Commission on Government Innovation and Effectiveness

Final Report

Bill Westervelt, Chairman

Claire Louder Executive Director
Wesley MacQuilliam, Executive Director

Commission Members:

Ron Dillon
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Nelson Sabatini
Lou Zagarino
Fran Phillips
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Executive Summary

The Commission on Government Innovation and Effectiveness first convened on February 8, 2017 and has met monthly since then. All meetings are subject to the Maryland Open Meetings Act.

In addition to monthly public meetings, members of the Commission have divided into work groups based on their experience and interest to research and analyze specific initiatives. In most cases Chairman Bill Westervelt and Executive Director Claire Louder/Wesley MacQuilliam also attended these meetings.

The commissioners chosen represent an excellent cross-section of experience, expertise, and political affiliation. This has allowed the Commission to evaluate a broad range of topics very quickly by leveraging member expertise. We have further been able to leverage the enthusiasm and support of county department and division chiefs, who have been very helpful and responsive to our inquiries. We would particularly like to thank the teams at Central Services, DPW, Department of Health, Department of Aging and the Law Office, as well as Andrea Rhodes, Personnel Officer, for their continued assistance.

In general, the Commission found county departments to be efficiently run, cost conscious, and adept at accomplishing much in a resource-constrained environment. This may impact any savings realized by moving services to the private sector, as the need to pay market rates combined with profit requirements is likely to make county-offered services more cost-effective. It maybe helpful, therefore, to allow county departments to "bid" the work alongside private sector candidates to gain a fair cost comparison.

This report represents the Commission's findings after a year of work. This Executive Summary highlights, where possible, conclusions on each initiative evaluated, with more details regarding our evaluation included in the body of the report.

<u>Initiatives that Show Promise</u>

In the opinion of the Commission, the following initiatives show promise, though in some cases further analysis is required:

1) Outsource basic fleet maintenance, such as oil changes, to an outside vendor. This addresses capacity issues at the county garages, which can then focus on public safety and heavy vehicles, and allows Central Services to negotiate a blanket contract for basic services that employees are currently using their P-Cards to obtain, thereby controlling costs and maintaining better service records.
2) Eliminate county-maintained parts shops at garages in favor of just-in-time deliveries by an onsite private company.
3) Consolidate ride services being offered by the Department of Aging and Disability and Health Department, employing a mobility manager to ensure riders are being matched with the appropriate outside resources, such as MTA, volunteer ride programs, and Medicaid-funded rides, so that the county becomes the "safety net" transporter of last

resort. Better leverage taxi voucher program, perhaps through a fixed contract with a provider like Uber or Lyft.

4) Eliminate county landscaping team (4 employees and a supervisor) and include those services under existing county landscaping and grounds maintenance contracts. Shift non-landscaping activities to facilities mechanics.
5) Leverage the success of DPW's stormwater management "pay for performance" program, which leverages private entities to meet county stormwater remediation goals, by increasing annual grant funding from $5 million to $10 million.
6) Explore the possibility for establishing a program within the Department of Recreation and Parks whereby private sector entities could contribute to the establishment, improvement, or management of parks and/or recreational facilities in exchange for naming rights. This would provide an additional source of income to expand the development of Anne Arundel recreational facilities.
7) Evaluate the current technical environment and associated processes & procedures in order to identify potential optimization opportunities that could result in increased employee engagement, heightened efficiencies, cost reduction, or improved capacity for growth.
8) Create a centralized database to better track Anne Arundel County grants

<u>Initiatives that are unlikely candidates for outsourcing or divestiture</u>

For a variety of reasons, including the above-mentioned cost efficiency of county operations, the Commission believes that following initiatives are currently not good candidates for outsourcing/divestiture:

1) Two county-owned equestrian centers are currently operated through a contract with a private provider, with a net profit (albeit small) to the county. The two properties, totaling 37 acres, were developed with Project Open Space (POS) funds, and they would therefore need to be replaced acre-for-acre should the county choose to sell the land. Should significant county investment be required to maintain these centers in the future, the benefit of divesting should be reevaluated.
2) The county's Risk Management Division is notably more cost effective than that of surrounding counties, costing $39/employee/year, compared to costs in surrounding counties of $130 - $162/employee/year. If, the additional staff requested by the Division were included, allowing for better claims processing and potentially reducing claims payments, the Division's operating costs would still only reach $54/employee, less than half the cost of surrounding counties. If the county wants to further explore this option, the Commission recommends soliciting competitive bids and comparing those costs to those incurred by providing the services in house with a right-sized staff.
3) Transfer animal shelter services to the SPCA, retaining animal control services (dangerous animals, bites, animal welfare, etc.) within the police department. Significant concerns still exist among commission members regarding the ability of the SPCA to quadruple their operations to meet the needs of the existing animal shelter; see detailed report for additional analysis and recommendations.

4) Comparing the costs of leasing vs. owning county office buildings, considered a possible means of addressing the $19 million capital backlog currently faced, clearly showed that it is in the county's best interest to continue owning its buildings. Even once a capital investment schedule designed to address the backlog amount was included in compared costs, leasing would cost an estimated $13.4 million over ten years above ownership costs, and an estimated $61.8 million over twenty years. The Commission recommends developing a capital investment program to systematically address the capital backlog rather than continuing to respond emergently.
5) The Child Care Division of the Department of Parks and Recreation operates 39 child care programs, the majority of which are located in Anne Arundel County Public Schools. An additional 34 programs are contracted to outside providers, primarily nonprofits. The county's programs are fully self-funded by parent fees, returning an additional $650,000 annually to the county. Continue the current operation.
6) The majority of county custodial services are currently contracted out, with twenty-three custodians and four supervisors remaining. While this work could be contracted out through existing contract instruments, it is unlikely to bring significant savings and will hamper provision of non-custodial essential functions and impair the county's ability to respond to infrequent events such as facility snow removal, after hours clean up, site cleanup following events, and AV setup and breakdown. If the county wants to further explore this option, the Commission recommends soliciting competitive bids and comparing those costs to those incurred by providing the services in house.
7) The total salary and benefits of Office of Law staff currently dedicated to handling personal property tax collection is much less than the fees a private firm would charge the County.

<u>Other County Agencies</u>

In addition to the initiatives listed above, the Commission also met with the following departments:

Fire Department
Office of Personnel
Emergency Management
Department of Corrections
Department of Social Services
Police Department
Department of Public Works

The Commission is grateful to the department heads for their willingness to meet and for providing excellent insight into their operations. We have no recommendations for these departments.

Commission on
Government Innovation and Effectiveness

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Detailed Analysis and Recommendations

Note: all recommendations are advisory in nature for consideration by the County Executive. No final decisions have yet been formulated.

Commission Process

The Commission on Government Innovation and Effectiveness (Commission) was created in December, 2016, with its first meeting occurring on February 9, 2017. Members of the Commission include:

William J. Westervelt, Jr., Ashby Point Capital, Chairman
Honorable Ronald C Dillon, Jr., Atlantic Coast Charters
Dorothea Henderson, RockwellCollins
James P. Lighthizer, Jr., Chesapeake Real Estate Group, LLC (CREG)
Frances B. Phillips, RN, MHA, Maryland Deputy Secretary for Public Health Services (retired)
Tracey Parker Warren, Maryland Workers Compensation Commission (recused)
Nelson J. Sabatini, Maryland Secretary for the Dept. of Health and Human Services (retired)
Louis L. Zagarino, Whitehall Management, LLC
Claire C. Louder, Executive Director (retired)
Wesley MacQuilliam, Executive Director

The Commission started with a list of possible initiatives identified by the administration, and supplemented that with additional suggestions from the Departments of Central Services, Public Works (DPW), and Parks and Recreation. Additional initiatives were identified through meetings with other department leads.

Following the initial organizational meeting of the Commission, subcommittees were formed based on expertise and interest. These included:

Property Management/Maintenance: Jim Lighthizer, Jr., Lou Zagarino
Fleet Management/Garages: Ron Dillon, Jr., Lou Zagarino
Personnel Management: Nelson Sabatini, Tracey Parker Warren
Animal Control: Fran Phillips, Lou Zagarino
Risk Management Group: Bill Westervelt, Nelson Sabatini, Tracey Parker Warren
Childcare Services: Tracey Parker Warren, Fran Phillips
Para Transit: Ron Dillon, Fran Phillips, Nelson Sabatini
Stormwater Management: Bill Westervelt, Jim Lighthizer, Jr.
IT Department: Dorothea Henderson, Bill Westervelt, Wesley MacQuilliam
Office of Finance: Ron Dillon, Bill Westervelt, Wesley MacQuilliam
Office of Law: Lou Zagarino, Bill Westervelt, Wesley MacQuilliam
Fire Department: Ron Dillon, Bill Westervelt, Wesley MacQuilliam
Emergency Management: Jim Lighthizer, Bill Westervelt, Wesley MacQuilliam
Office of Personnel: Lou Zagarino, Bill Westervelt, Wesley MacQuilliam
Department of Corrections: Jim Lighthizer, Bill Westervelt, Wesley MacQuilliam
Department of Social Services: Nelson Sabatini, Bill Westervelt, Wesley MacQuilliam

Due to state ethics concerns, Tracey Parker Warren was forced to recuse herself from the process, but hopes to rejoin Commission proceedings at a later date. Dorothea Henderson was added to the Commission in March as an information technology expert.

Executive Director Claire Louder left the Commission in June of 2017 due to her move to South Carolina. Wesley MacQuilliam was added to the commission in May of 2017.

Following meetings with county staff and other stakeholders, commission members submitted written reports summarizing their findings, and reviewed those findings during Commission meetings. Those reports are contained in this document.

Initiatives that Show Promise

Outsourcing Fleet Maintenance

Initiative:

Evaluate potential for outsourcing fleet maintenance, excluding public safety and specialty vehicles.

Commission Liaisons: Ron Dillon, Lou Zagarino

Commission Process:

Ron Dillon, Lou Zagarino, Bill Westervelt, and Claire Louder met with representatives from the Department of Central Services, including Director Christine Romans, Deputy Director Nancy Noonan, Fleet Administrator Robert Phillips.

Statement of Objective/Issue:

Capacity issues at county garages have led to fleet dysfunctions, including extended waits for maintenance and the use of P-Cards by county employees to obtain services in the private sector. Objective is to determine if a) an opportunity exists to outsource provision and maintenance of all light duty vehicles to the private sector at a savings to the county, and/or b) if there are alternative ways to obtain savings while improving turnaround times for vehicle maintenance.

An initial RFP regarding outsourcing of vehicle management/maintenance resulted in bids of over $250,000 above current county program costs, even once the sale of existing vehicles was credited. Future years would result in projected additional costs of $x/year, or $x over the proposed five year pilot program. As a result, the Commission made a decision to focus on outsourcing of routine maintenance.

Pros:

- Timelier performance of maintenance
- Better recordkeeping as a result of improved central data collection not obtained on P-Card transactions,
- Potential reduction in service costs by pre-negotiating pricing vs. paying retail price for P-Card transactions,
- Reduce lost time experienced by county employees while vehicles are in shop for maintenance.

Cons:

- Increased costs, which may be offset by the cost of "right-sizing" garage personnel to offset current capacity challenges.
- Concern expressed about whether quality control can be maintained with outside vendor, but that can be addressed through RFP language.

Projected Savings:

The county is unlikely to see significant financial savings from this initiative, beyond recouping lost employee time that is currently not tracked. Comparative cost to contract out routine maintenance vs. handling in-house is unknown, but may provide a good opportunity for comparative bids between the private sector and the county garages.

Specific information regarding internal vs. external vendor repairs was provided regarding the DPW Fleet:

- 389 Direct Charge heavy equipment vehicles primarily have maintenance provided by outside vendors. This results in less accurate maintenance records.
- Outside vendor repairs for DPW alone totaled $406,175 in 2016 for 304 individual charges, averaging $1,336 per transaction.
- By comparison, $187,900 was charged for direct repairs by the county's Fleet Management office for 180 work orders on these vehicles. The cost per transaction was $1,043.

Additional Fiscal Impact:

Less employee downtime due to vehicle maintenance priorities.

Operational Implications:

Better tracking of vehicle maintenance than currently exists.

Personnel Impacted:

Because the garages are chronically over capacity, resulting in delays of ½ to 1 day for non-public safety delays, no personnel would be displaced. Provides more timely vehicle servicing for county employees who depend on county vehicles for their work.

Recommendation:

Develop RFP for routine maintenance for DPW direct charge vehicles and county light duty vehicles (sedans, SUVs, and light trucks). Compare cost to cost for county to perform the maintenance, taking into account the impact of service delays on county employees.

Future system should be developed to better track "time in, time out" statistics for county garages to better understand capacity issues.

<u>Timeframe for Implementation:</u> FY 2018

<u>Next Steps:</u> Develop a cost benefit analysis to determine which maintenance functions should be outsourced in addition to routine maintenance. The analysis will compare costs of county servicing and of time in and time out for county servicing to private sector estimates. Consider researching experience of other localities who outsourced fleet maintenance services.

Parts Shop Management

Initiative:

Switch to just-in-time delivery for parts management and supplies at three county-owned garage locations.

Commission Liaisons: Ron Dillon, Lou Zagarino

Commission Process:

Ron Dillon, Lou Zagarino, Bill Westervelt, and Claire Louder met with representatives from the Department of Central Services, including Director Christine Romans, Deputy Director Nancy Noonan, and Fleet Administrator Robert Phillips regarding fleet operations. Claire Louder, Bill Westervelt, and Ron Dillon also met with Local 582 President Mike Akers to better understand efficiency initiatives that have already been implemented.

Statement of Objective/Issue:

Most private sector garages use just-in-time parts delivery to fulfill their service needs, while Anne Arundel County still maintains onsite parts departments. Determine if it is more cost effective to have a private sector parts distributor on site to order and manage parts as required.

Pros:

- Reduce parts inventory maintained by Anne Arundel County
- Procure parts as needed from outside vendor at negotiated rates
- Provides for direct mechanic-vendor interaction with onsite parts vendor managing orders.

Cons:

- Parts shop personnel also provide shop cleanup, so may need to retain some personnel for that task.
- Personnel will be needed to manage the contract with the vendor to ensure parts delivery and cost model is being maintained.
- Fire parts are specialized and must be obtained from the manufacturer, so may make sense to treat them separately and keep in-house staff to manage them at the Millersville Garage where fire truck maintenance is performed.

Projected Savings:

Long term savings on county benefits may offset potentially higher cost of parts provision by outside vendor. Currently employ seven Store Keepers (one vacancy) and one Supervisor – would likely retain Supervisor to manage contracts and fire parts shop, two Store Keepers for fire parts shop, and possibly two additional personnel, one at each garage without Store Keepers, to provide shop cleanup. Need RFP to determine whether the variance makes this a worthwhile initiative.

Operational Implications:

- Improved data regarding parts used through leveraging of vendor system
- Less inventory to manage

Personnel Impacted:

Displaces up to three, and possibly five, Store Keepers for whom similar/compatible positions would need to be found unless they can be reduced through natural attrition.

Recommendation:

Outsource parts management at Glen Burnie and Davidsonville garages. Maintain county parts shop in Millersville due to specialized nature and cost of fire parts.

Timeframe for Implementation: FY2018

Next Steps:

Research localities who have successfully switched to just-in-time parts procurement. Develop purchasing method to provide for onsite parts management and compare to costs of current county-managed system.

Paratransit Services

Initiative: Paratransit services through Departments of Health and Aging and Disabilities

Commission Liaisons: Fran Phillips, Ron Dillon, Nelson Sabatini

Commission Process: The Commission's subcommittee on Paratransit met with County representatives as follows:

March 21, 2017: Bill Westervelt, Fran Phillips, Pam Jordan, Ramond Robinson

April 17: Bill Westervelt, Nelson Sabatini, Ron Dillon, Fran Phillips, Claire Louder (by phone), Pam Jordan (Department of Aging and Disability), Ramon Robinson (Transportation Officer), Dr. David Rose and Christine Boswell (Health Department.)

Considerable information was provided by the County personnel, including background materials on the current transportation programs and reports by consultants engaged to review certain transportation operations.

The meetings involved wide-ranging discussions of operational successes and challenges, options under consideration by the County and possibilities for new initiatives. It is understood that improving the effectiveness of the various transportation services offered by the Departments of Aging and Health is a subset of larger ongoing efforts to maximize the value and efficiency of all transportation-related services within the County.

Statement of Objective/Issue:

The subcommittee is focusing on identifying areas of transportation service overlap between the two departments and, where possible, proposing options to streamline the delivery of transportation services and associated administrative or "back-office" functions. Due to varying client eligibility requirements and funding streams, it was acknowledged that consolidating programs would require considerable attention to fiscal and operational details.

The subcommittee's purpose is to improve current transportation effectiveness and, if possible, to allow for the shift some existing resources to expand County transportation programs for new passengers and purposes, such as connecting transportation-challenged residents to worksites. A principle of the subcommittee is to preserve existing services and minimize disruption for current riders. There was also general agreement that while certain current contracts with private vendors might be altered, no County positions would be impacted by this effort.

Action Plan:

Both departments have studied and proposed possible areas for improvement. The subcommittee and the Departments jointly discussed the feasibility of pursuing (and in some cases expanding) some of the Departments' options. It was decided that some additional data on recent ridership and utilization would be useful in developing specific recommendations.

The following questions and areas were identified as potential opportunities to improve effectiveness and/or efficiency:

1. Is it feasible to more aggressively bill Medicaid for medical transportation for eligible riders? Is the County foregoing state/federal reimbursement by not billing for eligible rides? For example, by definition, all SSDI riders have Medicaid and are eligible for reimbursement transportation for medical visits. It was recommended that an assessment of riders' Medicaid eligibility and ride purpose (medical or non-medical) be conducted during the month of May. Christine Boswell will provide the screening template. Do we need to check with Office of Law?
2. Is it cost-effective to establish a County Mobility Manager position to assess riders' alternative transportation options such as MTA Paratransit for those living within ¾ mile of a fixed MTA route in order to make the County the 'resource of last resort?'
3. Is it possible to develop a County messaging effort to promote more volunteer ride options such as neighbors helping neighbors and travel training in order to reduce demand for County-funded rides?
4. Can using Lyft or Uber zones help reduce the price of the demand responsive trips?
5. Can the larger assisted livings facilities contribute to the cost of relying on County transportation services for their residents?
6. Can an RFI/ RFP be developed to explore the private sector's interest in providing all services under a single vendor?
7. Are there revenue opportunities from marketing and the like for the county-owned assets that are providing mobility trips?

Landscape Maintenance/Snow Removal

Initiative: Landscape Maintenance Overhead

Commission Liaisons: Jim Lighthizer, Lou Zagarino

Commission Process:

Claire Louder, Jim Lighthizer, Lou Zagarino, and Bill Westervelt met w/Christine Romans, Nancy Noonan, Scott Welsh, and Samantha Harris from the County

Statement of Objective/Issue:

Analyze landscaping and miscellaneous building maintenance functions and the personnel associated with performing these services. Determine best practices to obtain maximum cost and operational efficiencies.

Pros:

Dedicated County staff provide immediate County resources to address miscellaneous building, landscaping and non-landscaping functions as well as provide emergency functions including tending to snow removal, damaged trees, sink holes etc. of parking lots in County occupied buildings.

Cons:

Existing and future costs associated with these dedicated personnel and their equipment, shop space, and maintenance of both.

Projected Savings:

Outsourcing these landscaping and miscellaneous County grass cutting needs could be estimated to be in the annual $267,000 range. This should be compared against the fully weighted cost of current employees.

Additional Fiscal Impact:

Outsourcing the labor associated with this department would result in other related worker comp, transportation, occupied real estate and HR functions associated with 4 employees.

Operational Implications:

Outsourcing these landscaping functions may result in somewhat slower delivery of these services. Personnel would not be available for emergency functions such as snow removal at county buildings, damaged trees, sinkholes, etc.

Personnel Impacted:

The Horticultural crew: 1 Supervisor, 4 maintenance workers. Maintenance workers could be placed as building mechanics, a category which frequently has openings.

Other Considerations:

Staff available for immediate general needs would be limited if these jobs are outsourced.

Recommendation:

Outsource basic landscaping functions. Sink holes, tree and debris removal from County-occupied real estate, as well as parking lot snow removal and salting, should assigned to the outsourced landscaping contractors.

Timeframe for Implementation:

Look at employee retirement dates and allow attrition to help offset employee layoff impacts, or reclassify as building mechanics if skill levels permit.

Next Steps:

Identify the non-landscaping list of County requirements that occasionally arise. Then identify the size of the skeleton crew required for said emergency needs.

Stormwater Remediation and Stream Restoration

Initiative: Efficiently and cost effectively meet EPA mandated stormwater management requirements

Commission Liaisons: Jim Lighthizer, Bill Westervelt

Commission Process: Jim Lighthizer, Claire Louder, and Bill Westervelt met w/ Chris Phipps and Erik Michelsen of the Department of Public Works.

Statement of Objective/Issue:

A federal mandate requires Anne Arundel County (and all of Maryland) to improve stormwater management and restore watersheds to reduce TDML (Total Daily Maximum Loads) of nutrients into the Chesapeake Bay by 2025. In addition, the county's Municipal Separate Storm Sewer System (MS4) Permit issued by the Maryland Department of the Environment (MDE) requires 20% of all impervious area (5,862 acres) be "treated" to current water quality standards by 2019. The County has been doing an assessment of the stream areas and prioritizing them for remediation.

Stream restoration work could be redistributed to 3rd party contractors and overseen by a 3rd party management company as has been done in Prince George's County for 2000 of the 6000 acres they are targeting for restoration. Anne Arundel County has instead chosen to manage the program themselves, allowing them to better leverage the work of other county departments towards meeting their goals, and to outsource additional work through county-managed grants and full delivery pay for performance programs. To date, Anne Arundel County has successfully treated 1718 acres, and has an additional 5,366 acres in development, compared to Prince George's County's 364 treated acres and 1,190 in development[1].

Stormwater practices are required to be inspected every three years to enforce their functionality and safety. The County has over 12,000 stormwater practices in its public and private inventory that must be inspected as part of this work. The Watershed Protection and Restoration Fee (WPRF, commonly known as "rain tax") has allowed Anne Arundel County to add seven additional inspectors in Inspections & Permits (previously there was only one), accelerating the rate at which restoration projects can be certified.

Pros

Hiring a private management company to oversee the contractors doing stormwater restoration work, if less expensive, could allow the County to allocate resources to implementing more projects, achieving a faster improvement schedule.

[1] These numbers are current as of March 22, 2017, and in the case of Prince George's County, were drawn from the County's Clean Water Partnership website: https://thecleanwaterpartnership.com/

Cons:

- Hiring a private management company is more expensive than managing the program internally.
- The county loses some quality control with a private management company.
- Coordination and cooperation with other county agencies, which has contributed significantly to the county's success, would be lost.
- Time required to contract out under procurement rules means a private management contract wouldn't be awarded until close to the 2019 performance deadline. That contractor would then still have to award contracts for actual stormwater restoration.
- Anne Arundel County has been extremely successful in leveraging private contractors and nonprofits for stormwater remediation through its full delivery pay for performance and restoration grant programs.

Projected Savings: None

Additional Fiscal Impact:

Prince George's County is paying their contractor, Corvias, $100 million, or $50,000/acre, to treat 2,000 acres (for which Corvias hires additional contractors). This still doesn't address 4,000 acres they are required to remediate, nor the costs of monitoring, assessments, restoration grants, etc. In addition to the $15 million/year Prince George's receives from their WPRF, they also allocate $52 million/year from an ad valorem stormwater tax to a Stormwater Management Fund.

Anne Arundel County receives $21 million/year from the WPRF, and limited funds from the general fund. Of those funds:

- $6 million maintains existing stormwater infrastructure
- $3.3 million is outsourced to consultants for non-restoration expenses, including watershed assessments, monitoring, and database management
- $4.2 million is spent on non-restoration MS4 expenses, including modeling and assessment, ecological assessment, and administrative staff
- $1 million is for pro rata shares

This leaves $7.37 million/year for watershed restoration projects. In FY 2017, the county has committed $3.8 million of the $5 million allocated for pay for performance contracts. These contracts rely on private stormwater contractors to submit turnkey remediation projects. Proposals received cost between $20,000 and $64,000/acre. One contract was awarded for $3.8 million to remediate 188 acres, and the remaining $1.2 million will carry forward to fund projects in FY 2018. An additional $5 million has been requested for FY 2018. The solicitation has created a pipeline of projects that can be resubmitted for the new fiscal year, accelerating the pace of award and remediation. An additional two proposals were received for $50,000-$64,000/acre, which is near the industry average. Combined these two proposals would have treated an additional 172 acres at a cost of $10 million.

In addition to the pay for performance program, Anne Arundel County spends $1 million/year for the Anne Arundel County Restoration Grant program which has resulted in successful nonprofit remediation programs which leverage private funding and has resulted in an additional 60 acres treated per year for as little as $14,000/acre.

Education and outreach is also a requirement of the MS4 permit, and the County spends $250,000 per year to accomplish this through their Watershed Stewards Academy (WSA), and this has resulted in additional philanthropic remediation efforts.

Operational Implications:

Expansion or continuation of these programs allow private sector flexibility in accomplishing a portion of the work required by the County. The County's education and outreach program, significantly augmented by WSA, has been consistently "commended" by MDE.

Personnel Impacted: No personnel impacts. This work is additive to that executed by existing County staff.

Other Considerations:

Anne Arundel County has received over $132 million in state funds to upgrade their wastewater treatment facilities, which will be matched by over $113 million from the County.

Estimated costs to completely remediate TMDL levels in the stormwater sector to federal standards by 2025 are estimated at $900 million, of which only $250 million is currently available.

Conversion of private septic systems to County public sewer would help dramatically, but is very expensive (estimated to exceed $1 billion to convert them all) and the cost is currently borne completely by residents. MDE and the Health Department have grant programs for up to $20,000 to offset the cost of conversion in sensitive areas, and it may be possible to leverage these. There is currently a County task force assigned to exploring this issue.

Recommendation:

Anne Arundel County should continue to outsource stream restoration projects to third party site contractors through the pay for performance program. In order to accelerate work to meet state and federal deadlines, we recommend the allocation for this program be increased from $5 million/year to $10 million/year, though this will require county funding beyond the WPRF.

The County should continue to work with MDE to accelerate permitting for restoration projects and modify MS4 permit requirements, and with the Corps of Engineers to streamline the federal permitting process. The County needs less regulations for this work. Coordination with surrounding jurisdictions on these efforts will improve the likelihood of success.

Timeframe for Implementation:

Anne Arundel County's remediation efforts have proven to be faster and less expensive than the Prince George's County model of hiring a private management contractor. Anne Arundel County is paying on average $35,000/acre remediated, compared to $50,000-$60,000/acre remediated for Prince George's County.

The stormwater management work will likely take approximately ten years to complete, and all Counties will require an extension by the MDE because the work can't possibly be completed within the time period required. Montgomery County is current under consent decree negotiations with MDE on a 5-year extension of the restoration requirements of their MS4 permit.

Next Steps:

- Look at projects in need of major repair, and move to improve those areas first.
- Self reporting by the County to the public and EPA regarding progress made would be beneficial.
- Anne Arundel County needs to receive credit for wastewater work already done, resulting in additional acreage credits.
- Consider extending bond periods to 40 or 50 years for stormwater related projects, which have a long lifespan.
- Identify additional funds beyond WPRF to fund projects required by EPA, as WPRF will be depleted by 2019 to meet MS4 requirements.

Recreation and Parks – Naming RightS

Initiative – To explore the possibility for establishing a program within the Department of Recreation and Parks whereby private sector entities could contribute to the establishment, improvement, or management of parks and/or recreational facilities in exchange for naming rights. This would provide an additional source of income to expand the development of Anne Arundel recreational facilities.

Commission Liaisons: Jim Lighthizer, Jr., Bill Westervelt, Claire Louder, Wes MacQuilliam

Commission Process: Bill Westervelt, Jim Lighthizer, Jr., Claire Louder and Wes MacQuilliam met with Recreation and Parks Director Rick Anthony and Jason Fetterman of the Office of Law to discuss the potential for a naming rights program and any legal implications.

Statement of Objective/Issue: The demand for recreational facilities in Anne Arundel County far outstrips budgetary capacity. Some of the desired parks are in areas, such as the Odenton Town Center, where there is significant private sector support that could be leveraged for commonly-beneficial facilities. Others, like the desired North County Sports MultiPlex, have companies nearby who would clearly benefit from its development and might be willing to contribute.

Examples of private sector investment in public recreational facilities exist in Millennium Park in Chicago, where various elements were provided by private sector entities in exchange for recognition (such as the AT&T Plaza, Boeing Galleries, and Chase Promenade); in Bryant Park in New York City where a drug-infested park was converted to a treasured landmark through a Business Improvement District (BID) tapping adjacent property owners; and in Central Park where a private nonprofit took over investment and maintenance when the city ran out of funds to do so.

Pros: Identifying and allowing private investment in public recreational facilities, including parks, could expedite the rate at which such parks could be created. Private naming could also increase long term support of recreational facilities by private entities, as they will have an interest in ensuring facilities that bear their name are properly maintained.

In the past, the Anne Arundel Office of Law has determined that bestowing naming rights is illegal, and the "gifts to the county" process is antiquated and time consuming per Jason Fetterman. However, a recent Supreme Court case held that such naming rights are considered "governmental speech" and are therefore allowable without offering the opportunity to all potential interested parties equally. Anne Arundel County is currently experimenting with this process with the Anne Arundel County Public Library (AACPL), though that is a slightly different situation since AACPL is not a county agency controlled by the County Executive.

Cons: The County would want to retain veto power over naming rights, which the Supreme Court case makes possible. Prior to that case, there were instances of the KKK attempting to secure naming rights in African-American dominated areas through the Adopt-a-Road program and other similar programs.

Additionally the Ethics Commission may raise concerns that this program would result in undue influence and pay-to-play practices. That could be addressed through verbiage in the legislation that would need to be proposed before County Council, and in creation of a uniform licensing agreement.

Projected Savings: This program would expand the ability of Recreation and Parks to develop new, or improve old, facilities beyond those provided through the county capital budget. Future maintenance costs could also be included in any licensing agreement.

Additional Fiscal Impact: For this effort to be successful, the county would need to agree that funds raised for a specific facility would be spent on development, operation, and maintenance of that facility, and not transferred to the General Fund.

Operational Implications: For any new facilities developed, ability of the county to maintain and operate such facilities under existing and projected operating budgets would need to be considered. A solution would be to include operating and maintenance costs as part of the licensing agreement.

Also, it will require the efforts of a not-yet-existing marketing person within the Department of Recreation and Parks to approach private sector entities regarding possible contributions. Every effort should be made to identify a nexus between the private sector entity approached and the benefit achieved, be it interest-based (athletic provider supporting a sports multiplex) or geography-based (developers contributing to creation of a local park).

Personnel Impacted: Office of Law would need to be involved in drafting licensing agreements and legislation. Government Affairs and Recreation and Parks would be involved in pursuing passage of legislation. Recreation and Parks would need to hire someone to market opportunities to private sector entities.

Other Considerations: While legislation could be drafted to benefit all county departments, success is most likely in outward-facing agencies such as Recreation and Parks, Health, Aging & Disabilities, and Transportation (bus wraps).

Recommendation: Pursue a pilot project in the Odenton Town Center, where there is already a nexus of developer and business community interest to be leveraged and a central proposed park that could be funded, but the project is of a manageable size and preliminary efforts are already underway to secure property. If the effort is successful on a small scale in Odenton, it will then be easier to persuade members of the County Council to expand the program to other locations and departments.

Timeframe for Implementation: A draft licensing agreement and legislation could be prepared by the Office of Law for introduction in the current fiscal year (2018).

Next Steps: Following approval of this concept by the County Executive, the following steps would need to be taken:

1. Office of Law to draft a licensing agreement similar to that currently in use by AACPL.
2. Creation of a proposed schedule of benefits by Recreation and Parks, to include period of license, appropriate contribution amounts for various recognition levels, and any restrictions on licensing (such as requests by organizations that could be considered offensive by county residents).
3. Drafting and introduction of legislation allowing a pilot program for licensing in exchange for financial contributions in support of the Odenton Town Center Park, with indication that the intention is to extend the program, if successful, to other facilities.
4. Passage of legislation by Anne Arundel County Council.
5. Signing of legislation by County Executive.
6. Marketing of opportunities to private sector interests through Department of Recreation and Parks. Involvement by the Public Affairs Officer will likely be required.
7. Use of contributed funds to construct amenities in the proposed Odenton Town Center Park.
8. Introduction of legislation expanding licensing to other facilities within Anne Arundel County, to include Recreation and Parks, Health, Aging and Disabilities, and Transportation departments.

IT Department

Initiative: This report is the result of an independent assessment of the Office of Information Technology for Anne Arundel County. The purpose of this assessment is to evaluate the current technical environment and associated processes & procedures in order to identify potential optimization and opportunities that could result in increased employee engagement, heightened efficiencies, cost reduction, or improved capacity for growth.

Commission Liaisons: Bill Westervelt, Wes MacQuilliam, Claire Louder and Dorothea Henderson

Commission Process: Bill Westervelt, Wes MacQuilliam, Claire Louder and Dorothea Henderson conducted a face-to-face interview with Anne Arundel County CIO Rick Napolitano to discuss the information technology processes and tools in order to identify opportunities for improvement

Statement of Objective/Issue: The digital ecosystem is a predominant driver, enabler, and challenge to CIOs in industry today. The idea that everything and everyone is connected has changed the IT landscape drastically. It brings with it higher demands from consumers and employees, increased requirements for speed & agility, sparse availability of new key IT skill sets, and a saturated market of IT service providers.

The consumerization of IT has created more demanding, tech savvy, impatient, customers and employees. Users want real time data on-demand, where they happen to be, when it is convenient, and on a device of their choosing. This not only increases employee engagement and customer satisfaction, but removes friction from day to day processes, thereby optimizing operations and reducing expenditures. Implementing Bring Your Own Device (BYOD) and employing cloud technology are key enablers of this vision.

As the cloud explosion continues, the need for cloud architects, security analysts, and big data expertise is in high demand with very low supply to support it. The need to on-board expertise quickly is required in order capture the talent needed to architect an appropriate digital environment. There has been an opposite effect on the representation of cloud service providers and integrators.

The race to the cloud has saturated the industry with players in the “as a service” market. Platform, infrastructure, software, security, and networking can all be provided “as a service” leveraging both holistic and hybrid cloud approaches. The need for educated, expedient

evaluations of vendors, partners, and service providers becomes crucial in finding the right fit for your organization.

Recommendations:

1. **Bring Your Own Device (BYOD) policy:** Shifting from county liability wireless devices to personal employee liability devices provides the employees with a choice of device and ability to utilize one device for both personal and business use while simultaneously reducing enterprise wireless costs. Private and public sector entities have reported an average of 20-30% reduction in wireless expenditures. Industry has also found that this option assists with attracting new IT talent by providing more technology options. Many choose to implement an IT stipend to partially subsidize some of the employee wireless expense, while others provide no financial assistance. The decision to partially subsidize or not is purely dependent upon the entity's posture on culture and change management. It is crucial that certain aspects are fully investigated and decided upon to successfully implement BYOD, those aspects include:
    a. Cyber security assessment and mitigation
    b. Mobile Device Management (MDM) policies (remote wipe, environment segregation etc.)
    c. Stipend Amounts
    d. Employee change management plan

2. **Business Process Management (BPM) team:** Utilize the "1,500 Hour" contract employee option to quickly on-board 2-3 BPM specialists to conduct a pain/gain assessment of the current processes and tools utilized by the county. This involves identifying and evaluating the most inefficient processes & tools in order to provide recommendations and a business case for remediation. This typically involves starting with the income statement and identifying the largest cost, and thus, the largest cost drivers. Starting there typically ensures the biggest bang for the dollar. This is typically a 6-12 month assessment, and the findings should be handed off to an innovative architecture & deployment team (see item 3) that can effectively architect and implement a solution that fits into the larger platform. This effort could also stimulate the need for a workflow tool that will eliminate manual processes and swivel-chair technology. This team's charter is to eliminate friction and reduce cost. This could be a one-time team brought together periodically to conduct assessments, or could be a more permanent capability added to the Innovation team below with only 1-2 staple BPM specialists.

3. **Innovative Architecture & Deployment Team (IAD):** Utilize the "1,500 Hour" contract employee option to quickly on-board a team of 2-3 "digital technologists". Many in the IT industry are choosing to adopt this methodology by implementing a Cloud Center of Excellence (CCoE) and ensuring that a "cloud first" policy is implemented when architecting a solution. An application architect, security analyst, cloud system administrator and program manager are recommended. Once the BPM team has formulated their recommendations, they should be provided to the IAD team to

design, build, and implement the County's applications and infrastructure roadmap. This team should also be integral in selecting the service providers leveraged in the design. This should include RFP evaluations and interviews. Given the complexity of solutions and quantity of providers, subject matter experts must be allowed to participate in the final selection. This team will not only architect the technical solution but will be responsible for governance, implementation, and education. This team can also provide operations & maintenance should the current system administration team not be able to support cloud technology. This team provides focus, and thus adds speed and agility to the digital migration. As with any long term cost savings initiatives, there is an initial investment required to achieve success. This team is a crucial part of that investment.

4. **Assess and address the procurement process:** The current procurement process appears to shift the technology decision making and assessment away from information technology and towards buyers and attorneys. This has more of a negative impact today than ever before given the complexity of the technologies, diversity of the cost models, and sheer number of service providers in the market. It is important to ensure the IT Subject Matter Experts (SME) are the decision makers around technology, while still following a controlled process that encourages competition and offers speed and agility. Technology is evolving rapidly. If it takes 18 months to 2 years to execute a purchase, the technology has already changed at least once from the inception of the RFP or identification of the need. In order to appropriately address this recommendation, another assessment should be done of the procurement process by private specialists in that space. It appears there is a large opportunity to remove friction, reduce cost, and inject speed.

5. **Business Relationship Manager (BRM):** In order to quickly identify inefficiencies and better understand the needs of the agencies, it is a common practice to have an IT representative that works for the CIO office, act as a dedicated business partner to one or many agencies. Their responsibilities include; participating in staff meetings, understanding the agency's processes, and acting as liaison/account manager from IT.

   This speeds the identification of challenges, results in higher adoption rates, and ensures Most Important Requirements (MIRs) are being met.

6. **Investigate Resale of Fiber in Ashburn:** The County currently owns a fiber network that will be extended to the Ashburn area. This is a central hub for telecommunications and data center congregation. All enterprises requiring wide area networking (WAN) connectivity, data center services, or public cloud connectivity on the east coast will likely need connectivity through Ashburn. This can be cumbersome and expensive for local businesses to obtain. The County should work with local Maryland businesses to understand how they can leverage the fiber network. This could become a revenue

stream for the County government as well as offer a discounted connectivity option for local Maryland businesses.

7. **Build out an Incubation/Pilot capability:** The number of solutions available today has driven service providers to contractually offer pilot programs prior to purchase. Application and infrastructure projects have a greater chance of success if they are first incubated or beta tested prior to a decision to move forward. This may require evaluating multiple solutions. It is important that these programs be short enough not to delay purchase, but long enough to provide a thorough technical evaluation. The average pilot program is 3 months and assuming the procurement process is quick post-decision, the additional 3 months is worth the time to ensure success for the users. This should be the responsibility of the IAD team to manage and execute.

Anne Arundel County Grant Funding

Initiative: To create a centralized database to better track Anne Arundel County grants

Commission Liaisons: Wes MacQuilliam, Bill Westervelt, Ron Dillon

Commission Process: Wes MacQuilliam, Bill Westervelt, and Ron Dillon met with Karin McQuade and Michael Beard of the Office of Finance

Statement of Objective/Issue: There are hundreds of nonprofit organizations in the County that rely on grants for funding. There are also several County organizations that receive grant funding every year. These funds come from several sources (Federal, State, County, etc.). They must first be passed through the County's Finance Office before being distributed to each organization. Currently these transactions are only tracked by the Office of Finance in the general ledger.

Pros: A centralized database will help the Office of Finance better track County grants. A database would ensure that grants are not being duplicated and that the funds dispersed are actually serving the purpose of the intention of the grant. The database would also create reminders for important deadlines. This would be especially helpful with grants that need to be reapplied for every year.

Cons: There are several software platforms that exist that could be purchased to implement the database. These platforms cost several thousands of dollars per year in licensing fees. While these existing platforms could be easily implemented, the high annual fee is a concern. It was recommended that the County's IT department could create a platform and eliminate the need to pay an annual fee.

Projected Savings: The office of Finance suspects that there are several organizations that are receiving duplicate grants. A centralized database would help ensure that these duplications do not occur. The database would also track grants to make sure that the organizations that are receiving the grants are using the money for the purpose it was intended for. This would allow funds that are being allocated to failing programs or programs that are no longer in the interest of the County to be redirected to other more deserving organizations.

Additional Fiscal Impact: We recommend that this database be accessible to all departments in County government. As previously mentioned, there are several County departments that rely on grant funding. Currently each department researches and competes for grants independently. There are likely situations where two County departments have similar funding needs and are duplicating efforts to secure a grant. For example, the County's Emergency Management

Department could be researching and competing for a grant that the County's Fire Department is also competing for. A centralized database would also help County departments identify other sources of funding that are being utilized by other County departments.

Operational Implications: The database will help the Office of Finance determine what the grants are being used for, if they are being used successfully, and if there are any organizations receiving duplicate grants. The platform will create reminders to ensure important deadlines are met and will allow all departments to see potential grant sources.

Personnel Impacted: If the decision is made to engage the County's IT Department to develop the database, they would have to dedicate an employee to the project which should only take a few weeks to create and minimal effort to maintain the platform.

Recommendation: Engage the County's IT department to create the database. Office of Finance to work with IT staff to customize platform to their specifications. Office of Finance to input data into the newly created database and begin tracking grants for the next fiscal year (July 2018)

Timeframe for Implementation: FY 2018

Next Steps: Engage the County's IT department to create the database. Office of Finance to work with IT staff to customize platform to their specifications. Office of Finance to input data into the newly created database and begin tracking grants for the next fiscal year (July 2018)

<u>Initiatives that Present Challenges for Divestiture/Outsourcing</u>

Equestrian Centers

<u>Initiative</u>: County-owned Equestrian Centers

<u>Commission Liaisons:</u> Jim Lighthizer, Lou Zagarino

<u>Commission Process:</u>

Bill Westervelt, Claire Louder, Lou Zagarino, and Jim Lighthizer met with Christine Romans, Nancy Noonan, Scott Welsh, and Samantha Harris. In addition, Claire Louder met with Rick Anthony.

Jim Lighthizer has visited the facilities and is familiar with their topography.

<u>Statement of Objective/Issue:</u>

The County owns two equestrian centers that were gifted to them and have at various times proved difficult to operate/maintain. They each rent space for approximately 17 horses owned by county residents. The Commission's objective is to determine if the county should divest itself of these centers.

<u>Issue Definition:</u>

This is a philosophical issue of whether the county should own equestrian facilities that are used by a limited number of residents. Specific questions include:

- Why does the county have equestrian centers? *Received them as a gift, and count towards county open space requirements.*
- Are the facilities sufficiently utilized by residents to justify the cost of maintaining them? *There is no cost to the county of maintaining these, as they are leased to a private operator.*
- How do the equestrian centers contribute to open space requirements? *Project Open Space funds were used to improve these, so there is a requirement they be maintained as open space.*
- How long is the current lease in effect? Would the leaseholder be interested in purchase? *Lease is in effect until 2019, with 5 one-year extensions possible after that.*
- Are the facilities in a condition in which they could be successfully sold? *The county has paid for asbestos remediation and facilities are in better shape than previously. There is a historic house, inhabited by the manager, which could discourage purchase (county regulations for preserving historic buildings).*
- How do you differentiate between which recreation services the county should and should not be engaged in? Horses? Tennis courts? Pools? Golf courses? Etc. *Again, totally a philosophic issue.*

Pros:

- County gets out of the business of operating equestrian centers which could be seen as an elitist offering (as could golf courses and tennis courts).
- Land could also potentially be converted to another use that serve more residents.

Cons:

- The equestrian centers contribute to Anne Arundel County's open space requirements, and are required to remain undeveloped.
- There is a current lease, for which the county receives $6,000/facility/year, that is being successfully managed and would have to be bought out.
- The horse community would be unhappy about losing these facilities.

Projected Savings: Future facilities improvement costs.

Additional Fiscal Impact:

- The county would lose the $6,000/facility/year currently played by the lessee.
- Open space would have to be replaced elsewhere if the land was sold – county receives state funding for maintaining a set amount of open space, so would have to make an acre-for-acre replacement (37 acres total).

Operational Implications: None since currently operated by a lessee.

Personnel Impacted: None since currently operated by a lessee.

Recommendation:

Continue to lease these facilities to a private operator. Should additional major capital investments be required at a later date, may make sense for the county to convert the properties to other uses consistent with open space requirements.

Timeframe for Implementation: Immediate

Next Steps: None – continue status quo.

Risk Management Division

Description: The Anne Arundel County Risk Management Division is responsible for all workers compensation claims for county employees, including public safety and AACPS. The county is self-insured, and workers compensation claims processing/management is handled by a staff of six including two senior claims adjusters employed by the Risk Management Division under the Manager of Safety and Insurance (Amy Lanham).

Claims were estimated to be just under $20 million in 2016/17 (just over $15 million in 2016) for an employed base of 24,000 personnel. 1800 new claims were filed in 2016.

Commission Team Members: Bill Westervelt (Chairman), Claire Louder

Commission Process:

Commission members reviewed the initial report submitted by Dean D'Camera of WorkCompCoach, as well as responses prepared by the Central Services Director Christine Romans and Manager of Safety and Insurance Amy Lanham. In addition, Claire Louder reviewed the 2015 and 2016 Workers Compensation Benchmarking Studies referenced in the initial report.

The subcommittee then met with Christine Romans, Amy Lanham, and Deputy Director Nancy Noonan to discuss the reports and improvements made within the division subsequent to the initial WorkCompCoach report.

Issue definition:

The Commission identified four issues to be addressed in assessing opportunity for savings in the Risk Management Division:

1) The sheer volume and cost of claims processed suggests an opportunity for savings;
2) The Risk Management Division is significantly understaffed (per the Transition Team report, the WorkCompCoach report, and the Central Services Director) compared to industry case management norms.
3) Both senior claims adjusters, on whom the county's risk management system is heavily dependent, are eligible to retire in the near future; and
4) There is a trend nationally toward use of third party administrators (TPAs) to manage claims since this is not a core competency of government, and this opportunity deserves consideration.

Analysis and Recommendations:

Cost of Claims

Anne Arundel County's paid claims are significantly lower than surrounding counties, with a per employee cost of only $636 in 2016 compared to paid claims of between $1,054 and $1,891 per employee in comparably sized neighboring counties, and are comparable to those of smaller counties (Howard and Baltimore County). Specific numbers for 2016 are contained in the chart below.

2016 Workers' Compensable Costs – MD Self Insured Counties[2]			
	WC Paid – 2016	**# of Insured Employees****	**Cost per Employee[3]**
Anne Arundel	$15,261,320	24,000	$636
Montgomery	$35,865,857	34,000	$1,054
Prince George's	$38,820,688	27,000	$1,438
Baltimore City	$51,057,284	27,000	$1,891
Howard County*	$2,368,321	3,600	$658
Baltimore County*	$7,562,995	9,500	$796

**Baltimore and Howard Counties do not include BOE employees, which are a significant component of AA County claims (58%)*
***As opposed to number of claims*

Anne Arundel County clearly compares favorably in the amount of claims paid, which Central Services Director Christine Romans attributes to the high engagement of the Risk Management Division's senior claims adjusters. While it is likely additional efficiencies could be found, they are more likely to be related to improved staffing and leveraging of technology.

Risk Management Division Staffing

As identified by both the Transition Report and the WorkCompCoach analysis, Anne Arundel County's adjuster case load exceed 400% of industry standards. While the Risk Management Division has still been able to accomplish impressive cost containment results, this is

[2] Source: 2016 Annual Insurer Summary Reports
[3] Note that these numbers differ from the original chart submitted in response to the WorkCompCoach report as they remove the administrative costs, which we address separately.

unsustainable over the long run, particularly with both senior claims adjusters eligible for retirement. Current administrative costs and caseloads compared to surrounding counties are as follows:

2016 Workers Compensation Administrative Costs[4]				
	Internal Staff	**Third Party Administrators**	**Administrative Costs**	**Cost/Employee**
Anne Arundel	6	0	$940,000	$39
Montgomery	10	Unknown	$5,500,000	$162
Prince George's	4	27	$3,800,000	$141
Baltimore City	16	50	$3,500,000	$130
Howard County*	6	4	Unknown	Unknown
Baltimore County*	3	0	Unknown	Unknown

It is clear that contracting with a TPA significantly increases the cost of administering a county workers' compensation program compared to in house claims adjusters. Legal costs must also be taken into consideration: Anne Arundel County uses in-house legal defense personnel for disputed claims, while surrounding counties pay between $500,000 and $1,000,000 annually for legal services associated with claims.

As mentioned, however, Anne Arundel County faces a double risk as currently configured: excessive caseloads for adjusters, and the expected retirement of both senior adjusters in the foreseeable future. While comparable TPAs assign between 110 and 150 cases per adjuster (see chart), Anne Arundel County's adjusters were carrying an average of 600 cases each (a number that has now soared to over 1000).

[4] Source: internal management inquiries

Adjuster Caseloads Among Insurers/TPAs[5]	
Insurer/TPA	**Average Assigned Claims per Adjuster**
Anne Arundel County	600
Key Risk	140
Travelers	120
Erie	150
Sisco	150
Hyatt	110
PMA	130
IWIF	140
Zurich	130
Corvel	140

Central Services has requested additional risk management personnel in the FY 2018 budget. This would allow them to restructure how cases are assigned (currently they are siloed, with one adjuster handling all BOE cases and the other handling public safety and general county employees), and to train entry and mid-level adjusters so they can take over for the senior adjusters when they choose to retire. The proposed staff increase, which includes four additional claims adjusters and a P/T nurse case manager to address more complex cases to reduce costs, would add an additional $354,000 to the Risk Management Division budget, for a total of $1,294,000. This still compares favorably to surround counties, with a cost per covered employee of $54, far less than half the costs incurred by those using TPAs.

[5] Source: internal management and client inquiries

Additional Considerations:

Technological Enhancements

Since the initial WorkCompCoach report was prepared, the Risk Management Division has successfully transitioned to an electronic claims management system for all new claims. This will improve data tracking to flag excessive utilization, ensure accident reporting is timely, identify key trends that could lead to injury prevention, and streamline claims adjustments, all of which can be anticipated to reduce claims costs.

Maryland Workers' Compensation Commission

Anne Arundel County has an excellent reputation with the Maryland Workers' Compensation Commission for appropriately paying claims. This results in less litigation and a prejudice in favor of the county when a claim is contested. Many counties that have moved to a TPA have experienced a rise in contested claims, resulting in additional legal costs. Baltimore County actually terminated their TPA in 2014 due to poor administration of claims.

Relationship-Based Claims Adjusting

The 2015 Workers Compensation Benchmarking Study identified the importance of an advocacy-based claims model that "creates a win-win for injured workers and industry stakeholders alike." Claims adjusters with excellent communication skills who employed active listening and empathy in guiding claimants were more successful in avoiding litigation and returning the injured worker to their workplace. Anne Arundel County's Risk Management Division has been successful in building a culture of trust in which employees expect legitimate claims to be paid without delay. This combined with the Workers' Compensation Commission recognition that the county does not aggressively contest claims reduces litigation costs.

Recommendations:

The Commission on Government Innovation and Effectiveness recommends:

1) That Anne Arundel County continue to process claims internally through the Risk Management Division rather than engaging a Third Party Administrator (TPA);
2) That additional adjusters be funded in the FY 2018 Budget to improve caseloads, resulting in better case management, allow for cross-training in anticipation of departmental retirements, and improve the timeliness of claims processing;
3) That the Risk Management Division continue to implement technological and medical management enhancements, including prescription drug management and utilization review, already identified and in process.

Animal Control

Initiative: Divestiture of Animal Control's sheltering functions

Commission Liaisons: Fran Phillips, Lou Zagarino

Commission Process:

3/7/17 Subcommittee (Lou Zagarino, Fran Phillips, Claire Louder) met with SPCA Executive Director Kelly Brown at the SPCA facility

3/17/17 On-site tour of County's Millersville facility by Kelly Brown and Claire Louder

4/3/2017 Bill Westervelt, Kelly Brown, and Claire Louder met with Councilman Grasso to discuss opportunity to transfer shelter services to SPCA

4/5/2017 Meeting between Bill Westervelt, Claire Louder, and representatives of Friends of Anne Arundel Animal Control.

4/24/2017 Bill Westervelt, Claire Louder, and Ron Dillon met with Mike Akers, President of Local 582

5/1/2017 Bill Westervelt and Claire Louder to meet with Sherry Durm, officer in Local 582 and rescue/foster coordinator for Anne Arundel County Animal Control Shelter

Statement of Objective/Issue:

To explore the feasibility of divesting animal sheltering operations, currently provided by the County at the Millersville animal control facility, and ceding those operations to the SPCA.

Pros:

- Likely to be some net reduction in operating expenses due to SPCA's lower personnel costs and higher reliance on volunteers for basic operations.
- Expanded fundraising possibilities since county agencies cannot fundraise and fundraisers cannot be hosted at county facilities.
- Project that the quality of services could be improved, resulting in a lower kill rate.
- Improved public perception regarding the humane treatment of animals under SPCA custody.
- Opportunity to expand SPCA's volunteer network and educational/outreach activities.
- Opportunity to expand county animal licensing, currently poorly utilized, through leveraging of technology such as online application, processing, and payment.

Cons:

- Anticipated opposition from the union, despite assurance by County Personnel Office that all represented employees would maintain current classifications in alternative positions.
- Concern expressed by Friends of Animal Control, although the County and SPCA could encourage collaboration between the two non-profits.
- Anticipated objection by current Animal Control management may complicate a smooth transition.
- County Animal Control currently charges significantly lower fees for animal redemption and adoption than the SPCA. SPCA's higher fees could be a deterrent to residents seeking to adopt.

Projected Savings:

Assumptions:

1. Only the sheltering activities of Animal Control would be assumed by the SPCA. The County would retain responsibility for all enforcement, dispatch and mobile response to dangerous animal complaints, kennel licensing, etc. Thus some current Animal Control staff and the vehicles would be retained by the County.
2. SPCA could assume responsibility for routine sheltering and adoption activities, as well as execution of animal quarantine orders as issued by the County.
3. Pending approval by its Board, SPCA will submit a proposal and budget based on the most accurate and recent data available to the County. SPCA will be seeking a multi-year agreement, with volume-based adjustments and certain front-loaded expenses in Years 1 and 2.

Projected savings in Year 1: Due to the grant required by SPCA in order to take over animal shelter operation, services will actually cost the county an additional $155,250 - $405,250 per year for years 1-4.

Projected savings over 10 Years: Long term savings over 10 years of between $2.45 million and $4.7 million assuming grant support can be reduced as scheduled.

Additional Fiscal Impact:

In shifting a substantial portion of Animal Control's current responsibilities to a well-reputed nonprofit organization, the County will likely experience a savings in personnel expenses (salaries and benefits.) This is because SPCA's salaries are lower than comparable County positions and much of the work is performed by volunteers. In addition to explicit annual savings attributable to lower personnel costs, the County may realize lower workers' comp and general liability claims with the transfer of shelter operations to a private contractor.

The new arrangement may also result in new revenue-generating opportunities for the SPCA. For example, authorizing SPCA to collect County licensing fees (a licensing requirement thought to have low compliance) at the time of adoption may generate additional income for the County to offset grant commitments.

Operational Implications:

The Commission's initial recommendation is to transfer the current county managed Animal Control Shelter Services to the SPCA. Animal Control Safety Services such as dangerous animals, bites, animal welfare, etc., will continue to be managed by the AAC Police Department.

Philosophically, we believe animal control shelters and services, with the exception of safety issues, is not a county government business, and partnering with a nonprofit may be the longterm answer. However, business issues in Animal Control such as capacity and scale of services are more of a "step function" than linear model. The actual transition from the county to a private provider is not a point in time conversion, and given the scale of change (quadrupling the operations of SPCA) it may be unsustainable without a significant transition period. This is an ongoing process and the Commission needs to better understand the business issues of a transition while working with Animal Control and SPCA.

For the County:

- The Memorandum of Agreement (MOA) will need to include an explicit and routinely observed delineation between those Animal Control activities retained by the County and those which are transferred to the SPCA.
- The MOA will need to identify measurable performance indicators (and perhaps bonuses and penalties) for both volume and quality of animal care.
- The MOA will need to include provision for routine and urgent communications policies between managers up to and including the Police Chief or designee and the SPCA CEO.
- Current communications and purchasing agreements between Animal Control and other County agencies will need to be reviewed and, if necessary, revised.
- Need to determine length of time SPCA will retain use of current Animal Shelter facility in Millersville.

For SPCA:

- SPCA will need to develop a significantly larger volunteer base and increase their number of paid employees. We anticipate that the Friends of Anne Arundel Animal Control will be an important component of this effort.
- SPCA will need to develop a management, communications and capital infrastructure to effectively operate a much larger organization in two locations, and eventually replace the county-owned Millersville facility with a new shelter (requiring a lengthy capital campaign).

Personnel Impacted:

Animal Control officers will continue to be employed by the Anne Arundel County Police Department.

Recommendation:

Based on the background materials, internal discussions and initial meetings, the subcommittee feels this initiative holds promise for the County to realize cost savings by leveraging the expertise, leadership and resources of a leading and well-respected local non-profit organization. Transferring sheltering operations to the SPCA aligns the County's on-going responsibilities with the mission of the SPCA, improves efficiencies for both the County and the SPCA and improves the quality of services provided.

The following are some additional benefits discussed by the subcommittee:

- Two non-profits with similar missions (SPCA and Friends of Anne Arundel Animal Control) could be encouraged to flourish collaboratively.
- More citizens could be engaged in volunteer activities and more community education and outreach could be provided.
- Customer service could be improved by streamlining animal adoption and licensing.
- The public reputation of Animal Control, currently not favorable, could be improved.
- The County could demonstrate its commitment to innovation and collaborative partnerships to better serve the public.

Timeframe for Implementation:

The subcommittee believes it is possible for the divestiture to be executed in FY2018. The go-live date would not need to be July 1, 2017, but once announced, the transition would need to be executed promptly due to business differences between the two organizations. To optimize a successful transfer, we recommend a transition period of up to one year to ensure smooth transfer of operations and knowledge from Animal Control to SPCA. We believe the cooperation of Friends of Anne Arundel Animal Control is also key to the success of this initiative.

Next Steps: [includes resources needed]

1. Solid operations data from Animal Control upon which SPCA can base a proposal.
2. Memorandum of Agreement drafted, including accommodations for transition.
3. Personnel relocation and transition plan by Office of Personnel.
   Legal review by Law Office.

Leasing vs. Owning County Buildings

Initiative: County owned real estate - lease or own?

Commission Liaisons: Jim Lighthizer, Lou Zagarino

Commission Process:

Claire Louder, Jim Lighthizer, Lou Zagarino, and Bill Westervelt met with Christine Romans, Nancy Noonan, Scott Welsh, and Samantha Harris from the County.

Statement of Objective/Issue:

Analyze own versus lease w/County owned real estate. 464,230 sf owned by the County in 3 different Annapolis office projects, and should any of this space be leased by the County instead of owned by the County. Some of the subject space is in desperate need of cosmetic improvements, as well as some larger one time capital improvements to the base building.

Pros:

- Ownership provides more flexibility to contract and expand pursuant to different departments' needs.
- It provides continual occupancy without relocating causing operational disruptions. Ownership provides long term lower cost of occupancy.
- Leasing provides tremendous uncertainty on future costs to the County, whereby Ownership has far more predictable costs.

Cons:

- Ownership requires ongoing capital expenditures, as well as maintenance.
- Ownership requires County procurement resources and processes.
- Ownership ties up capital.
- Moving within existing spaces to allow for retrofitting office space is a difficult, inconvenient process which can effect operational disruptions.

Projected Savings:

County owned real estate has an insured value which is close to market value, of $69m, w another $19m of required capital improvements. This total value and improvements cost of $88m, $189 per square foot. We used 2 standard methods of deriving annual occupancy costs which allow for a fair ownership versus rental apples to apples analysis.

This $189 psf cost amortized over 25 years at 5% results in a $13.40 per square foot net occupancy costs. The 2nd approach would be to apply a rent constant on the total project costs, 8% is market for this asset class, which multiplied by $189 per square foot equals $15.12 per square foot net. These per square foot occupancy costs of $13.40 and $15.12 per square foot are very comparable and a good summary of the occupancy costs to the County for these 3 owned office projects.

Occupancy costs were not provided but generally run between $8-9 per square foot for utilities, janitorial, common area maintenance, property taxes and property insurance. This total operating cost on top of the net occupancy costs above total approximately a maximum of $22.40 and $24.12 per square foot full service cost as compared to a $24 per square estimated market rental rate in similar class B office buildings in Annapolis. Ownership costs are flat annually, whereby the $24 psf rent would escalate at typically 2.5% annually based on market escalators.

Over 10 years these annual rent increases add $13,407,502 compared to the cost of ownership because of the flat cost of ownership. This total equals approximately $3 psf per year. Over 20 years the additional rental costs total $61,775,913 (See table following analysis). This 20 year total equals approximately $6.50 psf per year for 20 years. The compounding annual escalations make renting real estate much more expensive for the County than owning. Even with additional unexpected capital and tenant improvements the ownership cost is far less expensive than renting.

Additional Fiscal Impact:

This analysis does not take into account the County personnel required to procure venders to maintain and repair the properties. The County would benefit from efficiencies associated with other County procurement efforts with similar venders.

Operational Implications:

Leasing and Ownership both require county personnel to manage the County occupied real estate. The owned real estate requires more time and overhead than leasing, but not enough overhead to offset the economic advantage.

Personnel Impacted: No personnel are impacted by continuing to own the subject real estate.

Other Considerations:

Occupancies in spaces that are in need of repair need to be considered and planned out.

Recommendation:

Continue to own the real estate currently owned by the County, but spend all necessary capital improvements as well as tenant improvements. Both have been deferred for years.

Timeframe for Implementation:

Over the course of 1 year the County can design, permit and construct necessary tenant improvements and capital improvements to bring the subject properties up to an acceptable condition.

Next Steps:

Establish an occupancy plan to allow for renovating office spaces in need of repair. Develop plan to retire capital investment backlog over next ten years.

Lease vs. Buy Analysis

Assumption	Flat Cost	Total to	2.5%	Total to Lease	Increased Cost
464,230 sf	$11,141,52		$11,141,520.0		
@ $24/sf	$11,141,52		$11,420,058.0		
	$11,141,52		$11,705,559.4		
	$11,141,52		$11,998,198.1		
	$11,141,52		$12,298,153.4		
	$11,141,52		$12,605,607.2		
	$11,141,52		$12,920,747.4		
	$11,141,52		$13,243,766.1		
	$11,141,52		$13,574,860.2		
Year 10	$11,141,52	$111,415,20	$13,914,231.7	$124,822,702.0	$13,407,502.0
	$11,141,52		$14,262,087.5		
	$11,141,52		$14,618,639.7		
	$11,141,52		$14,984,105.7		
	$11,141,52		$15,358,708.3		
	$11,141,52		$15,742,676.0		
	$11,141,52		$16,136,242.9		
	$11,141,52		$16,539,649.0		
	$11,141,52		$16,953,140.2		
	$11,141,52		$17,376,968.8		
Year 20	$11,141,52	$222,830,40	$17,811,393.0	$284,606,313.6	$61,775,913.6

In School Childcare Services

Initiative: County provision of childcare services

Commission Liaison: Fran Phillips

Commission Process:

Claire Louder met with Rick Anthony, who provided detailed information about the Child Care Division which Fran Phillips then reviewed.

Statement of Objective/Issue:

Anne Arundel County Department of Recreation and Parks currently operates 39 child care programs during the school year, the majority of which are operated within Anne Arundel County Public Schools.

All Anne Arundel Child Care programs are licensed and comply with COMAR regulations. Anne Arundel County is also the only School Age provider in the State of Maryland to obtain and maintain a Check Level 3 in the Maryland EXCELS program. Compliance with rigorous licensing requirements ensures the programs can receive Department of Social Services child care vouchers to provide care to low-income families.

The Commission was asked to consider if Anne Arundel County should continue to provide child care programs through the Department of Recreation and Parks.

Pros:

- The Child Care programs operate through an Enterprise Fund, using no county funds to operate.
- The Child Care Division provides $650,000 in additional revenue to Anne Arundel County through pro rata shares, community use of schools fees, etc.
- In partnership with AACPS, the Department of Recreation and Parks does all the permitting for space in county schools, including for the four additional vendors who provide services in AACPS. The Board of Education has recognized the comparative quality of the county-operated programs.
- Anne Arundel County provides programs in low income areas in which private providers are unwilling or unable to support programs. These programs are funded through Department of Social Services child care vouchers and military subsidies.

Cons:

None identified.

Projected Savings:

County would lose income if they chose to divest of childcare services.

Additional Fiscal Impact:

Privatization of childcare services would potentially jeopardize provision of services in low income schools.

Operational Implications:

Since county daycare providers are generally at full capacity, there is no indication that the private sector is interested in expanding operations to county schools.

Recommendation: Anne Arundel County should continue to provide child care services,

Timeframe for Implementation: Immediate

Next Steps: Consider expanding county-operated programs where nonprofit providers are unable or unwilling to offer comparable services.

Custodial Services

Initiative – Custodial Services

Commission Liaisons: Jim Lighthizer, Lou Zagarino

Commission Process: Claire Louder, Jim Lighthizer, Lou Zagarino, and Bill Westervelt met with Christine Romans, Nancy Noonan, Scott Welsh, and Samantha Harris from the County.

Statement of Objective/Issue:

Analyze County Custodial Services efficiencies, Custodial Maintenance – Facilities Management Division maintains 2,212,800 square foot with 23 custodians. Each individual is responsible for 96,209 square feet.

4 supervisors, 23 custodial workers, and 5 facility attendants are currently employed, with salary and related costs being approximately $2m per year.

Pros:

In house personnel allows for immediate general labor for miscellaneous needs; such as special event set up and break down.

Cons:

Costs of personnel.

Projected Savings: Projected annual savings of $2-300,000 if contracted out.

Additional Fiscal Impact: Worker comp, retirement cost savings.

Operational Implications: Less general immediate assistance for County building needs.

Personnel Impacted: Custodial Supervisors, custodial workers and facility attendants.

Recommendation:

At a minimum, contract out evening custodial work which will eliminate 10 positions (2 facilities and 8 custodians). Continue day shift personnel to allow for cleaning services and essential cleaning functions. Retain 3 facility attendants to distribute information, and direct visitors. Consider outsourcing more custodial services based on costs of competitive bids versus county salary costs associated with these custodial workers.

Timeframe for Implementation:

1-7 years to allow attrition by not filling retirees' positions.

Next Steps:

Identify personnel eligible for retirement. Solicit competitive bids for janitorial needs not able to be met by County custodial workers.

Personal Property Tax Collection

<u>Initiative</u>: Engage an outside firm to handle the County's uncollected personal property taxes.

<u>Commission Liaisons:</u> Wes MacQuilliam, Bill Westervelt, Lou Zagarino

<u>Commission Process:</u> Wes MacQuilliam and Bill Westervelt met with Nancy Duden from Anne Arundel County's Office of Law and Karin McQuade from Anne Arundel County's Office of Finance

<u>Statement of Objective/Issue:</u> Currently, a collection attorney in the Office of Law makes $64,500 per year, but only a portion of that salary is used for collection as she also has other duties. Therefore, the Office of Law has a partial attorney salary of approximately $40,000 per year with $4,134 in partial benefits. A paralegal is solely devoted to collections and has a salary of $54,227 plus $6,134 in benefits. This is a total of $104,495 in salary and benefits. The Office of Finance employee does not factor in the calculation of possible savings because her position would perform the same duties for outside counsel that she currently performs for the Office of Law.

The County is not currently sending any cases to outside counsel. The last outside counsel contract was for FY 07 and was for a 30% fee. It may be higher now; but 30% is what was used for the purposes of this discussion.

When outside counsel is engaged for collections, they take a 30% fee of the original estimated tax assessment. If a return is not filed by a business, the personal property assessment is set artificially high because the government cannot determine the exact amount without the required reporting of the business. When outside counsel collects in Maryland, they file suit for that artificial amount and take 30% of that total. Thereafter, many of those businesses challenge the assessment and get a rebate. The rebate does not come from the outside firm, but rather from the County and the County is, therefore, never made whole. When cases are handled by Anne Arundel County Office of Law, they work with the businesses to determine the amount they actually owe, and then collect that amount. There is no 30% fee paid; no rebate is needed, and only the amount needed to make the County whole is collected.

The table below shows the amounts collected by the Office of Law for the last 12 fiscal years. It also shows the 30% fee that would be paid to an outside firm. 30% is a conservative figure due to the outside firm collecting an artificial amount as previously described.

Fiscal Year	Amount Collected	30% Fee
2017	$1,016,408.14	$304,922.44
2016	$794,359.85	$238,307.96
2015	$872,252.44	$261,675.73
2014	$504,209.28	$151,262.78
2013	$570,103.70	$171,031.11
2012	$510,564.86	$153,169.46
2011	$851,203.05	$255,360.92
2010	$802,666.89	$240,800.07
2009	$427,005.28	$128,101.58
2008	$759,354.25	$227,806.26
2007	$725,170.40	$217,551.12
2006	$1,005,711.64	$301,713.49

Pros: Engaging an outside firm to handle collections that the Office of Law has written off as uncollectible could bring additional revenue. For those few cases, it would not matter what contract percentage was agreed upon, as collecting anything would be better than nothing. Because there are so few of these cases, there is a possibility that outside firms would not be interested.

Cons: The fees paid to an outside firm are significantly more than the salary and benefits paid to the Office of Law staff dedicated to collections.

Projected Savings: The total salary and benefits of the Office of Law personnel dedicated to collections is $104,495. This is much less than the 30% fee on even the smaller amounts collected. Based on the data above, the average amount collected by the Office of Law is $736,584.15. Based on that average, the 30% fee that would be paid to an outside firm is $220,975.24. This is $116,480.24 more than the salary and benefits of the Office of Law staff.

Additional Fiscal Impact: None

Operational Implications: None if Office of Law personnel continue collections

Personnel Impacted: None if Office of Law personnel continue collections

Other Considerations: It is important to note that these debtors are also County residents and/or business owners. The goodwill garnered by working with them cannot be replaced by an outside collector dunning them for an artificially high assessment. The same holds true for all collection efforts. The outside counsel and collections firm's first interest is collecting the debt and getting paid their fee. The Office of Law works closely with the citizens to resolve any issues they are having so that all taxes get paid.

Recommendation: Continue to use the personnel in the Office of Law for collections but consider developing and RFP for an outside firm to handle the few cases that the Office of Law deems “uncollectable”

Timeframe for Implementation: Immediately

Next Steps: Develop RFP for cases that the Office of Law deems “uncollectable”