

City of Las Vegas

SPECIAL CITY COUNCIL MEETING AGENDA

(Joint meeting with the City of North Las Vegas)

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**February 16, 2011
4:30 PM**

All items on this agenda are scheduled for action unless specifically noted otherwise.

NOTE: Cellular phones are to be turned off during the Special City Council meeting.

Notice to persons with special needs: For those requiring special assistance or accommodation at the meeting, please contact (702) 633-1510 or TDD at (800) 326-6868 at least 72 hours in advance.

1. CALL TO ORDER
2. ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW
3. Discussion and possible action on a Service Sharing and Governmental Efficiency Study with the City of Las Vegas and the City of North Las Vegas presented by Management Partners - All Wards
4. CITIZENS PARTICIPATION: PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS WITHIN THE JURISDICTION OF THE CITY COUNCIL. NO SUBJECT MAY BE ACTED UPON BY THE CITY COUNCIL UNLESS THAT SUBJECT IS ON THE AGENDA AND IS SCHEDULED FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION ON ANY SINGLE SUBJECT, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED
5. ADJOURNMENT

THIS MEETING HAS BEEN PROPERLY NOTICED AND POSTED AT THE FOLLOWING LOCATIONS:

North Las Vegas Library, 2300 Civic Center Drive
Clerk's Bulletin Board, City Hall Plaza, 2nd Floor Skybridge
Bulletin Board, City Hall Plaza (next door to Metro Records)
Las Vegas Library, 833 Las Vegas Boulevard North
Clark County Government Center, 500 S. Grand Central Parkway
Grant Sawyer Building, 555 E. Washington Avenue

AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING OF: FEBRUARY 16, 2011

SUBJECT:
CALL TO ORDER



AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING OF: FEBRUARY 16, 2011

SUBJECT:

ANNOUNCEMENT RE: COMPLIANCE WITH OPEN MEETING LAW



AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING OF: FEBRUARY 16, 2011

DEPARTMENT: CITY MANAGER

DIRECTOR: ELIZABETH N. FRETWELL

☐ Consent ☒ Discussion

SUBJECT:

Discussion and possible action on a Service Sharing and Governmental Efficiency Study with the City of Las Vegas and the City of North Las Vegas presented by Management Partners - All Wards

Fiscal Impact

☒

No Impact

☐

Augmentation Required

☐

Budget Funds Available

Amount:

Funding Source:

Dept./Division:

PURPOSE/BACKGROUND:

In an effort to identify potential opportunities for efficiencies and service sharing between the cities of Las Vegas and North Las Vegas, the respective City Council's authorized an agreement with Management Partners to conduct a Service Sharing and Government Efficiency Study. Management Partners have completed a draft report documenting the results of their study and their recommendations are outlined in the report, as well as, included as part of a draft report and presentation attached to this item.

RECOMMENDATION:

Accept report with direction to staff

BACKUP DOCUMENTATION:

1. Agenda Memo
2. Draft Report for Las Vegas/North Las Vegas Service Sharing
3. PowerPoint Presentation

AGENDA MEMO

SPECIAL CITY COUNCIL MEETING DATE: FEBRUARY 16, 2011

DEPARTMENT: CITY MANAGER

ITEM DESCRIPTION: Discussion and possible action on a Service Sharing and Governmental Efficiency Study with the City of Las Vegas and the City of North Las Vegas presented by Management Partners

In an effort to identify potential opportunities for efficiencies and service sharing between the cities of Las Vegas and North Las Vegas, the respective City Council's authorized an agreement with Management Partners to conduct a Service Sharing and Government Efficiency Study. Management Partners have completed a DRAFT report documenting the results of their study and their recommendations are outlined below, as well as, included as part of a DRAFT report and presentation attached to this item.

The purpose of the study was to identify ways to save money and increase efficiency by identifying potential partnership opportunities. Management Partners worked collaboratively with the two cities to identify services that could be shared, and analyzed the costs and benefits of service sharing. City staff members from both cities were interviewed and a Management Steering committee was formed to identify and prioritize opportunities that could be acted upon within a reasonable time frame. The following seven services were chosen as possibilities for sharing or integration:

1. Worker's compensation
2. Safekey before and after school program
3. Joint purchasing
4. Radio maintenance
5. Detention Center support services
6. Fire Marshal/prevention/plan check function
7. Traffic signal, street and park lighting maintenance

Due to the limited scope and resources of this study, other items were not researched fully because they had the following issues: potential conflicts with bargaining agreements, low returns on benefits and/or higher start up costs that would not make them cost effective at this time.

As part of their presentation, Management Partners will provide a detailed list of recommendations and copies of the final draft report to both City Councils in a Joint meeting in the Library Multipurpose Room (February 16, 2011 at 4:30 PM). Upon comments and approval by the City Councils, both cities staffs will work on a published final report for their websites.

**City of Las Vegas and
City of North Las Vegas
Preliminary Service Sharing and Government
Efficiency Study**

Draft: February 9, 2011



MANAGEMENT PARTNERS
INCORPORATED

Note:

This is a draft report prepared by Management Partners. It is based on input from, but does not represent the opinions of, the cities of Las Vegas or North Las Vegas. Both cities will be reviewing the draft and will provide their comments to Management Partners. A final report will be issued in late February.



MANAGEMENT PARTNERS

INCORPORATED

February 9, 2011

Ms. Elizabeth Fretwell, City Manager
City of Las Vegas
400 Stewart Avenue
Las Vegas, NV 90101-2986

Ms. Maryann Ustick, Acting City Manager
City of North Las Vegas
2200 Civic Center Drive
North Las Vegas, NV 89030

Dear Ms. Fretwell and Ms. Ustick:

Management Partners is pleased to provide this draft report that contains our analysis and recommendations for service sharing and government efficiency. The purpose of the analysis was to identify ways to save money and increase efficiency through working together in new ways. Management Partners worked collaboratively with the two cities to identify services that could potentially be shared, and analyzed the costs and benefits of service sharing. Once we identified opportunities and prioritized them, we analyzed the following seven services to assess the possibilities for sharing or integration:

1. Workers' compensation
2. Safekey before and after school program
3. Joint purchasing
4. Radio maintenance
5. Detention Center support services
6. Fire Marshal – fire plan check and fire code enforcement
7. Traffic operations – traffic signals, street lighting and area lighting maintenance

These services were identified for consideration by taking into account such factors as the potential for economies of scale cost savings as well as the feasibility of implementation. It should be noted that this evaluation was designed to help the cities understand the potential as well as limits to service sharing efforts. It is not intended to answer all possible questions, but to give the cities an idea of the extent to which service sharing can be part of the solution to the well known financial challenges both organizations face.

While service sharing is not a panacea, and municipal services vary greatly in terms of the potential for gains from integration, our analysis shows that in some cases significant savings can potentially be achieved by changing service delivery models, either to service sharing (one city provides the service to the other), or to aggregating services and contracting with a private vendor. In both cases, by delivering services on a larger scale, and eliminating overhead and redundancy, unit costs can sometimes be reduced. While it was not possible to estimate cost savings for all of the service sharing ideas, Management Partners estimates that, for those strategies where a dollar estimate could be derived, the cities can, over time, save between \$4.2 million and \$5.6million annually by working together. We have provided 15 recommendations for both cities to consider.

We suggest that city staff review this draft report for factual accuracy and provide us with your comments. We will then finalize the report. We look forward to discussing this draft report with you and to presenting our results to your city councils. We appreciate the assistance and collaboration of city staff in providing data and a variety of information essential to our analysis. Thank you for the opportunity to serve the cities of Las Vegas and North Las Vegas.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew S. Belknap", is written over a large, diagonal "DRAFT" watermark.

Andrew S. Belknap
Regional Vice President

Table of Contents

Executive Summary	1
Summary of Results	4
Summary of Recommendations	5
Implementation	7
Project Approach.....	9
Coordinate with Steering Committee.....	9
Review Documents	9
Conduct Interviews.....	10
Conduct Survey	10
Compile Initial List of Service Sharing Ideas	10
Apply Evaluation Criteria to List of Ideas.....	10
Analyze Tier 1 Items	12
Present Results	13
Context for the Study	14
Service Area Budgets and Staffing.....	14
General Fund Trends.....	15
State of Nevada Legislative Interest.....	17
<i>AB 494 Study by Clark County and Area Municipalities</i>	<i>17</i>
Prior Consolidation Study	19
Service Sharing and Government Efficiency Opportunities.....	20
Workers' Compensation.....	20
<i>Responsibilities and Program Approach.....</i>	<i>21</i>
<i>Review and Analysis.....</i>	<i>22</i>
<i>Recommendations</i>	<i>32</i>
Safekey	33
<i>Responsibilities and Program Approach.....</i>	<i>33</i>
<i>Review and Analysis.....</i>	<i>33</i>

<i>Recommendations</i>	36
Joint Purchasing.....	36
<i>Responsibilities and Program Approach</i>	36
<i>Review and Analysis</i>	37
<i>Recommendations</i>	41
Radio Maintenance	41
<i>Responsibilities and Program Approach</i>	42
<i>Review and Analysis</i>	43
<i>Recommendations</i>	44
Detention Center Support Services.....	45
<i>Responsibilities and Program Approach</i>	46
<i>Review and Analysis</i>	46
<i>Recommendations</i>	51
Fire Marshal	53
<i>Responsibilities and Program Approach</i>	53
<i>Review and Analysis</i>	53
<i>Recommendations</i>	56
Traffic Operations	57
<i>Responsibilities and Program Approach</i>	58
<i>Review and Analysis</i>	59
<i>Recommendations</i>	63
Conclusion	66
Attachment A: List of Recommendations	67
Attachment B – Service Sharing Ideas	68
Attachment C: Application of Evaluation Criteria	70

Tables

Table 1.	Summary of Recommendations, Projected Cost Savings and Timeframes	5
Table 2.	Service Area, Budget and Staffing Comparison	14
Table 3.	City of Las Vegas Workers’ Compensation Program Data	23
Table 4.	Workers’ Compensation Program Data Submitted to State by the City of North Las Vegas	25
Table 5.	Comparison of Claims, Claims Expenses and Administrative Expenses	27

Table 6. Comparison of Workers' Compensation Costs for Las Vegas and North Las Vegas	28
Table 7. Comparison of Claims, Adjusted Claims Expenses and Administrative Expenses	29
Table 8. Potential Savings for the City of Las Vegas from Lower Claims Administration Expense	30
Table 9. Safekey Program Comparison	34
Table 10. Estimated Savings From Consolidating Safekey Program Management.....	35
Table 11. Purchasing Operation Responsibilities in Las Vegas and North Las Vegas	37
Table 12. Comparison of Purchasing Operations Expenditures and Staffing.....	37
Table 13. Relative Costs of Purchasing Operations	39
Table 14. Potential Savings Through Joint Purchasing.....	40
Table 15. Potential Savings Through Consolidating Purchasing Functions in One City ..	40
Table 16. Comparison of Radio Maintenance Operating Costs, Staffing, and Equipment Inventory	43
Table 17. Possible Break-Even Scenario for Las Vegas Contracting with North Las Vegas	44
Table 18. Comparison of Providers of Detention Center Support Services.....	46
Table 19. Existing Capacity and Average Daily Populations.....	46
Table 20. Detention Operating Costs and Populations.....	47
Table 21. Comparative Cost of Food Services	48
Table 22. Comparative Cost of Laundry and Linen Services	49
Table 23. Net Cost of North Las Vegas Detention Commissary Services.....	50
Table 24. Expenditure and Workload Data for Fire Marshal Services.....	54
Table 25. Potential Cost Savings from Consolidating Fire Protection Engineering Services	55
Table 26. Potential Cost Savings from Consolidating Fire Code Enforcement Services	56
Table 27. Comparison of Assets Supporting Traffic Operations	60
Table 28. Comparison of Traffic Operations Resources and Demographics	60
Table 29. Comparison of Traffic Operations Costs.....	61
Table 30. Comparison of Traffic Operations Activity Unit Costs	62

Figures

Figure 1.	City of Las Vegas General Fund, Five-year History	15
Figure 2.	City of North Las Vegas General Fund, Five-year History	16

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Executive Summary

The unusual severity of the current economy has created significant and ongoing pressures for the cities of Las Vegas and North Las Vegas to reduce costs in response to diminished local tax revenues, a situation likely to persist for many years. Leaders within the two cities as well as the State Legislature have become interested in the potential to integrate and/or share services between local governments as a means to improve the efficiency of service delivery and stretch limited tax dollars further.

Las Vegas and North Las Vegas have long had cooperative relationships and the executive staff and elected officials serve together on a variety of regional bodies, which deliver services in southern Nevada. The cities decided that it would be beneficial to examine ways to create efficiencies and save money through service sharing arrangements. Management Partners was engaged to assist in identifying and analyzing potential opportunities to aid decision making.

The need to create new ways of reducing costs is apparent, given the continuing impacts of a deep economic downturn on state and local governments. A recent study by the Brookings Mountain West/Morrison Institute concluded that a “moment of reckoning has arrived.”¹ The report states that during the 1990s and mid-2000s, California, Nevada, Arizona and Colorado enjoyed “strong economic growth that had produced what appeared to be robust budgets. This created a fiscal mirage that allowed several of these states to expand public service provision as well as implement permanent tax cuts....But now the illusion has been shattered, as the length and depth of the economic downturn has at once created serious temporary or cyclical budget shortfalls....while also exposing the existence of long-term structural deficits.”²

¹ “Structurally Unbalanced: Cyclical and Structural Deficits in California and the Intermountain West” by Matthew Murray with Sue Clark-Johnson, Mark Muro, and Jennifer Vey; Brookings Mountain West/Morrison Institute; January 2011, p. 2.

² Ibid., p. 2

In an effort to address budget shortfalls the cities of Las Vegas and North Las Vegas have taken significant steps to reduce spending and increase revenue. Service-level reductions have been made in virtually all areas, as have cuts in staffing and compensation, and deferral of capital projects. Both cities recognize they must assess how services are delivered to find lower cost means of serving the public.

This Preliminary Service Sharing and Government Efficiency Study answers a question frequently posed to the cities of Las Vegas and North Las Vegas and to cities in general: *Can service sharing or integration between cities reduce expenditures while maintaining quality service delivery?* The answer to this question is “yes, in some cases” with cost savings varying depending on the specific municipal service being examined. The departmental programs being carried out by a modern municipal corporation have different economies of scale and savings potential. Services such as fire, planning, utilities and administration vary widely and have vastly different cost structures. Whether efficiency can be gained through service sharing or integration is a more difficult question to answer. When it comes to municipal services bigger may sometimes be better, but not always and for some services increasing size may introduce inefficiencies. As this report explains, the proper answer and policy direction are highly dependent on the type and nature of service being delivered. Consequently, Management Partners evaluated each service individually to assess the potential for reducing costs through service sharing or aggregation.

There are many opportunities for service sharing and changing business delivery models to save costs, as noted by the ideas suggested for analysis by city staff. Due to limited time and money available for this study, the cities selected just seven services for analysis that appeared to have the greatest potential benefit. The focus was on services that the two cities could change based on their own authority and without state approval.

This study was not a comprehensive assessment of all possible opportunities. In fact, numerous other areas for consideration were identified for the future. The results of this study can set the foundation for the two cities, and for the region, to seriously examine service delivery models, change assumptions about how services need to be delivered, and design new models for delivering quality services at reduced costs. The specific services analyzed in this study are evidence that costs can be reduced through aggregation and service sharing. Although implementation may not be easy, in a seriously constrained fiscal environment (which is likely to last for years), service sharing presents an

opportunity to extend limited resources to provide fundamental services to the community.

A steering committee comprised of representatives from each city guided the work of this project. As is explained in more detail in the Project Approach section of this report, the methodology was designed to objectively consider the potential for service sharing across a broad range of municipal services. Management Partners began by interviewing executives from the two cities and obtained their ideas through a written survey about potential service sharing and government efficiency opportunities. We also asked about existing or past experiences with collaboration and service sharing to fully understand the range of prior and current cooperative relationships existing between the cities. For example, the Las Vegas Fire Department maintains radios for the North Las Vegas Fire Department. Building on this experience is an effective way to implement meaningful and useful service sharing where there are cost benefits to the two cities.

Department heads also submitted their ideas through a survey about service sharing and efficiency areas to explore. A total of 50 ideas were identified for consideration. Management Partners analyzed a subset of the initial list, taking into account such factors as the potential for cost savings and the feasibility for implementation. The results were shared with the Steering Committee members who then identified two tiers of items for analysis. Tier 1 contained seven services for further study by Management Partners. Tier 2 services were those that have potential for cost savings, but could not be analyzed as part of this study because of the limited scope of the engagement.

This report contains the results of our analysis of the seven Tier 1 services, which are:

1. Workers' compensation
2. Safekey before and after school program
3. Joint purchasing
4. Radio maintenance
5. Detention center support services
6. Fire Marshal – fire plan check and code enforcement
7. Traffic operations – traffic signals, street lighting and area lighting maintenance

Seven additional services were identified for future examination by the two cities because of their potential for service sharing and efficiency improvements. The seven Tier 2 services identified for future analysis are the following:

1. Federal legislative services
2. Citywide training
3. Animal control and dog licensing
4. Street sweeping
5. Business licensing and work card system
6. Emergency services dispatching
7. Golf course operations

Summary of Results

Management Partners' analysis shows that significant savings (or revenue generation) could be achieved by changing service delivery models. These models are service sharing, with one city providing the service to the other, or aggregating service demand. The total potential savings from changing delivery models for the seven services studied ranges between \$4.2 million and \$5.6 million per year. In both cases, by delivering services on a larger scale, and eliminating overhead and redundancy, unit costs can be reduced. The scope of this study was not designed to answer all questions about implementation or provide finely detailed budget estimates. It does show, however, that while the magnitude of savings may vary, there can in fact be efficiency gains.

- **Service sharing through a public partnerships** between the two cities would be beneficial for five areas:
 - Safekey
 - Purchasing
 - Radio maintenance
 - Fire Marshal – fire plan check and fire code enforcement
 - Traffic operations – traffic signals, street lighting and area lighting maintenance
- **Aggregating service demand** would save significant dollars in two areas:
 - Detention center support services (in North Las Vegas)
 - Workers' compensation administration (in Las Vegas)

It should be noted that implementation of these changes will take a further investment in time and resources, and the gains are not huge, given the scale of operations. However the work does demonstrate that, there is real value to be had in working together. Further, given the limited nature of this engagement, it is probable that additional study will continue to yield positive results. Additionally, readers are cautioned that collective bargaining agreements must be adhered to with any changes made by the cities.

Summary of Recommendations

A complete list of recommendations is provided in Attachment A. Table 1 lists all recommendations and their associated potential cost savings for each city. The potential cost savings have been estimated based on limited study and will need refinement based on more precise data. In some cases it was not possible to estimate savings with the information currently available. These estimated cost savings are to show an order of magnitude of potential dollar savings through changing the service delivery model to service sharing or aggregation.

A suggested implementation timeframe is indicated for each of the recommendations, based on the complexity, preparation required and constraints involved in each one. Recommendations with a short-term time frame are those which could be implemented within one year and medium-term recommendations may require two to three years. Each recommendation will need an implementation action plan to specify the steps needed and a schedule. There are constraints, such as existing bargaining agreements, that will impact implementation timing in several cases, as described in the analysis.

Table 1. Summary of Recommendations, Projected Cost Savings and Timeframes

Recommendations	Potential Annual Savings		Timeframe	
	Las Vegas	North Las Vegas	Short Term	Medium Term
1. Conduct a thorough review of the workers' compensation programs in both cities, including reporting methodology, claims experience and costs.	TBD*	TBD	X	
2. Assess the opportunity for the City of Las Vegas to make use of the existing North Las Vegas third-party administrator contract and/or rebid the TPA service as a joint effort.	\$100,000 (administrative costs) TBD (claims expenses)	NA**	X	
3. Aggregate Safekey program management and administration in one of the two cities to yield overall program savings.	\$156,000 (split between cities)		X	
4. Implement a single Safekey program and pricing structure between the two cities with Las Vegas pricing increasing to mirror the current practice in North Las Vegas.	\$1.7 million (additional revenue)		X	

Recommendations	Potential Annual Savings		Timeframe	
	Las Vegas	North Las Vegas	Short Term	Medium Term
5. Revise procurement specifications to enable the cities to combine purchasing volumes to incentivize lower pricing by vendors.	TBD	TBD	X	
6. Initiate joint purchasing to obtain economies of scale associated with large-scale buying.	Range from \$330,000 to \$1.7 million savings between cities based on relative volume		X	
7. Analyze the costs and benefits of aggregating the purchasing functions in one city.	\$120,000 (split between cities)		X	
8. Initiate a contract for services for radio maintenance for the City of Las Vegas to be provided by North Las Vegas.	\$25,900	(\$20,000) (additional cost)	X	
9. Conduct a cost analysis for North Las Vegas to utilize the Las Vegas Detention Center's food preparation facilities to eliminate the need for capital improvements to North Las Vegas' facilities. Additionally, North Las Vegas should identify ways to achieve the same cost per meal as is experienced in Las Vegas.		\$1.4 million		X
10. Issue a joint request for proposals for medical services to ascertain whether cost savings could be achieved through larger economies of scale if both detention centers' medical services needs were combined into one contract.	TBD	TBD		X
11. North Las Vegas should review service delivery in Las Vegas as a means of achieving similar net costs and program efficiencies for laundry and linen services and commissary services.	TBD	TBD		X
12. Adopt a single fire code so both fire departments enforce the same code requirements.	NA	NA	X	
13. Consolidate fire plan check services in one of the two fire departments to reduce management costs.	\$116,000 (split between cities)		X	
14. Consolidate fire code inspection services to reduce management costs.	\$114,000 (split between cities)		X	

Recommendations	Potential Annual Savings		Timeframe	
	Las Vegas	North Las Vegas	Short Term	Medium Term
15. Conduct additional analysis of service sharing opportunities within traffic operations and analyze the potential to share other public works resources.	\$75,000	\$75,000	X	
Totals	\$2,318,900 To \$3,003,900	\$1,873,000 To \$2,558,000		
Total Ranges Both Cities (Rounded)	\$4.2 million To \$5.6 million			

*TBD=to be determined

**NA=Not applicable; savings through this recommendation is not anticipated

Implementation

Implementing these recommendations will require changes in responsibilities, assignments and processes. Each of the services to be integrated will need a business plan that sets forth a schedule and steps for implementation, and a project leader to ensure that integration is done in a way that addresses the issues and needs of both cities. Leadership from the city managers' offices will be essential during implementation to help remove roadblocks and provide the support needed for success.

A number of existing public/public partnership models can be used to implement the recommendations contained in this report, including the use of joint powers approaches and interlocal agreements. Chapter 277 of the Nevada Revised Statutes (NRS 277) specifies how local agencies may cooperate in service delivery approaches and the steps that must be followed for such coordinated delivery to occur. In most cases an interlocal agreement is required. While state law is generally supportive of service sharing, there are specific parameters that must be followed within Nevada. For example, the State has specified an exclusive process for integrating law enforcement in counties having a population greater than 100,000 (NRS 288.105). Due to NRS 277, legal input about implementing the recommendations of this report would be prudent.

Based on our analysis, we have noted below which city may be in the best position to take the lead for each of the services to be aggregated. Generally if one city has a strong organizational capacity in a particular area we have recommended that it take the lead. For example, because

Las Vegas has a relatively robust purchasing infrastructure, while North Las Vegas does not, we recommend that Las Vegas take the lead for this particular integration project. In some cases neither city has a special advantage so either could take the lead.

1. Workers' compensation: Las Vegas
2. Safekey: Either city
3. Joint purchasing: Las Vegas
4. Radio maintenance: North Las Vegas
5. Detention center support services: North Las Vegas
6. Fire Marshal – fire plan check and code enforcement: Las Vegas
7. Traffic signal, street lighting and area lighting maintenance:
Either city

DRAFT

Project Approach

Management Partners' approach to the project is detailed below:

- Coordinate with project steering committee
- Review documents
- Conduct interviews with city executives
- Conduct survey of department directors to generate service sharing ideas
- Compile initial list of service sharing ideas
- Apply evaluation criteria to the initial list of service sharing ideas
- Analyze Tier 1 service sharing ideas
- Present results to the Steering Committee
- Prepare project report

Coordinate with Steering Committee

Both cities appointed members to the Steering Committee, which included the city managers, assistant city managers and several department heads. They provided important policy guidance for the project.

Review Documents

Management Partners obtained a significant amount of information from the cities' websites and from city staff for use in our analysis, including:

- City budgets and various budget reports
- Detailed budget information for the seven Tier 1 services analyzed
- Staffing plans
- Position descriptions
- Performance measures
- Program listings and descriptions
- Organization charts
- Strategic plans
- Development statistics

- Potential service sharing opportunities
- State and local ordinances mandating services
- Contracts for service
- Selected peer comparisons

Conduct Interviews

Management Partners interviewed executives in both cities to identify potential service sharing opportunities. We summarized the results of these interviews and discussed them with the Steering Committee in October 2010.

Conduct Survey

Management Partners prepared a survey to be completed by the department directors of both cities. The purpose of the survey was to learn about existing or past collaboration and service sharing between the cities, and to gather ideas for future service sharing opportunities. We summarized the results of the completed surveys and discussed them with the Steering Committee in October 2010.

Compile Initial List of Service Sharing Ideas

Management Partners consolidated the results of the interviews and surveys and created a list of 50 potential service sharing ideas. The list was sorted to show which ideas were suggested by both cities. We also included several ideas that have been successfully implemented in other jurisdictions, even though they were suggested by only one city. The 50 ideas are presented as Attachment B.

We presented the ideas to the Steering Committee in October 2010 and received direction to evaluate them based on defined criteria as discussed below.

Apply Evaluation Criteria to List of Ideas

Management Partners created a set of evaluation criteria for discussion with the Steering Committee. After receiving the Committee's feedback, we used the criteria to conduct further analysis of the 50 initial service sharing ideas. A report containing the results of this analysis was presented to the Steering Committee in early November 2010 (and is contained in this report as Attachment C).

The criteria provided an objective approach to determining which service sharing ideas have the most merit and deserve further investment to

develop data on cost, benefit and implementation issues. The evaluation criteria used follow:

- *Cost-saving criteria*
 - Return on investment
 - Potential near-term cost savings
 - Implementation costs
 - Economies of scale factors (i.e., technical, managerial, commercial, risk/liability, financial)
- *Difficulty criteria*
 - Organizational feasibility
 - Existence of successful models
 - Potential for degradation of service
 - Potential complications with collective bargaining agreements
 - Degree to which city identity issues are present

To apply these criteria, we evaluated each idea in the context of several questions related to service sharing potential, as explained below.

- ***Do examples or models for this type of service sharing exist in other settings?*** If an idea has been implemented successfully in another jurisdiction it should be considered. The reverse is usually true as well, but an idea should not be initially ruled out only because it has not been accomplished before.
- ***What is the potential for cost savings?*** This is measured on a scale of high, medium or low. Potential savings are weighed against both implementation costs and other challenges.
- ***Are there city identity or brand issues involved in the service sharing idea?*** Some services or activities would not be infeasible for service sharing because they reflect an identity or brand that is specific to a city. Therefore, merging or changing the delivery model would not help the city achieve the desired outcomes of the particular service or activity. For instance, economic development or planning functions may present identity issues that would preclude service sharing.
- ***What are the implementation costs likely to be?*** A scaled response of high, medium or low is applied to this factor, weighed against the potential return.
- ***What is the perceived organizational difficulty of implementing the service sharing idea?*** If significant organizational obstacles exist, the degree of difficulty to implement the change could exceed the benefit.

- ***How much time will be required to implement service sharing?***
The length of time to implement (including partial or full implementation) may be a factor affecting the decision to integrate service delivery.
- ***What factors relating to economy of scale (EOS) exist with respect to the service?*** EOS factors include:
 - Technical economies – These are derived from the need to have specialized equipment or other costly inputs to deliver services most efficiently.
 - Managerial/specialized labor economies – Managerial and professional expertise are expensive and to the extent they can be spread among output units, unit costs decline.
 - Commercial (buying) – Purchasing necessary inputs in bulk reduces unit costs.
 - Risk/liability and financial economies – Generally larger units can better diversify risk and be less subject to negative impacts from random events. They are able to secure more favorable terms for this reason, coupled with a larger market presence.

Analyze Tier 1 Items

The Steering Committee reviewed the results of applying the evaluation criteria to the 50 potential service sharing ideas. After discussion, the Committee identified two tiers of items. Tier 1 contained seven services for further analysis by Management Partners. Tier 2 services were those identified as also having potential for cost savings, but which could not be analyzed as part of this study because of the limited scope of the engagement. They are noted below so that they may be analyzed in the future by the cities. The seven services in Tier 1 were:

1. Workers' compensation
2. Safekey
3. Joint purchasing
4. Radio maintenance
5. Detention center support services
6. Fire Marshal – fire plan check and code enforcement
7. Traffic signal, street lighting and area lighting maintenance

Tier 2 services to be examined in the future are:

1. Federal legislative services
2. Citywide training
3. Animal control and dog licensing

4. Street sweeping
5. Business licensing and work card system
6. Emergency services dispatching
7. Golf course operations

Our analysis was based on data provided by the cities of Las Vegas and North Las Vegas. Our analysis was conducted at a high level and provides an order of magnitude view of potential cost savings. As is typical with any threshold level analysis, once a decision is made to pursue any of our recommendations, more detailed analysis will be needed to confirm both expenses and savings.

Present Results

In early January 2011, we presented the results of our analysis of the seven services selected by the cities for initial consideration. Feedback obtained from the Steering Committee at that meeting was incorporated into this project report.

Context for the Study

The current economic and employment situation in Clark County has been grim since the start of the recent recession. In 2008 and 2009, the local economy in southern Nevada fell to levels last seen during the 1930s Great Depression. Personal bankruptcies and unemployment remain at record highs. Property values have fallen by more than half from the high recorded in May 2006 according to the Case-Shiller Home price index. Most devastating to the economy is that the private sector has lost one of out every six jobs and the remaining jobs pay less. The unemployment rate is at 14.5%. Since local government is an integral part of the local economy, it too must respond to the reality of reduced financial capacity. As a result of declining resources, the cities of Las Vegas and North Las Vegas are seeking ways to continue to provide quality services at lower costs.

Service Area Budgets and Staffing

Together, both cities comprise over 200 square miles of land with a combined population close to 800,000. At 224,387 people, the population of North Las Vegas is about 40% of Las Vegas' population. North Las Vegas' operating budget is about half of the Las Vegas budget. North Las Vegas' total staffing is about 60% of the total staffing in Las Vegas. Table 2 summarizes these comparisons.

Table 2. Service Area, Budget and Staffing Comparison

	Population*	Land Area (square miles)	Citywide Operating Budget Fiscal Year 2011	Total Employees
Las Vegas	567,641	133.2	\$1,517,692,818	2,951.89
North Las Vegas	224,387	100.4	\$736,837,140	1,791.10

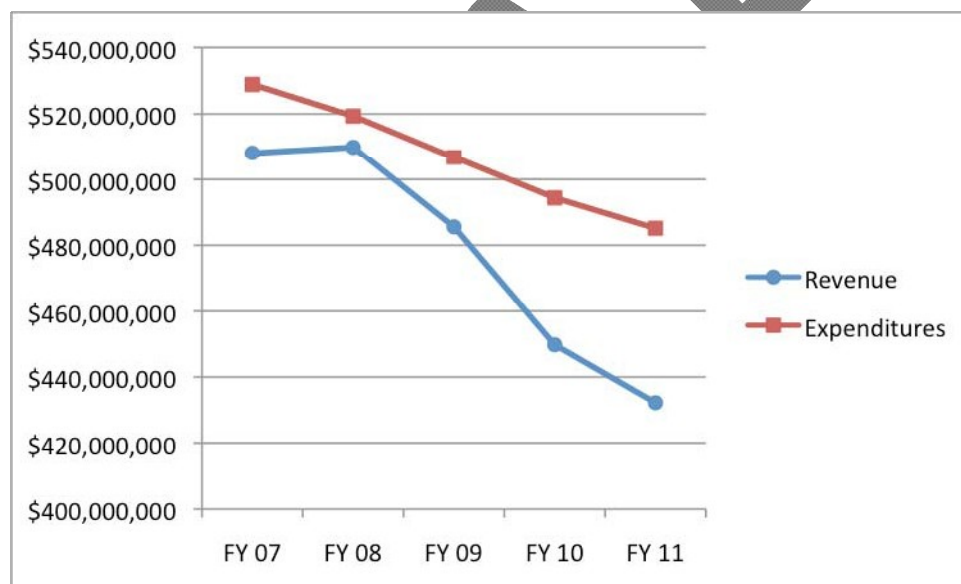
*Source: U.S. Bureau of the Census 2009 Estimate.

An important distinction between the two cities is the fact that North Las Vegas has its own police department while Las Vegas receives services from a separate city-county police agency, the Las Vegas Metropolitan Police Department (LVMPD), which serves the City as well as unincorporated portions of Clark County. Consequently, Las Vegas does not directly employ police officers but does support the LVMPD through a funding formula based on population, calls for service and felony crimes in the prior year.

General Fund Trends

General Fund statistics in both Las Vegas and North Las Vegas reveal problematic trends. Figure 1 shows a five-year history of General Fund revenues and expenditures in the City of Las Vegas, and shows that General Fund expenditures have continuously exceeded revenues during this time period.

Figure 1. City of Las Vegas General Fund Five-Year History



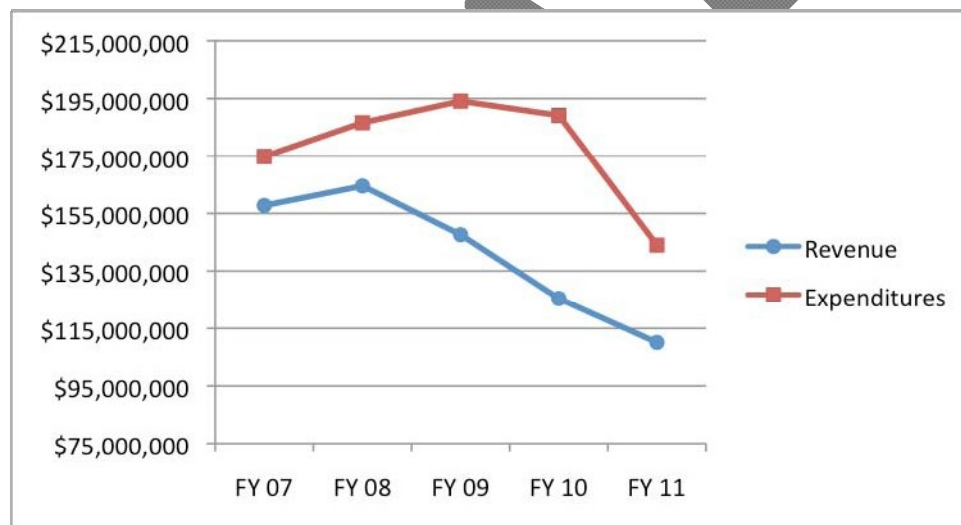
Although the gap between revenues and expenditures was less than \$10 million in FY 2007/08, it has grown to over \$50 million for the current fiscal year. The City of Las Vegas has taken steps to decrease expenditures, and in fact was reducing expenditures before the national recession began. However, Figure 1 indicates that the pace of declining revenues currently exceeds the rate of expenditure reductions. This trend places an immense strain on reserves such as the General Fund balance.

In FY 2010/11, approximately 8% of planned expenditures will come from reserves.

Revenues continue to decline due to high unemployment, slumping tourism and gaming industries, and struggling housing markets. In addition to implementing various cost-saving strategies, the City Manager has encouraged service sharing through public partnerships and contracting with private vendors to enhance efficiencies and economies of scale. Since 2008, major budget reduction strategies for Las Vegas have included \$99.6 million in cumulative budget cuts. These reductions have come from eliminating approximately 590 positions, negotiating concessions equivalent to one percent of the cost of labor from all labor unions, and eliminating cost of living, merit, and bonuses for non-represented employees to generate \$2.1 million in annual savings.

The City of North Las Vegas is experiencing similar financial challenges, as shown in Figure 2.

Figure 2. City of North Las Vegas General Fund Five-Year History



In North Las Vegas, expenditures have exceeded revenues by at least \$15 million since FY 2007/08. In FY 2009/10 expenditures outpaced revenues by over \$60 million. This deficit, in the midst of an ailing national economy, prompted the City to take action and reduce expenditures by about \$45 million during FY 2009/10 and 2010/11. Despite these efforts, expenditures still exceed revenues by approximately \$33 million. In addition, much of North Las Vegas' physical infrastructure is over 40 years old, and infrastructure requirements will need to be addressed in the near future.

Like the City of Las Vegas, North Las Vegas has implemented a variety of strategies over the past several years to close its budget gap. These measures include cuts in staffing, reductions in capital improvement program (CIP) expenditures and renegotiation of employee benefits and compensation.

State of Nevada Legislative Interest

Assembly Bill 494 was passed during the 2009 legislative session. It required the Nevada Legislative Commission to “provide for a study conducted by the staff of the Legislative Counsel Bureau concerning the major expenditures of local governments in this State to allow the Legislature to consider consolidating services provided by local governments.” As a result of this bill, the respective boards of commissioners for Clark County and Washoe County and the governing body of each city in those counties was required to submit a report on consolidation efforts to the Director of the Legislative Counsel Bureau.

In October 2010, Washoe County engaged a consultant to conduct a *Shared Services Feasibility Analysis* to assess various service sharing options for the City of Reno and Washoe County. The focus was on three administrative service areas: human resources, information technology, and purchasing. The study recommended both short-term and long-term options for service sharing in each of these areas.

AB 494 Study by Clark County and Area Municipalities

To meet the AB 494 mandate, staff from the cities of Boulder City, Henderson, Las Vegas, Mesquite, North Las Vegas, and Clark County worked together on the required consolidation report, which was prepared in the summer of 2010. A series of seven studies were conducted by the staff of those agencies and were summarized in a report to their governing bodies. The topics covered and changes recommended in each area are listed below, as stated in the report prepared by the local governments.

1. Animal control

- Southern Nevada Regional Planning Coalition (SNRPC) to review and comment on suggested changes to Clark County or municipal codes to maintain consistency across jurisdictions
- Create an Animal Control Education and Enforcement Committee (ACEEC) on the breeding and selling of animals
- Consolidate dispatch for animal control

- Consolidate ordinances
- Create a regional hearing master

2. Business licensing

- Explore the feasibility of implementing a multi-jurisdictional license pilot program

3. Cultural programming

- Partner with the Metro Arts Council for regional reporting on events
- Create a consolidated internet portal for posting events

4. Information technology (IT) shared infrastructure

- Create the foundation for shared IT services through a series of implementation steps
- Conduct further study and analysis of the following areas: MyNevada.gov web portal, Nevada Shared Information Technology Services (NSITS) initiatives, business continuity, shared computing infrastructure and platforms across entities, network bandwidth/wireless sharing, government cloud computing opportunities

5. Multi-Species Habitat Conservation Plan (MSHCP)

- Continue with the multi-year effort now underway to amend the MSHCP and consider changes in government structure and consolidation of the fee collection service in conjunction with the amendment process

6. Productions and functions of television stations

- No changes recommended

7. Purchasing

- Initiate cooperative bidding for the purchase of goods

Prior Consolidation Study

A consolidations study was completed in 1993, as summarized below.

Feasibility Study of Local Government Reorganization Alternatives, prepared by Ernst and Young, May 26, 1993

The “Citizens Government Efficiency Committee,” co-chaired by the mayor of Las Vegas and the chairman of the Clark County Board of Commissioners, commissioned this study to explore opportunities for merging all or specific parts of Las Vegas and Clark County government. Ernst and Young documented prior reorganization studies in Las Vegas and Clark County and evaluated the potential advantages and disadvantages of fully consolidating both governments or merging specific functions. The primary objectives of the study were the following:

- A general assessment of alternatives for reorganizing city and county government
- An evaluation of the feasibility of a city-county government structure and the prospects of full consolidation of the two jurisdictions
- An evaluation of the feasibility of merging specific city and county functions
- An analysis of major issues that might arise from full or partial consolidation of services

Mirage Resorts conducted a voter opinion survey as part of the study. About half of the respondents favored some form of city-county consolidation. The percentage of favorable responses increased to 65% when estimated cost reductions were mentioned.

Ernst and Young concluded that there “is no single ‘best way’ to structure a reorganized local government that applies to all cities and counties.” No specific recommendations were made.

Service Sharing and Government Efficiency Opportunities

Management Partners' analysis and recommendations pertaining to potential service sharing and government efficiency are presented in this section for each of the following seven areas:

1. Workers' compensation
2. Safekey
3. Joint purchasing
4. Radio maintenance
5. Detention centers support services
6. Fire Marshal – fire plan review and fire code enforcement
7. Traffic signal, street lighting and area lighting maintenance

Each of the services is described, the analysis is presented, recommendations are provided, and a timeframe for either short-term or medium-term implementation is suggested. Recommendations with a short-term time frame are those which could be implemented within one year. Medium-term recommendations may require two to three years. We also have indicated which of the two cities may be in the best position to take the lead in making the recommended changes.

Workers' Compensation

Workers' compensation is a high-cost area for both cities, as it is in many public and private organizations. Workers' compensation programs exhibit significant potential for economies of scale as a result of the numerous specialty areas required to properly manage cases.

Management Partners' analysis suggests that in the short run the City of Las Vegas may be able to save significant funds by changing its service delivery model to a third-party administrator (TPA). Further, both cities may achieve economies of scale by leveraging their existing contracts or negotiating more favorable contract terms with a TPA to serve both communities. Another possibility would be for the existing Las Vegas in-house staff to support a larger program covering both cities, thereby achieving some of the economies of scale obtained by TPA firms.

Timeframe for implementation: Short-term (1 year)

Responsibilities and Program Approach

The workers' compensation program is a no-fault insurance program in the State of Nevada that provides benefits to employees who are injured on the job and protection to employers who have provided coverage at the time of injury.³ The employer is protected under the program because of "exclusive remedy" provisions in state statute. Employers who provide workers' compensation coverage for their employees at the time of injury are protected from any additional damages claimed by their employees as a result of an injury on the job. This protection is established when the injured employee elects to receive workers' compensation benefits.

The Nevada's Workers' Compensation Program provides a variety of benefits that are designed to assist the injured employee. Unless excluded by statute, it is mandatory for an employer who has one or more employees to provide workers' compensation insurance coverage. Workers' compensation benefits may include the following:

- Medical treatment
- Lost time compensation (TTD/TPD)
- Permanent partial disability (PPD)
- Permanent total disability (PTD)
- Vocational rehabilitation
- Dependents' benefits in the event of death
- Other claims-related benefits or expenses (i.e., mileage)

The cities of Las Vegas and North Las Vegas each pursue different approaches to administering their respective workers' compensation programs.

- **North Las Vegas:** The City uses a TPA to manage the program. A city employee currently assigned to the purchasing and risk management function serves as the liaison between the City, its employees and the TPA.
- **Las Vegas:** The City self-administers its workers' compensation program. City staff members report that this is the only large, self-administered municipal government program in the State. (Clark County School District is the other large government example.) As a result, the City has a different administrative cost

³ Background programmatic material derived from "Material Employer Guide to Workers Compensation," Workers Compensation Section, Department of Business and Industry, State of Nevada.

structure as well as differing levels of required administrative program support and expenditures. The City of Las Vegas has made continuing investments in the computer system supporting this function (which also supports other programs such as workplace safety, liability, ADA/FMLA, and labor relations). Administration of the workers' compensation program requires three full-time staff members and approximately half of the time of the manager for risk, compensation and benefits.

The use of a TPA has become more widespread in the last several years as workers' compensation programs have become more specialized and efforts to control costs have taken on greater urgency. Most small local governments use a TPA to take advantage of economies of scale. Some large cities perform the function in-house, some use a TPA, and others blend the two approaches. The TPA firm serving North Las Vegas serves many other local governments in Nevada, including Henderson and Reno, as well as the State of Nevada.

Review and Analysis

Our analysis found that both cities are trending towards one another in terms of number of claims filed per 1,000 employees. However, the claims expenses per employee are significantly different between the two entities. Las Vegas' claims expense per employee is over 50% greater than the experience in North Las Vegas even though North Las Vegas includes coverage for its police operation. (Due to the nature of police work, on-the-job injuries are common and workers' compensation costs tend to be significant. The same is true for fire services.)

Tables 3 and 4 contain data from annual report submissions to the State of Nevada, Department of Business and Industry, Division of Insurance by the two cities.

Table 3. City of Las Vegas Workers' Compensation Program Data

Self-Insured Employer's Annual Claims Information	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
Claims Administrator	City of Las Vegas	City of Las Vegas	City of Las Vegas
Annual Claims Expenditures			
Claims Expenditures	\$4,707,582	\$6,185,981	\$5,102,021
Three-year Average	\$4,513,805	\$5,100,696	\$5,331,861
Reopened Claims Costs			
Total Number of Closed Claims	6,413	6,707	6,997
Actual Paid To Date			
Medical	\$13,598,057	\$14,765,451	\$16,871,864
Indemnity	\$16,488,321	\$17,577,238	\$19,268,321
Other	\$485,217	\$607,254	\$666,226
Subtotal	\$30,571,595	\$32,949,943	\$36,806,411
Multiplier	0.50%	0.50%	0.50%
Provision for Reopened Claims	\$152,858	\$164,750	\$184,032
Claims Administrative Costs			
Administrative Expense	\$438,950	\$451,178	\$308,005
Minimum Security Deposit	\$5,106,000	\$5,717,000	\$5,824,000
Open Claims			
Total Number Open Claims (As of June 30 of the respective fiscal year)	229	250	232
Total Anticipated Gross Costs			
Medical	\$11,022,807	\$13,130,302	\$13,179,570
Indemnity	\$31,640,761	\$34,041,955	\$34,761,894
Other	\$348,495	\$396,756	\$401,280
Subtotal	\$43,012,063	\$47,569,013	\$48,342,744
Less: Actual Paid to Date			
Medical	\$8,492,064	\$10,812,376	\$11,385,689
Indemnity	\$12,439,543	\$13,968,683	\$14,637,159
Other	\$268,082	\$324,203	\$327,968
Subtotal	\$21,199,689	\$25,105,262	\$26,350,816
Equals: Reserves			
Medical	\$2,530,743	\$2,317,926	\$1,793,881
Indemnity	\$19,201,218	\$20,073,272	\$20,124,735

Self-Insured Employer's Annual Claims Information	July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
Claims Administrator	City of Las Vegas	City of Las Vegas	City of Las Vegas
Other	\$80,413	\$72,553	\$73,312
Subtotal	\$21,812,374	\$22,463,751	\$21,991,928
Claims Paid from Other Sources			
Number	36	36	35
Value	(\$12,518,619)	(\$13,725,014)	(\$13,077,349)
Number of Claims Filed (Current Period)	244	306	259
Number of Claims Accepted	226	285	242

Source: Annual report submission to State of Nevada, Department of Business and Industry, Division of Insurance

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Table 4. Workers' Compensation Program Data Submitted to State by the City of North Las Vegas

Self-Insured Employer's Annual Claims Information		July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
Claims Administrator		Nevada Comp First	Meadowbrook, Inc.	CCMSI
Annual Claims Expenditures				
	Claims Expenditures	\$1,363,172	\$1,354,722	\$2,112,237
	Three-year Average	\$1,400,973	\$1,354,973	\$1,610,044
Reopened Claims Costs				
	Total Number of Closed Claims	2,250	2,429	2,862
	Actual Paid To Date			
	Medical	\$2,442,235	\$3,124,459	\$3,555,100
	Indemnity	\$3,949,680	\$4,984,878	\$5,713,485
	Other	\$757,046	\$867,661	\$1,038,600
	Subtotal	\$7,148,961	\$8,976,998	\$10,307,185
	Multiplier	0.50%	0.50%	0.50%
	Provision for Reopened Claims	\$35,745	\$44,885	\$51,536
Claims Administrative Costs				
	Administrative Expense	\$71,663	\$59,878	\$149,500
Minimum Security Deposit		\$1,508,000	\$1,460,000	\$1,811,000
Open Claims				
	Total Number Open Claims (As of June 30 of each of the three years)	86	60	107
	Total Anticipated Gross Costs			
	Medical	\$3,620,172	\$3,312,662	\$3,589,909
	Indemnity	\$4,066,093	\$4,021,162	\$3,996,816
	Other	\$437,835	\$328,024	\$427,100
	Subtotal	\$8,124,100	\$7,661,848	\$8,013,825
	Less: Actual Paid to Date			
	Medical	\$2,250,607	\$2,150,263	\$2,460,930
	Indemnity	\$1,494,448	\$1,241,942	\$1,827,185
	Other	\$246,523	\$221,151	\$276,445
	Subtotal	\$3,991,578	\$3,613,356	\$4,564,560
	Equals: Reserves			
	Medical	\$1,369,565	\$1,162,399	\$1,128,979

Self-Insured Employer's Annual Claims Information		July 1, 2007 to June 30, 2008	July 1, 2008 to June 30, 2009	July 1, 2009 to June 30, 2010
Claims Administrator		Nevada Comp First	Meadowbrook, Inc.	CCMSI
	Indemnity	\$2,571,645	\$2,779,220	\$2,169,631
	Other	\$191,312	\$106,873	\$150,655
	Subtotal	\$4,132,522	\$4,048,492	\$3,449,265
Claims Paid from Other Sources				
	Number	3	7	19
	Value	\$1,967,218	\$1,526,326	\$2,968,593
	Number of Claims Filed (Current Period)	225	188	191
	Number of Claims Accepted	183	162	170
Source: Annual report submission to State of Nevada, Department of Business and Industry, Division of Insurance				

Based on discussions with City staff, we updated the administrative costs for North Las Vegas to reflect a full year of TPA services plus the cost of the in-house support staff member. These changes improve the comparability of administrative program support costs between the cities. However, other issues also impact cost comparisons in this program area. For example, Las Vegas staff members supporting workers' compensation currently provide services internally that may be purchased by North Las Vegas through its TPA contract for an extra hourly charge. These additional services include:

- Subsequent injury account recovery services
- Loss control (risk management) advisory services
- Training and education for management and staff

The information provided by the City of Las Vegas did not include the detail necessary to estimate and adjust for these internal service efforts.

Table 5 shows a comparison of workers' compensation claims and administrative expenses between the two cities.

Table 5. Comparison of Claims, Claims Expenses and Administrative Expenses

	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Claims Administrator	City of Las Vegas	City of Las Vegas	City of Las Vegas	Nevada Comp First	Meadowbrook, Inc.	CCMSI
Annual Claims Expenditures						
Claims Expenditures	\$4,707,582	\$6,185,981	\$5,102,021	\$1,363,172	\$1,354,722	\$2,112,237
Three-year Average	\$4,513,805	\$5,100,696	\$5,331,861	\$1,400,973	\$1,354,973	\$1,610,044
Claims Administrative Costs						
Administrative Expense	\$438,950	\$451,178	\$308,005	\$71,663	\$59,878	\$149,500
Open Claims						
Total Number Open Claims (As of June 30 of the respective fiscal year)	229	250	232	86	60	107

Based on this comparison, Las Vegas' workers' compensation program is approximately two and a half times larger than the North Las Vegas program in terms of total claims expenditures per year. For the most recent year, Las Vegas had administrative costs of \$0.06 per dollar of claims expenditures, while North Las Vegas had administrative expenses of \$0.071 per dollar of claims expenditures. Claims costs per employee are significantly higher in Las Vegas than in North Las Vegas: \$1,654 per full-time equivalent (FTE) compared with \$957 per FTE, respectively. The same is true of administrative costs per FTE, which are \$1,189 in Las Vegas and \$783 in North Las Vegas. From an analytical perspective this variation raises the question of whether Las Vegas' costs might be reduced if they joined with North Las Vegas to utilize a TPA.

To evaluate this further, we requested additional information from the cities in two areas to supplement the information contained in the state reports. The first area involved expenditures related to claims for permanent total disability under the state heart/lung statutes, commonly referred to as presumptive benefits. Las Vegas has many more of these types of claims than North Las Vegas, for reasons that are unknown. According to Las Vegas' staff (who are experts in this area), these claims cannot be mitigated by management practices. They believe that claims comparisons should be based only on costs that can be affected by either safety programs and practices or claims management.

The second area where it may be appropriate to make adjustments to State data on claims expenditures involves catastrophic injuries and associated benefit payments. Certain injuries can cause permanent disability that requires a comprehensive, lifelong approach to patient and case management. These severe and relatively expensive cases are infrequent yet their high costs can skew program comparisons. For this reason, Management Partners has made adjustments to claims expenditures for presumptive and catastrophic claim costs. For each city, we reduced the annual claim expenditure by this amount to develop an adjusted claim expenditure. This adjusted figure is more susceptible to impact by program management actions and should provide a better basis for comparison of management approach to the workers' compensation program.

Table 6 shows adjustments for claims expenditures associated with presumptive benefits and catastrophic care costs (as discussed above). These costs comprise a significant amount of the total claims expenditures in the City of Las Vegas while comprising a very small share of claims expenditures in North Las Vegas.

Table 6. Comparison of Workers' Compensation Costs for Las Vegas and North Las Vegas

	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Claims Administrator	City of Las Vegas	City of Las Vegas	City of Las Vegas	Nevada Comp First	Meadowbrook, Inc.	CCMSI
Annual Claims Expenditures						
Claims Expenditures	\$4,707,582	\$6,185,981	\$5,102,021	\$1,363,172	\$1,354,722	\$2,112,237
Less: Presumptive Benefits and Catastrophic Care Costs	\$2,347,796	\$3,402,842	\$2,723,567	\$0	\$903	\$10,690
Adjusted Claims Expenditures	\$2,359,786	\$2,783,139	\$2,378,454	\$1,363,172	\$1,353,819	\$2,101,547
Claims Administrative Costs						
Administrative Expense	\$438,950	\$451,178	\$308,005	\$71,663	\$59,878	\$149,500
Open Claims						
Total Number Open Claims at End of Fiscal Year	229	250	232	86	60	107

Table 7 refines the workers' compensation program comparisons further. The number of claims filed per 1,000 employees for both cities is nearly equal at approximately 85 claims per 1,000 employees. When adjusted for presumptive benefits and catastrophic care management, claims expense per employee is currently lower in Las Vegas; however, the three-year average of adjusted claims expenses per employee is approximately the same between the two cities, at around \$775 per employee. As shown in the table unadjusted claims costs per employee are much higher in Las Vegas than in North Las Vegas reflecting the higher presumptive and catastrophic claims costs in the latter City.

Table 7. Comparison of Claims, Adjusted Claims Expenses and Administrative Expenses

	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Number of Claims Filed per 1,000 Employees	72.6	97.2	84.0	109.4	95.5	86.5
Adjusted Claims Expense per Employee	\$702.32	\$883.82	\$770.97	\$663.02	\$687.92	\$952.22
Unadjusted Claims Expense per Employee	\$1,401.07	\$1,964.43	\$1,653.82	\$663.02	\$688.38	\$957.06
Administrative Expense per Claim Filed	\$1,798.98	\$1,474.44	\$1,189.21	\$318.50	\$318.50	\$782.72

A significant difference between the workers' compensation data for the two cities is in the administrative expense per claim filed.

"Administrative expense" is a self-reported element on the annual report submission and is meant to include all administrative, management and support costs associated with program administration. While these costs have decreased in both cities, the administrative cost per claim filed in North Las Vegas is significantly less than that of Las Vegas.

The reasons for this difference need to be ascertained through more detailed analysis to better understand the services provided and their relative costs. The most significant factor Management Partners could identify at this point in the review is the use of a TPA by North Las Vegas. Use of a TPA allows some economies of scale to be achieved because such vendors provide services to multiple jurisdictions, and can pool the costs of some services involved in managing claims.

These different experiences and associated costs may present opportunities to modify the workers' compensation program in the City of Las Vegas to leverage greater savings, via the use of a TPA. It is

possible that by aggregating their demand for workers' compensation services Las Vegas and North Las Vegas could drive down per employee costs either via a TPA or by sharing service delivery using Las Vegas' existing staff. Given the significant differences, we believe it would be important to confirm that all administrative, management and support costs for North Las Vegas have been reported in the same way as they have for Las Vegas so that the comparisons are valid.

Table 8 presents the potential administrative cost savings for administrative expense per claim filed as well as administrative expense per FTE staff member for each city. If the cost structure in North Las Vegas were applied to Las Vegas, we would expect to see an annual net savings of approximately \$100,000. This savings would come from Las Vegas achieving a lower administrative cost per claim filed and administrative cost per FTE as observed in North Las Vegas.

Table 8. Potential Savings for the City of Las Vegas from Lower Claims Administration Expense

Per Claim Filed				Potential Savings	
FY 2009-2010 Workers' Compensation Program	Claims Admin Expense	New Claims Filed	Admin Expense per Claim Filed	Per Claim	Total
Las Vegas	\$308,005	259	\$1,189.21	\$406.49	\$105,279.87
North Las Vegas	\$149,500	191	\$782.72		
Per FTE					
Las Vegas	\$308,005	3,085	\$99.84	\$32.10	\$99,030.15
North Las Vegas	\$149,500	2,207	\$67.74		

By far the largest cost of the workers' compensation system consists of the claims costs paid to employees. Workers' compensation managers seek to minimize such costs while fully complying with applicable laws, policies and regulations. Doing so requires the use of a variety of cost-control tools such as training, medical evaluations and investigations.

Identifying potential savings in claims expenses from sharing services is more difficult. If presumptive and catastrophic claims are excluded, Las Vegas has a slightly lower cost per claim. If these costs are included, North Las Vegas has a much lower cost per claim. This analysis is not sufficient to allow us to reach a definitive conclusion. As noted Las Vegas staff believe that all presumptive and catastrophic claims should be excluded from the analysis based on the nature of such claims, and Table 7 shows this analysis. However it should be noted that while it is harder

to manage presumptive and catastrophic claims costs, cities (including Las Vegas) can and do engage in a number of practices designed to mitigate them (for example, early screening for presumptive diseases and elimination of risk factors where possible). The disparity in presumptive claims costs between the two cities should be investigated further to determine why this difference exists at its current level and whether any proactive management approaches could impact these cases in the future.

Example of Joint Workers' Compensation Administration by a Third-Party Administrator

The cities of Newport Beach and Costa Mesa have shared a TPA since 1995. Management Partners interviewed Newport Beach's risk manager about the workers' compensation administration partnership. The combined population of both cities is approximately 200,000. Newport Beach has 806 authorized full-time positions and part-time employees that are equivalent to 134 full-time positions. Costa Mesa has 498 authorized full-time and 60 part-time positions. The total FTE for both cities is approximately 1,438 (plus some additional part-time employees).

In 1995, the two cities decided to combine their efforts and obtain one TPA for cost saving purposes. They have issued several requests for proposals to obtain TPA services since 1995, with the last one in 2009. Their current provider is CorVel.

CorVel has a dedicated unit that only serves Newport Beach and Costa Mesa. The unit consists of one supervisor, two senior claims adjusters, one claims assistant and a half-time adjuster for "maintenance claims." The half-time position was added last year because the volume of active files and maintenance files required additional staffing. The contract gives the cities the right to interview and approve staff assigned to the dedicated unit and the cities exercise that right. The costs were originally shared equally, but due to changes in volume in Newport Beach, Newport Beach now pays 60% and Costa Mesa pays 40%. The cities use other vendors for billing and utilization reviews, although such services could also be combined for economies of scale savings.

Recommendations

Three recommendations are provided for greater efficiency and cost reduction in workers' compensation, as follow.

Recommendation 1. Conduct a thorough review of the workers' compensation programs in both cities, including reporting methodology, claims experience and costs.

This review should determine whether the same methodology for reporting administrative, management and support costs is used by the cities so a valid comparison can be made. Additionally, the analysis should ascertain the reasons for the lower adjusted claims costs experienced by Las Vegas. It should also compare such practices as both cities' approaches to claims management, prevention and other aspects of cost control.

This will aid the cities in ascertaining the practices that have contributed to the more favorable adjusted claims expense experience of Las Vegas as well as reviewing pricing approaches to determine if they have contributed to the apparent program administrative savings.

Recommendation 2. Assess the opportunity for the City of Las Vegas to make use of the existing North Las Vegas third-party administrator contract and/or rebid the TPA service as a joint effort. If feasible, leverage existing TPA contract terms or renegotiate new terms to gain economies of scale and provide savings to both cities.

This could yield estimated savings of \$100,000 per year in administrative costs. If a TPA approach is not satisfactory, the cities may wish to consider sharing a self-administered program using Las Vegas and North Las Vegas staff, which would allow aggregation of demand and generate opportunities for greater scale efficiencies.

North Las Vegas may realize cost savings if both cities were served by one contract. Analyze the reasons for lower adjusted claims cost experience per employee in Las Vegas and develop applicable cost control measures.

Suggested lead city: Las Vegas possesses the internal capacity to manage the workers' compensation program on behalf of both cities. The management team has access to detailed program cost data from the only

self-insured program of significant size in the State not using a TPA. Las Vegas is in a position to leverage this experience and information to consider whether a TPA can provide more service at less cost while maintaining or enhancing desired and valued support services. The cities also may want to consider a hybrid relationship that leverages unit price savings for basic or core program administration with a TPA while retaining internal staff capacity to provide cost effective claims analysis and cost recovery services.

Safekey

Both cities offer the Safekey recreational program to school children using similar approaches. Consolidating administration would save the cities an estimated \$91,000 annually.

Timeframe for implementation: Short-term (1year)

Responsibilities and Program Approach

Safekey is a before- and after-school recreational enrichment program for children in kindergarten through fifth grade. The program is managed by the respective cities and is offered at various Clark County School District elementary schools. The program provides a safe environment for activities such as a homework period, arts and crafts, games, a nutritious snack, and healthy lifestyle programs. The Safekey program follows the school calendar and operates on days that school is in session.

The City of Las Vegas and the City of North Las Vegas provide virtually identical Safekey programs to children and their families, all offered in school district facilities. There are modest differences in fee structure and program approaches. The most significant differences are scale and approach to site staffing. Las Vegas' program is approximately three times the size of North Las Vegas' program. Las Vegas employs school district employees on a part-time basis (if interested and available) to conduct the program at its various sites while North Las Vegas does not employ school district employees for program site work. Both cities allocate city staff time within their respective parks and recreation departments for central Safekey program management and administration.

Review and Analysis

The cities' Safekey programs vary in size for number of students served and student program hours provided. As noted above, the City of Las Vegas' program is approximately three times the size of the North Las

Vegas' program. While the programs are almost identical in terms of expenditure per program hour, North Las Vegas appears to have a more advantageous fee structure, yielding 50% more revenue per program hour than the Las Vegas program.

North Las Vegas increased the fees during the last year for its Safekey program to \$5.50 per day for the morning session and \$8.50 per day for the afternoon session (or \$14 per day for both). Parents must register and pay for specific sessions, allowing the program managers to plan for anticipated attendance in terms of staffing and supplies. In the last year, Las Vegas implemented a package price option with parents purchasing participation in multiples of five days (e.g., 10 days, 15 days, 20 days, etc.). This new approach allows a paid registration (specific to the morning or afternoon) to be used on any day of the week that Safekey is in session. Unused days are no longer lost and carry over from week to week until they are used. This is an advantageous approach for customers but it puts the City in the position of planning and staffing for service demand on any particular day that may not materialize. The Las Vegas program charges a rate of \$11 per day. With this approach, program managers do not know when participants will attend and usually plan for maximum attendance at each session.

Table 9 provides information on the relative size, revenues, staffing and costs of the two cities' Safekey programs.

Table 9. Safekey Program Comparison

	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Revenue	\$4,481,390	\$3,883,815	\$3,159,174	\$1,418,606	\$1,224,871	\$1,567,497
Expenditures	\$4,452,553	\$4,526,069	\$3,961,117	\$1,704,608	\$1,530,146	\$1,218,965
Staffing (Full Time)	11	11	7	5	5	4
Sites Served	67	67	69	22	22	22
Students Served	NA	10,613	10,487	4,178	3,331	NA
Days	180	180	180	180	180	180
Site Program Hours	5	5	5	5	5	5
Student Program Hours	60,300	60,300	62,100	19,800	19,800	19,800
Revenue per Program Hour	\$74.32	\$64.41	\$50.87	\$71.65	\$61.86	\$79.17
Expenditure per Program Hour	\$73.84	\$75.06	\$63.79	\$86.09	\$77.28	\$61.56

The lower revenue per hour experienced in the Las Vegas program for FY 2010 may be related to the lower daily rate as well as more selective use of the program by families. The current pricing allows for a discounted charge per day, and with no time limit on their use there is no disincentive associated with absences. This pricing structure may have incentivized families to limit their use only to the most necessary days, which in turn limits their costs. Returning to a pricing structure similar to that of North Las Vegas may restore revenue per program hour to similar levels (in terms of revenue per program hour) that both programs enjoyed in 2008. Given the continuing geographic preferences of participants (parents want children to participate in their home schools and the programs have no interest in offering transportation to program locations at other schools), the market is “captive” and will not seek other options beyond those that currently exist with other community providers (for example, YMCA). It is reasonable to assume that the programs will continue to maintain their relative size differences due to community demographics and the continuing geographic organization of the program offerings.

There are strong similarities in program approach, management and operation. This creates the potential to consolidate some support functions and reduce management and overhead costs. Specifically, two positions could be eliminated through such a consolidation, including one recreation coordinator position and a fiscal specialist position. Table 10 shows projected annual savings of approximately \$156,000 per year with this change.

Table 10. Estimated Savings From Consolidating Safekey Program Management

Safekey	FY 2010					
	Expenditures	Sites	Program Hours	Expenditures per Program Hour	Full-time Staff	Proposed Staff Reductions
Las Vegas	\$3,961,117	69	62,100	\$63.79	7	\$0
North Las Vegas	\$1,218,965	22	19,800	\$61.56	4	\$156,000
Staff Reductions ¹	1 FTE	Recreation Coordinator				\$87,100
	1 FTE	Fiscal Specialist				\$68,900
						\$156,000

¹Includes estimated benefits costs.

Recommendations

Two recommendations are provided to realize savings in the Safekey program.

Recommendation 3. Aggregate Safekey program management and administration in one of the two cities to yield overall program savings. The annual savings for the two cities is estimated at \$156,000. Services to the children would remain unchanged.

Recommendation 4. Implement a single Safekey program and pricing structure between the two cities with Las Vegas pricing increasing to mirror the current practice in North Las Vegas.

Moving to a general \$14 per day rate (as currently charged in North Las Vegas) with use requirements as existed in the past should allow more effective program expenditures while increasing revenues. Increasing the revenue per program hour experience in the City of Las Vegas program from the current \$51 to \$79 (as in North Las Vegas) could positively impact program revenues by approximately \$1.7 million per year.

Suggested lead city: Because of program similarities, either city could take lead responsibility. Regardless, we suggest an interlocal agreement be negotiated to clearly specify how the existing program staff members from both cities would be utilized to leverage their knowledge, experience and abilities under a consolidated management approach.

Joint Purchasing

Both Las Vegas and North Las Vegas purchase goods and services to support the delivery of a wide range of city services. Opportunities exist to achieve better pricing available through larger-scale purchases, and to consolidate the entire purchasing function into one city. Savings could be expected as a result of such changes.

Timeframe for implementation: Short-term (1year)

Responsibilities and Program Approach

Both the cities of Las Vegas and North Las Vegas must comply with the bid and procurement requirements as mandated by Nevada State statute. Both cities have quasi-centralized procurement processes with final responsibility for purchasing decisions resting with the central

purchasing function and with varying levels of procurement authority being delegated to operating departments.

Table 11 shows the major responsibilities for procurement operations. As would be expected, the responsibilities are similar. One difference involves the recent assignment of risk management responsibilities to the procurement function in North Las Vegas. This includes management of the existing contract with the TPA for workers' compensation, as well as procurement of other forms of insurance coverage for the City.

Table 11. Purchasing Operation Responsibilities in Las Vegas and North Las Vegas

	Las Vegas	North Las Vegas
Requisition processing and purchasing	X	X
P-Card program management	X	X
Competitive solicitations	X	X
Contracting / contract administration	X	X
Supplier diversity program	X	X
Cost savings program	X	X
On-line surplus management	X	
Risk management and insurance		X

Review and Analysis

The scope of the respective procurement offices differs. Procurement staffing in North Las Vegas remains at four FTE employees; the staff member added in 2010 is assigned to risk management tasks only. The procurement operation in Las Vegas is approximately five times the size of the operation in North Las Vegas. Table 12 provides data on relative expenditures and staffing. Budgeted expenditures and staffing were reduced in North Las Vegas at mid-year in 2011 and the figures presented in this and subsequent tables reflect those reductions.

Table 12. Comparison of Purchasing Operations Expenditures and Staffing

	Las Vegas			North Las Vegas		
	2009	2010	2011	2009	2010	2011
Expenditures	\$2,923,460	\$2,940,455	\$2,580,120	\$517,500	\$706,449	\$738,357
Staffing	30	29	20	4	5	3

Information provided by staff indicates different levels of centralization between the cities' procurement operations. The procurement function in North Las Vegas coordinates activities that may often occur in operating departments and provides a final review prior to purchase. The procurement function in Las Vegas handles more processes centrally compared to North Las Vegas. This may account for the significant differences in central procurement operating costs when measured against FTE employees or according to the value of supplies and services being procured by the respective organizations.

The Southern Nevada Regional Planning Coalition (SNRPC) has considered coordinated cooperative purchasing in addition to other areas of government service for potential service sharing in the Joint Report for Assembly Bill 494 (Consolidation or Reorganization of Certain Local Governments). Both Las Vegas and North Las Vegas participated in these efforts. SNRPC recommends pursuing cooperative purchasing as a first step towards improved procurement performance. There have been anecdotal instances of informal purchasing coordination and cooperation between Las Vegas and North Las Vegas in the past, but these efforts have been very limited in frequency and scope.

Table 13 shows total central procurement operating costs and as measured against staffing levels and supplies and services purchased. Generally, the cost of the more centralized procurement operation in Las Vegas is higher than in North Las Vegas. However, it should be noted that as the cities have cut expenditures they have both reduced support services such as procurement. The de facto result of this is a more decentralized system, with some loss in control and oversight. North Las Vegas is probably further along in this transition to decentralization than Las Vegas.

Table 13. Relative Costs of Purchasing Operations

Las Vegas				North Las Vegas		
	2009	2010	2011	2009	2010	2011
Procurement Operations Expenditures	\$2,923,460	\$2,940,455	\$2,580,120	\$517,500	\$706,449	\$738,357
City FTE	3,360	3,149	3,085	2,056	1,968	2,207
Procurement Expenditure/FTE	\$870.08	\$933.77	\$836.34	\$251.70	\$358.97	\$334.55
Supplies and Services Total Appropriation			\$202,324,980			\$131,897,560
Procurement Expenditure per \$1,000 of Supplies and Services			\$12.75			\$7.10

It is generally acknowledged that greater purchasing volume results in lower unit costs, although services and supplies are different and the cities do not have detailed information on unit costs at various volume levels. They both do commonly receive volume discounts and increasing volume to include both cities could, in some cases, lead to greater discounts. Table 14 provides estimates of potential savings based on small average price changes applied to the existing level of supplies and services purchased on a joint basis. Potential savings to both Las Vegas and North Las Vegas could total more than \$330,000 per year assuming a conservative one-tenth of one percent reduction in average price paid by the cities. Potential savings could grow and exceed \$1.6 million, assuming a change in average price of one-half of one percent.

Table 14. Potential Savings Through Joint Purchasing

Potential Joint Purchasing Savings	Las Vegas	North Las Vegas	Total
2011 Supplies and Services Approved	\$202,324,980	\$131,897,560	\$334,222,540
Potential Savings:			
At 0.10% of Total	\$202,325	\$131,898	\$334,223
At 0.25% of Total	\$505,812	\$329,744	\$835,556
At 0.50% of Total	\$1,011,625	\$659,488	\$1,671,113

Table 15 shows the potential savings that could occur if the purchasing function were consolidated in one city. With program consolidation, one senior management position would no longer be necessary because program management would be consolidated under one manager for both cities. The remaining positions supporting the purchasing function should be retained to provide the necessary support to city departments. Eliminating the management position would yield estimated savings of approximately \$120,000 per year.

Table 15. Potential Savings Through Consolidating Purchasing Functions in One City

Joint Purchasing	FY 2011		
	Expenditures	Full-time Staff	Proposed Staff Changes
Las Vegas	\$2,580,120	20	\$0
North Las Vegas	\$738,357	3	(\$120,000)
Total	\$3,516,230	25	
Staff Changes		(1.00)	(\$120,000) ¹
1 FTE	Purchasing Manager		(\$120,000)

¹Includes estimated cost of benefits

Recommendations

Three recommendations are offered for effecting savings through the purchasing function.

Recommendation 5. Revise procurement specifications to enable the cities to combine purchasing volumes to incentivize lower pricing by vendors. This effort should also include reaching consensus on legal and contract language requirements.

Recommendation 6. Initiate joint purchasing to obtain economies of scale associated with large-scale buying.

Both cities use similar procurement approaches to secure similar types of goods and services to meet their general government service requirements. Combining purchasing volumes through common and consistent specifications could generate lower unit prices in the market.

Recommendation 7. Analyze the costs and benefits of aggregating the purchasing functions in one city.

Applying common specifications accessed through shared systems could allow such a consolidation. This move could yield continuing savings through the elimination of selected management positions and their associated salary and benefit requirements.

Suggested lead city: The City of Las Vegas has a robust, centralized purchasing operation with supporting policies and procedures, as well as staff resources in place that could handle this for both cities. North Las Vegas has a vacant position that could be eliminated.

Radio Maintenance

Point-to-point communication provided by cellular technologies can be an effective means of communication and has replaced broadcast radio communication in certain departments and functional areas of city government. While radio use has decreased in each city, the ability to reach and broadcast a message to multiple parties remains a need in certain service areas.

Both cities maintain a sizable radio inventory and must maintain this communications capacity. These radios are extremely sophisticated and require specialized knowledge, skills and abilities to diagnose problems, identify possible solutions and make repairs. Las Vegas allocates

approximately 10% of one staff person's time to this function and will be retiring soon. North Las Vegas has the ability to provide this service, although some additional staffing may be required. It may be less expensive for the City of Las Vegas to contract with North Las Vegas for radio maintenance, rather than outsource it to a private provider.

Timeframe for implementation: Short-term (one year)

Responsibilities and Program Approach

Each city uses different approaches to radio maintenance. North Las Vegas operates a fully functioning radio shop and supports the Radio Systems Division with five full-time staff members. This operation is actively involved in radio system development and maintenance, radio unit installation and maintenance, and provides radio unit maintenance support to external agencies as requested.

The City of Las Vegas' Information Technology Department has responsibility for radio maintenance. One individual spends approximately 10% of his time on the task. Until recently, two staff members within IT worked on radio maintenance. When one of them resigned, the other person was given full responsibility for radio maintenance.

Workload has been reduced in recent years as departments have moved to other forms of communication (primarily cellular telephones) and have turned in their mobile radios. The returned radios have become surplus equipment, which is used to replace other units that break. In rare cases, Las Vegas staff will send a radio for outside service if there is not an appropriate replacement in inventory.

Simple radio maintenance tasks occur in-house as needed. As the inventory of working units is depleted, Las Vegas will need to repair or replace units. While having only 10% of an individual assigned to this task is cost-effective, it is not likely to be sustained in the long term as more radio maintenance and replacement is required.

Maintenance of fire radios is already regionalized. The City of Las Vegas Fire Alarm Office (FAO) maintains radios for the fire departments of Las Vegas, North Las Vegas, Clark County and the City of Henderson. City of Las Vegas staff indicated that the regional model is cost-effective for fire radio maintenance.

Review and Analysis

The two cities have different scopes of operations for radio maintenance, and this is reflected in the relative responsibilities and resources. Table 16 shows operating costs and staff allocations to radio maintenance and the direct equipment maintenance responsibility. Note that current hiring freeze in North Las Vegas limits radio maintenance operation to current resources that includes one radio technician; approval would be needed to fill two existing radio technician vacancies to reach budgeted resource levels.

Table 16. Comparison of Radio Maintenance Operating Costs, Staffing, and Equipment Inventory

Radio Maintenance	Las Vegas		North Las Vegas	
	FY 2009	FY 2010	FY 2009	FY 2010
Operating Expenditures	\$15,000	\$7,500	\$1,668,585	\$967,566
SNACC* Fees	\$135,000	\$135,000	\$405,942	\$374,088
Total	\$150,000	\$142,500	\$2,074,527	\$1,341,654
Total Staffing –full time	2.0	1.0	5.0	5.0
Radio maintenance Staffing –FTE	0.2	0.1	3.0	3.0
SNACC Radios	619	619	1,673	1,673
Non-SNACC Radios	241	241	98	98
Radio Consoles	0	0	12	12
Radio Tower Maintenance	0	0	12	12

*Southern Nevada Area Communications Council

The City of Las Vegas indicates they will need to find a radio maintenance solution as the planned retirement of the remaining radio maintenance staff member approaches. The existing operation in North Las Vegas may provide a solution that compares favorably with private radio maintenance services.

Table 17 indicates a potential break-even cost scenario for radio maintenance if Las Vegas were to contract with North Las Vegas. This table shows the current 10% staff allocation in Las Vegas plus an estimate for future contracted maintenance. We categorize the reallocation of the existing staff time to other internal city telecommunications tasks as “savings” because this can potentially reduce the need to contract for additional telecommunications maintenance services.

The amount of net savings will vary depending on the impact of future outside radio maintenance costs that would be avoided using this approach. Cost avoidance includes the current level of work sent to contractors, the estimated additional annual work that would be required

as the inventory aged and replacement units become scarce, as well as the simple repairs currently conducted in-house at a contractor rate. For purposes of analysis, we have assumed addition of one-half of one radio technician to meet the additional need as the Las Vegas radio inventory stabilizes and the opportunity to utilize unused units disappears. The exact staffing required to serve Las Vegas would need to be examined in detail. The scope of this project did not allow for more precise estimating.

Table 17. Possible Break-Even Scenario for Las Vegas Contracting with North Las Vegas

		Future Year Costs			Current Full-time Equivalent (FTE) Effort	Estimated Staff Changes*	Future Full-time Equivalent (FTE) Effort
		Revenues	Expenditures	Total			
Radio Maintenance							
Las Vegas							
Reallocate internal staff effort			(\$7,500)	(\$7,500)	0.1		0.1
Avoid existing contractor maintenance			(\$2,400)	(\$2,400)			
Avoid future contractor maintenance			(\$8,000)	(\$8,000)			
Avoid future simple maintenance			(\$8,000)	(\$8,000)			
Total		\$0	(\$25,900)	(\$25,900)	0.1	0.0	0.1
North Las Vegas							
Provide radio maintenance to LV		\$20,000	\$20,000	\$0	5.0	0.5	5.5
Total		\$20,000	\$20,000	\$0	5.0	0.5	5.5
Staff Changes	Part-time	Communication Technician		\$20,000	To NLV	0.5	

*The exact staffing would need to be more precisely determined. This is for estimating purposes only.

Recommendations

One recommendation is offered to effect efficiencies in radio maintenance.

Recommendation 8. Initiate a contract for services for radio maintenance for the City of Las Vegas to be provided by North Las Vegas.

With an impending retirement, Las Vegas needs to procure services for continued coordination of radio maintenance.

Such services could be obtained by assigning a portion of the time of another staff person within Las Vegas to radio maintenance or by contracting with a private vendor. Contracting with North Las Vegas, which already maintains radios for other agencies in addition to its own, is a viable option.

Suggested lead city: North Las Vegas possesses a fully-staffed operation with necessary expertise. The cities should implement an interlocal agreement establishing a per-radio charge. This agreement will provide adequate resources for any staffing level adjustments needed in North Las Vegas to meet the additional demand.

Detention Center Support Services

Food, medical, laundry and linen, and commissary services are essential for any detention facility. The scale and the way in which these services are provided significantly impact the costs to Las Vegas and North Las Vegas. Our analysis shows that increasing scale generally reduces unit costs, which is unsurprising given the nature of these services. Las Vegas currently contracts all four services. North Las Vegas contracts medical services but provides the remaining three services in-house.

The cost comparisons show that the City of North Las Vegas could save approximately \$1.4 million a year in food services alone if the same cost basis achieved in Las Vegas were applied. There may be potential for additional savings in laundry and linen, and commissary services as well. Potentially, even greater savings could be achieved if the two cities combined their efforts and sought lower pricing associated with economies of scale.

Timeframe for implementation: Medium-term (at least 3 years)

North Las Vegas' labor agreements place constraints on contracting for the life of the agreement (which is in effect until June 30, 2014). Prior to that time, North Las Vegas could examine whether city staff could provide these services at the same cost basis as Las Vegas. We offer recommendations designed to bring near term benefits while being consistent with existing collective bargaining agreements.

Responsibilities and Program Approach

Management Partners reviewed opportunities for service sharing and efficiencies in the following detention center services:

1. Food services
2. Laundry and linen services
3. Commissary services
4. Medical services

Table 18 displays these services and how they are currently provided. Neither the City of Las Vegas nor the City of North Las Vegas provides inmate social services other than those provided by charities and volunteers. Each city has one detention center.

Table 18. Comparison of Providers of Detention Center Support Services

Support Service	Las Vegas	North Las Vegas
Food Services	Contractor	In-house
Medical Services	Contractor	Contractor
Laundry and Linen Services	Contractor	In-house
Commissary Services	Contractor	In-house

Review and Analysis

Although both jail facilities can accommodate approximately the same number of inmates, the current average daily population has decreased significantly for North Las Vegas following the relocation of federal prisoners to a new facility in Pahrump, Nevada. Approximately 300 of the current 510 average daily inmate population in North Las Vegas is comprised of “local” prisoners (individuals incarcerated for violations of local and State laws). The remaining inmates are comprised of Immigration and Customs Enforcement detainees and prisoners held for Federal Marshals. Table 19 displays the current capacity and populations of the facilities. Las Vegas operates with about 37% greater average daily population and more surplus capacity than North Las Vegas.

Table 19. Existing Capacity and Average Daily Populations

Current Levels	Las Vegas	North Las Vegas
Number of Beds	1,050	500*
Average Daily Population	815	510

*Beds were reduced from 1000 to 500 in September 2010.

The budgets for the two detention centers are shown in Table 20, along with the daily cost per inmate, based on average daily population.

Table 20. Detention Operating Costs and Populations

Detention Total	FY 2010			FY 2011		
	Average Daily Population	Total Annual Operating Cost	Cost per Inmate Year	Estimated Daily Population	Total Annual Operating Cost	Cost per Inmate Year
Las Vegas	815	\$46,218,300	\$56,710	815	\$50,282,223	\$61,696
North Las Vegas	929	\$39,052,752	\$42,060	510	\$32,463,563	\$63,653

Management Partners' analysis shows that transitioning food services, laundry and linen services and commissary services to the same cost basis as is experienced in Las Vegas through private contractors or other approach will yield significant annual operating savings. This is consistent with overall costs, which as seen in Table 20 decrease with increased volume in the number of prisoners. Medical services are currently less expensive in North Las Vegas under the current contract than they are under contract in Las Vegas. In completing this analysis we have assumed that unit costs for the aggregated services would remain at the lowest cost currently being experienced. This is a conservative assumption and actual savings are likely to be greater due to the higher volume of work that could be bid. The analysis for each of the four detention support services is shown below.

Food Services

Food services are provided by a contractor in Las Vegas. The service provides three hot meals per day. Six contractor staff are augmented by 15 inmates who provide sanitation services. The contract provides for specified volumes of meals at a set price of \$1.34 per meal. The City is responsible for providing kitchen equipment; the contractor is responsible for equipment replacement if necessary. Staff members report that the kitchen is not at capacity and estimate that the facility could produce two to three times the current volume daily. In North Las Vegas, food services are provided by City staff. The service includes two hot meals and one cold meal per day. Seven full-time staff members provide meals under the direction of one supervisor/crew leader. Twelve to 15 inmates support the effort with transport and sanitation on each

shift. Staff members stated that the kitchen facilities are housed in pre-fabricated buildings with a 10-year lifespan that are now 20 years old. Significant capital investment may be needed in the near future to continue food services.

We obtained data from both cities on the annual volume of food served and the annual price. From those two data points, we calculated the cost per meal for both cities and found it to be \$1.89 per meal for food service in North Las Vegas and \$1.34 per meal for Las Vegas. Table 21 shows that applying the lower unit price of \$1.34 per meal enjoyed by Las Vegas to the lower estimated future volume yields a potential annual savings of more than \$1.4 million for the City of North Las Vegas.

Table 21. Comparative Cost of Food Services

Food Services	FY 2010				FY 2011		
	Approach	Annual Volume	Annual Cost	Unit Price	Estimated Volume	Unit Price	Potential Savings
Las Vegas	Contractor	1,213,000	\$1,630,636	\$1.34	1,213,000	\$1.34	\$0
North Las Vegas	In-House	1,152,239	\$2,178,005	\$1.89	558,450	\$1.34	\$1,427,280

Because future capital improvements may be needed for North Las Vegas to continue preparing and delivering meals to the jail, it may be possible for North Las Vegas to use the City of Las Vegas Detention Center food preparation facilities and transport meals to the North Las Vegas Detention Center. This is likely to be much less expensive than building a new facility. This approach would need additional analysis, including an estimate of Las Vegas food preparation and transportation costs compared to the capital costs for replacement of North Las Vegas food preparation facilities and estimates of annual amortized costs employing different financing approaches.

Laundry and Linen Services

Laundry and linen services are provided through contractors for Las Vegas Detention. The contractor provides weekly pick-up and delivery with established minimum and maximum prices by category of service. The contract also stipulates replacement prices and a staff verification procedure for incoming and outgoing material. Laundry and linen services are provided in-house by North Las Vegas Detention using City staff and inmate labor.

In Table 22, we display the derived cost per inmate for contracted laundry and linen services in Las Vegas. The table also displays the derived cost of laundry and linen services provided in-house in North Las Vegas under two scenarios. In the first scenario, North Las Vegas uses the existing budgeted staff allocation of 3 FTE to coordinate the efforts of the inmate labor. In the second scenario, North Las Vegas uses the actual existing staff allocation of 2 FTE following the recent retirement of one staff member. These two scenarios are presented because the City of North Las Vegas has just transitioned to the lower staffing approach (during this study) and it is not clear if this level of staffing will be consistent with long term satisfactory service delivery.

Using the budgeted staff allocation of 3 FTE, North Las Vegas would have a greater per inmate cost of laundry services. The City of North Las Vegas could save approximately \$55,000 annually in operating costs by moving to a contracted service approach in this case. However, under the current operating approach employing 2 FTE, the cost per inmate in North Las Vegas would be less than the per inmate cost in Las Vegas.

While the current operating approaches do not present a compelling cost advantage over the other, the City of North Las Vegas may want to revisit the issue if it determines that it is not feasible to provide the level of service that it desires using only two FTE staff resources. The City could also reconsider the contract approach should it decide that the use of inmate labor proves too problematic or inconsistent in its delivery of laundry services.

Table 22. Comparative Cost of Laundry and Linen Services

Laundry and Linen Services	FY 2010				FY 2011		
	Approach	Average Daily Population	Annual Cost	Cost per Inmate	Estimated Daily Population	Cost per Inmate	Potential Savings
Las Vegas	Contractor	815	\$421,200	\$516.81	815	\$516.81	\$0
North Las Vegas	In-House (3 FTE)	510	\$318,950	\$625.39	510	\$516.81	\$55,377
North Las Vegas	In-House (2 FTE)	510	\$239,560	\$469.73	510	\$516.81	(\$24,013.)

Commissary Services

Commissary services at the detention facilities are provided by a contractor for the City of Las Vegas and by City staff for the City of North Las Vegas. Under the City of Las Vegas' contract with the vendor, there is no charge to the City for these services. The City also receives a 22% fee assessed against the gross amount of merchandise sold. Since commissary services are provided through in-house staff in North Las Vegas Detention, the City incurs all of the costs for such staffing and management. Tasks involved include ordering, inventory, order processing, billing and account reconciliation.

Table 23 below presents the net costs for providing commissary services in North Las Vegas using in-house staff members. As displayed below, the program has operated in North Las Vegas at a modest net loss in each of the last two years. The City's practice has been to adjust the charges for goods and services to cover all operational costs. The City also uses some of the proceeds to purchase other inmate supplies for inmate recreational programming. The City of North Las Vegas will need to consider continued adjustments to costs and revenues to bring program operating costs back in line with revenues. This could be accomplished with price changes, reducing the amount of additional expenses on recreational supplies and equipment, or a combination of the two.

Table 23. Net Cost of North Las Vegas Detention Commissary Services

Commissary Services	FY 2009	FY 2010
Revenues	\$552,098	\$570,926
Expenditures		
Salaries / Wages	\$120,526	\$117,749
Benefits	\$53,400	\$55,388
Supplies / Services	\$420,575	\$418,490
TOTAL	\$594,502	\$591,626
Net	(\$42,404)	(\$20,701)

The City of Las Vegas Detention Center does not incur operating costs associated with the commissary program. The vendor sets prices to recover costs as well as distribute a 22% payment to the City totaling \$47,000 in FY 2010. The City of North Las Vegas operates a comparable program at a current loss. A more detailed analysis beyond the scope of this project would be required to weigh the relative merits of the different approaches. This review would consider the total costs of the programs

(including the commodity pricing to the inmates) as well as the net benefit provided to each respective City.

Medical Services

Medical services are provided by the same contractor on-site in both cities' detention facilities. Per the contract, 34.8 FTE staff members are available to provide medical services at Las Vegas Detention during the day shift and 14.8 FTEs are available to provide services on the night shift, 7 days per week. Monthly charges are assessed on a sliding scale depending in the average daily inmate population. Services provided in Las Vegas include medical, dental, vision, hearing, psychiatry, pharmacy and medications, radiology, laboratory, on-call services, and social work and discharge planning.

In North Las Vegas the contract provides for a significantly smaller staff allocation. The current staffing level is 18.65 FTE with 24 hours per day, 7 days per week coverage. The contractor assesses a flat rate monthly charge for services. Due to smaller scale of operations and contracted cost, the medical services provided in North Las Vegas are more limited than Las Vegas' and include medical, dental, psychiatry, pharmacy and medications, on-call services, and sick call services. Both detention facilities meet State of Nevada requirements for inmate medical care.

It is unknown whether a joint purchasing arrangement between the two cities would yield savings, but given the existing contract provisions stipulating lower per inmate costs as average daily population increases it is quite possible that savings could be achieved. To ascertain whether savings could be achieved, the cities could jointly request proposals for this service.

Recommendations

Three recommendations are offered to reduce detention center support service costs, particularly for North Las Vegas.

Recommendation 9. Conduct a cost analysis for North Las Vegas to utilize the Las Vegas Detention Center's food preparation facilities to eliminate the need for capital improvements to North Las Vegas' facilities. Additionally, North Las Vegas should identify ways to achieve the same cost per meal as is experienced in Las Vegas.

North Las Vegas should examine the following:

- The practices used by Las Vegas in its detention food services (not including contracting out, given existing labor agreement restrictions in North Las Vegas);
- Contracting with Las Vegas for preparation and delivery, provided that conditions of bargaining agreements are met. This would allow North Las Vegas to benefit from the greater operational scale achieved by Las Vegas; and
- Meet and confer with staff to consider possible reassignment to other similar duties in order to comply with labor agreements while generating savings on inmate meal costs.

Recommendation 10. Issue a joint request for proposals for medical services to ascertain whether cost savings could be achieved through larger economies of scale if both detention centers' medical services needs were combined into one contract.

Recommendation 11. North Las Vegas should review service delivery in Las Vegas as a means of achieving similar net costs and program efficiencies for laundry and linen services and commissary services.

North Las Vegas should assess the following:

- The practices used by Las Vegas in its detention laundry and linen services and commissary services (not including contracting out, given existing labor agreement restrictions in North Las Vegas); and
- Meet and confer with staff to consider possible reassignment to other similar duties in order to comply with labor agreements while generating savings on inmate laundry and linen services and commissary services costs.

Due to a North Las Vegas labor agreement which places constraints on contracting for the life of the agreement (in effect until June 30, 2014), Management Partners has not made recommendations for contracting out foodservices which, otherwise, would have been made due to the clear cost differential between the cost of in-house and outside vendors. Prior to 2014, the steps recommended above, along with a managed competition approach could be implemented to ascertain whether city staff could provide these services on a cost-competitive basis.

Suggested lead city: North Las Vegas will need to take the lead role in determining what steps may be taken in compliance with existing labor agreements.

Fire Marshal

The Las Vegas and North Las Vegas fire departments have a long-standing practice of cooperation in emergency responses and other areas. There is an opportunity to further collaborate and save money through consolidating fire plan check and fire code inspection and enforcement in one fire department through a cost-sharing arrangement. The analysis below shows that two management positions could be eliminated through such a consolidation.

Timeframe for implementation: Short-term (1year)

Responsibilities and Program Approach

The Fire Marshal is empowered under Nevada State statute to provide plan review services for construction and inspections to enforce adopted fire codes. Both the City of Las Vegas and the City of North Las Vegas operate independent municipal fire departments. The respective Fire Chiefs act as Fire Marshal and/or appoint qualified staff under their direction to meet these statutory obligations.

Las Vegas currently uses the National Fire Protection Association (NFPA) Code and North Las Vegas follows the 2000 Uniform Fire Code. The City of Henderson and Clark County, Nevada have both entered the comment period for adoption of the International Code Council (ICC) Fire Code with consistent amendments. This is the culmination of a multi-year effort to move all fire agencies in the valley to a single consistent code that would simplify planning, development, management and enforcement for all stakeholders. Additionally, having one fire code for all fire agencies will allow the sharing of staff between the cities for fire plan review and code enforcement.

Review and Analysis

In the Las Vegas Fire Department (LVFD), engineering plan review is led by a fire protection engineer (FPE) who currently oversees two assistant fire protection engineers (AFPEs). The FPE manages the work of AFPEs and works in the same office area. The FPE regularly reviews various operational activity reports and discusses them with staff. The Fire Protection Engineering Division uses an application within the City's asset management enterprise system known as Hansen for documenting

plan reviews. Fire code enforcement in the LVFD is led by two deputy fire marshals who oversee 18 fire prevention inspectors who are responsible for specific geographic areas in the City. Over the past several years, most inspectors have been assigned to work from fire stations within their respective areas rather than from Fire Station 1 near City Hall. These inspectors work independently on their assignments. The fire prevention inspectors also use applications within the Hansen asset management enterprise system to document inspections.

In the North Las Vegas Fire Department (NLVFD), fire plan review services are provided under the Community Life Safety Division by one fire protection specialist. This function reports to the fire protection engineer, who is a direct report to the fire marshal. Fire code inspection and enforcement services in the NLVFD are provided by four fire prevention specialists in the Division. The specialists report to fire prevention supervisor, which is a direct report to the fire marshal.

Table 24 provides relevant operating information for the respective fire marshal services in Las Vegas and North Las Vegas. As expected, demand for services as measured by fire plan reviews and code inspections has decreased in the recession. The cities have responded to this lower demand by reducing expenditure allocations for fire plan check and fire code inspection and enforcement services. Due to account code changes in Las Vegas that impact these particular organizations, we have adjusted expenditures in FY 2010 to mirror the proportional share of spending between the fire engineering and code enforcement organizations as experienced in FY 2009. These figures should be revisited as the cities review spending in this area.

Table 24. Expenditure and Workload Data for Fire Marshal Services

Fire Marshal		Las Vegas			North Las Vegas		
		FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Fire Protection Engineering (Plan Reviews)	Expenditures	\$698,270	\$669,310	\$677,854	\$474,223	\$416,397	\$368,458
	Plan Reviews	5,126	4,303	3,784	3,816	3,463	2,902
	Expenditures Per Plan Review	\$136.22	\$155.54	\$179.14	\$124.27	\$120.24	\$126.97
Code Enforcement Inspection Services	Expenditures	\$3,392,809	\$2,925,074	\$2,962,415	\$1,043,292	\$916,072	\$810,607
	Code Inspections	26,099	23,111	25,299	10,930	8,765	6,772
	Expenditures Per Inspection	\$130.00	\$126.57	\$117.10	\$95.45	\$104.51	\$119.70

The services provided by each city's fire marshal operations are virtually identical. The fire codes enforced by each community differ but efforts have been made to bring these requirements closer together. The training and requirements for the positions are very similar. While there may be subtle differences in the cultures of the individual departments that may impact operations, fire department staff members typically have more in common with staff of other fire agencies than with staff from other departments in their own city.

Table 25 shows the savings that could accrue to the cities if fire plan review services were consolidated into one of the fire departments. The analysis assumes elimination of one management level position. One fire department could provide the service to the other on a cost recovery basis. We estimate that the net savings in salaries and benefits would total approximately \$115,000.

Table 25. Potential Cost Savings from Consolidating Fire Protection Engineering Services

Fire Protection Engineering (Plan Review)	FY 2010				
	Expenditures	Plan Reviews	Expenditures per Plan Review	Full-time Staff	Proposed Staff Reductions
Las Vegas	\$677,854	3,784	\$179.14	3.00	\$0
North Las Vegas	\$368,458	2,902	\$126.97	2.50	\$115,670
Staff Reductions¹	1 FTE	Fire Protection Engineer			\$115,670

¹Includes estimated benefits and other support costs at 50% of salary

Fire code enforcement is also performed similarly by both fire departments and could be consolidated within one of the two departments. Table 26 shows the savings that could result by eliminating one management level position if code enforcement services were consolidated. For administrative simplicity, one department could assume the function and provide the services for a cost recovery fee to the other city. We estimate that the net savings in salaries and benefits would total approximately \$114,000.

Table 26. Potential Cost Savings from Consolidating Fire Code Enforcement Services

Code Enforcement Services	FY 2010				Proposed Staff Reductions
	Expenditures	Code Inspections	Expenditures per Inspection	Full-time Staff	
Las Vegas	\$2,962,415	25,299	\$117.10	20.00	\$0
North Las Vegas	\$810,607	6,772	\$119.70	5.50	\$114,434
Staff Reductions ¹	1 FTE	Fire Prevention Supervisor			\$114,434

¹Includes estimated benefits and other support costs at 50% of salary

Recommendations

Three recommendations are offered to reduce costs for the cities in the arena of fire plan review and code enforcement.

Recommendation 12. Adopt a single fire code so both fire departments enforce the same code requirements. This will set the foundation for consolidating inspection and plan review services as well as simplify requirements for customers.

Recommendation 13. Consolidate fire plan check services in one of the two fire departments to reduce management costs. Determine an appropriate cost allocation basis for charging the city receiving the service from the other. Establish protocols and communication expectations to ensure seamless service delivery.

Recommendation 14. Consolidate fire code inspection services to reduce management costs. Determine an appropriate cost allocation basis for charging the city receiving the service from the other. Establish protocols and communication expectations to ensure seamless service delivery.

Suggested lead city: We recommend that the City of Las Vegas assume the lead role in transitioning the program and providing ongoing management of fire plan review and inspection services for both communities.

Fire plan review and code enforcement services involve front-line exposure to vital local community development efforts. As such, the

services must meet professional standards and be responsive to local concerns. A commitment to prompt and effective service delivery to each community will be important for service sharing in this area to be successful. Additional attention must be paid by the respective cities to ensure that memorandums of understanding or other service agreements adequately reflect service expectations, mechanisms for reporting results and avenues to address service delivery concerns.

Traffic Operations

Although Management Partners' initial objective was to review shared services and coordination related to traffic signals, street light and area light maintenance between Las Vegas and North Las Vegas, this review was expanded to include other functional elements of traffic operations because of the lack of available detailed program expenditure information.

In general, "traffic operations" refers to activities that support the safe, efficient and effective movement of vehicular and pedestrian traffic on area roadways. In addition to traffic signals, street lights and park area light maintenance, this can include traffic operations engineering, traffic signage, and pavement marking. Each of these functions involves varying levels of development and ongoing maintenance costs. Their respective use in traffic operations and management is driven by both federal and state requirements for type of roadway as well as local preferences and public expectations. Roadway development is a function of traffic demand and is related to area development and population density (both resident and commuter).

Given their different geographical placement in the community-at-large and their history of development (and resulting traffic demands), the two cities have different traffic operations asset inventories (e.g., roads by type, lights and signage) with similar total program costs per lane mile.

The following analysis has been conducted using the limited information available. We have developed functional and program level comparisons for certain activities. Traffic operations functions should be reviewed in greater detail in the future. These functions will require continued capital investment and required annual maintenance effort where service aggregation could yield operating cost savings. For example, changes in environmental regulations (such as pavement paint for re-striping) could provide an opportunity for bulk purchasing and shared equipment use. Impending investments in intelligent vehicle and traffic management systems could provide opportunities to share technology costs across

communities. These are areas of potential service aggregation supporting improved services at lower relative operating costs.

Timeframe for implementation: Short-term (1year)

Responsibilities and Program Approach

The following summarizes the traffic operations responsibilities of both cities including signals, street and area (park) lighting maintenance, as well as traffic signage and pavement markings.

City of Las Vegas

The City's Roadway and Area Lighting Program provides installation, repair, maintenance and incident investigation services so the public can benefit from well-lit streets, pathways and public areas. Significant responsibilities of this program include the following:

- Roadway light repair
- Roadway light wash/re-lamp
- Utility line locations
- Park and area light repairs
- Park and area light wash/re-lamp
- Roadway light inspections
- Park and area light inspections
- Roadway/area light installation

The Traffic Signals Program provides traffic control devices and traffic management services to the general public so they can benefit from well maintained and safely operating traffic signals. Significant responsibilities of this program include the following:

- Traffic signal and flasher repairs
- Traffic signal timing plans
- Utility line locator
- Traffic signal and flasher preventative maintenance
- Traffic signal modifications
- School flashers installations
- Customer inquiry responses

The Traffic Signing and Marking Program provides traffic control device services to the general public so they can benefit from well-maintained traffic signage and roadway markings. Significant responsibilities of this program include the following:

- Traffic sign repair
- Traffic sign preventative maintenance

- Roadway marking maintenance
- Roadway markings installation
- Sign fabrication and installations
- Parking lot signs and markings

Note: We have included the Traffic Signing and Marking Program in selected parts of this review because this function is included in the Department of Public Works, Traffic Operations Division material provided by North Las Vegas. This action allowed us to make comparisons at the functional as well as programmatic levels.

City of North Las Vegas

The Traffic Operations Division of the Department of Public Works is responsible for barricade inspections, line locations, and the construction and maintenance of traffic signals and street lights, including their networks, terminals and operations. The Division also provides and maintains signs, markings, and lane delineations. In addition, it is responsible for installing and maintaining the City's fiber optic network, parking lots, area lighting, and all City parks' electrical lighting, including ball fields, tennis courts, and irrigation controls.

Review and Analysis

Supporting effective traffic operations involves multiple approaches and classes of assets, requiring differing technologies and levels of maintenance. The preferred approach for operational review and comparison would involve developing operating metrics for each technology and function and the related operating costs to develop measures of efficiency and effectiveness.

The City of Las Vegas develops and administers separate expenditure budgets supporting different traffic operational areas. This allows a level of cost assignment to traffic operations activities and the development of performance metrics for comparison. The City of North Las Vegas has only recently begun to develop and use more detailed programmatic budget and expenditure information for management decision making. North Las Vegas was able to provide programmatic expenditure information for FY 2009-2010. We have used this information to extrapolate relative programmatic amounts in FY 2008-2009 to allow better comparison.

The comparison begins with review of traffic operations as a holistic enterprise supporting each city. Table 27 shows some of the background information for assets supporting traffic operations in each city. In

general, the scope and depth of operations as reflected by their traffic asset investments are different by a factor of two, as shown in Table 27.

Table 27. Comparison of Assets Supporting Traffic Operations

Traffic Operations Assets	FY 2010	
	Las Vegas	North Las Vegas
Lane Miles of Pavement Markings	2,779	1,565
Lane Miles (Major Route)	1,661	
Lane Miles	3,489	2,150
Traffic Signs	65,143	90,000 (Estimate)
Street Lights	51,171	30,000
Park, Sports Field, Pedestrian/Bicycle Trails and City Facility Lights	6,534	2,872
Signalized Intersections	553	135
Fire Station Emergency Signals	24	8
School Flashers	214	95

Table 28 provides some high-level information on demographics and resources available to the respective traffic operations programs. This again shows the differing scope of operations with the City of Las Vegas allocating approximately twice the resources to support traffic operations than North Las Vegas does.

Table 28. Comparison of Traffic Operations Resources and Demographics

Traffic Operations Resources	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Program Expenditures (Less Electric Charges)	\$10,567,243	\$10,547,694	\$10,281,450	\$5,343,600	\$5,963,200	\$4,061,973
Traffic Operations Staffing(FTE)	88	82	72	29	32	25
Land Area (Square Miles)	132.1	133.2	133.2	82.1	82.2	98.4
Population (Residential)	559,892	562,849	567,641	211,612	217,975	224,387
Lane Miles	3,459	3,493	3,489	2,150	2,150	2,150

Even at a high level of review, there are apparent similarities in the costs associated with traffic operations. As displayed in Table 29, the annual traffic operations program cost per lane mile maintained in the cities has remained in the range of \$2,500 to \$3,000 per lane mile. This indicates utilizing common traffic management and operations requirements (federal and state), as well as shared approaches, methodologies, materials costs and supplies. These costs are well within the normal range observed in larger metropolitan areas. Similar to North Las Vegas in FY 2010, the City of Las Vegas has made significant reductions to its FY 2011 budget allocations for traffic operations. Staff report that expenditures are expected to decrease by 15% to 20% from FY 2010 levels.

Table 29. Comparison of Traffic Operations Costs

Traffic Operations Costs	Las Vegas			North Las Vegas		
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2009	FY 2010
Annual Cost per Lane Mile	\$3,055.14	\$3,019.71	\$2,946.80	\$2,485.40	\$2,773.58	\$1,889.29
Annual Cost per Resident	\$18.87	\$18.74	\$18.11	\$25.25	\$27.36	\$16.30
Annual Cost per Square Mile	\$79,994.27	\$79,186.89	\$77,188.07	\$65,086.48	\$72,545.01	\$41,280.21

The consistency between costs along with their approximation to national standards suggests that both cities are operating in a manner that allows them to achieve most applicable economies of scale. Such economies are strongly influenced by geographic considerations involved in servicing street and roadway assets.

It should be noted that the precipitous reduction in North Las Vegas' costs in FY 2010 is due to the extreme cost cutting measures the City has recently implemented. These traffic operations costs are fairly low when compared to averages in the industry and suggest that current operations may include significant deferred maintenance. To the extent this is true, such lower costs are not sustainable over the long run, and could impede service sharing and integration.

We also used the limited available information to compare unit costs for several program areas. Table 30 below provides unit cost comparisons using program expenditure data and activity data for signs and markings, traffic signals construction and maintenance, and street and area lighting. While the cities have comparable unit costs for signs and markings, there are differences in traffic signal construction and maintenance unit costs due to different levels of in-house signal construction.

Table 30. Comparison of Traffic Operations Activity Unit Costs

	Las Vegas		North Las Vegas	
	FY 2009	FY 2010	FY 2009 (Pro-rated)	FY 2010
Expenditures				
Signs and Markings	\$2,240,212	\$2,302,003	\$1,546,222	\$1,053,245
Traffic Signal Construction and Maintenance	\$3,938,186	\$3,690,954	\$2,740,509	\$1,866,762
Street and Area Lighting	\$3,709,348	\$3,535,197	\$1,279,981	\$871,889
Total	\$9,887,746	\$9,528,154	\$5,566,712	\$3,791,896
Activities				
Lane Miles	3,493	3,489	2,150	2,150
Traffic Signals and Flashers	792	808	238	238
Street and Area Lights	56,995	57,705	32,872	32,872
Unit Costs				
Signs and Markings Cost per Lane Mile	\$641.35	\$659.78	\$719.17	\$489.88
Traffic Signal Construction and Maintenance per Unit	\$4,972.46	\$4,568.01	\$11,514.75	\$7,843.54
Street and Area Lighting per Unit	\$65.08	\$61.26	\$38.94	\$26.52

Potential savings in this area are likely to result from the integration of preventative maintenance response to minimize maintenance staff travel time. In addition, the sharing of specialized equipment to increase productivity could provide savings, but may be expensive to acquire. Such equipment is most cost effective when deployed on a near continuous basis.

Management Partners believes there is strong support for such savings because of several factors:

1. Geographically the cities are contiguous on both the west and the south
2. The location of respective city maintenance facilities may make it advantageous to have either Las Vegas or North Las Vegas meet preventative maintenance needs in specific areas of the neighboring city to reduce travel time and cost.

3. Both cities have future needs and plans for new maintenance facilities that could cost effectively serve areas in the neighboring city.
4. A cursory review of each city's equipment indicated that certain street maintenance rolling stock is used below capacity levels such as fiber pulling trailer, roadway striper, digger derrick and earth saw. Future equipment acquisitions could be made with the intent to share and serve both cities.

Specific savings estimates require further input from staff and additional analysis, but there is the potential for significant savings. For example, if the cities decided to share equipment, such as boom trucks, they could utilize the equipment more cost effectively and nearer to operational capacity. A shared unit costing \$75,000 with an expected life of 15 years would require an annual replacement and depreciation allowance of at least \$5,000 per unit per year. Sharing such equipment could reduce this cost for each city by a third even after higher operations maintenance costs are considered. Sharing could also reduce the costs of leasing or renting equipment for which it is not cost effective for either city to purchase individually. Management Partners believes that a reasonably ambitious program to share traffic operations response equipment could, conservatively, save each city \$50,000 to \$100,000 per year in the near term.

Recommendations

Facing similar federal and state requirements, the traffic operations functions in both Las Vegas and North Las Vegas have developed similar approaches to program management and service delivery. This is a capital intensive area with advancing technology where coordination or consolidation of services may prove cost-effective. The high-level comparison of traffic operations between the cities illustrates general similarities in their program, but is insufficient to identify areas for potential operational improvement without additional analysis.

In addition to traffic operations, there may be opportunities to achieve cost savings by leveraging the other resources available within the public works enterprise, such as staffing, technology, capital equipment and vehicles. Examples of recent service sharing arrangements in public works services include:

- Westchester County, New York Public Works Department now provides access to a variety of its internal services to other units of local government on a cost of service basis. These areas include

highway signage design and production as well as traffic engineering studies.

- The City of Weehawken, New Jersey and the City of Hoboken, New Jersey have agreed to share a new public works vehicle storage facility.

To determine these opportunities, the cities should appoint a management-staff committee to review service sharing and consolidation in public works. Specific milestones of such a project should include the following:

- Conduct individual organizational assessments in a “SWOT” format. The City of North Las Vegas will need to develop and refine more detailed accounting and reporting of resource expenditures and results to match current reporting capabilities in the City of Las Vegas. This will allow functional comparisons by mode of traffic operation, including street marking and signage, street and park area lighting, and traffic signals. This review should also consider the connection between service volume, service speed and service quality in each city.
- Develop detailed operating activity and operating cost comparisons to identify prioritized areas for action. For example, as investments in intelligent vehicle and traffic systems continue, there may be opportunities to centralize and coordinate their management and maintenance, creating regional traffic operations at a lower annual operating cost.
- Review supporting activities for potential shared service benefits such as procurement of supplies and services for public works functions. Other studies involving joint purchasing may provide opportunities for savings in this program area. The existing shared requirements for materials and supplies may present an opportunity for a shared service approach to procurement, either through coordinated bidding or joint purchasing.
- Establish deadlines for reporting progress to the respective cities as well as proposals for change.

Recommendation 15. Conduct additional analysis of service sharing opportunities within traffic operations and analyze the potential to share other public works resources.

Suggested lead city: This recommendation requires a joint effort and the active leadership and participation of senior public works management from both cities. While Las Vegas operates a larger public works enterprise, we have found that public works organizations of any size are capable of developing areas of functional expertise by employing best practices and producing beneficial results. The inter-city public works study must consider functional areas as exclusive enterprises as well as parts of the whole.

The city managers should meet to discuss and select the study group leader and associated group member assignments. With the appointed leader, the city managers should establish the mandate and schedule, conferring high-level approval of the review process and expectations for results.

DRAFT

Conclusion

As costs for municipal services increase more rapidly than revenues to offset them, creating new models of service delivery will help local agencies serve the public efficiently. Shared services between cities are among the successful new models. With a combined population close to 800,000, covering over 200 square miles, the size of the two cities provides opportunities for gaining economies of scale. Through this project, the cities of Las Vegas and North Las Vegas have identified many services that could be shared or consolidated to reduce costs and/or increase effectiveness in the use of limited staff resources.

Collaborative service sharing is a process that requires communication, patience, persistence, and the courage to provide public services in a new way. Any significant change typically comes with an element of discomfort, no matter how positive the outcome. Taking even small steps can lay a foundation for more significant undertakings and cost savings in the future. The recommendations contained in this report represent a meaningful start at service sharing between the two cities. Successful implementation of these recommendations will require a continuation of the leadership demonstrated by the initiation of this project.

Attachment A: List of Recommendations

A total of 15 recommendations were developed as a result of our analysis. They are listed below.

Recommendation 1. Conduct a thorough review of the workers' compensation programs in both cities, including reporting methodology, claims experience and costs.

Recommendation 2. Assess the opportunity for the City of Las Vegas to make use of the existing North Las Vegas third-party administrator contract and/or rebid the TPA service as a joint effort.

Recommendation 3. Aggregate Safekey program management and administration in one of the two cities to yield overall program savings.

Recommendation 4. Implement a single Safekey program and pricing structure between the two cities with Las Vegas pricing increasing to mirror the current practice in North Las Vegas.

Recommendation 5. Revise procurement specifications to enable the cities to combine purchasing volumes to incentivize lower pricing by vendors.

Recommendation 6. Initiate joint purchasing to obtain economies of scale associated with large-scale buying.

Recommendation 7. Analyze the costs and benefits of aggregating the purchasing functions in one city.

Recommendation 8. Initiate a contract for services for radio maintenance for the City of Las Vegas to be provided by North Las Vegas.

Recommendation 9. Conduct a cost analysis for North Las Vegas to utilize the Las Vegas Detention Center's food preparation facilities to eliminate the need for capital improvements to North Las Vegas' facilities. Additionally, North Las Vegas should identify ways to achieve the same cost per meal as is experienced in Las Vegas.

Recommendation 10. Issue a joint request for proposals for medical services to ascertain whether cost savings could be achieved through larger economies of scale if both detention centers' medical services needs were combined into one contract.

Recommendation 11. North Las Vegas should review service delivery in Las Vegas as a means of achieving similar net costs and program efficiencies for laundry and linen services and commissary services.

Recommendation 12. Adopt a single fire code so both fire departments enforce the same code requirements.

Recommendation 13. Consolidate fire plan check services in one of the two fire departments to reduce management costs.

Recommendation 14. Consolidate fire code inspection services to reduce management costs.

Recommendation 15. Conduct additional analysis of service sharing opportunities within traffic operations and analyze the potential to share other public works resources.

Attachment B – Service Sharing Ideas

The following fifty potential service sharing ideas resulted from interviews with executive staff from the two cities.

1. **Animal Control:** Combine administrative staff to oversee animal control operations for both cities, or fully consolidate animal control operations. Animal sheltering is already shared.
2. **Plan Review:** Combine plan review
3. **Building Permits:** Combine building permit services
4. **Building Inspections:** Combine building inspection operations
5. **Business Licensing:** Integrate and streamline business licensing, in conjunction with inter-local streamlining effort
6. **Citywide Training:** Aggregate staff training needs and provide training through one contract for staff in both cities
7. **Communications:** Have one city provide government cable television services for both communities
8. **Detention:** Combine jails to maximize efficient use of resources; surplus capacity currently exists
9. **Police Dispatch:** Create one combined police dispatch center for the two cities. Fire dispatch is already combined.
10. **Engineering/Construction Management:** Combine public infrastructure engineering and construction management in both cities (e.g. roads, flood control, parks and fire stations)
11. **Fire Operations:** Consolidate fire stations and/or engine companies and all responses to calls
12. **Fire Training:** Consolidate training for fire personnel
13. **Fire Apparatus Repair:** Consolidate apparatus repair
14. **Fire Investigations:** Consolidate fire investigations
15. **Fire Plan Review:** Consolidate plan review
16. **Fire Master Planning / Station Location:** Integrate fire station planning
17. **Fleet Management:** Combine maintenance and repair of vehicles
18. **GIS:** Combine GIS into one operation for both cities
19. **Grant Administration:** Combine or consolidate grant application processes and administration
20. **Graphic Arts:** Have one city provide graphic arts services for both
21. **Recruitment Services:** Consolidate recruitment services
22. **Labor Relations:** Combine labor relations functions
23. **Information Technology:** Combine information technology operations to serve both cities (e.g. program management, enterprise security, web hosting/support and training)

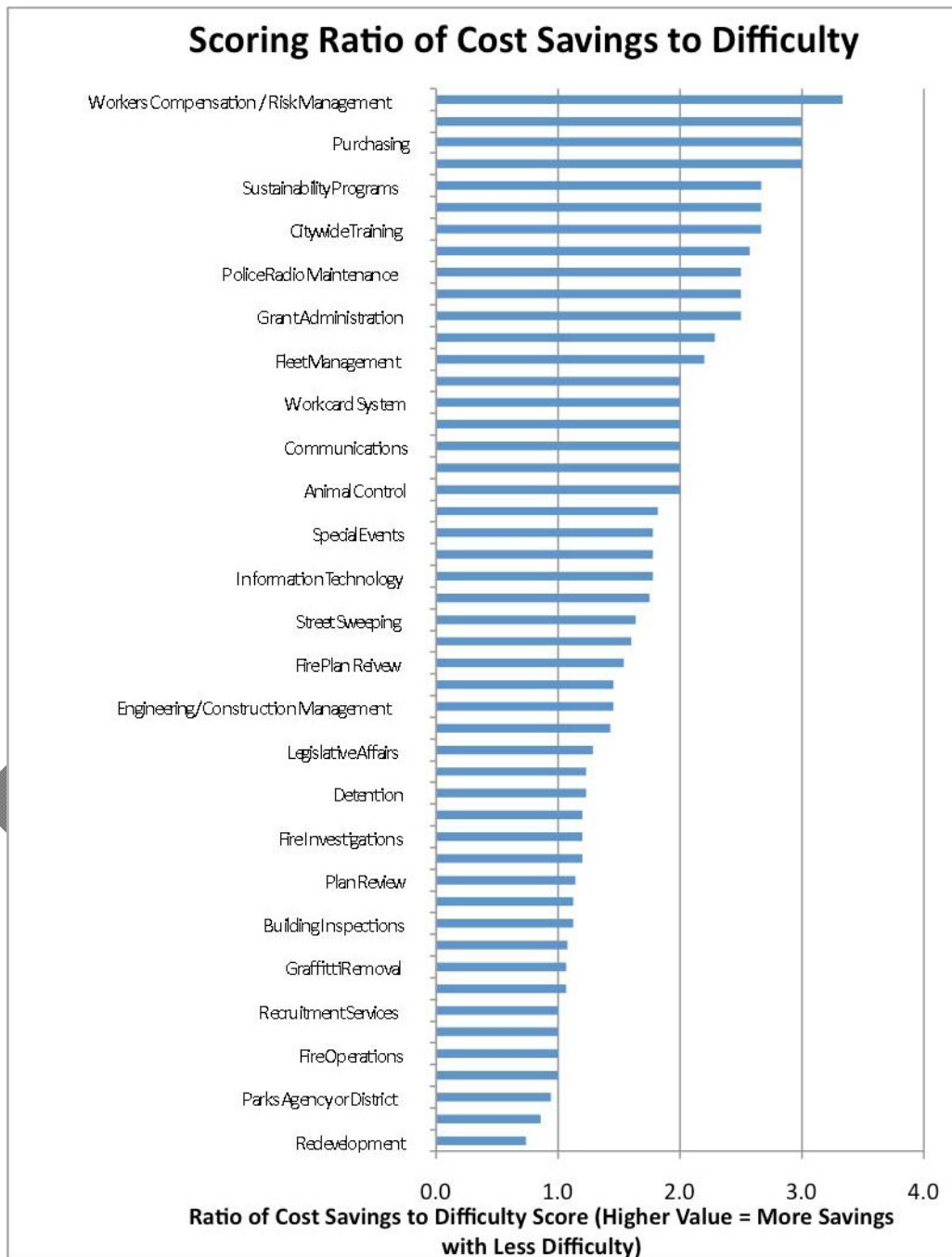
24. **Legislative Affairs:** Share federal legislative consultants and lobbyists under one contract for both cities
25. **Park Maintenance:** Combine and/or jointly contract out park maintenance
26. **Signal / Light Maintenance:** Combine and/or jointly contract out traffic signal maintenance
27. **Facility Maintenance:** Combine and/or jointly contract out building maintenance
28. **Janitorial:** Combine and/or jointly contract out janitorial services
29. **Street Sweeping:** Combine and/or jointly contract out street sweeping
30. **Graffiti Removal:** Combine and/or jointly contract out graffiti removal
31. **Safekey After School Program:** Combine the administration of Safekey Program
32. **Golf Course Operations:** Consolidate the contract for operating the two cities' four golf courses
33. **Sports Field Allocations:** Consolidate field allocations
34. **Aquatics Programs:** Consolidate aquatics programs
35. **Special Events:** Consolidate park special events
36. **Park Patrol:** Consolidate park patrol services
37. **Parks Agency or District:** Create a single parks agency or park district for both cities
38. **Police Special Units and Support:** Create combined services (e.g. emergency operations, communications, leadership training, officer involved shooting teams, legislative work, crime summits)
39. **Police Radio Maintenance:** Combine maintenance of communications devices
40. **Jail Support Services:** Jointly contract out support jail services (e.g. medical, food, laundry, etc.)
41. **Work Card System:** Integrate and streamline work card systems
42. **Printing:** Jointly contract for outside printing services
43. **Public Works Equipment:** Share public works equipment
44. **Purchasing:** Partner on large purchases (e.g. fuel, asphalt etc.)
45. **Purchasing Administration:** Combine purchasing administration
46. **Redevelopment:** Combine administration of redevelopment areas so that one city provides this service for both
47. **Workers' Compensation:** Combine the workers' compensation functions in one city and/or contract them out
48. **Risk Management:** Combine risk management functions in one city and/or contract them out
49. **Sustainability Programs:** Combine sustainability programs
50. **Utility Billing:** Have one city do billing for both cities

Attachment C: Application of Evaluation Criteria

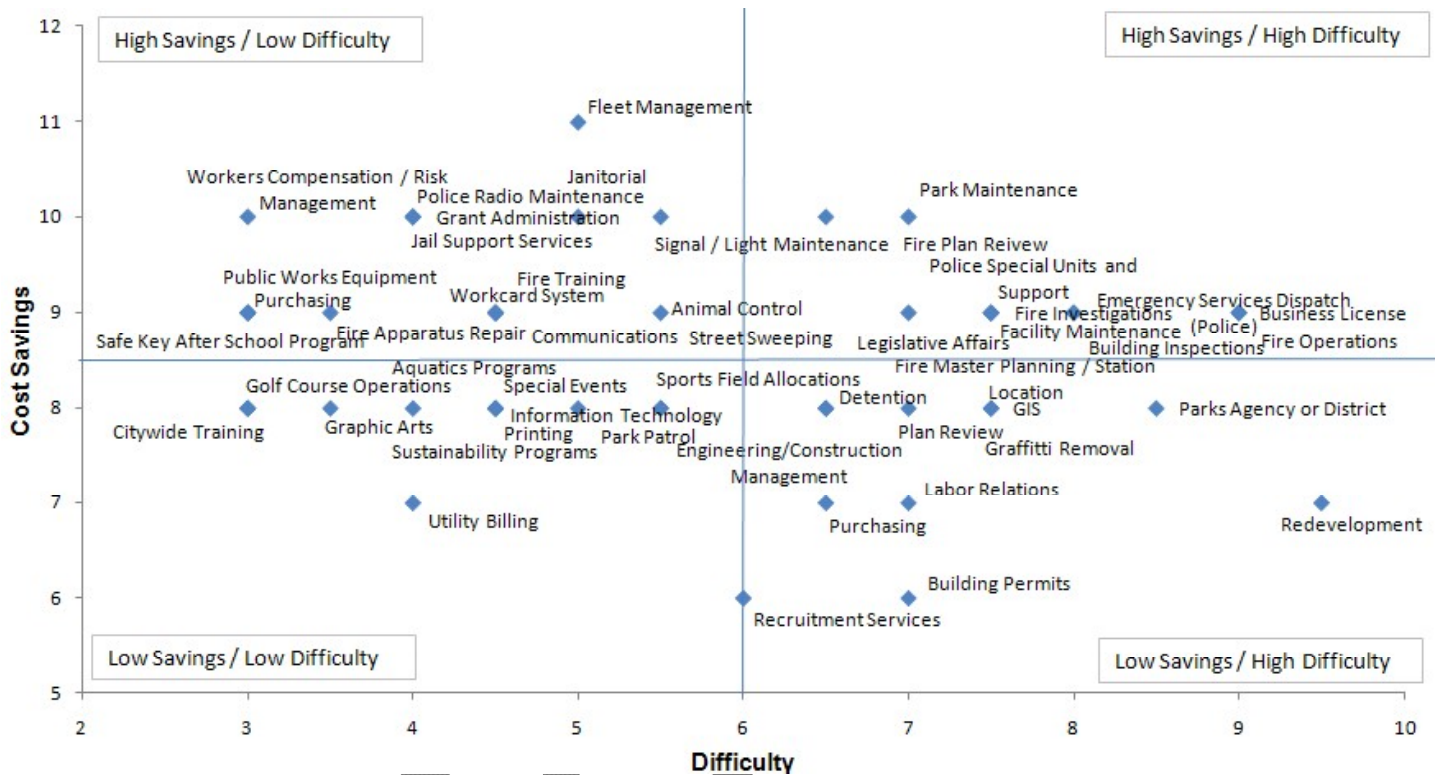
The following charts and graphs contain the results of applying the evaluation criteria on the initial list of 50 ideas for service sharing.

DRAFT

**Average Ranking: Las Vegas and North Las Vegas
(Using Management Partners base scoring)**

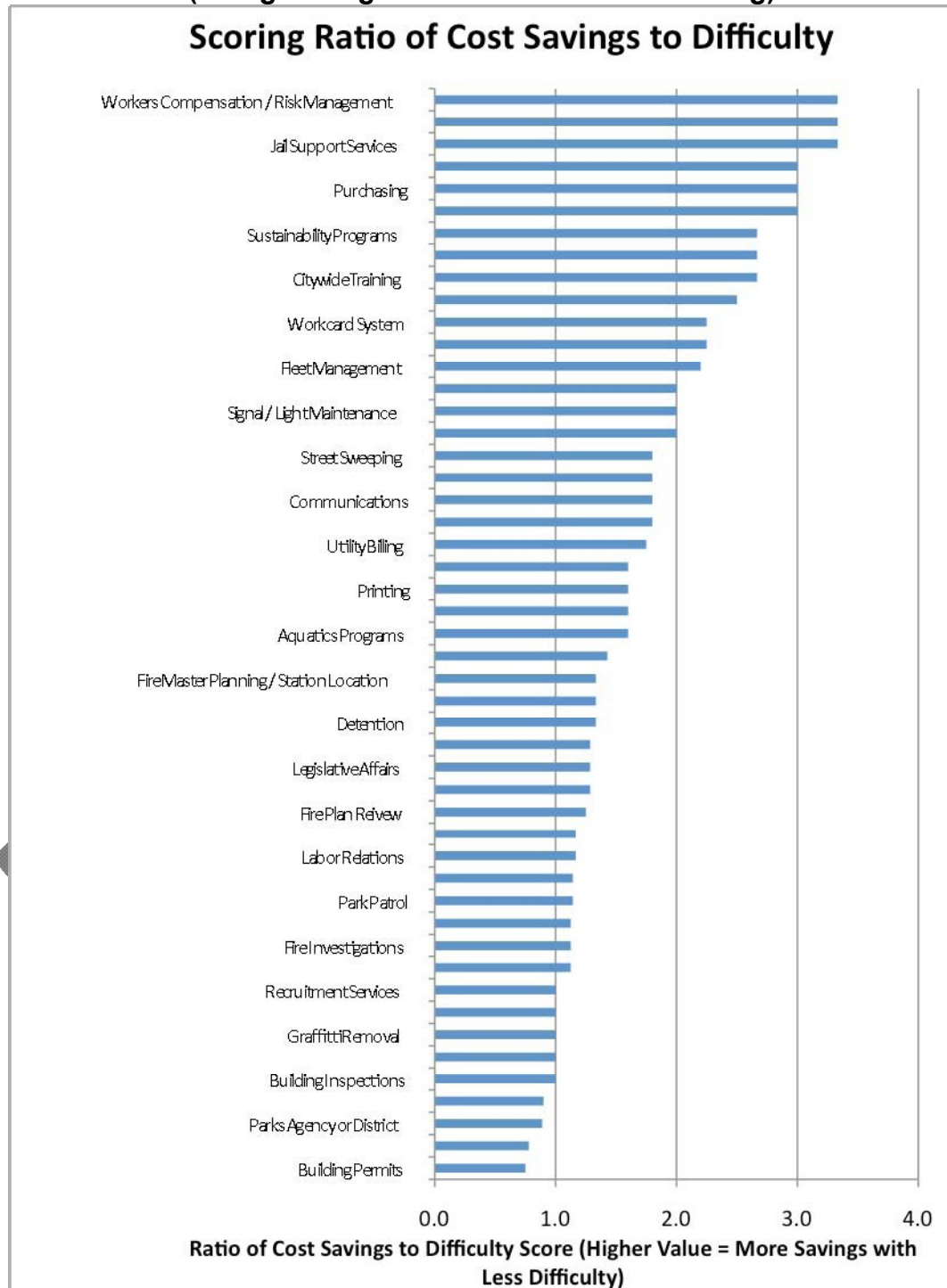


Cost Savings vs. Difficulty
Average Ranking: Las Vegas and North Las Vegas



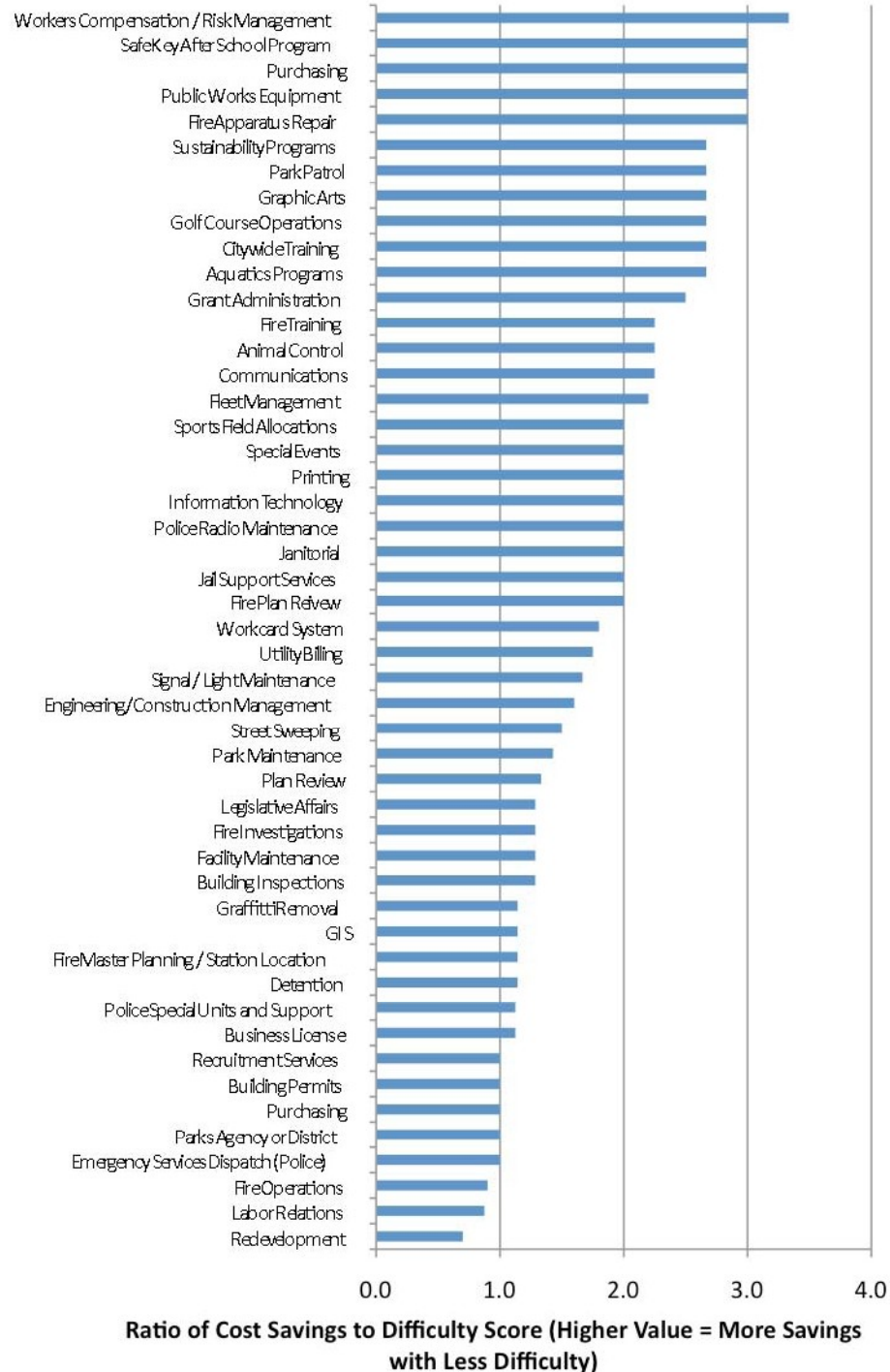
**Las Vegas Ranking
(Using Management Partners base scoring)**

Scoring Ratio of Cost Savings to Difficulty



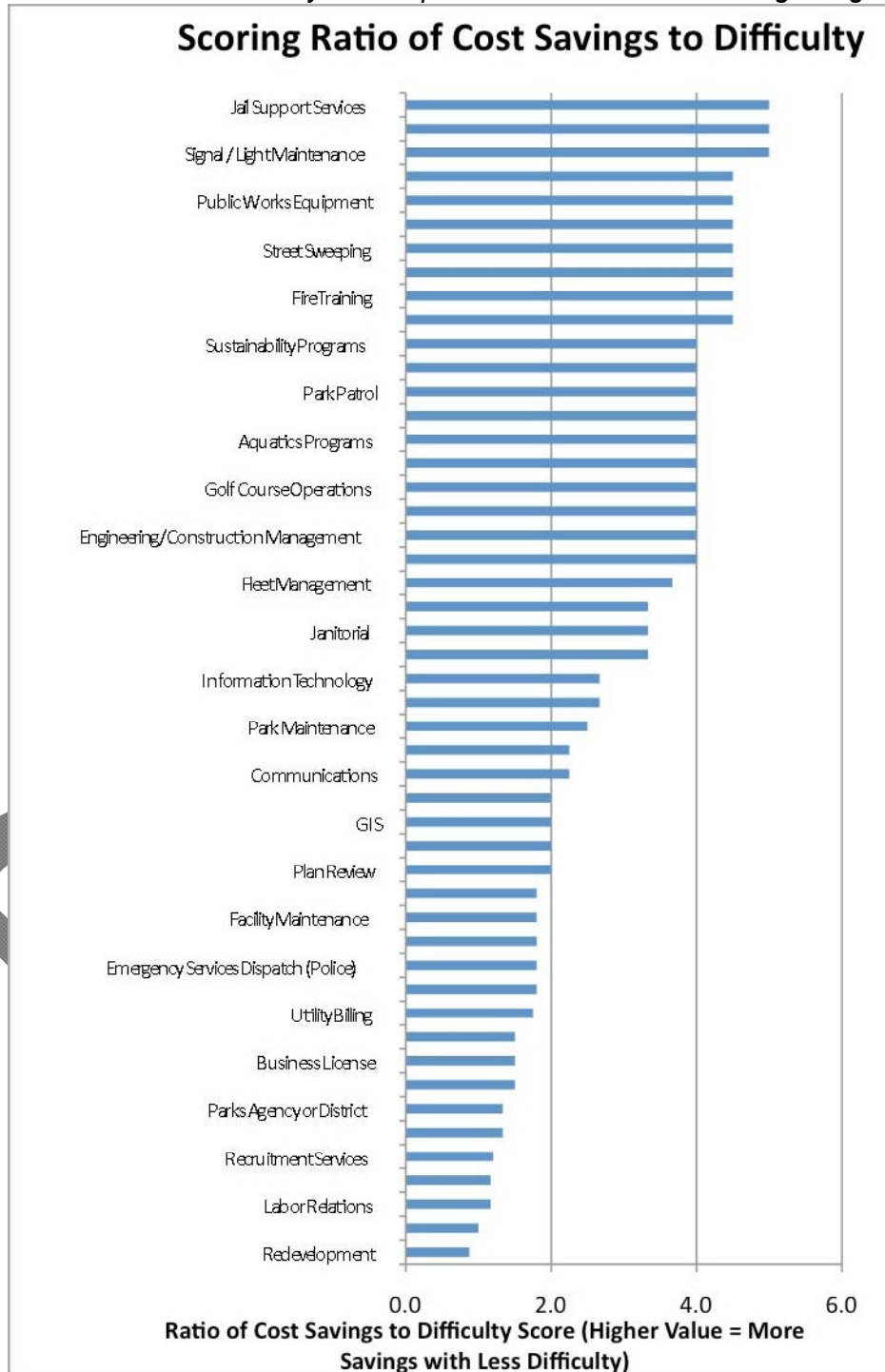
**North Las Vegas Ranking
(Using Management Partners base scoring)**

Scoring Ratio of Cost Savings to Difficulty



**Management Partners Ranking:
Las Vegas and North Las Vegas**

(Does not include *Political Feasibility* or *Complications with Collective Bargaining Agreements*)



Top 10 List
Las Vegas Service Ranking – Cost Savings to Difficulty Ratio

Rank	Service Area	North Las Vegas Rank
1	Workers' Compensation / Risk Management	1
2	Police Radio Maintenance	21
3	Jail Support Services	23
4	SafeKey After School Program	2
5	Purchasing	3
6	Public Works Equipment	4
7	Sustainability Programs	6
8	Golf Course Operations	9
9	Citywide Training	10
10	Grant Administration	12

Top 10 List
North Las Vegas Service Ranking – Cost Savings to Difficulty Ratio

Rank	Service Area	Las Vegas Rank
1	Workers' Compensation / Risk Management	1
2	SafeKey After School Program	4
3	Purchasing	5
4	Public Works Equipment	6
5	Fire Apparatus Repair	12
6	Sustainability Programs	7
7	Park Patrol	38
8	Graphic Arts	14
9	Golf Course Operations	8
10	Citywide Training	9

Top 7 List
Shared Priorities

Service Area	Las Vegas Rank	North Las Vegas Rank
Workers' Compensation / Risk Management	1	1
SafeKey After School Program	4	2
Purchasing	5	3
Public Works Equipment	6	4
Sustainability Programs	7	6
Golf Course Operations	8	9
Citywide Training	9	10

Top 10 List
Management Partners Service Ranking – Cost Savings to Difficulty Ratio

Rank	Service Area	Las Vegas Rank	North Las Vegas Rank
1	Jail Support Services	3	23
2	Police Radio Maintenance	2	21
3	Signal / Light Maintenance	15	27
4	Purchasing	5	3
5	Public Works Equipment	6	4
6	SafeKey After School Program	4	2
7	Street Sweeping	17	29
8	Fire Apparatus Repair	12	5
9	Fire Training	19	13
10	Animal Control	21	14

City of Las Vegas City of North Las Vegas Shared Services and Government Efficiency Study

Presentation to the
City Councils
Joint Meeting – February 16, 2011



Presentation Outline

- Study Objective
- Context
- Project approach
- List of services analyzed
- Results of analysis and recommendations
- Questions and discussion

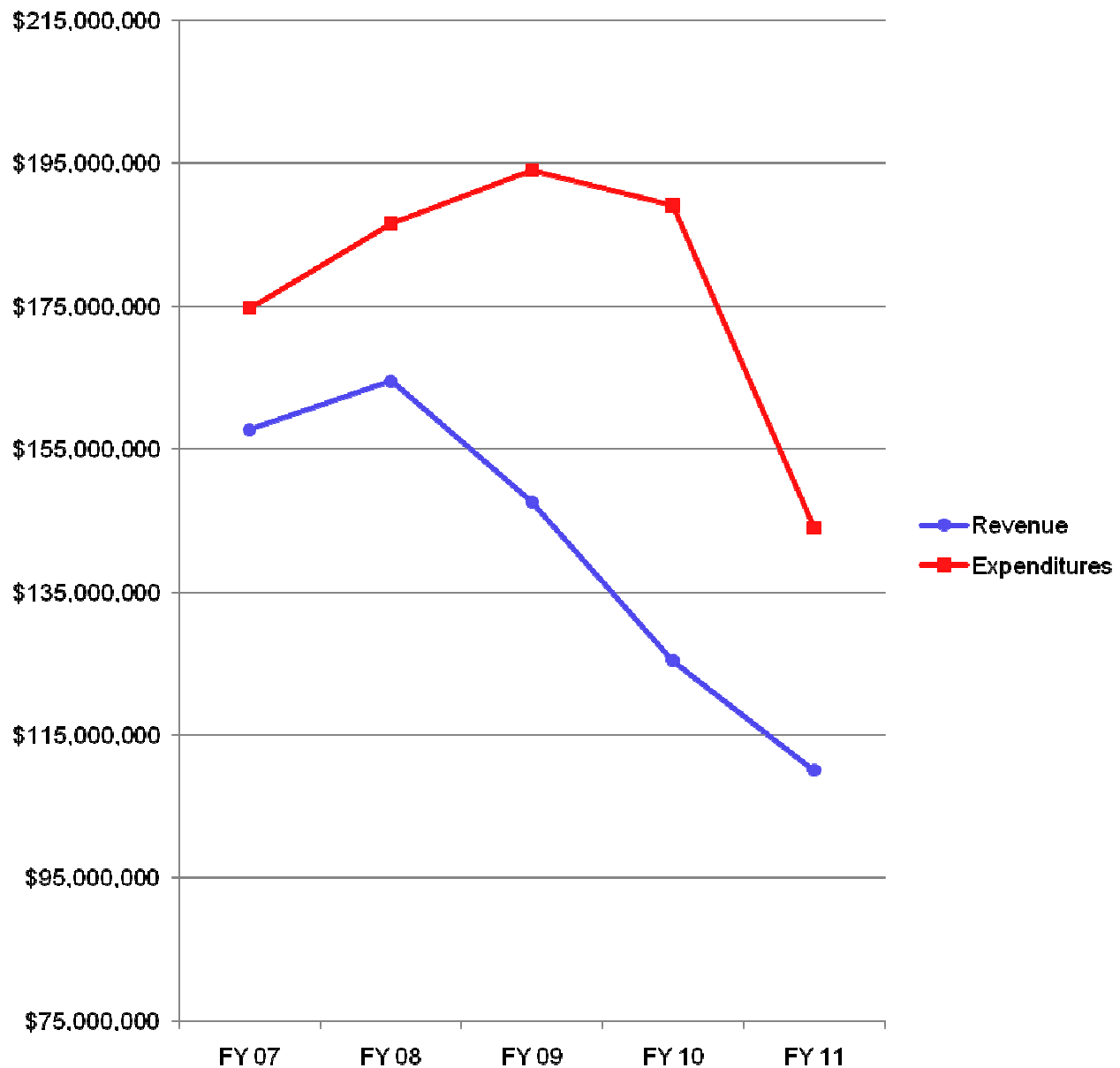
Study Objective

Identify ways in which service sharing or integration between the cities of North Las Vegas and Las Vegas can reduce expenditures while maintaining quality service delivery.

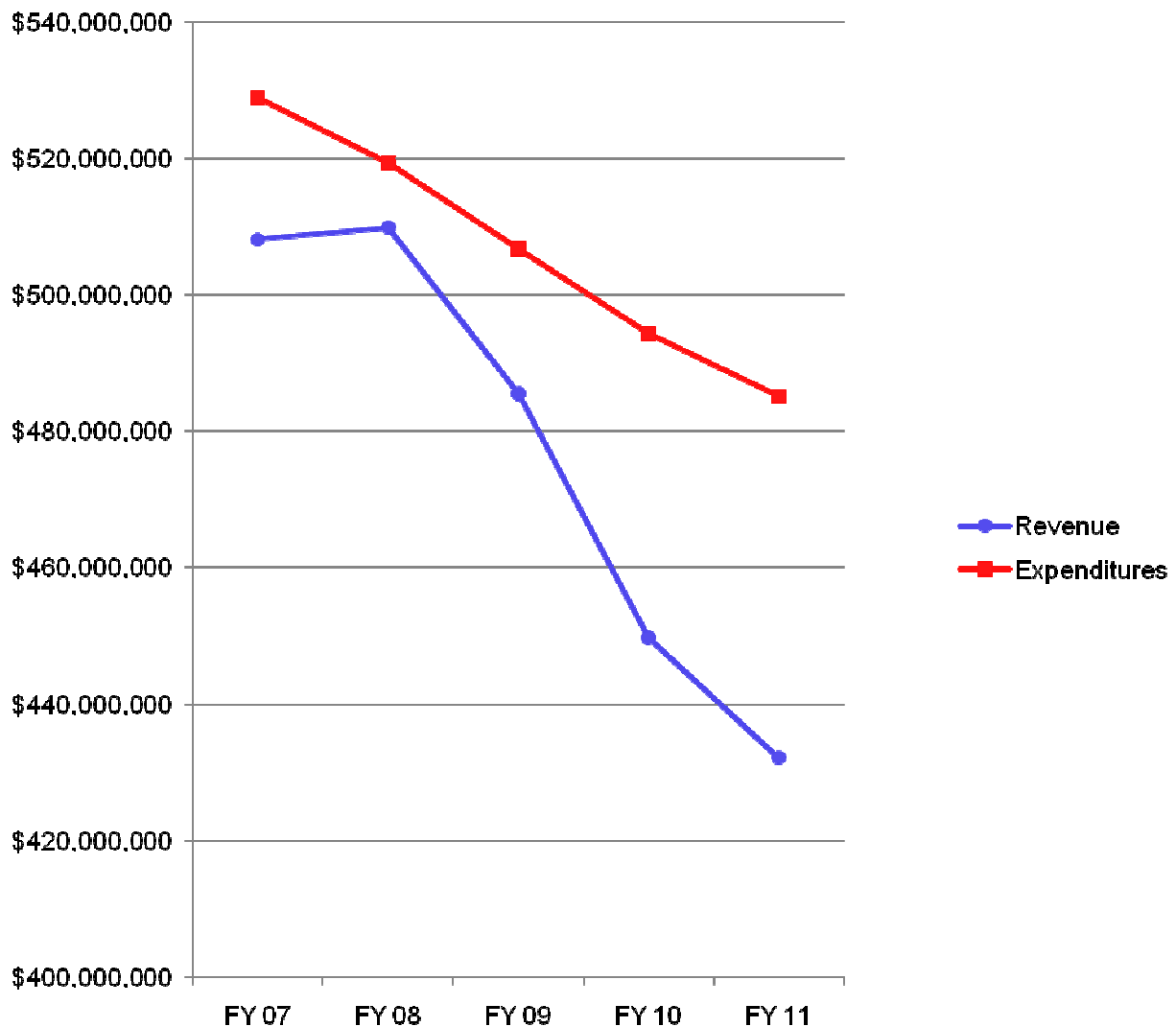
Context

- Sustained recession has reduced revenues by significant levels.
- Government services have been reduced in both cities, with major focus on cost reductions in all areas of city services.
- Labor concessions have been part of the mix.
- Legislative interest has been shown in governmental service sharing.
- History of collaborations in the region and between the two cities.

North Las Vegas General Fund 5-Year History



Las Vegas General Fund 5-Year History



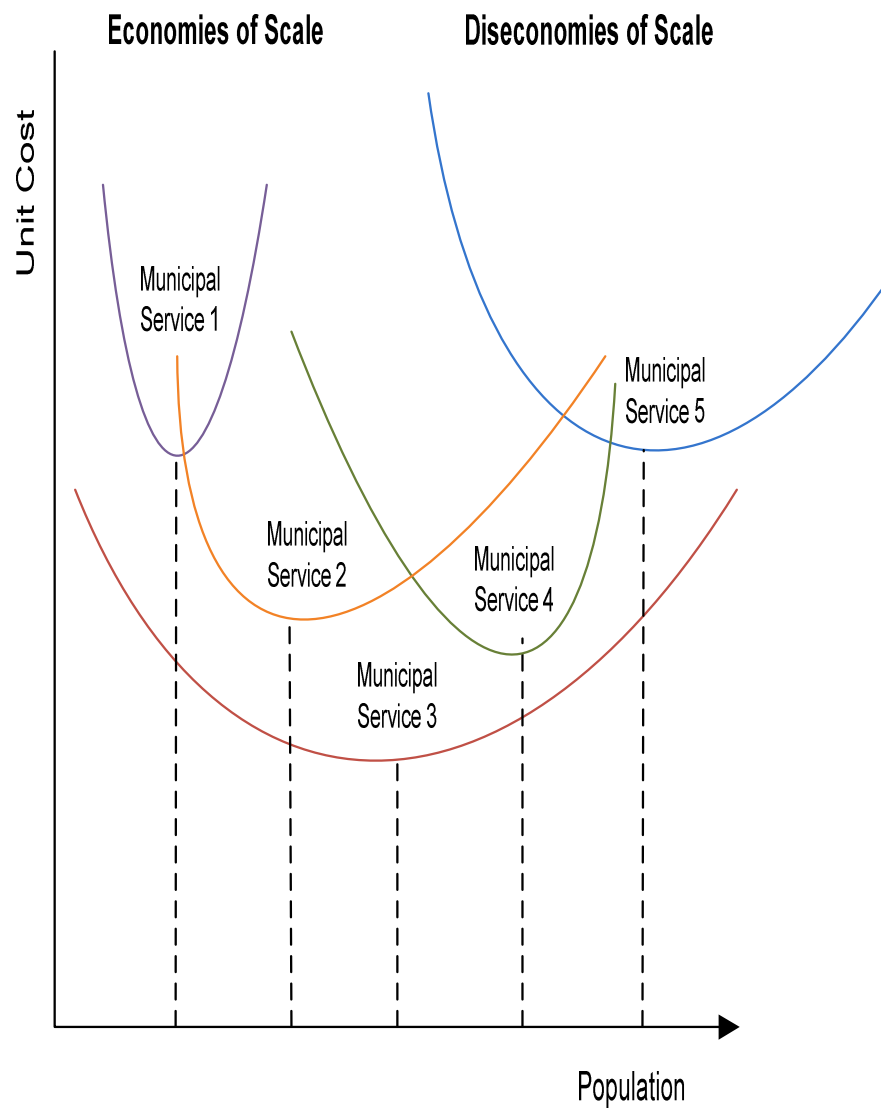
Project Approach

- Steering Committee comprised of executive staff from both cities
- Interviews with executive staff to identify potential service sharing opportunities and prior experiences with collaborations
- Preliminary analysis of 50 possible ideas to identify those that may offer strong opportunities for cost savings
- Seven services selected for focused assessment
- Data provided by the two cities for our analysis
- Analysis of each of the seven areas
- Recommendations for service sharing or aggregation

Economies of Scale

Diseconomies of Scale

Figure 1: Economies of Scale Illustration



How Can Sharing Save Money?

- Reduce management costs per unit of output
- Allow for purchase / use of specialized equipment / technology to increase productivity
- Reduce “peak loads” and associated redundancy
- Obtain more favorable terms on services and supplies

When Is Sharing Not Useful?

- When scale is not a factor in service delivery economics or all returns to scale are exhausted
- When sharing conflicts with other goals and the issues cannot be mitigated
- Where geography or travel time issues negate other gains

Services Analyzed

1. Workers' compensation
2. Safekey before and after school program
3. Joint purchasing
4. Radio maintenance
5. Detention center support services
6. Fire Marshal – fire plan check and code enforcement
7. Traffic operations – signal, street and area lighting maintenance

Many Other Potential Areas of Service Sharing

- Several priority areas for future analysis:
 1. Federal legislative services
 2. Citywide training
 3. Animal control and dog licensing
 4. Street sweeping
 5. Business licensing and work card system
 6. Emergency services dispatching
 7. Golf course operations
- Full list of 50 initial ideas are in Attachment B of our report and many of those could be examined

Caveats

- This study was a high level review – intended to answer the question of whether opportunities for cost savings through service sharing exist.
 - The answer is “yes”
 - It was not intended to answer all possible questions
 - Further analysis will be required to move to implementation
- There are many examples of successful service sharing throughout the country. It is a major focus for numerous local governments – given fiscal realities.
- Leadership for alternative service delivery is essential if change is to be made.
 - There will always be reasons to not make changes
 - Through leadership, the tough decisions to make changes and realize cost savings can be made

Results of Our Analysis

- Numerous opportunities for service sharing and aggregation of services to save money
- Cost savings ranging from \$4.2 million to \$5.6 million – or more – are possible
- Fifteen recommendations are presented

Potential Economic Benefit:

\$4.2 million – \$5.6 million

<u>Service</u>	<u>Estimate</u>
1. Workers' compensation	• \$100,000 savings – with other savings to be determined
1. Safekey before and after school program	• \$156,000 savings and \$1.7 additional revenue
2. Joint purchasing and combining purchasing function	• \$330,000 to \$1.7 million plus \$120,000 savings
3. Radio maintenance	• To be determined

Potential Economic Benefit

<u>Service</u>	<u>Estimate</u>
5. Detention center support services	• \$1.4 million – with other savings to be determined
6. Fire Marshal (fire plan check and code enforcement)	• \$230,000
7. Traffic signal, street and park lighting maintenance	• \$150,000

Conclusions

- The seven areas analyzed offer economic benefits associated with aggregated or shared services.
- If the cities pursued all identified opportunities, annual savings could range from \$4.2 million to \$5.6 million.
- Some areas require more detailed analysis than was possible due to time and data constraints.

Questions/Discussion

AGENDA SUMMARY PAGE
SPECIAL CITY COUNCIL MEETING OF: FEBRUARY 16, 2011

SUBJECT:

CITIZENS PARTICIPATION: PUBLIC COMMENT DURING THIS PORTION OF THE AGENDA MUST BE LIMITED TO MATTERS WITHIN THE JURISDICTION OF THE CITY COUNCIL. NO SUBJECT MAY BE ACTED UPON BY THE CITY COUNCIL UNLESS THAT SUBJECT IS ON THE AGENDA AND IS SCHEDULED FOR ACTION. IF YOU WISH TO BE HEARD, COME TO THE PODIUM AND GIVE YOUR NAME FOR THE RECORD. THE AMOUNT OF DISCUSSION ON ANY SINGLE SUBJECT, AS WELL AS THE AMOUNT OF TIME ANY SINGLE SPEAKER IS ALLOWED, MAY BE LIMITED



AGENDA SUMMARY PAGE

SPECIAL CITY COUNCIL MEETING OF: FEBRUARY 16, 2011

DEPARTMENT: CITY CLERK

DIRECTOR: BEVERLY K. BRIDGES

☐ Consent ☒ Discussion

SUBJECT:

ADJOURNMENT

