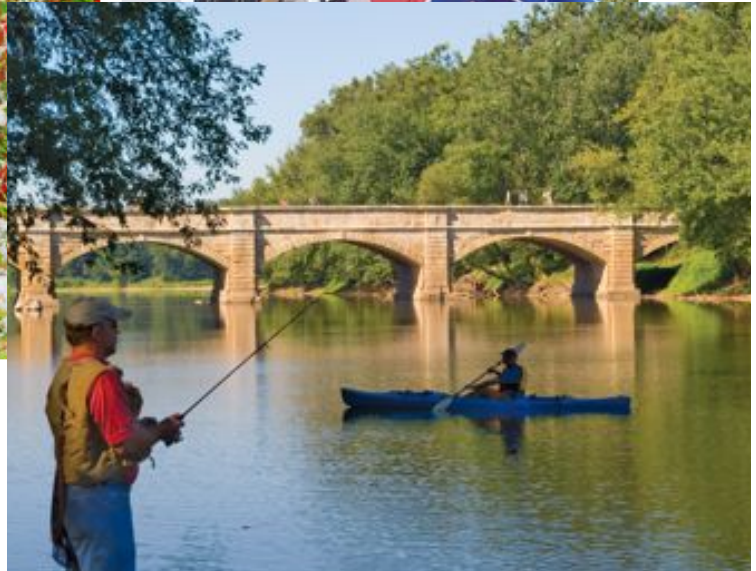


Frederick County, Maryland Services Assessment Study

June 16, 2011



Photos courtesy of Tourism Council of Frederick County.



PPP ASSOCIATES

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Executive Summary

Frederick County's leadership, both elected and managerial, has been diligent in seeking improvements in both the cost and quality of services provided to the citizens of the County. Recognizing the fiscal challenges facing the County, the Board of Commissioners selected PPP Associates to perform an analysis of the County's financial and operational performance to determine if there is a reasonable expectation that various services can be provided more efficiently by the private sector.

This assessment focuses its attention on three major areas:

- I. An array of core administrative and operating services that have been successfully provided in other locations under a Public Private Partnership (PPP).
- II. Additional service areas not included in the core services that might benefit from a PPP.
- III. The impact on long term liabilities that would result from conversion to a PPP.

Upon completion of the analysis, PPP Associates offers this summary of the findings.

1. The current operations, as improved by the budgets adopted over the past year, are, in general, well managed as compared to other "traditional" governments. Further improvements will be addressed by the internal Task Force formed by the Board of Commissioners in February 2011.

2. Through the adoption of the PPP model for the services outlined herein, Frederick County may expect a reduction in core departmental costs ranging from \$45 to \$70 million over the period of a five year contract. This reduction in costs represents a 13 to 21 percent annual savings over the current level of expenditures (\$335 million) for these services.

3. A reduction in the County's annual contribution to post-retirement health insurance is projected to be \$10 million over the life of the contracts.

4. A reduction in the County's annual contribution for pension liabilities is projected to be \$29 million.

5. Combining (2), (3) and (4), the total savings to the taxpayers of introducing the PPP model is projected to be \$84 million to \$109 million over the five year period. This reduction in costs represents a

25 to 32 percent annual savings over the current level of expenditures (\$335 million) for these services.

6. In addition, the adoption of the PPP model should result in a reduction in Long Term Liabilities for Pensions and Other (primarily health) benefits of \$32.7 million, representing a forty-nine (49) percent offset to the current level of unfunded pension liabilities.

7. Further savings will result from the reduction in future capital expenditures for equipment. Actual recovery of costs may occur with the sale of such equipment.

8. Based upon the magnitude of the savings projected above, and the concurrent improvement in responsiveness to the citizens' needs that has been evidenced in other PPP governments, PPP Associates recommends that the Frederick County begin the process of converting the array of "core" services outlined herein at as early a date as possible.

9. In addition to the savings that are available above, PPP Associates recommends that consideration be given to outsourcing contracts in the following additional service areas:

- a) Adult Detention Centers
- b) Alternative Sentencing
- c) Water and Wastewater Services
- d) Solid Waste Management
- e) Emergency Communications

10. Frederick County could experience up to \$36 million in savings over five years if a number of Grant Funded services could be shifted to other providers.

11. Total savings will depend on the quality of the Request for Proposals (RFP), interest generated by the County regarding the outsourcing opportunity and participation in the process by private industry.

Scope and Methodology

The leadership of Frederick County has recognized the need for seeking more efficient methods for conducting the county's operations and for curtailing the growth in long term liabilities. Steps were taken in the most recent budget process to control the operating expenditures by the county, however the long term liabilities continue to grow.

In an effort to ensure that the financial and service issues facing the county are addressed, the Board of County Commissioners formed an internal Task Force to analyze all County operations and to recommend countywide improvement initiatives.

PPP Associates LLC was selected to conduct a study of the operations and recommend, if appropriate, an alternative model for providing services. The scope of this engagement included a review and analysis of the County's financials and specific operational areas.

March 28: The study was initiated with an extensive data request to the Frederick County staff and a survey of the individual Commissioners.

April 4: Responses to the data request were received totaling over 400 pages of information.

April 4-10: Preliminary analysis of the data was conducted by PPP Associates.

April 11-12: An on-site visit to interview individual Commissioners, County Manager and key staff was performed. The interviews resulted in additional questions for staff.

April 13-20: Continued analysis based on additional information gained during on-site visits.

April 20: Responses to additional questions were received totaling over 200 pages of data.

April 20-27: Final analysis of Frederick County data and projection of costs developed based on similar PPP contracts.

April 27- May 5: A composite cost comparison between current County operations and the alternative of adopting the PPP model was conducted.

May 5-29: Analyses of individual services, both core and additional.

May 30 - June 15: Compilation of Final Report.

June 16: Presentation of Final Report.

A. CORE SERVICES

The first step in the analysis was to identify the services and functions that Frederick County performs that would be considered under the PPP model. The targeted areas include the following services and functions that have, in other local governments, been provided under Public Private Partnerships.

- Human Resources
- Interagency Information Technology
- Financial Administration
- Fleet Services
- Facility Services
- Community Development Services
- Internal Audit
- Public Works
- Parks and Recreation
- Court

These functions and services were analyzed in detail to ascertain if they would be appropriate for a public-private partnership (PPP) in Frederick County. All were found to be both appropriate and desirable for inclusion. For purposes of this report, this grouping of services/functions will be referred to as the "core" services.

Frederick County performs a wide variety of services/functions that in 2011 will require a total budget of \$438 million, with the operations portion amounting to \$223 million. Of the latter, core services comprise approximately 30 percent of the total.

Table 1 on page 5 provides a summary of the departments and associated FTE (full time equivalent) positions that were considered as "core" services with a potential for utilizing the PPP model.

Scope and Methodology

Core Services		
Department	# FTE	FY11 Budget
Human Resources	8.51	\$907,000
Interagency Information Technology	65.00	\$8,125,906
Financial Administration	53.42	\$5,227,105
Management Services Fleet Services Facility Services	101.50	\$20,889,776
Internal Audit	6.00	\$633,655
Public Works	167.20	\$17,556,024
Community Development Services	64.00	\$7,670,201
Parks and Recreation	48.01	\$5,341,349
Court	15.00	\$1,064,131
Total	528.64	\$67,415,147
Additional Services		
Adult Detention Center	115.00	\$11,633,726
Work Release	31.00	\$2,442,943
Central Booking	5.00	\$376,085
Alternative Sentencing	9.00	\$831,273
Water and Wastewater Services	129.50	\$31,995,483
Solid Waste Management	38.50	\$23,081,779
Emergency Communications	48.00	\$4,542,587
Grant Funded Services	128.00	\$5,800,000
Total	504.00	\$80,703,876
Grand Total	1,032.64	\$148,119,023

Table 1: Summary of FTEs and budgets in Frederick County service areas.

Scope and Methodology

By comparing the costs for the core services of Frederick County with the costs for other known PPP models comprised of similar services and functions, the study is able to quantify a cost comparison between the traditional model and the PPP model.

PPP Associates conducted a detailed analysis of the personnel requirements under the current budget to determine which, if any, of the employee functions might be appropriately transferred to private industry under the PPP model.

The estimate for personnel transfer is integral to deriving a projection of the impact on County contributions to Pensions and Other funds.

B. ADDITIONAL SERVICES/FUNCTIONS WITH POTENTIAL FOR OUTSOURCING

The majority of the County's costs are outside the core services area. While it is beyond the scope of the study to fully quantify savings for all these services, PPP Associates has reviewed the nature of these services and is able to provide recommendations for services that appear to be appropriate for further outsourcing to private industry.

The services/functions covered in the 2011 budget that were reviewed by PPP Associates for possible inclusion in this category include:

- Adult Detention (Jail Services)
- Alternative Sentencing
- Water and Wastewater Services
- Solid Waste
- Emergency Communications

GRANT FUNDED SERVICES

- Department of Aging
- Transit
- Office of Children and Families
- Family Partnerships
- Workforce Services

C. LONG TERM LIABILITIES

The analysis that PPP Associates conducted on the employee functions under the current budget and which might appropriately be transferred to private industry under the PPP model was also key to a projection of the impact on Long Term Liabilities such as Pensions and Other Funds

The County has a major commitment for Long Term Liabilities as illustrated by the July 1, 2010, level for the Pension fund of \$325.3 Million, with \$67.4 million being unfunded. An analysis was undertaken to determine the impact that conversion to the PPP model could have upon the level of the total liability. The analysis incorporated estimates obtained by the county staff from actual sources which were adjusted to conform to the level of reduction of County employees as projected in the study. Both the effect on retirement funds and other post employment benefit (OPEB) funds were calculated.

Findings

A. General:

1. The County has already taken steps to improve the efficiency of operations as indicated by the two (2) percent reduction in the budget from 2010 to 2011.

2. The current operations, as improved by the budgets adopted over the past year, are, in general, well managed as compared to other “traditional” governments. Further improvements will be addressed by the internal Task Force formed by the Board of Commissioners in February 2011.

3. There have been no broad surveys of citizen satisfaction in Frederick County in recent years; however, anecdotal evidence would indicate that, in general, there has been no widespread public demand for improved levels of service.

B. Leadership:

1. Both the Board of County Commissioners and the County Manager have a strong desire to move to a more efficient and responsive method for providing services. Surveys of these leaders’ views indicate a strong desire to find a more efficient service model that could cut costs in excess of ten (10) percent. In addition, there was a willingness expressed to move quickly to take advantage of any projected savings.

2. Commissioners expressed the view that there was no service/function currently performed by the County that they would not be willing to convert to a PPP if the citizens could experience lower cost and/or better service.

3. Commissioners expressed concern for existing employees and a desire that they be offered opportunities for continued employment where feasible.

C. Personnel:

1. A detailed review of positions by departments indicates that approximately 528 employees are currently involved in work within core services/functions.

2. Approximately two-thirds of employees are vested for pensions.

3. A majority of employees in core services will be employed by a private company(s).

4. Attrition of current county employees has been taking place at the approximate rate of ten (10) percent per year.

5. The County may construct PPP contracts to make provisions for impacting employees during the conversion to a PPP model. Such provisions might include, as an example: a requirement to retain a certain level of the existing employees. However, any provisions of this nature will reduce the initial savings that the conversion can offer.

6. Private industry will size their workforce to provide the right number of people to do the work.

7. PPP contracts have demonstrated that private sector employees can actually increase their rate of pay over time because output (production) increases. As a result, some of the savings realized through efficiency gains is returned to employees in the form of higher wages and bonuses.

D. Projected Savings

1. By the adoption of the PPP model for the services outlined herein, Frederick County may expect a reduction in departmental costs ranging from \$45 to \$70 million over the period of a five year contract. This reduction in costs represents a 13 to 21 percent annual savings over the current level of expenditures (\$335 million) for these services.

2. A reduction in the County’s annual contribution to post-retirement health insurance is projected to be \$10 million over the life of the contracts.

3. A reduction in the County’s annual contribution for pension liabilities is projected to be \$29 million over the life of the contracts.

4. Combining (1), (2) and (3) the total savings to the taxpayers of introducing the PPP model is projected to be \$84 million to \$109 million over the five year period. This reduction in costs represents a 25 to 32 percent annual savings over the current level of expenditures (\$335 million) for these services.

5. In addition, the adoption of the PPP model should result in a reduction in Long Term Liabilities for Pensions and Other (primarily health) benefits of \$32.7 million, representing a forty-nine (49) percent offset to the current level of unfunded pension liabilities.

Findings

6. Further savings may result from the reduction in future capital expenditures for equipment and actual recovery of costs may occur with the sale of such equipment.

7. In addition to the savings that are available above, PPP Associates finds substantial savings (Attachment B), in the area of 10 to 31 percent of present costs, may be accrued by conversion of the following additional areas:

- Adult Detention Centers
- Alternative Sentencing
- Water and Wastewater Services
- Solid Waste Management
- Emergency Communications

8. A reduction in County employees associated with the conversion of these additional services to private contracts is projected to save \$21.5 million in retirement and other benefits over a five year period.

9. There are a number of Grant Funded services that are requiring subsidies by the County. The following services fall into this category, requiring a combined subsidy of \$5.8 million, or approximately 43% of the program costs:

- Department of Aging
- Transit
- Office of Children and Families
- Family Partnerships
- Work Force Services

Transfer of these services to another provider could result in savings of \$7.75 million to the County by the reduction in operating subsidies and long term Liabilities (Attachment C).

D. Capital investment and Maintenance

1. Conversion to a PPP will result in a reduction in the capital investment by the county in future equipment and associated assets.

2. Conversion to a PPP may result in a reduction in the capital investment by the county in computer equipment and systems.

3. Conversion to a PPP will create a reduction in the capital investment by the county in maintenance facilities and warehouses.

4. The County may actually be able to recover capital by the sale of no longer needed equipment, systems, maintenance facilities and warehouses

5. Conversion to a PPP will reduce the cost of maintenance for equipment and systems.

6. Conversion to a PPP will reduce and/or eliminate the cost of warehousing and parts inventories for equipment and systems.

7. Conversion to a PPP will eliminate the cost of insurance on equipment, systems, maintenance facilities, warehouses and inventories.

E. Long term Liabilities

1. Long term liabilities associated with core services will be reduced by \$32.7 million in addition to the savings in operations costs.

2. Annual expenses associated with core services for Pensions and OPEB will be reduced by \$7.9 million annually for a five year savings of \$39.5 million.

F. Other

1. Conversion to the PPP model is a significant undertaking for both the County and private industry. To properly accomplish the parallel objectives of gaining efficiency and improved responsiveness to the citizens, it will be necessary to construct a contract for a minimum of five (5) years. To achieve maximum savings and effectiveness, a contract for a longer period may be desirable.

2. The maximum savings will be available through the conversion to the full PPP model.

Recommendations

A. Based on the findings presented in this report, Frederick County may save substantial costs by utilizing the PPP model for an array of core services and functions. As evidenced in other PPP governments, the concurrent improvement in responsiveness to citizens' needs leads PPP Associates to recommend that the county adopt the PPP model and initiate an early conversion to the model.

B. The Frederick County Task Force should continue its investigation of efficiencies to be gained in the services and functions not considered for conversion in this assessment to the PPP model.

C. Frederick County should consider the additional services that PPP Associates has identified in the Findings section of this report as potential areas for outsourcing to private firms, including:

1. Adult Detention Centers
2. Alternative Sentencing
3. Water and Wastewater Services
4. Solid Waste
5. Emergency Communications
6. Grant Funded Services

D. While beyond the scope of this study for PPP Associates to make a recommendation on the use of the projected savings, it is apparent that the Board of County Commissioners will have a number of options to consider for utilizing the projected savings, including:

1. Reducing taxes
2. Increasing capital programs
3. Growing reserves to offset future costs
4. Reducing the level of unfunded liabilities
5. All of the above

E. Should the County decide to convert operations to the PPP model, contracts should be for a minimum of five (5) years. To achieve maximum savings and effectiveness, multiple contracts should be awarded in various work package areas with Task Orders awarded on an annual basis. Based on performance, an automatic extension period of an

additional five years should be considered. Longer contracts may result in greater savings.

F. Any PPP contract should specify that every area of service/function should continue at the same or improved level of performance.

G. The maximum savings will be available through the conversion to the full PPP model. Components of the model may be able to offer savings but will miss the elements of synergy and cost sharing available through a full conversion.

H. A recommended minimum timeline for the conversion of Frederick County operations to a Public/Private partnership is provided in Attachment D.

I. The quality of the RFP process will be critical to generating competition and to the ultimate success of the procurement process.

J. The selection criteria considered in the Sandy Springs RFP provided a good balance between costs and other vital service factors including capabilities and approach and past performance.

K. It is recommended that a statistically valid survey be conducted to determine levels of citizen satisfaction with major areas of the County's services prior to the conversion to the PPP model. This will serve as a benchmark for future evaluations.

Analysis of Core Services

HUMAN RESOURCES

The Human Resources (HR) function in Frederick County is staffed by 8.51 FTE's who provide a broad range of services to over 2,400 regular county employees including, but not limited to: administration of employee benefits, recruitment and selection of candidates, wage and salary administration, affirmative action, training and employee counseling and assistance. These 8.51 FTE's are led by a Director and Deputy Director and supported by a benefits administrator, 4.5 FTE analysts/senior analysts and an HR technician. The department budget for FY11 totaled \$907,003.

Public-Private Partnerships in the area of human resources are a viable alternative to the current method of providing services. The costs of outsourced services are usually less than alternative options, including full time employees. Private industry has the expertise to quickly recognize and address problem areas and the technology to automate the day to day human resources (HR) administrative duties that cause most organizations to "over staff" their HR departments. Under this model, senior human resources consultants work with their local government customers on a part-time basis which allows organizations to spread the cost of executive level leadership (often at the Vice President level in a corporate model) across multiple organizations. Even organizations with 10,000+ employees do not require a full time Vice President of HR if they are properly staffed and have advanced levels of HR technology.

The private sector HR model efficiently mitigates risk associated with personnel management that may result in major losses. The outsourcing model often pays for the cost of its services by identifying and mitigating these risks and is typically provided by private industry on a fixed price basis.

Based on the current staffing levels in the Department it is not anticipated that a conversion in this area will result in significant savings. However, the County may experience improved levels of service and a transfer of long-term liabilities to the private sector.

INTERAGENCY INFORMATION TECHNOLOGY

The information services function in Frederick County is staffed by 58 FTEs providing a broad range of services to the Board of Education, Frederick Community College and agencies of County government. The services provided include, but are not limited to: Information Technology (IT) help desk, email support, security assessment, back-up and safe-keeping of documents, software integration, voice services, video services, project management and GIS services. The County has a sophisticated IT infrastructure with a substantial amount of high-end equipment and consideration should be given to how to best support that investment. The department budget for FY11 totaled \$8,185,906.

Our interview with the current department head revealed a focus on future management responsibility in the areas of contract management, vendor management and information center management. The department head also identified concerns regarding the on-going challenge of refreshing and retraining for existing employees in order to provide the level of expected services. All of these issues can be addressed through an appropriately structured PPP with a private vendor.

In the area of IT, there are several approaches or versions of the "Outsourcing Model." The County may consider any of the following or a combination of the choices to find the best fit for their needs.

Total outsourcing – All systems, infrastructure, communications, licensing, workstation and support staff are turned over to or supplied by the contracting vendor and the County pays a monthly fee for the use and support computing needs. All systems and support are owned by the vendor and at the end of the contract are retained by the vendor unless otherwise purchased by the County. Transition issues with support, data retention/transfer, software

Analysis of Core Services

INTERAGENCY INFORMATION TECHNOLOGY (CONTINUED)

licensing, and potentially a large capital expense, can result at the end of this type of outsourcing solution. The County has little control over the process and location of resources in place to support its efforts.

Partial outsourcing: Most, if not all of the higher cost infrastructure and software is supplied by the contracting vendor for a fee. Support staff and support processes and services like backups, data/communications lines and contracts are all supplied by the vendor. The County may own some of their own legacy equipment, for example phones, desktop/laptops, radio dispatch, but it is managed and staffed by the vendor moving forward. Similar issues with licensing and capital equipment purchases can still result at the end of this type of agreement.

Staff Outsourcing: The most viable solutions are typically the Sandy Springs model. In this model, the City owns or leases the infrastructure and the software needed to run the City and support its citizens. The investment in hardware and infrastructure is guided by the vendor and by the government's procurement process. Deployment is focused on the needs of the government. Reaction time to County needs and opportunities are reduced and focused training and deployment of resources can be acted upon. In this model, the IT staff is outsourced. In the recently implemented Sandy Springs model, the IT staff supporting the City is a mix of new management and engineering resources teamed with in-house expertise to ensure a smooth transition and continued high performance. The transfer of these key resources to the Vendor's payroll keeps that critical knowledge in-house and shortens the ramp up and transition time for the vendor.

It appears that there is a well-planned infrastructure in place in Frederick County. The complete outsourcing (sale or ownership transfer) of this equipment to a contracted vendor does not seem to be in order. Leveraging a contracted IT support staff to manage this environment would be a better approach. The infrastructure in place should support substantial growth and accommodate new technology in the way of virtualization and shared storage. These

two technologies can provide substantial benefits by themselves and should be part of the IT team's planning horizon.

Considerations:

Retrain / hire new staff to optimize productivity and effectiveness

1. A benefit of outsourcing is the ability to utilize the resources you need, as needed, and not have them as an FTE. Outsourcing gives the County the ability to hire one firm and gain access to needed resources.

2. Tight governance for these resources ensures that performance measurements are in place and work is completed as expected. Contracted resources are managed to achieve a more competitive level to keep in sync with performance metrics for continued employment.

3. By engaging a full service managed IT team, the County is hiring specialist level resources that may not be affordable individually.

Provide an active staff proficient in contemporary computer applications

1. Staff for contracted IT must remain up to date on all current technology to be a viable business. This model avoids the pitfall of stove piping of staff resources that are too isolated and insular in their role.

2. Need to be able to manage legacy applications but also handle transitions to newer technology as needed. In rapidly changing environments risks increase as usage goes up and more people rely on a resource.

Backup and Disaster Recovery Plan

The County should closely consider the current backup and off-site storage processes in place. Offsite storage of backups and data are critical components of the support and security policies necessary for the efficient operation of the County's IT systems. These plans should dovetail into a comprehensive and testable disaster recovery plan.

Analysis of Core Services

INTERAGENCY INFORMATION TECHNOLOGY (CONTINUED)

Efficiencies may be gained by sharing support infrastructure (rack space, power, cooling) with neighboring cities or counties for housing offsite backup, storage and/or other systems, potentially including VoIP communications. These sites can act as viable failover locations in the event of a disaster and because the remote sites are not located in very expensive commercial data centers, they are available at virtually no cost to the County.

Virtualization

The County may wish to consider additional virtualization of the application servers in use. The ability to leverage virtualization technology to maximize flexibility, stability and uptime is important. Virtualization is not a fit for all server applications, but where it can consolidate servers and provide alternate configurations based on needs and requirements, it is a great solution. It is difficult to determine just how much of the County's environment could benefit from this type of technology without a full analysis of the current landscape and how the County plans to use these systems in the future, but virtualization is the cornerstone of nearly all current IT systems today.

Security

Security for the County's classified information is of paramount importance. The move by hackers and malware producers to target local governments for data theft and security breaches has increased. This is an area where outsourced expertise is invaluable. The ever-changing nature of this environment and the rising risk levels make this an exceptional area for the use of experts trained in this specialty.

Hosted vs. in-house

Issues and concerns arise with software control, upgrades, security, access to files and data, future flexibility, and updates when a hosted or software as a service (SAAS) model is deployed. All of these issues can be successfully managed for the benefit of the County but they must be addressed up front and not after problems surface. Close control and

management of the software programs used by the county will provide a more integrated and accessible network. Under an existing PPP model, similar types of services are provided on a fixed price basis.

FINANCIAL ADMINISTRATION

The finance and accounting function in Frederick County is staffed by 53.42 FTEs and provides the following functions: accounting, budget, purchasing, treasurer and risk management. The department budget for FY11 totaled \$5,277,105.

When comparing several critical Frederick County workload indicators (see Table 2) such as W-2s processed, budget transfers and bids issued to the non-traditional PPP model, it appears that savings and efficiency improvements may be found in the areas of budget, purchasing and accounting.

Workload Indicator	PPP Model	Frederick County
W-2 Processed	500	3,538
Budget Transfers	7	275
RFPs/Bids Issued	120	210
Budget (All Funds)	\$160,000,000	\$438,308,019
AP Checks Processed	5,200	22,719

Table 2: Comparison of Frederick County Financial Administration Workload Indicators to PPP model.

Based on a review of key workload indicators, the PPP model compares favorably with Frederick County. When comparing staffing in the areas of purchasing, accounting and budget, Frederick County has eleven FTEs in purchasing compared to two point five under the PPP model; twenty-six FTEs in the area of accounting compared to five; and, five FTEs in budget compared with 1.5 under the PPP model.

In the area of budget transfers, Frederick County had 275 as compared with 7 for the PPP model. Utilizing the PPP model has proven to significantly reduce budget transfers

Analysis of Core Services

because the responsibility falls upon the contractor to account for items that are typically accounted for by the government finance department.

Function	PPP Model	Frederick County
Purchasing	2.5	11
Accounting	5	26
Budget	1.5	5
Total Staffing	18.5	53.42

Table 3: Comparison of Frederick County Financial Administration Staffing Levels to PPP model.

Public-Private Partnerships in the area of financial services are a viable alternative to Frederick County's current method of providing services. This service can be provided by private industry on a fixed price basis.

MANAGEMENT SERVICES

Management Services is comprised of Fleet Services, Facilities Services and Maintenance. This Division has 101.5 FTEs providing services with an FY2011 Budget of \$20,889,776.

Fleet Services

The Fleet Services Division is staffed by 28 FTEs and provides vehicles, maintenance on vehicles and repairs for vehicles and equipment in support of the County's operating departments. The Division is responsible for maintaining and servicing approximately 984 pieces of equipment ranging from light trucks, police sedans, fire pumpers, ambulances, buses and a variety of heavy equipment including dump trucks and motor graders. It is estimated that in FY2010, the Division conducted 3,225 annual preventive maintenance inspections and over 5,500 work orders. The Division is operated as an internal service fund with an FY2011 budget of \$10,539,536.

Of this total, approximately twenty-seven (27) percent or almost \$3 million was allocated for work orders that were completed on vehicles. Preventive maintenance services totaled an additional \$687,358.

Public-Private Partnerships in the area of fleet management services are a viable alternative to the current method of providing services. This service has been provided under a PPP model in several governments.

According to a 2009 report by the Reason Foundation¹, there are significant benefits to outsourcing this service area including long-term operational savings, consolidation of inventory, shifting of risk to the private sector for capital and maintenance, ability to tap into the latest technological expertise in the private sector and the opportunity to address backlogs in deferred maintenance.

The Reason Report found that experiences from numerous jurisdictions demonstrate that contracting can result in substantial first-year cost savings and even greater savings in subsequent years. The report found that in jurisdictions that had converted to the PPP model for fleet services that wage levels remain generally the same but that the numbers of employees and overhead is reduced due to greater productivity.

Examples cited in the Reason Report highlight the savings achieved by the State of Virginia, City of Indianapolis, Indiana, City of Dallas Texas and potential savings to be achieved by the City of San Diego, CA. (See Table 4, page 14).

¹Gilroy, Leonard C., et.al., (December 2009). *Savings for San Diego: Vehicle Fleet Maintenance*. Retrieved from http://reason.org/files/pb84_san_diego_fleet_maintenance.pdf.

Analysis of Core Services

Government	# of Vehicles/ Equipment	Annual Savings from Conversion
Commonwealth of Virginia	4,240	25%
City of Indianapolis	2,202	21%
City of Dallas	4,600	\$910,000 (first year savings)
City of San Diego	4,240	10% to 25%

Table 4: Comparison of Frederick County Fleet Services to PPP Models.

The San Diego model is similar to that of Frederick County from the standpoint of funding for fleet replacement. Based on a reduction in vehicles due to greater efficiency or lesser costs from leasing, fleet replacement costs may be avoided resulting in additional savings.

Facility Services

The Facility Services Division provides management and custodial services for 25 county locations, security services and mail services to a number of county locations totaling approximately 1.3 million square feet. The division is staffed by seventy and one-half (70.5) FTEs and provides a variety of services to County Departments including: building maintenance and repairs (heating, cooling, electrical); security (ID badging and access control); lease management and custodial. The department has 13 highly skilled and licensed masters that conduct inspections and repairs and help to determine future capital building needs for budget purposes. Each county building has a building manager (collateral duty) assigned by a division director who serves as a liaison to management services. The department also has responsibility for the County Warehouse.

The Division provides custodial services with existing county staff as well as through a contract with the Scott Key Center. The Scott Key Center services approximately nineteen (19) buildings and county staff services nine (9), with two buildings

being served through a combination of staff and contractors. The Division also provides mail and courier services, schedules buildings for use by outside groups and is responsible for purchases of furniture.

The Division's budget for building maintenance for FY11, including recoveries, was \$8,523,277. The warehouse services budget, including recoveries was \$3,832,557 for FY11. The combined total for both building maintenance and warehouse for FY11 was \$12,355,834. Of this total, \$4,247,650 is allocated to salaries and benefits.

Public-Private Partnerships in the area of facility management services are a viable alternative to the current method of providing services. Facility maintenance services are provided by private industry under the PPP model for numerous government agencies at the federal, state and local level. In fact, all of the functions of the division are routinely performed on a daily basis by private industry.

Recent contracts by major facilities services companies for similar type facilities show a range of costs from \$2.23 to \$4.09 per square foot for operations and maintenance (O&M) services. Included in this range are the following: office building, \$2.23 per foot; court house, \$3.52 per foot; and, public library at \$4.09 per foot. A recommended average for Frederick County facility maintenance would be approximately \$2.47 per foot. Utilizing this figure multiplied by the estimated total square feet of Frederick County government facilities results in a total of \$3,211,000.

COMMUNITY DEVELOPMENT SERVICES

The Community Development function in Frederick County is staffed by 66 FTEs and is comprised of the Community Development Division, Department of Economic Development and the Department of Permits and Inspections. This Department has undergone several changes in the last two years in an effort to become more efficient and user friendly. The department leadership explained that recent financial challenges have necessitated the need to explore additional cost saving opportunities.

Over the past three years new residential,

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commercial and industrial construction activity has continued to remain significantly below historical averages. Residential permits have declined from an average of 1,700 in the latter part of the previous decade to an average of just over 500 for the last three fiscal years, a decline of nearly 71 percent. Commercial and industrial construction has seen a similar decline in activity. Over this same period of time, the County experienced a 25 percent reduction in staffing.

Many communities have adopted a fee for service model for permitting and inspections that is structured to ensure that costs of services equal total revenue collected. In Frederick County, total fees collected do not cover the total cost for service. In FY2010, revenue collected totaled \$6,020,769. Of this, \$5,171,911 represented permitting, inspection, review, investment income, rental income and administrative fees. In order to balance this account, the General Fund subsidized this activity by a total of \$848,858. In FY 2011, this trend continued with a budgeted use of fund balance, which is anticipated to be approximately \$1.1 million.

Function	PPP Model	Frederick County
Planning	6.0	21
Permitting	As necessary	43
Economic Development	0.5	5
Budget	\$2.4 M	\$7.67 M

Table 5: Comparison of Frederick County Community Development Budget and Staffing.

Public-Private Partnerships in the area of Community Development, Economic Development, Planning and Development Review and Permits and Inspections are a viable alternative to the current method of providing services. This service can be provided by private industry on a fixed price, percentage of fee or combination method. PPP's are typically structured on a fixed price arrangement for many of the service areas identified above. In the

case of Permitting and Inspection Services, a percentage of fees arrangement is an attractive approach typically resulting in savings for the County. Utilizing this approach, the County could expect to pay private industry between 80 percent and 90 percent of fees collected and retain between 10 percent and 20 percent. This approach has the potential to eliminate the need for continued general fund subsidy and has the added benefit of revenue generation via fees returned to the County.

Outsourced staffing through a private company may be utilized for Planning and Zoning and economic development service areas resulting in improved efficiencies and savings.

INTERNAL AUDIT

The Internal Audit Division is currently staffed by six (6) FTEs with a primary focus on evaluating the effectiveness and efficiency of operations and to ensure compliance with adopted policies and procedures. The Division was established in 1978, and currently serves Frederick County Government, Frederick County Public School System and Frederick Community College. The Division Director reports to the Interagency Internal Audit Authority comprised of representatives from the Board of County Commissioners, Board of Education, Frederick Community College and four representatives of the public who have backgrounds in accounting and auditing. The total budget allocated for this function for FY 12 is \$641,108.

The Division receives direction and guidance from Division Directors and Department Heads as to the specific areas of focus for the year. The stated goal of the Division is to identify cost saving opportunities, recovery of costs and to recommend improvements to processes.

For the past two years the adopted budgets for this Division were \$735,309 in FY10 and \$630,655 in FY11 for a two year expenditure total of \$1,365,964. According to a summary report provided by the Division, there have been numerous recommendations for process improvements in areas including the Division of Public Works, Human Resources, Frederick Community College (Dining

Analysis of Core Services

Services and Student Registration) as well as a total of \$63,923 in quantifiable recoveries for the County, Public Schools and Community College. (See Table 6). There were also two other potential areas of recovery related to equipment overcharges in school construction management that were identified, but have yet to be recovered totaling \$19,636.

Frederick County	Last Two Years
Recoveries	\$63,923
Average Annual Cost	\$682,982

Table 6: Recoveries versus Average Annual Cost.

The average annual expenditure for this service over the past two years has been \$682,982 with an average annual savings in direct recovery of funds for the County and related agencies of \$31,962. The rate of return on each dollar invested over this period of time is slightly over four and one-half percent or \$0.467 cents on each dollar.

Public-Private Partnerships in the area of internal audit services are a viable alternative to the current method of providing services. Under a PPP arrangement this service can be provided on an hourly, not-to-exceed, fixed price amount. Overall savings in this area will depend on how broad or narrowly defined the final scope of services is determined to be.

PUBLIC WORKS

PROGRAM DEVELOPMENT AND MANAGEMENT/ CONSTRUCTION MANAGEMENT/PROJECT MANAGEMENT SERVICES

Program management, construction management and project management services in Frederick County are provided by a staff of 47.6 FTEs and when workload exceeds staff capacity, third party inspectors may be utilized. Program management staff provides land development infrastructure review and construction inspection of roads and related infrastructure. Construction management staff is responsible for providing construction inspection, contract administration and constructability reviews

of developer initiated work. Project management staff is responsible for executing the County's capital building construction program. A department head provides leadership and supervision to this division. A review of the FY11 Comprehensive Annual Financial Report (CAFR) shows construction costs incurred of approximately \$28.9 million. A review of the FY11 budget for this function shows that the total cost including: salaries, benefits, operations, capital outlay, when offset with recoveries was approximately \$5.5 million.

Public-Private Partnerships in the area of construction management and project management services are a viable alternative to the current method of providing services. This service can be provided by private industry on a fixed price or hourly not-to-exceed basis. Under an existing PPP model, construction management and project management services for similar types and dollar value projects are provided for approximately \$2.5 million. See Table 7 on page 17.

Item	PPP Model	Frederick County
# FTEs	19	47.6
Personnel Budget	\$2,500,000	\$5,500,000
CIP Project Value	\$19,671,000	\$28,900,000

Table 7: Comparison of CIP Program Management Staffing and Budgets with PPP Model.

It should be noted that staffing requirements will vary by jurisdiction depending on the complexity of the types of projects as some lower value projects may require a higher degree of oversight and management (i.e. storm water and building projects).

TRANSPORTATION ENGINEERING AND HIGHWAY OPERATIONS DIVISION

Transportation Engineering services in Frederick County are provided by a staff of 12 FTEs, and include a variety of responsibilities administering engineering, planning and traffic programs for the County road system. Highway Operations services are provided by 101 FTEs who are responsible for

Analysis of Core Services

maintaining bridges, roadways, and traffic control and safety programs. Staff scheduling and work assignments are driven by both routine preventive maintenance and customer work orders. The combined budget for the two divisions for FY11 was approximately \$14 million. Of this amount, approximately \$7.8 million represents salaries and benefits.

Under an existing PPP model, similar types of services are provided by a general contractor that is responsible for planning, designing and maintenance of projects as well as managing a variety of sub-contractors. (See Table 8, below).

Under the PPP model, the sub-contractors are responsible for the field services work that includes road maintenance, bridge and culvert maintenance, grass cutting, road patching, storm water maintenance, litter pick-up, road striping and sign installation.

A comparison of key workload indicators averaged over the past two years shows the PPP model community compares favorably with Frederick County Highway Operations Division.

Workload Indicator	PPP Model	Frederick County
Centerline Road Miles	350	1,266
6 Year Pavement Budget	\$21,221,970	\$46,127,473
Bridge/Deck Repairs Completed	11	6.5
Drainage Problems	671	214
Signalized Intersections	120	16
Traffic Signal Problems	1,707	12
Annual Work Orders	6,519	2,067

Table 8: Comparison of Public Works Workload Indicators to PPP Model.

Under the PPP model, the entire Public Works budget for FY12 is anticipated to be approximately \$7.7 million. This includes approximately \$3 million for the general contractor services (Department head, traffic engineering, field service oversight, storm water division, program management) and \$4.6 million for all subcontracts to provide a variety of field services.

Jurisdiction	FTEs	Personnel Budget	Total Budget
Frederick County	113	\$7,800,000	\$14,000,000
Sandy Springs PPP	25 plus sub-contractors	\$3,086,205	\$7,667,425

Table 9: Comparison of Frederick County Public Works Costs to PPP Model.

Customer Service

In addition to the cost efficiencies typically realized under PPPs, customer service response is also a key benefit of the model. For example, under the Frederick County model there are no specific completion timeframes for citizen requests entered into the work order system. Based on feedback received to a question on response timelines, the Division attempts to contact a complainant within 24-48 hours.

Under the PPP model there are established performance metrics for responding to various types of calls for service. Priority I calls are urgent requests that must be completed within 24 hours of receipt. Priority II calls are those calls that are not urgent but are of a high priority and must be completed within 72 hours of receipt. Priority III calls are routine requests for service and must be completed within 7-10 business days of receipt. Calls are tracked through the work order system and reported to elected officials, senior staff and citizens via a monthly performance metrics report.

Analysis of Core Services

Failure to meet established standards may result in penalties and/or loss of contract.

Other PPP Examples

Other communities that have experience converting to the PPP model for public works services have also had positive experiences, both in cost savings as well as customer satisfaction. On average, these communities have experienced savings in the range of eight (8) percent to seventeen (17) percent. As depicted in Table 10 below, the governments of Long Beach, MS; Gulfport, MS; Tupelo, MS and Pinellas Park, FL have realized cost savings through conversion to the PPP model.

Jurisdiction	% Savings through PPPs
Long Beach, MS	16.17%
Gulfport, MS	17.66%
Tupelo, MS	9.28%
Pinellas Park, FL	8.30%

Table 10: Comparison of PPP savings.

Public-Private Partnerships in the area of Transportation Engineering and Highway Operations are a viable alternative to the current method of providing services. All of these services can be provided by private industry on a fixed price, unit price or a combination basis.

PARKS AND RECREATION

Parks and Recreation services in Frederick County are organized into four areas: Parks, Recreation, Administration and Capital Development. These services are provided by a staff of 48 FTEs; plus 150 to 200 PT laborers in the summer months, and include a variety of responsibilities such as operating fifteen (15) parks including twenty (20) shelters and fifty-eight (58) ball-fields. Ten (10) of the FTEs are exempt employees who are working in support of recreation programming. The remaining thirty-eight (38) employees are non-exempt. The Department is also responsible for the programming and registration

for special events, trips, crafts as well as a variety of other activities.

The Division's budget for FY11 was approximately \$5.34 million. Of this amount, approximately \$3.6 million represents salaries and benefits. Over the past several years, the Department has seen an increase in funding available for capital development, made possible by a transfer tax coming back to the County. This has allowed the County to continue to add new facilities and renovate existing ones. Classes and programs are budgeted to collect twenty (20) percent more than the anticipated cost which is intended to achieve full cost recovery.

The Parks Maintenance group has four geographic areas of responsibility and they handle snow removal, grass cutting, maintenance of athletic fields and small repair jobs. The group has also been tasked to maintain the grounds of other non-park facilities such as the Sheriff's Office, library, nursing home and county parking lots. Some seasonal mowing and landscaping work is contracted out during April to October.

Under an existing PPP model, similar types of services are provided under contract by a prime provider who utilized eight and-a-half (8.5) FTEs that are responsible for planning, programming, scheduling of facilities and oversight of facility operations and maintenance as well as managing a variety of sub-contractors. The prime recreation contractor is also responsible for overseeing fifteen (15) parks which include four (4) shelters and 13 ball-fields. The prime contractor also oversees sub-contractors who provide program instruction, facility maintenance, and construction coordination. The cost to provide this oversight and management of these services is \$807,608. In addition to this cost, is the cost to provide facility and field maintenance services including litter removal, grass cutting and landscaping which is approximately \$615,000. A comparison of workload indicators for FY11 is shown in Table 11 the Parks and Recreation Department.

Analysis of Core Services

PARKS AND RECREATION (CONTINUED)

Staffing	PPP Model	Frederick County
Programming	4	10
Maintenance Services	Contract	38 FTEs + 150-200 seasonal

Table 11: Comparison of Frederick County Parks and Recreation Staffing with PPP Model.

Workload Indicator	PPP Model	Frederick County
Program Registrations	13,877	20,000
Shelter Reservations	216	1,322
Summer Camps Operated	19	56

Table 12: Comparison of Frederick County Parks and Recreation Participant Registration with PPP Model.

Item	PPP Model	Frederick County
Budget	\$1,422,608	\$5,340,000

Table 13: Comparison of Frederick County Parks and Recreation Budget with PPP Model.

Taking into account variations in workload indicators and the geographic area of the two jurisdictions, public-private partnerships in the area of Parks and Recreation are a viable alternative to the current method of providing services. All of these services can be provided by private industry on a fixed price, unit price or a combination basis.

COURT

The Court Services Department is responsible for managing major civil cases where the amount in dispute exceeds \$25,000 as well as a variety of criminal matters. New case filings for FY10 were approximately 8,712. These services are provided by 15 FTEs at a total annual cost of approximately \$1,211,837.

Workload Indicator	PPP Model	Frederick County
# FTEs	8.25	15
Average Annual Case Filings	26,000	8,712
Budget	\$794,239	\$1,211,837

Table 14: Comparison of Frederick County Parks and Recreation Staffing with PPP Model.

Public-Private Partnerships in the area of court services are a viable alternative to the current method of providing services. Under the PPP model example, the average annual case load is approximately 26,000 and services are provided by 8.25 FTEs for a total annual cost of \$794,239.

After reviewing both the Frederick County Court Services Department and the PPP model it appears that savings may be achieved in this area through a conversion. In addition, by converting to the PPP model the County may achieve improved levels of service and a transfer of long-term liabilities to the private sector.

Analysis of Additional Services

JAIL SERVICES

Jail Services, Work Release and Central Booking services are provided by the Sheriff’s Department which employs approximately 151 FTEs in support of these areas. A majority of these FTEs (114) are assigned in direct support of the adult detention facility. These services are provided for pre-sentencing incarcerates as well as post-sentencing incarcerates. In 2010, approximately 4,417 incarcerates were processed into the county jail. According to county data, the average daily population is approximately 450 detainees at a per diem rate of \$80.21 per day. This equates to an annual cost to Frederick County of approximately \$13 million.

According to staff, prior to FY10 the County had been receiving approximately \$1,800,000 in State grant money under HB474 that covered a percentage of the per diem cost for inmates sentenced to over 90 days. HB474 has been repealed and in lieu of the over 90 day revenue, Frederick County now receives a flat rate of \$45 per inmate day for sentences greater than 12 months. Based on recent collections, staff anticipates that the County will only receive approximately \$250,000 per year going forward.

Public-Private Partnerships and outsourcing in the area of jail services are a viable alternative to the current method of providing services. Under a PPP arrangement this service can be provided on-site or off-site by private industry for a fixed price amount.

Item	PPP Model	Frederick County
Cost per inmate per day	\$55 - \$65	\$80.21
Average Annual Cost	\$9,033,750 - \$10,676,250	\$12,932,326

Table 15: Comparison of Frederick County Jail Services Costs to PPP Model.

It appears that significant savings may be achieved under both options. If the County decided to pursue a complete outsource of the existing facility,

private industry would perform the functions currently being provided at the County Jail. Should the County opt for the off-site option, housing, feeding, limited medical and transportation to and from the holding facility would typically be included. An average daily rate for both options is estimated to range from \$55 to \$65 per inmate.

Significant savings are anticipated utilizing the PPP model.

ALTERNATIVE SENTENCING

Alternative sentencing services are provided in Frederick County through the Sheriff’s office by 9 FTEs at an annual cost of approximately \$831,275. In FY10 the division oversaw the participation of 1,600 individuals who completed 30,717 hours of community service. Of the original 1,600 participants, 1,189 completed service for a 74 percent completion rate.

Similar services are provided through PPP agreements in other governments. This service can be provided on a fee basis between the offender and a private company. The terms and conditions of this service are defined through a contract with the local government. Under this arrangement, the private company provides oversight of probation services which often include community service. In the Sandy Springs PPP model, for the last complete year, a private company supervised a total of 990 cases, providing a total of 18,440 hours of community service. Under the PPP model, individuals assigned to probation and/or community service pay a private company \$35 per month as long as they are in the program. There is no fee charged to the local government. Since inception under the Sandy Springs model, 3,841 cases have been successfully completed and 167 were terminated as unsuccessful, representing a 95 percent success rate.

Significant savings are anticipated utilizing the PPP model.

Analysis of Additional Services

WATER AND WASTEWATER SERVICES

The Water and Wastewater Services function in Frederick County consists of seven (7) divisions including Engineering and Planning, Finance, Water Purification, Waste Water Collection, Maintenance, Solid Waste and Regulatory Compliance. The Department is staffed by 129.5 FTE's who provide services to approximately 28,798 total customers. Of this total, there are 716 water only customers, 19,402 water and sewer customers and 8,667 sewer only customers. The department maintains approximately 290 miles of water line, 13 wastewater plants, 353 miles of sewer line, 38 pump stations, and approximately 300 residential grinder pumps. The operating budget for FY2011 totaled \$17,912,679.

For the last year, the Department experienced an operating deficit of over \$7 million and had to utilize reserve funds to balance the budget. Based on feedback received from the Department Head, it appears that rate increases are not currently a viable option to raise revenue.

For purposes of this comparison, it should be noted that a single facility under the PPP model is being compared with the Frederick County system which consists of 14 separate wastewater plants and 13 water systems. It is recommended that Frederick County review this area as further refinement may be needed based on current operating conditions.

Water Services

Frederick County is currently producing 4.4 million gallons per day (mgd) of potable water. A review of the State operating permit revealed the water treatment system is comparable in unit process complexity, staffing (24 hours/day) needs, maintenance requirements and laboratory sampling mandates to other facilities utilizing the PPP model with available operating expense and staffing data. In comparing the staff size and utilization of the facility to two other comparable sized facilities currently under the management of a private company, it appears that savings could be achieved in both areas.

Canton, GA

The water treatment facility serving Canton, GA has been operated successfully by a private contractor for over 15 years. The plant is a 4.0 million gallon per day surface water treatment facility and meets all State and Federal permit requirements that are similar in scope to Frederick County.

Item	Canton, GA	Frederick County
Operators	5	10
Mechanics	2	3
Lab	1	3
Electricians	1	2
Water Distribution	4	4

Table 16: Comparison of Frederick County Water Services to Canton, GA PPP Model.

The contractor routinely meets all Federal NPDES Permit requirements.

Forsyth County, GA

Another water treatment facility which compares favorably in size and complexity to the Frederick County water treatment plants is Forsyth, GA. Total water production capability is 4 million gallons per day at peak capacity.

Item	Forsyth County, GA	Frederick County
Operators	6	10
Mechanics	2	3
Lab	1	3
Electricians	1	2
Water Distribution	4	4

Table 17: Comparison of Frederick County Water Services to Forsyth County, GA PPP Model.

It should be noted that Frederick County operates 13 plants that are geographically spread across the County.

Analysis of Additional Services

WATER AND WASTEWATER SERVICES (CONTINUED)

Public-Private Partnerships in the area of water services are a viable alternative to the current method of providing services. This service can be provided by private industry on a fixed price basis.

WASTEWATER TREATMENT SERVICES

The principal wastewater treatment plant serving Frederick County is the Ballenger WWTP, a 7 mgd (million gallons per day) facility. A review of the NPDES permit revealed this WWTP is comparable in unit process complexity, staffing (24 hours/day) needs, maintenance requirements and laboratory sampling mandates to other similar sized facilities, currently under the management of a private company.

Fort Dix, NJ WWTP

The wastewater treatment facility serving Fort Dix, NJ has been operated successfully by a private contractor for over 15 years, and the last 12 years by the same utility management firm. The plant is an advanced wastewater treatment plant and meets Federal National Pollutant Discharge Elimination System (NPDES) permit requirements that are similar in scope to the Ballenger WWTP. A multi-year contract with the U.S. Army was initiated on February 1, 1999 and includes the operation of a 10 MGD tertiary wastewater treatment facility. The Bardenpho system discharges the effluent into a 110 acre Land Application System (LAS) and the effluent is used to irrigate an adjoining hay field. The contractor is responsible for sludge dewatering and disposal, operation and maintenance of the collection system, 15 major sewage pumping stations, laboratory testing and sewer line cleaning on behalf of the U.S. Army.

Item	Fort Dix, NJ	Frederick County
Operators	5	10
Mechanics	2	3
Lab	1	3
Electricians	1	2

Table 18: Comparison of Frederick County Sewer Services to Fort Dix, NJ PPP Model.

The contractor routinely meets all Federal NPDES Permit requirements with a staff which is significantly smaller than that of Frederick County.

Gulfport, MS WWTP

Another facility which compares favorably in size and complexity to the Ballenger WWTP is the 7.75 million gallon per day (MGD) facility in Gulfport, MS. This plant, provides services to approximately 25,000 customers and has been operated by a private company for over 20 years. It has a peak design capacity of 22.8 MGD. Federal NPDES permit requirements have been met consistently with less than 1mg/l of total suspended solids (TSS) and ammonia (NH3). The unit processes include screening and grit removal, mechanical bar screens, activated sludge oxidation ditches, secondary clarifiers, effluent filtration in 4-sand filters followed by ultraviolet disinfection and post aeration of the effluent prior to discharge. The sludge dewatering system consists of aerobic digestors, sludge thickeners, belt presses and ultimate land disposal of the dewatered sludge by the contractor. The Gulfport WWTP was named Mississippi "Plant of the Year" and was also nominated by EPA Region IV as "Plant of the Year" operated by the current contractor.

Item	Gulfport, MS	Frederick County
Operators	6	10
Mechanics	2	3
Lab	1	3
Electricians	1	2

Table 19: Comparison of Frederick County Sewer Services staff to Gulfport, MS.

The scale of services provided by the public-private partner in Gulfport, MS closely resemble the level of service required in Frederick County. It should be noted that the Frederick County system consists of 14 separate sewer systems. Table 20 provides a comparative breakdown of these elements.

Analysis of Additional Services

Item	Gulfport, MS	Frederick County
Miles of Water Line	404	290
Miles of Sewer Line	393	353
Pump Stations	174	38
Sewer Plant MGD	7.75	7.0
Annual Operating Cost	\$8,305,000	\$17,900,000

Table 20: Comparison of Frederick County Water and Sewer to Gulfport, MS PPP Model.

Public-Private Partnerships in the area of wastewater services are a viable alternative to the current method of providing services. This service can be provided by private industry on a fixed price basis.

SOLID WASTE

Frederick County provides solid waste disposal for over 50,000 households and businesses at an operating cost of \$23.2 million. To provide this service, the county utilizes 38 employees.

The collection service is currently provided by a number of private collector companies who independently bill households and commercial establishments.

There are a number of major private firms who would be pleased to have the opportunity to bid on providing equivalent or improved levels of service.

Consolidation of these contracts along with a contract for the landfill operations could be a benefit to the county. The following is an example of the benefits that may be realized from the transfer of the functions to a private company.

PPP Associates negotiated a proposal with a private firm to for a city of 40,000. The solid waste service was being provided by a large county. The proposal by the company was:

1. Cut the rates charged to citizens by 15%;
2. Pay an annual franchise fee of approximately \$500,000 to the city;
3. Pay an initial fee of \$3.5 million to the city; and
4. Stipulate that all services would meet current, or better, levels of performance.

PPP Associates has not conducted a detailed review of Frederick County's solid waste operations, but if similar conditions exist, substantial savings may be available.

A comparable 15% reduction in solid waste costs to Frederick County could result in operating savings of \$3.5 million annually.

Additionally, the transfer of 38 employees from the County payroll is projected to reduce the county's contribution to long term liabilities by \$2.9 million.

EMERGENCY COMMUNICATIONS

The Emergency Communications Department is a unit of the Emergency Services Division and is staffed by forty-eight (48) FTEs at a total annual cost to the County of approximately \$4,542,587 per year. The department receives approximately 371,000 total calls including 185,000 total incidents and dispatches approximately 120,000 police calls and 28,000 fire and ambulance calls on an annual basis.

Public-Private Partnerships in the area of emergency communications are a viable alternative to the current method of providing services. Under a PPP arrangement this service can be provided by private industry for a fixed price amount. An existing example of an outsourced emergency communications department shows staffing by fifty-three (53) FTEs at an annual cost of approximately \$5,483,628.

Analysis of Additional Services

This department receives approximately 286,464 total calls including 210,000 total incidents and dispatches approximately 81,000 police calls and 29,448 fire and ambulance calls on an annual basis. The PPP model has a mandated answering and processing times based on the approved contract with a private company. The company has consistently exceeded the ten (10) second, thirty (30) second answering times as well as the call processing time of one (1) minute.

Workload Indicator	PPP Model	Frederick County
Total Calls	286,464	371,467
Total Incidents	210,000	185,375
Police Dispatches	81,000	120,000
Fire/EMS Dispatches	29,448	28,000
# FTEs	53	46
Annual Operating Cost	\$5,483,628	\$4,542,587

Table 21: Comparison of Frederick County Emergency Communications with PPP Model.

Frederick County compares very favorably to the PPP model when looking at total budget, FTEs and calls received and dispatched. However, by converting to the PPP model, the County may experience improved levels of service and a transfer of long-term liabilities to the private sector.

Grant Funded Services

GRANT FUNDED SERVICES

Frederick County provides a number of services that are only partially funded by grants. The costs of these services, in excess of the grant funding, is covered by subsidies from the County's general fund. These subsidies, while individually comprising a relatively small percentage of the County's budget, collectively amount to a significant drain on available funds.

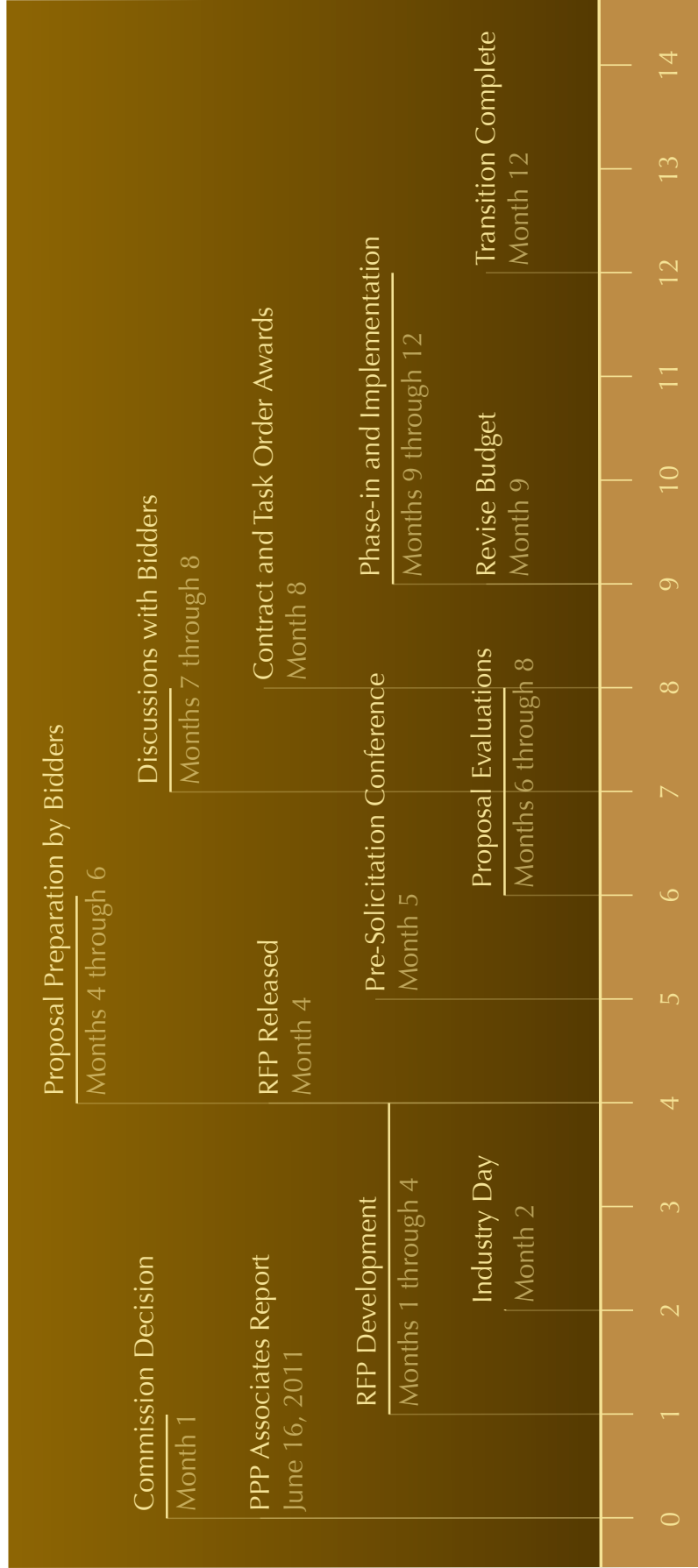
The following services fall into this category, requiring a combined subsidy of \$5.8 million, or approximately 43% of the program costs:

- Department of Aging
- Transit
- Office of Children and Families
- Family Partnerships
- Work Force Services

There are 128 FTEs dedicated to these programs, with commensurate overhead costs for benefits (pension, health, etc.). The transfer of these programs to alternative providers with lower operating and overhead expenses would create significant savings for the County. A benefit, in addition to reduced operating costs, is the reduction in pensions and other benefits associated with the transfer. It is estimated that the savings could reach \$1.95 million if all 128 employees were transferred to private industry.

PPP Associates recommends that the County investigate alternative methods for providing the services such as through not-for-profits, private industry and other government agencies that may be able to provide the programs at less cost. It may be necessary for the county to consider some financial support to the alternative provider, but less than the current level of expenditures. A portion of any such subsidy would be offset by the reduction in long term liabilities described above.

Timeline



June 16, 2011



Photos courtesy of Tourism Council of Frederick County.



PPP ASSOCIATES

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