

Response to Questions on the FY 2005 Advertised Budget Plan

Request By: Supervisor DuBois

Question: Please list all County functions or services that were obtained, in whole or in part, from an outside vendor for the first time in FY 2004 where the contract amount was \$100,000 or more. What County functions or services are planned to be obtained, in whole or in part, from an outside vendor for the first time in FY 2005 where the contract amount is likely to be \$100,000 or more? Were any County functions or services previously obtained from an outside vendor pursuant to a contract in the amount of \$100,000 or more performed or obtained by the County itself (i.e., reverse outsourcing) during FY 2004? What County functions or services previously obtained from an outside vendor pursuant to a contract in the amount of \$100,000 or more are planned to be performed or obtained by the County itself during FY 2005?

Response: In FY 2003, the Department of Purchasing and Supply Management maintained 2,366 active contracts and of this total 604 were new contract awards. The department does not maintain records that would readily identify contracts that meet the criteria in the question.

However, the County initiated a Commercial Activities program in FY 2003. County staff completed an inventory of activities that were commercial in nature and currently provided by a contractor. The study used data from FY 2002, the last full year for which actual financial data was available. Staff collected information from departments on activities they perform that are commercial in nature. For all County departments and funds, the value of FY 2002 outsourced activities is \$500.19 million compared to a total expenditure level of \$2.04 billion, or approximately 25 percent. The value of outsourced activities increases to 39 percent when base expenditures are adjusted to \$1.29 billion for the following 1) services that are not available in the private sector – such as welfare payments, 2) services expensed through County internal service funds such as vehicle service charges or postage, and 3) the purchase of commodities such as utilities. Staff initiated a process to determine potential candidates for outsourcing, considering the feasibility and risks of outsourcing services, and developing the full cost to the County to perform the identified activity upon which to base a cost analysis. The provision of food services at the Adult Detention Center is a successful example of this review. Outsourcing of this service began July 1, 2003 and expenditures are \$173,872 fiscal year-to-date. In addition, the County is currently piloting several services in order to assess the service level requirements and associated risks in preparation for competitive solicitation.

Anecdotal information gathered from agencies during this process indicates that many activities have been tested against the private market and the County appears to provide these services in the least expensive manner, especially in the areas of leaf collection, household hazardous waste collection/disposal, closed circuit TV inspection of sewer lines, waste material transportation, and wastewater flow metering. Other agencies have recently brought commercial activities back in house, after finding that the vendor was more expensive, for example retiree payroll and investment counseling services. Lastly, all agencies indicated that they are continually reviewing their activities to determine the most economical and effective method of service provision, even if that means part of the

operation is performed in house and the remaining portion outsourced, as is the case in the Department of Family Services and the operation of the Healthy Families Fairfax program which uses County staff for specialized expertise and uniform standards, combined with non-profit organization services.

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