

THE POWER OF BEING UNDERSTOOD

PALM BEACH COUNTY

EXECUTIVE SUMMARY

High Level Spend Analysis & Budget Comparisons

February 2016

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Objectives

- Palm Beach County has a strategic goal to further fund infrastructure projects. Before evaluating potential options to raise funds the County desired to understand the relative efficiency of the current budget dollars relative to other selected peer counties
- The County also chose to have performed, a high-level analysis of three years of spend, to see if opportunities exist for savings within selected County funds
- This roadmap report includes data driven observations along with recommendations to assist in making informed decisions that could improve future efficiency and effectiveness
- The following County funds are in scope: General Fund, Palm Tran Fund, County Transportation Fund, Fleet Fund, and Risk Management Fund
- Budget category comparisons were made against data received for three selected peer counties
- Spend analysis was not compared to peers

PALM BEACH COUNTY

Budget Comparisons

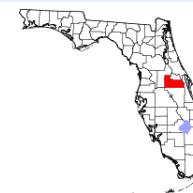
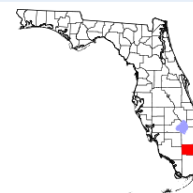
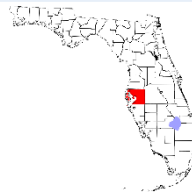
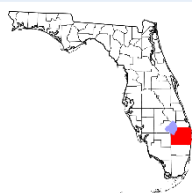


Budget Comparisons Approach

- Budget comparisons were completed by obtaining budget worksheets for 2014, 2015, and 2016 from Palm Beach County (PBC), Hillsborough County, Broward County, and Orange County (Florida)
- The Palm Beach County budget was reviewed to determine a common list of departments for analysis. Departments for each county were evaluated from respective Budget Books to match the determined department category to PBC's 'like' department
- Budget worksheet account items were tagged with an identified department
- Each department has an identified total budget for each county as well as an identified amount for portion funded by General Fund
- Comparison charts are shown to present the comparable data by department. Additionally, FTE's are presented for each department
- Graphs illustrate YOY trends for each department

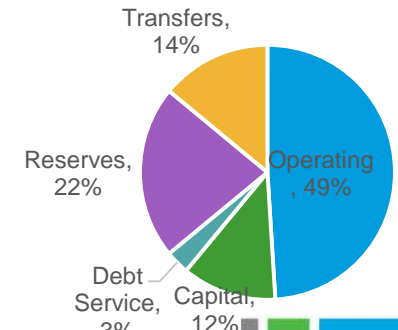
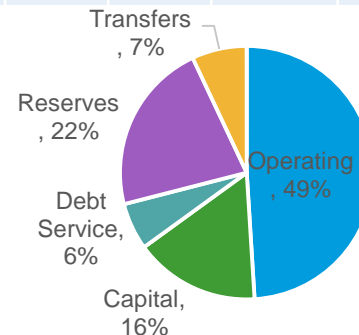
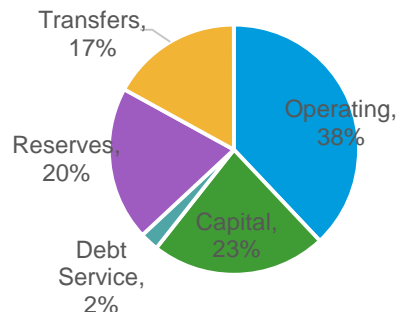
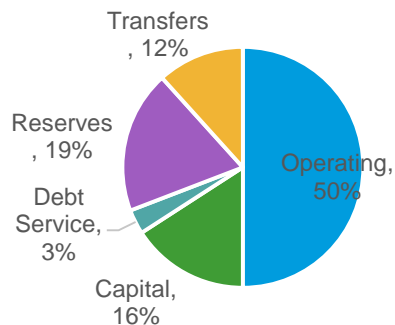
Demographic Comparison*

	Palm Beach	Hillsborough	Broward	Orange
Population	1.378 MM	1.301 MM*	1.803 MM	1.228 MM
Median Age	44	36.1	39.4	34
Median Household Income	\$52,203	\$46,534	\$51,694	\$50,138
Avg. Household Size	2.39	2.525	2.62	2.7
Area (sq. miles)	2,385	1,048	1,231	1,003
# of Employees working for county	11,028 (BCC – 6,213)	9,575 (BCC – 5,142)	11,400 (BCC -5,994)	10,037 (BCC – 7,109)
Board of County Commissioners	7	7	9	7
\$ Total Budget per Citizen	\$2,943	\$3,626	\$2,512	\$2,936
Budget Per Employee	\$367,747	\$492,731	\$397,281	\$359,151



County Fund Totals (in millions)*

	Palm Beach County				Hillsborough County				Broward County				Orange County			
	2014	2015	2016	%	2014	2015	2016	%	2014	2015	2016	%	2014	2015	2016	%
Operating (\$M)	1,850	1,907	2,028	50%	1,552	1,697	1,791	38%	2,175	2,168	2,232	49%	1,721	1,765	1,772	49%
Capital	558	580	643	16%	160	429	1,070	23%	789	734	716	16%	504	554	429	12%
Debt Service	179	165	134	3%	103	126	115	2%	257	262	264	6%	111	114	116	3%
Reserves	867	811	776	19%	852	979	941	20%	1,046	1,076	999	22%	824	804	799	22%
Transfers	491	507	474	12%	783	873	802	17%	250	276	318	7%	381	413	489	14%
Total All Funds	3,945	3,970	4,056		3,450	4,104	4,718		4,517	4,515	4,529		3,542	3,650	3,605	
<i>General Fund</i>	<i>1,071</i>	<i>1,122</i>	<i>1,175</i>		<i>808</i>	<i>1,055</i>	<i>1,104</i>		<i>1,121</i>	<i>1,068</i>	<i>1,131</i>		<i>606</i>	<i>795</i>	<i>818</i>	
General Fund as a % of Total Budget	27%	28%	29%		23%	26%	23%		25%	24%	25%		17%	22%	23%	



Department Summary Information

Each of the 37 analyzed departments of Palm Beach County were compared to the other counties on both a \$ amount comparison and a % of total budget/general fund

- Below shows how each of the departments of PBC ranked when compared to the average of the peer groups. This detail is shown in the full report but is summarized below. Please note that each department should be reviewed in greater detail for the factors that contribute to these differences
 - PBC **ranked above** peers in 13 of the 37 analyzed department categories based on \$ amount
 - PBC **ranked in line** with the average in 11 of the 37 analyzed department categories based on \$ amount
 - PBC **ranked below** the average in 13 of the 37 analyzed department categories based on \$ amount
- The following slides show each department as a % of the total budget and each General Fund as a % of the total General Fund

Department Summary Information (Con't)

Above	In Line	Below
Board of County Commissioners	BCC Administration	Engineering & Public Works
County Cooperative Extension Services	Community Services	Medical Examiner
Environmental Resources Management	Office of Equal Opportunity	Metropolitan Planning Organization
Fire Rescue	Facilities Department & Operations	Public Safety
Parks & Recreation	Information Systems Services	Office of Financial Management & Budget
Planning, Zoning & Building	Purchasing	Risk Management
Library	Value Adjustment Board	Airports
Fleet Management	Water Utilities	Tourist Development
Accountability Offices	Clerk of Courts	Judicial
Community Redevelopment Agency	Public Affairs	Supervisor of Elections
Tax Collector	Transit*	Human Resources
Property Appraiser		County Attorney
Sheriff		Legislative Affairs

*Note: Orange County and Hillsborough County Transit departments are funded through Special Districts. PBC and Broward are funded through County budgets. This skews the results for Transit. PBC would be in line if reviewed against all budgets.

Notes:

- Best efforts were made to make “like” department comparisons. Based on limit of scope we can not guarantee exact matches
- Miami-Dade was reviewed as an initial peer county but was excluded from analysis as detailed budget data was not provided and county/budget size was not comparable to peer counties
- Hillsborough County 2014 data is “actual” versus other county “adopted”
- For all counties: Data reporting excludes Criminal Justice Commission & Health Department, Other County Funded Programs, General Government
- For all counties excluding PBC: General Government includes transfers to departments and other operating expenses that are not included in this report. PBC transfers were added to the results and analysis
- For all departments: The “Includes”/”Excludes” box represents when data was pulled from a specific department identified within a county

PALM BEACH COUNTY

High Level Spend Analysis



Spend Analysis Approach

- Discovery phase analysis was done at a high level and based solely on expenditure data
- Recommendations from analysis are directional and highlight *possible* areas for further efficiency
- Recommendations do not imply that significant work has not been done by the county prior to this review
- Additional research, contract reviews, and interviews with county purchasing personnel are needed to vet all efficiency recommendations
- Spend charts are shown for the total county spend and a breakout of the General Fund
 - The top suppliers by category breakout and any efficiency recommendations are at the total county level

Spend Analysis Approach (Con't)

- Prior 3 fiscal years ended 9/30/2015
- All non-payroll disbursements from county AP System
 - ~960,000 lines of data & 44,170 unique vendors
- Classifications driven by vendor, object, fund and department
- Classifications based on “Logical Sourcing Categories” and independent of department or fund
 - E.G. Fleet classification not restricted to fleet department

Spend Analysis Definitions

- Spend divided into 3 types
 - Direct Control – Spend that can be directly impacted by strategic sourcing and purchasing
 - Indirect Control – Spend that will be more impacted by budget changes/reductions
 - Spend not traditionally sourced across industry
 - Transfers to other agencies to perform work
 - Governments and non-profits or social organizations
 - Personnel spend does not include payroll
 - Non-Controllable – No ability to impact spend
 - Debt services
 - Taxes
- For this spend analysis, sourcing practices and leading practices focus on the spend categories which the county appears to have direct control

Category Analysis Opportunity Definition

- Category opportunities are measure based on the following
 - Industry Opportunity – Is this a category that is typically strategically sourced and sees large opportunities for efficiency?
 - County Opportunity – Based on the data driven review of the county expenditures, is there possible opportunity for efficiency?
 - Score based on the size of spend, the number of vendors, and the industry opportunity
 - Can be impacted by specific county variables not addressed in this high level spend review
 - Is the county discontinuing service? Did the county recently renegotiate the contract? Is there only one vendor geographically who can serve this population?
 - Complexity – Across industry/sector how complex is this category

Spend Analysis Opportunity Summary

- Within the categories of spend which Palm Beach County has direct control, spend is done with a high level of efficiency
 - >75% of total direct controlled spend comes from the top 10 vendors in each spend category
- The majority of opportunities come from continued use of leading practices such as bidding required county contracts, monitoring and maintaining current county contracts, and auditing current contracts
- Areas for consolidation appear to exist in a few categories based on this data driven review
 - Additional research and review is needed to determine if these opportunities exist and to what extent

Spend Analysis Opportunity Summary (Con't)

- The results of this review highlight the following areas
 - Review high value contracts for audit clauses and perform cost recovery audits where appropriate
 - Utilities, Construction, Professional Services & Legal
 - Evaluate opportunities to consolidate suppliers in commodity type categories
 - Computer Hardware & Software, Office Equipment, Auto Parts, MRO Supplies, Office Supplies, and Food Service
 - Program review of selected service categories
 - Professional Service, Maintenance & Repairs
 - Select preferred suppliers
 - Negotiate standard rates

Spend Analysis Next Steps

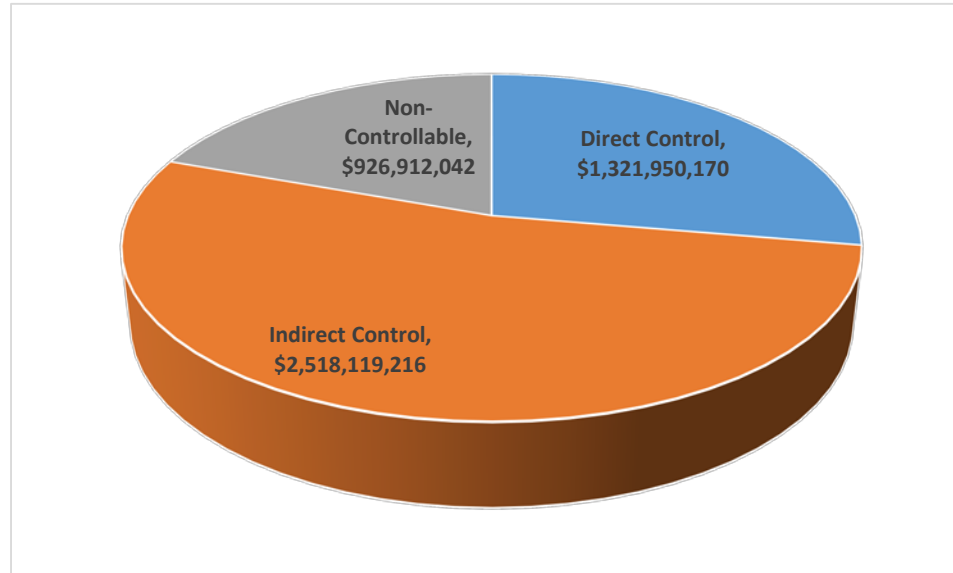
- Begin low risk opportunities
 - Utilities audit
 - Construction audit
- Determine areas for further investigation based on opportunity and complexity
- Review contracts and begin to negotiate new contracts where appropriate
- Address policy and procedure gaps where identified
 - This review did not address policies and procedures but a thorough review and education can increase overall purchasing efficiency

Annual Spend by Sourcing Type

Total County Spend

~27% of annual county disbursements are directly impactable by traditional sourcing activity

Sourcing Type	2013	2014	2015	Grand Total
Direct Control	\$ 434,690,181	\$ 407,330,765	\$ 479,929,223	\$ 1,321,950,170
Indirect Control	\$ 823,983,514	\$ 829,643,867	\$ 864,491,836	\$ 2,518,119,216
Non-Controllable	\$ 404,770,938	\$ 260,165,685	\$ 261,975,419	\$ 926,912,042
Grand Total	\$ 1,663,444,634	\$ 1,497,140,316	\$ 1,606,396,478	\$ 4,766,981,428

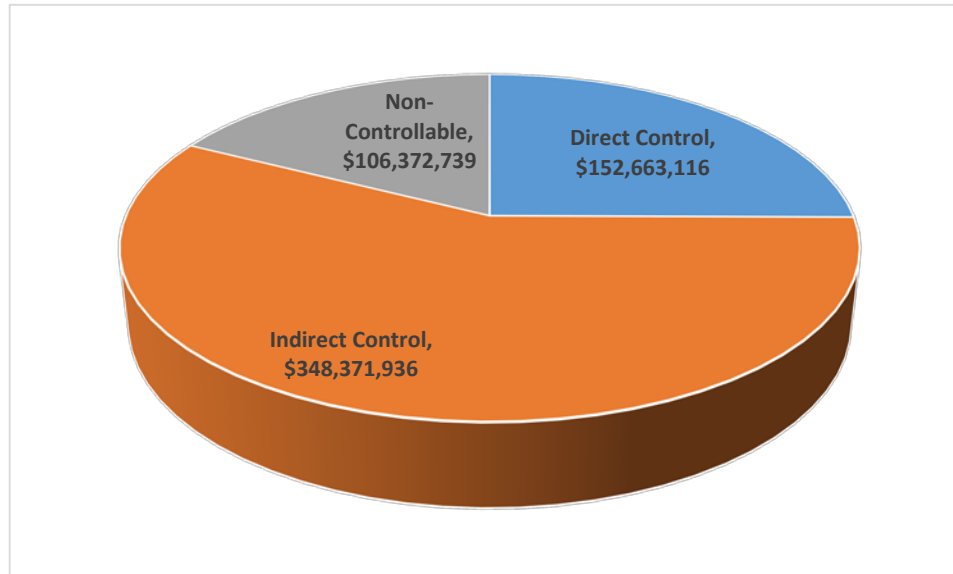


Annual Spend by Sourcing Type

General Fund Spend

~25% of annual General Fund disbursements are directly impactable by traditional sourcing activity

Sourcing Type	2013	2014	2015	Grand Total
Direct Control	\$ 48,992,904	\$ 49,686,784	\$ 53,983,429	\$ 152,663,116
Indirect Control	\$ 114,633,842	\$ 113,850,278	\$ 119,887,816	\$ 348,371,936
Non-Controllable	\$ 34,200,866	\$ 35,237,260	\$ 36,934,613	\$ 106,372,739
Grand Total	\$ 197,827,612	\$ 198,774,322	\$ 210,805,858	\$ 607,407,791

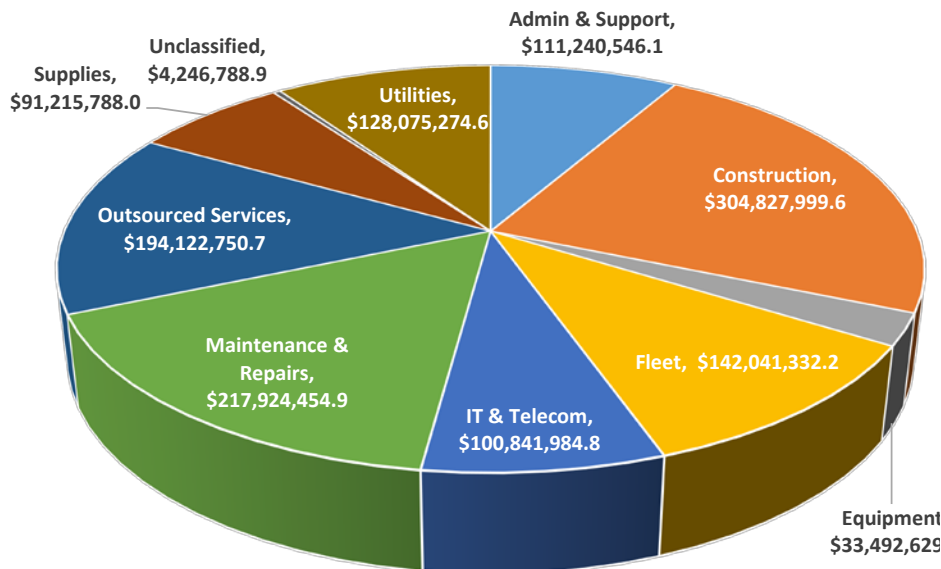


Spend by Sourcing Group (Direct Control)

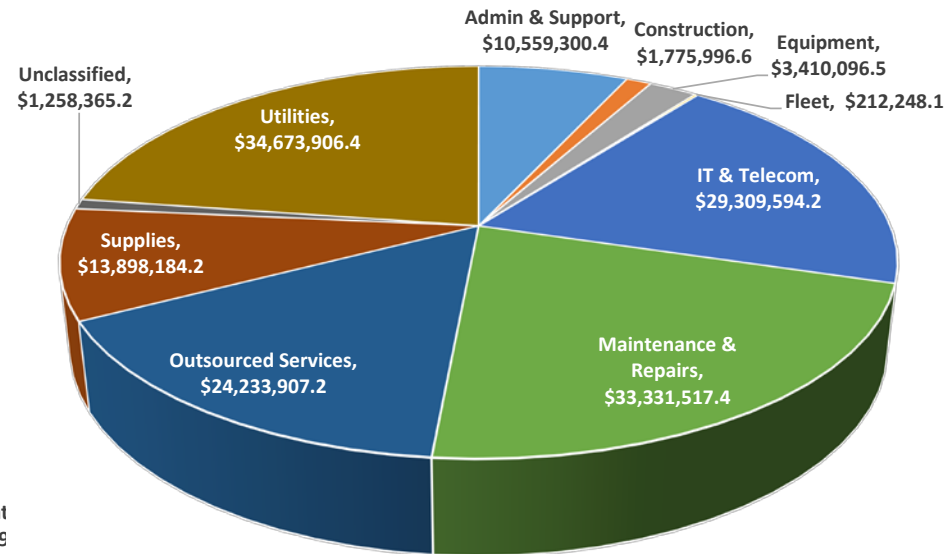
Total spend vs. General Fund

Comparison of total spend within directly controllable spend categories between the entire county and the general fund

Total county spend



General Fund spend



Annual Spend by Sourcing Group

Total County Spend

Sourcing Groups represent areas of spend that have similar types of spend or support a specific function

Sourcing Type		Sourcing Group	2013	2014	2015	Grand Total
Direct Control	Admin & Support		\$ 36,823,267.1	\$ 37,521,708.1	\$ 36,895,570.8	\$ 111,240,546.1
	Construction		\$ 112,075,239.9	\$ 81,872,748.3	\$ 110,880,011.5	\$ 304,827,999.6
	Equipment		\$ 6,577,976.5	\$ 8,261,377.9	\$ 12,573,895.4	\$ 33,492,629.9
	Fleet		\$ 43,737,381.8	\$ 42,588,318.7	\$ 55,715,631.7	\$ 142,041,332.2
	IT & Telecom		\$ 34,377,049.9	\$ 33,036,649.8	\$ 33,428,285.1	\$ 100,841,984.8
	Maintenance & Repairs		\$ 69,617,762.8	\$ 71,079,782.6	\$ 77,226,909.6	\$ 217,924,454.9
	Outsourced Services		\$ 60,550,374.1	\$ 59,922,675.2	\$ 73,649,701.4	\$ 194,122,750.7
	Supplies		\$ 28,164,968.5	\$ 29,868,315.0	\$ 33,182,504.4	\$ 91,215,788.0
	Unclassified		\$ 1,377,061.6	\$ 1,400,982.6	\$ 1,468,744.7	\$ 4,246,788.9
	Utilities		\$ 41,389,098.9	\$ 41,778,206.8	\$ 44,907,968.9	\$ 128,075,274.6
Direct Control Total			\$ 434,690,181.2	\$ 407,330,764.9	\$ 479,929,223.4	\$ 1,321,950,169.5
Indirect Control	Contributions & Transfers to Other Entities		\$ 741,359,675.1	\$ 735,408,469.6	\$ 766,146,636.9	\$ 2,242,914,781.6
	Items For Resale		\$ 2,106,258.8	\$ 2,217,595.8	\$ 2,600,857.6	\$ 6,924,712.2
	Personnel		\$ 80,517,580.3	\$ 92,017,801.1	\$ 95,744,341.1	\$ 268,279,722.6
Indirect Control Total			\$ 823,983,514.2	\$ 829,643,866.5	\$ 864,491,835.7	\$ 2,518,119,216.4
Non-Controllable	Financial Transactions		\$ 404,770,938.2	\$ 260,165,684.9	\$ 261,975,418.6	\$ 926,912,041.8
Non-Controllable Total			\$ 404,770,938.2	\$ 260,165,684.9	\$ 261,975,418.6	\$ 926,912,041.8
Grand Total			\$ 1,663,444,633.6	\$ 1,497,140,316.4	\$ 1,606,396,477.7	\$ 4,766,981,427.7

Annual Spend by Sourcing Group

General Fund Spend

Sourcing Groups represent areas of spend that have similar types of spend or support a specific function

Sourcing Type		Sourcing Group	2013	2014	2015	Grand Total
Direct Control	Admin & Support		\$ 2,788,392.2	\$ 3,922,394.8	\$ 3,848,513.3	\$ 10,559,300.4
	Construction		\$ 664,247.0	\$ 668,105.0	\$ 443,644.6	\$ 1,775,996.6
	Equipment		\$ 1,076,450.3	\$ 1,135,470.5	\$ 1,198,175.7	\$ 3,410,096.5
	Fleet		\$ 24,919.8	\$ 49,880.4	\$ 137,447.9	\$ 212,248.1
	IT & Telecom		\$ 9,383,431.2	\$ 8,934,333.8	\$ 10,991,829.3	\$ 29,309,594.2
	Maintenance & Repairs		\$ 11,172,879.0	\$ 10,799,674.9	\$ 11,358,963.6	\$ 33,331,517.4
	Outsourced Services		\$ 7,600,882.4	\$ 7,918,037.4	\$ 8,714,987.4	\$ 24,233,907.2
	Supplies		\$ 4,488,930.9	\$ 4,370,252.1	\$ 5,039,001.1	\$ 13,898,184.2
	Unclassified		\$ 329,656.8	\$ 349,045.0	\$ 579,663.4	\$ 1,258,365.2
	Utilities		\$ 11,463,114.0	\$ 11,539,590.1	\$ 11,671,202.3	\$ 34,673,906.4
Direct Control Total			\$ 48,992,903.5	\$ 49,686,784.0	\$ 53,983,428.8	\$ 152,663,116.3
Indirect Control	Contributions & Transfers to Other Entities		\$ 114,436,478.8	\$ 113,646,385.2	\$ 119,405,687.7	\$ 347,488,551.7
	Items For Resale		\$ 153,911.3	\$ 165,651.7	\$ 220,663.5	\$ 540,226.4
	Personnel		\$ 43,451.5	\$ 38,241.4	\$ 261,464.5	\$ 343,157.4
Indirect Control Total			\$ 114,633,841.6	\$ 113,850,278.2	\$ 119,887,815.7	\$ 348,371,935.5
Non-Controllable	Financial Transactions		\$ 34,200,866.5	\$ 35,237,259.6	\$ 36,934,613.2	\$ 106,372,739.3
Non-Controllable Total			\$ 34,200,866.5	\$ 35,237,259.6	\$ 36,934,613.2	\$ 106,372,739.3
Grand Total			\$ 197,827,611.6	\$ 198,774,321.8	\$ 210,805,857.7	\$ 607,407,791.1