

LOS ANGELES COUNTY'S EFFICIENCY INITIATIVE

In May 2009, Los Angeles County Chief Executive Officer William T. Fujioka launched the county's Efficiency Initiative by calling for each of the county's 37 departments to appoint an efficiency manager and to solicit cost-cutting ideas from all of levels of employees.

Los Angeles County has more than 101,000 employees and a \$24.2-billion annual budget.

The county created an internal website to allow employees to submit efficiency ideas and to track various projects occurring throughout county government. Departments are required to submit monthly reports on progress toward implementing various efficiency efforts to the Office of the Chief Executive Officer. A manager within the CEO's office tracks all projects, disseminates information about ongoing projects and ideas, and prepares reports for the county Board of Supervisors.

A June 2011 report to the Board indicated that 576 ideas from county employees had been submitted on ways to improve efficiencies, and the county has saved \$218 million through the implementation of some of those ideas. Many projects are underway and savings have yet to be achieved. Included in this binder is the June 2011 report from the CEO to the Board, an example of the spreadsheet departments use to track ongoing projects, and a snapshot of the website used to gather ideas from employees.

Projects range from simple office solutions such as reducing paper costs to broader efforts to save money, such as moving county General Relief recipients on to Supplemental Security Income and improving management of pharmaceutical services within the Department of Health Services.

Other projects launched in Los Angeles County include:

- A review of more than 38,000 telephone lines that the county was paying for but that had not initiated any recent outbound calls. The county was able to disconnect nearly 24,000 phone lines, shaving \$4 million annually off the county's phone bill.
- A pilot project to distribute employee paystubs electronically, which could eventually save \$1 million annually.
- An effort to force desktop computers into sleep mode after a period of inactivity, and to install less powerful, more energy efficient desktop computers in some agencies that could save more than \$660,000 annually.

The county intends to keep the project ongoing for many years, and focus remains on the initiative in part because of the regular updates departments are required to provide to the CEO. Current projects have led to ideas for future savings. For example, the reduction in telephone lines led the county to review unused fax lines and other telecommunications issues. Disconnecting some of those lines and services added more than \$720,000 in savings.

Attachment: June 9, 2011 memo from Los Angeles County Chief Executive Officer William T. Fujioka to Los Angeles County Board of Supervisors

STATE GOVERNMENT EFFICIENCY EFFORTS

Faced with continuing deficits, California state government has in the past three years launched varying efforts to improve efficiencies and cut costs. The efforts range from Executive Orders initiated by both Gov. Arnold Schwarzenegger and Gov. Jerry Brown to department- and agency-sponsored efforts. Among the projects are:

- **Executive Order S-01-08, February 2008.** Gov. Schwarzenegger called on all agencies and departments to reduce spending by 1.5 percent during FY 2007-08, with the intent of saving \$100 million in expenses by freezing hiring, canceling contracts, delaying purchases or reducing travel costs.
- **Executive Order S-09-08, July, 2008.** Gov. Schwarzenegger called on all agencies and departments to freeze hiring, suspend all personal services contracts and prohibit overtime until both the Fiscal Year 2008-09 Budget was adopted and the Department of Finance determined that an adequate cash balance existed to meet state obligations.
- **Executive Order S-09-09, June, 2009.** Gov. Schwarzenegger ordered the suspension of all state contracts and a reduction of 15 percent in expenditures on new contracts during Fiscal Year 2008-09.
- **Executive Order S-14-09, July, 2009, and Executive Order B-2-11, January, 2011.** Gov. Schwarzenegger and Gov. Brown ordered a reduction in the number of state-owned vehicles. Gov. Schwarzenegger ordered a 15 percent reduction in the state fleet and a 20 percent reduction in the number of employees driving state vehicles to their homes, calling on all agencies to create a vehicle reduction plan. Vehicles used in law enforcement and other public safety capacities were exempt. Gov. Brown ordered all departments and agencies to reduce non-essential vehicles and reduce the home storage of vehicles. No state departments or agencies are exempt.
- **Executive Order B-1-11, January, 2011.** Gov. Brown ordered a 50 percent reduction in state-used mobile telephones by June 2011.
- **Executive Order B-3-11, February, 2011.** Gov. Brown prohibited departments from filling vacant positions.
- **Technology efficiencies.** Under direction of the newly reorganized California Technology Agency, the state is consolidating computer networks, servers and email services and seeking to reduce energy usage and other costs for information technology services. Goals include reducing energy usage by 20 percent by July 2011, migrating all state email services to one of two services by June 2011, begin migrating all networks to one state network by July 2011, and reducing the amount of data center square footage by 50 percent by July 2011. According to a 2009 report by the Little Hoover Commission, the Schwarzenegger Administration projected reorganizing the state's technology infrastructure and consolidating services would lead to \$1.7 billion in savings and avoided costs between 2009-10 and 2013-14.
- **Energy efficiencies.** The Department of General Services was awarded \$25 million in federal American Recovery Act funds to improve energy efficiencies in state buildings.
- **Reducing office space costs.** The Department of General Services (DGS), which acts as a real estate agent for most state departments and agencies, managing 1,861 leases worth \$474.7 million in annual rent. During the economic downturn, DGS has sought to renegotiate leases for office space in Sacramento and around the state, taking advantage of dramatically lessening rental costs in all state markets.

RESULTS OF STATE GOVERNMENT EFFICIENCY EFFORTS

Some efficiency efforts have led to savings, improvements. The state's varied efforts to cut costs have brought some savings and other benefits. According to the Department of Finance, state agencies in Fiscal Year 2008-09 cut \$210 million from their budgets by suspending hiring, reducing or cancelling personal services contracts and postponing other expenses.ⁱ

The Department of General Services reports that it has cut as much as \$113 million off of costs associated with leasing office space for state agencies by renegotiating leases during this period of high office vacancies and lower lease costs. DGS reported that the state sold 3,997 vehicles in Fiscal Year 2009-10, or about 23 percent of the state fleet that was not exempt from the Executive Order. DGS also has much more information about the size and condition of the state fleet due to these efforts to catalog and reduce vehicles, finding, for example, that the Department of Corrections and Rehabilitation had 20 percent more vehicles (6,061) than the California Highway Patrol.ⁱⁱ

Gov. Brown announced in June that an effort to reduce state workers' use of cell phones eliminated 29,398 phones, which will save \$13 million.ⁱⁱⁱ

Technology consolidation is underway throughout state government, and an April 2011 press release from the Technology Agency noted that by consolidating state data centers and implementing software that better manages energy use, the state has reduced its energy usage by more than 22 million kilowatt hours, or enough to power 2,000 homes annually.^{iv} These efficiencies also cut state costs.

Some efforts remain incomplete, and more could be done to improve savings. Despite some success, some of the efficiency efforts have not yet achieved their goals. According to scorecards produced by the Technology Agency in February, 20 percent of state departments had completed their transition to consolidated email services and 58 percent of state departments had migrated to the new state network.^v The Schwarzenegger administration's goal was to have both changes completely implemented by this summer.

According to a January 19, 2011 letter from the Department of Finance, technology efficiency savings totaled \$21.3 million in General Fund savings in Fiscal Year 2009-10, despite a goal of \$100 million in savings described in the 2009 Budget Act and initial pledges by the Schwarzenegger administration in 2009 that IT consolidation would save \$430 million in Fiscal Years 2009-10 and 2010-11.^{vi}

Additionally, the Department of General Services was criticized in a November 29, 2010 letter from then-Inspector General Laura Chick for only having spent \$5.2 million of the \$25 million in federal stimulus money aimed at improving the energy efficiency of state buildings.^{vii}

And in a June letter to Gov. Brown and the Legislature, State Auditor Elaine Howle suggested DGS could improve its oversight of office space. Howle's office reviewed office-use surveys submitted to DGS by various state agencies and found that nearly 21 percent of workstations were vacant. She also noted that DGS does not conduct its own reviews of state-leased office space of any offices that are less than 50,000 square feet, even though two-thirds of the state's leased office space is less than 50,000 square feet. Howle suggested in the letter that DGS could improve its oversight to

ensure the state is not leasing unneeded space.^{viii} Howle noted that a 2009 audit found that the Department of Corrections and Rehabilitation had wasted \$580,000 paying rent on an office that was vacant for more than four years.

Finally, DGS is in the middle of an effort to examine the state's vehicle fleet, reduce non-essential vehicles and conduct an ongoing analysis of the most cost-effective ways to manage state-used cars. A consultant hired by DGS to review the state's fleet and fleet policies is expected to provide recommendations this summer. This review is based on an executive order issued by Gov. Brown in January.

Overall, state's efficiency efforts are not coordinated. A review of these various efforts to cut costs by the Committee raises several concerns:

- ***Many efforts have not been sustained.*** Most executive orders have had expiration dates. For example, executive orders under the Schwarzenegger Administration to reduce hiring or otherwise cut costs saved money, but were not sustained, leading some agencies to defer expenditures by one year to score savings. The savings did not necessarily continue into future years.
- ***No overall effort to track efficiency efforts and savings.*** While most projects to cut costs have been overseen by one of three state departments – the Department of Finance, Department of General Services, or the Technology Agency – there has been no one person or department charged with tracking all of the projects, making it difficult for state departments and policy-makers to understand which efforts have been the most successful and which haven't. For example, one Schwarzenegger Administration executive order – the 2009 order to cut contract costs – required no centralized reporting, and thus, the Department of Finance was unable to provide this Committee with any information as to whether any savings were achieved.
- ***No prolonged effort to engage state workers or departments.*** With no overall tracking, there has been no sustained pressure on state agencies to continue to seek efficiencies. Additionally, unlike Los Angeles County's Efficiency Initiative, there is no centralized website or other venue for state employees to provide ideas on ways to cut costs. Los Angeles County officials believe a critical piece of their initiative is gathering input from the workforce.

ⁱ Department of Finance report on savings from state operations in Fiscal Year 2008-09

ⁱⁱ Executive Summary of Department of General Services report on implementation of Executive Order S-14-09 to reduce state vehicles and table showing number of vehicles per department;

ⁱⁱⁱ June 8, 2011, Press Release, "Gov. Brown Slashes State-Issued Cell Phones."

^{iv} April 22, 2011, Press Release, "Statewide IT Consolidation Reduces PC Energy Consumption, Environmental Footprint."

^v February 10, 2011, California Technology Agency, IT Consolidation Scorecards

^{vi} January 19, 2011, Department of Finance, Control Section 15.30 Report – Information Technology Savings and March 26, 2009, Little Hoover Commission, "A Review of the Governor's Reorganization Plan to Consolidate Information Technology Functions."

^{vii} November 29, 2010, Office of the Inspector General, Letter to Gov. Schwarzenegger

^{viii} June 23, 2011, California State Auditor Report 2011-501, pages 9-10