

# Government Financial Series: Before You Do It Yourself – Ask These Questions



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Vice President  
Assurance Services

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The webinar will begin at 11 a.m. CT.



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# Meet the Speaker

## **Benjamin Hart**



Provides dual insights of a governmental CFO along with experience of governmental auditing for a public accounting firm

Brings extensive expertise in governmental budgeting, financial and internal controls, public sector leadership and more

Consistently earned the GFOA certificate for Excellence in Financial Reporting with his CAFRs

# Polling Question #1

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**OUTSOURCING**

**NEXT EXIT ↗**

# Learning Objectives

*What is outsourcing?* Understand the difference between strategic and tactical/operational tasks

*Why, When to, & What to outsource?* Know how to identify, define and set guidelines for operational tasks

Review the pros and cons of working with non-governmental partners

*How to choose a partner?*...Learn the process of identifying, screening, implementing and managing partners for selected responsibilities

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# What is Outsourcing?



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# What is Outsourcing?

**Obtaining goods or services  
from an outside supplier  
(instead of using internal resources)**



**You do NOT outsource  
the ultimate responsibility!**

# What is Outsourcing?



# Acknowledge your weaknesses — and don't be afraid to outsource



# An Industry of Its Own



## The 2014 Global Outsourcing 100<sup>©</sup>

Source: International Association of Outsourcing Professionals (IAOP) and individual company websites

Rank	Company	Services	Revenue	EEs
1	ISS	Facility services	DKK 78.5 billion	530,000
2	Accenture	Management consulting, technology services and outsourcing	USD \$28.6 billion	293,000
3	CBRE	Real estate services	USD \$7.2 billion	44,000
4	Kelly Outsourcing & Consulting Group	Talent management	USD \$5.4 billion	540,000
5	Colliers International	Real estate services	USD \$2.1 billion	15,800
6	HCL Technologies	IT and engineering services	USD \$5.2 billion	85,500
7	NCR Services	Consumer transaction technologies	USD \$6.1 billion	29,300

# What are You Currently Outsourcing?

## Personal

Child care

Education of children

Housekeeping

Hair and other grooming

Lawn maintenance

Personal shoppers

## Government

Janitorial / maintenance

Information technology

Economic development

Legal services

Payroll / accounting / tax

Employee benefits

# Polling Question #2

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# Why Outsource - Advantages



# Why Outsource - Disadvantages



# When to Outsource



# When to Outsource

- Time “suckers”
- Frustrations
- Unnecessary costs
- Turnover



# What to Outsource

## **Goods:**

- Information technology
  - Cloud technology – Software as a Service
- Vehicle fleets
- Maintenance equipment

# What to Outsource

## Routine accounting services:

- Payroll
- Timekeeping
- Accounting
  - Bill paying
  - Invoicing
  - General ledger
- Internal audit



# What to Outsource

## Upper-level finance services:

- Budget preparation
- Grant management and accounting
- Special financing projects
  - Feasibility studies
  - Analysis
- Overall financial consulting



# What to Outsource

## **Other professional services:**

- Information technology
- Human resource functions
- Design (or enhancement of) group benefit plans
- Workers compensation and liability claim administration
- Planning



# What to Outsource

## **Other professional services (continued):**

- Temporary city management
- Capital projects management
- Legal (such as right of way and city attorney)
- Purchasing and procurement
- Economic development marketing
- Internal and external communications (PIO)
- Management of convention centers



# What to Outsource

## **Other services:**

- Building maintenance
- Park maintenance
- Fleet management and maintenance
- Food and cafeteria services
- Utility operations (water, sewer, electric)
- Administration and clerical
- Youth sports and recreation



# What to Outsource

## **Other services (continued):**

- Janitorial
- Printing
- Some state even allow privatizing license bureaus (Missouri)





Why outsource?

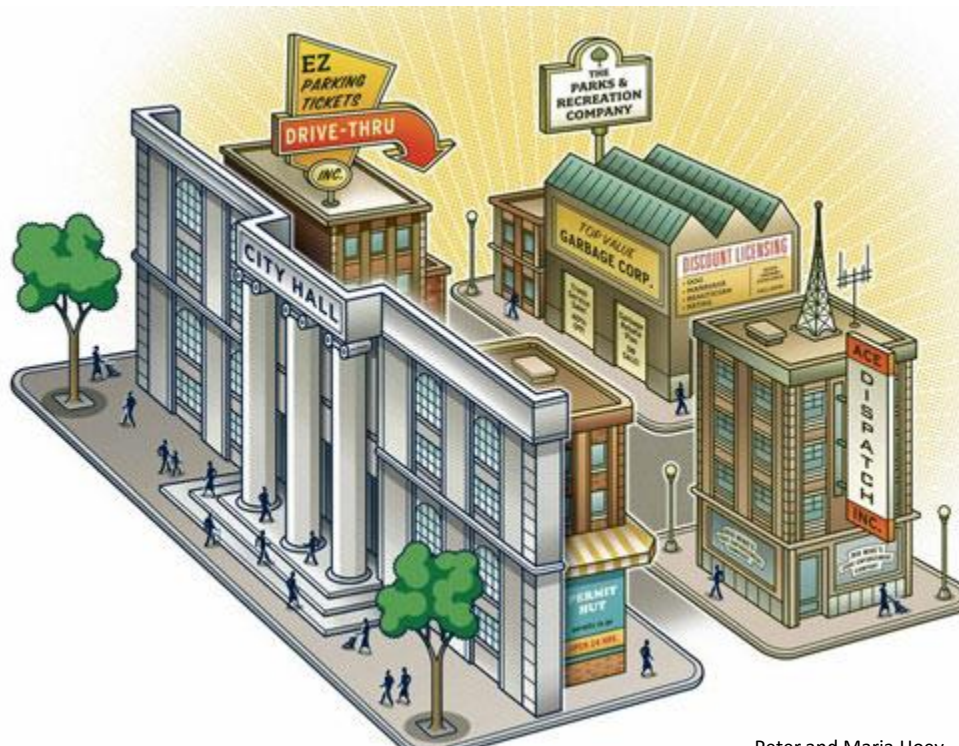
When to outsource?

What to outsource?

# An Extreme Tale of Two Cities

## The Cities that Outsourced Everything!

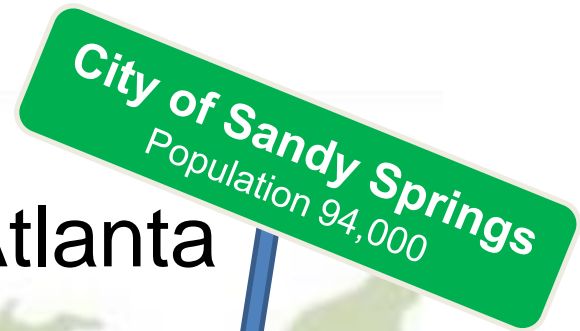
Towns that Take the People's Business Private



Peter and Maria Hoey

# #1 - Sandy Springs, Georgia

- Affluent suburb near Atlanta
- 38 square miles
- Population of 94,000
- Existed as a non-incorporated community for 100+ years
- Incorporated in 2005
- Now Georgia's sixth-largest city



# #1 - Sandy Springs, Georgia

## **Sandy Springs, Georgia**

- New laws necessary to enable incorporation
- Created by volunteers in a major exercise in democracy
- Implementation time was less than a year
- Organizers had no authority, funds nor staff
- City services assigned to private industry in the broadest such contract in the nation

# The Birth of Sandy Springs, GA



December 1, 2005



City of Sandy Springs  
Population 94,000



# #1 - Sandy Springs, Georgia

## **Not outsourced:**

- Police and fire are employed under Georgia's constitution
  - However... using defined contribution plans
- Only seven other full-time employees
  - City manager
  - Finance director
  - City clerk
  - Court clerk
  - Three more in the city manager's office

# #1 - Sandy Springs, Georgia

## **Outsourced:**

- CH2M Hill (initial contract)
  - Finance and administrative duties
  - Subcontracts to maintain streets, pick up trash, maintain parks
  - Cost \$25 million in first year (similar services in other cities of similar size would have cost \$50 million)
- In 2011, solicited competitive bids for different services (estimate additional \$7 million annual savings)

# #1 - Sandy Springs, Georgia

## Results:

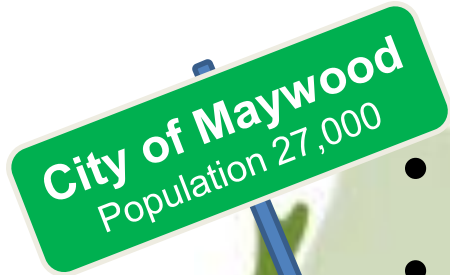
- Savings allowed for capital improvements
  - 20% of annual budget
  - Paved many streets and built new parks
  - Traffic control system – fuel and time savings estimated at \$12 million over two years
  - Cutting-edge 911 system
- Fiscally sound
  - No increase in taxes
  - No debt
  - Built up reserves - \$21 million

# #1 - Sandy Springs, Georgia

## **Results (continued):**

- Four additional newborn Georgia cities have incorporated using the same model
- Difficult for existing cities
  - Entrenched systems
  - Legacy employees and unions
  - Debt load
  - Defined benefit pensions

## #2 - Maywood, California



- Working-class community south of downtown Los Angeles
- 1.2 square miles
- Population of 27,000
- \$10 million general fund budget
- Financial crisis
  - Large deficits
  - Notified in 2009 to lose insurance coverage – couldn't find it elsewhere

## #2 - City of Maywood, California

July 1, 2010 – outsourced everything

- Laid off all city employees except city manager, city attorney and elected officials
- Dismantled police department
  - Law enforcement – County Sheriff's Department
  - Fire protection – County Fire Department
  - Ambulance transport – private company
  - Municipal services – neighboring city

# An Extreme Tale of Two Cities

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# Polling Question #3

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# Learning Objectives

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# Choosing a Provider

**Analyze  
needs &  
desired  
outcomes**

**Identify  
potential  
vendors**

**Initial  
interviews**

**Secondary  
interviews**

**Final  
selection**

**Negotiate  
contract**

# Step 1: Analyze Needs / Desired Outcomes



**Analyze  
needs &  
desired  
outcomes**

**Identify  
potential  
vendors**

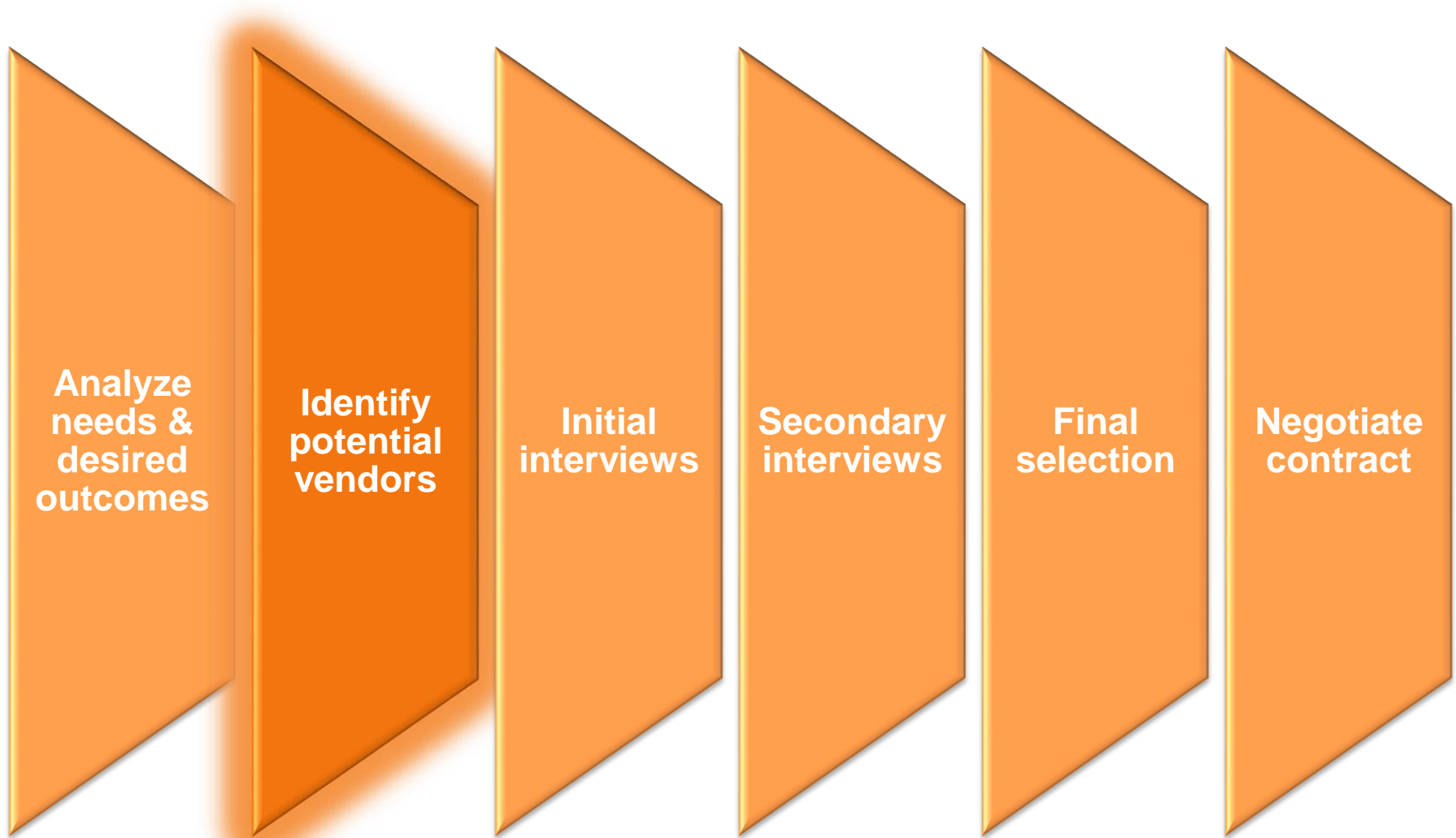
**Initial  
interviews**

**Secondary  
interviews**

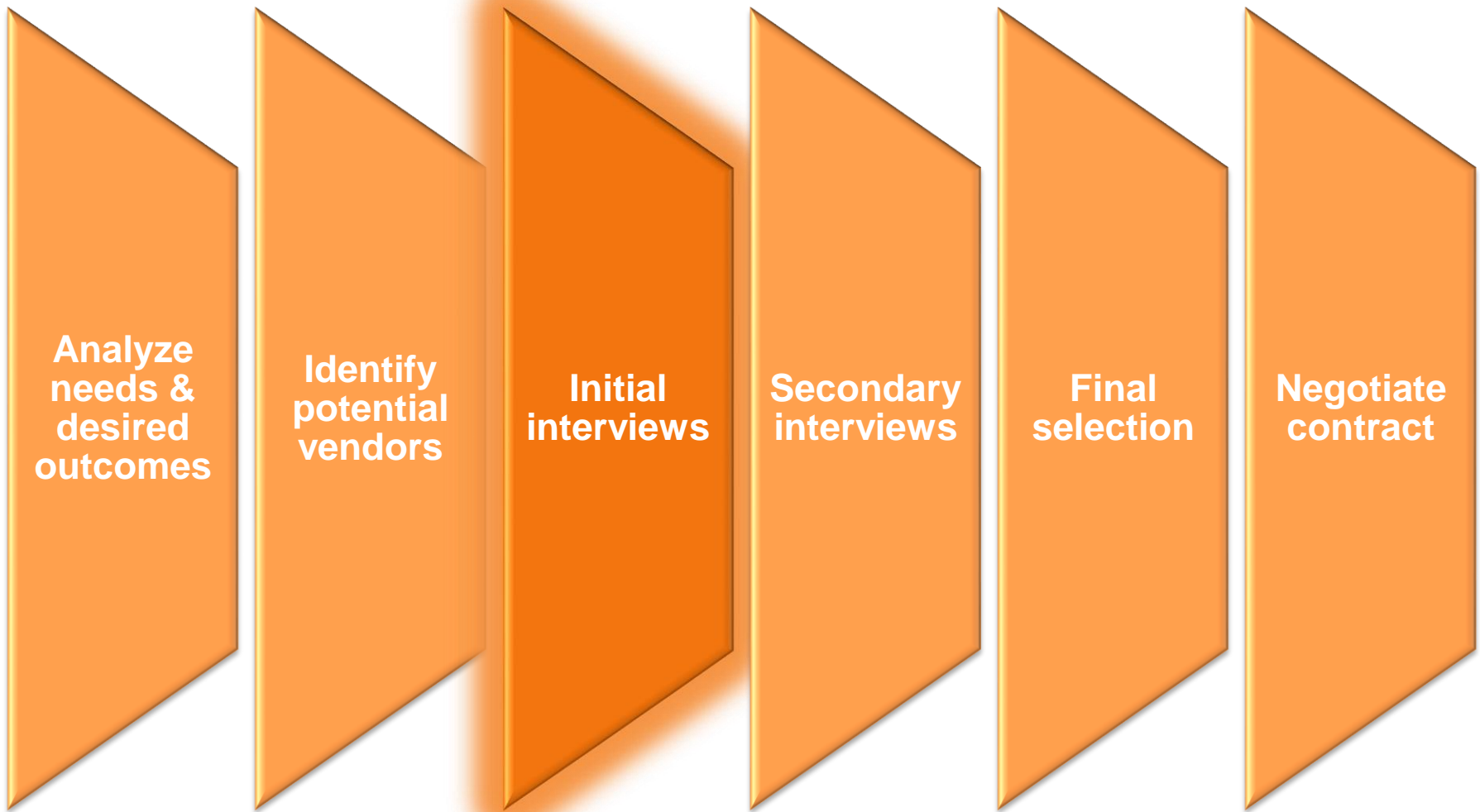
**Final  
selection**

**Negotiate  
contract**

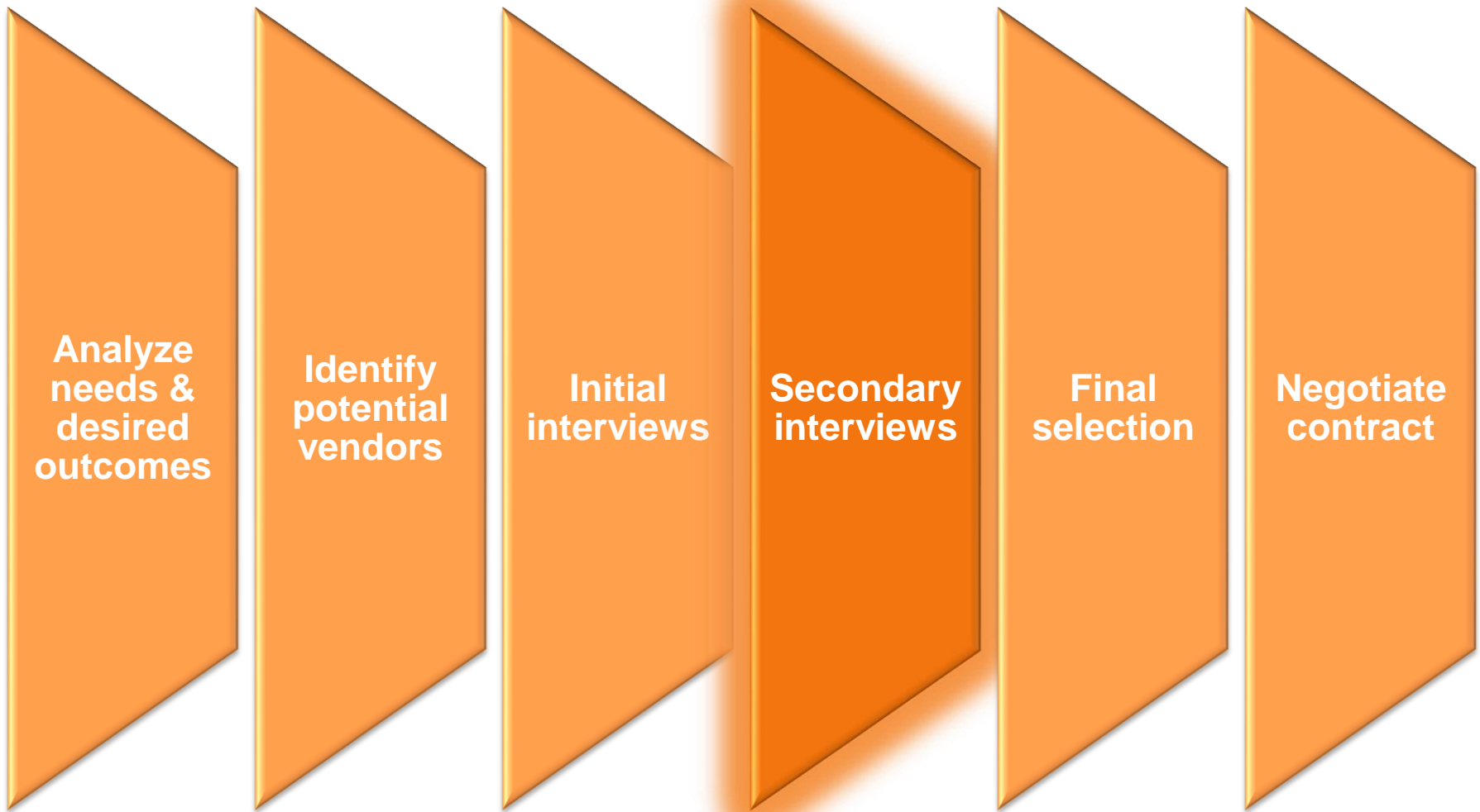
# Step 2: Identify Potential Vendors



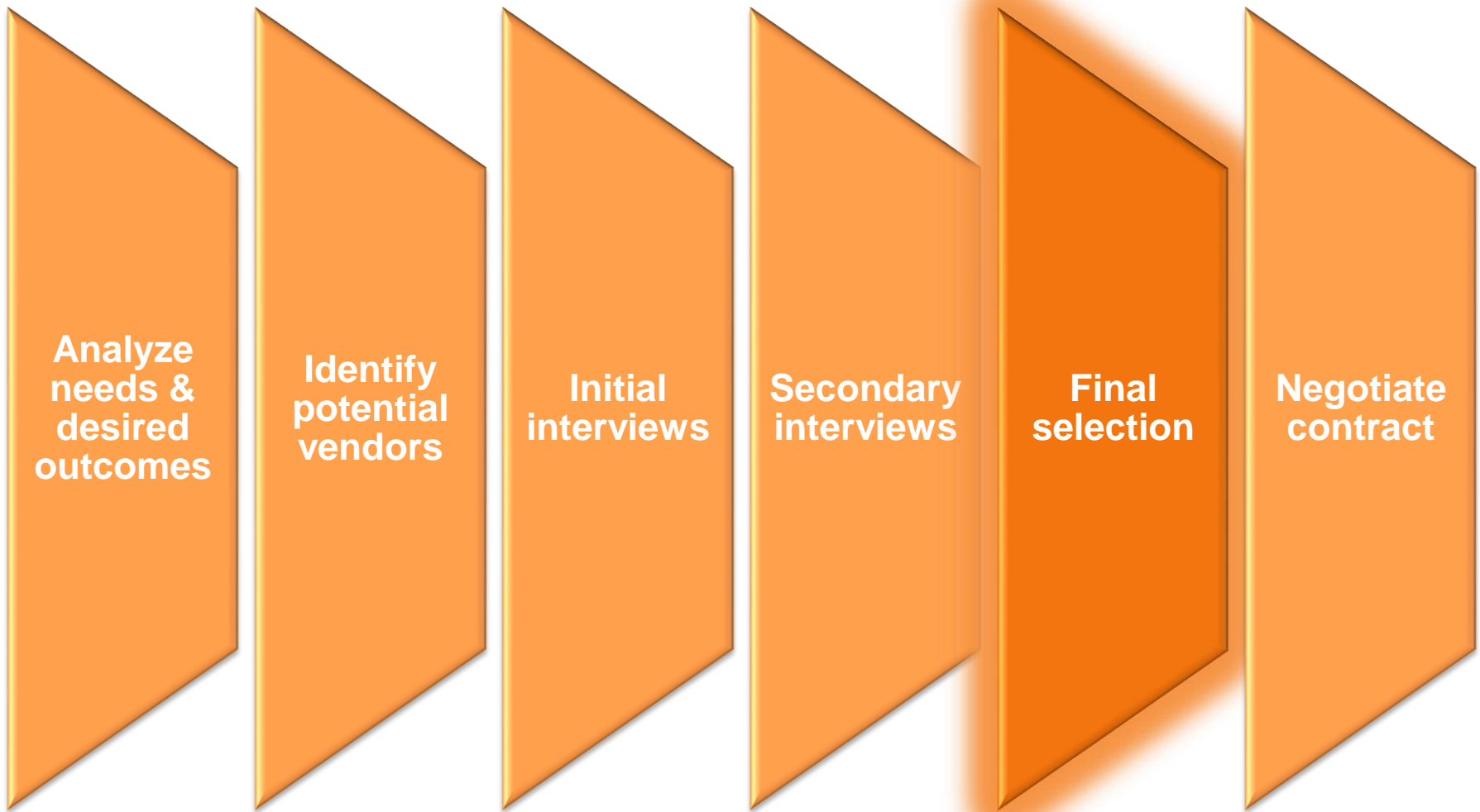
# Step 3: Initial Interviews



# Step 4: Secondary Interviews



# Step 5: Final Selection



# Step 6: Negotiate a Contract

Analyze  
needs &  
desired  
outcomes

Identify  
potential  
vendors

Initial  
interviews

Secondary  
interviews

Final  
selection

Negotiate  
contract



**suc•cess**

(sək-sēs') *n.*

**1. The achievement  
of something  
desired.**

# Polling Question #4

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# Thank you! Questions?



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