Shared Services Delivery and Governance Considerations for SACOG

As described in the cover item, SACOG staff has developed several concept papers for specific services. Some of these shared services appear to be a natural extension of SACOG's Strategic Plan and aligned with the agency's Overall Work Plan, while others may be independent efforts between jurisdictions or shared sub-regional interests.

For all of the concept papers, staff will work with city managers and county administrators to conduct a feasibility analysis, or business model, for each service. Staff does not assume that any of these services will be delivered by SACOG, but some likely will be identified as good candidates. This attachment is an overview of some important implementation issues for the Board and the Ad Hoc Shared Services and New Initiatives Task Force to consider in those areas where SACOG is the service provider.

As discussed in Attachment B, the foundation for SACOG's role as a potential service provider is rooted in Strategic Plan Goal 3, which states: "Serve as a source of high quality information, convener, and/or advocate on a range of regional issues when the agency's involvement would provide unique, added value to promoting a sustainable future for the region." To achieve this, goal, the Strategic Plan sets several strategies, including: "Analyze options for increasing SACOG's financial analysis and capacity so that it is able to serve the region if and when new service needs are identified."

Attachment B also provides more detail about the Strategic Plan and the context for shared services within the Agency's Overall Work Program (OWP), as well as the criteria the Board has utilized to determine whether to undertake new initiatives.

Initially, it is acknowledged that every shared service arrangement will function differently, depending on the scope of services and the enabling business model. Whether SACOG, a city, a county, or a new entity delivers a service, each arrangement will require answering a range of questions. Appendix A provides some background information on the different options for delivery of any particular service. Some will be relatively less intensive to launch. Others will require a robust launch plan, as they are essentially start-up businesses. Staff will work with city managers and county administrators to explore these options as part of the feasibility analysis for each shared service.

The governance needs will also vary depending on the particular service. Some services lend themselves more to staff-level control (e.g., shared grant writer services), while others would benefit from elected official input (e.g., economic development). Appendix B provides some background information on the different options for governance.

For those services where cities and counties look to SACOG to be the lead, some may be appropriate to add to our OWP. Others, however, may be more appropriately provided by a new affiliate of SACOG, as some members of the Shared Services and New Initiatives Task Force have identified. As referenced in Appendices A and B, one option for shared services is to create a new entity. In SACOG's case, this could be either a Joint Powers Authority or a nonprofit.

Using SACOG's existing structure and staff would allow for starting services as soon as funding is available. In most cases, existing SACOG staff are capable of providing the services envisioned in the concept papers, so no new staffing would be required if the OWP were amended to shift existing work commitments (or this could be achieved with the 2013-14 OWP). However, there may also be limitations to SACOG's ability to effectively provide shared services. First, SACOG may not have sufficient staff at appropriate salary scales for the services to be provided. Because SACOG's labor rates, under Board direction, are generally in the middle range of its member jurisdictions, some jurisdictions could face higher labor costs for those services it already provides. Economies of scale and other cost-cutting strategies may mitigate against this, but it is a potential drawback from SACOG providing some services.

Generally, a new entity—whether a Joint Powers Authority or a nonprofit—would allow much greater flexibility to create an entity with labor rates and a structure designed to match the needs of the particular service being provided. A new entity would also be able to arrange for staffing that is more flexible. It could hire staff, contract for professional services, have assigned employees that are employed by a public agency, or any combination of these. Other operating cost savings could be derived from services offered by SACOG or participating agencies (e.g., shared workspace).

A new entity would offer a dedicated organization for service delivery, with staff and board members working expressly on efficient and effective service delivery and management of new initiatives. If cities, counties and other public agencies wish to have a long-term focus on delivery and governance of any selected services and initiatives, a separate entity would be better suited to deliver multiple services to multiple agencies.

SACOG has some experience managing an affiliated entity. The SACOG Financing Corporation was created to purchase an ownership interest in the Meridian Plaza complex in conjunction with a local developer, because SACOG was not able to own real property. The Board designated the Government Relations & Public Affairs Committee as the Board of Directors for the Financing Corporation.

CSAC and the League of California Cities have various affiliate organizations to assist their members. The CSAC Financing Corporation was formed in 1986 and offers pooled bond issue for capital construction projects, as well as a variety of finance, purchasing, human resource, and other cost saving programs for counties. The League of California Cities and CSAC jointly formed the Institute for Local Governments to assist local governments with education and research.

In addition to the general benefits of a new entity, a JPA offers the benefit of being comprised of only those jurisdictions with a common interest. Not all member jurisdictions may wish to participate in a shared services arrangement, and some other local public agencies that are not members of SACOG (e.g., air districts, transit agencies) may wish to participate.

A nonprofit offers some unique benefits by not being a public agency. It can set benefits and compensation that are different than public agencies, and have fewer or no long-term obligations (e.g., CalPERS, OPEB). A nonprofit would also allow for better revenue opportunities. Despite a good history of entrepreneurial grant seeking, as a public agency, SACOG is limited in the funds it can receive, and the region would compete better in some cases if there were an appropriate nonprofit grant recipient. For example, the Mid-America Regional Council received $500,000 in 2010 through its nonprofit affiliate from the Walmart Foundation for workforce development. The Walmart Foundation, and many other foundations, do not give grants to government agencies.

Given the potential benefits of establishing a new entity for shared services, staff would like to work with the Ad Hoc Shared Services and New Initiatives Task Force to explore the potential business model of such an entity. Given the unique benefits of a nonprofit, and the lack of such a structure available to SACOG or its members, staff recommends focusing on that option in detail. Any further activities related to creating either type of entity are subject to approval of the Board, and staff would work with the Ad Hoc Task Force to bring any recommendations forward to the Board.