# Back Office Service Sharing:

Eight Opportunities for Reducing Costs and Improving Service

Potential Savings

Implementation Challenge

High

Low

Property Assessment $501,429

Finance $250,492

Human Resources

EDMS $1,525,000

Fleet Maintenance

Information Technology $2,093,344

Facilities Maintenance $85,000

Procurement

Low   High

Capital Startup

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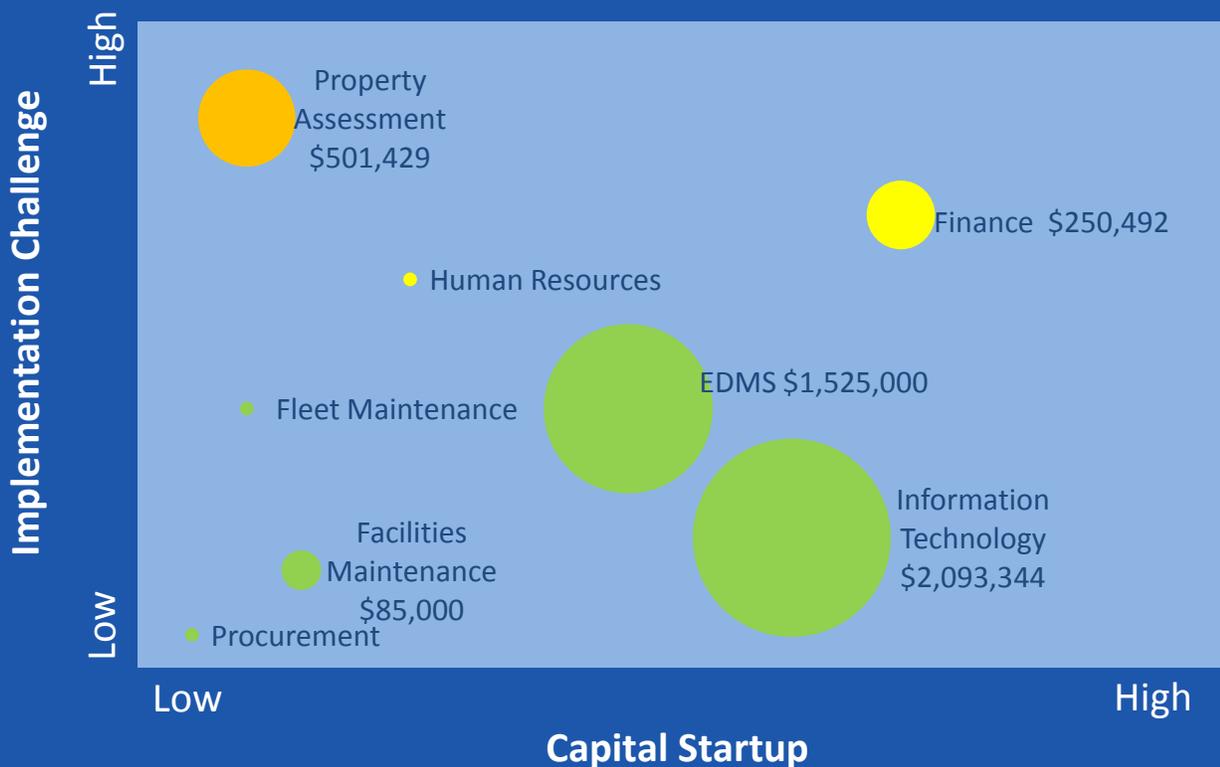
What is Back Office Service Sharing?

Back Office Service Sharing involves taking those tasks which are "in the background" of local government operations and sharing aspects of those operations among multiple municipalities to save money and improve services. Examples include data management, document management, and finance systems that do not directly interact with citizens.

In 2013, using funds from the state Regional Performance Incentive Program, the Capitol Region Council of Governments (CRCOG) commissioned a study of Back Office Service Sharing involving 23 municipalities. From detailed field interviews and data gathering, eight opportunities emerged with the greatest potential for success and savings.

In addition, the study highlighted the importance of the state's Nutmeg Network (broadband fiber connecting municipalities, schools and libraries) and how it could create opportunities for voluntary regional approaches for local service delivery, resulting in significant savings of tax revenue as well as enhancement in the quality of services offered to residents.

Eight Opportunity Areas for Service Sharing

The full report (see link at: http://www.crcog.org/service_sharing/ss-BackOffice.html) identified eight opportunity areas for service sharing that have relative ease of launch and a good probability of success in saving costs or improving services. The chart on the cover shows the eight opportunity areas rated on ease of implementation and potential savings involved. The eight areas identified as priorities were:

- Information Technology Services
- Electronic Document Management
- Financial Management Systems
- Human Resources Management
- Facilities and Asset Management
- Property Tax Assessment
- Fleet Maintenance
- Procurement Expansion

Potential Savings: $4.5 Million

IT $2,093,344

EDMS $1,525,000

HR, Fleet and Procurement opportunities were not quantified into annual savings.

Facilities $85,000

Finance $250,492

Property Assessment $501,429
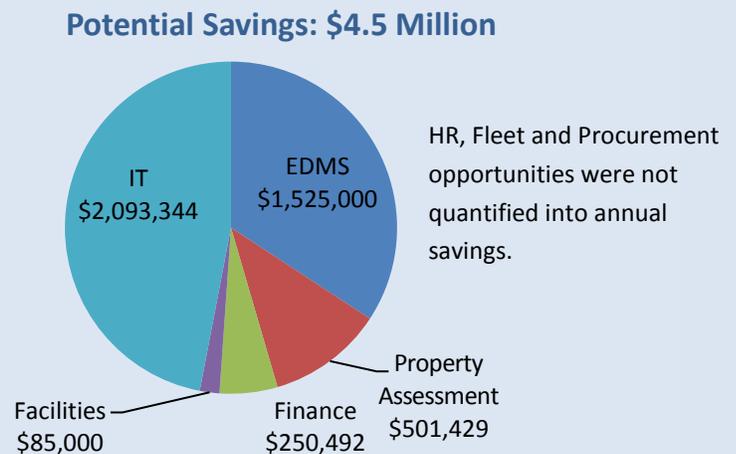
Opportunity 1: Information Technology Services

The report recommends the creation of a CRCOG Data Center and Back-up System. The Data Center and Back-up System would provide the ability for participating municipalities to either house virtual servers or back up their data to a redundant and secure system through the Nutmeg Network. Such a system also forms the ground work for future shared software applications and application sharing. Transmitting data over the Nutmeg Network allows for fast, reliable and secure data management for municipalities.

Potential Savings: The range of estimated savings is from $558,000 to slightly over $2,000,000 annually for the 17 municipalities who responded in the study on this topic.

Opportunity 2: Electronic Document Management

The report recommends cooperatively purchasing an Electronic Document Management System (EDMS) and providing service support to municipalities who wish to routinely digitize and archive municipal data.   This is the second step of laying the groundwork for daily operational efficiencies of local government. An EDMS housed on servers connected to the Nutmeg Network allows for economies of scale for data storage costs as well as the potential to share software and staff to carry out services such as assessment field work.

Potential Savings: The estimate of savings is $1,525,000 annually with all 23 municipalities.

Opportunity 3: Financial Management Systems

The report recommended cooperatively purchasing a Financial Management System or Enterprise Resource Planning (ERP) system that incorporates the new required Uniform Chart of Accounts for municipal government and boards of education.   This software would be housed at the CRCOG Data Center for use by any municipality who signs a licensing or "software as a service" agreement.

Potential Savings: The estimated savings ranges from $85,000 to $242,000 annually using existing systems with potentially 40% additional savings using "software as a service."

Opportunity 4: Human Resources Management

The report recommends covering a variety of services in Human Resources (HR) that have been identified as helpful to participating municipalities. These include overall human resources management, HR policy development, and wage and classification services.

Potential Savings: The major benefit here is seen to be cost avoidance of potential litigation and enhanced employee retention. Additional savings of staff time would come from increased efficiency in routinely performed research such as classification and compensation studies.

Opportunity 5: Facilities and Asset Management

The report recommends cooperatively purchasing a Facilities and Asset Management System to increase efficiency and to reduce license and maintenance fees. This type of software is currently broadly used in municipalities. The report also recommends a brokered contract service for ongoing utility assessment and reduction strategies.

Potential Savings: No specific number value was placed on reduced licensing and maintenance fees by the report, but savings among the 13 municipalities who reported fees could range from $10,000 to $85,000 annually.

Opportunity 6: Property Tax Assessment

The report recommended cooperatively purchasing a Property Tax Assessment System to reduce license and maintenance fees and provide service support to perform field assessments for interested municipalities.

Potential Savings: The savings estimated for cooperative assessment would yield $130,000 to $500,000 per assessment cycle among the 16 municipalities who reported on this topic.

Opportunity 7: Fleet Maintenance

The report recommended expanding the Capitol Region Purchasing Council (CRPC) fuel purchasing program. This provides a significant savings to municipalities currently participating. The report further recommended establishing a fleet procurement program to further leverage the cooperative purchasing power of CRPC.

Potential Savings: No specific estimates of savings were offered in the report. Towns that use CRPC Purchasing program saved an average of 7% on fuel oil.

Opportunity 8: Procurement Expansion

The report recommended expanding existing joint purchasing opportunities as well as offering CRCOG staff to service as contract purchasing provider.

Potential Savings: No specific estimates of savings were offered in the report. In FY2013, CRPC saved its members $2.6 million with savings ranging from 2% to 50%, depending on the commodity, with an average of 15% savings.

Conclusion

The Capitol Region Council of Governments (CRCOG) has been a convener and facilitator of service sharing programming for local governments since 1968. CRCOG is proud to be a place that local governments turn to when they seek to leverage their power as a group to address common local government challenges.

CRCOG is focused on leveraging the Nutmeg Network to bring best practice and innovative technology solutions to municipalities in a way that saves them money and enhances the quality of their local service delivery to residents. With this strong history to build on, there are many additional opportunities to save costs and improve quality through regional shared services.

Acknowledgements

Suggested Report Citation

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