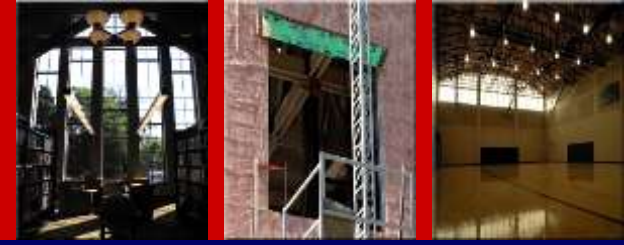




County Commissioners Association of Ohio

*Facility Considerations and Government
Transformation*

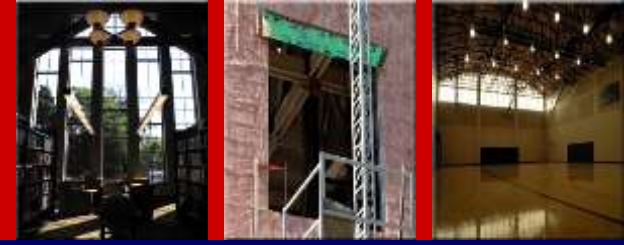
June 9, 2010



Role of Government

⌚ Three Primary Questions to Answer

1. What service level does your community want to provide to its residents?
2. What type of tools and facilities are necessary to support the level of service?
3. What are the political and financial realities that the community needs to operate?



Government Transformation







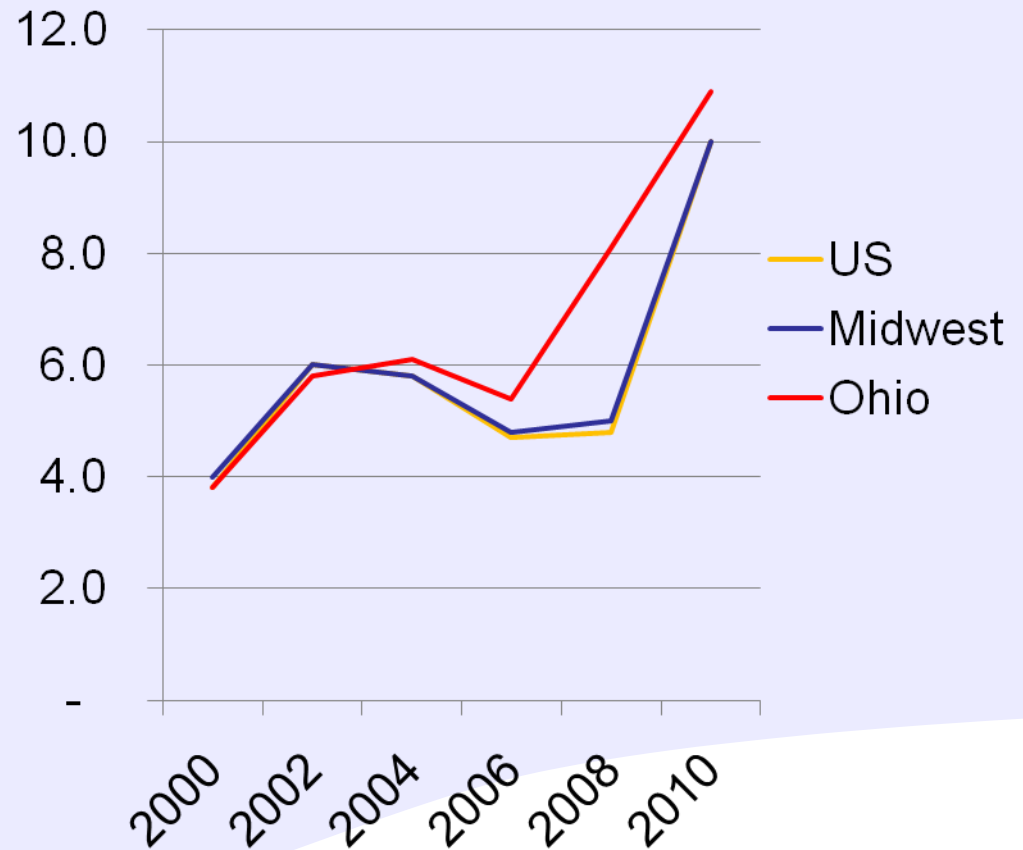
World Economic Changes

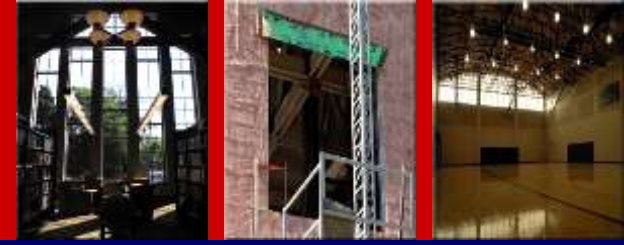
- Stock Market free fall September 2008
- Financial Sector Bankruptcies (Lehman Brothers, Washington Mutual)
- Mortgage collapse (Countrywide, Fannie Mae)
- Housing foreclosure crisis



Regional Unemployment Rate - History

Unemployment has risen 5% since its cyclical bottom in March 2007. Even as job creation picks up, workers who stopped looking for jobs will return to the workforce, keeping the unemployment rate undesirably high for an extended period.

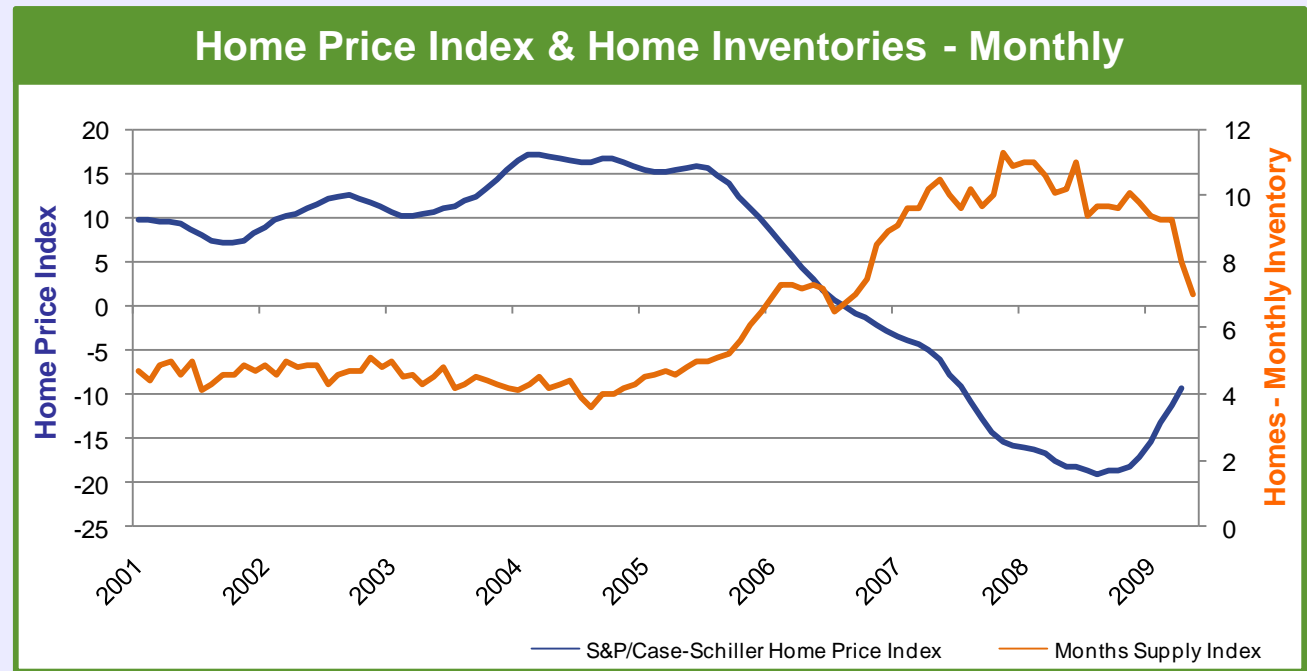




Continuing Impact

Housing inventory levels remain high.

A new wave of mortgage rate resets is also beginning, which could lead to a surge in foreclosures.



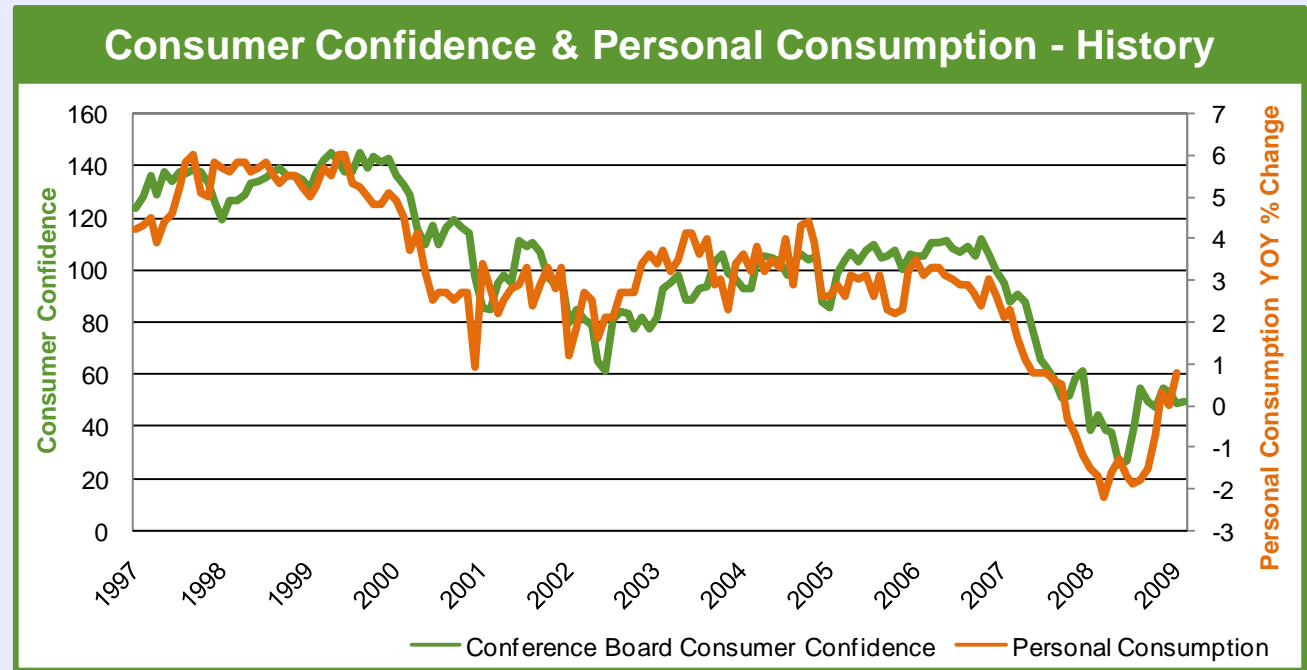
Source: PMFA, Standard and Poors, Census.gov



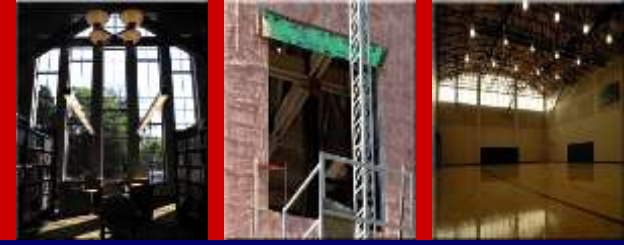
Continuing Impact

Consumer confidence reached historical lows in the first quarter of 2009.

The consumer, while experiencing declining asset values and tighter credit, continues to be an important component to a strong recovery.



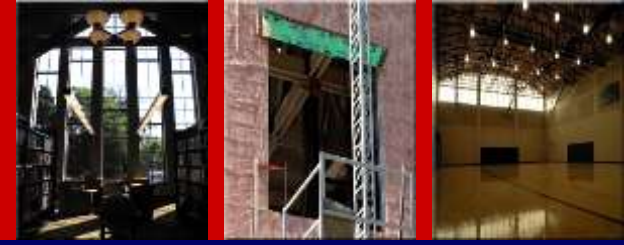
Source: PMFA, Bloomberg



Impact on Governments

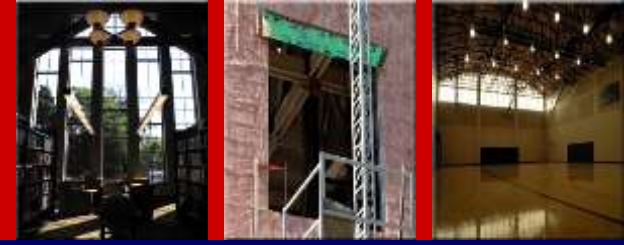
Many communities are faced with:

1. Declining Tax Base
2. Declining Revenue Sources
3. Overwhelming Legacy Costs
4. The income to operate most governments is simply not enough to:
 - Pay active employees
 - Maintain service programs
 - Keep commitments to past employees

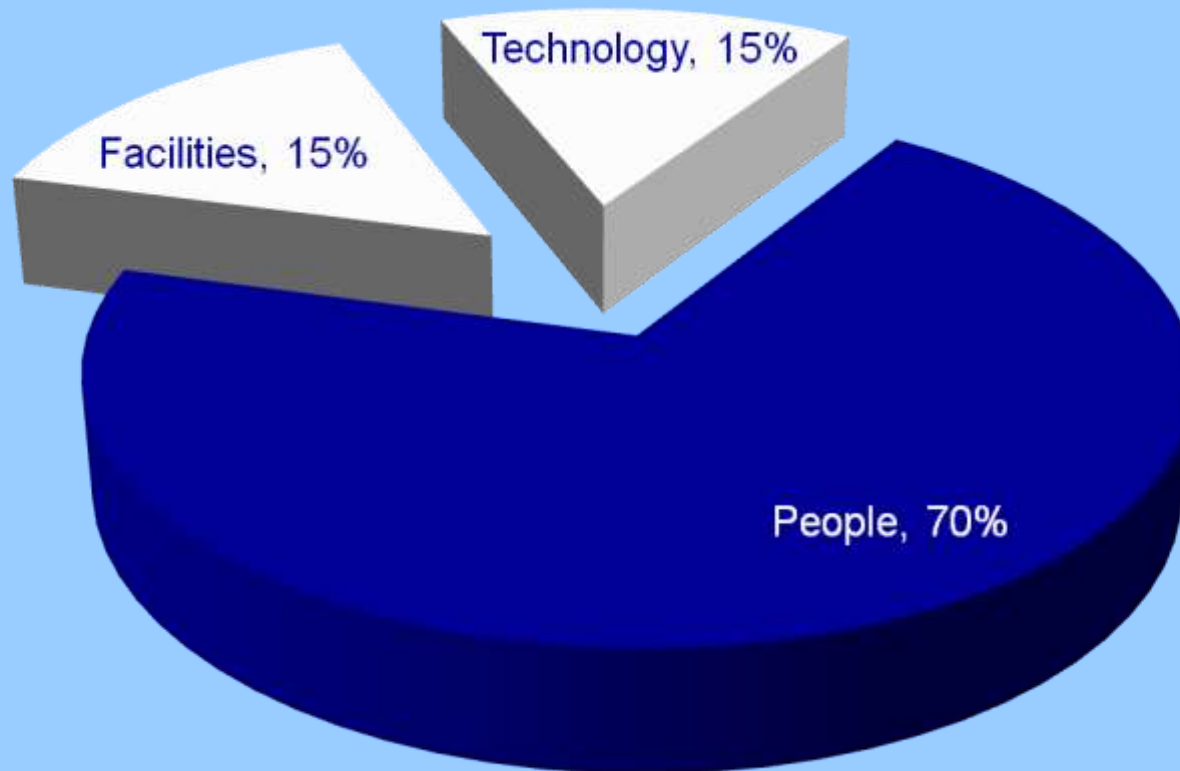


Conclusion

- ⌚ Something has to be done to address the projected shortfall
 - Decreasing property taxes and local government fund revenues are forcing the issue
 - There is a new revenue reality and a comprehensive review of government services is necessary
 - Time is of the essence regarding fiscal issues

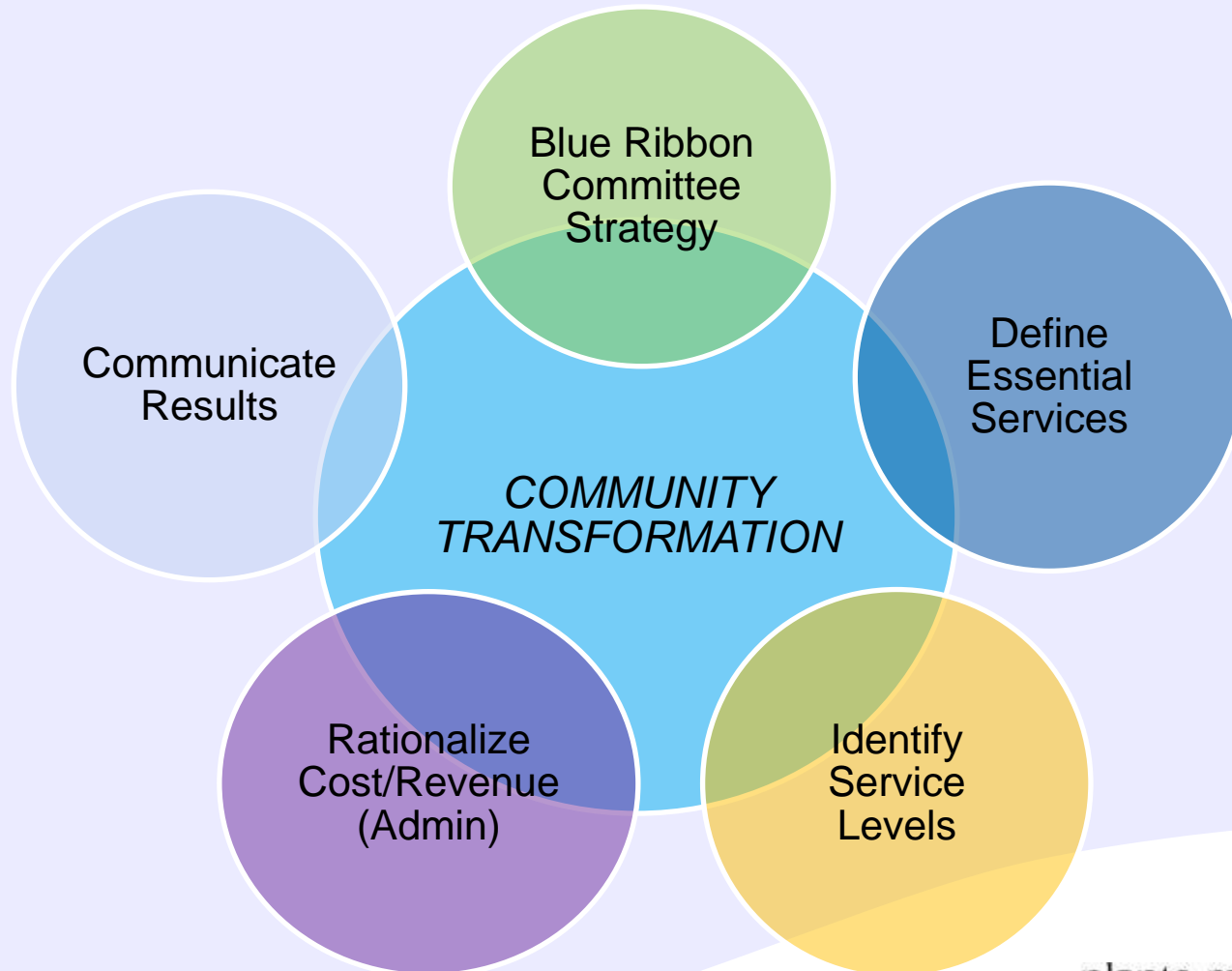


Cost Considerations





Comprehensive Process





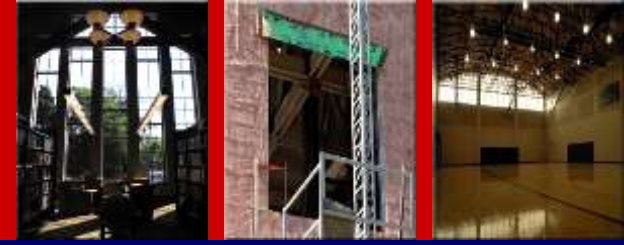
Community Vision

- ⌚ Transform Community Services
- ⌚ Citizen-driven change process
- ⌚ Define “essential” Community services
- ⌚ Divest “non-essential” Community services
- ⌚ Reduce costs / increase revenues to correlate with new operating model and economic reality
- ⌚ Think creatively and innovatively to achieve desired end result (e.g. Library - -> Netflix)
- ⌚ Use an inclusive approach with the Blue Ribbon Committee to elicit ideas, strategy and direction
- ⌚ Formulate appropriate internal process to engage staff and achieve “buy-in”



Things to Consider

- ⌚ It may be difficult to transform Community government in the midst of a financial crisis
- ⌚ Transformational change may be cost prohibitive
- ⌚ Many items will likely require some level of financial investment (e.g. technology facilities)
- ⌚ A critical element of this process is consideration of alternative revenues sources



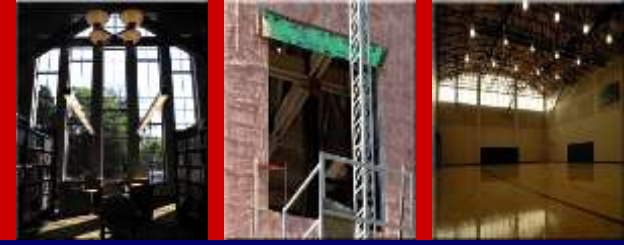
Committee's Role

- ⌚ We have asked this Committee to “weigh-in” on various key questions the Community has regarding the preservation of core Community services and how those services are delivered
- ⌚ This Committee is representing the “voice” of the community to provide overall guidance and direction for the many difficult decisions that are to come



How Do We Move Forward?

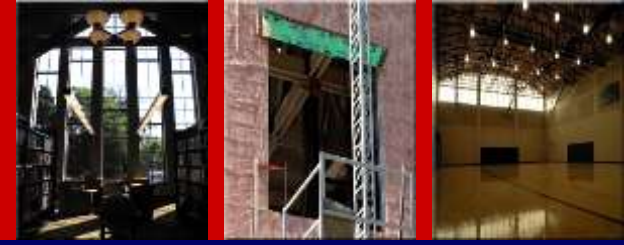
- ⌚ How does the Community begin to make the difficult decisions to come?
 - Should the Community be investing more in economic/business development for future sustainability?
 - Can “essential” services become more cost effective?
 - Are there outsourcing opportunities?
 - What investments are worthwhile and essential for the future?
 - Where should reductions be made?



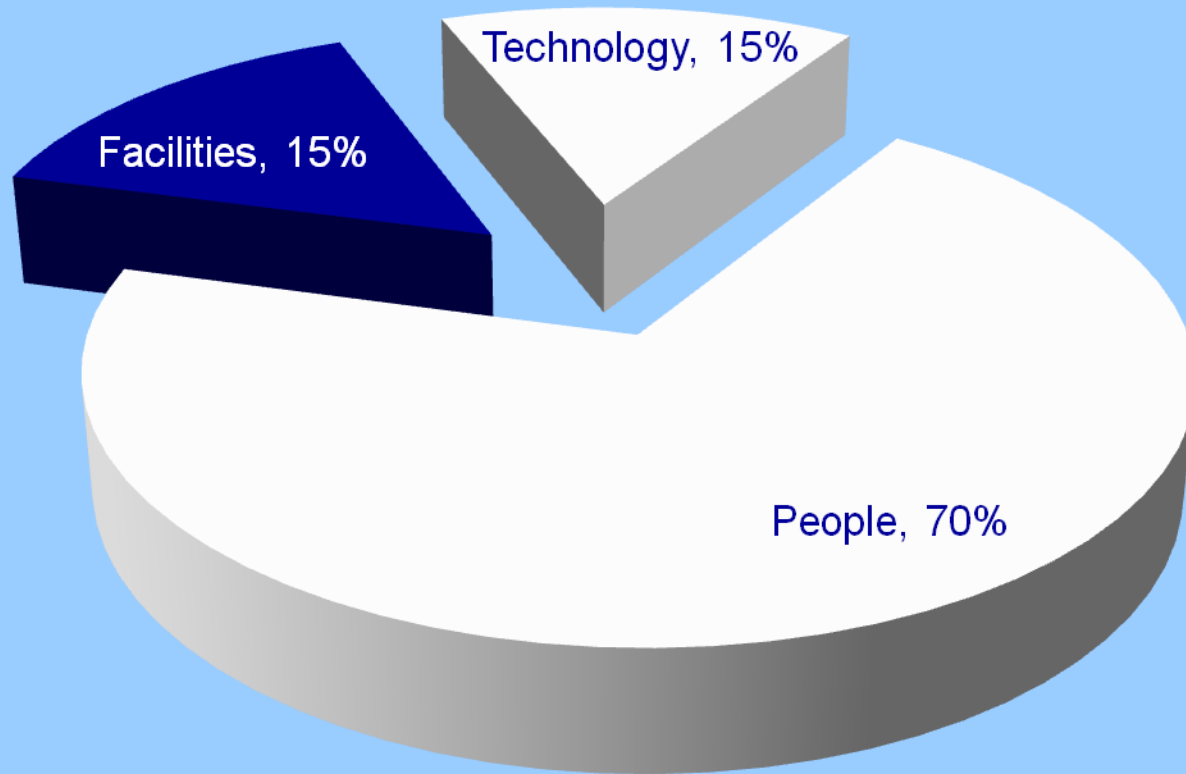
How Do We Move Forward?

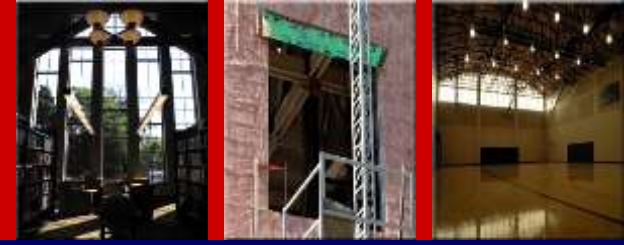
⌚ A process of:

- **Prioritization of services**
- **Strategic allocation of resources**
- Sustainability
- New economic reality
- Strategic reductions
- Appropriate “one-time” investments
- Create a Community that is **easy** to do business with
- ***Transformational*** change



Cost Considerations





Plante Moran CRESA

Collective Expertise

- Architects, engineers, financial advisors, urban planners, and real estate professionals

Full Service

- Ability to service clients from concept to completion
 - Project planning and consulting
 - Buyer/Tenant representative
 - Owner representative

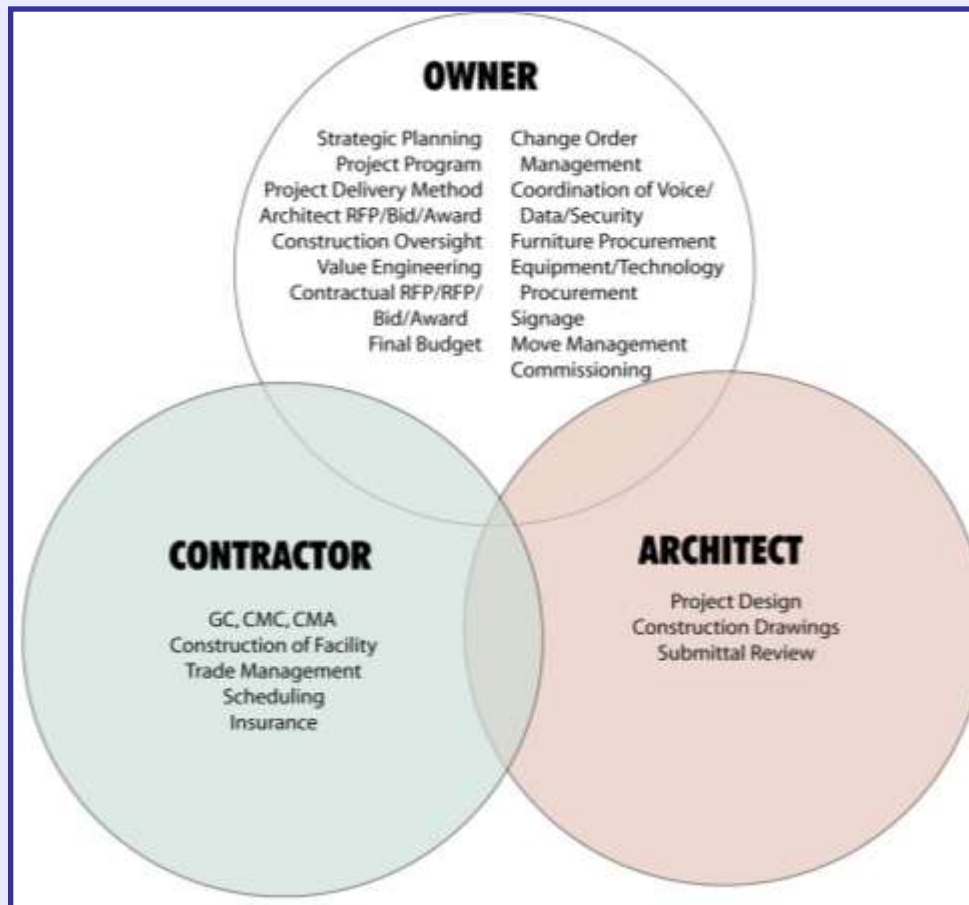
Independent Advice

- Advisory services are provided without conflicts our objective is your success



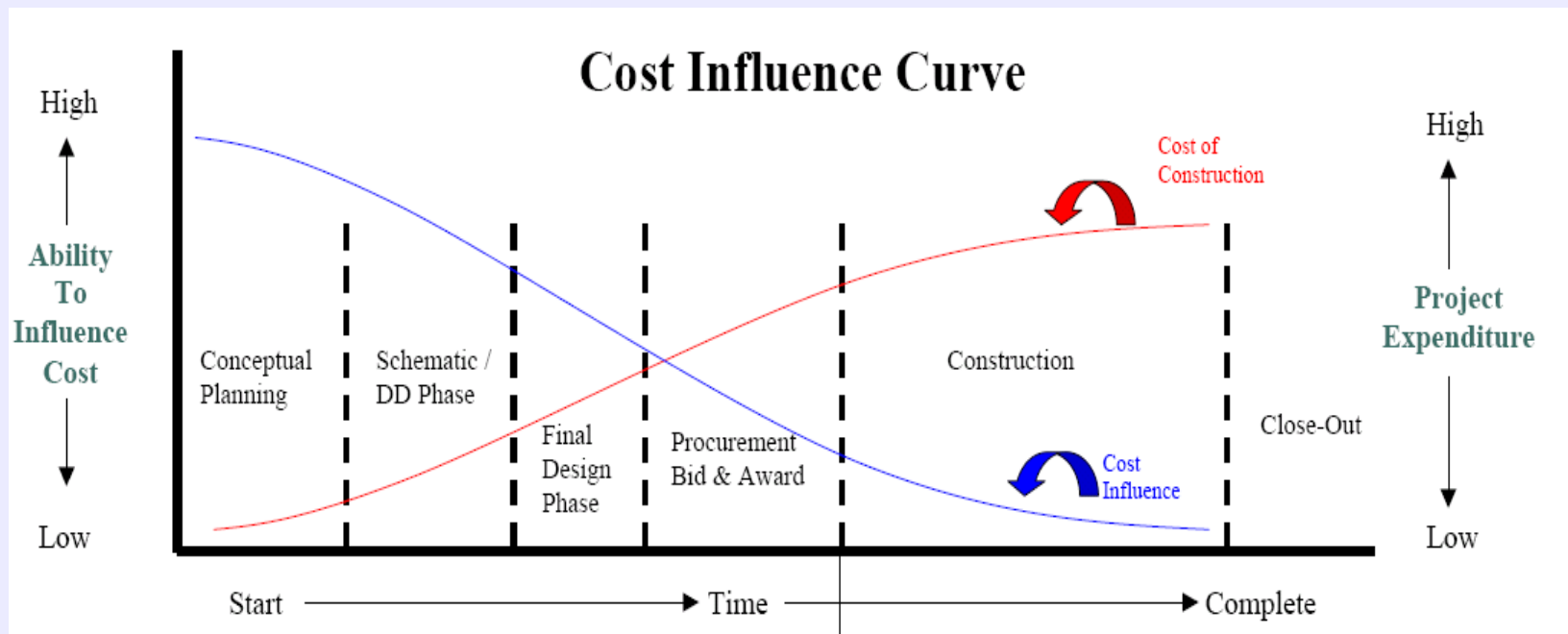


Plante Moran CRESA





Plante Moran CRESA

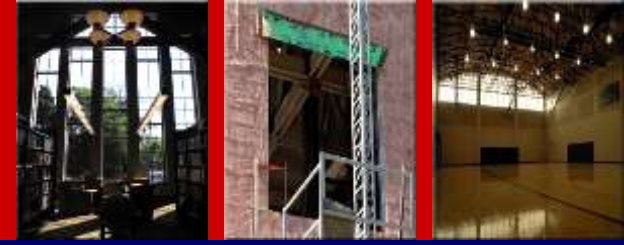




Space Usage

- ⌚ Michigan, Indiana, Illinois, Wisconsin
- ⌚ Conducted with County Government Association
- ⌚ Findings
 - No space standards 85% to 90% of the respondents indicated no standards
 - Average usage is 700 SF to 1,100 SF per FTE, average should be 475 SF
 - Costs are \$7.00 to \$9.50 SF
 - Facility Maintenance of 1 to 47,000 SF
 - Result is 35% to 50% more space than is necessary.





Facility Condition Index



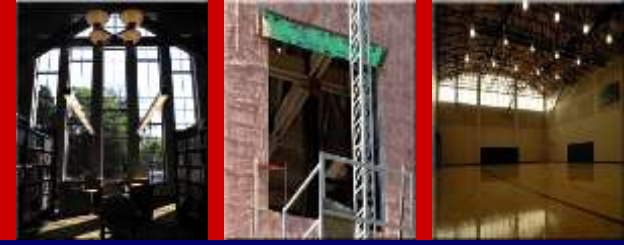
- ⌚ FCI = (Deferred Maintenance + Capital Renewal)/Current Replacement Value
- ⌚ Measure that can be tracked
- ⌚ Prioritization of projects
- ⌚ Challenges
 - Actual project costs
 - Who is doing the review
 - Packaging of improvements



Portfolio Analysis

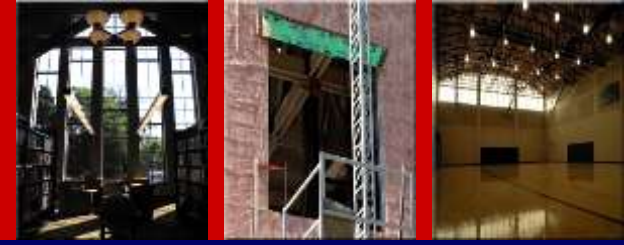
- ⌚ Which buildings do I keep?
- The goal is to take buildings out of the system if possible
 - How much space do I need?
 - What type of services do I want to provide?
 - What is the condition of the buildings we operate?
 - What are the financial realities that we are facing?
 - What are the political realities that we are facing?
 - Which buildings/sites are the most marketable?





Capital Project Budgeting

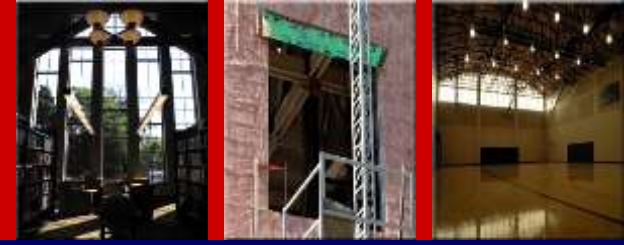
- ⌚ How long does a building last?
 - As long as you maintain it properly
 - Cost of maintenance is significantly more than communities budget
 - 1% to 2% of replacement cost should be budgeted annually for improvements.
 - No need for extra space...
 - Costs per year to operate space on a SF basis
 - Janitorial \$2.00
 - Maintenance \$1.50
 - Utilities \$2.00
 - Capital \$2.00 to \$4.00
 - TOTAL \$7.50 to \$9.50/SF



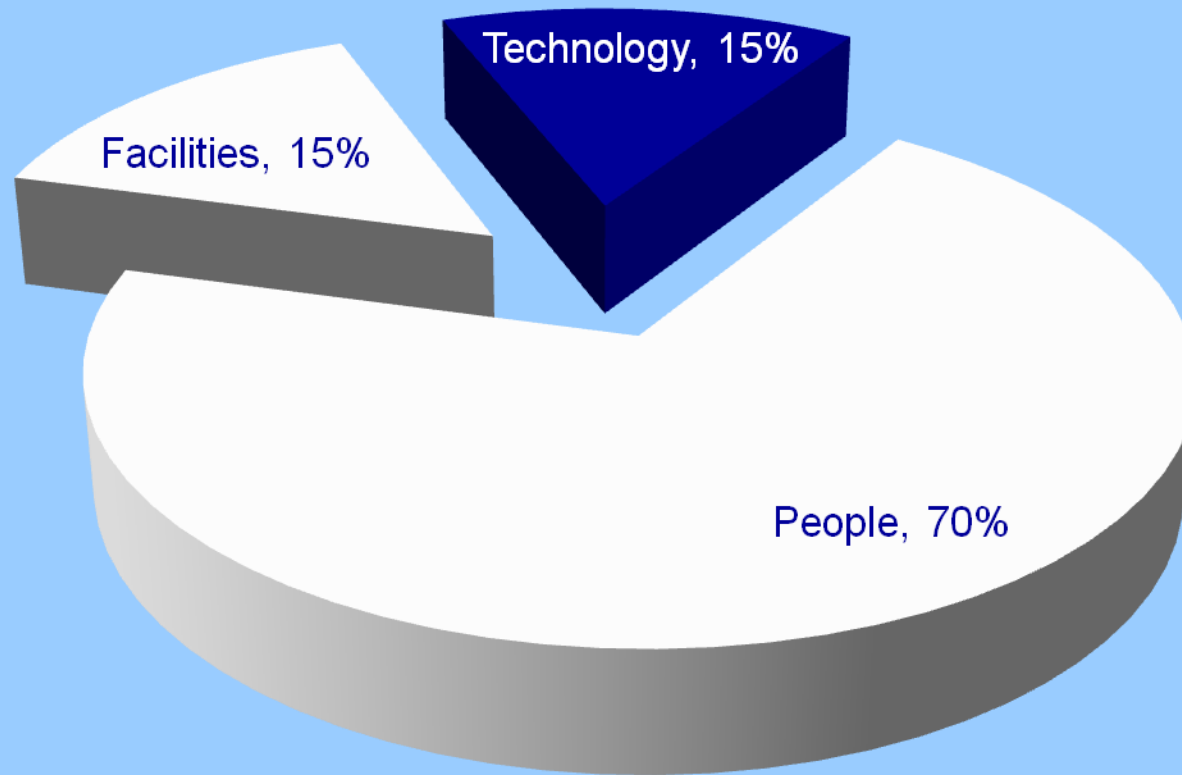
Facility Construction

- ⌚ Take advantage of the economy
 - Professional services are discounted
 - Construction costs are discounted
 - Financing is available through Build America Bonds, Super Build America Bonds, TIFA and other methods
 - Buying in low and selling high



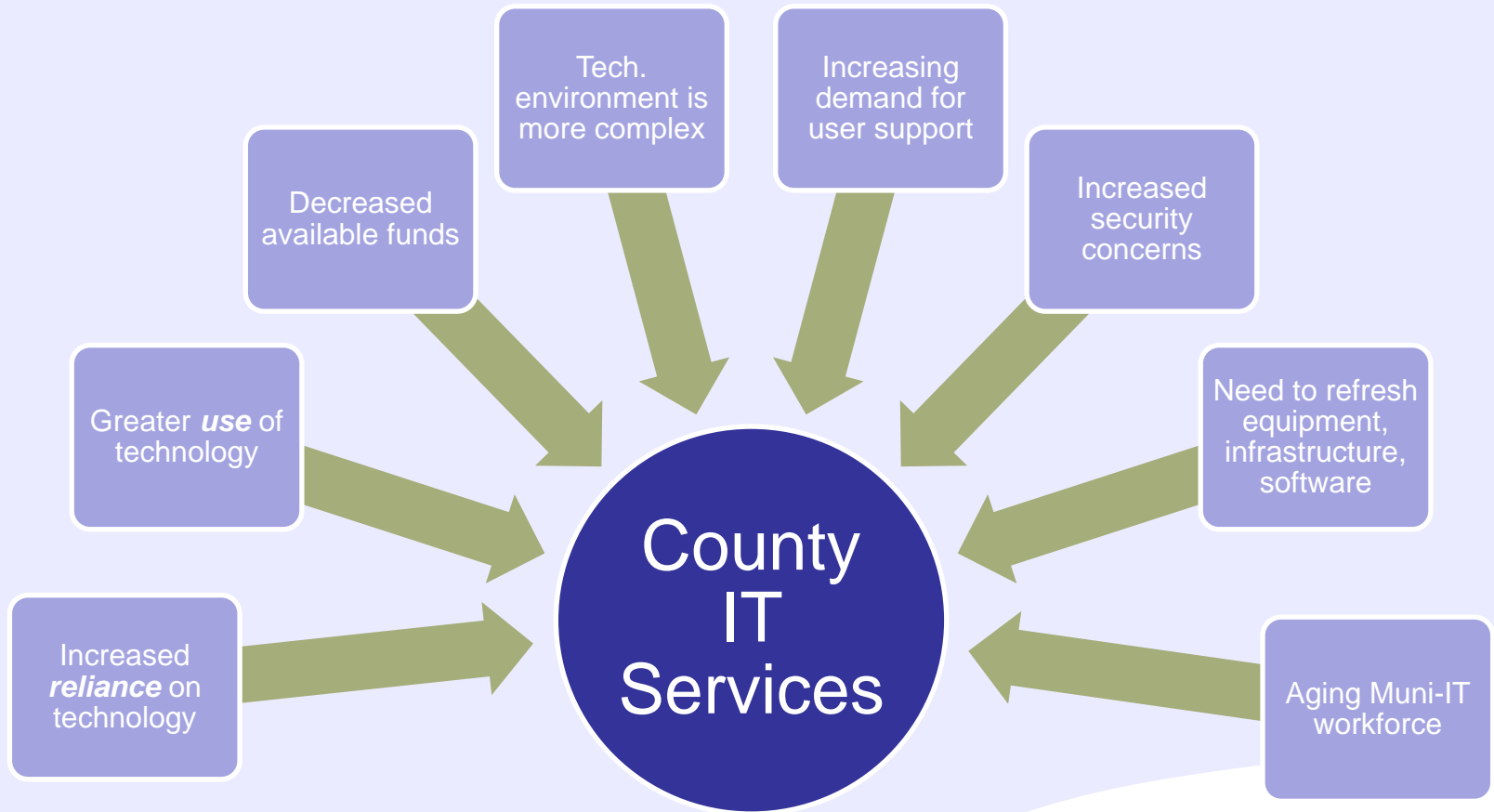


Cost Considerations





Technology Challenges





Technology Assessment

Organization

Do we have the correct number of staff with the right skills?



Administration

Do we properly manage and administer the technology we have?

IT Assessment

Technology

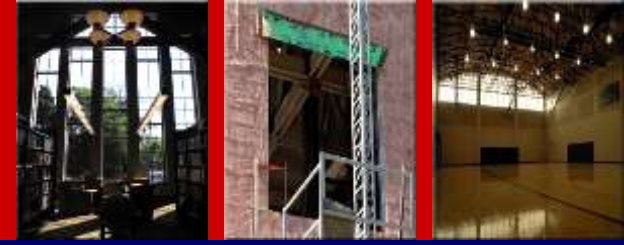
Do we procure and support the most appropriate equipment and systems?



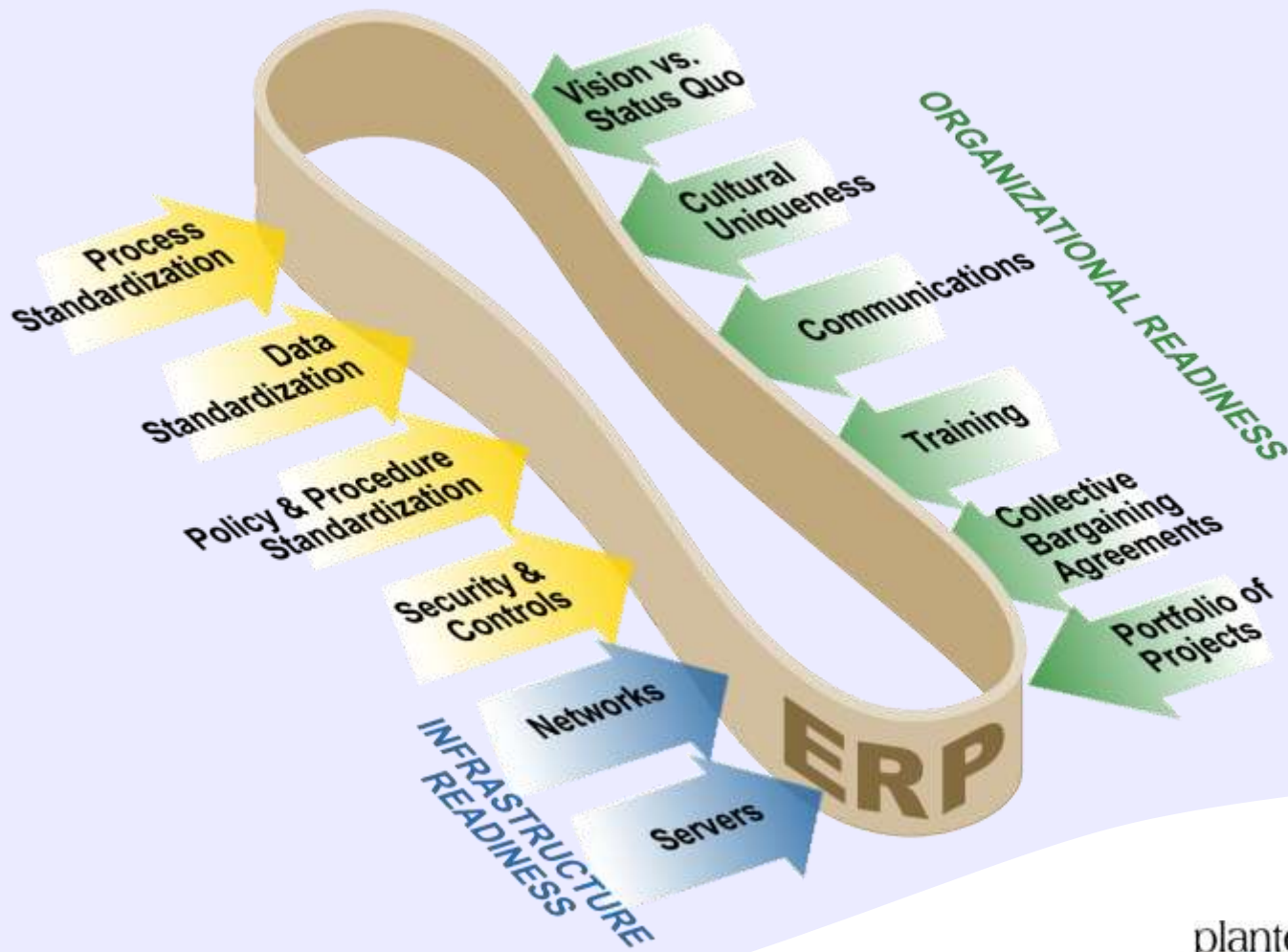


Cost Containment Strategies



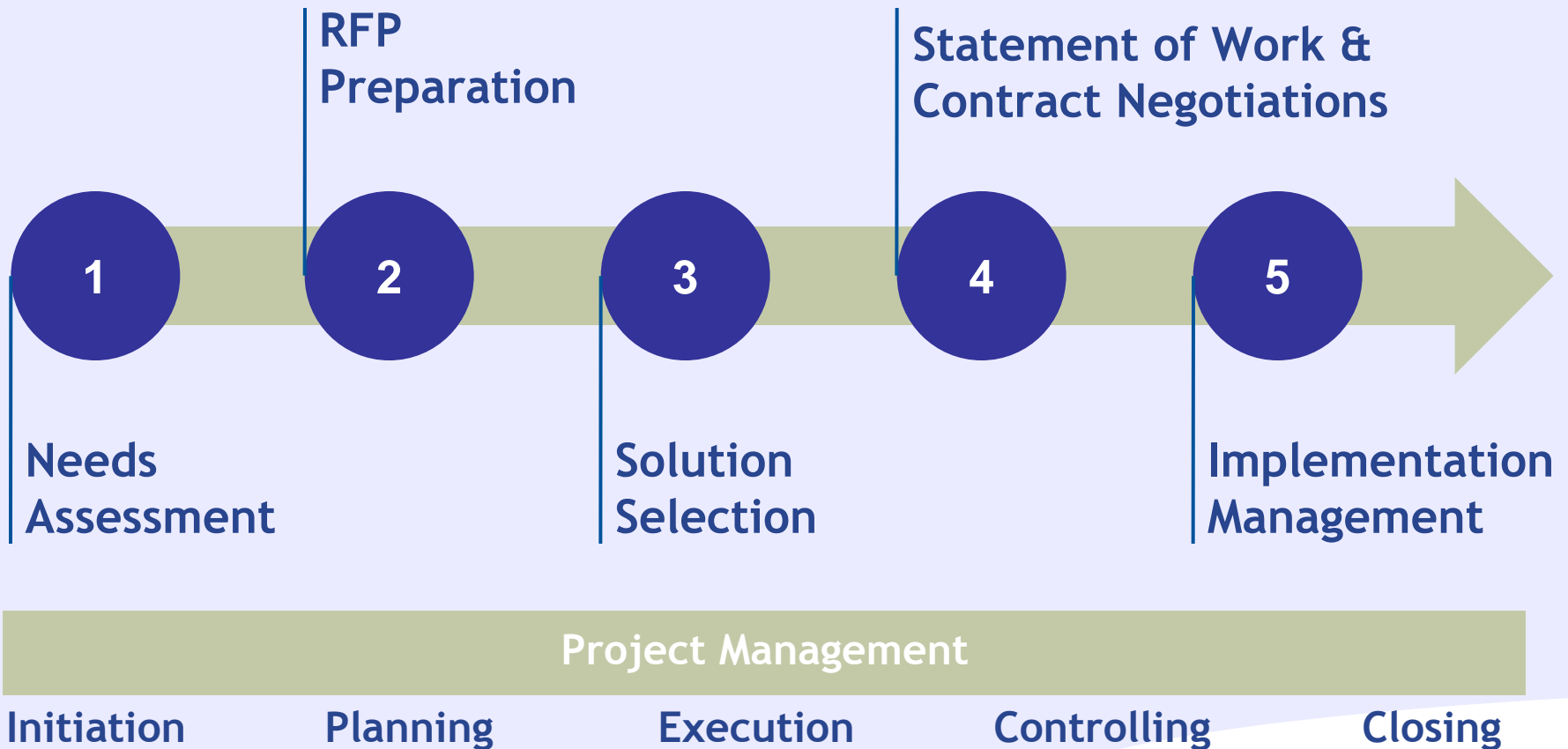


Complex Technologies





Structured Approach



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