Technical Assistance Report
Merger 2.0 Task Force

Contents

1. INTRODUCTION – MERGER 2.0 TASK FORCE

Immediately upon taking office in January 2011, Mayor Greg Fischer signed Executive Order No. 3, creating the Merger 2.0 Task Force. The 23-member task force is charged with reviewing the wide range of services provided by Louisville Metro and making recommendations to improve services by October 1, 2011. The task force membership includes representatives from urban and suburban districts, Metro Council Members, community organizations, businesses, and citizens. The diversity of membership is designed to bring the widest perspective to discussions on the status of services and ways that they can be provided more efficiently and effectively.

Specifically, the Merger 2.0 Task Force is charged with investigating the four priority areas singled out by the Mayor: Fire and EMS services, Solid Waste and Recycling, Public Safety, and Transportation and Infrastructure.

This is a formidable task. The Mayor therefore applied for and received a technical assistance grant from the Mayors Innovation Project, a national non-profit organization, to help with the initial work of the task force. The Mayors Innovation Project grant made available a limited amount of consulting by **Public Works LLC**.

2. MAYORS INNOVATION PROJECT

Louisville Metro Government (LMG) is a member of the Mayors Innovation Project (MIP), a learning network among American mayors committed to "high road" policy and governance, shared prosperity, environmental sustainability, and efficient democratic government. The Mayors Innovation Project was founded in 2005 by former Madison, Wisconsin mayor Dave Cieslewicz and Dr. Joel Rogers, a UW-Madison professor and director of the Center on Wisconsin Strategy (COWS) and the Center for State Innovation (CSI).

Over 100 cities throughout the United States have joined MIP since its inception, participating in regular meetings and information exchanges to hear about best practices and innovative responses to the myriad issues facing city leaders. Participating cities include megalopolises like Chicago, Los Angeles, and New York; large cities like Atlanta, Boston, Denver, Milwaukee, and Seattle; and smaller cities like Cincinnati, Des Moines, Portland, Auburn and Scranton.

The Mayors Innovation Project Technical Assistance Program (MIPTAP) was launched in 2011 to provide more customized and hands-on assistance to mayors and their staffs on particular innovations or problems through a combination of applied research, policy analysis, evaluation, and recommendations for action. The Program incorporates both on-site and remote consulting to:

- Address specific policy problems or opportunities identified by individual, or groups of, MIP members.

- Provide best-practice research into model policy solutions adopted in other cities.
- Present city-specific data and evidence to drive fact-based policy design.
- Develop individually tailored solutions and implementation plans for MIP members to address the issue in question.
- Identify potential support for specific policies.

For more information on the Mayors Innovation Project, visit www.mayorsinnovation.org.

3. BACKGROUND

In order to develop an understanding of issues and ideas that the Merger 2.0 Task Force is considering, **Public Works** interviewed a sample of members from each subcommittee of the task force as well as staff of Louisville Metro Government, including the Mayor's Office, and other organizations throughout the county. In addition, we reviewed all relevant publicly-available documents.

We were asked to consider three questions:

1. Where does duplication of effort exist?

2. Where can LMG and suburban cities work together to achieve economies of scale that would produce savings in all aspects of governing, including service provision, hiring, and purchasing?

3. How can LMG itself achieve higher levels of efficiency?

Following are our findings and recommendations based on our review.

4. FINDINGS AND RECOMMENDATIONS

The findings and recommendations are organized into three categories:

1. Cost-saving opportunities within Louisville Metro government,
2. Ensuring that the costs of all services provided by Louisville Metro to incorporated cities are fully recovered, and
3. Opportunities to realize economies of scale for services not currently provided consistently or uniformly county-wide.

4.1. Increase Efficiencies Within Louisville Metro Government

This review focuses primarily on issues resulting from the merger of county government with the other governmental units within Jefferson County's borders – questions of economies-of-scale and improved service coordination or consolidation. But the first goal of merger was to improve the efficiency of county government itself. Additional

opportunities exist to create efficiencies within Louisville Metro Government that will reduce expenditures or increase revenue.

A. Combine the Louisville Fire Department and the EMS department

Although a stand-alone EMS department is not unusual, it is not the most common structure for government-operated EMS services. Of the twenty most populated cities in the United States, 14 combine EMS with fire services in one department. In addition, such cities as Nashville and Cincinnati, which may be considered peer cities to Louisville, have combined departments.

The primary reason for considering combining the fire and EMS departments in Louisville Metro is to reduce the administrative overhead inherent in operating two departments that have similar public safety missions. Fire department personnel, as the first responders in the community, also require emergency medical training and the cross training and coordination of personnel in the two departments would be better served by placing them within a unified administration.

Based on a comparison with the City of Nashville/Davidson County, Tennessee, one option for reducing costs is to combine Louisville EMS and Louisville Metro Fire Department. The fire department in the consolidated government of the City of Nashville/Davidson County, Tennessee, covers the entire county including the five incorporated cities within Davidson County.[1] The two counties are comparable: While the population of Jefferson County, at 721,594, is somewhat higher than that of Davidson County, at 626,681, Davidson County covers 526 square miles compared to the 399 square miles covered by Jefferson County. The FY 2010 budget for the county-wide Nashville/Davidson County Fire Department, including EMS services, was $105,252,672. While the benefits of a coordinated, county-wide fire system are discussed later in this report, in order to compare costs with the Nashville Fire Department's provision of services throughout Davidson County to the combined costs for fire and EMS services in Jefferson County for FY 2011, the combined costs of the Jefferson County suburban fire districts are included below:[2]

Louisville Metro Fire Department	$ 50,336,100
Louisville Metro EMS Department	$ 26,405,900
Combined suburban fire depts.	$ 51,872,964
Total:	$128,614,964

In sum, over $23 million (or 22%) more is being spent on fire and EMS services in Jefferson County than what is being spent in Nashville/Davidson County, Tennessee, to serve a comparable population and area. While there are likely operational and service delivery differences between the two consolidated city/county governments, the issue of how to best provide for fire and EMS services at the lowest cost should be given further consideration.

At the very least, a combined Fire and EMS department in Louisville Metro Government would eliminate the duplication within the EMS and Fire command structures and result

in a reduction in positions. In addition, there may be more federal revenue opportunities for EMS services within a combined fire and EMS department than there are for third service EMS departments.

B. Work to Obtain Jefferson County's Fair Share

Most jurisdictions could obtain additional funding under various federal programs, but much of this money goes unclaimed every year by states and localities. These funds represent reimbursements for efforts the County is already undertaking to which the County is entitled under federal law and for which the federal government will pay – so long as they are properly recognized, documented, and submitted. Most of the money in these programs is for states – but creative communities can claim these funds through their states – and even help the State itself claim more from the federal government.

In terms of working cooperatively with state government itself, while the State of Indiana currently provides $1.2 million in funding for the Transit Authority of River City (TARC), which operates in both Kentucky and Indiana, and serves the Louisville and Jefferson County area,[3] the Commonwealth of Kentucky contributed $176,000 in FY 2011. The state funds are essential for providing the match for federal grant applications – which equals or exceeds 4:1 – so that a little bit or state-level commitment would leverage a lot of funding from outside Kentucky.

Further money is also likely available through concerted pursuit of federal and private-sector grants. In 2004, Maryland established a Governor's Grants Office with a full time staff devoted to identifying federal grant opportunities and training state agency personnel on how best to access available funding. During federal fiscal year 2005, Maryland state agencies received $6.5 Billion in federal funds. In federal fiscal year 2006, this number climbed to $7.0 Billion. The National Governor's Association has recognized the Maryland Grants Office as one of its featured "Best Practices" ideas for other states. Under Mayor Fisher, Louisville Metro has already become the recipient of a major grant from Bloomberg Charities to improve county government, and from the Mayors Innovation Project to fund this report. Mayor Fisher is also moving the city toward creation of a similar grant clearinghouse, which should help Louisville Metro focus on and obtain even more funding to help improve county government efficiency even further.

In short, Louisville Metro could do more on its own if the Commonwealth and federal governments work with it cooperatively to provide service improvements *without* increased taxes.

C. Solicit Citizen Input

The Louisville Metro website contains information about Metrocall 311 for reporting problems with, and obtaining information about, county services. Information can be requested or reported by phone and the Internet. Since taking office, Mayor Fisher has been aggressive about citizen outreach efforts, including "Talk with Greg" meetings,

Internet chats, open budget hearings, and communications with employees seeking their input.

One option for Louisville Metro to build on and augment these efforts is by establishing a full-time, on-going channel for residents in Jefferson County to provide more general comments and suggestions about the efficiency and cost-effectiveness of the services they receive. This could be done through the Louisville Metro website and/or a dedicated phone line.

In addition, a designated staff person in Louisville Metro should hold regular meetings (monthly or quarterly) in locations throughout the county with residents to hear their concerns and suggestions about the efficiency and effectiveness of services.

D. Conduct a Full Performance Review

Since taking office, Mayor Fisher has instituted reviews of departments to improve efficiency. A further option the Administration might want to consider is the synergistic benefits of conducting a comprehensive, government-wide "performance review," as well.

A Performance Review is designed to challenge assumptions   It is not an audit that checks to ensure money is spent according to acceptable accounting practices. It is a process that defines how services are provided, how business is conducted, what emerging demands are being placed on government agencies and departments – and how effectively and efficiently are the processes, procedures, policies, technology, and organizations responsible for the services operating. The end result of a Performance Review is the identification of recommendations: to reduce inefficiency and ineffectiveness; to improve services and the way business is conducted; to identify new technology to support operations; to establish ways an organization must change to meet changing demands; and to establish organizational structures, policies and procedures to most effectively and efficiently deliver services to citizens.

Some noteworthy results from Performance Reviews elsewhere include:

- The State of Iowa completed a statewide performance review, identifying 90 recommendations for a total of $340.9 million savings/non-tax new revenue in the first year; $1.7 billion over five years.

- Colorado's statewide review yielded $205 million in savings or new revenue over five years.

- In West Virginia in just seven agencies and cross-department functions, 100 recommendations yielded just over $300 million in savings.

- New Mexico's two-part review found $379 million in savings or new revenue.

- A recent review of the City of Chicago budget identified at least $147 million in annual savings from increased competition in bidding out public services, reducing unneeded middle-management levels, improving procurement procedures, utilizing new materials in sidewalk maintenance, using more flexible work hours for construction crews, and similar recommendations.

The recommendations identified in these reviews consisted of realistic ideas gathered from people actually doing the work, best practices from other governments and the private sector, and solid analysis and findings that government leaders were willing to look at and willing to change business as usual practices.

4.2. Ensure that the Costs of all Services Provided by Louisville Metro to Incorporated Cities Are Fully Recovered

There seems to be considerable confusion about which services are provided where in Jefferson County, by which entity, and who is paying for them. The public perception is that some residents are getting services and are not paying for them and that others are paying for services that they are not receiving. Overall, the residents of Jefferson County need better information to understand the true costs of the services they receive so that they can make informed decisions about recommendations for consolidation or other changes in services.

A. Cost Services Properly

For instance, a Louisville Metro auditor's report from 2005 found that revenue for police services provided to incorporated cities did not cover the cost of providing those services. This has been reviewed and the charge for services has increased, bringing the revenue in line with the costs of providing services. There are other instances where Louisville Metro provides services, such as fire services, under contract or interlocal agreement to the incorporated cities located in Jefferson County. Louisville Metro should have a process in place for determining the costs of providing the services in order to fully recover those costs. The process should include an annual review of the costs in order to ensure that revenue keeps pace with increasing costs.

One area in which costs rarely are accurately assessed or fairly allocated anywhere in the United States is infrastructure development. The costs of infrastructure – roads, water and sewer, and other utility lines – increase with distance from urban centers, yet those who incur these public costs rarely have to pay the true expense involved. This is another area in which Louisville Metro has acted to address the problem at least in part, instituting sewer connection charges and fees for constructing roads to service new developments.

However, the delivery of infrastructure services is unusually diversified in Jefferson County: Water is provided by the largest municipally-owned utility in the country, sewer services through an independent governmental authority, gas and electric through a

regulated private utility, and roads through a traditional county government department. Louisville Water Company provides water to about 850,000 people in Louisville Metro and parts of Bullitt, Nelson, Oldham, Shelby and Spencer Counties who depend on its superior quality. The Metropolitan Sewer District is a nonprofit public utility serving 200,000 customers in Louisville and Jefferson County. Louisville Gas and Electric Company (LG&E) is a regulated electric and natural gas utility, based in Louisville and serving Jefferson County and 15 other surrounding counties. (In contrast, in both Charlotte/Mecklenburg County, North Carolina, and Indianapolis/Marion County, Indiana, all these services, with the exception of power and light – provided by private utilities – are delivered directly by departments of the consolidated city/county governments.)

It is difficult to draw any specific conclusion from this welter of services and the data available to us, other than to note that Louisville Metro needs to understand the costs of each of these services and, particularly, the true costs of their expansion into currently unserved or underserved areas of the County and find a way to make sure that both growth and maintenance pay for themselves rather than imposing burdens on other county residents to subsidize these activities. The conventional wisdom has held that more building created economic growth; only in recent years have the costs and benefits of this traditional approach been seriously questioned: Nearly every region has had to confront the fact that, besides its benefits, growth has its costs, as well, for state and local governments, taxpayers, and households – including increasing ongoing maintenance costs, expanding municipal infrastructure, strangling traffic congestion, increasing fuel costs, and the costs of mitigating impacts on air and water quality. Ignoring these ongoing costs is less tenable in today's budget environment. The proliferation of less dense and/or unconnected developments requires the provision of essential services such as water, sewer, and electricity lines over an ever-increasing area. With every mile, these services cost incrementally more per-unit to build and maintain, resulting in higher taxes and fees. Police, emergency services, and schools must also be provided over wider areas, requiring more taxing and spending on such services – or spreading them dangerously thin. In the long term, smarter growth policies will reduce the costs of service provision and ensure the most cost-effective infrastructure development for Jefferson County.

B. Provide Information About All of the Incorporated Cities on the Louisville Metro Website

Organizations are dynamic and demands for services change over time. It is important, therefore, for mechanisms to be in place to support ongoing internal and external communication with a goal of transparency.

The Louisville Metro website should be a source of information for all of the entities providing services to Jefferson County residents, with links to the Websites for those entities. The Louisville Metro website contains a page called "Your Tax Dollars At Work," which contains links to financial documents for each of the fire districts operating in Jefferson County. However, it is not clear how to link to this page from the home page of the Website.

In addition to links to the financial documents for the suburban fire districts, this page should also contain links to the 83 incorporated cities, the Transit Authority of River City (TARC), and any other entities that levy a tax on Jefferson County residents or receive a portion of the tax levied by Louisville Metro.

Having this information accessible from one location will allow interested residents and others to have access to better information about the array of taxing entities and the costs of service delivery in Jefferson County.

C. Provide Clear Information About Taxes and Expenditures Throughout the County

One of the areas of confusion in Jefferson County is how much residents are taxed by which entity and what services are provided in return. While it is a challenge to provide updated information to residents because of the number of taxing entities and service providers in the county, having this information available would serve as a resource for the Mayor's Office.

While Louisville Metro does possess quite a bit of data about costs and expenditures, it is not readily available and is often not known to people outside of the department that has the information. Given the timeframe for this review, we were not able more thoroughly to review this data. However, Louisville Metro should review the available data within various departments and use it to make data-driven decisions.

The staff in the Mayor's Office drafted a matrix showing the tax rates and services provided throughout the county by Louisville Metro and each of the incorporated cities. This information should be available on the Louisville Metro website and it should be expanded to include additional information, such as the date of incorporation, population, square miles, and annual budget of each incorporated city, as well as which fire district is providing services to each incorporated city.

4.3. Explore Countywide Opportunities to Realize Economies of Scale

One of the goals of the merger of the old City of Louisville and Jefferson County completed in 2003 was to achieve economies of scale in providing services: Providing the same services to a larger population should cost less than operating two or more infrastructures. Achieving economies of scale is more difficult to attain because of the 83 incorporated cities and 17 independent fire districts located within Jefferson County.

The 83 incorporated cities account for 22 percent of the population of Jefferson County and 14 percent of the square mileage.[4] Many of these cities have been incorporated for decades, some for over a century. The original City of Louisville, in fact, was incorporated in 1778 and three other cities in Jefferson County were incorporated before 1900: Jeffersontown in 1797, Middletown in 1866, and Anchorage in 1878.[5] While it is not feasible or desirable to incorporate all of the existing cities into Louisville Metro, there

do exist opportunities to further improve the delivery of services and reduce costs for Jefferson County residents.

A. Consider the Costs to Taxpayers of Providing Fire Services Throughout Jefferson County

The independence of each of the 17 suburban fire districts poses one of the most difficult challenges to providing effective and efficient services to the community. Each of the fire districts, as well as the Louisville Metro fire department, operates independently. This results in different protocols and operating procedures, varying types of equipment in use, differing training routines, and varying levels of accountability.

A precedent exists for a county-wide fire department, as two other public safety programs have been combined and now operate county-wide as a single entity: police and emergency medical services.

The approved FY 2011 fire suppression budget for the Louisville Fire Department (LFD) is $46.5 million out of a total budget of $50 million.[6] According to a 2010 article in the Louisville *Courier-Journal*, the suburban fire districts have budgets totaling just under $52 million (21 fire districts are listed in the article; there are now 17 fire districts).[7]

According to data from Metrosafe and the US Census Bureau, 64 percent of residents are served by suburban fire districts and 36 percent are services by LFD. The LFD responds to nearly three times as many calls per resident as the suburban fire districts.[8] The LFD responded to 34,681 calls in the first 9 months of FY 2011, of which 11,651 were fire calls and 23,030 were medical calls.[9] During that same period, the suburban fire districts collectively responded to 21,183 runs, of which 18,873 were fire calls and 10,310 were medical calls.[10] Dividing the fire suppression budget by the total calls shows a cost per run of $1,341 for LFD compared to a cost per run of $2,455 for the suburban fire districts.[11] While the distances traveled in the suburban areas may have some impact on the differences in the cost per run, it appears from the data available that the Louisville Fire Department is "right-sized" and operates more efficiently than the 17 separate suburban fire districts, overall.

For example, sixteen of the 17 fire districts have a paid fire chief and the total expenditures for the salaries of those fire chiefs are $1.25 million.[12] In contrast, LFD has one fire chief and seven assistant chiefs. LFD has 565 paid staff while the suburban fire districts have 912 total staff, of which 434 are paid and 478 are volunteers.[13] The number of Battalion Chiefs to oversee 21 stations in the LFD is four, meaning one Major for every 5-6 fire stations; in the Suburban area, in contrast, each of the 17 Fire Districts, and Shively, have not only their own Chief, but also Assistant Chiefs and Battalion Chiefs that often oversee a single unit and station.[14] In addition to fire suppression, LFD provides other services, including county-wide arson investigations. LFD fire personnel are union members, and suburban fire district employees are not. The table below shows a comparison of the budgets, staffing and equipment for the Louisville Fire Department and the combined suburban fire districts.

	Fire Suppression Budget	# of Fire Runs	# of Medical Runs	# of Active Fire Stations[15]	Paid Staff	Volunteer Staff	Command Vehicles[16]	Utility Vehicles[17]	Fire Trucks (pumpers, ladders, etc)[18]	Special Rescue Units[19]
17 Suburban Fire Districts	$52 million	10,873	10,310	43	434	478	92	40	105	40
Louisville Fire Department	$46.5 million	11,651	23,030	21	565	0	15	15	27 plus 15 reserve	5 plus 2 reserve

In addition to duplication of services – including training, equipment purchasing, and equipment maintenance – fragmented fire services can delay response time when the closest fire truck is not dispatched. This occurs can occur in the suburban areas when a fire station in another district is closer to the call address than the closest fire station in the fire district where the incident occurs. While some fire districts have mutual aid agreements that allow for responses across district boundaries, it is more common for the closest unit within the district to be dispatched, which may not be the closest unit to the incident.[20]

This situation can be further exacerbated when the closest response unit is not staffed. The countywide computerized dispatch system is programmed to include dispatch "recommendations" determined by each fire district. The 911 operator implements the recommendation; when a unit is found to be unstaffed, a unit further from the scene of the call will then be dispatched, resulting in further delays.[21]

There are options that Metro government could consider to achieve greater economies of scale, lower costs to taxpayers, and increase the consistency and accountability of fire services to Jefferson County taxpayers:

- In the short-term, actively coordinate and pursue joint purchasing, training, vehicle maintenance and other opportunities with the suburban fire districts.
- In the medium-term, encourage continued consolidation of and coordination among suburban fire districts.
- A longer-term goal would be to consolidate most or all of the suburban fire districts into the Louisville Fire Department.

A full consolidation of the suburban fire districts will be time-consuming and controversial: One of the biggest challenges – although it would also reduce the opportunity for cost savings – is combining the unionized LFD staff with the non-unionized suburban fire district employees. In addition, volunteer staff might need to be converted to paid staff.

Nevertheless, Louisville Metro could promote needed discussion on this subject by providing additional data showing how efficiencies in fire services could be created.

B. Consolidate Solid Waste Services

There are a number of issues with solid waste service delivery outside of the USD. Because each household in the unincorporated areas of the county is required by ordinance to contract individually for solid waste pick-up, different haulers can be found picking up each day of the week at different houses on the same street.

One option the County could consider to produce cost savings to taxpayers outside the USD is for Louisville Metro to coordinate a solid waste contract there. Calculations based on Louisville Metro solid waste expenditures show that the cost of weekly residential solid waste trash pick-up, yard waste, and recycling is $11.53 per month for residents of the urban services district[22] In comparison, four of the five haulers operating in the county are charging between $15.58 and $20.83 per month (the rates for one of the haulers is unknown).[23] And 15 of the incorporated cities report having contracts with haulers that range from $10 per household per month in Jeffersontown to $31.32 per household per month in Windy Hills.[24] The average among the 15 cities reporting this information is $17.37.

CITY	PRICE PER MONTH PER UNIT	Garbage Per Week	Yard Waste Per Week	Recycle Per Week
J-TOWN	$10.00	1	1	1
Middletown	$10.54	1	1	1
Goose Creek	$11.00	1	1	1
Louisville Metro (USD)	$11.53	1	1	1
Lyndon	$13.43	1	1	1
Heritage Creek	$13.98	2	1	
Kingsley	$14.55	1	1	1
St. Matthews	$14.65	1	1	1
Worthington Hills	$14.70	1	1	1
Wellington	$14.90	1	1	1
Druid Hills	$17.50	1	1	1
Rolling Fields	$18.95	2	1	
Audubon Park	$24.05	2	1	1
Hurstbourne Acres	$25.20	2	1	0.5
Anchorage	$25.75	1	1	1
Windy Hills	$31.32	2	1	

One of the challenges to providing curbside service outside of the urban services district is the geographic distances that must be covered compared to those within the USD. However, this currently is exacerbated by the inefficiencies created in having multiple haulers providing services in the same geographic area. This service provision could be made more rational and efficient.

That doesn't have to mean consolidation into just one provider, public or private: There currently are five waste haulers operating in Jefferson County, and, rather than contracting with only one hauler for all of the unincorporated area, the county could be divided into zones with each zone bid separately. Alternatively, haulers submitting a bid for either all of the area outside of the urban services district or for one or more zones could be required to include at least one other hauler as a subcontractor on their bid. This would allow most or all of the existing haulers to retain business within Jefferson County.

In addition, another option Louisville Metro Solid Waste could consider is bidding on the areas outside of the Urban Services District: The department might be able to provide services for less than a private hauler. If the capital expenditures needed for new equipment make the costs of servicing this wider area prohibitive, Louisville Metro Solid Waste could begin to bid on small areas near the urban services district as a way to slowly expand services over time.

While competition always helps to lower price, privatizing government services does not necessarily result in reduced costs or increased efficiency. Rather than privatizing government services, therefore, having the government entity bid against private vendors can often result in cheaper services. For instance, when Phoenix, Arizona, bid out solid waste collection services back in the late 1970's, city employees were permitted to, and did, submit a bid to continue providing the services. The city employees were not successful at first, however they quickly learned how to cut costs and submit bids that were competitive, winning contracts for several of the districts within the city. [25] Another example in which city workers submitted bids to successfully compete with private sector firms is in Indianapolis, Indiana. A study completed in 2005 by the School of International and Public Affairs at Columbia University reported that, from 1992 to 1997, Indianapolis saved $230 million by having city programs competitively bid against private companies in several different city services.[26] Similar approaches have worked in Tulsa, Oklahoma; San Diego, California; and Charlotte, North Carolina.

At the very least, savings could be achieved, and quality of life improved, if fewer garbage trucks are servicing an area that now may have multiple haulers in the same neighborhoods several days a week.

In addition, while the USD has a regular recycling pick-up schedule, suburban cities may not. Of the 16 cities reporting data, three do not contract for recycling. Although recycling services are offered by haulers operating outside of the urban services district, the services are cost-prohibitive and many residents, if not most, do not select curbside recycling services.

Many US cities today are diverting over 50 percent of their solid waste to recycling. Jefferson County is missing out on opportunities to expand and consolidate recycling efforts to take advantage of economies of scale and possibly additional federal/state grants from EPA for successful recycling programs. In addition, many communities have used recycling programs as an economic development tool – creating jobs directly in the recycling industry, as well as improved environmental conditions and quality-of-life to attract businesses. Louisville Metro and surrounding areas could develop a coordinated effort for the entire region to take advantage of improved recycling opportunities.

While it does not appear that Louisville Metro Government currently realizes a net gain from the sale of recyclables, opportunities to generate revenue from countywide curbside recycling should be explored. And if haulers were required to provide curbside recycling services, the $232,000 spent on the 5 staffed and 11 unstaffed recycling centers operated by Louisville Metro outside the urban services district[27] could be reduced or eliminated.

C. Consolidate Purchasing

The Louisville Metro Government has tremendous purchasing power – procuring $246 million in goods and services.[28] While Louisville Metro has a strong foundation for good procurement practices, including the use of reverse auctions and master contracts, there may be opportunities for increased savings by reviewing how many departments and incorporated cities are buying off of the master contracts and how effective they have been.

A recent United States Government Accountability Office (GAO) report highlighted strategic sourcing best practices gleaned from the private sector that could be implemented by the federal government to produce procurement savings. The report noted that a group of federal agencies was combining their office supply purchasing in order to reduce costs by an estimated 20 percent, or $200 million, over four years.[29]

The National Association of Procurement Officers[30] suggests such best practices as:

- Tightening policies on purchasing and requiring departments to buy from Strategic Sourcing (citywide) contracts where available.

- Reducing sole source/no bid and emergency contracts and change order procurements.

- Setting targets for procurement reductions.

- Expanding cooperative agreements, including those with the county, school district, courts, and other governmental units.

- Expanding e-Procurement opportunities.

- Ensuring that procurement staff possesses the requisite education, training and experience to be procurement professionals.

- Better tracking and accountability of expenditures to prevent redundancy and overbilling.

Implementing these types of reforms saved Minnesota $50 million per year and Virginia about $38 million.[31]

It is reasonable to suggest that, by adopting these recommendations, Louisville Metro could save between 3 and 5 percent on its contractual purchases, which could result in a savings of between $7 million and $12 million.

Louisville Metro has established two best practices models for purchasing goods and services – most notably reverse auctions and master contracts. There is room for expansion of these approaches in two significant ways:

- **Reverse Auctions.** Currently, this method is used for the purchase of IT equipment, road salt and heavy equipment. Louisville should consider expanding reverse auctions to include the purchasing of other commonly used goods such as office supplies, office furniture, cars and light trucks, construction and maintenance materials, and any other products commonly used by Louisville Metro departments.

- **Master Contracts**. Louisville Metro has entered into contracts, many of which are for goods and services commonly used throughout Metro government. Louisville Metro should conduct an analysis of city spending to ensure that all departments are buying off of these contracts. In addition, suburban municipalities and districts (as well as Louisville itself) could benefit if more of them took advantage of the opportunity for cheaper prices through economy of scales by using these contracts to purchase needed goods and services.

  Currently, the multiple incorporated cities rarely participate in joint purchasing contracts with Louisville Metro government. Currently, and when they do it most often occurs with paving contracts. Joint purchasing does not occur more often because the various entities cannot agree on the specifications of, for example, fire fighter helmets, or police equipment. Louisville Metro can negotiate better prices if it is purchasing for more of the residents of Jefferson County, resulting in cost savings for taxpayers throughout Jefferson County.

  Achieving this will require formal coordination between the departments within Louisville Metro Government as well as with the incorporated cities and other districts. This may require establishing purchasing customer committees to focus on specific goods and commodities that constitute the highest amounts of purchases for Louisville Metro to select the items that can be purchased jointly and determine the specifications for those items. To ensure contract specifications meet all user requirements (both suburban and Metro), such a Purchasing Customer Committee would consist of representatives from both

LMG and the suburban jurisdictions, who would develop specifications for various commonly used goods and services, ensuring that suburban requirements are addressed, in order to encourage those jurisdictions to participate in the master contract process.

5. SUMMARY OF OPTIONS

The following table summarizes the options outlined in this report and identifies short-, mid- and long-term timeframes for consideration.

Short-Term Options	
	Continue to solicit and refine ways to gather citizen input
	Conduct full Performance Review
	Provide information about all of the incorporated cities on the Louisville Metro Website
	Provide clear information about taxes and expenditures throughout the County
	Actively coordinate and pursue joint purchasing, training, vehicle maintenance and other opportunities with the suburban fire districts
	Increase commodities purchased through Reverse Auctions
	Ensure departments are buying off of available master contracts
Mid-Term Options	
	Work to obtain Jefferson County's fair share of federal funds
	Ensure the cost of all services provided by Louisville Metro to Incorporated Cities are fully recovered
	Encourage continued consolidation of and coordination among suburban fire districts
	Increase recycling opportunities for both Louisville Metro and Suburban Districts
Long-Term Options	
	Combine Louisville Fire Department and EMS Department
	Consider the costs to taxpayers of providing fire services throughout Jefferson County
	Consolidate most or all of the suburban fire districts into the Louisville Fire Department
	Consolidate Solid Waste Services
	Consider bidding for solid waste pick up in the areas outside of the Urban Services District

References

[1] http://www.nashfire.org/org/org.htm

[2] Louisville Metro Government FY 2011 Approved Budget: http://www.louisvilleky.gov/NR/rdonlyres/1859D26D-AB86-4413-A121-490967B6CF6D/0/eFire.pdf and http://www.louisvilleky.gov/NR/rdonlyres/D8B41638-1121-4922-88C8-7DEB4FF4AD6B/0/eEMS.pdf

[3] Email from Transit Authority River City, July 19, 2011.

[4] 2010 Census Bureau data.

[5] Kentucky Secretary of State, Kentucky Cities and Counties database: http://apps.sos.ky.gov/land/cities/citylistsrch2.asp

[6] Louisville Metro Government FY 2011 Approved Budget: http://www.louisvilleky.gov/NR/rdonlyres/1859D26D-AB86-4413-A121-490967B6CF6D/0/eFire.pdf

[7] Email from Louisville Metro Government Office of Management and Budget, July 6, 2011.

[8] Calculated using 2010 Census Bureau population data and FY 2011 data from a Louisville/Jefferson County Emergency Management Agency Metrosafe report entitled "CAD Statistics for Fire Services Metro EMS, May 2009 through April 2011..

[9] FY 2011 Metrosafe data provided in email from Office of the Mayor, July 7, 2011.

[10] FY 2011 Metrosafe data provided in email from Office of the Mayor, July 7, 2011.

[11] Calculated using FY 2011 Metrosafe data and the most recent budget information available.

[12] Email from Louisville Metro Government Office of Management and Budget, July 6, 2011.

[13] Email from Louisville Metro Government Fire Department, July 11, 2011, and Louisville Metro Government FY 2011 Approved Budget: http://www.louisvilleky.gov/NR/rdonlyres/1859D26D-AB86-4413-A121-490967B6CF6D/0/eFire.pdf

[14] Email from the Louisville Metro Fire Department, August 2, 2011.

[15] Email from the Louisville Metro Fire Department, July 11, 2011.

[16] Email from the Louisville Metro Fire Department, July 11, 2011.

[17] Email from the Louisville Metro Fire Department, July 11, 2011.

[18] Email from the Louisville Metro Fire Department, July 11, 2011.

[19] Email from the Louisville Metro Fire Department, July 11, 2011.

[20] Interview with Metrosafe Director, July 11, 2011.

[21] Interview with Metrosafe Director, July 11, 2011.

[22] Calculations based on data in email from Louisville Metro Public Works and Assets, Division of Solid Waste Management Services, August 23, 2011.

[23] Phone calls to haulers, July 19, 2011.

[24] Email from Louisville Metro Public Works and Assets, Division of Solid Waste Management Services, July 19, 2011.

[25] https://www.msu.edu/course/prr/371/Privatization%20and%20Downsizing/competion.html

[26] Columbia University, School of Internal and Public Affairs, *Managed Competition in Indianapolis: The Case of Indianapolis Fleet Services,* December 6, 2005

[27] Email from Louisville Metro Public Works and Assets, Division of Solid Waste Management Services, July 18, 2011.

[28] FY 2011 LeAP Department Report provided in email from the Louisville Metro Government Office of Management and Budget, July 26, 2011.

[29] http://www.gao.gov/ereport/GAO-11-318SP/data_center_savings/General_government/Applying_strategic_sourcing_best_practices_throughout_the_federal_procurement_system_could_save_billions_of_dollars_annually

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[31] http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Government_Performance/States_Buying_Smarter_fullreport.pdf?n=7013