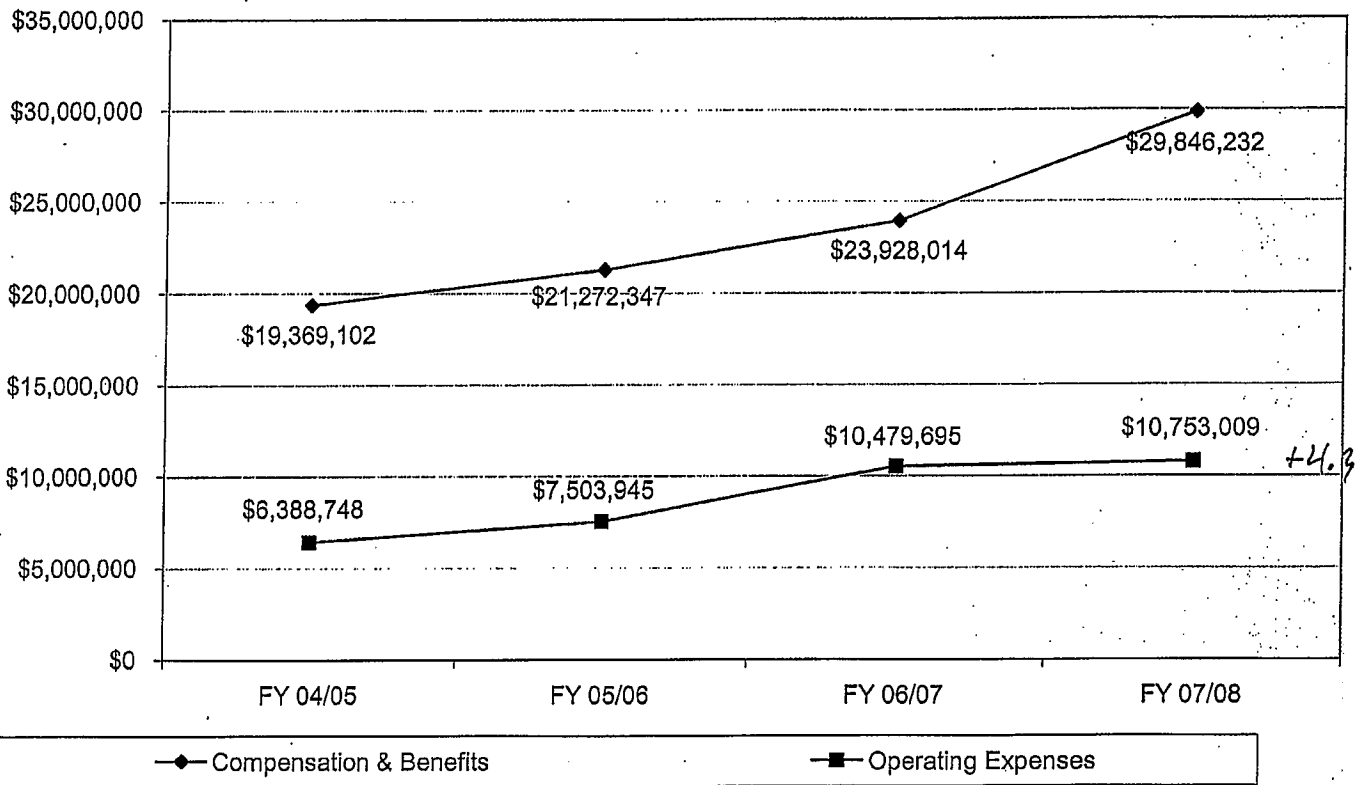
LAW ENFORCEMENT BUDGET



COURT BUDGET

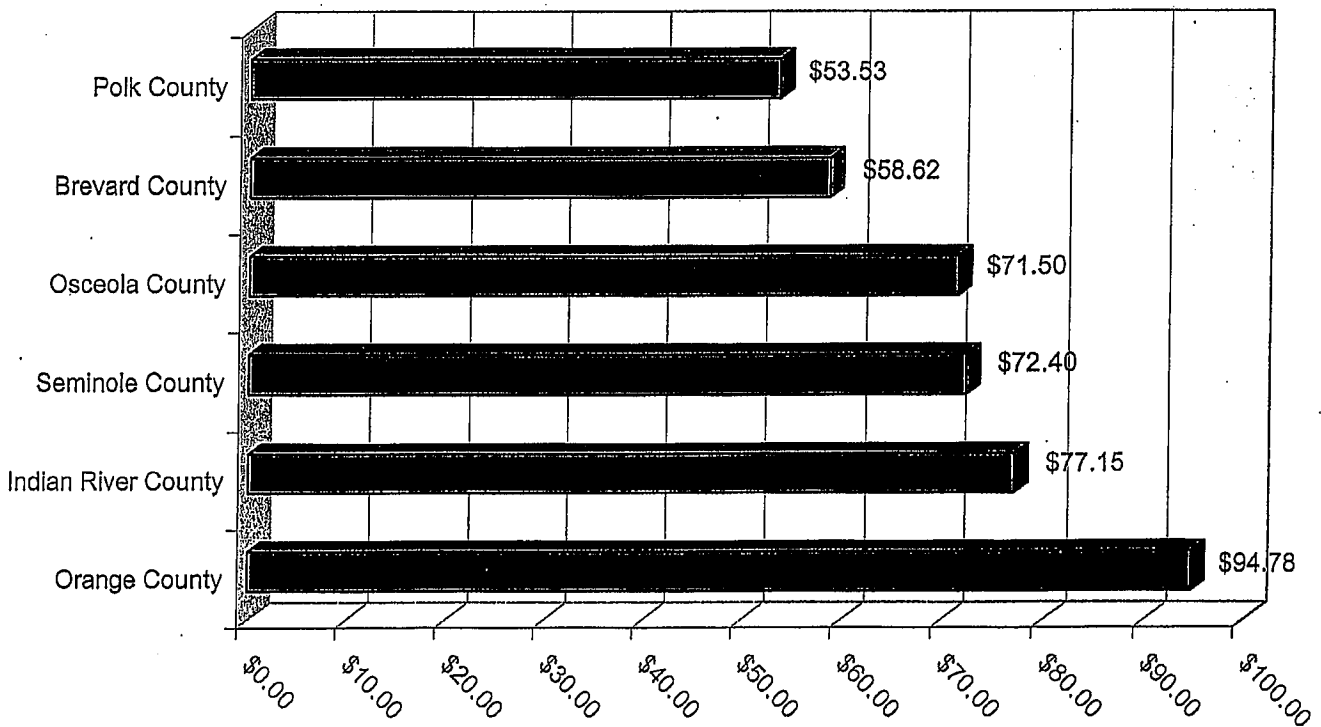


COUNTY JAIL COMPLEX BUDGET

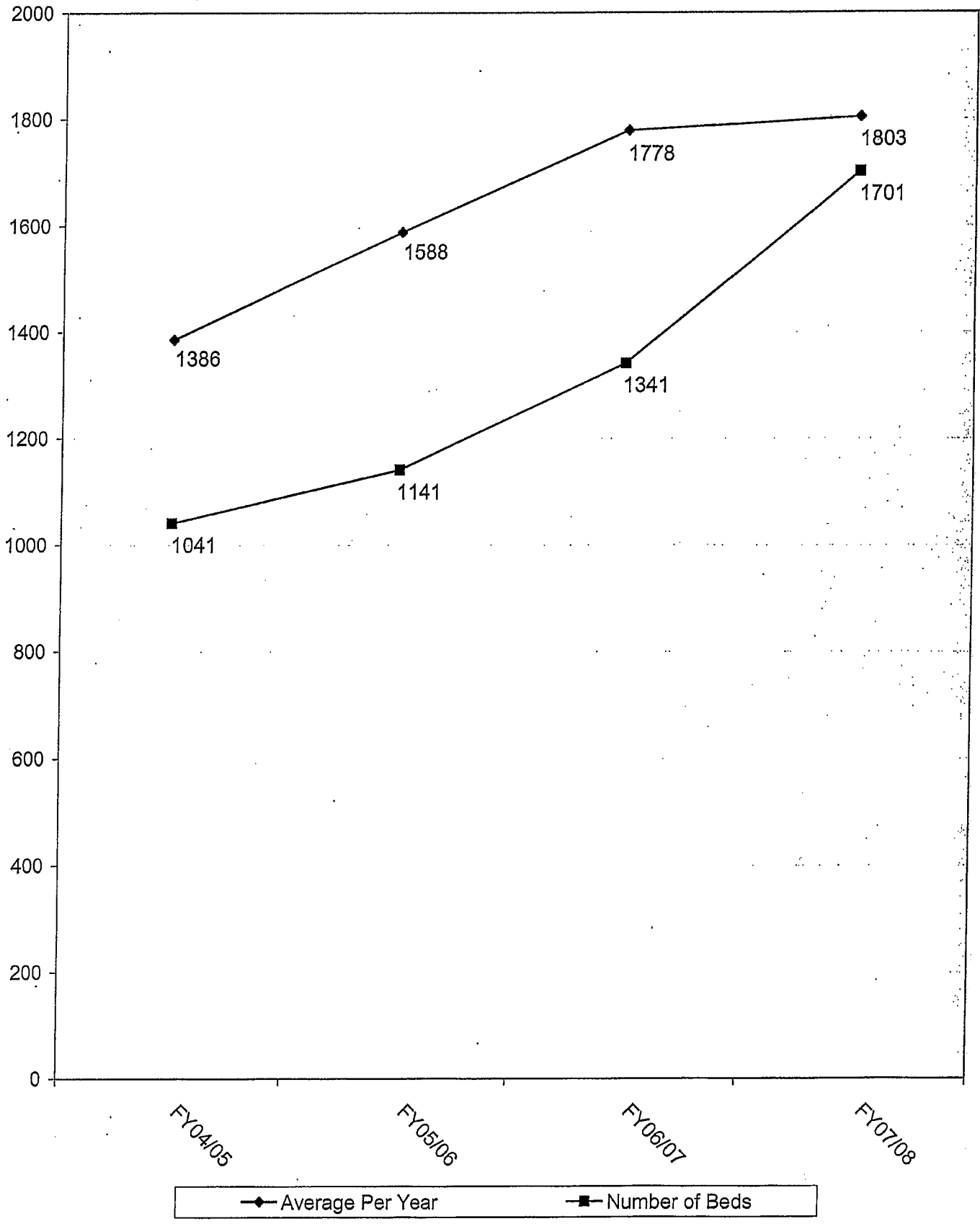


FY08 AVERAGE INMATE COST PER DAY

Food/Health care



COUNTY JAIL COMPLEX INMATE POPULATION



Departments

Agriculture

Animal services

Emergency Management

Historical Commission

IT

Library

Mosquito

SCGTV

Tourism



April 29, 2008

Bill Cunningham
Business Advisors International

Dear Bill,

This letter serves as the summary of my findings and recommendations relative to the Brevard County Departments that were assigned to OEMS and my analysis partner, Peter Fusscas.

The departments that were assigned to OEMS were Mosquito Control, Agriculture/Extension, SCGTV, Tourism Development, Emergency Management, Animal Services, Library, and Information Technology.

I would like to begin by commending these department managers for NOT spending to the budgets over the past several years. If they had, we would be dealing with a much more difficult situation here. I have enjoyed working with these managers, and their staff, and learning more about how our government operates.

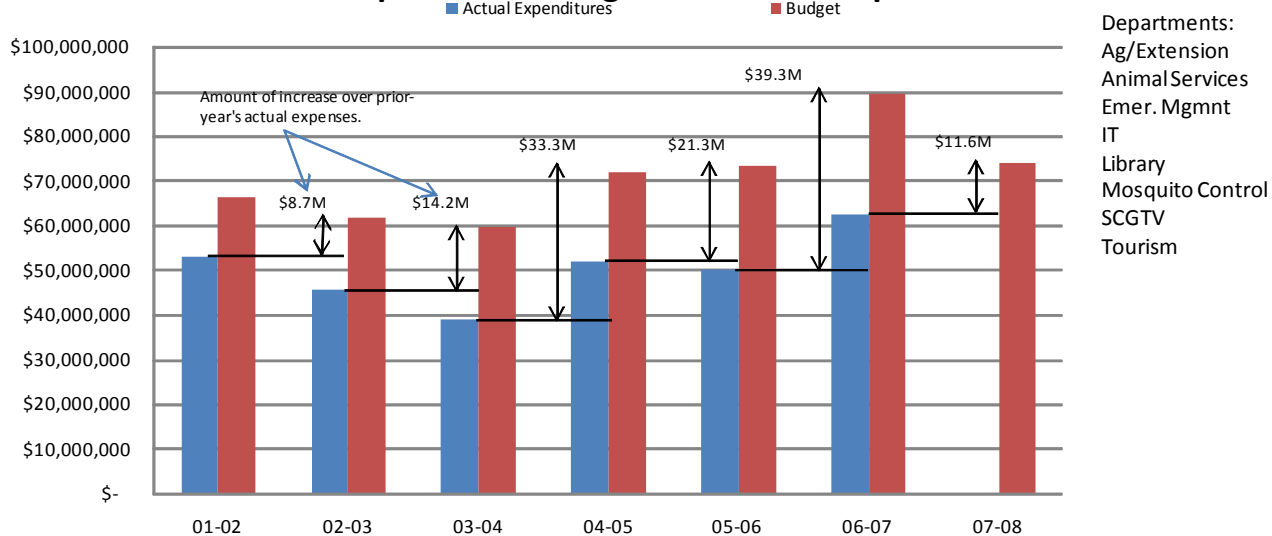
After detailed comparison of the information that is available on the County's budget web-site, two trends became immediately apparent:

- 1) These departments almost always spend well less than they were budgeted.
- 2) Budgets seemed to be based on prior-year budgets rather than actual expenditures.

The following three charts, which summarize data for all of these departments, graphically demonstrate these trends.

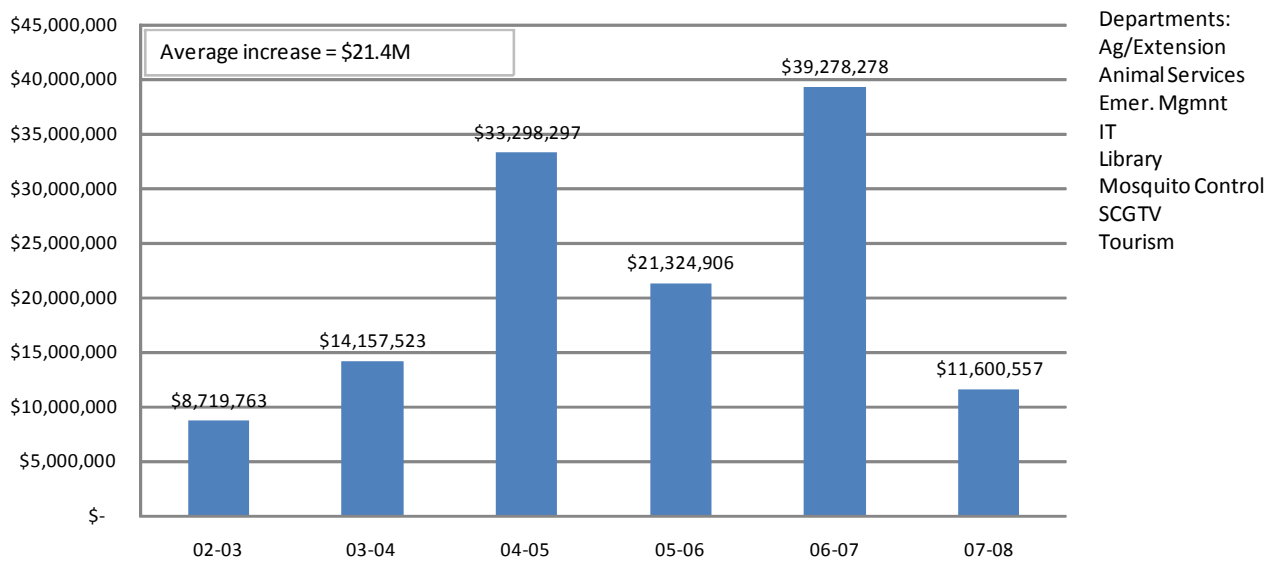
The first chart shows side by side actual expenditures (blue columns) vs budget (red columns). It clearly shows that actual expenditures are well below budget every year. From 01-02 through 06-07, this under-spend averaged 28.5%. More important, in my opinion, is to draw a line from any 'actual' to the next year's 'budget' and note the difference. For example, comparing 06-07 to 07-08, while the budget dropped \$15.4M, the 07-08 budget actually represents an \$11.6M (or 18.6%) *increase* over the 06-07 actual expenditures.

Comparison of Budget and Actual Expenses

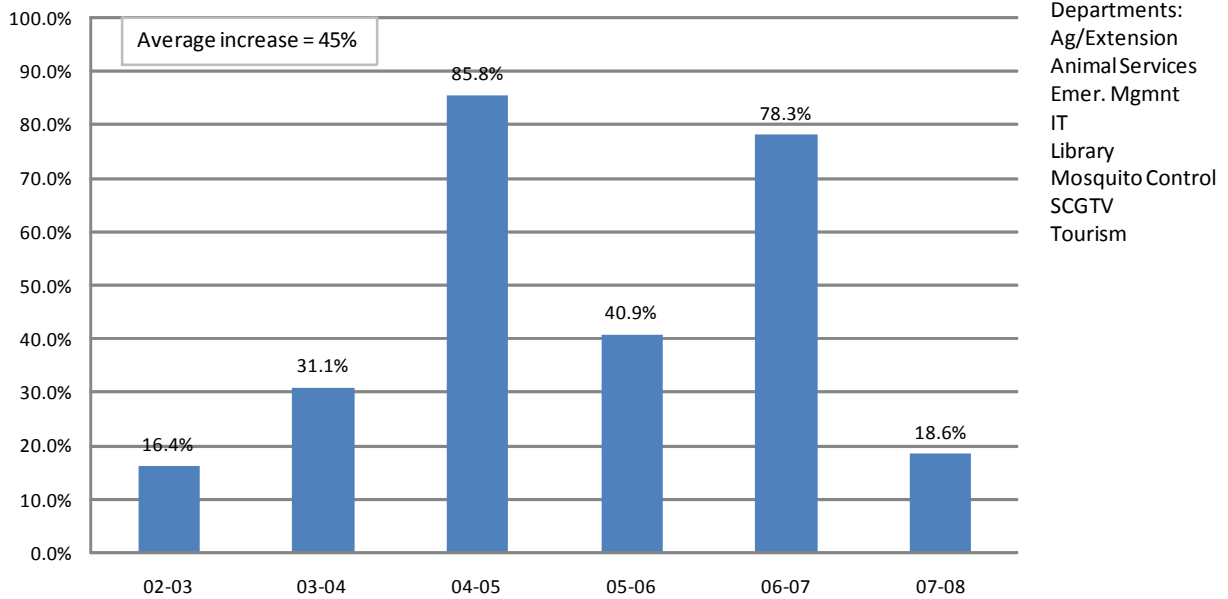


The next two charts show the differences between one year's budget and the prior year's actual expenditures, in terms of dollars and percentage. The average increase was \$21.4M or 45%.

Amount that Budgets exceeded prior year's Actual expenses



Amount that Budgets exceeded prior year's Actual expenses



As a final point, prior to my recommendations, I would like to point out that the annual Budget Reports that are available on the County web-site are, in my opinion, improperly comparing 'budget' to 'budget' instead of 'budget' to 'actual'. See the following example.

DEPARTMENT REVENUES AND EXPENDITURES:					
	Actual FY 2003-2004	Final Budget FY 2003-2004	Final Budget FY 2004-2005	Adopted Budget FY 2005-2006	% Inc (Dec)
REVENUES:					
Taxes	\$0	\$0	\$0	\$0	
Licenses And Permits	\$505,160	\$630,000	\$765,000	\$775,000	1.31%
Intergovernmental	\$0	\$0	\$0	\$0	
Charges For Services	\$235,865	\$296,000	\$301,310	\$348,500	15.66%
Fines and Forfeits	\$90,925	\$103,510	\$103,510	\$103,510	0.00%
Miscellaneous	\$40,522	\$25,000	\$25,000	\$25,000	0.00%
Statutory Reduction	\$0	(\$52,726)	(\$52,992)	(\$62,600)	18.13%
<i>Operating Revenues:</i>	\$872,472	\$1,001,784	\$1,141,828	\$1,189,410	4.17%
Balance Forward - Operating	\$0	\$0	\$86,795	\$0	(100.00%)
Balance Forward - Capital	\$0	\$0	\$0	\$0	
Balance Forward - Restricted	\$0	\$0	\$0	\$0	
Transfers - General Revenue	\$2,401,349	\$2,401,349	\$2,332,863	\$2,565,880	9.99%
Transfers - Others	\$0	\$0	\$0	\$0	
Other Finance Sources	\$0	\$0	\$0	\$0	
<i>Non-Operating Revenues:</i>	\$2,401,349	\$2,401,349	\$2,419,658	\$2,565,880	6.17%
TOTAL REVENUES	\$3,273,821	\$3,403,133	\$3,561,486	\$3,755,290	5.44%
EXPENDITURES:					
Compensation And Benefits	\$2,487,946	\$2,558,998	\$2,663,035	\$2,817,900	5.82%
Operating Expenses	\$581,264	\$746,239	\$755,121	\$763,090	1.06%
Capital Expenditures	\$1,396	\$97,896	\$143,330	\$174,300	21.61%
<i>Operating Expenditures:</i>	\$3,070,606	\$3,403,133	\$3,561,486	\$3,755,290	5.44%
Debt Service	\$0	\$0	\$0	\$0	
Reserves - Operating	\$0	\$0	\$0	\$0	
Reserves - Capital	\$0	\$0	\$0	\$0	
Reserves - Restricted	\$0	\$0	\$0	\$0	
Transfers	\$0	\$0	\$0	\$0	
<i>Non-Operating Expenditures:</i>	\$0	\$0	\$0	\$0	
TOTAL EXPENDITURES	\$3,070,606	\$3,403,133	\$3,561,486	\$3,755,290	5.44%

This is a typical summary page from the budget reports on the County web-site.

This would indicate an increase of 'only' 5.44% from 04-05 to 05-06.

But this is only comparing budget to budget.

Comparing the 05-06 'Adopted' Budget (\$3,755,290) to 03-04 Actual Expenditures (\$3,070,606) results in a 22.3% increase!

Comparing the 05-06 'Adopted' Budget (\$3,755,290) to 04-05 Actual Expenditures (\$3,123,897) results in a 20.2% increase! (Note, the 04-05 actuals are not shown until the next year's report.)

Note that in the subsequent year's report, it is seen that the 05-06 'Final' budget grew further to \$4,011,911... **a 12.6% increase over the previous budget and 28.4% over the 04-05 actual expenditures!**

You won't see 04-05 actuals until the 06-07 report!

It bears noting that, within each department, there was some year-to-year variation and unique events that caused unusually high or low expenditures and or budgeting but these overall budget vs actual trends were very common.

Based on this analysis, my recommendations would be:

- 1) Set the 08-09 budget, less capital expenditures, equal to the 06-07 actuals, less capital expenditures. This represents a 17% reduction from the 07-08 budget.
- 2) Set the capital expenditures budget to the following levels:

Mosquito Control	\$350K
Agriculture/Extension	\$ 25K
SCGTV	\$ 80K
Tourism Development	\$200K
Emergency Management	\$500K
Animal Services	\$100K
Library	\$1.5M
IT department	\$300K
Total	\$3.055M

This total represents a 60% reduction relative to the 07-08 capital expenditures budget. Individual levels were based, in part, on average capital expenditures over multiple years excluding 'unique' years.

The combined effect of 1) and 2) is a \$15.6M (21%) reduction relative to the 07-08 budget.

- 3) If any department manager feels that they cannot operate at these levels, which I consider a starting point, they must be given the opportunity to justify additional expenditures in either category. For example, there may very well be some mandated expenses or critically important equipment upgrades that must be accommodated.
- 4) On a go-forward basis, a budgeting process must be put in place that requires side-by-side comparison of run-rated, current year, actuals and the proposed budget. Any differences > 'x %' must be explained, justified, and approved. The County Commission must be given better data to work with.
- 5) A more prolonged effort should be undertaken to look for further cost reductions via improved efficiencies.
- 6) The budget process should also include recommendations from each manager for an additional amount of \$ that would be needed if they experienced a worst-case scenario. These individual requests should be combined into an overall 'rainy day' fund rather than what appears to be each department having an excess available.

Should you, or the County, have any questions or concerns regarding this report, please do not hesitate to contact me.

Best regards,



Jim Davis
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Departments

Transit
Transportation
Road & Bridge

Transit

Transit is funded largely by federal and state grants. Only about 25% of the budget is from the local county (approximately \$1.9 million). The good part about this is that the federal funds support all of the capital and maintenance (~\$3M), primarily the buses. The bad part about it is that the federal grants come with a lot of restrictions as to how that money and the capital purchased with it can be used. So there are limited opportunities for alternative use of the buses, such as chartering for special events.

The three primary types of transit are the fixed routes, demand response (basically door-to-door), and vanpool.

Current challenges include fuel costs and high turnover of drivers.

Over the past couple of years, routes and hours have been extended. In their current budget proposals, both the 10% and 20% reductions are through elimination of FTEs, which will impact the ability to continue the extended services and may impact the current routes. (County indicates will impact routes)

Opportunities

Two primary opportunities I see:

They mentioned that their primary competition for bus drivers is the School District. In fact, they sometimes got in a "wage battle;" i.e. transit will raise pay rates 10 cents to attract drivers, then School Board will increase their rates 20 cents to retain their drivers. It seems like there should be some opportunity to partner with the School District instead of them working against each other.

The second opportunity is to decrease the number of dead routes ... distance traveled from one of the two bus lots to the beginning of the route. Currently there are two bus lots ... one in Cocoa and one in Melbourne. Dead routes could be decreased if there were more lots located closer to the routes. Perhaps park a couple of buses in some of the School District bus lots.

And like every department we've met with, benefit costs are extremely high. For the average transit worker (e.g. bus driver) the benefit percentage is 50%.

Transportation

Engineering Services - design/drafting, flood zone, surveys, map production
Survey program supports the offices of the supervisor of elections, property appraiser and other county agencies. Seems dollars could be reallocated to those agencies.
Design work is already 95% privatized. So, they only have 2FTEs
Flood zone has 1 person. This work supposedly allows people in Brevard to obtain cheaper flood insurance.
Often respond to last minute requests for surveys, etc.
Claim outsourcing these services would cost more.

Road Construction Services - transportation contract admin., transportation construction admin., and land acquisition
Construction has 8 management people. They benchmark against the DOT - they believe that it's cheaper to inspect their own work and not privatize inspection work for their projects. One reason is, privatizing inspections would cost more, and they would still need someone to supervise the privatized inspectors.
Land acquisition could be suspended for a while.
They have one-time money. \$114million for road construction from the bonding of the constitutional gas tax. And, this continues to carry forward.

Traffic Engineering - signal maintenance, sign installation, traffic data collection, accident analysis
Traffic Engineering & Survey groups grew fast after 2003 - were lean to begin with.
Additional gas dollars have been allocated here.
County spends \$2 million per year for rental and utility costs associated with street lights in residential areas that are not safety related. Public requests that could be passed on to home owners and homeowner associations to pay for.
Need to move the sign and traffic signal shop, which is on Merritt Island, to a location not in an evacuation area.

Many departments have their own engineers. Mainly, because each department thinks that a consolidated engineering department would not respond as quickly to their requests for work/information.

staff believe that:

a 10% reduction in this department means reducing \$500,000 - largely in expenses
a 20% reduction means reducing \$1million - largely in expenses
a 30% reduction means an FTE impact.

County Comment

Under the Flood Zone comment, the savings for flood insurance is for those private property owners insuring property against flooding in the unincorporated areas of the County. The savings are quite real in that all flood insurance is federally subsidized with allowances for premium discounts if the property insured is in a community with a better rating (the Cities have their own ratings as does the County). The County's rating is better than over 75% of all communities and is equal to or better than 80% of all Counties. This superior rating and its' associated premium discounts would not be available without this program. We know from FEMA that the discounts for unincorporated insured properties in Brevard County total over \$750,000 annually. The program costs about \$100,000 annually. One additional note, with out this program the ability to obtain flood insurance at all (at any price) would be in question. For

many properties the insurance is required by federal law if a federally insured loan (an FHA or VA mortgage) is to be used to purchase (or sell) the property. There is no doubt about the benefit of this program to the community.

For the Land Acquisition program I think the concept of suspending activity was only to be used for a circumstance where the County decided to stop construction programs that required land. For example if we were to stop road projects (or parks, or fire stations...) then you could discontinue the activity. In other words, if we were to discontinue land acquisition we would quickly find all those projects/programs that do require some property rights would come to a stand still. It is a necessary activity if we are to construct roads and other projects that need land.

Roads and Bridges

This department evidently does work for other departments. For instance, Parks & Rec is building a park. Well, they need a parking lot and drive. So, this department ends up doing the work out of their budget, meanwhile, Parks & Rec had the money in their budget. Also, when this department does charge back their work, it is at rates that are 7 years old. So, there needs to be a better form of allocating monies.

This department does utility reviews for residences. This does not belong in this department.

Home owner associations, developments, neighborhoods should maintain and beautify their own medians, landscaping, etc. This department usually expends its own funds to do landscaping, then turns it over to the associations. Just let them do it to begin with.

Also, there are crews that maintain the roadway rights-of-way by trimming trees, etc. Seems they could allow trees to grow larger prior to cutting them. They take pride in being proactive and trimming trees far before they need it, but perhaps they expend too many resources that aren't needed.

Capital. They could prolong heavy equipment replacement. They need a capital replacement program.

This department also mentioned their heavy benefits structure. Also recommended a relook at the pension costs for all county employees.

Areas that should not be touched - ditch cleaning (a DEP requirement for clean water), zoning staff or natural resources staff.

They will recommend a reduction in capital projects, resurfacing roads, etc. to reduce their budget by 10%. Further cuts will reduce resurfacing projects.

Valkaria Airport

Benefits are incredibly high compared to base salary. 40% of all salaries.

This appears to be a common statement in all departments.

In fact, they have a part-time employee whose base is \$11 per hour and the benefits are \$14 per hour.

The airport is an enterprise fund. Meaning, they generate their own revenue to cover their expenses. Monies come from revenue, grants, fees, rents, etc. No revenues come from the county's operating funds.

They now have a Master Plan. Recommendation is to allow the airport to follow the plan that has been approved. This includes making capital investments, like building hangers, and generating revenue. 80% of the cost comes from state funding.

They are "charged back" by the county for various overhead allocations, such as fleet maintenance (\$3,471 per year) when all they do is change the oil and buy new tires for one vehicle.

Something to change. They have a "jet fuel" tank on their premises. However, they can't sell that fuel to airplane owners because the fuel tank is controlled by Mosquito Control. Thus, they lose the opportunity to make \$2 per gallon of fuel. And, with jet fuel available, other types of planes would be inclined to land at the airport. (County disagrees on other aircraft)

They should be allowed to use over 200+acres of non-aviation use land for non-aviation uses - such as building homes, commercial businesses, that compliment the Master Plan. (County commented buildings, structures, recreational projects, and/or commercial/light industrial that compliments the master plan.)

Departments

Criminal Justice
Judicial Services

**Brevard County
Government Efficiency
Budget Process Overview**

Government Efficiency

Criminal Justice

- Services Overview
- Potential Reduction Opportunities
 - Pretrial Diversion / Misdemeanor Probation
 - Medical Examiner
 - Charges for Services

Government Efficiency

Criminal Justice (\$10.1M)

■ Criminal Justice Services: \$8.3M

- Pretrial Diversion / Misdemeanor Probation 2.7M
- Pretrial Release / Alternative Community Service .8M
- DJJ Cost Share Project 2.8M
- School Crossing Guards .8M
- Fiscal Oversight of Fee Based Programs 1.2M
 - Drivers Education, Drug Trust and Teen Court

■ Medical Examiner \$1.8M

- Professional Services (Doctors) .8M
- County Operations 1.0M

Government Efficiency

Criminal Justice – Potential Reduction Opportunities

■ Potential Reductions:

■ Pretrial Diversion / Misdemeanor Probation	\$395k
■ Medical Examiner	125k
■ Charges for Services	205k
	<hr/>
Potential Reductions (7.2%)	\$725k

Government Efficiency

Criminal Justice – Potential Reduction Opportunities

- Pretrial Diversion / Misdemeanor Probation - \$2.7M:
 - Fund Center 201900
 - Compensation & Benefits: Group vs. individual case assignments
 - Potential Reduction: 3 Personnel: \$180k (Department Recommendation)
 - Operating Expenses: YTD Actual \$161k vs. Budget \$623k Under-run:
 - Potential Reduction: \$130k
 - Other Contract Services : \$10k
 - Repairs & Maintenance \$30k
 - Communication & Freight \$10k
 - Rentals & Leases \$30k
 - Other Current Charges \$50k
 - Computer Operations \$85k Fund by Judicial Service Court IT
 - Recurring Cost of AS400 Maintenance & Support
- Total Potential Reduction: \$395k (14.6%)

Central Budget Office:

Validate budgeted values

Finance Department:

Allocate actuals more timely:
(monthly/quarterly)

Government Efficiency

Criminal Justice – Potential Reduction Opportunities

- Medical Examiner - \$1.8M:
 - Fund Center 202070 (Professional Services – Doctors)
 - Other Services: YTD Actual \$95k vs. Budget \$399k Under-run:
 - Potential Reduction: ~ \$125k

- Total Potential Reduction: \$125k (6.9%)

Government Efficiency

Criminal Justice – Potential Reduction Opportunities

■ Charges for Services – \$2.3M

■ Potential Revenue from Increase in Fees:

- | | |
|--|--------|
| ■ Alternative Community Service (\$25 to \$30) | \$17k |
| ■ Drug Testing (from \$15 to \$20): | \$38k |
| ■ Industry Average is \$40-\$50 | |
| ■ Misdemeanor Probation (10% increase) | \$150k |

■ Use of General Fund Reduction: \$205k (8.9%)

**Brevard County
Government Efficiency
Budget Process Overview**

April 7, 2008

Government Efficiency

Judicial

- Services Overview
- Potential Reduction Opportunities
 - Court IT
 - Court Facilities
 - Judicial Branch Administration
 - State Attorney

Government Efficiency

Judicial – Overview

■ Judicial Support			\$10.5M
■ Court IT	\$5.5M	} Focus	
■ Facilities	\$4.2M		
■ Court Innovations	\$.4M		
■ Juvenile Alternatives	\$.4M		
■ Judicial Branch Administration			\$.5M *
* (Excludes \$.3M Balance Forward)			
■ Law Library			\$.4M
■ State Attorney			\$.4M

Government Efficiency

Judicial – Potential Reduction Opportunities

■ Potential Reductions:

■ Court IT	\$449k
■ Court Facilities	560k
■ Judicial Branch Administration	773k
■ State Attorney	25k
Subtotal – Potential Reductions (15.3%)	<u>\$1,807k</u>
■ Court IT – Reserves (\$3.4M) Reallocation	TBD

Government Efficiency

Judicial – Potential Reduction Opportunities

■ Court IT (\$5.5M):

Court IT (\$000s)	Actuals		2008	
	2006	2007	YTD Actuals	Budget
Board	-	426	123	500
Public Defender	393	221	173	308
State Attorney	529	532	356	841
Court Admin	380	487	209	476
Guard At Litem	-	-	-	6
Subtotals	1,302	1,666	861	2,131
Rsrv: Operating				1,780
Rsrv: Capital				1,572
Subtotal				3,352
Sub-Total	1,302	1,666	861	5,483
Balance Fwd	(1,840)	(2,849)	(2,929)	(3,500)
Stat Reduction	-	-	-	105
Charges for Service	(2,209)	(1,668)	(478)	(2,000)
Misc Revenue	(102)	(155)	(39)	(88)
Other Transfers	-	-	(1)	-
Total	(4,151)	(4,672)	(3,447)	(5,483)
Balance Fwd	(2,849)	(3,006)	(2,586)	-

Court IT:

- State Mandated
- Review use of funds restrictions for reserve reallocation to other county organizations
 - E.g. Criminal Justice – pretrial diversion & misdemeanor
- Revenue generated by \$2 doc fee. Expected to be lower in '08 due to market

Government Efficiency

Judicial – Potential Reduction Opportunities

■ Court IT Continued:

■ Fund Center 290101 (Board) Operating Expenses:

YTD Actual \$123k vs. Budget \$500k under-run:

■ Potential Reduction:	\$325k
■ Repair & Maintenance	\$275k
■ Capital-Machinery & Equipment	\$50k

■ Fund Center 290102 (Public Defender) Operating Expenses:

YTD Actual \$173k vs. Budget \$308k under-run:

■ Potential Reduction: Capital-Machinery & Equipment	\$25k
--	-------

■ Fund Center 290103 (State Attorney) Operating Expenses:

YTD Actual \$356k vs. Budget \$841k under-run:

■ Potential Reduction:	
■ Professional Services	\$40k
■ Repair & Maintenance	\$20k
■ Capital-Machinery & Equipment	\$75k

■ Total Potential Reduction:

\$449k (8.2%)

Government Efficiency

Judicial – Potential Reduction Opportunities

■ Court Facilities (\$4.2M):

■ Fund Center 290300 (Board) Operating Expenses:

YTD Actual \$1.1M vs. Budget \$3.4M under-run:

■ Potential Reduction: Repair & Maintenance \$500k

- Review list of projects for possible “stop-work”

■ Fund Center 290302 (Public Defender) Operating Exp:

YTD Actual \$6k vs. Budget \$70k under-run:

■ Potential Reduction: \$40k

- Communications & Freight \$30k
- Repair & Maintenance \$10k

■ Fund Center 290304 (Court Admin) Operating Expenses:

YTD Actual \$23k vs. Budget \$134k under-run:

■ Potential Reduction:

- Capital-Machinery & Equipment \$20k

■ Total Potential Reduction:

\$560k (13.3%)

Center	Project	\$K
Public Defender	Renovation	700
Jail Courtroom	Renovation	172
Justice Center	A/C	200
Justice Center	Generator	80
Justice Center	Video Rec	4
Melb Court	Controls	150
Titusville Court	Windows	30
Other	Alarm	85
Total		1421

Government Efficiency

Judicial – Potential Reduction Opportunities

- Judicial Branch (\$.5M+\$.3M Balance Forward):
 - Fund Center 218220 (Renovation) Operating Expenses:
YTD Actual \$2k vs. Budget \$287k under-run:
 - Potential Reduction:
 - Repair & Maintenance \$275k
 - Potential Reduction:
 - Balance Forward \$275k
 - Fund Center 202040 (Administration): (Department Recommendation)
 - Potential Reduction:
 - Eliminate five “non-core” Receptionist positions \$223k (2008: \$60k)

- Total Potential Reduction: \$773k (100%)

Government Efficiency

Judicial – Potential Reduction Opportunities

- State Attorney (\$.4M):
 - Fund Center 217730 (Subpoena Services) Operating Expenses:
YTD Actual \$45k vs. Budget \$192k under-run:
 - Potential Reduction:
 - Communications & Freight \$20k
 - Fund Center 217740 (JO SA CASA) Operating Expenses:
YTD Actual \$103k vs. Budget \$240k under-run:
 - Potential Reduction:
 - Other Contract Services \$5k

- Total Potential Reduction: \$25k (5.8%)

Departments

Fire Rescue

Fire Rescue Department

This analysis works from FY 2007-8, but can be and at times is noted as projecting forward to FY 2008-9.

The Fire/Rescue Department had an Adopted Budget in FY 2003-04 of approximately \$52.0M (after eliminating the Medical Examiner and Criminal Justice Departments now budgeted individually). Had this budget level grown at a rate equal to the combined effect of Brevard population growth (6.9%) and standard inflation (12.6%), the budget expectation for FY 2007-08 would be \$62.1M. The Adopted Budget for FY 2007-08 is \$80.0M.

On the surface this would indicate the budget has grown (potentially) in excess by \$17.9M or 34% (potentially) excessive growth. The Adopted Budget, however, does not appear to accurately reflect the actual costs incurred or their growth. Since FY 2003-4 the under run has represented (reserves in under run) 16%, 11%, 20%, 25%. Substantial amounts of the under run have been carried forward to succeeding years.

Considering actual expenditures the increasing carry forward after leaving 25% of estimated operating expense for reserves is approximately \$10M, most gained through prior year operating under runs. The corresponding reduction to expenses would be, to conform to historical norms:

- o Reduce capital to ~ 5.0M
- o Reduce total reserves by ~ \$5.0M

Budgeted operating expenses are far higher than the prior year's actual; if the budget were to be spent it would represent over a 50% increase. Reduce operating expenses as budgeted by \$5M. Though an update year end forecast is not available actual cost and committed indicates a likely under run.

These two adjustments are budget adjustments only and do not reflect actual expenditures.

Other reduction ideas and/or observations:

- Comp & benefits does not have room for substantive reductions, the FY 2007-8 represents only a 4.3% increase above FY 2006-7 actual. Total compensation per equivalent compares favorably with other peer counties (Fire & EMS only estimated).

	Comp/Ben	Equivalents	Comp/Ben per
Volusia	18777	229	82
Seminole	32559	327	100
Sarasota	42604	461	92
Polk	32897	455	72
Brevard	42602	539	79

- Equivalent personnel have increased at a higher rate than population (approximate 3%), or 14 personnel. At the cost per equivalent this represents approximately \$1.1M. Chief Farmer explained this increase as the result of adding fire houses due to expanding geographic population coupled with less personnel in a given fire house's territory, and city annexation rendering existing fire stations with less homes to cover. The net effect is (at least) 2 fire stations at \$600k each, \$1.2M total. The commissioners should support a County wide effort to maximize utilization of all

county and municipal stations with the target of reducing County expenses no less than \$1.2, and total (all county) expense considerably more. Interestingly, peer Counties seem to have full cooperative arrangement.
From the Seminole County website:

- The Fire/Rescue department has indicated the volunteer program serves nominal benefit despite great intentions since volunteers first have other jobs yet the cost to run and administer the program is \$.6M.
- Performance measurements when normalized for the above factors appears slightly above (\$1-2M) an historical trend forward when considering a conservative allowance to “actual” projected expenses and that a compensation increase approximately \$4-5M above standard inflation seems warranted (Fire & EMS only, estimated):

Fire/EMS			
Incidents			32891 10% growth
Cost per incident	FY 2003-4		\$611.17
CPI		12.60%	\$77.01
Adjusted CPI (4%)		4.40%	\$26.89
Actual vs budget effect		21%	\$234.45
Efficiency effect		3%	\$18.34
Expected performance measurement			\$967.85
Actual per budget			\$1,116.42
Difference			\$148.57
			15%
Budget value over normalized effectiveness			\$4,886,544
Ambulance			
Incidents			64000 15% growth
Cost per incident	FY 2003-4		\$339.09
CPI		12.60%	\$42.73
Adjusted CPI (4%)		4.40%	\$14.92
Actual vs budget effect		21%	\$113.18
Efficiency effect		3%	\$10.17
Expected performance measurement			\$520.09
Actual per budget			\$538.95
Difference			\$18.86
			4%
Budget value over normalized effectiveness			\$1,207,200
Total budget value over normalized effectiveness			\$6,093,744

Most could be attributed to above CPI compensation increases

1. Adjusted CPI is added factor to reach 4% annually (assessment consultant)
2. Actual to budget effect is *estimated* under run
3. Efficiency effect is 14 persons, added stations & annexation

- Overall expense for fire & rescue as a function of population is not at the low or high end of range and is approximately 5% above an average of peer counties. Consistently establishing a budget with a potential built-in under run would suggest additional pressure could be applied to reducing expenditures. After considering the few specifics noted above an additional general reduction of \$2-4M is a reasonable

target. Year to dates expenses may indicate a substantial portion of this may be achieved.

	Total	Pop	Normalized
Brevard "Proj"	60105	224	60105
Volusia	31885	116	61571
Sarasota	66509	251	59355
Polk	71932	351	45905
Seminole	57757	208	62200
Seminole (adj)	54080	209	57961

Adj - Two year averaged capital

- Overtime is running ahead of budget, though if its use is designed to maintain flexibility in target staffing and to help keep wages competitive, this above budget scenario may be good if not so much as to impact performance. Benefits appear about equal to OT, are more fixed, and do not add to fire fighters take home.
- The performance measurements for cost effectiveness should be accepted or modified to reflect the best performance measurements available. Annual goals should be established and the measurements monitored continuously throughout the year using actual results. Actions should be maintained to recover from issues and to achieve the goals.
- The Fire Department has put forth a major capital expenditure within its five year capital for a training center. Before committing the possibility of sharing an existing facility and/or collectively building/improving a training facility should be explored with both Brevard municipalities and surrounding counties. This concept may be applicable elsewhere.
- A benchmark analysis should be conducted with peer counties to determine best practices and means to reduce cost without incurring reduced services. This effort could contribute substantively to reaching an overall 5% reduction.

Departments

Outside Agencies

Recommendations for Brevard County Commission Budget Discussions

Confidential

Prepared By

*Robert J. Ludwiczak
Suntree Consultants*

April 15, 2008

Economic Development Commission of Florida Space Coast:

Facts:

On April 3, 2008 at 11:00 AM I had the opportunity to meet with Linda Weatherman, President/CEO and Kim Agee Managing Director at the Government Center.

At this meeting I pointed out to each of these individuals that it appeared that a 58% increase in Non-Operating Revenues occurred from FY 2005-2006 to FY 2006-2007 (\$990,000 - \$1,579,000) and carried over into FY 2007-2008.

Averaging each of these fiscal year's it would amount to an average 29-30% increase for each of these years.....far in excess of what I observed from other outside agencies I reviewed.

It was indicated to me in this meeting that the 58% increase in funding the EDC received was a result of the county making them available, rather than EDC making a request for this increase funding.

As with each of the outside agencies, I offered EDC the opportunity to justify their budget and make recommendations, based on realistic information, on what the agency would need to perform their tasks effectively. I asked that the information be provided to me prior to April 14 to allow time to prepare my report.

Both Linda and Kim indicated they would be traveling with three County Commissioner's out of State for a week and asked for an extension until April 14 to provide the information. On the afternoon of April 14 Kim Agee call to say they had

just returned from there trip and would provide the information by later that evening. I indicate that the morning of April 15, 2008 would provide me time to prepare the report and was assured it would be provided by than. As of 3:15 PM on Tuesday the 15th of April no information was provided and a follow-up phone call to Kim Agee resulted in her being in a meeting and not immediately available. At approximately 4:30 PM the EDC Report was e-mailed to me.

As you will note on the last page of the report the EDC indicates that they could absorb a 10% reduction in their funding. Nevertheless, based on the fact that they received a 58% increases initially (substantial in nature by any account), I am recommending a larger reduction for consideration.

Recommendation:

EDC's Budget should be reduced from: \$1,579,000.00 to \$1,284,500.00

Savings to County: \$294,500.00

Justification For Cut: *The EDC Budget in Fiscal Years 2001 – 2003 remained constant at \$740,000.00 and than saw only a (+7.43% increase) in FY 2003-2004 from the previous year budget of \$740,000.00 to \$795,000.00.*

However, in FY 2005-2006 it increased again by another (+26%) from \$795,000.00 to \$990,000.00.

In FY 2006-2007 the EDC Budget once again jumped by (+59%) from \$990,000.00 to \$1,579,000 and remains there for FY 2007-2008.

From FY 2003-FY 2008 the EDC has seen three increases totally 92.5% over the five year period. These increase amounted to approximately \$839,000.00 more in their budget from the County General Revenue.

Author Note: *At a minimum the county should not cut the budget by less than 20%, still doubling what the EDC is requesting on the last page of their report were they ask for only a 10% reduction. This would still amount to a \$267,995.00 savings to the County and the EDC still receiving a substantial budget increase of 38% versus the 58% granted for FY 2007 – FY 2008.*

Note: *Should the EDC bulk at this reduction, the County Commissioners should question EDC on whether this cut can be made without any negative affect on their mission. Should EDC request their cut be smaller than the author's recommendation, the County Commission should ask the following questions.*

- 1. What specifically did you do with the additional \$589,000.00 dollars granted in FY2006 – FY 2008*
- 2. What was the return on investment to the County from the 58% increase in funding*

3. *Why can you not achieve your mission with an additional \$294,500.00 in your budget?*
4. *What did the additional \$839,000.00 get the County from FY 2001 – FY 2002 to FY 2006 – FY 2007?*

Melbourne-Tillman Water Control District:

Facts:

On Thursday April 10, 2008 I met with Alfred B. Pennel, P.E. Manager/Engineer for the Melbourne-Tillman Water Control District. In reviewing the budget it appeared that the percentage increase did not appear to be substantially out-of-line. It further became obvious that the Melbourne-Tillman Water Control District did not receive any money from the General Revenue Funds of Brevard County for operations.

Recommendations:

Since no General Revenue Funds are received from the County and no Excess Funds are obligated back to the County, it appears that it would be inappropriate to recommend any budget cuts or efficiency recommendations.

Merritt Island Redevelopment Agency:

Facts:

On Thursday, April 10, 2008 I met with Gregory C. Lugar, Director, Economic & Financial Programs for the County. Greg performs his functions for MIRA utilizing 25% of his time and that of a Special Project Coordinator at 100%.

One of the first things that became obvious was the amount of expenditures from Grants and Aid.....\$156,800.00 for FY 2005-2006 to \$200,000.00 for each of the FY 2006-2007 & FY2007-2008 (0%). I questioned why more resources were not being put into obtaining grants from both the Federal & State Governments through greater utilization of our Congressional and State Delegation to generate additional economic vitality for the County. I was told that this was the same question being asked by the Audit Team. The answer is that MIRA has a Project Director at 25% and a Special Project Coordinator at 100%, similar to the other 12 CRA's in the County. MIRA however is the only County administered program....the other 12 are housed within their respective city organizational structures. The 12 city programs depend upon and utilize the various departments within the city structure to accomplish there Capital Projects, a system that is not being utilized at the County level.

The Operating Revenue for MIRA from FY 2005-2006 to FY 2006-2007 dropped and than increased by 18.86% from \$1,163,687 to \$1,383,117 in FY 2007-FY 2008. What is not shown from my conversation with Mr. Lugar in MIRA's Budget is a "Carry Over" of \$3.6 - 3.7 million dollars from prior years, that if added to the Operating Revenue of approximately \$1.4 million dollars would take it to approximately \$5 Million Dollars. Currently MIRA has \$8.6 Million dollars in either ongoing construction projects or those being scheduled

Recommendations:

MIRA appears to be lean and no recommendation is being made to either reduce staff or budget, in fact it may be beneficial to see how staffing assistance can be increased to put these redevelopment monies on the street to assist in stimulating Brevard's economy in these difficult times.

The County Commission should question why the 3.6-3.7 Million Dollars carried over from previous years is not being shown in MIRA's Budget.

Since MIRA can immediately stimulate Brevard County's economy by implementing many of the programs currently on the books, the County should consider the following recommendations:

1. *Have no increase in staff for MIRA, but incorporate the assistance of departments within the County structure to assist MIRA on moving these programs forward...i.e. Transportation; Road & Bridges; Utilities; and Storm Water to name a few.*
2. *Have the County's grant writer work closely with MIRA and the County Departments to write and help identify with our Congressional and State Delegations the availability of grant funding for current and future programs.*
3. *Provide assistance to MIRA in acquiring and expediting necessary permits, right-of-way or easements, and negotiations with property owners to name a few.*
4. *On Capital Projects consider having monies for these projects placed in the respective county departments to implement (i.e.: Road Projects...Transportation Department), leaving MIRA the responsibility of preparing design and construction documents and working with purchasing to solicit the lowest bidder(s).*
5. *Consider immersing MIRA into the County's Organizational Structure.*

Risk Management

Brevard County Budget Project- Moving Ahead

Risk Management Assessment

April 8, 2008

Background:

Rick Broderick and Sara Webster met with Frank Abbate (Human Resources Director) and Gerard Visco (Insurance Director) to review the Risk Management area of the county and see if there are any areas of potential savings in accordance with the overall goals of the Brevard County Budget Project as outlined by Mike Thomas Controller of GCSD, Harris Corporation.

Information Reviewed:

During the meeting a complete list of the current program was provided and discussed by Frank and Gerry. They reviewed the current status of the programs and discussed the change to a new broker A.J. Gallagher. They previously were with Brown and Brown and feel the new broker will offer them better opportunities within the marketplace. It became clear that the areas to concentrate on for potential savings are Workers Comp, Property and General Liability. General Liability quickly becomes a fairly easy area to eliminate from immediate savings as the Risk Management Group has done an outstanding job of reducing the claims and therefore reducing the costs and even effectively lowering the deductible from \$100k to \$50k instead of taking a further reduction in premium (approximately 10%). This should be reviewed again at this renewal with A.J. Gallagher to discuss savings at a higher deductible and review actuary analysis of the two alternatives. Whichever alternative offers the greatest savings potential should be followed. The new broker will help with this review.

We were given copies of the county's information entitled "Brevard County Risk Management" which highlights the following areas:

- Geographical profile
- Risk Management Operations
- Risk Management Organizational Chart
- Safety/Loss Control/Environmental Functions

Brevard County Budget Project- Moving Ahead Cont.

- Risk Management Training Programs
- Insurance Schedule By Line of Business

The above information included the following:

- Property Schedule
- Schedule of Coverages
- Cost of Risk Report
- Injury Stats by Department, Part of Body, Cause and Result
- Loss History
- Claims Greater Than \$50k

In addition, we were given a copy of an Actuary Report from ARM TECH which detailed the loss picks and amounts needed to fund the self-insured portions of the property, workers compensation, auto liability and physical damage and general liability programs as of September 2007. This report gives independent assurance that the county is properly reserved for the sums needed to fund the liabilities for the programs listed above.

Findings:

It is very apparent that the county has a well run, professional Risk Management Department and the highest compliments to Frank Abbate, Gerard Visco and their staff. The programs as presented appear to be very well organized and thought out and my suggestions are outlined below with the first two offering the greatest potential. The Risk Management Group has already taken to heart these suggestions and is planning to explore and/or implement:

1. Reduce the outstanding reserves to a present value estimate. Currently the county accrues the full amount of the actuary's projection. Reducing this to a present value will have a significant impact (according to Frank Abbate's email dated 4/07/08 the potential is between \$3.5 and 4 million dollars). This will be a one-time savings as the procedure will be changed going forward, but the reserve needs will be reduced by this amount now and using this method will continue to reduce the reserves needed going forward.
2. Take some of the utility (Water Dept, Public Works and maybe Facilities) out of the current property program and approach AIG Global Energy (Atlanta- Linda Harrington) for possible savings and/or increased limits. The county currently has \$800 million in property

Brevard County Budget Project- Moving Ahead Cont.

values with only \$30 million in insurance limits. AIG Global Energy offers programs to municipalities and by breaking out that portion that they may want to underwrite the county may get a better price with more limits. There will be one downside; two deductibles. Although if the limits are increased this is far better for the county. I talked with my contacts at AIG Global and they have already received a submission from the county. I hope this yields some savings.

3. An additional area of potential savings that should be reviewed is the general liability. Last year the decision was made to reduce the deductible on this line of coverage from \$100k to \$50k as mentioned above. This should be reexamined this year with the new broker A.J. Gallagher to determine what savings are available at different deductible levels. Once these price points are received the county could get the actuary analysis of each deductible amount to the overall present value reserve needed to match this deductible and make the appropriate decision going forward. Again, this was done last year with the decision to lower the deductible which does give the county more assurance that they will not have claims that exceed their actuarial pick.
4. The final area that should be reviewed for the upcoming renewal is the auto liability program. The market continues to be soft so there may be some additional savings by way of premium reductions and I feel confident this will be reviewed with their new broker. The county has implemented a number of safety programs designed to reduce the claims for this coverage and they should push their carrier hard for savings.

Again I appreciate the opportunity to have been a part of this process and look forward to helping out further in the future. Let me know if you need any additional information.

Submitted April 8th, 2008
Rick Broderick and Sara Webster

Departments

Charter Offices