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April 14, 2020

Mr. Sidney Katz, President
Montgomery County Council
Council Office Building
100 Maryland Avenue, 6th Floor
Rockville, MD 20850

Re: Testimony for April 16, 2020
Operating Budget Hearing

Dear Mr. Katz:

Raising taxes is not the only way to address a local government's ever-present need for revenue, even independent of a financial crisis, as Montgomery County has been considering. And options include more than reactively slashing programs and cutting staff. Most assuredly country taxpayers (like me) would applaud a concomitant effort by the County Council and County Executive to learn about and pursue additional, no risk proactive strategies for **reducing expenses without compromising operations, public services or personnel...or incurring any upfront costs.**

- Strategies such as those that enabled Birmingham, Alabama to **save \$30 million out of \$191 million** examined for potential savings opportunities... a 15.7% cost reduction across 35 operational areas in a city with a \$436M operating budget.
- A strategy that has allowed Georgetown County in South Carolina to **save almost \$500,000** to date in telecommunications and data costs.
- Current **state-wide strategies in South Carolina** involving contract reviews, a new RFP for a cost saving copier/managed print program, and recovery audits of state agencies' and higher educational institutions' expenditures to reclaim overpayments and save money going forward.

As a former federal Chief Operating Officer and Chief Financial Officer, I am sensitive to annual fiscal challenges faced by government in normal times, which these definitely are not. Today the pressures on government (and personal) resources are more extreme due to the existence and impact of the Covid-19 virus, impacts likely to be felt long term. I know the pain that government experiences when money available fails to match the cost of work to be done. Finding those extra dollars that definitely do not grow on trees can be difficult, if not impossible. But making the hard choice between tasks to be accomplished and those to be deferred is equally painful. Those are the same pains, challenges and choices we face in our daily lives, now more than ever. Taxpayers expect elected officials to be sensitive to the effects of their actions on the public.

In May of last year, after reading about the County's budget issues, I reached out, without success, to Mr. Richard Madaleno, the County's Director of the Office of Management and Budget, inviting him to learn how other jurisdictions are dealing with fiscal challenges even in good times. My intent was to introduce him to capabilities within his grasp that he might want to consider adding to his arsenal of tools for alleviating financial shortfalls and associated pain. I explained I knew of these strategies and successes because of my long-standing investment in a woman-owned small business (Recovery Audit Specialists, LLC) which has worked with these jurisdictions in achieving their success through identification of sustainable cost reduction solutions.

I asked Mr. Madaleno to consider how much savings Montgomery County might realize, given its FY2020 \$5.8 billion operating budget (up from \$5.6 billion in FY2019 and now projected at \$5.9 billion for FY2021). As every jurisdiction is different and therefore might not achieve the same 15.7% cost reduction as Birmingham, I provided him some statistics regarding recently achieved savings to help him come up with an estimate. Below you will find a few of those figures, extracted from one of the enclosed charts, that may be of help as you ponder an answer to the question: *What could a 5% (or even 1%) in (immediate and ongoing) savings in the FY2021 \$5.9 billion budget mean to the County's fiscal health?*

**Recently Achieved Range of Savings
by Categories of Spend**

Telecommunications **20% - 60%**

Real Estate, Facilities and Maintenance **15% - 25%**

Office Supplies, Printing, Shop Supplies, Furniture **12% - 35%**

Waste, solid & recycle (medical & bio-hazard waste averages **40%**) **20% - 33%**

Today I extend that same invitation to the County Executive and County Council that I proffered to Mr. Madaleno. The few charts accompanying this letter offer a high-level introduction but, as I did last year, I offer a comprehensive briefing, when and through whatever means you prefer, to share more details and answer questions. To require taxpayers to pay more to support County expenditures may be reasonable; to impose that requirement, through tax increases, without committing to also examining ways to reduce or otherwise support those expenditures is unreasonable.

I look forward to a positive response to this argument made on behalf of County taxpayers and to this offer to show you how Montgomery County might join forward-looking jurisdictions leading the way in saving money without compromising services. Perhaps an understanding of what is going on elsewhere might lead the County to see financial operations in a new light. In turn and in time, the County might find new sources of revenue that enable it to reduce taxes and enhance services, future responsible goals worthy of taxpayers' commendation.

Sincerely,

Phyllis G. Scalettar, Ph.D.

Enclosure

Montgomery County

Sustainable Cost Reduction Solutions

Presented by

Recovery Audit Specialists (RAS)

Benefits of Strategic Cost Reduction Review

Reality

- **40%** of costs are typically unmanaged
- Most organizations ***lack sufficient resources*** to properly manage broad range of indirect costs
- Procurement may be viewed as *“non- strategic” operation*

Opportunity

- *No risk to client* - no up-front cost and no appropriation needed
- *Easy and rapid execution*—can “piggy-back” on existing State of South Carolina competitively bid contract award
- *Improved operational processes*—on-going management analysis and consulting, strategic recommendations and client-selected implementation strategies
- *Increased visibility into spend*—provides program benchmarking
- *Operational efficiencies*—average 18.3% reduction in overall costs

Examples of Actual Prior Savings Achieved

| Selected Spend Categories | Range of Savings |
|---|------------------|
| Telecommunications | 20% - 60% |
| Waste (Medical, Bio-Hazard) | 40% (average) |
| Office Supplies, Printing, Shop Supplies, Furniture | 12% - 35% |
| Waste (Solid & Recycle) | 20% - 33% |
| Real Estate, Facilities & Maintenance | 15% - 25% |
| Travel (Air, Car, Hotel, Policies) | 9% - 25% |
| IT (Hardware, Software, Services) | 10% - 18% |
| Marketing & Promotional Services | 7% - 18% |
| Equipment, Vehicle Rental | 9% - 17% |
| Temporary Labor & Professional Services | 8% - 15% |
| Insurance (Health & Non- Health) | 7% - 12% |
| Logistics (Parcel, Road, Ocean & Air) | 8% - 12% |
| Utilities | 7% - 10% |
| P-Card, Ghost Card, Travel Card Programs | 1% - 3% |

Examples of Cost Saving Solutions for State of South Carolina

- State of SC has selected RAS multiple times to perform recovery audits of state agencies' and higher educational institutions' expenditures incurred since 2011
- SC Department of Administration has selected RAS to review its contracts for cost saving opportunities
- RAS currently working with SC State Fiscal Accounting Authority to develop a new RFP for cost saving copier/managed print program for state agencies, higher educational institutions and other SC governmental units
- As of March 2020, RAS has saved one SC county \$470,426 just in its telecom/data costs

Example of Cost-Saving Solution City of Birmingham, AL

- Engaged to execute savings on certain spend categories
- Examined \$191 million
- Saved \$30 million in annual cost savings
- Savings achieved through 35 cost-reduction initiatives



RAS' Keys To Success

REVIEW METHODOLOGY

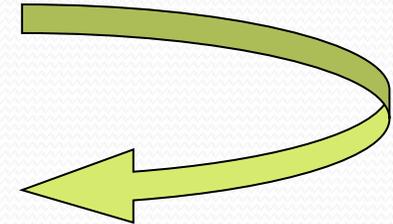
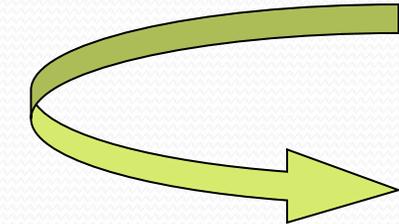
Best of Breed

Proven Process

100% Audit of Payables

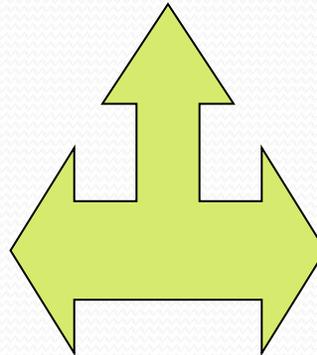
Actionable Recommendations

CAPTURE LOST EXPENSES



EXPERIENCED PROFESSIONALS

- 20+ years experience
- Government & Fortune 500/1000
- K-12 school systems, universities & medical facilities
- Recovered more than \$300M
- National team of experts



ROBUST TECHNOLOGY

- Best in industry
- 15+ years enhanced use
- 30+ AP data point edits
- Line item detail
- Secure

Value Added Benefits with RAS

- *No upfront costs:* no County appropriation required
- *Rapid implementation:* no RFP needed as client can piggy-back on SC statewide contract
- *Risk free:* RAS self-funded initiative
- *Performance-based compensation:* RAS only paid from portion of actual savings/recoveries achieved for client
- *RAS does the work:* client guides initiatives and controls decisions
- *No learning curve:* RAS has served government at all levels and knows unique government requirements
- *Comprehensive solution:* improve program/management efficiencies and financial operations
- *Woman-Owned Small Business:* founded by bringing together a team of highly regarded, specialized firms

Recovery Audit Specialists

Accountability ▪ Transparency ▪ Recovered Funds

Contact

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