

Management and Performance Review of County Government Operations in Jefferson County, Texas



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ACKNOWLEDGEMENTS

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We also want to acknowledge the work of the Citizens Steering Committee. Their thoughtful efforts were instrumental in the conduct of this review. Committee members include Vernon Durden, Mark Viator, Bert Black, Stephanie Flory, Sina Nejad, Jim Rich, D.E. Sosa, Eddie Bates and Jimmie James.

Finally, we are grateful to the residents and businesses of Jefferson County. It is their desire for change that motivated the county to look for ways to improve operations and to make their tax dollars stretch further.

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

MGT was selected to perform a comprehensive management and performance review of Jefferson County services and operations in January 2005.

Several county elected officials chose not to participate in the review. MGT agreed to conduct limited reviews of their offices, based on existing information and, where possible, comparisons to peer counties.

Employee Survey

As part of its study, MGT surveyed Jefferson County employees to measure their opinions concerning the work environment, job satisfaction, personnel management and other aspects of county operations. All 1,247 Jefferson County employees received surveys; 300 employees (24 percent) completed and returned them.

In general, the respondents consider the county work environment to be adequate, but are clearly dissatisfied with pay and benefits, and unhappy about disparities among salaries and workloads. A majority feels that management does not value employee opinions adequately, and was quite critical of managerial decision-making and commissioner performance as well.

Despite such indicators of low morale, county employees are generally satisfied with their jobs. Two-thirds believe that the county provides good customer service to its citizens. More than half, however, feel that residents do not receive a good deal for their taxes, and that the county does not communicate well with taxpayers.

Organization and Management

Jefferson County has four commissioners and a county judge who oversee the county's general business and financial affairs, as well as about 1,150 full-time and 97 part-time employees. Other major elective offices include the sheriff, district attorney,

county and district clerks, tax assessor-collector, treasurer, justices of the peace and constables. The county also has an auditor appointed by the district judges.

Administrative staffing and expenditures for the offices of the commissioners and county judge appear to be high when compared to peer counties. Jefferson County's commissioners and county judge should reduce their administrative staffing by at least four employees, for an annual savings of about \$160,000. In addition, sharing staff among the commissioners and the judge will provide additional efficiencies.

MGT found a high degree of mistrust and misunderstanding among Jefferson County's elected officials, a situation affecting departmental heads as well as line employees. This mistrust hinders the county in focusing on its main priorities. Nearly all elected officials and department heads, moreover, told MGT that the budget process is ineffective, as is communication regarding the budget.

The county has no long-range strategic plan to guide its operations. Only the county judge's office has a formal strategic plan. Other departments conduct their own planning and set their own goals, but their plans often are not written, are not monitored in any meaningful way and are not coordinated into an overall plan for the county.

Jefferson County should establish a countywide strategic planning and budgeting function, and develop a long-range strategic plan based on input from all county departments and employees. To ease friction among the various elected officials, the county should consider hiring an outside facilitator to assist with initial planning efforts.

Finance and Business Functions

Jefferson County's revenue growth has been sluggish in recent years, yet its expenditures rose in all but one year since fiscal 1999. Consequently, the county has experienced repeated budget deficits since fiscal 2000.

To finance these deficits, the county has relied heavily on its fund balances. The General Fund balance fell from \$25.4 million in fiscal 1999 to \$5.1 million in fiscal 2004, a drop of 80 percent. The Government Finance Officers Association recommends that governments maintain an unreserved fund balance of 15 percent of general fund expenditures or two months of general fund operating expenditures.

In addition, Jefferson County's Enterprise Fund has been operating in the red. From fiscal 2000 to fiscal 2004, the airport ran a deficit averaging \$1.7 million per year, while Ford Park's deficit ballooned to \$3.6 million in fiscal 2004. These deficits are partly financed by transfers from the General Fund, thus increasing its problems.

Jefferson County has no comprehensive financial management strategy or long-term financial plan. It budgets and spends funds without analyzing how they further the county's goals and objectives. MGT found little accountability for spending and a shortsighted focus on current-year finances.

The county should adopt a comprehensive strategy that ties spending to goals, and develop a coordinated process to guide, monitor and report on the progress of each department and office. It should abolish the current Budget Office and eliminate the three positions currently assigned to it, replacing it with an Office of Strategic Planning and Budget. An experienced budget analyst should be hired to assist its director.

MGT found that the county's budget officer constructed the fiscal 2004 and 2005 operating budgets strictly as line-item budgets, without budget summaries or narratives that could explain why money is being appropriated and what it is intended to accomplish.

The county should shift its budgeting process and documentation to a performance basis, prioritizing funding by desired outcomes and individual performance measures for programs and departments. All operations, programs and processes

should be measured against the written goals and objectives of their respective departments.

Jefferson County also lacks a comprehensive set of policies to safeguard against imprudent financial decision-making and ensure compliance with statutory requirements. The commissioners court should adopt a clear set of written financial policies governing financial planning, revenues, expenditures, fund balances and accounting.

Several Jefferson County departments, including the juvenile courts, justices of the peace, adult probation office, sheriff's office and the county clerk's office, collect fees and fines on the county's behalf. In recent years, their efforts to collect unpaid fees and fines have proven ineffective. The county should seek free assistance from the state's Office of Court Administration, which can train county staff in the collection of fees and fines and provide ongoing support for this function. A 20 percent increase in fee and fine collections would net the county an additional \$500,000 annually.

The county's Management Information System (MIS) Department maintains 900 personal computers and 500 printers, many of which should be replaced to increase worker productivity. MIS should make a priority list of PCs and other hardware that need updating or replacement. The Office of Strategic Planning and Budget should develop a capital improvement plan that includes a "rolling" schedule for hardware replacement.

County employee morale is low, at least partly because they have not received pay raises in four years due to budget constraints. The county should contract with an outside firm to conduct a new compensation and classification study for its employees.

Maintenance, Equipment and Structures

Jefferson County does not have an annual plan for road maintenance, and since each precinct is responsible for overseeing, budgeting and maintaining its own roads, their priorities diverge dramatically. This decentralized approach prevents the county

from generating economies of scale. Centralizing the county's Road and Bridge Department and eliminating 13 excess positions would eliminate duplicated efforts, allow for more efficient usage of equipment and save the county about \$5.6 million over five years.

The current road and bridge maintenance program, moreover, is based only on historical knowledge and complaints reported by the public. The county should institute a program involving routine inspections of road, mowing and drainage conditions; identification of work needs; and the development of a proactive maintenance plan.

The Building Maintenance Department is responsible for maintaining all county public buildings, properties and landscaping. Its record keeping is manual, making it difficult to track costs and organize work efforts efficiently. An automated tracking system would allow the department to manage its workload more efficiently, balance its resource requirements and prepare a variety of useful management reports. The department also lacks written performance measures. It should establish such measures and create recording and reporting procedures to track them.

Jefferson County's Vehicle Service Center, staffed by a director and three mechanics, maintains a fleet of about 190 vehicles. The center appears to be overstaffed. Industry standards call for a ratio of about one mechanic per 90 vehicles; the center's ratio is about 1:48. Eliminating one mechanic's position would save the county \$46,000 annually. The department, moreover, processes all work orders manually. Commonly available, automated fleet management systems offer features that could greatly increase its productivity.

Judicial and Public Safety Functions

MGT compared Jefferson County's County Correctional Facility with similar facilities in a series of "peer" counties. Jefferson County's per-capita cost of jail

operations—that is, the jail's cost per county resident—was more than twice the peer average, apparently due to its incarceration rate, which is among the state's highest. Nearly 60 percent of the county's jail population represents pre-trial inmates, compared to a statewide average of 48.6 percent. Jefferson County should review its pre-trial release program and practices to determine why its percentage of pre-trial detainees is so high.

Corrections authorities generally believe an available bed capacity of 15 percent is sufficient to cover normal fluctuations in demand. From January 2000 through February 2005, the Jefferson County jail's capacity fell below 15 percent in just eight of 62 months. Jefferson County should closely monitor its demand for jail beds and adjust its operating practices accordingly, possibly closing housing units to reduce operating costs or increasing the number of beds leased to other jurisdictions.

The Sheriff's Correctional Services Unit has used private contracts in areas including health care and dietary services. In addition, it has contractual arrangements that generate revenue for the county, including private management of its downtown detention facility and contract housing provided at that facility for state and federal prisoners. This arrangement is clearly beneficial for the county and should be continued. The county should monitor and document all vendor performance in meeting key contract provisions on at least a quarterly basis.

The Law Enforcement Division employs 65 deputies. Of these, however, only 22 are available for patrol duties. The rest are responsible for functions such as D.A.R.E., training, forensics, warrants, narcotics, the airport and investigative duties. The Sheriff's Office should complete a thorough study of these assignments, with the goal of making more officers available to respond to calls and participate in community policing efforts.

The Sheriff's Office hourly pay schedule is lower than those offered by other law enforcement agencies in the county. Yet the office also has four deputy chiefs, two

assistant chiefs, three majors, six captains and 19 lieutenants, an top-heavy rank structure. The department should conduct a detailed study of its organizational structure, including a salary and benefits study, and consider reducing its number of middle management positions.

The county's six constables' offices experienced an overall decrease in workload between 2002 and 2004, yet their staffing levels generally remained constant and their funding rose. Furthermore, the constables' workload is not distributed evenly; Precinct 8, for instance, with the highest staffing, had the second-lowest workload of all precincts. Eliminating one constable and redistributing the workloads would allow the county to save about \$116,000 annually.

Similarly, the county has six justice of the peace (JP) precincts and seven JPs (Precinct 1 has two places), each justice having three employees, and yet their workloads vary significantly. Several counties chosen for comparison with Jefferson County have significantly larger populations and caseloads yet fewer JPs. Eliminating one JP precinct would save the county \$212,000 annually.

Jefferson County's indigent defense costs have risen sharply in recent years. Many counties have found that centralizing this function in a public defender office has cut their costs while yielding higher dependability and more predictable budgeting. A public defender office could reduce the county's costs for this function by 22 percent.

Enterprise Operations

Jefferson County maintains two operations accounted for as proprietary funds, Ford Park and the Southeast Texas Regional Airport (SETRA). Proprietary funds are used to account for operations financed and operated in a manner similar to those in the private sector, where the intent is to recover costs primarily through user charges.

Ford Park is a multi-purpose entertainment complex that became fully operational in 2004. SMG, a private vendor, oversees its day-to-day operations. Shortly after the project began, the nation entered an economic downturn that affected the park's financial prospects. In addition, the park has been plagued with management problems, including flawed financial projections, poor record-keeping and underestimated funding requests. The county has not yet developed a long-term strategy for the park.

Jefferson County should establish a Parks Board to oversee the park's operations; take steps to ensure that terms of its contract with SMG are adhered to strictly; and develop a long-range strategic plan for Ford Park that addresses issues such as community buy-in and support and capital investment requirements.

SETRA requires a subsidy of county general funds to pay its bills. The amount of county funds needed to continue its operations, however, fell sharply in 2004, due to the hiring of a new airport manager with financial experience. But SETRA has not pursued federal grants as aggressively as other smaller and mid-sized Texas airports. A good deal of money is being left on the table for the lack of relatively modest matching funds.

No cargo carriers serve SETRA. This inconveniences area businesses and contributes to the airport's relatively low revenue from landing fees. SETRA management, county officials and local airport supporters should coordinate their efforts to encourage cargo carriers to offer service at SETRA.

SETRA's hangar rental rates also appear to be low compared to similar airports, even though it has a waiting list for hangar space. SETRA should consider building additional hangars and should revise its rental and other rates to ensure they are competitive with those at other airports.

SETRA's vehicle and equipment inventory is completely inadequate to maintain safe and efficient airfield operations. Much equipment is broken and some is beyond repair. SETRA has no preventive maintenance schedule for its equipment, to maintain it

in good working order and prolong its operational life. The airport manager should develop a capital improvement plan and equipment replacement schedule so that new equipment can be acquired systematically, before the existing stock breaks down.

An FAA-certified airport must have a master plan for its operations. SETRA's has not been updated since 1994. Jefferson County should begin the master planning process immediately. The process should address the airport's continuing financial viability, considering a broad variety of options for the next 10 to 25 years.

Health and Welfare / Library / Veterans Service Office

The Health and Welfare Department (HWD) provides medical services to qualified indigent and low-income county residents. These services are provided at units in Beaumont and Port Arthur—Unit 1 and 2, respectively. In addition, HWD maintains a mid-county immunization clinic and a pharmacy collocated with Unit 1 in Beaumont.

New patients typically must wait three to four weeks for their first appointment, forcing some indigent patients to use emergency rooms (ERs) for primary care. Jefferson County should hire a third nurse for the Beaumont unit and should consider hiring a physician assistant for both units, to ensure that it can continue to provide federally required indigent health care.

The Jefferson County Library (JCL) operates a popular bookmobile that travels to locations around the county on a regular schedule. Patronage at JCL itself, however, has declined, a situation reflected in reduced staffing and shorter operating hours. The JCL is staffed by just three library services specialists, lacks public Internet access and is one of the few Texas libraries lacking an automated catalog and circulation system.

The commissioners should decide whether they want to maintain a functional public library. The current facility is clearly inadequate. They should close the JCL and negotiate agreements for county residents to use municipal libraries in the area, or

provide enough funding to make the present facility viable. If they choose the latter option, they should aggressively seek grants and private donations.

Jefferson County's Veterans Service Office (VSO) provides assistance to veterans and their widows, widowers and children from one office in the county courthouse and a satellite office in Port Arthur. VSO is staffed by a veterans service officer, one office supervisor and two office specialists, and on occasion a part-time work-study student. The VSO's workload has increased in recent years, even though the county's estimated number of veterans is falling.

VSO's current office in the county courthouse should be relocated to allow better access for veterans and adequate working space for staff and storage. The Port Arthur office should be closed and a satellite office opened in the Port Arthur Health and Welfare Building. This could be open for two or three days a week and staffed by two employees. On the remaining days, one or two VSO employees should set up a satellite office at places likely to have veterans, such as the VA's Beaumont Clinic.

CHAPTER 1.0
INTRODUCTION AND BACKGROUND

1.0 INTRODUCTION AND BACKGROUND

Introduction

In September 2004, Jefferson County issued a request for proposals for a comprehensive management and performance review of its services and operations. MGT submitted its proposal in October 2004 and was selected to conduct the project in January 2005. On-site work began in February 2005.

This study shows the county's effort to be responsible stewards of the taxpayer's money and to spend that money only on essential services, particularly in light of the county's tight financial situation. Funding for this study came primarily from donations from a citizen's business group, while \$60,000 came from a donation from the county's budget officer who gave up one year's salary.

As a part of this review, the county commissioners appointed a 9-member Citizens Steering Committee to oversee the process. The steering committee's duties are to:

- participate in interviews of prospective management consultants and recommend candidates to the Commissioners Court;
- review the contract objectives and make recommendations concerning the scope of work to be performed;
- attend any meetings with the management consultant scheduled by the Commissioners Court; and
- review the final report at a joint meeting scheduled by the Commissioners Court.

Both the Steering Committee and the Commissioners Court stressed that finding cost savings and improving the county's financial situation were the primary purposes for this review. In a January 31, 2005 Commissioners Court workshop, the commissioners directed MGT to focus its efforts on a review of the following areas:

1. Ford Park;
2. Airport;
3. County Judge;
4. Commissioners Court; and
5. Tax abatements.

MGT's review was preceded by a similar effort conducted by the Texas Comptroller of Public Accounts. In February 2003, the county requested a review from the Comptroller's Local Government Assistance (LGA) Division, which provides various types of managerial assistance and advice to Texas local governments at no charge. LGA conducts reviews intended to help local governments comply with state laws, streamline their operations, improve customer service and manage public funds prudently.

In June 2004, LGA staff conducted site work for their review. At that time, however, several county elected officials chose not to participate. As a result, the LGA review scope ultimately was restricted to reviews of the county's budget operations and processes, its handling of uncollected fines and fees and its purchasing process. LGA issued its report on Jefferson County in April 2005.

MGT encountered similar difficulties. As the firm began negotiating its contract with the county, many elected officials again expressed their desire not to participate. The Commissioners Court asked all independently elected officials to communicate their intention to participate or decline in writing. **Exhibit 1-1** compiles their responses.

MGT agreed to conduct limited reviews of the offices that chose not to participate. These efforts were limited to reviewing readily available information and, where possible, comparisons to peer counties.

Methodology

Since the impetus for this review as expressed by the steering committee and the Commissioners Court was to focus on finding significant cost savings, MGT reviewed the respective budgets for each department and targeted those areas that had the greatest potential for finding savings. **Exhibit 1-1** below presents each General Fund department's budget, along with the representative percentage of each department's budget to the total county budget. This exhibit also indicates whether the department participated in the review. As this exhibit shows, many of the departments having the largest budgets chose not to participate in the review, including the sheriff's office, jail, tax office, county clerk, district clerk and most of the courts.

EXHIBIT 1-1
JEFFERSON COUNTY DEPARTMENTAL BUDGETS
SORTED FROM LOWEST TO HIGHEST

Department	2004-05 Budget	Percent of Total Budget	Participating? (Y/N)
Community Supervision	\$13,628	0.02%	N
Maintenance-Mid County	38,600	0.05%	Y
Printing Department	125,923	0.16%	Y
60th District Court	159,430	0.20%	N
58th District Court	160,618	0.21%	Y
172nd District Court	172,248	0.22%	Y
Parks and Recreation	172,447	0.22%	Y
Emergency Management	174,632	0.22%	Y
Dispute Resolution	177,293	0.23%	Y
Budget Office	180,730	0.23%	Y
Child Welfare Unit	182,600	0.23%	Y
Capital Outlay	185,426	0.24%	N/A
County Treasurer	205,224	0.26%	N
Risk Management	206,469	0.27%	Y
136th District Court	208,130	0.27%	N
Constable PCT 4	209,378	0.27%	N
Veteran's Services	212,641	0.27%	Y
Justice Court-PCT 2	\$225,076	0.29%	N

EXHIBIT 1-1 (*Continued*)
JEFFERSON COUNTY DEPARTMENTAL BUDGETS
SORTED FROM LOWEST TO HIGHEST

Department	2004-05 Budget	Percent of Total Budget	Participating? (Y/N)
Justice Court-PCT 4	\$231,276	0.30%	N
Nurse Practitioner	239,615	0.31%	Y
Library	243,195	0.31%	Y
Environmental Control	243,339	0.31%	Y
Justice of Peace PCT 8	246,109	0.32%	N
Justice Court-PCT 1 PL 1	247,235	0.32%	N
Justice Court-PCT 1 PL 2	250,045	0.32%	N
Justice Court-PCT 6	257,484	0.33%	N
County Human Resources	259,038	0.33%	Y
County Morgue	261,000	0.34%	Y
Justice Court-PCT 7	263,469	0.34%	N
Pre-Trial Release	283,631	0.36%	Y
Agriculture Extension SVC	299,725	0.38%	Y
279th District Court	313,553	0.40%	N
County Court at Law No.1	321,092	0.41%	Y
Constable PCT 7	327,422	0.42%	N
Constable PCT 2	339,969	0.44%	N
Alternative School	342,355	0.44%	N
317th District Court	343,176	0.44%	N
Jury	365,844	0.47%	N
Constable PCT 6	366,553	0.47%	N
Court Master	376,257	0.48%	N
Claims Processing	406,644	0.52%	Y
Purchasing Department	459,880	0.59%	Y
County Court at Law No.2	467,937	0.60%	N
County Court at Law No.3	489,585	0.63%	N
Maintenance-Port Arthur	513,522	0.66%	Y
Crime Laboratory	541,720	0.70%	N
Constable PCT 1	553,402	0.71%	N
Constable PCT 8	573,135	0.74%	N
Service Center	655,302	0.84%	Y
Engineering Fund	686,768	0.88%	Y
County Judge	736,124	0.95%	Y
Health and Welfare No. 2	831,060	1.07%	Y
Health and Welfare No. 1	843,976	1.08%	Y
Criminal District Court	956,385	1.23%	N
252nd District Court	991,029	1.27%	N
MIS	\$1,105,546	1.42%	Y

EXHIBIT 1-1 (*Continued*)
JEFFERSON COUNTY DEPARTMENTAL BUDGETS
SORTED FROM LOWEST TO HIGHEST

Department	2004-05 Budget	Percent of Total Budget	Participating? (Y/N)
Auditor's Office	\$1,107,199	1.42%	Y
Road and Bridge PCT. #2	1,175,137	1.51%	Y
Road and Bridge PCT. #1	1,193,952	1.53%	Y
Juvenile Probation Dept.	1,210,276	1.55%	Y
District Clerk	1,314,679	1.69%	N
Juvenile Detention Home	1,335,387	1.72%	Y
Road and Bridge PCT. #4	1,350,926	1.74%	Y
Road and Bridge PCT. #3	1,406,747	1.81%	Y
Mosquito Control Fund	1,581,815	2.03%	Y
County Clerk	1,801,890	2.31%	N
Maintenance-Beaumont	2,685,461	3.45%	Y
Tax Office	2,886,371	3.71%	N
Indigent Medical Services	3,118,131	4.00%	Y
District Attorney	4,334,104	5.57%	N
General Services	5,334,659	6.85%	Y
Sheriff's Department	6,889,074	8.85%	N
Jail - No. 2	18,889,098	24.26%	N
Total General Fund Expenditures	\$77,858,796	100.0%	

Because of the focus on finding significant cost savings, not all departments received a detailed review and therefore show no findings or recommendation in the report.

After an analysis of each department's budget, MGT conducted diagnostic interviews with personnel in all participating county departments. Such interviews were intended to yield a basic understanding of the county's organization and business operations, and to identify potential improvements in economy or efficiency. After these interviews, MGT assigned a consulting team to examine selected issues warranting in-depth review.

The review team then conducted in-depth interviews with county managers, elected officials and employees to gain a more detailed understanding of their activities. The review team also submitted a detailed data request to the county and began collecting documents needed to conduct its analysis.

During the interview period, MGT met with several elected officials who had declined to participate. While they were generally courteous and supportive of the goals of the review, they remained committed to their positions not to participate. The county commissioners asked MGT to submit open-records requests to the offices and departments that opted out of the review.

The county provided MGT with a list of counties they felt were similar enough to Jefferson County to yield meaningful comparative data. From the counties on this list, MGT selected Brazoria, Collin, Denton, Fort Bend, Galveston, Lubbock, and Montgomery counties to serve as “peer” counties for comparisons. MGT added Hardin, Chambers and Orange counties due to their proximity to Jefferson County. In some cases, the initial peer counties were not comparable to some Jefferson County functions. As a result, alternative peers were used. For instance, in the analysis of Jefferson County’s airport operations, the peer counties did not operate airports. MGT therefore selected alternative peers for this comparison. In addition, some elected officials felt that the general peer counties did not adequately represent a fair comparison. Some elected officials suggested alternative peer counties that were used for analysis.

MGT obtained data from the peer counties through surveys and phone calls as well as public databases maintained by the Texas Commission on Jail Standards, Office of Court Administration, Texas Association of Counties and Texas Comptroller of Public Accounts.

MGT also solicited input from county employees and the community at large. The review team sent an employee survey to all employees, the results of which are summarized in *Chapter 2* of this report. MGT sponsored two public meetings that allowed community members to comment on county operations. In addition to the comments received at the public meetings, MGT received several phone calls and e-mails from interested citizens.

Peer Analysis

Exhibit 1-2 shows a comparison of Jefferson County to its peers in terms of demographics, economic and financial indicators.

EXHIBIT 1-2
JEFFERSON COUNTY
COMPARISON TO PEERS

Population ⁽¹⁾	252,051	252,740	241,767	26,031	491,675	432,976	354,452	250,158	48,073	242,628	293,768	313,645	84,966
Unemployment ⁽²⁾	8.60%	6.5%	8.50%	6.10%	5.10%	4.30%	5.40%	8.00%	8.60%	3.40%	5.20%	6.50%	10.70%
Median Household Income ⁽³⁾	\$27,108	\$29,593	\$27,985	\$28,470	\$39,941	\$31,841	\$32,887	\$30,762	\$24,753	\$25,081	\$32,068	\$26,368	\$25,362
General Fund Revenues (\$ in millions)	\$70.3	\$75.4	\$62.5	N/A	\$113.9	\$85.7	\$112.0	\$81.9	\$8.7	N/A	\$89.0	\$59.5	N/A
General Fund Expenditures (\$ in millions)	\$74.2	\$73.7	\$62.7	N/A	\$105.8	\$80.1	\$120.7	\$71.4	\$8.6	N/A	\$87.4	\$55.9	N/A
General Fund Expenditures per Capita	\$295	\$292	\$259	N/A	\$215	185	\$340	\$285	\$180	N/A	\$298	\$178	N/A
Long Term Debt (\$ in millions)	\$83.8	\$126.6	\$31.9	N/A	\$304.0	\$130.8	\$76.4	\$203.76	\$0	N/A	\$159.6	\$111.0	N/A
Long Term Debt per Capita	\$332	\$501	\$132	N/A	\$618	\$302	\$215	\$814	\$0	N/A	\$543	\$354	N/A
Unreserved General Fund Balance (\$ in millions)	\$0.7	\$20.3	\$10.1	N/A	\$71.6	\$9.1	\$29.6	\$12.6	\$1.9	N/A	\$4.6	\$11.7	N/A
General Fund Balance (\$ in millions)	\$5.1	\$21.7	\$11.3	N/A	\$83.4	\$9.1	\$29.6	\$13.1	\$1.9	N/A	\$0.2	\$12.1	N/A
Unreserved General Fund Balance / General Fund Revenues	1.1%	26.9%	16.2%	N/A	62.9%	10.6%	26.4%	15.4%	21.4%	N/A	5.2%	19.7%	N/A
Property Tax Rate per \$100	0.4250	0.4720	0.4195	0.4808	0.2500	0.2548	0.5237	0.6429	0.6000	0.25587	0.4828	0.385	0.5865
Taxable Assessed Value (\$ in millions)	\$13,529	\$20,023	\$13,499	\$5,205	\$49,169	\$33,205	\$21,137	\$17,104	\$1,637	\$10,950	\$17,592	\$12,035	\$4,226

Sources: 2004 Comprehensive Financial Reports for each county unless otherwise noted.

(1) 2000 U.S. Census.

(2) Bureau of Labor Statistics.

(3) Bureau of Economic Analysis.

On average, Jefferson County is slightly smaller than its peers, in terms of population and taxable assessment value and, therefore, has a smaller budget. Its unemployment rate is higher than the peer average of 6.5 percent and its per capita income is lower. Jefferson County spends \$295 per capita from the General Fund, compared to the peer average of \$292. The level of expenditures places it fourth in the list of peers behind Fort Bend, Galveston and Montgomery. Its long-term debt per capita is \$332, which is significantly lower than the peer average of \$501. Galveston County carries the highest level of debt at \$814 per capita while Hardin carries the least. Jefferson County's Unreserved General Fund Balance is 1.1 percent of General Fund Revenues, which is much lower than the peer average of 26.9 percent. The peer average is skewed somewhat by Collin County, which is carrying a very high level of reserves at 62.9 percent of General Fund Revenues. Finally, Jefferson County's tax rate is .4250 per \$100 of assessed value, which is lower than the peer average of .4720 per \$100 of assessed value. Galveston County has the highest tax rate at 0.6429 while Collin County has the lowest rate at 0.2500.

In summary, though facing somewhat more difficult economic conditions as evidenced by relatively high unemployment and low per capita income, Jefferson County is performing in-line with its peers. It spends slightly more per capita and carries a relatively low level of debt. However, it has a much lower Unreserved General Fund balance and has a lower tax rate than its peers. In spite of a Jefferson County citizens' movement to roll back taxes in 2004, the relatively low tax rate indicates that Jefferson County is under-taxing its residents in comparison to its peers, which has partially contributed to the low level of its General Fund balance.

Jefferson County History and Background

Texas county governments are responsible for administrative and judicial functions; law enforcement; roads, parks and other infrastructure; and indigent health and welfare benefits.

The Texas Constitution establishes a system of checks and balances for counties in the form of independent elective offices. All Texas counties have essentially the same form of government, with minor variations in some urban counties that are allowed additional offices and courts.

Texas counties' major elective offices include a county judge and county commissioners, county attorneys, county and district clerks, county treasurers, sheriffs, tax assessor-collectors, justices of the peace and constables. Counties also have auditors appointed by the district courts.

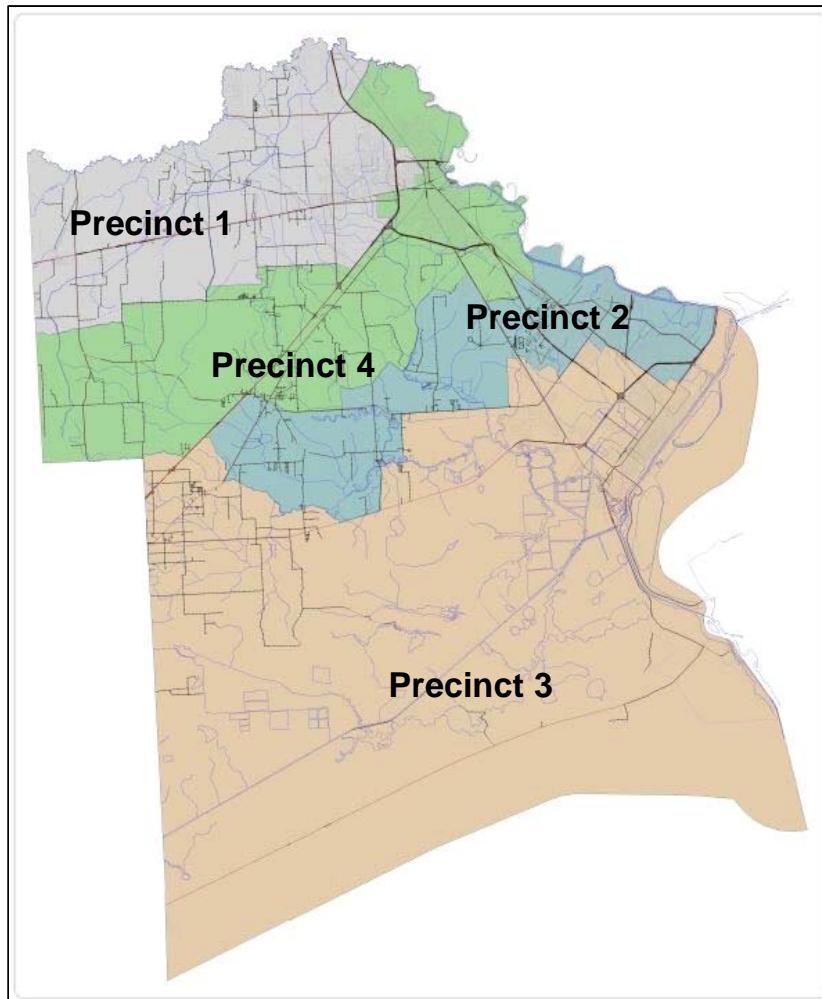
Every Texas county is divided into four commissioner's precincts; each commissioner is elected by the residents of his or her precinct. **Exhibit 1-3** illustrates Jefferson County's precinct boundaries. The entire county electorate chooses the county judge.

Each county judge acts as presiding officer of the Commissioners Court. Any three members of the court may constitute a quorum for transacting all county business except levying taxes, which requires the full panel. Typical functions of a commissioners court include:

- supervising and controlling the county courthouse, county buildings and facilities;
- adopting the county's budget;
- setting county tax rates;
- filling vacancies in elective and appointive positions;
- approving contracts in the county's name;
- building and maintaining county roads and bridges;

- administering county services such as libraries, county hospitals, welfare programs and parks and playgrounds; and
- making other decisions concerning county welfare, such as county hospitals, libraries, relief to the indigent and civil defense.

EXHIBIT 1-3
JEFFERSON COUNTY'S FOUR
COMMISSIONER'S PRECINCTS



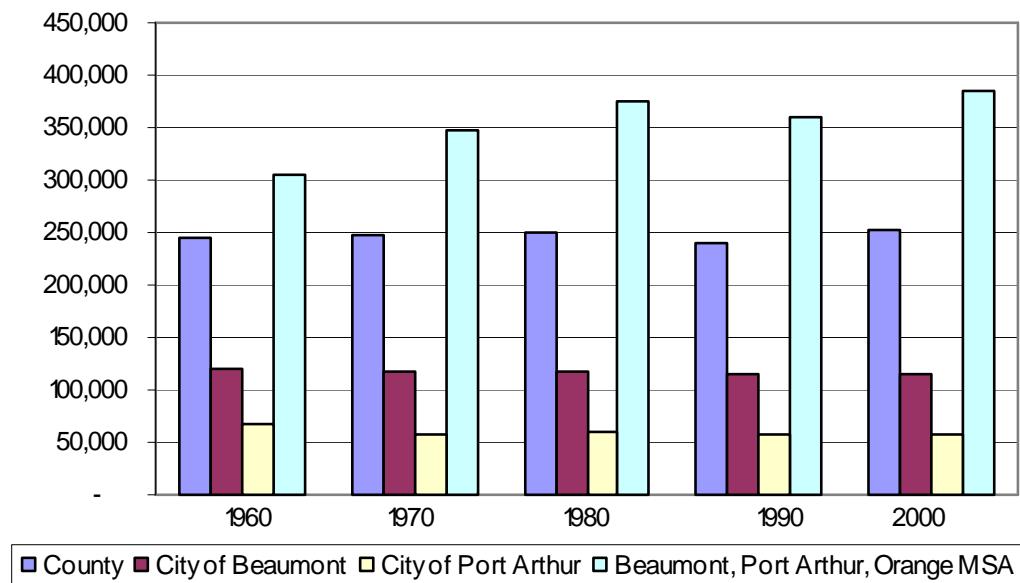
Jefferson County, located on Interstate Highway 10 in the Coastal Plain region of extreme southeast Texas, is the 14th-largest of Texas' 254 counties, with a 2003 population of 248,605. The county covers 1,112 square miles, including 208 square miles of water area.

Jefferson County is bordered by Orange County on the northeast, Hardin County on the north, Liberty and Chambers Counties on the west and by the Gulf of Mexico to the south. The county's eastern boundary is formed by the Neches River, Sabine Lake and Sabine Pass; Pine Island Bayou forms its boundary to the north.

The Jefferson County seat is Beaumont, on the Neches River in the county's center. Other incorporated towns include Bevil Oaks, China, Groves, Nederland, Nome, Port Arthur and Port Neches. Beaumont, Port Arthur and Orange (in Orange County) make up a metropolitan area commonly called the "Golden Triangle."

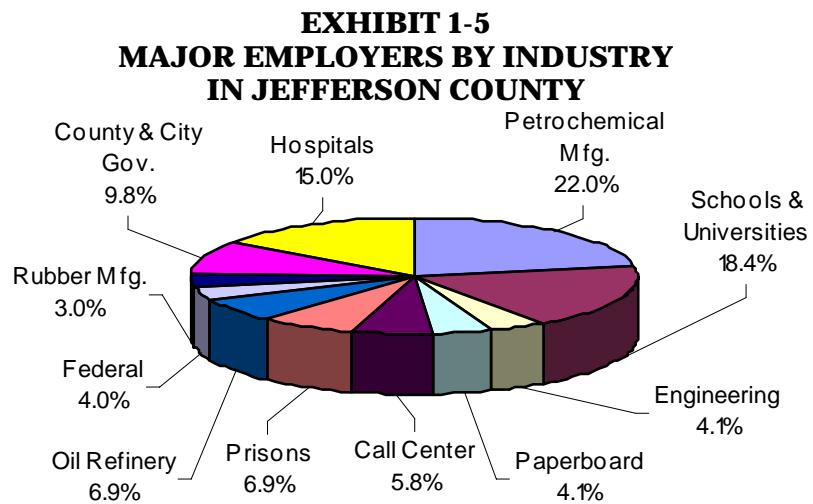
Exhibit 1-4 provides population statistics for Jefferson County and its surrounding areas.

EXHIBIT 1-4
JEFFERSON COUNTY
POPULATION STATISTICS



Jefferson County was formed in 1836 as one of the original counties of the Republic of Texas. It was named for a municipality that preceded it, which in turn was named for Thomas Jefferson.

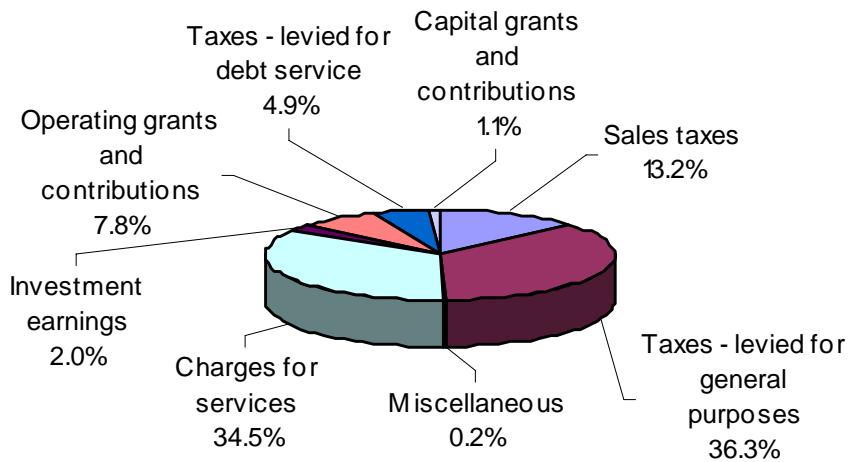
Jefferson County has seven independent school districts and two institutions of higher education, Lamar University and Lamar University-Port Arthur. The county's four largest industries are petrochemical manufacturing, schools and universities, hospital services and city and county government (**Exhibit 1-5**).



The county's various departments and 1,150 full-time employees are divided between governmental and business-type activities. Government operations include general government, judicial and law enforcement, education and recreation, health and welfare, maintenance and contract services. Business-type operations include the Southeast Texas Regional Airport and Ford Park.

Jefferson County's revenues for fiscal 2004 (the most recent audited results available) totaled \$70.3 million; expenditures for the same period were \$74.2 million. The county's major sources of revenue are property taxes, charges for services and sales taxes (**Exhibit 1-6**).

EXHIBIT 1-6
JEFFERSON COUNTY REVENUES BY SOURCE
YEAR ENDED SEPTEMBER 30, 2004

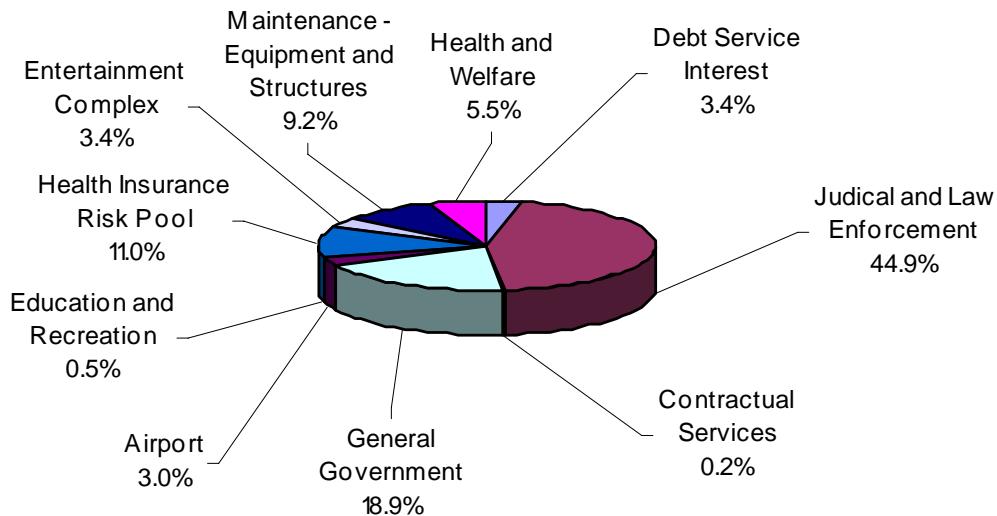


Judicial and law enforcement functions are Jefferson County's largest expenditures by far, representing almost 45 percent of the total budget. General government operations account for the second-largest expenditure, at almost 19 percent; these include:

- Tax Assessor-Collector
- Human Resources
- County Auditor
- County Clerk
- County Judge
- Risk Management
- Management Information Systems
- Veterans Services
- Printing
- Claims Processing
- Fee Processing
- Purchasing Agent
- County Treasurer
- General Services

Exhibit 1-7 illustrates county expenditures by major function.

EXHIBIT 1-7
JEFFERSON COUNTY EXPENSES BY FUNCTION
YEAR ENDED SEPTEMBER 30, 2004



Jefferson County, along with many other local governments across Texas and the nation as whole, suffered a significant economic decline after the events of September 11, 2001, resulting in lower tax revenues, soaring insurance rates and increasing demands for services. In response to these demands, Jefferson County's commissioners voted to approve a six-cent property tax increase on September 27, 2004, bringing the total rate to \$0.425 per \$100 of assessed property value.

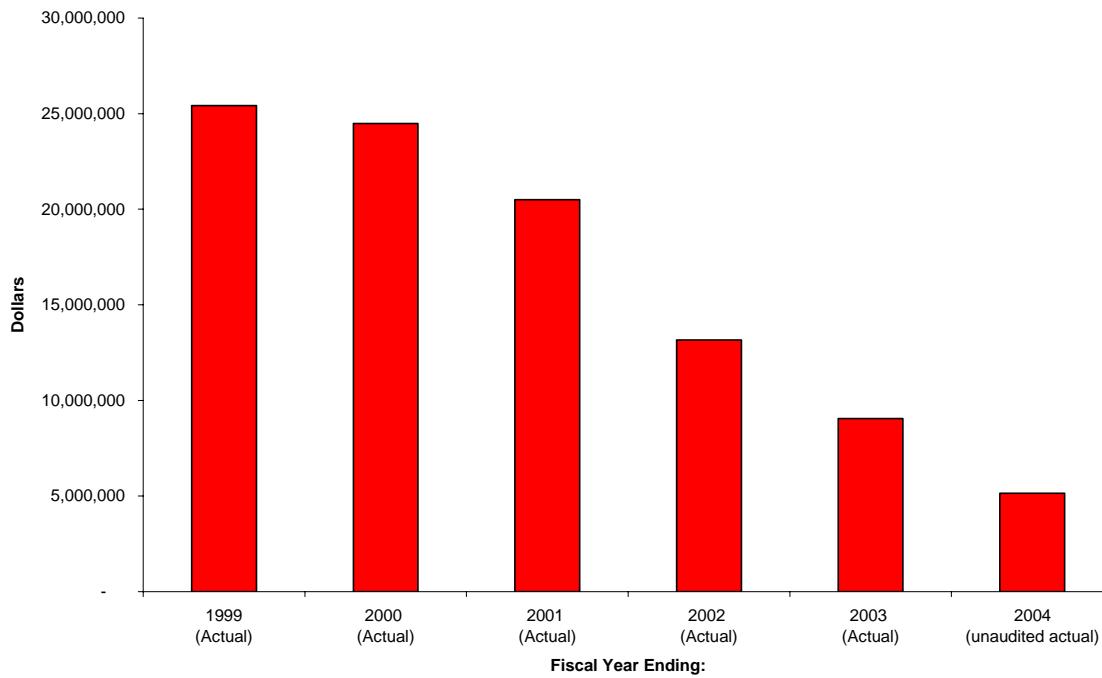
Some county services have been hard-hit by unfunded mandates and reduced state funding; these include indigent health services, indigent legal costs and educational services for students expelled from public school.

In addition, the county's entertainment complex, Ford Park, and its airport, Southeast Texas Regional Airport, have been affected by the economic downturn. Transfers from the county's general fund for Ford Park totaled \$1.6 million in fiscal 2004. The general fund also is being used to help fund airport operations due to increased security costs, lower passenger counts and higher fuel costs.

In August 2004, some county taxpayers attempted to force a rollback election to lower the property tax rate to \$0.386858 per \$100 of assessed value. While this effort did not succeed, it prompted the county to initiate a hiring freeze and temporary cuts on all budgets.

Jefferson County's general fund surplus has fallen from \$25 million in fiscal 2000 to an estimated \$5 million for fiscal 2004 (**Exhibit 1-8**).

EXHIBIT 1-8
JEFFERSON COUNTY GENERAL FUND BALANCE
1999-2000 THROUGH 2003-04



CHAPTER 2.0
JEFFERSON COUNTY EMPLOYEE
SURVEY RESULTS

2.0 JEFFERSON COUNTY EMPLOYEE SURVEY RESULTS

As part of this study, MGT conducted a survey of all Jefferson County employees. This survey measured employee opinions related to the work environment, job satisfaction, organization, management, governance, services to citizens, personnel management, buildings and grounds maintenance, the service center, the budget office and purchasing and technology functions.

All 1,247 Jefferson County employees received surveys; 300 employees (24 percent) completed and returned them.

Thirty-five percent of the respondents held executive, administrative or managerial positions; 28 percent held clerical or secretarial positions; 23 percent, technical or paraprofessional roles; 6 percent provide skilled crafts; 6 percent were service or maintenance employees; and 2 percent held other types of positions. Almost all respondents (more than 95 percent) were full-time employees, with the remainder working part-time.

Nearly all respondents had worked for the county for six or more years. More than 20 percent had worked for the county for more than 20 years; 12 percent had worked between 16 and 20 years; 21 percent, from 11 to 15 years; 24 percent, from six to ten years; and 15 percent had worked for the county between two and five years. Less than 7 percent had a year or less of experience with the county.

This result demonstrates a wealth of experience among the respondents, and a remarkable longevity of tenure. In addition, most have worked for more than one county commissioner. Thus, they have a good basis for gauging differences between the current and previous administrations.

The respondents seemed to believe that the work environment in Jefferson County is adequate, but that it may be marred by unfair and unnecessary disparities among employee salaries and workloads.

More than 57 percent of respondents agreed or strongly agreed that Jefferson County is an exciting and challenging place to work, while just 34 percent disagreed.

More than 50 percent, however, felt that workloads are not distributed equitably among employees. Nearly three-quarters of respondents believed that raises and promotions are not based on their individual efforts.

The respondents also felt that management does not value their opinions adequately. Thirty-two percent felt that their input matters, but 56 percent did not.

Nearly 50 percent agreed that Jefferson County provides a safe work environment, but 40 percent did not; and 56 percent agreed that employees have access to the materials, supplies and equipment they need to perform their duties, while 37 percent did not. (**Exhibit 2-1**).

EXHIBIT 2-1
EMPLOYEES' OPINIONS ON WORK ENVIRONMENT

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. Jefferson County is an exciting and challenging place to work.	57.2 %	8.3 %	34.5 %
2. Jefferson County employees who do not meet expected work standards receive evaluations that reflect such performance.	17.7 %	23.8 %	58.5 %
3. Employee promotions and pay increases are based on individual productivity.	9.4 %	15.8 %	74.7 %
4. Work loads are distributed equitably among staff members.	33.2 %	12.1 %	54.7 %
5. Employees have input into matters related to improving work processes or identifying efficiencies.	32.1 %	11.5 %	56.4 %
6. Jefferson County provides a safe and secure work environment for its employees.	49.3 %	10.5 %	40.2 %
7. Jefferson County employees have access to the materials, supplies, and equipment needed to perform their jobs.	56.0 %	6.4 %	37.6 %

Despite these indicators of low employee morale, Jefferson County employees are generally satisfied with their jobs and are not seeking positions elsewhere. When asked about their job satisfaction, 64 percent of respondents felt satisfied with their jobs at Jefferson County and 52 percent did not wish to look for another job. On the other hand, 27 percent indicated that they are dissatisfied with their jobs and wish to look elsewhere for work.

Forty-seven percent of respondents felt that their salaries are not competitive with similar positions in the area job market, while just 26 percent did. Nearly two-thirds of respondents felt that their salaries are not fair for their positions and levels of experience, while just 28 percent find them fair.

More than 30 percent agreed that Jefferson County provides opportunities for career advancement and professional development, but more than 50 percent disagreed. More than 75 percent of respondents were dissatisfied with the medical insurance the county provides.

Interestingly, while a clear majority of respondents expressed satisfaction with their own jobs, 88 percent felt the morale of Jefferson County employees in general is not good. (**Exhibit 2-2**).

EXHIBIT 2-2
EMPLOYEES' OPINIONS ON JOB SATISFACTION

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. I am satisfied with my job at Jefferson County.	63.9 %	9.1 %	27.0 %
2. I do not wish to look for a position outside of Jefferson County government.	52.2 %	20.7 %	27.1 %
3. Salary levels for Jefferson County positions are competitive with similar positions in the East Texas job market.	26.3 %	26.3 %	47.3 %
4. Jefferson County provides opportunities for career advancement.	31.5 %	16.1 %	52.3 %
5. Jefferson County provides opportunities for professional development.	32.1 %	21.7 %	46.2 %

EXHIBIT 2-2 (*Continued*)
EMPLOYEES' OPINIONS ON JOB SATISFACTION

Statement	Agree	No Opinion/ Do Not Know	Disagree
6. My salary level is fair for my level of work and experience.	28.2 %	6.4 %	65.4 %
7. I am satisfied with the medical insurance benefits provided to Jefferson County employees.	15.8 %	6.7 %	77.5 %
8. The morale of Jefferson County employees is good.	7.0 %	4.3 %	88.7 %

Responses concerning supervisors, employee authority and staffing were somewhat mixed. In general, respondents were dissatisfied with the county's administrative structure and the county commissioners' performance and management.

More than 48 percent of respondents felt that supervisors are accessible and open to feedback, and adequately empowered with the authority needed to carry out their responsibilities; 35 percent felt that their supervisors are not accessible, and 29 percent felt that supervisors are not adequately empowered to do their jobs; and 55 percent of respondents felt that employees are adequately empowered to carry out their responsibilities, while 32 percent did not.

In regard to staffing, 43 percent of respondents felt that Jefferson County has an appropriate number of managers and supervisors, but 26 percent disagreed. By contrast, more than 60 percent felt that Jefferson County does not have the appropriate number of employees; just 16 percent felt that it does.

More than 70 percent of respondents did not agree that administrative decision-making is efficient and effective and takes into account employee input; only about 10 percent agreed with this statement. In addition, 52 percent felt that county commissioners' meetings do not allow sufficient time for public input, while just 17 percent felt sufficient time is allowed.

More than 60 percent felt that county commissioners do not listen to input and are not effective governors of Jefferson County. Less than 15 percent agreed that the commissioners listen to input and are effective. (**Exhibit 2-3**).

EXHIBIT 2-3
EMPLOYEES' OPINIONS ON
ORGANIZATION / MANAGEMENT / GOVERNANCE

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. Administrative decision-making in Jefferson County is efficient.	11.4 %	12.0 %	76.6 %
2. Administrative decision-making Jefferson County is effective.	11.1 %	13.1 %	75.8 %
3. Administrative decisions take into account employee input.	10.1 %	12.2 %	77.7 %
4. Supervisors are accessible and open to feedback.	48.8 %	15.8 %	35.4 %
5. Authority for administrative decisions is appropriately delegated.	26.9 %	25.2 %	48.0 %
6. Supervisors are empowered with sufficient authority to effectively carry out their responsibilities.	50.0 %	20.9 %	29.1 %
7. Employees are empowered with sufficient authority to effectively carry out their responsibilities.	55.4 %	12.2 %	32.4 %
8. County Commissioners meetings allow sufficient time for public input.	17.3 %	30.3 %	52.4 %
9. County Commissioners listen to the opinions and desires of others.	14.8 %	20.2 %	65.0 %
10. County Commissioners are effective in carrying out governance responsibilities for Jefferson County.	12.1 %	19.9 %	68.0 %
11. Jefferson County has the appropriate number of employees.	16.1 %	22.1 %	61.7 %
12. Jefferson County has the appropriate number of managers and supervisors.	43.1 %	30.3 %	26.6 %

Respondents felt that, while the county provides good customer service and serves its citizens effectively and efficiently, it may not adequately address the needs and priorities of its citizens and does not provide enough opportunities for citizens to voice these needs and priorities.

More than 67 percent of respondents agreed that Jefferson County provides good customer service to its citizens, while just 15 percent disagreed. In addition, 49 percent

of respondents felt that Jefferson County serves its citizens efficiently and effectively, while about 33 percent did not.

More than half, however, felt that residents do not receive a good deal for their taxes, and that the county does not communicate well with its citizens and taxpayers. Forty-nine percent felt that Jefferson County is not adequately responsive to the needs of its citizens, while just 32 percent felt the county is responsive. More than 65 percent of respondents felt that county residents do not have enough opportunities for input, while 18 percent felt that they do. (**Exhibit 2-4**).

EXHIBIT 2-4
EMPLOYEES' OPINIONS ON SERVICES TO CITIZENS

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. Jefferson County provides good customer service to its citizens.	67.1 %	17.6 %	15.3 %
2. Jefferson County residents are getting a good deal for their taxes.	30.3 %	19.2 %	50.5 %
3. Jefferson County serves its citizens efficiently.	49.0 %	17.7 %	33.3 %
4. Jefferson County services its citizens effectively.	49.0 %	17.5 %	33.6 %
5. Jefferson County provides good communication to its citizens and taxpayers.	28.9 %	18.7 %	52.4 %
6. Jefferson County is responsive to the needs of its citizens.	31.8 %	19.3 %	49.0 %
7. Jefferson County residents have ample opportunities for input into how the county operates.	18.1 %	15.8 %	66.1 %

Respondents' opinions of personnel management were mixed, but they were clearly dissatisfied with pay and benefits. About 45 percent felt that the county has good training programs for new and existing employees. But 20 percent felt the county lacks good and timely programs for orienting new employees, and 33 percent felt that the county does not provide effective and appropriate training in general.

While 26 percent of respondents felt that Jefferson County's grievance process is fair and timely, another 26 percent did not. More than 49 percent disagreed with the statement that county employees receive annual performance evaluations; just 30

percent agreed. More than 70 percent felt that the county does not reward competence or have clearly defined standards for promotion. In addition, 70 percent of respondents felt that the county's health insurance does not meet their needs. (**Exhibit 2-5**).

EXHIBIT 2-5
EMPLOYEES' OPINIONS ON PERSONNEL MANAGEMENT

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. County employees receive annual performance evaluations.	30.0 %	20.1 %	49.8 %
2. The county rewards competence and experience and spells out qualifications such as skill levels needed for promotion.	13.6 %	15.9 %	70.5 %
3. Jefferson County has a fair and timely grievance process.	25.9 %	48.1 %	25.9 %
4. The county's health insurance program meets my needs.	20.3 %	9.5 %	70.3 %
5. The county has a good and timely program for orienting new employees.	44.6 %	35.4 %	20.1 %
6. Jefferson County provides effective and appropriate training for county employees.	45.3 %	22.0 %	32.8 %

In general, respondents were satisfied with county buildings and grounds maintenance. Almost 71 percent of respondents felt that county buildings are clean, although 24 percent did not. And 55 percent felt that county buildings are properly maintained in a timely manner, while 34 percent did not; 51 percent felt that repairs are made in a timely manner, but 37 percent did not.

More than 66 percent felt emergency maintenance is handled in a timely manner, while just 16 percent disagreed; 75 percent felt that county grounds are well-maintained, while 15 percent did not; and 65 percent of respondents were generally proud of the appearance of county facilities, while only 24 percent were not. (**Exhibit 2-6**).

EXHIBIT 2-6
EMPLOYEES' OPINIONS ON
BUILDING AND GROUNDS MAINTENANCE

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. County buildings are clean.	70.7 %	5.7 %	23.6 %
2. County buildings are properly maintained in a timely manner.	55.2 %	11.1 %	33.7 %
3. Repairs are made in a timely manner.	50.7 %	12.2 %	37.2 %
4. Emergency maintenance is handled in a timely manner.	66.2 %	17.9 %	15.9 %
5. County grounds are well maintained.	75.4 %	9.4 %	15.2 %
6. In general, I am proud of the appearance of county facilities.	65.3 %	11.2 %	23.5 %

Most employees responding to the survey had no opinion about the quality of the county's Service Center. Among those who had an opinion, responses were generally favorable, except in regard to the county's vehicle replacement plan.

Almost 44 percent of respondents felt that county vehicles are well-maintained and that the Service Center provides efficient and effective services. Forty-four and 52 percent, respectively, had no opinion about vehicle maintenance or the quality of the Service Center's services. Small numbers disagreed; about 12 percent of respondents felt that county vehicles are not well-maintained, 6 percent felt the Service Center is not efficient and just 4 percent felt that the Service Center is not effective.

Thirty-six percent felt that county vehicles are economical to operate and maintain, while 50 percent had no opinion and 14 percent disagreed. Twenty-four percent felt that the county purchases vehicles at good prices, but 73 percent had no opinion.

Sixteen percent of respondents felt the county's vehicle replacement plan adequately ensures that departments have vehicles that are in good working condition, while 26 percent disagreed and 58 percent had no opinion. (**Exhibit 2-7**).

EXHIBIT 2-7
EMPLOYEES' OPINIONS ON SERVICE CENTER

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. County vehicles are well maintained.	43.9 %	43.9 %	12.2 %
2. The county's Service Center provides services that are efficient.	43.9 %	50.3 %	5.8 %
3. The county's Service Center provides services that are effective.	43.8 %	51.9 %	4.4 %
4. The county procures vehicles that are economical to operate and maintain.	36.1 %	49.7 %	14.3 %
5. The county procures vehicles at good prices.	24.1 %	72.5 %	3.4 %
6. The county has an adequate vehicle replacement plan to ensure that departments have vehicles that are in good working condition.	16.2 %	57.8 %	26.0 %

Opinions concerning the budget process were mixed, but generally respondents did not feel that the county budgets its money well throughout the fiscal year or provides adequate financial information to the community.

Twenty-eight percent of respondents felt that departments are allowed to give adequate input regarding their budget and staffing needs, but 40 percent disagreed; 32 percent had no opinion. More than 22 percent felt that departments are well-trained in understanding the budget process, but 38 percent did not and 40 percent had no opinion. Almost 70 percent of respondents felt that the county does not budget its money well throughout the fiscal year, while just 12 percent felt the county does so. And more than 65 percent did not believe that the county provides adequate financial information to the community, while just 14 percent did. (**Exhibit 2-8**).

EXHIBIT 2-8
EMPLOYEES' OPINIONS ON
BUDGET OFFICE / AUDITING

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. The county's budget process allows departments to provide adequate input regarding their budget and staffing needs.	28.0 %	31.7 %	40.3 %
2. County departments are well trained in understanding the budget process.	22.1 %	40.1 %	37.8 %
3. The county performs a good job of budgeting its money throughout the fiscal year.	12.2 %	18.4 %	69.4 %
4. The county provides adequate financial information to the community.	14.2 %	20.3 %	65.5 %

Opinions concerning county purchasing also were mixed. Many respondents had no opinion about the department.

About 44 percent of respondents agreed that purchasing gets them what they need, when they need it, while 27 percent disagreed and 29 percent had no opinion. When asked about the quality and price of materials and equipment, 28 percent felt that county purchasing acquired the highest quality for the lowest cost, while 31 percent disagreed and 41 percent had no opinion.

More than 24 percent felt that purchasing processes are not cumbersome for user departments, but 26 percent disagreed and 49 percent had no opinion. More than 28 percent of respondents felt that the county provides adequate training to employees on the purchasing system, policies and procedures, but 30 percent disagreed and 40 percent had no opinion. (**Exhibit 2-9**).

EXHIBIT 2-9
EMPLOYEES' OPINIONS ON PURCHASING

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. Purchasing gets me what I need when I need it.	44.3 %	29.1 %	26.7 %
2. Purchasing acquires the highest quality materials and equipment at the lowest cost.	27.8 %	41.0 %	31.2 %
3. Purchasing processes are not cumbersome for user departments.	24.7 %	49.0 %	26.4 %
4. The county provides adequate training to employees on using the purchasing system.	28.3 %	39.7 %	32.0 %
5. The county provides adequate training to employees on purchasing policies and procedures.	29.6 %	40.7 %	29.6 %

Concerning the county's computers and technology equipment, most respondents had Internet access and e-mail and viewed the Data Processing Department favorably. But opinions were mixed about the condition of the computers and technology equipment as well as funding and training.

More than 63 percent of respondents have access to the Internet and e-mail at their work locations, while 26 percent did not. Seventy percent felt that the Data Processing Department does a good job of supporting the county's computer equipment; just 11 percent disagreed.

Forty-six percent of respondents felt that their computers and technology equipment are in good condition, while 42 percent did not. Almost 37 percent of respondents, however, felt the county does not provide adequate funding for its administrative technology needs, while 19 percent approved and 45 percent had no opinion.

Thirty-six percent felt the county provides adequate training for employees in the use of computers and related equipment, while 42 percent disagreed and 22 percent had no opinion. (**Exhibit 2-10**).

EXHIBIT 2-10
EMPLOYEES' OPINIONS ON COMPUTERS AND TECHNOLOGY

Statement	Agree	No Opinion/ Do Not Know	Disagree
1. The county's computers and technology equipment are in good condition.	45.6 %	12.8 %	41.6 %
2. The Data Processing Department (MIS) does a good job of supporting the county's computer equipment.	70.6 %	18.7 %	10.7 %
3. I have access to the Internet and e-mail in my work location.	62.9 %	11.3 %	25.8 %
4. The county provides adequate funding for its administrative technology needs.	18.5 %	44.6 %	36.9 %
5. The county provides adequate training for employees on the use computers and related equipment.	35.8 %	22.4 %	41.8 %

Summary

In all, county employees responding to the survey seemed satisfied with their own jobs, citing the excitement and challenge of the work place as well as the safety and security of the work environment as positive factors. In addition, respondents felt that they had the authority, materials, supplies and equipment needed to do their jobs. On the other hand, most were dissatisfied with compensation and benefits as well as workload equity. In general, employees viewed staff morale as low.

In addition, they were quite critical of managerial decision-making and county Commissioners Court performance. They felt that the decision-making process is neither efficient nor effective, and that their input is not valued.

Employees also criticized the commissioners' governance abilities and their weighing of public input. In addition, they dislike current staffing patterns.

On a positive note, employees rated their supervisors' accessibility and openness to feedback favorably, and noted that both employees and supervisors have adequate authority to do their jobs.

On the whole, Jefferson County employees held favorable opinions of the services they provide to citizens. They approved of the county's customer service and felt that the services offered are effective and efficient. On the other hand, they did not believe that citizens are getting a good deal for their money, or that the county communicates well with residents and responds to their needs.

In general, employees viewed building and grounds maintenance, the Service Center, purchasing and information technology favorably. They did not seem well-informed about the purchasing process, however, and many felt that the county does not adequately train employees in its purchasing systems, policies and procedures. In addition, they criticized the county's financial management and reporting functions.

CHAPTER 3.0
ASSESSMENT OF THE ORGANIZATION
AND MANAGEMENT FUNCTION OF
JEFFERSON COUNTY

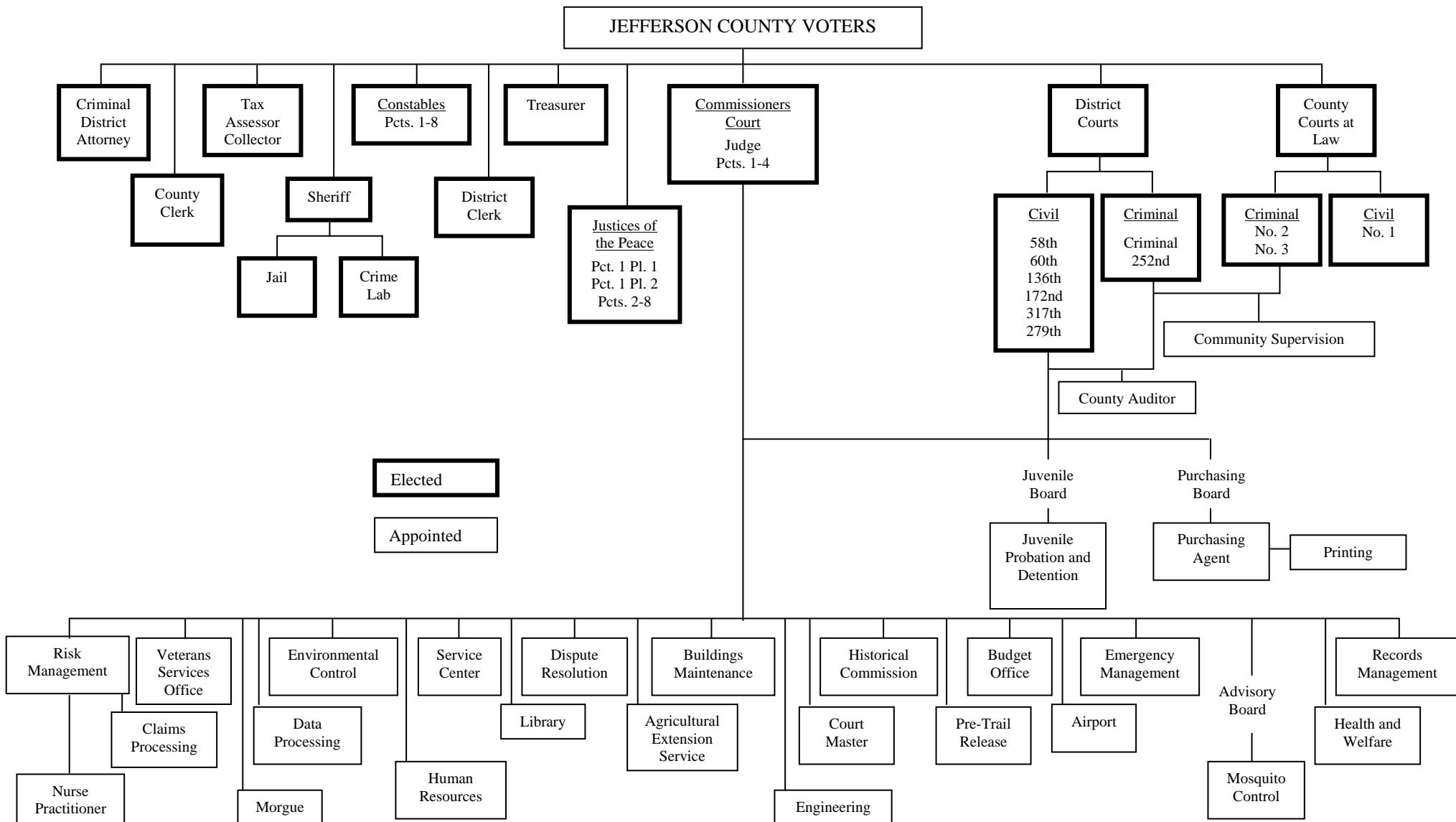
3.0 ASSESSMENT OF THE ORGANIZATION AND MANAGEMENT FUNCTIONS OF JEFFERSON COUNTY

Background

Jefferson County has four commissioners, elected by precinct, and a county judge who is elected at large. The four commissioners serve along with the county judge on the Commissioners Court. In addition to ensuring that county roads are maintained, commissioners vote with the county judge to set the budget for all county departments and adopt a tax rate. Other responsibilities of the court include establishing justice of the peace precinct boundaries; setting employment and benefit policy; appointing non-elected department heads and standing committees; and authorizing contracts in the name of the county.

The Commissioners Court conducts the general business of the county and oversees its financial matters, but the Texas Constitution establishes other elective offices in the county, which are independent of the Commissioners Court, yet dependent upon the court to approve their respective budgets. As shown in **Exhibit 3-1**, the major elective offices found in Jefferson County include the sheriff, district attorney, county and district clerks, tax assessor-collector, treasurer, seven justices of the peace and six constables. In addition, Jefferson County has a County Auditor appointed by the district judges in the county.

EXHIBIT 3-1
JEFFERSON COUNTY ORGANIZATIONAL CHART



The Jefferson County Commissioners Court has established a management system whereby each commissioner is assigned a group of departments for which they act as liaison. **Exhibit 3-2** shows how the departments are assigned to each commissioner. The county has three departments that are assigned not to a single commissioner, but to the Commissioners Court as a whole. These departments include the Court Master, Engineering and the Historical Commission.

EXHIBIT 3-2
JEFFERSON COUNTY LIASONS TO APPOINTED OFFICIALS

Commissioner Liaison	Department
County Judge	<ul style="list-style-type: none">➤ Airport➤ Civil Defense➤ Emergency Management➤ Employee Health➤ Human Resources➤ Management Information Systems➤ Risk Management
Commissioner Precinct 1	<ul style="list-style-type: none">➤ Agricultural Extension Service➤ Beaumont Maintenance➤ Dispute Resolution Center➤ Precinct 1 Road and Bridge operations
Commissioner Precinct 2	<ul style="list-style-type: none">➤ Environmental Control➤ Library➤ Mosquito Control➤ Precinct 2 Road and Bridge operations
Commissioner Precinct 3	<ul style="list-style-type: none">➤ Health & Welfare 1 & 2➤ Port Arthur Maintenance➤ Precinct 3 Road and Bridge operations
Commissioner Precinct 4	<ul style="list-style-type: none">➤ Auto Service Center➤ Health & Welfare 1 & 2➤ Pre-Trial Release➤ Veterans Services Office➤ Precinct 4 Road and Bridge operations

Jefferson County Commissioners Court has established several boards, committees and commissions to assist in the management and decision-making for the county. (**Exhibit 3-3**).

EXHIBIT 3-3
JEFFERSON COUNTY
BOARDS COMMITTEES AND COMMISSIONS

<ul style="list-style-type: none">➤ Jefferson County Historical Commission➤ Jefferson County Board of Park Commissioners➤ Transition Advisory Committee➤ Fire Commissioners for Rural Fire Prevention District➤ Jefferson County Investment Advisory Committee➤ Jefferson-Orange-Hardin Regional Transportation Study➤ Jefferson County Health Facilities Development Corporation Board of Directors➤ Board of Trustees of the Spindletop MHMR Services➤ Economic Development District Board➤ Jefferson County Housing Finance Corporation➤ Purchasing Board➤ County Auditor➤ Citizens Steering Committee➤ Arena Committee for Ford Park➤ Jefferson County Waterway and Navigation District➤ Tourist Convention Advisory Board➤ Drainage District No. 6➤ Drainage District No. 3	<ul style="list-style-type: none">➤ Public Members for Salary Grievance Committee➤ Courthouse Café Committee➤ Life Resource Board of Trustees➤ Southeast Texas Regional Planning Commission➤ Jefferson County Child Protective Services Board➤ Census 2000 Complete Count Committee➤ Triangle AIDS Network Board➤ Health Authority for Jefferson County➤ Jefferson County Tourism Commission➤ Rail District Study Committee➤ Southeast Texas Governmental Employee Benefits Pool➤ Jefferson County Appraisal District➤ Jefferson County Mosquito Control Advisory Commission➤ Beautification Committee for Ford Park
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The Texas Constitution allows broad judicial and administrative powers in the position of county judge, who presides over the Commissioners Court. The county judge handles a wide variety of responsibilities including hearings for beer and wine license applications, hearings on admittance to state hospitals for the mentally ill and mentally retarded, juvenile work permits and temporary guardianships for special purposes. The county judge is also responsible for calling elections, posting election notices and for receiving and canvassing the election returns. The county judge may also perform marriages.

In addition to the elected officials in Jefferson County, there are approximately 1,150 full- time employees and 97 part-time employees.

County Organization

The organizational structures of county governments in Texas vary widely. Indeed, just within Jefferson County itself, the organizational structure differs between the each commissioner's office. Each commissioner in Jefferson County oversees the Road and Bridge crews for their precinct, which in general is headed by a road superintendent, with foremen and equipment operators conducting the day-to-day operations of county road work. In addition to the road crews, each commissioner maintains an administrative staff to assist with day-to-day office duties. The county judge also has an administrative staff to assist him in carrying out his duties. The chart in **Exhibit 3-3** below presents Jefferson County's administrative staffing for each commissioners' office and of the county judge, as well as staffing for peer counties. As this exhibit shows, the Jefferson County Precinct 2 and 3 commissioners each have one secretary, but Precinct 1 has two secretaries. Precinct 4 has one full-time and one part-time secretary, an accounting clerk and an executive assistant in its staffing budget. The county judge maintains a staff of two assistants, one court clerk and one administrative aid. Not included in this exhibit for Jefferson County are three court administrators who report to the County Judge. These positions handle probate cases and were not considered for this comparison since the peer counties have separate departments that handle probate. Total administrative support for the Commissioners Court costs \$435,982 annually, not including benefits, which are approximately 35 percent of gross salary.

EXHIBIT 3-4
JEFFERSON COUNTY COMMISSIONERS AND COUNTY JUDGE
ADMINISTRATIVE STAFFING AS
COMPARED TO PEER COUNTIES

County/ Population	Precinct 1	Precinct 2	Precinct 3	Precinct 4	County Judge	Totals
Jefferson 252,051	2 sec.	1 sec.	1 sec.	1.5 sec. 1 acct. clerk ⁽¹⁾ 1 exec. asst.	2 asst. 1 ct. clerk 1 aide	
Total	2	1	1	3.5	4	11.5
Fort Bend 354,452	1 exec. asst. 1 admin. asst. 1 staff dir.	2 exec. asst. 1 admin. asst. 1 staff dir.	1 exec. asst. 1 admin. asst.	2 exec. asst. 1 admin. asst.	1 exec. asst. 1 sec.	
Total	3	4	2	3	2	14
Nueces 313,645	1 asst.	1 asst.	1 asst.	1 asst.	2 exec. asst. 2 exec. sec.	
Total	1	1	1	1	4	7
Hardin 48,073	.5 sec.	1 sec.	1 sec.	1 sec.	1 legal asst. 1 admin. asst.	
Total	.5	1	1	1	2	5.5
Montgomery 293,768	1 admin. asst.	1.5 clerk 2 admin. asst.	1 admin. asst.	1 admin. asst. 2 clerk	1 clerk 1 exec. Asst.	
Total	1	3.5	1	3	2	10.5
Galveston 250,158	1 admin. asst.	1 admin. asst.	1 admin. asst.	1 admin. asst.	1 admin. asst. 1 exec. Asst.	
Total	1	1	1	1	2	6
Collin 491,675	(2)	(2)	(2)	(2)	1 exec. sec.	
Total	(2)	(2)	(2)	(2)	1	5
Chambers 26,031	1 sec. 1 clerk	1 sec. .5 clerk	1 sec. 1.5 clerk	1 sec. .5 clerk	1 off. asst. 1 admin.	
Total	2	1.5	2.5	1.5	2	9.5
Denton 432,976	1 ch. admin.	1 ch. admin. .5 spec.	1 ch. admin.	1 ch. admin.	1 dir. admin. 1 admin. spec.	
Total	1	1.5	1	1	2	6.5

NOTES: (1) Position is budgeted but not filled.

(2) Administrative support staff, consisting of four secretaries, support the work of the Commissioners Court, but do not report to any one commissioner.

As the above comparison shows, Jefferson County has the second highest number of administrative staff positions when compared to the peer counties. Four of the peer counties have fewer administrative support positions than Jefferson (Nueces, Montgomery, Collin and Denton), are larger than Jefferson County in total county population. Galveston County, which is closest to Jefferson County in total population, maintains 5.5 fewer administrative positions than Jefferson.

Collin County maintains of pool of four full-time administrative support positions that do not report directly to any one commissioner. Instead, Collin County's administrative staff collectively support all the commissioners.

RECOMMENDATION 3-1:

Reduce administrative staff and re-organize the reporting relationships of the County Commissioners offices and the office of the County Judge.

The county could eliminate some administrative staffing positions that would result in savings for the county. By sharing or "pooling" the administrative staff who support the Commissioners Court, the county would realize efficiency savings as well. In addition, the assistants reporting to the County Judge and the executive assistant reporting to the Precinct 4 Commissioner could be assigned to support the Commissioners Court as a whole.

IMPLEMENTATION

The Commissioners Court should jointly agree on the staffing necessary for the operations of county government. Commissioners could share staff, thus eliminating the need for duplicate administrative positions in each office.

By the next budget workshop, the commissioners should agree on an administrative staffing structure for their offices. Position eliminations can become effective as employees retire or resign so as not to have a detrimental effect on county employees.

FISCAL IMPACT

The fiscal impact of this recommendation depends upon the specific positions that are eliminated. However, a conservative estimate, based on the assumption that through attrition, four of the lowest paid positions can be eliminated beginning with fiscal year 2006-07, the annual fiscal impact is \$160,400 ([\\$29,702 average annual salary X 1.35 benefits] X 4 positions).

Recommendation 3-1	2005-06	2006-07	2007-08	2008-09	2009-2010
Reduce administrative staffing	\$0	\$160,400	\$160,400	\$160,400	\$160,400

County Management

Well-run government organizations all have effective communication among employees, department heads and elected officials. Poor communication is costly both in terms of efficiency and effectiveness, and can lead to misunderstandings, faulty decisions, distrust and low morale.

The potential for ineffective communication is especially problematic in Texas county government because of the way it is structured with the independently elected officials. Each elected official is responsible for his or her own staff and the operations of their offices, yet they must work with the Commissioners Court on the approval of their annual budgets. There is inherent tension in this system.

In Jefferson County there is a high degree of mistrust and misunderstanding among the various elected officials, which adversely affects departmental heads and county staff. This mistrust is hindering the county from focusing on its main priorities and hinders the delivery of adequate service to the public.

Many elected officials told MGT that they felt the Commissioners Court was out of touch with their needs and the resources needed for their operations. This was

particularly evident during the planning and preparation for this management and performance review. During contract negotiations, many elected officials opted out of participating in the review. Some of these officials met with MGT in initial interviews, and many of them expressed their concern about the lack of involvement of all county departments and offices as a whole in the planning of the review. Some elected officials specifically stated that had they been consulted on their opinions as to the scope and objectives of the review, they possibly would have participated.

In addition, more than 60 percent of employees responding to MGT's survey are dissatisfied with how the court conducts county business. Employees were quite critical of Commissioners Court performance, responding that they felt that the decision-making process is neither efficient nor effective, and that their input is not valued.

The preparation of the budget is another county activity that is fraught with miscommunications and rancor between the Commissioners Court and the elected officials. Two elected officials told the review team that they had invited court members to visit their offices during the budget preparation process to gain a better understanding of their operations and their budget requests, yet these officials report that not one Commissioners Court member has ever met with them outside of a budget hearing. A few officials told the review team that during the 2004-05 budget process they identified items that could be cut from their budgets because they either were no longer necessary or they could do without in order to save money; however, when final budgets were approved by the court, the items remained in the budgets. Although the Commissioners Court holds regular workshops, particularly during the preparation of the budget, the budget process is not effective in identifying county funding priorities among the various departments and offices. Almost all elected officials and department heads that met with MGT stated that they felt the budget process was ineffective and that there was not adequate communication regarding the budget.

The county has no long-range strategic plan to help guide its decision-making and operations. A review of county documentation showed that one department – that of the County Judge – prepared a formal strategic plan. MGT found that many departments conducted their own form of planning and goal setting, especially when preparing their budgets. However, many of these plans are not in writing, are not monitored as to the achievement of goals and objectives, and are not a part of an overall plan for the county. Without an overall strategic plan, each department or office sets its own direction, but is operating without any overall stated direction.

The ramifications of not having a strategic plan have significantly affected county operations. For instance, Ford Park management has no direction as to what its mission should be and therefore has difficulty determining what type of business plan is needed for successful operations. Indeed, the initial planning for Ford Park is an indication of what can happen without a formal strategic plan. Because the county did not have long-term goals for the park, last minute design changes resulted in additional costs. The lack of a strategic plan continues to plague operations of Ford Park. Although the economic downturn has severely hurt Ford Park operations, the lack of direction and mission for the park have left the county unprepared to deal with the financial issues impacting park operations.

In addition, the county's current financial situation is an example of what can happen without a long-range plan. The county's failure to establish priorities resulted in over expended budgets and relying on reserves to fund current operations.

The county's Road and Bridge operations are also suffering from a lack of a unified strategic direction. Since each precinct works from its own priorities, there are a multitude of inconsistencies in how the county approaches the maintenance of its system of roads and bridges. Failure to agree on countywide Road and Bridge goals and priorities is costly to the county.

Finally, perhaps one of the most significant problems resulting from the county's lack of a strategic planning process is the evident discord among elected officials. Conducted properly, a strategic planning process helps to establish a system of trust among planning participants and helps all parties to understand individual departmental as well as countywide needs and priorities. Once a mission and strategic direction have been developed, funding issues can be more easily resolved because of the "buy-in" obtained through the planning process.

Many federal, state and local governments have created strategic plans to guide their operations. A strategic plan provides an organization a unified vision of its future by focusing on priorities that are developed by consensus. In addition to better allocating funding for priorities, a strategic plan also helps an organization measure its progress toward meeting its goals and objectives. In government, a strategic plan helps elected officials to be more accountable to their constituents by ensuring that only priorities developed through consensus are being funded.

The lack of an overall strategic plan in Jefferson County is adversely affecting its operations, its citizens and its employees. Without a strategic plan, the County Commissioners cannot effectively make funding decisions based on priorities.

RECOMMENDATION 3-2:

Establish a Strategic Planning and Budgeting function in the county.

IMPLEMENTATION

The Commissioners Court should establish this function and develop responsibilities for the function by September 30, 2005. All elected officials and department heads should have input into the establishment of this function and its duties. (Further implementation for this recommendation is discussed in *Chapter 4* of this report.)

FISCAL IMPACT

The fiscal impact for this recommendation is presented in *Chapter 4* of this report.

RECOMMENDATION 3-3:

Develop a long-range strategic plan that includes input from all offices and departments of the county, and from employees from all levels of the county.

The first step in overcoming the animosity among the various elected offices is to establish an open communications mechanism. By including all elected officials, department heads and employees in a strategic planning process, the county will not only establish a strong communications mechanism, but it will be better able to understand the county's needs and priorities and therefore develop meaningful funding plans for these priorities.

Although the Commissioners Court is ultimately responsible for adopting a county budget, the court must allow input from all levels and all departments as to the priorities the government should focus on, particularly in light of the county's financial situation.

IMPLEMENTATION

As a first step, the county should consider bringing in an outside facilitator to assist with initial strategic planning efforts and to train county employees in using strategic planning processes. The Commissioners Court, all elected officials and department heads should agree to a schedule for conducting strategic planning meetings beginning in January 2006, with an initial five-year strategic plan drafted by August 31, 2006.

FISCAL IMPACT

If the county implements the recommendation to create and staff a Strategic Planning and Budget function, the staff of this department will be able to conduct much

of the administrative functions associated with developing a strategic plan, thereby reducing the cost of an outside consultant. The county should budget a total of \$30,000 over the next two fiscal years for a strategic planning facilitator.

Recommendation 3-3	2005-06	2006-07	2007-08	2008-09	2009-2010
Develop a strategic plan	(\$20,000)	(\$10,000)	\$0	\$0	\$0

RECOMMENDATION 3-4:

Expand the role of the Citizen's Steering Committee to oversee the implementation of these recommendations.

The Citizen's Steering Committee has served a critical role in this review process. By assigning the committee a role in the implementation of these recommendation, the county can help ensure that there is a continued connection with the desires of the businesses and residents of Jefferson County. Holding regular implementation status workshops with the committee will help the public to be apprised of which recommendations the county is implementing.

IMPLEMENTATION

The Commissioners Court should vote to formally extend the role of the Citizen's Steering Committee to oversee the implementation of recommendations of this report.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

CHAPTER 4.0
ASSESSMENT OF THE FINANCE AND
BUSINESS FUNCTIONS OF
JEFFERSON COUNTY

4.0 ASSESSMENT OF THE FINANCE AND BUSINESS FUNCTIONS OF JEFFERSON COUNTY

Background

This chapter reviews the operations of the county's finance and business functions, which include the following departments and offices:

- County Auditor;
- Budget Office;
- Purchasing;
- Management Information Systems (MIS);
- County Clerk;
- District Clerk;
- Tax Assessor-Collector;
- County Treasurer; and
- Human Resources.

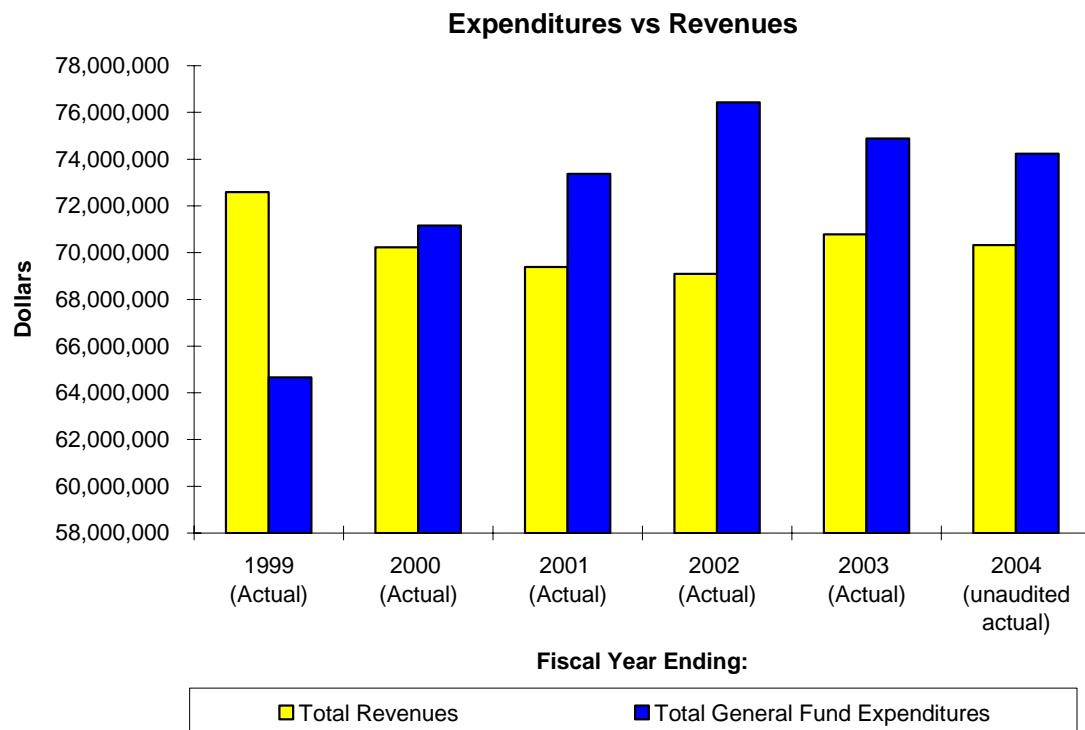
Though the functions of the County and District Clerks, Tax Assessor-Collector and Treasurer vary greatly, they are covered in this chapter because of their revenue generating capacity.

Also presented in this chapter is a review of the county's tax abatement program.

Financial Overview of Jefferson County

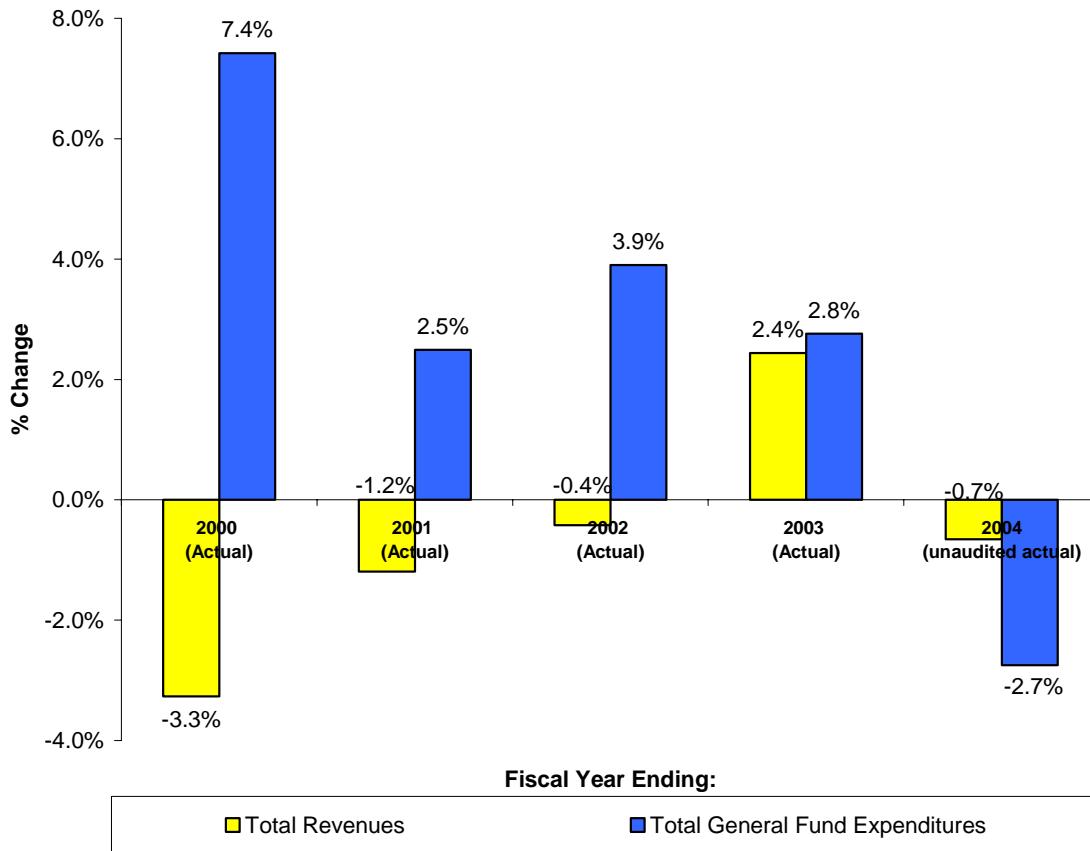
A review of the financial performance of Jefferson County over the six-year period from FY1999 to FY2004 reveals important trends in the management of the General Fund. In FY1999, Jefferson County ran a sizeable surplus of \$7.9 million, leaving an ending fund balance of \$25.4 million. In each of the following five years, Jefferson County ran a deficit between \$0.9 million and \$7.3 million resulting in the reduction of its fund balance to \$5.1 million in FY2004. **Exhibit 4-1** displays the imbalance of General Fund revenues and expenditures over the five year period.

EXHIBIT 4-1
JEFFERSON COUNTY GENERAL FUND
REVENUES AND EXPENDITURES
FISCAL YEARS 1999 THROUGH 2004



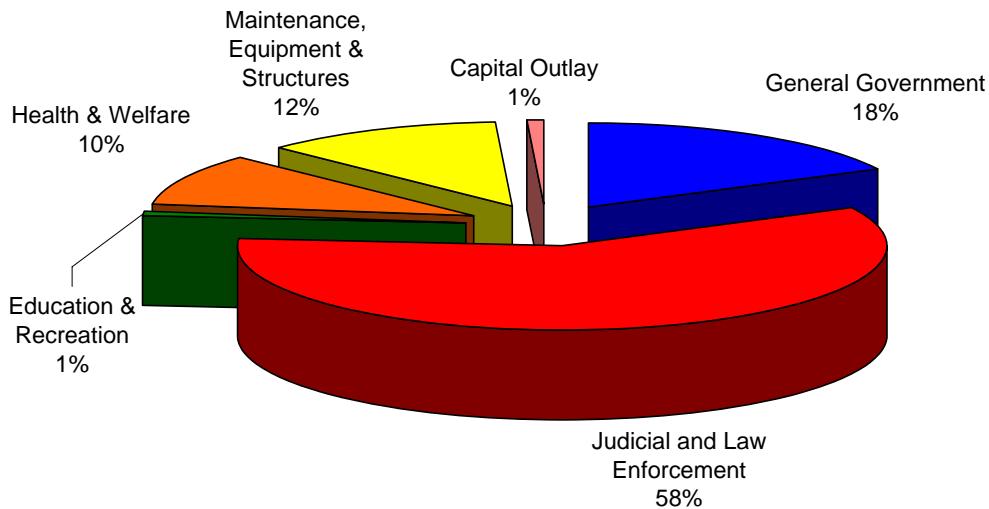
Revenue growth was sluggish over the period with revenues actually declining in all years except FY2003. At the same time, expenditures grew every year but FY2004. This high expenditure growth coupled with shrinking revenues resulted in persistent deficits over the period studied. **Exhibit 4-2** shows the mismatch of revenue and expenditure growth.

EXHIBIT 4-2
JEFFERSON COUNTY'S GENERAL FUND
PERCENT CHANGE IN REVENUES AND EXPENDITURES
FISCAL YEARS 2000 THROUGH 2004



Expenditure growth has been largely driven by growth in the areas of General Government, Judicial and Law Enforcement, and Health and Welfare. The areas of Education; Recreation and Maintenance, Equipment and Structures; and Capital Outlays were cutback to counter the impact of rapid growth in the other three areas. **Exhibit 4-3** shows each of the areas as a percent of FY2004 expenditures.

EXHIBIT 4-3
JEFFERSON COUNTY'S GENERAL EXPENDITURES BY AREA
FISCAL YEAR 2004



The largest and fastest growing line item in General Government is General Services, which grew at a compound annual rate of 8.2 percent from FY2000 to FY2004. General Services includes such items as salary supplements for judges, termination and sick leave pay, retirees' health insurance, bank charges and attorneys' fees. Other major line items – Tax Office, Auditor's Office and Management Information Services grew at compound annual rates between 0.9 percent and 2.5 percent. The County Clerk's office, the third largest line item, declined at a compound annual rate of 1.9 percent. In the General Government area, growth was largely driven by increases in the General Services line item although slower growth of the Tax Office, Auditor's Office and MIS contributed. In contrast, the County Clerk's Office was the only major line item that was cut to FY2000 levels.

The Judicial and Law Enforcement area accounted for 58 percent of all General Fund expenditures in FY2004 and grew at an annual rate of 2.6 percent from FY2000 to FY2004. While this growth rate is lower than that of General Government, the magnitude of the change in the Judicial and Law Enforcement area was over \$4 million, thus having a marked impact on the overall General Fund. The Jail, the Sheriff's

Department and the District Attorney are the largest line items in this area. The District Attorney's office grew at an annual rate of 3.6 percent while the Sheriff's Office grew at 3.4 percent. The Jail, which is about four times the size of any other line item in this area, grew at an annual rate of 1.9 percent or \$1.3 million over the five year period. Also a significant contributor to growth in the Judicial and Law Enforcement area, the 252nd District Court, the sixth largest line item in the area, almost doubled over the five year period from \$640,307 in FY2000 up to \$1.1 million in FY2004. Increases in the cost of indigent defense are largely responsible for this increase. Thus, while the Judicial and Law Enforcement area was not the fastest growing area in terms of percent change, the magnitude of the increases in this area had the largest impact on the ballooning General Fund expenditures during the time period studied.

Expenditures in the Health and Welfare area also grew significantly over the period from FY2000 to FY2004, growing at an annual rate of 4.9 percent. The largest line item in this category is Indigent Medical Services, which grew from \$2.3 million in FY2000 to \$3.4 million in FY2004, an annual rate of 10.9 percent. Indigent Medical Services is principally responsible for the growth in expenditures in the Health and Welfare area.

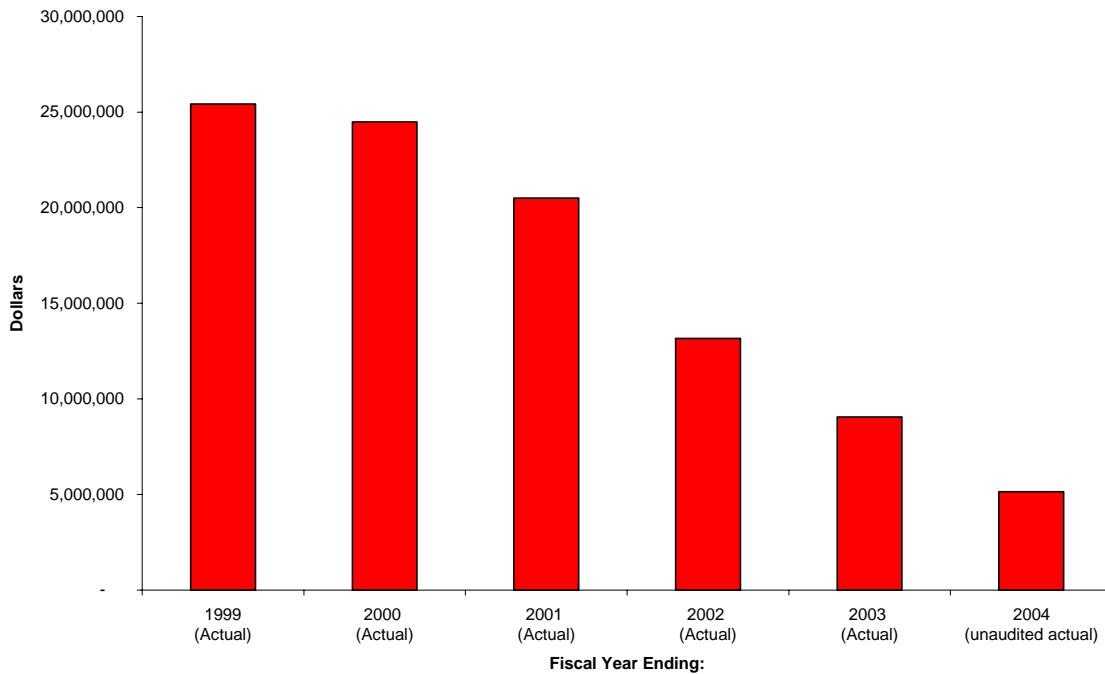
Education and Recreation accounts for only 1 percent of overall General Fund expenditures and, therefore, does not have a significant impact on the General Fund. However, the services provided are important to the community and cannot be ignored. Library expenditures grew from \$207,469 in FY2000 up to \$237,497 in FY2002 and then were cut down to \$208,066 in FY2004. Likewise, the Agricultural Extension Service grew from \$304,440 to \$339,835 in FY2003 before it was cut to \$290,385 in FY2004. In FY2004, the overall expenditures for Education and Recreation were cut 13.4 percent, which was a larger cut than that withstood in any other area. Cuts of this magnitude

likely had a significant impact on the quality of services provided by the Library and Agricultural Extension Service.

Finally, in the area of Maintenance, Equipment and Structures, overall expenditures declined from \$9.5 million in FY2000 to \$8.9 million in FY2004 as maintenance was deferred. The Courthouse and Annexes, the largest line item, was cut slightly from \$2.6 million in FY2000 to \$2.5 million in FY2004. However, the Road and Bridges precincts experienced more significant cuts. Precinct 1 saw expenditures decline from \$1.5 million in FY2000 to \$1.2 million in FY2004. Expenditures in Precinct 2 declined slightly from \$1.2 million in FY2000 to \$1.1 million in FY2004. The largest cuts were made in Precinct 3, which saw expenditures decrease from \$1.3 million in FY2000 to \$990,459 in FY2004. Furthermore, capital outlays declined from \$2.4 million in FY2000 to only \$510,912 in FY2004. The deferment of maintenance on and investment in county infrastructure and equipment seems to indicate that in the near future the county will be faced with the decision to increase these expenditure items dramatically or suffer from a significant deterioration of the county's capital assets.

To finance the deficits that resulted from these rapid rises in expenditures, the county relied heavily on its fund balance. The General Fund balance fell from \$25.4 million in FY1999 to \$5.1 million in FY2004; this represents an 80 percent drop or an annual rate of decline of 27 percent. Furthermore, of the \$5.1 million in the fund balance, \$4.4 million are reserved, thus only \$781,091 of the fund balance is unreserved and available for the county's day-to-day operations. The GFOA recommends that governments maintain an unreserved fund balance of 15 percent of General Fund expenditures or two months of General Fund operating expenditures. In FY2004, Jefferson County had a fund balance equal to about 1 percent of General Fund expenditures. **Exhibit 4-4** shows the depletion of the fund balance over the six-year period.

EXHIBIT 4-4
JEFFERSON COUNTY'S GENERAL FUND BALANCE
FISCAL YEARS 1999 THROUGH 2004



In addition to the General Fund, Jefferson County's Enterprise Fund has been operating in the red. From FY2000 to FY2004, the Airport ran a deficit of an average of \$1.7 million per year. In FY2002, Ford Park began operations and ran a deficit of \$156,902. As more of the park's operations came on line, the deficit ballooned to \$3.6 million in FY2004. These Enterprise Funds' deficits are partially financed by transfers in from the General Fund, thus exacerbating the problems in the General Fund. (See Chapter 8.0 for a more in-depth discussion of the Enterprise Operations.)

District Clerk, County Clerk, Tax Assessor-Collector and Treasurer

Jefferson County's District Clerk, County Clerk, Tax Assessor-Collector and Treasurer each are elected officials who are elected to four-year terms of office. The main duties of the District Clerk's Office revolve around the district courts. Specifically, this officer serves as legal record keeper for all documents filed in district courts.

The main duties of the County Clerk are to serve as clerk for the Commissioners' Court and county courts. The County Clerk also is responsible for filing, indexing, and recording all legal instruments affecting real property, recording security instruments, births and deaths, and issuing marriage licenses. In Jefferson County, the County Clerk has general supervisory authority over all elections held within the county. As a member of the County Election Board, the County Clerk is responsible for the inspection and delivery of voting machines and other supplies used at the polls. The Clerk also handles absentee voting for party primaries and county and state elections.

The main duties of the Tax Assessor-Collector are to assess and collect property taxes and issue certificates of title and license plates for motor vehicles and trailers. The tax office also issues voter registration applications and certificates as well as compiles election poll lists. In addition to these tasks, the Tax Assessor-Collector issues beer and wine licenses for the Texas Alcohol and Beverage Commission.

The County Treasurer, as chief custodian of county finance, receives all monies belonging to the county from whatever source derived; keeps and accounts for the same in a designated depository or depositories; and pays and applies or disburses the same, in such manner as the Commissioners Court may direct.

Exhibits 4-5 through **4-7** present the 2004-05 budgets for the County Clerk's, District Clerk's and Tax Assessor-Collector's offices, respectively.

EXHIBIT 4-5
COUNTY CLERK APPROVED BUDGET
FISCAL YEAR 2004-2005

Description	Amount	Percent of Total
Salaries and Wages	\$998,282	58.9%
Fringe Benefits	\$407,318	24.0%
Materials and Supplies	\$82,050	4.8%
Maintenance and Utilities	\$29,900	1.8%
Miscellaneous Services	\$177,130	10.5%
Total	\$1,694,680	100%

EXHIBIT 4-6
DISTRICT CLERK APPROVED BUDGET
FISCAL YEAR 2004-2005

Description	Amount	Percent of Total
Salaries and Wages	\$837,620	68.1%
Fringe Benefits	\$327,450	26.6%
Materials and Supplies	\$25,250	2.0%
Maintenance and Utilities	\$33,350	2.7%
Miscellaneous Services	\$7,155	0.6%
Total	\$1,230,825	100.0%

EXHIBIT 4-7
TAX ASSESSOR-COLLECTOR APPROVED BUDGET
FISCAL YEAR 2004-2005

Description	Amount	Percent of Total
Salaries and Wages	\$1,753,908	65.1%
Fringe Benefits	\$718,416	26.7%
Materials and Supplies	\$54,577	2.0%
Maintenance and Utilities	\$107,471	4.0%
Miscellaneous Services	\$58,548	2.2%
Total	\$2,692,920	100.0%

Of the District Clerk's total budgeted expenditures, almost 95 percent is designated for personnel, while personnel expenditures in the County Clerk's office account for almost 82 percent of its budget. Budgeted personnel expenditures for the tax office represent almost 92 percent of that office's budget.

In order to assess the efficiency of the County Clerk, District Clerk and Tax Assessor-Collector, MGT compared these offices to peer counties. **Exhibits 4-8** through **4-10** present these comparisons.

EXHIBIT 4-8
JEFFERSON DISTRICT CLERK'S OFFICE
COMPARED TO PEER COUNTIES

County	Population (2003 Estimate)	2004-05 Budget	Budget per Capita	Number of Full-time Employees	Residents Served per Employee
Jefferson	248,742	\$1,230,825	\$4.95	26	9,567
Brazoria	263,621	\$1,353,231	\$5.13	35	7,532
Chambers	27,558	\$204,449	\$7.42	5	5,512
Collin	597,307	\$2,815,841	\$4.71	55	10,860
Denton	510,616	\$1,171,528	\$2.29	n/a	n/a
Fort Bend	419,995	\$2,356,715	\$5.61	42	10,000
Galveston	266,741	\$2,465,900	\$9.24	48	5,557
Hardin	49,604	\$116,000	\$2.34	7	7,086
Lubbock	250,016	\$1,303,426	\$5.21	27	9,260
Montgomery	344,651	\$1,791,558	\$5.20	49	7,034
Nueces	315,051	\$1,814,527	\$5.76	53	5,944
Orange	84,529	\$561,588	\$6.64	13	6,502

Source: Review of peer county budgets and telephone surveys of peer counties.

EXHIBIT 4-9
JEFFERSON COUNTY CLERK'S OFFICE
COMPARED TO PEER COUNTIES

County	Population (2003 Estimate)	2004-05 Budget	Budget per Capita	Number of Full-time Employees	Residents Served per Employee
Jefferson	248,742	\$1,694,680	\$6.81	38	6,546
Brazoria	263,621	\$1,583,786	\$6.01	n/a	n/a
Chambers	27,558	\$404,440	\$14.68	7	3,937
Collin	597,307	\$2,004,995	\$3.36	39	15,316
Denton	510,616	\$2,986,099	\$5.85	n/a	n/a
Fort Bend	419,995	\$2,507,940	\$5.97	52	8,077
Galveston	266,741	\$2,231,800	\$8.37	53	5,033
Hardin	49,604	\$250,000	\$5.04	13	3,816
Lubbock	250,016	\$891,157	\$3.56	24	10,417
Montgomery	344,651	\$2,122,862	\$6.16	40	8,616
Nueces	315,051	\$504,250	\$1.60	21	15,002
Orange	84,529	\$433,618	\$5.13	12	7,044

Source: Review of peer county budgets and telephone surveys of peer counties.

EXHIBIT 4-10
JEFFERSON TAX OFFICE
COMPARED TO PEER COUNTIES

County	Population (2003 estimate)	2004-05 Budget	Budget per Capita	Number of Registered Voters	% of Population Registered to Vote	Number of Full-time Employees	Residents Served per Employee
Jefferson	248,742	\$2,692,920	\$10.83	165,174	66%	56	4,442
Brazoria	263,621	\$2,126,041	\$8.06	161,485	61%	53	4,974
Chambers	27,558	\$588,608	\$21.36	20,250	73%	10	2,756
Collin	597,307	\$4,003,564	\$6.70	369,412	62%	94	6,354
Denton	510,616	\$2,885,372	\$5.65	321,700	63%	54	9,456
Fort Bend	419,995	\$2,628,902	\$6.26	254,364	61%	50	8,400
Galveston	266,741	\$2,381,500	\$8.93	185,911	70%	n/a	n/a
Hardin	49,604	\$601,084	\$12.12	33,948	68%	15	3,307
Lubbock	250,016	\$1,117,858	\$4.47	162,229	65%	30	8,334
Montgomery	344,651	\$2,786,974	\$8.09	214,098	62%	63	5,471
Nueces	315,051	\$2,120,905	\$6.73	201,707	64%	57	5,527
Orange	84,529	\$935,513	\$11.07	55,446	66%	20	4,226

Source: Review of peer county budgets and telephone surveys of peer counties.

When looking at the per capita budget for the District Clerk's office (total budget divided by county population), Jefferson County's District Clerk compares rather favorably at \$4.95, the third-lowest after Collin County (\$4.71) and Denton County (\$2.29). However, at first glance, the per capita budget amounts for Jefferson County's County Clerk and Tax Assessor-Collector appear to be high when compared to the peer group.

The last column on each of the exhibits shows the number of county residents served by each employee in the respective offices (county population divided by number of employees). This calculation can be used as a measure of efficiency in that the more county residents served by each employee the more efficient the office's operations.

This comparison shows Jefferson County's District Clerk to be the third most efficient of all the peer counties, serving 9,567 residents per District Clerk employee. Collin County shows to have the highest efficiency with 10,860 residents served per employee, while Fort Bend County District Clerk employees, the second-highest of the peer group, serve 10,000 residents each.

Both the County Clerk and the Tax Assessor-Collector in Jefferson County rank near the mid-range in efficiency of personnel, with both offices falling to the fourth-lowest among the comparison counties, serving 6,546 and 4,442 residents per employee, respectively. These numbers vary greatly from the highest of the comparison counties, with the Collin County Clerk's office employees serving 15,316 residents each and the Denton County Tax Assessor-Collector's office serving 9,456 residents each. Both of these peer counties serve more than twice as many residents per employee as Jefferson County. However, when comparing the duties of the Jefferson County Tax Assessor-Collector to those of the peer counties, Jefferson County handles a greater volume of work than the peers. For example, Jefferson, Galveston, Nueces and Orange counties collect taxes for all entities (school districts, municipalities, etc.) within their counties. The

other peer counties collect only county taxes. In addition only Jefferson, Chambers and Collin tax offices are responsible for collecting Hotel Occupancy Taxes for their counties.

A similar observation can be made regarding Jefferson's County Clerk. Only 28 of this office's employees provide direct customer service to residents, and six part-time employees do nothing but archive documents dating prior to 1990. In addition, Jefferson's County Clerk lost three positions in fiscal year 2004-05 due to budget cuts. The County Clerk also improved efficiency of the office by reducing the operating hours of the satellite office, resulting in the same number of customers being served, but reducing the staff time required to serve them.

A review of the Jefferson County websites for the District Clerk, County Clerk and Tax Assessor-Collector shows that the county provides a range of services and information to its residents. The District Clerk's website, for instance, allows users to look up filing fees, court rules and instructions for filing discovery and related materials. In addition, the District Clerk's website provides indices for civil, criminal and domestic cases filed.

At the County Clerk's website, similar information can be found for the county courts regarding filing fees and instructions. In addition, the County Clerk's website provides access to public records such as deeds, powers of attorney, bills of sale, marriage records and court records. This website also provides election information.

Jefferson County residents can find their property tax balances and pay their property taxes online through the Tax Assessor-Collector's website. This website also provides information on all the other fees collected by the office, as well as applications to register to vote and maps of voting precincts.

COMMENDATION

The Jefferson County websites for the District Clerk, County Clerk and Tax Assessor-Collector provide an effective and efficient service to the residents of the county.

COMMENDATION

The Jefferson County Clerk, District Clerk and Tax Assessor-Collector support the customers and the residents of the county in an efficient and effective manner.

Organization of Finance and Business Functions

The finance and business functions of the county are divided among several offices in the county. The County Auditor handles the financial management and reporting, cash management, and audit functions. The Budget Office is responsible for budget development, while the Purchasing Board, through the Purchasing Agent is responsible for purchasing functions. The Management Information Systems department is responsible for maintenance, upkeep and support of the county's information systems, network software and equipment.

The county also has contracted with an independent auditor to provide for an independent audit of the financial records of the county. The current independent auditor is Edwards, Tate & Fontenote, LLP, Certified Public Accountants.

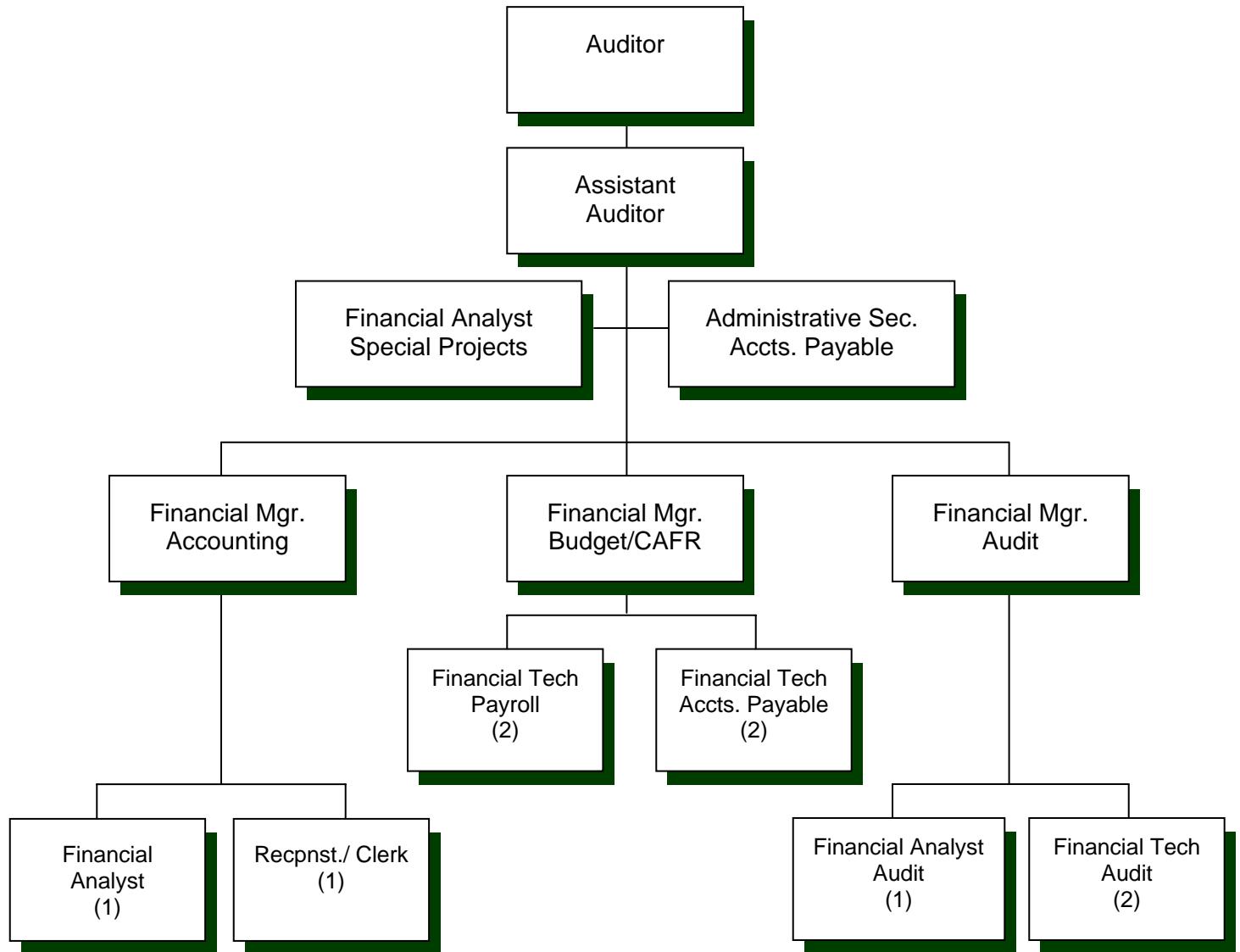
The County Auditor is appointed by the district judges. The Auditor's Office currently has a total of 16 employees and a budget of \$1,073,217 for FY 2004-2005. Ninety-three percent of the Auditor's budget pays for personnel costs.

The Auditor's Office is organized around four core functions:

- Audit;
- Accounting;
- Budget; and
- Reporting

Exhibit 4-11 presents the organizational structure of the County Auditor's Office.

EXHIBIT 4-11
ORGANIZATIONAL CHART
OFFICE OF THE COUNTY AUDITOR

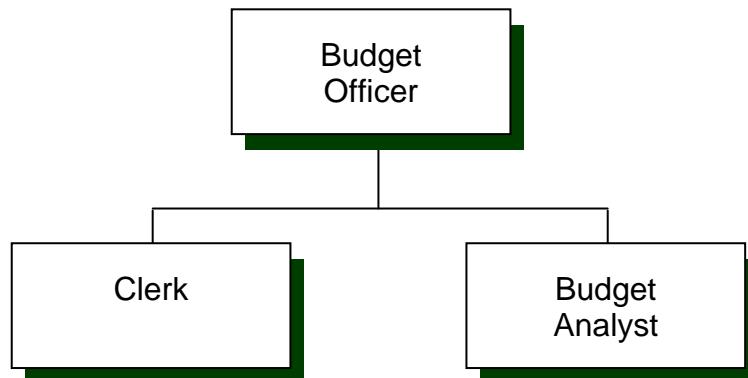


The Auditor's Office is currently responsible for developing the county budget. In April 2005, the County Commissioners approved a motion to transfer the duties of developing the annual budget from the Budget Office to the Auditor's Office. The Budget Office was established by the Commissioner's Court in 2003 for the sole purpose of developing the budgets for the county. Prior to 2003, however, the Auditor was responsible for the development of the annual budget.

The Budget Officer is currently a contract employee and there are two county employees working in the Budget Office. The budget for the office is \$172,817 for FY 2004-2005. The organizational chart for the office is shown in **Exhibit 4-12** below.

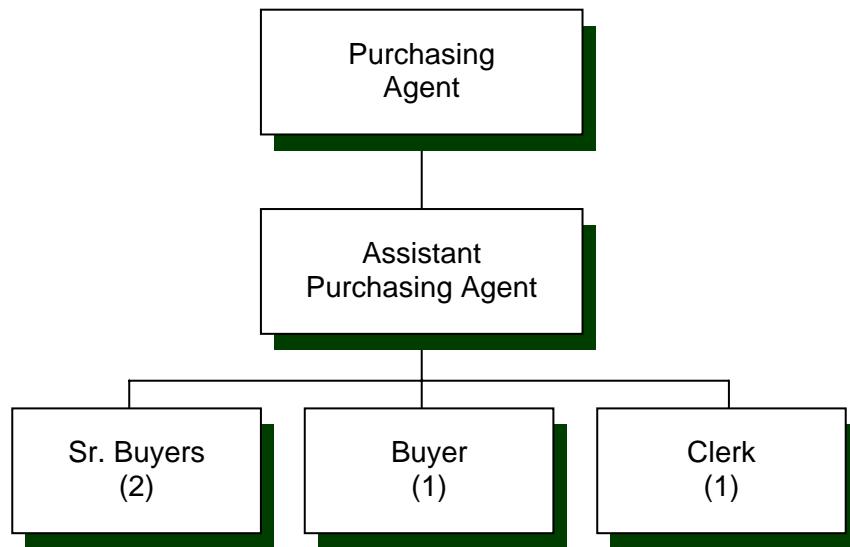
The County Commissioners, in reassigning the responsibilities for budget development to the Auditor, assigned Budget office staff the task of conducting research into how other counties in Texas prepare their budgets and perform strategic planning functions.

EXHIBIT 4-12
ORGANIZATIONAL CHART
BUDGET OFFICE



The county's Purchasing Board, made up of district judges and County Commissioners, oversees the county's procurement processes. The Purchasing Board appointed a Purchasing Agent to manage the daily functions of the department. In addition to the Purchasing Agent, there are six employees operating the Purchasing Department with a \$459,880 budget for FY 2004-2005. The organization chart for the Purchasing Department is shown in **Exhibit 4-13**.

EXHIBIT 4-13
ORGANIZATIONAL CHART
PURCHASING DEPARTMENT



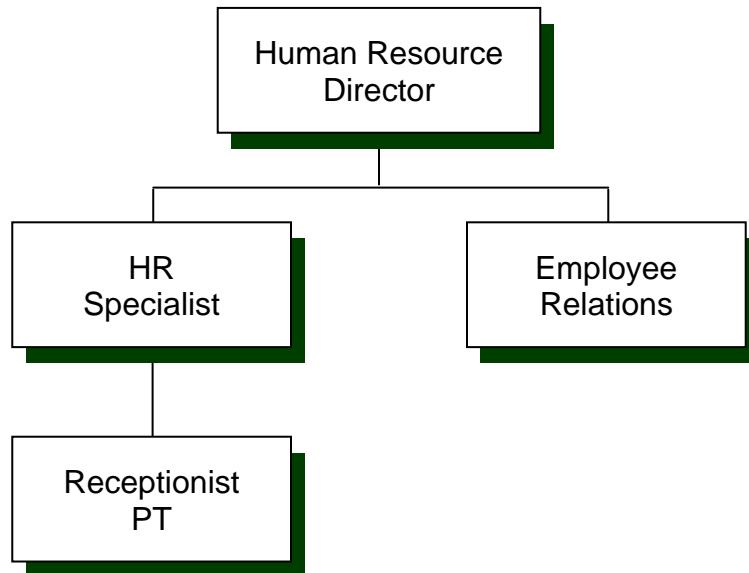
The Human Resources Department of Jefferson County, formed in 1993, performs the following functions:

- Employee Relations;
- Employment Litigation Coordination;
- Employment Law Compliance (Equal Employment Opportunity / Family Medical Leave Act / Fair Labor Standards Act, etc.);
- Employee Recruitment;
- Employee File Maintenance;
- Classification and Compensation Plan Maintenance;
- Pre-employment Screening;
- In-house Advisor to Department Managers;
- Training on Employment Laws;
- Participation in Contract Negotiations;
- Training on Employment Policies, Processes, and Procedures; and
- Employee Retirement Plan Coordination.

The Human Resources Department currently has three full-time employees and has a budget of \$242,633.

Exhibit 4-14 presents the organizational structure of the county's Human Resource Department.

EXHIBIT 4-14
ORGANIZATIONAL CHART
HUMAN RESOURCES DEPARTMENT



Financial Management

Jefferson County does not have a comprehensive financial management strategy nor comprehensive financial management processes in place. Few of the financial processes operate in a coordinated manner, or with any outward reliance on each other. Moreover, Jefferson County does not have a long-term financial plan that would guide the county's actions aimed at generating revenue, controlling spending, and accomplishing specific goals. (The results of these deficiencies are discussed above in the Background section.)

For example, the budgeting processes rely only on departmental requests. There is no analysis, no trend evaluations, unreliable projections, and very little coordination with any other office or personnel. More importantly, there are no ties to organizational or departmental goals and objectives. Dollars are budgeted and spent without analyzing

how they further the county's goals and objectives. Moreover, the county does not have goals and objectives that are clearly stated and publicized.

Without a long-range plan, strategies to implement the plan, there is little accountability for the tax dollars spent and there is a short-sighted focus on current year finances with little consideration of the impact of the current year's spending on future county operations.

RECOMMENDATION 4-1:

Develop a comprehensive financial management strategy for the county.

A comprehensive financial management strategy would enable the county to tie spending to what gets accomplished and how, and to have a coordinated process that guides, monitors, and reports on the progress of the accomplishments of each department and office.

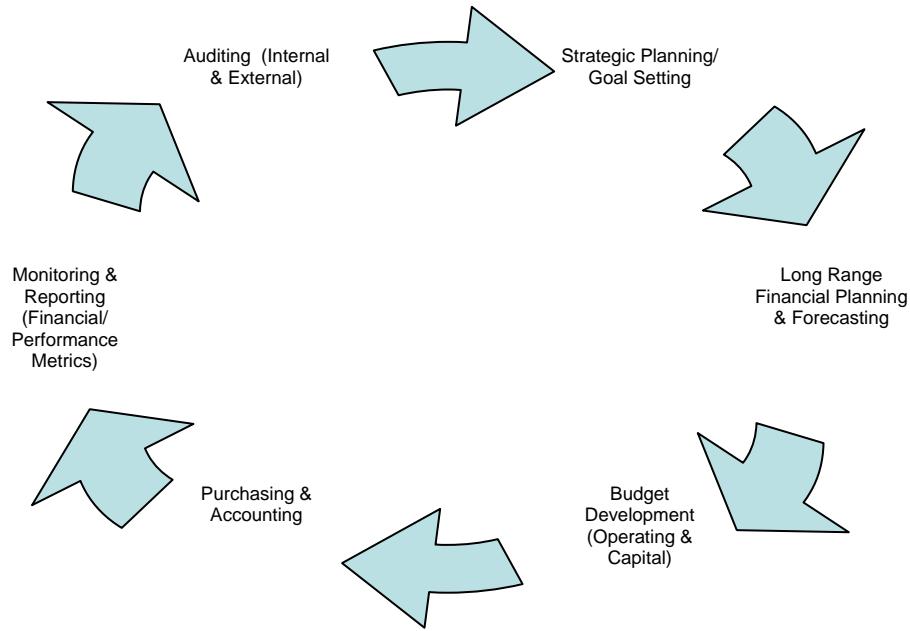
A comprehensive financial management strategy simply refers to thinking strategically about the county's mission, goals and objectives and about how to best apply the county's financial resources to accomplish the mission, goals and objectives.

Those processes are cyclical and involve several key functions:

- Strategic Planning;
- Development of Long-range Financial Plans and Forecasts;
- Development of Budgets (Annual/Multi-year and Capital);
- Purchasing and Accounting;
- Monitoring and Reporting (monthly financial reports and quarterly performance metrics); and
- Auditing (Internal and External).

Exhibit 4-15 demonstrates how a comprehensive financial management strategy affects the flow of information and decision-making in the business and finance functions of government.

EXHIBIT 4-15
SAMPLE FINANCIAL MANAGEMENT STRATEGY



The first step is to have discussions about what it is that the county wants to do in broad terms. What kind of county do the citizens of Jefferson County to be? What should the county look like in 5 years, 10 years, 20 years? What will the county's economic base look like?

Once goals and objectives are agreed upon, the county should begin crafting strategies to accomplish the goals and objectives along with financial strategies and long-range financial forecasts.

Budgets, both operating and capital, are a means of implementing the strategies and should be focused on the long-term. Too often, budgets are short-sighted and are designed to "get us through" until next year. When budgets are focused on long-term goals and objectives, organizations tend to weather short-term financial challenges or setbacks much easier, and tend to achieve what they set out to accomplish.

How organizations purchase goods and services, and account for the revenues and expenditures is quite often the focus of the financial operations. Whereas, the focus should be on how the dollars actually bring about the achievement of the organization's

overall goals and objectives. Purchasing and accounting are merely functions that account for the funds collected and spent. That is not to minimize those functions, for they are extremely important in making the organization “accountable” to the public, but they should not be the focal point of the organization.

Organizations can't fly blindly when implementing strategies to accomplish goals and objectives. That is why it is extremely important to monitor and report along the way. Monitoring and reporting must be constant so as to provide the organization a compass for mid-course corrections. Also, no longer is it acceptable for organizations to only monitor and report financial conditions (i.e., revenues and expenditures). For an organization to truly understand how it is doing relative to its goals and objectives, it must: 1) measure all activities, and 2) measure constantly. By measuring all activities, the organization can gauge whether certain activities are better suited for accomplishing the goals and objectives than other activities. Measuring constantly reduces the risk of putting dollars into activities that do not produce the intended results.

Finally, the audit functions (both internal and external) verify that the dollars intended to be spent on activities were in fact spent on those activities. In addition, the audit serves as a systemic check and balance against straying from the long-term goals and objectives of the organization. The audits naturally lead the organization to re-think and confirm or modify the overall goals and objectives through the planning process, which is how the process starts all over.

IMPLEMENTATION

The Commissioner's Court should begin implementing a financial strategy immediately that would involve all county departments and agencies, and include all stakeholders. The County Auditor should immediately begin a program to develop long-range forecasts for revenues and expenditures, and to develop more detailed monthly financial reports. The Budget Director should begin now to develop operating and capital

budget templates, and to work with each department head to construct performance measures.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-2:

Hire a professional director and one analyst for the Strategic Planning and Budget Office.

IMPLEMENTATION

One of the primary impediments to the effectiveness of the current budget office was the lack of countywide buy-in. In addition to the qualifications and expectations of the budget staff, reaching an agreement on the role, function and staffing of the budget office are also critical factors in the success of the office. For this reason, the Commissioner's Court should appoint a committee with representatives from the other elected offices to participate in the development and staffing of this function. The committee should have a say in the job duties of the budget office as well as in the recruiting and hiring of the budget staff.

The Commissioner's Court should abolish the current budget office in November 2005, and eliminate the three positions currently assigned to the office. The Commissioner's Court should develop a timeline for creating and staffing an Office of Strategic Planning and Budget. The person selected to head this office should have both county finance and strategic planning experience. An experienced budget analyst should be hired to assist the director.

FISCAL IMPACT

The current budget office has one budget assistant and one administrative secretary position in addition to the Budget officer. By eliminating that office and constituting the new office, and by hiring an experienced budget and strategic planning

director and an experienced budget analyst, the county could save the cost of one administrative employee with an annual salary budgeted at \$36,742. The county's benefit rate is approximately 35 percent of salary, so the total savings resulting from the implementation of this recommendation would be \$49,602 (\$36,742 X 1.35). The current administrative employees are experienced in administrative support, but not in professional budget development and strategic planning. As such, the current administrative personnel would have a steep learning curve and more experienced personnel would be more productive.

Recommendation 4-2	2005-06	2006-07	2007-08	2008-09	2009-2010
Hire professional director and analyst	\$49,602	\$49,602	\$49,602	\$49,602	\$49,602

RECOMMENDATION 4-3:

Conduct a comprehensive fee study that will analyze the costs of providing services and the fees charged by other jurisdictions.

Certain services provided by county offices use cost recovery methods by charging fees, the limits of which are defined by state law. A comparison of fees shows that Jefferson County may not be maximizing the amount charged for services. **Exhibit 4-16** below shows a selection of Jefferson County fees as compared to peer counties. As this exhibit shows, Jefferson is charging less than many of its peer counties for some of its fees.

EXHIBIT 4-16
JEFFERSON COUNTY FEES COMPARED TO
PEER COUNTIES
FISCAL YEAR 2005

Fee Type	Jefferson	Brazoria	Chambers	Collin	Denton	Fort Bend	Galveston	Hardin	Lubbock	Montgomery	Nueces	Orange
Citation	\$50	\$65		\$55	\$50	\$60	\$55	\$65	\$45	\$50	\$70	\$60
Forcible Detainer	\$30	\$65	\$50	\$55	\$50	\$60	\$50	\$50	\$45	\$50	\$65	
Precept to Serve	\$50		\$50	\$55		\$60	\$60	\$65		\$50	\$70	\$60
Subpoena	\$50	\$65	\$50	\$55	\$50	\$60	\$55	\$65	\$45	\$50	\$70	\$60
Small Claims Citation	\$30	\$65	\$50	\$55		\$60	\$50	\$65	\$45			
Summons	\$50	\$65	\$50	\$5	\$50	\$60	\$55	\$65	\$45	\$50	\$70	\$60
Temporary Restraining order	\$50	\$100	\$50		\$85	\$60	\$55	\$65		\$100	\$120	\$60
Writ of attachment	\$75	\$65	\$60	\$150	\$85	\$60	\$100	\$100	\$100	\$100	\$120	\$80
Writ of execution	\$75	\$125	\$60	\$150	\$100	\$60	\$95	\$100	\$100		\$120	\$80
Writ of garnishment	\$75	\$125	\$60	\$150	\$85	\$60	\$100	\$50	\$100		\$120	\$80
Writ of Habeas Corpus	\$75			\$150	\$85	\$60	\$55	\$35		\$100	\$120	\$80
Writ of Possession	\$75	\$125	\$60	\$150	\$100	\$60	\$100	\$50	\$100		\$120	\$80
Writ of Sequestration	\$200	\$125	\$60	\$150	\$100	\$60	\$100	\$100	\$100	\$100	\$120	\$80

Source: Texas Comptroller of Public Accounts website, <http://www.window.state.tx.us/lga/sher05/table.htm>, 2005.

A fee study would analyze each of the services that utilize cost recovery and determine the costs of the services. In addition, the study would survey surrounding counties to ascertain their fees and fee structures, and to determine the competitiveness of the fees in Jefferson County.

IMPLEMENTATION

The Budget Director should begin studying all fees charged by the county departments and agencies, all costs associated with services that are under cost recovery requirements or guidelines, and the amounts of fees charged by surrounding counties. The fee study report should be delivered to the Commissioner's Court by October 1, 2005.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-4:

Implement mandatory direct deposit payroll for all county employees and purchase the latest updates for the HTE Sunguard FinancePLUS accounting software.

Currently, direct deposit of payroll is not mandatory for all personnel. According to the Auditor's Office, 50 percent of the employees take advantage of direct deposit of their paychecks. By converting all employees to a direct deposit payroll system, the County would realize significant savings.

The National Automated Clearinghouse Association (NACHA) - The Electronic Payments Association, states the benefits of direct deposit as:

- There are fewer checks to print and store;
- Facsimile signature security isn't necessary with direct deposit since no signatures are required;
- Lost and stolen checks are eliminated;
- Financial institution service charges are reduced. Typically, it costs more to process a paper check through an entity's bank account than a direct deposit transaction;

- The potential for errors is reduced because direct deposit requires less manual handling than a check;
- Account reconciliation is simplified;
- Fraud is reduced because there is less potential for counterfeit checks, stolen checks or signature plates, altered amounts, and forged signatures;
- Problems with direct deposit are very rare. The chance of having a problem with a check is 20 times greater than with Direct Deposit;
- Administration costs can be lowered due to the elimination of manual check preparation;
- Organizations report savings of more than 40 cents in processing costs for each paper check converted to direct deposit;
- Direct Deposit adds one more incentive to competitively attract employees; and
- Productivity can be increased due to employees spending less time away from work to cash or deposit a payroll check;

For employees who do not maintain bank accounts, the County Auditor can work with the county's depository institution to establish a debit card system which allows employees to access their funds from any bank or teller machine.

In addition to direct deposit, the way in which the county tracks and reports employees' work time is an area where systemic efficiencies could be realized.

Currently, most employees report their time to their individual departments or offices via paper timecards. Each department or office has a person responsible for recording the time records in the finance/payroll software, HTE Sunguard's FinancePLUS. The Auditor's Office then verifies the records and completes the payroll process.

The timekeeping processes should be automated using several different technologies. For those employees with internet access, they could keep track of and report their time via an online employee portal. The employee would login to the employee online portal and bring up an application where they would then input their time. There is also swipe card access technology that would allow employees that don't

have access to the online portal to automatically record their time. Each employee would be issued an access card, which resembles a credit card, with a magnetic stripe on the back containing the employee's data. The employee would swipe the card in a card reader at their base location when clocking in and out. The card reader would be connected to a computer that would report the swipes of the card in the database of the program, whereby reporting the employee's time automatically. In both cases, the need for personnel in the departments and offices to record the department's time would be negated.

By automating the timekeeping functions and fully utilizing direct deposit of payroll, the County Auditor could potentially reduce the staffing to one payroll technician.

IMPLEMENTATION

The County Auditor should mandate that all employees move to direct deposit for payroll by October 1, 2005. The Auditor should purchase the updated payroll module from HTE and the MIS staff should implement the program.

FISCAL IMPACT

Moving all employees to direct deposit and implementing the HTE payroll automation, would require an initial investment of \$100,000. However, the county would achieve efficiency savings and could eliminate one payroll clerk. The average salary for payroll clerks is \$36,683 annually. With benefits, the total savings from eliminating one clerk position will be \$49,522 (\$36,683 X 1.35).

Recommendation 4-4	2005-06	2006-07	2007-08	2008-09	2009-2010
Update the THE Sunguard system	(\$100,000)				
Eliminate payroll clerk	\$49,522	\$49,522	\$49,522	\$49,522	\$49,522
Net fiscal impact	(\$50,478)	\$49,522	\$49,522	\$49,522	\$49,522

Budgeting

Until 2003, the construction of the budget had been the domain of the County Auditor. The Auditor is appointed by the Jefferson County district judges. According to the Audit Committee's Response to the Management Letter from Edwards, Tate & Fontenote, LLP dated March 12, 2004, the County Auditor is responsible for ensuring budget compliance and has repeatedly allowed departments to exceed approved budgeted amounts, and budget amendments were made after the fact, which is a violation of budget policies and procedures as adopted by the Commissioners Court. However, the Commissioners Court has no authority to compel the Auditor to comply with statutory requirements. To address this problem, in 2003, the Commissioners created a Budget Office and hired a Budget Officer.

The Jefferson County budgets that were constructed by the County Auditor's Office for FY 2000-2001 through 2002-2003 won the ***Distinguished Budget Presentation Award*** from the Government Finance Officers Association (GFOA). Those budgets presented the annual operating and capital budget information by division and category. The Auditor presented the information in such a way that was understandable by the Commissioners, the county departments, and by the general public.

However, the FY 2003-2004 and FY 2004-2005 operating budget documents were constructed strictly as line-item budgets by the Budget Officer. The documents did not include budget summaries or any explanatory narrative and were very difficult to read and comprehend. In a line-item budget, budgeted figures are attached to revenue or expenditure lines (accounts), with little or no explanation of why the money was being appropriated and what was actually being accomplished by the appropriation. The County Commissioners cannot rely on these documents to assist them in their decision-making processes, departments and offices cannot rely on them for operations and resource allocations, and the general public cannot rely on them to communicate

spending plans or priorities for the year. However, in FY2004, expenditures only varied 0.1 percent from their budget appropriations, which implies that the Budget Office had been able to more strictly enforce budgetary compliance.

The budgeting process for expenditures typically has been based upon departmental requests and historical trends. There have not been any goals established for the monies spent, nor performance measures created to track how well the services are delivered.

RECOMMENDATION 4-5:

Convert the budgeting process and budget document to a performance budget, where funding is prioritized by desired outcomes and predicated on the performance metrics of the programs, departments and agencies.

Jefferson County must become a performance-driven organization. Programs and programmatic funding must be driven by the performance of the department/agency and the organization as a whole. Resources are too scarce to squander on underperforming programs, departments or agencies.

To optimize the budget process, Jefferson County needs to develop a measurement focus for all of the departments/agencies and operations. All operations, programs, and processes need to be measured against the goals and objectives of their respective departments/agencies. Once Jefferson County begins to measure what they do, and how they stack up to the stated goals, the county must begin to adjust the resources to meet the desired outcomes. Once the resources are channeled properly to achieve the desired outcomes, the county has begun to optimize how the resources are allocated and spent.

The budget document itself must be:

- a policy discussion and decision tool;
- a fiscal management tool;
- a policy management tool; and
- a performance management tool.

The Government Finance Officers Association (GFOA) recommends that "program and service performance measures be developed and used as an important component of long-term strategic planning and decision making which should be linked to governmental budgeting."

The GFOA recommends the performance measures should:

- be based on program goals and objectives that tie to a statement of program mission or purpose;
- measure program outcomes;
- provide for resource allocation comparisons over time;
- measure efficiency and effectiveness for continuous improvement;
- be verifiable, understandable, and timely;
- be consistent throughout the strategic plan, budget, accounting and reporting systems and to the extent practical, be consistent over time;
- be reported internally and externally;
- be monitored and used in managerial decision-making processes;
- be limited to a number and degree of complexity that can provide an efficient and meaningful way to assess the effectiveness and efficiency of key programs; and
- be designed in such a way to motivate staff at all levels to contribute toward organizational improvement.

Each department or agency has a number of programs it is responsible for administering, and must establish its mission, goals, and objectives. Each program, then, must have metrics that measure how each goal is being accomplished, and, in turn, how that mission is being fulfilled.

IMPLEMENTATION

The Budget Director must immediately begin to develop a performance budget template and work with departments and agencies to develop specific performance metrics.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

Fiscal Policies

Jefferson County does not have a comprehensive set of policies that act as a guide for the finance-related departments and offices regarding financial matters of the county. Fiscal policies serve not only as a guide but as a safeguard for the county and a hedge against imprudent financial decision-making. They serve as internal controls to ensure compliance with statutory requirements. In addition, they are a means of instituting checks and balances within the budget process. The lack of a comprehensive set of policies exposes Jefferson County to a high degree of financial risk.

RECOMMENDATION 4-6:

Establish a clear set of written financial policies that are officially adopted by the Commissioners Court.

The policies should include the following:

- Financial Planning Policies;
- Revenue Policies;
- Expenditure Policies;
- Fund Balance Policies; and
- Accounting Policies and Procedures.

IMPLEMENTATION

The Commissioners Court should immediately appoint a committee of representatives from the Auditor's Office and the Office of Strategic Planning and Budget to craft the county's fiscal policies. The policies must be officially adopted by the Commissioners Court to become effective. The policies should be presented to the Commissioners Court by June 2006.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-7:

Maintain a minimum Unreserved Fund Balance of between 10 percent and 15 percent of the annual General Fund expenditures.

With current General Fund expenditures at approximately \$75 million annually, the range of the Unreserved Fund Balance should be between \$7 million and \$11 million.

However, the County Commissioners Court has been financing current operations from the fund balance. The purpose of the General Fund balance is to provide capital to finance operations on an on-going basis and is meant to be used like a line of credit to bridge the temporal mismatch of cash outflows and cash inflows. A depletion of the General Fund balance below the recommended levels means that Jefferson County may encounter a liquidity crunch when expenditures are due and revenues have yet to be collected. A government in this position poses a much higher risk of default on public debt. In addition, rating agencies place a great deal of emphasis on the fund balance as an indicator of a borrower's ability to pay, and Jefferson County's bond rating was downgraded by the major rating agencies. As a result, the cost of capital for Jefferson County is likely to increase, making it more difficult and costly for the county to access capital to meet its needs.

IMPLEMENTATION

The Budget Office should seek to create a budget that would generate surplus revenues in the General Fund that can be used to replenish the Unreserved Fund Balance. Strategic planning, the creation and implementation of fiscal policies, and the adoption of a performance budget should facilitate the county's efforts to re-allocate and cut expenditures in order to generate a surplus in the General Fund. A fee study could result in the identification of additional revenue generating opportunities, and trend analysis can aid in the projection of more reliable revenue figures.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-8:

Establish a system of collection for outstanding fees and fines owed to the county.

Recent legislation passed by the Texas Legislature establishes the mandatory implementation of a fee collection program in criminal cases. This bill applies to counties with populations of at least 50,000 and municipalities with populations of at least 100,000, making both Beaumont and Jefferson County eligible for implementation.

According to SB 1863,

The office (of Court Administration), in consultation with the comptroller, may:

- (1) use case dispositions, population, revenue data, or other appropriate measures to develop a prioritized implementation schedule for programs; and
- (2) determine whether it is not cost-effective to implement a program in a county or municipality and grant a waiver to the county or municipality

Currently, several Jefferson County departments deal with collecting fees and fines within their own jurisdictions. These include Juvenile Courts, Adult Probation in District and County Courts, the Sheriff's Office, all Justice of the Peace offices and the County Clerk's Office. Over the last few years, across the board efforts to collect unpaid fees and fines have become less effective. As a result, large amounts of money are owed to the county.

In order to improve their practices, counties can work with The Office of Court Administration (OCA). The OCA assists in the creation and implementation of collections programs in the state of Texas. They are able to determine a county's needs, and also train county staff in the collection of fees and fines as well as provide on going support. All of these services are provided by the OCA at no charge. Several

counties and municipalities surrounding Jefferson County have taken advantage of these services including the city of Houston, and Montgomery County.

With the passage of this legislation, the Office of Court Administration has created a model program that includes best practices for counties to follow in order to comply with this new policy. These model components are as follows:

- Staff or staff time dedicated to collection activities. This may include county or city employees or contractor employees.
- Expectation that all court costs, fees, and fines are generally due at the time of sentencing or pleading.
- In most cases, defendants unable to pay in full on the day of sentencing or pleading are required to complete an application for extension of time to pay.
- Application information is verified and evaluated to establish an appropriate payment plan for the defendant.
- Payment terms are usually strict (e.g., 50 percent of the total amount due must be paid within 48 hours; 80 percent within 30 days; and 100 percent within 60 days).
- Alternative enforcement options (e.g., community service) are available for those who do not qualify for a payment plan.
- Defendants are closely monitored for compliance, and action is taken promptly for non-compliance. Actions include telephone contact, letter notification, and possible issuance of warrant.
- A county or city may contract with a private attorney or a public or private vendor for the provision of collection services on delinquent cases (61+ days), after in-house collection efforts are exhausted.
- Application of statutorily permitted collection remedies, such as programs for non-renewal of driver's license or vehicle registration.
- Issue and serve warrants, as appropriate.

There is also the possibility of collaborative efforts with jurisdictions within the county, similar to the system in place for the collection of property taxes. With this system, the county and cities work together to collect money owed to the county. In this situation, the city pays the county for their assistance in collecting outstanding payments.

IMPLEMENTATION

The Office of Court Administration should be contacted for assistance in the creation and implementation of this new program. The county should consider the possibility of implementing a coordinated fee collection program by partnering with one or more of the surrounding jurisdictions in the county such as the city of Beaumont or the city of Port Arthur.

FISCAL IMPACT

OCA staff say that in the counties they assist with implementing fee collection programs, experience, on average, increased revenues of 30 percent. In one instance, a county's revenues were increased by 89 percent. However, these percentages vary depending upon the number of courts a county has, the system already in place and the improvements made.

To be conservative, we assume that collections from fees will increase by 20 percent in Jefferson County by implementing this recommendation. Should the county enter into a reciprocal agreement with a neighboring jurisdiction for fee collection services, the additional revenue associated with this recommendation would be even higher since collection costs would be reduced.

If the county increased its collections by 20 percent as a result of implementing this recommendation, the fiscal impact would be over \$500,000 annually (2004 net receivables of \$2,513,077 X .20).

Recommendation 4-8	2005-06	2006-07	2007-08	2008-09	2009-2010
	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000

Financial Reporting

According to §114.023 in the Texas Local Government Code, County Auditors are required to issue reports on the financial condition of the county to the Commissioners Court at least monthly. The report is required to contain the following:

- (1) all of the facts of interest related to the financial condition of the county;
- (2) a consolidated balance sheet;
- (3) a complete statement of the balances on hand at the beginning and end of the month;
- (4) a statement of the aggregate receipts and disbursements of each fund;
- (5) a statement of transfers to and from each fund;
- (6) a statement of the bond and warrant indebtedness with corresponding rates of interest; and
- (7) a summarized budget statement that shows:
 - (A) the expenses paid from the budget for each budgeted officer, department, or institution during that month and for the period of the fiscal year inclusive of the month for which the report is made;
 - (B) the encumbrances against the budgets; and
 - (C) the amounts available for further expenditures.

In addition, the County Auditor is required to report to the Commissioners Court at each regular meeting, reporting on the county's receipts and disbursements of funds; and the accounts of the county. The auditor is also required to make monthly and annual reports to the Commissioners Court and district judges.

The County Treasurer is required to report to the Commissioners Court at each regular term. The report is to include:

- (1) money received and disbursed;
- (2) debts due to and owed by the county; and
- (3) all other proceedings in the Treasurer's Office.

The County Auditor currently prepares and presents a monthly report to the Commissioners Court titled “Financial & Operating Statements-County Funds Only.” This report includes the following:

- Transmittal letter from the County Auditor summarizing important issues in the report;
- Consolidated Balance Sheet;
- Statement of Change in Fund Balances;
- Statement of Revenues by Category-Compared to Budget Allocation;
- Statement of Revenues-Compared with Budget Allocation;
- Statement of Expenditures by Category-Compared with Budget Allocation;
- Statement of Expenditures-Compared with Budget Allocation;
- Statement of Bonded Indebtedness; and
- Statement of Transfers In and Out.

This is a concise report that gives a summary view of the financial health of the county. It is not, however, sufficiently detailed so as to show what revenue accounts may be in danger of under-collection and to show what expenditure accounts that may be in danger of overspending.

RECOMMENDATION 4-9:

Construct a monthly budget report that shows the Commissioners Court, elected officials, and all department heads the summary view and the detailed view of the financial picture of the county.

IMPLEMENTATION

The County Auditor must be able to show all of the county stakeholders the precise financial picture each month. The Auditor needs to design a monthly report that will communicate the revenues and expenditures in such detail so as to cause the court, elected officials, or department heads to make adjustments to programs and expenditures, as necessary.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

Purchasing

According to the Texas Local Government Code §262.011, the Purchasing Board of a county consists of three district judges and two members of the Commissioners Court. The board appoints a purchasing agent who is accountable to the board, not the Commissioners Court. Purchasing agents oversee all purchases made on competitive bid. A competitive bidding process is required for all expenditures over \$25,000.

According to Jefferson County purchasing policy which is approved by the Commissioners Court, purchase orders must be issued before services are rendered or goods are procured.

The Purchasing department of Jefferson County is also responsible for all printing expenses and print jobs. The Printing department functions as an in-house printing operation with one employee and a budget of \$125,923 for FY 2004-2005.

All printing expenses and print jobs are incurred in the general fund. Print jobs are not charged back to the individual departments or offices.

RECOMMENDATION 4-10:

Abolish the Purchasing Board and appoint Purchasing Agent to report to the Commissioners Court.

IMPLEMENTATION

The Purchasing Board should vote to abolish the board. The Commissioners Court should then appoint a Purchasing Agent to report to the court.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-11:

Eliminate the Printing department, outsource all printing projects and charge the cost of printing to user departments.

To be effective and efficient at the printing functions required by the county now and in the future, the Printing Department would need to purchase additional equipment and hire additional staff. The annual budget should be closer to \$200,000, plus the purchase of some expensive pieces of printing equipment. Rather than incurring the additional expenses to grow the printing functions that will serve the county departments into the future, the Purchasing Agent should outsource all printing functions.

IMPLEMENTATION

The Purchasing Agent should issue an Invitation to Bid for county printing. The bids should be analyzed to corroborate and quantify savings. Once confirmation of savings exists, the Purchasing Agent should move to close the in-house printing operations and eliminate the position.

FISCAL IMPACT

Eliminating the Printing department would result in annual savings of \$125,900.

Recommendation 4-11	2005-06	2006-07	2007-08	2008-09	2009-2010
Eliminate the Printing department	\$125,900	\$125,900	\$125,900	\$125,900	\$125,900

Management Information Systems

The Management Information System department maintains and supports the county's computer equipment, networks, software and data systems. There are 14 employees with a \$1,116,315 budget for FY 2004-2005.

The MIS Department is responsible for the following functions:

- Programming and Support Services to 28 departments and offices; and
- IBM AS/400 and Network Systems Support and Maintenance:

- Monitor and Maintain IBM AS/400 System Performance;
- Provide for AS/400 System Upgrades;
- Install Upgrades to H.T.E.Sunguard Systems;
- Conduct daily and Weekly backups for AS/400 database, Network Servers, Jail Imaging system, County Clerk Imaging System & District Clerk Imaging System;
- Provide Off Site Storage of All Backups;
- Provide Systems Inventory for All County Hardware for AS/400, Networks, & stand alone PCs. Including Microsoft Licensing requirements;
- Provide for User Training at AS/400, Network & PC Levels;
- Provide Specifications & Support for All PC, Printer, Network, & AS/400 Hardware Requirements throughout the County;
- Provide Support Services to Beaumont Police Department AS/400 & Network Interface via dedicated token ring;
- Provide Support Services to Port Arthur Police Department AS/400 & Network Access;
- Provide Support to network Access for FBI, DEA, Pardons & Parole, Beaumont Fire Dept., Groves PD, Port Neches PD & Nederland PD; and
- Provide for networking needs of over 900 PC workstations, 75 “dumb” terminals & over 500 printers for 39 departments and locations throughout the county.

The county information systems network is comprised of a new IMB AS/400, over 60 switches and routers, and utilizes 24 broadband connections throughout the network.

Even though most organizations have transitioned to Windows or UNIX server-based systems, Jefferson County MIS has continued using an IBM mainframe system. Jefferson County MIS has not only made the system work for the county, but it actually is a thriving system. The MIS Department has developed their own expertise on the AS/400 and takes advantage of the system's capabilities. Virtually all of the county's departments and offices report an excellent working relationship with MIS and have testimonials to the department's abilities and competence.

The MIS Department has developed, programmed, implemented, and continues to maintain a number of programs for 28 departments and offices throughout the county. In addition, the MIS Department provides web presence for most departments, maintains the H.T.E. Sunguard system and databases, and provides support for numerous off-the-shelf systems and programs.

COMMENDATION

The MIS Department was cited by most other departments and offices surveyed as helping everyone conduct their business more effectively and more efficiently.

RECOMMENDATION 4-12:

Continue utilizing and investing in the IBM AS/400 platform.

FISCAL IMPACT

To convert county's MIS platforms and programs over to a server-based system would cost millions of dollars for hardware and software with little discernable benefit to the county. The MIS Department personnel manipulate the system to make it work for the county and there would be little benefit to making the change in systems currently.

RECOMMENDATION 4-13:

Invest in the updating of hardware.

Many of the 900 existing PCs and many of the 500 existing printers are in need of replacement. In addition, there are still 143 "dumb" terminals in use currently.

To its credit, the MIS Department does rebuild the existing PCs when there are problems. By replacing some critical components (no processors or motherboards), the MIS Department is able to keep the PCs in service longer. However, even the rebuilt PCs can only perform as well and as fast as their component parts will allow. Most of the current fleet of PCs operate at significantly slower speeds and diminished capacities. By updating to newer technologies, the county could see increased productivity in the

workforce. In addition, there would be fewer hardware problems to resolve and faster resolutions to problems, resulting in increased productivity.

IMPLEMENTATION

MIS should make a priority listing of the PCs and other hardware that needs updating and/or replacing. The Strategic Planning and Budgeting Office need to develop a Capital Improvement Plan that includes a “rolling” schedule for the replacement of computer hardware. Each year, computer hardware with the highest priority needs to be replaced.

FISCAL IMPACT

The Commissioners Court needs to budget funds each year for the upgrade and replacement of computer hardware. If placed on a five-year rolling replacement schedule, the county would need to replace approximately 210 PCs per year, plus associated peripherals (i.e., printers and scanners). The cost per PC for the standard utilized by the department is currently approximately \$1,275. The annual replacement costs for the associated peripheral equipment will depend upon the equipment needs at the time. The annual budget for the equipment replacements (PCs and related equipment) should be approximately \$300,000 per year.

Recommendation 4-13	2005-06	2006-07	2007-08	2008-09	2009-2010
	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)

RECOMMENDATION 4-14:

Add one additional MIS PC Technician to the MIS Department.

MIS personnel are currently stretched too thin. With the recommendation of replacing over 200 PCs per year, MIS would not have enough personnel to make that many installations with existing staff. The department would need one additional person to assist in the PC installations and technical assistance.

IMPLEMENTATION

MIS should hire a PC Technician to assist in the installation of PCs and related equipment.

FISCAL IMPACT

MIS needs to budget an additional PC Technician in the department. The cost of the additional personnel would be approximately \$50,000 per year.

Recommendation 4-14	2005-06	2006-07	2007-08	2008-09	2009-2010
	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)

Human Resources

RECOMMENDATION 4-15:

Conduct a new compensation and classification study for all Jefferson County employees, including elected officials offices.

The Jefferson County employees have not been given pay raises in four years due to budget constraints. Morale is very low.

Without pay raises since October 2001, there is little doubt that the County's compensation structure is no longer competitive. A new study should be completed to ensure internal and external compensation equity.

IMPLEMENTATION

The Commissioners Court should contract with an outside firm to conduct a new compensation and classification study for all county employees.

FISCAL IMPACT

The cost for a firm to complete a new compensation and classification study will be approximately \$80,000. The cost to implement the study would be determined in the course of the study, and since pay increases have not been given in four years, could be substantial. Implementation of the study could, however, be phased-in over a period of a couple of years to reduce the financial impact.

Recommendation 4-15	2005-06	2006-07	2007-08	2008-09	2009-2010
	(\$80,000)	Unknown	Unknown	Unknown	Unknown

RECOMMENDATION 4-16:

All county departments, offices, and agencies should adhere to Jefferson County hiring policies and procedures.

Most, but not all, of the county's departments, offices, and agencies use the HR Department to ensure that they are following established policies and procedures for hiring, firing, and discipline. In order to decrease the potential for personnel lawsuits, all county departments, elected offices, and county agencies must follow the adopted Personnel Policies/Practices and Procedures Manual.

IMPLEMENTATION

The Human Resources Director should hold quarterly meetings with all department heads, elected officials, and agency heads to educate them on the policies and procedures of hiring, firing, and disciplining employees. In addition, HR trends such as high rates of turnover and compensation issues should be discussed.

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-17:

Exit interviews should be conducted on all employees who are leaving the county's employ voluntarily.

The county should take advantage of an exit interview with employees so as to discover information about the county as employer that might be otherwise difficult to find out. The HR Department should conduct the interviews and ask probing questions and/or develop a survey that would ask questions on how to improve the working conditions and how to retain the best employees.

IMPLEMENTATION

The Human Resources Department staff should develop questions that would be asked during an exit interview. When thinking about the exit interview questions, please keep in mind:

1. Interviews can be conducted orally or written. An oral is usually better, as you can develop better information.
2. Think carefully about the information you would like to get before the interview. This greatly increases the odds of a successful interview.
3. Save the hardest questions for the latter part of the interview. Work up to the tough stuff!
4. A good question to break the ice is "would you like for us to be a reference/recommendation for you?" Do not make this offer if you would not recommend the employee!
5. Be prepared for some bombshells. Expect the unexpected – if it ever is to happen it will happen in an exit interview.
6. Carefully select the interviewer. Look for someone that listens well and is open-minded. It serves no purpose for the interviewer to get into an argument with the departing employee.
7. Throughout the interview stay focused on the employee!
8. Look for open-ended questions that allow for plenty of expression. An example of this might be "how did you feel you were managed during your employment with us?" or "how do you feel the County is run?"
9. Other excellent questions are 'under what conditions would you have stayed?' and 'if you had had a magic wand, what would you have changed?'
10. At some point in the interview ask "why are you leaving?" if you do not already know.
11. Try to find out if there were things the departing employee would suggest to improve conditions, production or morale.
12. Try to get a good feel for how they viewed their compensation and benefits package.
13. Leave room at the end of the interview for general comments.
14. Take notes of the high points. Get the general idea – it is not essential to get exact quotes. It is more important to listen than write.
15. Immediately after the interview determine if you would rehire the employee. Assume they will reapply.
16. Make use of the information gathered. If you do not use this new information then why do an exit interview?

FISCAL IMPACT

This recommendation has no associated fiscal impact.

RECOMMENDATION 4-18:

The Human Resources Department should implement imaging technology for HR records.

The Human Resources Department is a records-intensive department. It captures information and data for internal, external, and compliance uses. The department is also mandated to keep certain records permanently and others for long periods of time. The HR Department, in keeping such records, needs to implement newer technology to capture, store, and retrieve those records.

IMPLEMENTATION

The Human Resources Department, along with MIS staff, needs to implement imaging technology in order to retain the records electronically. The imaging technology will assist the department in organizing, managing, storing, and retrieving the records and documents.

An imaging/document management project would require planning to implement. FY 2005/06 should allow the HR Department and the MIS Department to plan for the implementation.

FISCAL IMPACT

The cost to implement imaging and document management technology in the Human Resources Department would be minimal compared to a new implementation. Several other county departments and offices have already implemented, or are currently implementing, this technology. It would require little to extend the technology to the HR Department. In fact, the goal should be to implement imaging and document management technology in all departments and office in the county.

The implementation of this technology in the HR Department would require some programming and setup and some additional equipment costing approximately \$15,000.

Recommendation 4-18	2005-06	2006-07	2007-08	2008-09	2009-2010
	\$0	(\$15,000)	\$0	\$0	\$0

Economic Development Incentives

With a population of just over 730,000, the Southeast Texas region accounts for 3.6 percent of Texas' population. The Texas Comptroller of Public Accounts defines the Southeast Texas region as a 15-county region stretching from the Beaumont-Port Arthur MSA northward to Nacogdoches. Jefferson County is the anchor community of the Southeast Texas region, accounting for 35 percent of total population. Defined by its proximity to the Gulf of Mexico, large oil, gas, and refining operations, and limited population growth, Southeast Texas faces an economic environment that differs from much of the rest of Texas. While the local economy has improved to some degree in recent months, the Jefferson County unemployment rate for 2004, at 8.6 percent, remains well above the comparable statewide figure of 6.1 percent.

As Jefferson County works to diversify and develop its economy, public policy on incentives becomes an increasingly important piece of the equation. Offering incentives to attract private investment into the local area can transfer part of the public sector's responsibility for economic development to the private sector. Typically, there are two main categories of incentives: firm-based incentives targeted at individual firms and project-based incentives targeted at developers of projects.

In order to influence the direction and extent of their economic development, many state and local governments have adopted the practice of providing inducements for increased economic activity to existing firms and/or firms considering locating in the local area. The firm-based incentives generally come in the form of tax abatements offered to individual firms. In exchange, the firms expand or locate in the local area, creating jobs.

While job creation is the most easily quantifiable benefit of firm expansion or location into an area, many direct and indirect impacts benefit the local area that, theoretically, outweigh the costs of the tax abatement or other incentives to the local government.

The first step in developing a coherent business incentive policy is to carefully assess the overall nature and scope of the net social benefits of some of these instruments to the taxing jurisdictions and taxpayers.

In addition to the traditional economic development goal of job creation (which is focused on the firm that will create the new positions), incentive policy can also acknowledge the need for investment in projects that enhance or preserve the community's tax base, increase the community's competitive advantage, and provide other significant public benefits. There are a number of important regional and national trends supporting this approach including the increasing importance of quality of life considerations in creating and maintaining an economically vital region and the long-term economic, fiscal and environmental benefits of sustainable development patterns. Project-based incentives are typically targeted towards disadvantaged areas in an effort to stimulate investment, in order to fuel both the economic and social revitalization of the area. Many local governments encourage mixed-use developments to direct new development in more sustainable patterns. These incentives often include tax abatements and sometimes special financing options, such as Tax Incremental Financing or matching funds provided by Community Development Block Grants.

If used effectively, these economic development incentives can be useful tools for channeling investment into the local area. Through carefully evaluating and targeting incentives offered, local governments can successfully attract economic development projects with net social benefits to their communities.

RECOMMENDATION 4-19:

Create a detailed framework for evaluating the costs and benefits of potential projects.

In order to decide whether or not to offer incentives to a firm or project developer, an in-depth cost-benefit analysis must be conducted. This promotes accountability and provides a justified basis for decision-making.

IMPLEMENTATION

Appendix 1 contains a detailed guide for conducting cost-benefit analysis on investment projects. The new Strategic Planning office should incorporate these guidelines and considerations into a framework for evaluating investment projects and calculating reasonable incentives to offer a prospective firm or project developer.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

RECOMMENDATION 4-20:

Establish a policy to return taxes and/or fees paid by entities based on execution of specific agreed-upon performance criteria.

Jefferson County is facing significant financial challenges, as both the sales and property tax bases have been undermined. As a result, the county is not in a position to “front-load” any financial inducements to be offered. The extent of the inducements to be offered could be a substantial percentage of the net gain to the county, and the county should be aggressive in working with companies and projects that meet the criteria established. However, the return of these funds must be performance-based, and must occur after the funds have been paid initially to the county.

IMPLEMENTATION

Local Government Code, Chapter 380, due to its flexibility and simplicity, should be the vehicle for any financial inducement agreement between the public sector

jurisdiction and a firm. Within this structure, all taxes and fees paid by a company could be eligible to be included, although on a “retuned basis.”

The Commissioners Court should amend its tax abatement policy to be a tax rebate policy.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

CHAPTER 5.0
HEALTH & WELFARE/LIBRARY/
VETERANS SERVICE OF JEFFERSON
COUNTY

5.0 HEALTH & WELFARE/ LIBRARY/VETERANS SERVICE OF JEFFERSON COUNTY

Background

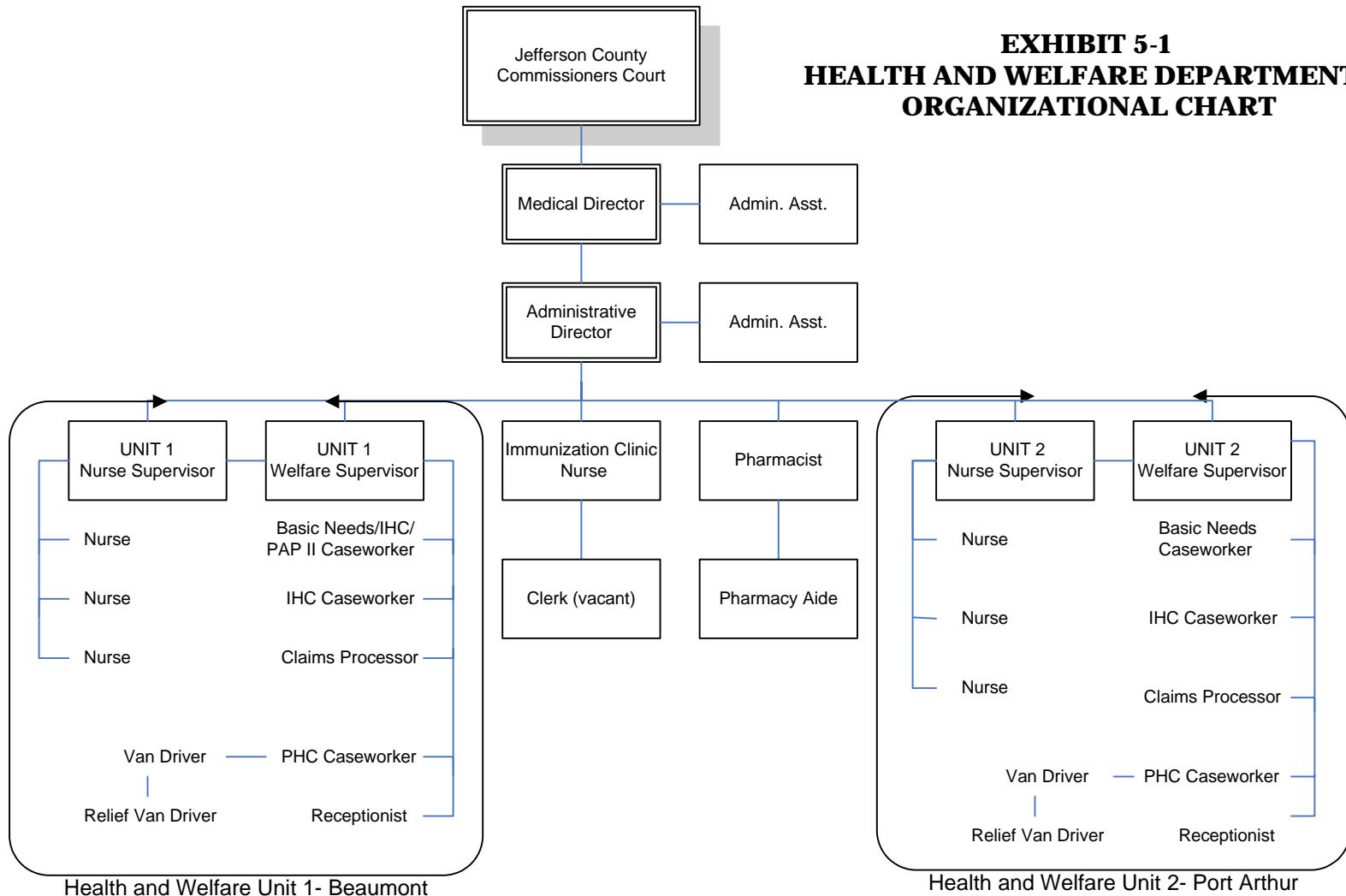
MGT assessed Jefferson County's Health and Welfare Department, Library and Veteran's Service office with background data provided by the departments themselves, interviews with key and representative personnel and other sources such as relevant Texas state agencies and other Texas counties.

Health and Welfare Department

The Jefferson County Health and Welfare Department (HWD) is a fairly comprehensive provider of health and welfare services to the residents of Jefferson County. A medical director, who is the only doctor for the HWD, heads the department in conjunction with an administrative director who oversees two units located in Beaumont and Port Arthur (called Unit 1 and 2, respectively). In addition, HWD also maintains an immunization clinic located in the mid-county area and an in-house pharmacy collocated with Unit 1 in Beaumont.

Units 1 and 2 each have Welfare and Health divisions (**Exhibit 5-1**). HWD has a total staff of 28, with an annual budget of \$809,357 for Unit 1 and \$785,429 for Unit 2 in fiscal 2005. HWD also contracts with the University of Texas Medical Branch at Galveston (UTMB) for outpatient clinic and inpatient care, at a cost of \$800,000 to \$900,000 annually.

HWD's Unit 1 and 2 Health Divisions provide medical services to qualified indigent county residents through the County Indigent Health Care Program (IHC), and to income-qualified uninsured or underinsured county residents through its Primary Health Care program (PHC).



The Health Divisions provide basic health care services. Laboratory and x-ray work is referred out to area providers. Major medical care for IHC clients is referred to UTMB, in accordance with the terms of a contractual arrangement; UTMB also accepts some PHC patients on a sliding-scale payment basis. Some services, such as laboratory work and x-rays are referred to local providers.

Health Care Programs

Texas counties that are not fully served by a public hospital district or public hospital must offer a County Indigent Health Care Program (CIHCP) for eligible residents. The Texas Department of State Health Services (DSHS) administers this program, which was created by the 1985 Texas Legislature.

Chapter 61 of the Texas Health and Safety Code states that county CIHCPs are the payors of last resort when no other source, such as private insurance or Medicaid, is available. DSHS provides rules and guidelines for this program, including strict eligibility criteria and case processing procedures. DSHS also sets strict guidelines for how counties should administer the program, and provides them with technical assistance and training.

Of Texas' 254 counties, 142, including Jefferson County, administer CIHCPs. Of these, 114 counties report to DSHS on their program.¹ In August 2004, these CIHCPs provided care for about 10,000 patients.

State law and DSHS rules dictate what CIHCPs must provide as "basic" health care services. Counties may offer additional optional services, if they choose. Mandatory basic services include:

- Immunizations;
- medical screening services;
- annual physical examinations;

¹ The lack of enforcement in the County Indigent Health Program statute means not all counties report on their program as required, nor do they suffer any consequences for failure to follow DSHS requirements.

- inpatient hospital services;
- outpatient hospital services, including hospital-based ambulatory surgical center services;
- rural health clinics;
- laboratory and x-ray services;
- family planning services;
- physician services;
- payment for not more than three prescription drugs per month; and
- skilled nursing facility services.

Jefferson County provides all of the required services, either in-house or through referral to other providers. DSHS guidelines place an annual per-patient spending cap of \$30,000 or 30 days of hospitalization or treatment in a skilled nursing facility. After a patient exceeds this amount, they must wait for the next fiscal year before receiving additional services through a CIHCP.

As part of the program, the state provides counties with matching state assistance only if CIHCP costs for a county exceed 8 percent of the county's general revenue tax levy (GRTL). Contrary to what Jefferson County officials told MGT, the state does not require counties to expend 8 percent of their GRTL on their CIHCPs; the 8 percent figure is simply a threshold used to determine state aid.

Since 1993, only 48 Texas counties have received state assistance funds for CIHCPs. In fiscal 2004, 20 counties requested a total of \$5.6 million in such assistance; reimbursements to these counties ranged from a \$6,738 for Jones County to \$1.5 million for Hidalgo County. The majority of counties do not expend funds in excess of 8 percent of GRTL to qualify for state matching funds. Jefferson County, with a total fiscal 2004 budget of \$2.9 million, spent only 4.8 percent of its 2004 GRTL on CIHCPs, and in 2004 as in the past, has never exceeded the 8 percent threshold to qualify for state aid.

Exhibit 5-2 compares county CIHCP caseload and expenditures and indicates which received state assistance funds in fiscal 2004 or in the previous decade. These

counties lend themselves to comparison due to the size of their caseloads; all reported caseloads in excess of 200 for August 2004, at the end of the state fiscal year. (Caseload numbers change on a monthly basis as new patients are added and those deemed ineligible are removed; it also should be noted that caseload numbers are self-reported and unaudited by DSHS.)

EXHIBIT 5-2
COUNTY INDIGENT HEALTH CARE PROGRAM
PEER COMPARISONS

County	CIHCP Caseload (August 2004)	Annual Expenditures	Expenditure Per Case	Exceeded 8% GRTL in FY 2004	Exceeded 8% GRTL in FY 1993-2003
Bell	376	\$2,492,714	\$6,630		
Grayson	206	\$1,510,348	\$7,332		Yes
Hidalgo	3,533	\$8,616,722	\$2,439	Yes	Yes
Jefferson	581	\$2,947,679	\$5,073		
San Patricio	249	\$1,157,907	\$4,650	Yes	Yes
Taylor	279	\$1,628,866	\$5,838		
Webb	205	\$1,604,022	\$7,824		
Wichita	439	\$1,244,855	\$2,836		Yes
Williamson	459	\$2,750,147	\$5,992		

Source: Texas Department of State Health Services. (http://www.tdh.state.tx.us/cihcp/Spending_Data/ihc_down.htm).

DSHS stipulates that, when a county's CIHSP expenditures reach 6 percent of its GRTL, the county must notify DSHS within seven days. State law does not provide any enforcement for this requirement, however.

Given Jefferson County's fiscal 2004 expenditures of \$2.9 million or 4.8 percent of its GRTL, it does not and will not need to notify DSHS unless it substantially increases its CIHCP expenditures. Even so, HWD tracks and reports CIHCP financial and caseload data to DSHS on a monthly basis.

Jefferson County's Primary Health Care program is aimed at residents who are ineligible for IHC but still face medical needs due to low income. The PHC has its own income requirements and guidelines and provides basic health services such as

physician and nurse visits at the two county clinics for a copayment of \$10. PHC does not offer access to inpatient or laboratory services, or pharmaceutical services at the county pharmacy. As noted above, the county's arrangement with UTMB allows PHC patients to receive services, including pharmaceutical services, from UTMB at their own cost, on a sliding-scale basis.

In the past, Jefferson County had an open contract with UTMB for health services and many patients who were in fact ineligible still received services at the county's cost. Today, however, UTMB sees Jefferson County patients on a referral basis. County nurses set these appointments through a process involving extensive paperwork and multiple phone calls. These controls, although time-consuming, apparently have managed to control costs by limiting the services to eligible patients only. Certain outpatient services, such as laboratory and x-ray services, however, are provided by local hospitals on a referral basis; the county does not have a contract with these local hospitals for these services. Nurses do follow similar processes setting up the appointments.

The county provides patient transportation to UTMB through a van that the county runs between Units 1 and 2 and UTMB. Van rides are coordinated by welfare caseworkers. Space on the van is made available to IHC patients first and then, if space is available, to PHC patients. County drivers operate the van four days a week, from Tuesday through Friday. Unit 1 has averaged about 115 van riders per month over the past three years; Unit 2 has averaged about 100 van riders a month.

Jefferson County's Mid-County Immunization Clinic (MCIC), located between the cities of Port Arthur and Beaumont, provides immunizations to county residents at a cost of \$5 each, unless the patient cannot pay. The immunizations are ordered from DSHS.

Although the City of Beaumont operates the area's largest immunization clinic, the MCIC also operates a substantial program, providing 2,122 shots to nearly 1,300 county

residents in fiscal 2004. The MCIC has one nurse and a vacancy for a clerk; Unit 2 in Port Arthur provides a backup nurse when the MCIC nurse is out sick or on vacation.

HWD also provides basic screening services to the county's Juvenile Justice Center. Two nurses from Unit 1 conduct periodic basic screenings for all juveniles at the juvenile detention center. The number of juveniles seen fell from about 300 annually in 2002 and 2003 to just over 200 in 2004. This drop likely is due to Unit 1 losing one nurse in 2004 and the resultant demands on the unit's remaining two nurses.

Pharmacy

Jefferson County's pharmacy is managed by a pharmacist and used only for IHC patients. Both the pharmacist and a pharmacy aide are county employees. As noted earlier, state law only requires CIHCPs to provide up to three prescriptions per patient per year. As part of its extended health care service, however, the county exceeds this limit based on the doctor's discretion. IHC patients receive these prescription drugs at no cost, up to the individual annual ceiling of \$30,000.

In the past, Jefferson County contracted with outside pharmacists to serve IHC patients, and also contracted out the pharmacy function itself. In July 2003, the county brought the function back in-house.

In the 1990s, both unit clinics had a pharmacy; a single pharmacist who split his time between the two units ran both. To maximize savings, HWD subsequently consolidated the pharmacy in a single location, collocated with Unit 1 in Beaumont. The Port Arthur office faxes its prescriptions to the pharmacist and a nurse picks them up every morning, so that patients can pick them up at Unit 2 in Port Arthur. This system seems to be working efficiently. The county pharmacy and its staff are properly licensed and have no disciplinary orders from the State Board of Pharmacy.

In fiscal 2005, the pharmacy's budget is \$106,424 for wages and benefits for the pharmacist and \$480,000 for pharmaceuticals. The County Auditor's Office and the Commissioner's Court set these amounts when the in-house pharmacy reopened. The pharmacy aide position is funded from Unit 1's budget.

Welfare

The Welfare Divisions at Units 1 and 2 work closely with the Health Divisions in determining eligibility for county services. Both IHC and PHC have strict guidelines and procedures that must be followed before a patient can be seen by the health clinic. In addition, welfare caseworkers also determine eligibility for the county's basic needs services.

Applications for services can come from telephone calls or walk-in visits or as referrals from HWD's Health Divisions, or from area providers of medical services such as hospitals and organizations such as the Salvation Army. In certain cases, if county residents are found to be eligible for IHC after being treated at a hospital, the cost for their treatment is billed to the county. Once the Welfare Divisions receive a completed application, caseworkers have 14 days to review it and accept or deny eligibility for IHC. If the review and determination are not completed within 14 days, any medical costs incurred even for an ineligible resident may become the county's responsibility.

Both Unit 1 and 2 have procedures in place to ensure that completed IHC applications are processed within 14 days. Due to staffing limitations and workloads, however, the goal is not always met.

The county's basic needs services, which involve stringent eligibility requirements, does include utility payments (gas, electricity and water) and burial expenses. The county also has a one-time emergency basic needs program that can pay for medication with the doctor's authorization after other eligibility screening has been completed. Most of the workload for basic needs caseworkers involves burial payments. At Unit 1, the

basic needs caseworker also works with IHC eligibility and the Prescription Assistance Program (see below).

As **Exhibit 5-3** shows, the basic needs workload at both units has declined in recent years. HWD seems to have successfully adapted its caseworker assignments to changing needs.

EXHIBIT 5-3
BASIC NEEDS WORKLOAD 2000-2005

Year	Unit 1					Unit 2				
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004
# Applications Approved	77	110	33	14	10	91	17	37	55	36
# Applications Denied	124	33	54	35	16	10	7	15	14	12
# Interim Reviews	37	76	35	20	1	50	27	59	38	38

NOTE: The number of applications above do not include total pending applications at the end of the year.

A claims processor at each unit processes claims for IHC patients' referred services; since only IHC patients receive paid referral inpatient, outpatient, lab, x-ray and prescription services, all claim payments are for IHC patients only. The software HWD uses was designed by the county's MIS department and allows the County Auditor's staff to conduct audits as necessary. All bills are first processed by a caseworker and approved by the welfare supervisor before being paid by the County Auditor's Office.

In addition, the systems used by the Welfare and Health divisions are accessible to the other so that the divisions can work closely as necessary and check information on clients efficiently.

Prescription Assistance Program

In 2000, Jefferson County introduced its Prescription Assistance Program (PAP) to provide prescriptions for needy residents not covered by IHC. The program proved very popular, and even with additional staff and overtime, the caseworkers could not keep up with demand.

A July 2001 audit showed that the program had already cost the county more than \$200,000; the commissioners chose to end it. By Fall 2002, however, to continue providing prescription assistance to patients, the staff at Unit 1 had developed an innovative program called PAP II.

Under PAP II, caseworkers coordinate with 25 to 30 pharmaceutical companies' patient assistance programs and, by meeting their varying requirements, obtain prescriptions for Unit 1's PHC patients. These requirements often involve verification of income through W2 forms and pay stubs, but companies have different requirements, and these vary from IHC and PHC eligibility requirements. Patients can receive 90 days worth of medication, free of charge, directly from the companies. In January 2005, the PAP II at Unit 1 in Beaumont had 397 patient files.

Unit 2 does not have an equivalent program. Unit 2's caseload is mostly IHC patients, while more than a third of Unit 1's patients are PHC. (See **Exhibit 5-4**.) Even so, Unit 2 nurses use *ad hoc* processes to obtain medications for 25 to 30 PHC patients.

Units 1 and 2 Workload and Trends

Again, a medical director and an administrator split their time in supervising the Beaumont and Port Arthur units. The medical director is the sole county doctor serving both units.

Both clinics have the same organizational structure with a few small exceptions:

- Beaumont's Unit 1 nurses provide services at the juvenile detention center;
- Port Arthur's Unit 2 nurses serve as backup to the immunization clinic nurse and also to Unit 1;
- Unit 2 has three nurses, while Unit 1 had only two nurses between summer of 2004 and 2005 (third nurse hired as of July 11, 2005);
- the pharmacy is collocated in the same building with Unit 1; and
- Beaumont has PAP II, with a caseworker assigned to the work; nurses perform similar work for a much smaller caseload in Port Arthur.

The biggest difference between the two units for the health division is their workload, as **Exhibits 5-4** shows. The patient load at the clinics seems affected by the local economies of Beaumont and Port Arthur. About 90 percent of Unit 2's patients in 2004 were classified as IHC; at Unit 1 in Beaumont, more than a third of the patients were PHC.

More than twice as many IHC patients saw a doctor at Unit 2 than at Unit 1 in 2002. While the number of IHC patients seen at Unit 2 has remained roughly steady, at around 3,600 a year, Unit 1's IHC caseload rose from about 1,600 to more than 2,000 between 2002 and 2004.

Similarly, Unit 1's PHC caseload rose from about 1,000 in 2002 to almost 1,300 in 2004; Unit 2's caseload again remained more or less steady, at around 300 patients per year.

Both units' nurses handle tests, x-ray and lab requests for their patients and obtain referrals to UTMB and other providers. Both units provide one-on-one patient education on health management for conditions such as diabetes and hypertension; such visits average about 16 per day at each unit.

The doctor who serves both units saw an average of 11 patients a day at Unit 1 over the 2002-2004 period and an average of 15 per day at Unit 2. On the other hand, the number of tests requested and the number of referrals arranged by the nurses has steadily increased to about six per day at each unit.

EXHIBIT 5-4
MEDICAL SERVICES AT JEFFERSON COUNTY HEALTH CLINICS, 2002-2004

Patients seen by Doctor	1002	310					1179	301					1294	216				
Lab services	500						508	2					593					
Special procedures	1135	267					1264	306					1397	216				
No. Prescriptions written	3884	8					3846	10					3973	0				
Referrals to UTMB	74						96						118					
X-ray Requests	32						33						37					
Lab Requests	39						63						93					
Test Requests	139						223						392					
Health Education Provided	1641	280					1581	299					1799	216				
Total patient visits	2938		3472				3601		4028				3917		3883		1473	

NOTES: For MCIC, special procedures are number of immunizations provided.

For Juv, juvenile patients are seen by a nurse.

EXHIBIT 5-5
HEALTH SERVICES ELIGIBILITY AND CLAIMS AT JEFFERSON COUNTY HEALTH CLINICS, 2000-2004

	Unit 1									
	2000		2001		2002		2003		2004	
	CIHC	PHC	CIHC	PHC	CIHC	PHC	CIHC	PHC	CIHC	PHC
Total # Applications	537	589	692	276	991	372	832	484	1276	643
# Applications Approved	162	226	150	131	189	180	251	340	266	276
# Applications Denied	375	363	542	145	802	192	581	144	1010	367
Applications Pending at year end	20	0	38	0	20	0	36	0	67	0
Interim Reviews	403	119	312	93	329	73	448	125	527	175
Total Claims Processed	9738		8922		5792		4974		4307	

	Unit 2									
	2000		2001		2002		2003		2004	
	CIHC	PHC	CIHC	PHC	CIHC	PHC	CIHC	PHC	CIHC	PHC
Total # Applications	867	451	1036	672	902	544	1219	633	1424	565
# Applications Approved	277	451	282	310	252	218	296	267	341	194
# Applications Denied	590	0	754	362	650	326	923	366	1083	210
Applications Pending at year end	21	0	50	18	89	6	127	11	171	5
Interim Reviews	486	506	522	276	501	251	563	99	588	158
Total Claims Processed	6439		7895		6654		6418		6815	

NOTES: 1. Applications for are eligibility for CIHC and PHC health programs.
 2. Total claims processed are for IHC patient referred outpatient, inpatient, lab, x-ray and prescription services.

The biggest difference between the two units for the welfare division somewhat tracks the health division workload, as **Exhibits 5-5** shows. The majority of applications for IHC and PHC, however, are denied due to ineligibility. In addition caseworkers conduct periodic reviews, as required for the CIHC program to verify eligibility. Consistent with Unit 2 serving a larger IHC population, it has more claims processed than for Unit 1.

There may be some inaccuracies in the data entered and tracked for the two welfare units. Although difficult to say for this review, HWD may want to review its internal procedures for entering, coding and tracking welfare health eligibility caseload data. In addition, HWD may want to confer with the county MIS department to ensure that the software created to track welfare department workload is correctly capturing data. Accurate data is an important management tool for resource allocation as is the ability to see changing trends.

Overarching Issues

The county's Health and Welfare Department has adopted many efficient and cost-effective processes over the years to counter a decrease in staffing and a rising workload. Some of these practices include:

- common access to online client tracking systems for both nursing and welfare staff;
- the contract with UTMB for outpatient clinic and inpatient services;
- cross-training of staff in both units;
- extensive written policies and procedures for nurses and caseworkers;
- the use of two distinct file colors, white for IHC and orange for PHC, to avoid mixups;
- controls to prevent excessive patient use of emergency room visits for routine care; and
- controls to prevent patient abuse of prescription medication.

In the past, HWD had some unnecessarily costly practices and lacked adequate controls in some areas. But the department seems to have learned from those experiences and the savings from its controls seem to justify a great increase in administrative paperwork.

Federally Qualified Health Clinic Designation

Jefferson County has considered obtaining Federally Qualified Health Clinic (FQHC) designation from the federal Bureau of Primary Health Care. A FQHC designation provides many benefits, including annual funding of up to \$650,000 a year; cost-based reimbursement for Medicaid and Medicare services; drug pricing discounts on pharmaceutical purchases; and access to medical malpractice coverage, among other benefits.

Obtaining the designation, however, involves a number of difficult requirements, including the formation of a governing board, more than half of whose membership must be made up of clinic users. Public entities wanting to convert their clinics to FQHC status could be structured with a combined, co-applicant board (made up of county commissioners and FQHC board). The chief executive officer for the clinic, however, would answer to the FQHC board, even as the clinic employees would remain county employees.

Furthermore, FQHCs by law must serve any area resident asking for service although they can require payment for services. Additional federal funding for the FQHC may not supplant current spending and service. FQHCs also must provide many required services, including dental and mental health services, which Jefferson County does not currently provide.

Jefferson County has many designated medically underserved areas, and presently has only one FQHC, the Gulf Coast Health Center, Inc., (GCHC) located in

Port Arthur. Jefferson County has no plans to convert its Unit 1 or 2 clinics to FQHC clinics, in part because the commissioners court would have to cede authority for the clinics to an FQHC board.

Another Bureau of Primary Health Care designation, called "FQHC look-alike," offers some of the advantages of a FQHC but comes without federal funding. This would, however, require the county to supply additional services without additional funding.

The GCHC is seeking to open a second clinic in Beaumont. The County Judge's office has worked with GCHC and area providers to create this clinic. Although its 2004 application was denied, the health center expects to reapply in 2005.

Despite the county judge's assistance, the county has no formal role in the FQHC application, and no proposed partnership agreement with GCHC. A coordination of efforts, however, would aid the Beaumont patient population, and provide indirect benefits to area health programs, such as reducing the use of hospital emergency rooms for primary care. The county would benefit from having area providers where it can refer patients for mental and dental health care.

To this end, the county should help GCHC in making a successful reapplication for a FQHC designated clinic. A clinic in operation for even a few months before the application date would make the application competitive. Using incubator funding from DSHS, GCHC can start a clinic with a nurse practitioner and a visiting physician in a donated clinic space.

No longer a conceptual plan, this operational clinic would be able to show how partnerships, donated equipment and space work in practice. The current partners working on the FQHC application should get help from the Texas Association of Community Health Centers with editing and improving the new application.

Staffing Concerns

HWD's success is due in large part to the knowledge and dedication of an experienced staff. Yet HWD does not have a long-range plan to deal with upcoming retirements and the necessary transition to new employees.

The county must be able to answer questions such as: What if the medical director leaves? Will the commissioners court be able to contract with another doctor, or would it have to contract for this service at a much higher rate? And what would happen if a majority of the current nurses were to leave over a short period of time?

Nurse staffing constitutes another problem. Again, the Port Arthur clinic has three nurses, the Beaumont clinic had only two for a year and the immunization clinic has one. This staffing pattern works well only as long as no one takes time off and the clinics experience no spikes in their workload.

During the year when Beaumont has had only one nurse, a nurse from Port Arthur had to fill in at Beaumont any time that clinic had a nurse on leave; this can cause backups at the Port Arthur clinic. In addition, as the nurses and the doctor become increasingly involved with administrative work, patient care may be adversely affected in a manner that could increase the county's liability.

The medical director, for instance, receives requests from lawyers appealing Supplemental Social Security Income denials on clinic patients. Such requests are very time-consuming and come at the cost of the medical services the county provides. The nurses, by the same token, must spend up to 75 percent of their time on the phone, with a variety of tasks including referrals and patient questions and interviews.

Number of patients seen on a daily basis is limited to actual number of patients that the doctor can see by himself between the two clinics each day; the doctor saw an average of 28 patients a day in 2004, up from an average of 25.5 in 2002.

Moreover, new patients typically must wait three to four weeks before their first appointment. This in turn forces some indigent patients to use emergency rooms (ERs) at area hospitals for primary care. In response to the high and uncompensated costs of providing such care, one area hospital now has a new procedure to screen out those seeking ER services unnecessarily, identifying about 10 to 15 such patients each day.

Although the county does not pay for service delivered to all of these indigent patients, area hospitals do refer some patients to the county for screening to determine if they qualify for the IHC program. If they do, the county is billed for those services.

RECOMMENDATION 5-1:

Jefferson County should contract with a physician assistant for both units.

IMPLEMENTATION

Jefferson faces some serious consequences if it cannot provide the health care services required by CIHCP. Although DSHS is not likely to take action against the county, the county already has regular contact with lawyers who are seeking SSI approvals for clients of the county clinics; some of these attorneys can be expected to look for cases of malpractice or negligence.

The county should contract with a physician assistant who would serve both clinics as the doctor and the administrator do. The physician assistant would be able to perform some of the work that the doctor currently handles, and help the doctor and the nurses in attending to the patient load. This would decrease the waiting period for new patients, reduce ER visit costs for the county and reduce the costs of chronic illnesses that may be caused by such delays.

FISCAL IMPACT

Recommendation 5-1	2005-06	2006-07	2007-08	2008-09	2009-2010
Contract for Physician Assistant	(\$52,000)	(\$52,000)	(\$78,000)	(\$78,000)	(\$104,000)

The fiscal impact includes contract amount of \$50 an hour for a physician assistant. The physician assistant contract position is proposed to be phased in from half-time in fiscal year 2006 to full-time in fiscal 2010.

RECOMMENDATION 5-2:

Negotiate contracts with providers in Beaumont and Port Arthur for laboratory and x-ray services.

Jefferson County has made its contract with UTMB work to its advantage. The county has no such contract, however, with local providers of emergency services and laboratory and x-ray services. The county has preferred providers for both units, and HWD should attempt to negotiate better rates with them on an annual contractual basis.

IMPLEMENTATION

HWD should negotiate with the two providers that receive most referrals from its clinics, Christus St. Elizabeth Hospital in Beaumont and Christus St. Mary Hospital in Port Arthur. These negotiations should be conducted by the administrator and medical director and would require some analysis of how services are referred. Negotiation of the contract should include efficient processes such as automatic forwarding of x-rays, for instance.

FISCAL IMPACT

While some savings should result from a negotiated contract, laboratory and x-ray services do not make up a large share of the total cost of health care services outsourced. A contract with streamlined and well-defined processes and procedures mostly would help make the referral process more efficient.

Library

The Jefferson County Library (JCL) is located in the mid-county area, in a building housing other county offices as well, such as a County Commissioner's office and an Environmental Services office. The library itself occupies 2,255 square feet of space with

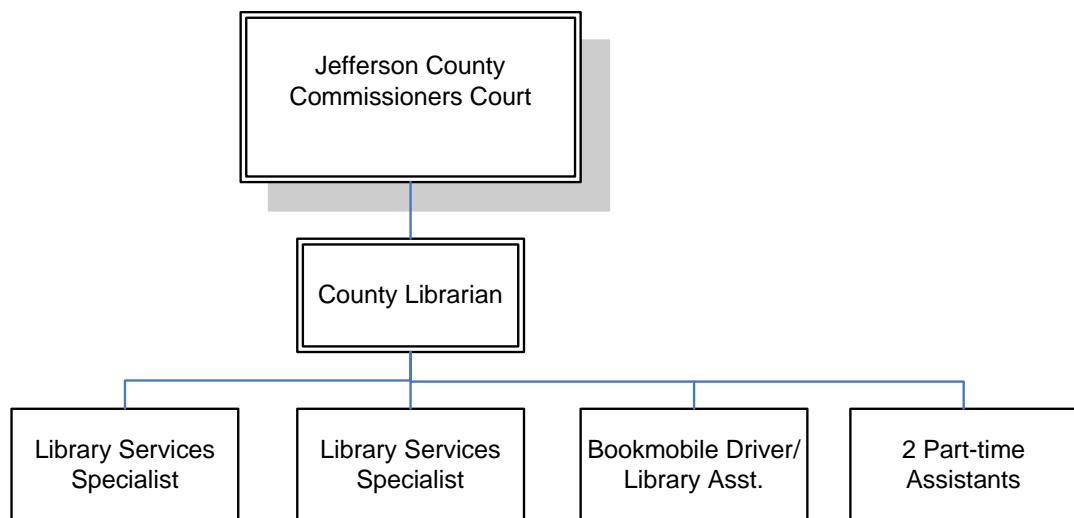
about 45,000 volumes and titles. It is open from 9 a.m. to 5 p.m. three days a week, on Monday, Wednesday and Friday, and is closed during the lunch hour.

The library is one of 13 in the state with a bookmobile that travels to locations around the county on a regular schedule. The bookmobile makes 26 stops throughout the county twice a month. Its visits include four of seven small cities outside the Beaumont-Port Arthur urban core.

Bookmobile stops include retirement and independent living complexes, neighborhood community centers, daycare centers, adult probation facilities and the county courthouse. Except for maintenance days, the bookmobile is on the road from 9:30 a.m. to 4:30 p.m. daily.

The library staff includes a county librarian, three full-time assistants and one part-time assistant who works 20 hours every other week (**Exhibit 5-6**). Two library specialists rotate duty on the bookmobile. The bookmobile carries almost 200 magazines, about 200 audio recordings, 200 videos and about 2,000 books for adults and children.

EXHIBIT 5-6
COUNTY LIBRARY
ORGANIZATIONAL CHART



The library was established in 1930 and was a relatively large library until the county gave its branches to various cities in 1978. Currently, Jefferson County is home to five city libraries in addition to the JCL.

The Texas State Libraries and Archives Commission (TSLA) assigns libraries library service population numbers, which it uses to determine state and federal funding. Jefferson County had an estimated population of 248,605 in 2003, but due to the presence of five city libraries serving county residents, TSLA assigned JCL a service population of 33,369—a number representing county residents living in outlying county areas not served by a city library.

For fiscal 2005, the county has budgeted JCL for \$230,750, including \$178,522 for the four full-time and one part-time positions.

Exhibit 5-7 compares the county's various libraries. Unsurprisingly, the Beaumont and Port Arthur city libraries have the most extensive collections and offer Internet access to the public as well. These two libraries accounted for more than 200,000 library visits in fiscal 2003, compared to just 10,000 for JCL. With four branches in addition to a main library, the Beaumont city library system has the widest reach.

JCL's total circulation is one-sixth that of the Beaumont city library system, and its bookmobile accounts for almost two-thirds of its circulation. In fiscal 2004, the bookmobile was responsible for 28,924 circulation transactions (items checked out), compared to 15,676 for the library itself. Six bookmobile stops have circulations in excess of 2,000 a year, with stops in the city of China and at the Sabine Pass Post Office both exceeding 3,000-circulation transactions a year.

Patron visits to JCL have declined over the past several years, a decline reflected in reduced library staffing and shorter operating hours; the current fiscal year is likely to show further decline due to the library's three-day-a-week schedule. The JCL also lacks public Internet access.

EXHIBIT 5-7
LIBRARIES IN JEFFERSON COUNTY

Library	Location	Population Served*	Main Library Area (sq. ft)	Branches	Total FY 2003 Operating Expenditures	Total Volumes	No. of subscriptions	# Ref. transactions	# Circulation transactions	# Library Visits	Public Access to Internet Terminals
Jefferson County Library	Beaumont	33,369	2,255	1**	\$240,764	46,263	95	420	53,923	10,346	0
Beaumont Public Library System	Beaumont	112,871	30,464	5	\$1,559,054	385,774	111	27,844	304,801	206,462	54
Groves Public Library	Groves	15,414	10,176	0	\$172,410	51,262	50	5,227	74,675	18,668	11
Marion & Ed Hughes Public Library	Nederland	17,035	16,000	0	\$298,903	62,420	72	9,920	115,379	65,221	6
Port Arthur Public Library	Port Arthur	56,885	24,500	0	\$896,888	157,560	328	5,265	62,741	199,790	29
Effie & Wilton Hebert Public Library	Port Neches	13,338	18,000	0	\$408,751	79,766	81	6,748	49,624	37,868	8

Source: Texas State Library and Archives Commission, as submitted by each library to them.

All information is for the fiscal year 2002-03 as reported by each library.

NOTES: * Total population served for the County is 248,912, and for each city closely reflects city population in 2003.

** Jefferson County Library branch is the Bookmobile

Automation

JCL is one of only a few Texas libraries that lack an automated catalog and circulation system, still relying on card catalogs. This makes it difficult for library patrons to search for materials and for library staff to manage the library and use circulation data to plan for and manage the library collections. The card catalog system also is used for the bookmobile, making the process cumbersome.

Out-of-date materials have to be identified and withdrawn manually, a process hampered by inadequate staffing. Due to severe space constraints, delayed withdrawals of library materials prevent new acquisitions from being placed in the stacks.

Over the past several years, JCL has attempted to move to an automated system but has lacked the necessary funds. Although all material in the library has been bar-coded for an automated system, JCL still lacks circulation and catalog system software.

Automation, including Internet access, would provide the following advantages:

- improved convenience;
- streamlined administrative tasks;
- the addition of limitless electronic resources while leaving the book budget intact;
- a web-based catalog available 24 hours a day; and
- the ability to use portable barcode scanning on the bookmobile.

The Tocker Foundation, an Austin-based nonprofit foundation that provides assistance to small rural libraries in Texas, helped automate 40 small libraries for an average of \$16,000 each in 2004. The costs average about 50 cents per book. If the move to automation is made after the withdrawal of old volumes, costs can be lowered considerably.

Two major library automation providers are Sagebrush Corporation and Book Systems Inc. Book systems Inc. even helps libraries obtain grant funding to complete automation.

Bookmobile

The library has a dedicated work force that works well with limited resources. They keep the bookmobile properly maintained. In addition to keeping the bookmobile stocked on a daily basis, staff members clean it each day upon its return to the JCL.

Even so, MGT identified some serious concerns about the bookmobile. Due to deferred maintenance and an inadequate maintenance budget, essential repairs have been put off. The vehicle leaks oil badly. The engine and generator have to be oiled and have water added on a daily basis to ensure that the bookmobile continues running. The county does not have any contingency plans for the bookmobile's inevitable retirement. According to JCL staff, a new bookmobile could cost in excess of \$200,000, almost equal to the entire annual library budget.

Staffing, Location and Hours

JCL's staffing is inadequate. The three library services specialists are responsible for:

- working the circulation desk;
- maintaining the stacks;
- processing new acquisitions and withdrawing old books;
- maintaining the card catalog system;
- driving, staffing, cleaning and helping to maintain the bookmobile;
- providing information and reference help; and
- covering for one another during sick days and vacation.

The single part-time employee cannot answer the JCL's need for additional staffing.

TSLA has requirements for TSL system membership. JCL meets the minimum rules for per capita local expenditures (currently \$1.80, but increasing to \$5 in fiscal year 2007) and per capita library materials, and has a full-time librarian as required. It is not, however, open for at least 40 hours a week, as is required for libraries of its size.

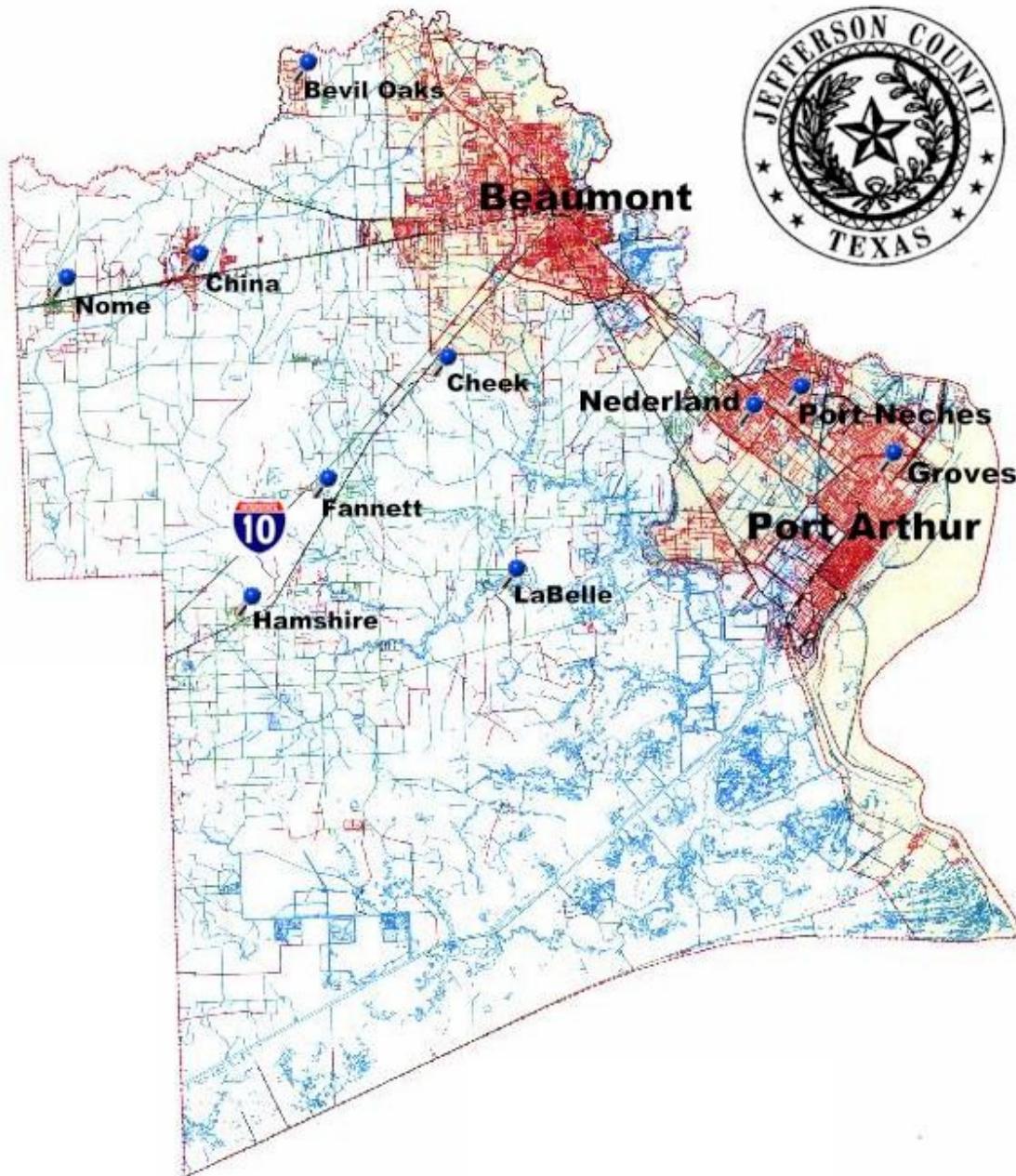
Another requirement for TSL system membership is that by local fiscal 2005, libraries must have both a photocopier and a computer with Internet access for use by the library staff and the general public. Counting JCL, there are 10 libraries and branch locations in the Beaumont-Port Arthur corridor; all except JCL offer public Internet access.

In addition, the Beaumont city library system offers cards to nonresidents for \$25 and \$40 a month; these allow patrons to borrow four and eight books at a time, respectively.

The JCL is hard to find and its existence is not well publicized within the community. According to TSLA, location is very important to the success of a library.

The JCL is located on a small road with no signage at the nearby highway. It is difficult for potential patrons to find and use. As **Exhibit 5-8** shows, Jefferson County's geography and its major roadways make it difficult for county residents living in outlying areas to reach the library easily.

EXHIBIT 5-8
MAP OF JEFFERSON COUNTY WITH MAJOR ROADWAYS AND CITIES



The Texas Library Association provides standards for library administration, facilities, technology and advocacy. Although voluntary, these standards are important because they allow libraries such as JCL to evaluate themselves and aid in the formulation of long-range plans, performance standards and policies and procedures.

The Jefferson County Commissioners Court should decide whether it wants to maintain a functional and useful public library to serve county residents not served by city libraries. With the state of the current location and lack of funds for staff and equipment, the library is not able to adequately serve the residents of the county. The current location, space and staffing are clearly inadequate and do not meet the voluntary but minimum standards prescribed by the Texas Library Association.

In light of the need for a commissioners' decision, MGT provides two options for its first recommendation.

RECOMMENDATION 5-3:

RECOMMENDATION 5-3, OPTION 1:

Close the library and negotiate reciprocal agreements for Jefferson County residents to use the other libraries within the county.

IMPLEMENTATION

The commissioners should vote to abolish the library and seek library services from other surrounding libraries.

Under a reciprocal agreement with either the city of Beaumont or the city of Port Arthur, the county could simply pay either or both cities to welcome county residents for library services. This would involve negotiating the number of memberships it would fund annually, possibly at \$20 a card.

Texas has at least ten joint city-county libraries, not all of them based on formal agreements. Negotiations would determine the sort of agreement that would best meet the needs of each local entity.

FISCAL IMPACT

Implementing this option would result in annual savings of \$230,750 which is the current budgeted amount for library operations. This fiscal impact estimate assumes that the library would be closed during FY 2005-06 and savings would begin to accrue to the county beginning in FY 2006-07. The cost of a reciprocal agreement with another library is estimated to be \$20,000 annually. This amount is derived by taking the estimated cost of a reciprocal library card multiplied by the number of county residents using the JCL who live outside of a city (1,000 X \$20).

Recommendation 5-3	2005-06	2006-07	2007-08	2008-09	2009-10
Close the JCL	\$0	\$230,750	\$230,750	\$230,750	\$230,750
Negotiate a reciprocal agreement for library services	\$0	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)
Net fiscal impact	\$0	\$210,750	\$210,750	\$210,750	\$210,750

RECOMMENDATION 5-3, OPTION 2:

Establish a Library Board to oversee library operations and to fund library improvements through private donations.

The second option available to the county is to provide adequate funding so that the library can truly provide value to its residents. One way of doing this without adding to the current county budget is to aggressively seek grants and funding through private donations and foundations.

A best practice for this system can be found in the city of Bonham, Texas. The library in Bonham currently holds over 36,000 volumes along with five administrative computers and six computers available for use by 6,000 card holders. Funding for this library comes from the city (\$190,000), the state (\$4,000) and the library board (\$15,000) annually. Funding for their computers is provided by local schools through The Investment Fund for Foundations (TIFF).

The library board in Bonham raises money for the library to purchase books and to provide other furnishings. Recently, the Bonham library was able to add an additional 5,000 square feet to its facilities, costing \$736,000, from funds raised by their library board. This was done through various fundraising activities, but a bulk of the funds were from grants provided by various groups and businesses within the community (some giving as much as \$50,000).

These grant opportunities can be found in The Directory of Texas Foundations where there is a section dedicated to grants for libraries, as well as from various members of the community. The directory lists seven private foundations in the Jefferson County area.

IMPLEMENTATION

If the Commissioners Court chooses this option, there are several steps that need to be taken to improve the current library. Circulation and cataloging software from Book Systems, Inc. would cost \$3,595 for a Level 4 concourse database, with an additional \$2,495 for the bookmobile software and annual updates, although not essential, costing \$425 a year. A transfer from the book budget could be used for this, if necessary.

In addition, the bookmobile provides a popular and well-managed service. It is a disservice to the community to allow it to deteriorate until it breaks beyond repair. The commissioners should decide whether and how it will keep the aging bookmobile running, and if they chose to keep it, to plan for the inevitable day when it must be replaced. The long-range plan should include adequate funding for ongoing maintenance and repairs plan, and detail how the vehicle will be replaced or phased out of the library system.

In the meantime, the county should include bookmobile maintenance under its fleet maintenance program, to maximize savings and ensure adequate attention.

FISCAL IMPACT

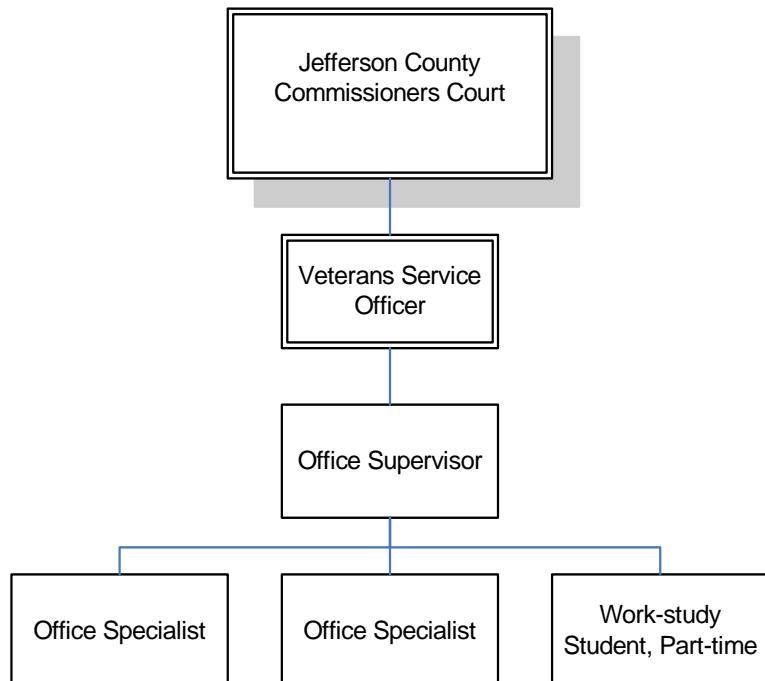
This recommendation would have no immediate fiscal impact since private and grant money would be raised by the Library Board for library improvements.

Veterans Service Office

Jefferson County's Veterans Service office (VSO) is located on the first floor of the Jefferson County Courthouse, with a satellite office in Port Arthur.

The county's VSO is headed by a veterans county service officer (VCSO), who leads a full-time staff of one office supervisor and two office specialists, and a part-time work-study student, when able to hire one (**Exhibit 5-9**). For fiscal 2005, the VSO received a budget of \$200,378, of which \$191,532 or 95 percent represented salary and benefits.

**EXHIBIT 5-9
ORGANIZATIONAL CHART,
VETERANS SERVICE OFFICE**



According to the US Department of Veterans Affairs (VA), 21,803 veterans resided in Jefferson County in 2004, down from an estimated 23,404 in 2003. Even so, total VA expenditures for Jefferson County, including medical expenditures, rose over the same period, from \$39 million in 2003 to \$42 million in 2004.

VSOs provide a variety of assistance to veterans and their widows, widowers and children. VSOs throughout the US belong to the National Association of County Veterans Service officers. The Texas Veterans Commission trains the state's VSO personnel.

VSO employees can share knowledge of pertinent laws, regulations and benefits affecting veterans, and help them obtain benefits. In addition, most VSOs around the state conduct home visits, visit VA hospitals and nursing homes and provide outreach through veterans groups.

Routine tasks for VSOs include helping veterans and their dependents complete applications for VA benefit claims, and coordinating claims for healthcare, pensions, education, vocational rehabilitation and disability and other insurance claims. VSOs typically interact with the VA regional office for Jefferson County in Houston and the VA's Regional Processing office for Texas in Muskogee, Oklahoma, as well as the VA's Houston National Cemetery for burial services.

Most of the Jefferson County VSO's work consists of benefit claims. The VSO takes phone calls and in-person appointments related to these, and the County Courthouse office has active files for about 8,000 veterans. Files remain active until a veteran has not received assistance for ten years, dies or moves away. The VA requires VSOs to maintain inactive files for a period of time before purging them.

Some veterans and their dependents may visit or call once a year, while others require much more frequent help. The bulk of the VSO's current caseload consists of

World War II, Korean War and Vietnam War veterans, but the office has begun to see younger veterans from the Gulf and Iraq wars.

The office's workload has increased even though the estimated number of veterans in Jefferson County is falling.² This could be due to a variety of causes, including the success of outreach efforts; the national and local economic situations; the aging of the veteran population; and a better understanding of eligibility requirements on the part of the VSO.

Patterns in the number of office visits to the two VSO locations shifted in 2004 (**Exhibit 5-10**). While the Beaumont office saw an increase, the Port Arthur office's number of visits fell. These statistics, however, do not reflect the actual numbers of veterans assisted, since they do not include veterans helped over the phone and during home visits or visits to nursing homes and the VA clinic. In addition, Port Arthur veterans population may be older requiring more home visits and visits to assisted living facilities.

EXHIBIT 5-10
JEFFERSON COUNTY VETERANS SERVICE OFFICE VISITS

Beaumont		
Month	2003	2004
Jan	202	238
Feb	129	154
Mar	141	179
Apr	160	178
May	150	160
Jun	136	203
Jul	170	279
Aug	147	153
Sep	185	175
Oct	210	114
Nov	177	161
Dec	208	166
Total	2,015	2,160

Port Arthur		
Month	2003	2004
Jan	168	190
Feb	123	83
Mar	124	81
Apr	137	75
May	150	68
Jun	147	94
Jul	192	119
Aug	152	122
Sep	164	84
Oct	210	69
Nov	122	80
Dec	133	79
Total	1,822	1,144

² According to the VA, they are currently reworking their methodology for estimating veteran population by counties to improve their annual inter-census estimates.

Staffing and Workload

The Jefferson County Courthouse location includes a small filing area and a common area. The office has adapted as best as it can to the available office space, but the layout is awkward, and too small for a staff of four that see as many as twenty veterans on a busy day.

What space there is, is used well: the very small filing room has filing cabinets that can be rotated so that both sides of the cabinet can be used for about 8,000 files. Inactive files are stored in the courthouse's air conditioning intake closet.

The Port Arthur office is run by one office specialist with help from the veterans county service officer, who spends two days a week there. The two office specialists are rotated between the two offices every three months. When the Port Arthur office specialist goes to the doctor or calls in sick, someone from the main office must cover, causing a staff shortage there. However, when the specialist goes on scheduled vacation or other scheduled time off, a temporary worker is hired out of funds allocated for this purpose.

VSO employees work in cramped office space assisting a veteran population that often has physical disabilities or psychological problems. The space cannot adequately accommodate wheelchairs. The courthouse office does not allow for VSO staff to meet with veterans in privacy, even when veterans need to provide personal information for benefit claim applications.

Comparison to Peer Counties

Texas counties with populations of more than 200,000 must have a VCSO, although they are not required to provide funding for a VSO with employees and office space. Most major counties, however, have a VSO in a county-funded location, headed by a VCSO on the county's payroll.

Beyond this, conditions differ greatly by county. Some VCSOs have one or more paid assistants; some have unpaid assistants; some operate from a single location, while others have multiple locations; still others visit various locations on a weekly basis. Most VCSOs have the state-required former active duty military experience and have received training and accreditation from the Texas Veteran's Commission.

To assess Jefferson County's VSO operation, MGT selected five "peer" Texas counties, based on similar veteran populations. **Exhibit 5-11** supplies some vital statistics for these peer counties for federal fiscal 2004.

Galveston County's VSO employs one VCSO and one secretary. In fiscal 2004, this office held 877 office visits and took 2,344 phone calls from veterans and their dependents. Brazoria County also has a two-person office; it serves an average of 20 veterans per day by phone or in person.

By contrast, Cameron County has four full-time VSO employees operating out of two locations, as well as six work-study students who help on a part-time basis. This VSO helped about 4,000 veterans and their dependents in fiscal 2004 and has 3,300 active cases of veterans, widows and survivors who receive regular pensions. The VSO conducts extensive outreach efforts and a new VA clinic recently opened in the county. The Cameron County VSO expects to add two more full-time employees; it often promotes these from among its work-study students.

Fort Bend County is a fast-growing suburban county, and as such has seen a corresponding increase in its veterans' population. Its VSO is staffed with only the VCSO who has held the job for 20 years. In fiscal 2004, he saw 2,647 veterans and dependents at his office and an additional 2,196 at locations such as nursing homes and VA medical clinics, filing about 6,100 claims applications for them.

Fort Bend County's estimated veteran population of 24,503 received \$22 million in non-medical VA funds in 2004, second-lowest among the peer counties. It also should be noted that Fort Bend County veterans have easy access to the Houston regional VA office and clinics making it easier for them to obtain assistance and services.

EXHIBIT 5-11
JEFFERSON AND PEER COUNTIES:
VETERANS EXPENDITURES AND POPULATION, FISCAL 2004

County	Estimated Veteran Population	Total VA Non Medical Exp. (in \$1,000s)	VA Medical Care	
			Total Unique Patients	Medical Exp. (in \$1,000s)
Brazoria	22,731	\$21,957	2,970	\$17,635
Cameron	18,222	\$31,655	3,296	\$14,188
Fort Bend	24,503	\$22,394	3,204	\$18,981
Galveston	23,900	\$28,011	2,822	\$15,091
Hidalgo	24,346	\$42,118	5,781	\$23,140
Jefferson	21,803	\$26,449	5,057	\$15,586
Total, Texas	1,681,748	\$3,005,104	359,693	\$1,923,666

Source: Department of Veterans Affairs, federal fiscal 2004.

The experience of the peer counties suggests that there is a correlation between the number of staff in the VSO assisting veterans and the total amount of VA expenditures a county receives. Cameron County found that collocating its office with the welfare department allowed it to coordinate with the county welfare personnel and increased outreach to the veteran population.

From the county's perspective, it is obviously better to serve veterans in need through the VA rather than county health and welfare services. In addition, the state directs veterans to apply for VA benefits along with state benefits to determine eligibility under each. Furthermore, if the county did not provide veterans' services through the VSO, veterans would have to travel to the VA's regional office in Houston. The next closest VA's regional office is in New Orleans, also at a distance that would cause hardship to veterans and their caregivers should they need to travel there.

RECOMMENDATION 5-4:

Move the Veterans Service office into a more accessible location in the county courthouse complex. Increase outreach by exploring collocation of the Port Arthur Office with the Port Arthur Health and Welfare Department.

IMPLEMENTATION

By the beginning of fiscal 2006, the VSO's current office in the County Courthouse should be relocated to allow better access for veterans, adequate working space for staff, adequate storage area for files, better allocation of time and more time for outreach. The VSO office should be moved to the next building in the County Courthouse annex, where a larger space is available.

The VSCO should explore collocating the Port Arthur VSO location with the county welfare personnel at Port Arthur for maximum outreach and access to the older veteran community in Port Arthur. Coordination with county Health and Welfare department personnel would be helpful in aiding veterans in need.

This recommendation also calls for adequate outreach efforts to update veterans, clinics and veterans groups, nursing homes, churches, community centers and area libraries of any location changes. VSO information should be added to the county web site.

FISCAL IMPACT

This recommendation would produce a more efficient VSO that sees more veterans and brings more VA spending to the county. The amount in savings or the increased VA spending in the county, however, cannot be easily quantified.

CHAPTER 6.0
MAINTENANCE-EQUIPMENT AND
STRUCTURES OF JEFFERSON
COUNTY

6.0 MAINTENANCE – EQUIPMENT AND STRUCTURES OF JEFFERSON COUNTY

Background

The Building Maintenance, Engineering and Road and Bridge (R&B) and Vehicle Service Center departments are responsible for Jefferson County maintenance functions. Individual county commissioners hold oversight responsibilities for these departments, except for the Engineering Department, which reports to the Commissioners Court as a whole (**Exhibit 6-1**).

EXHIBIT 6-1 PRECINCT COMMISSIONER RESPONSIBILITIES

Commissioner's Liaison	County Department
Commissioner Precinct 1	➤ Road and Bridge #1 ➤ Building Maintenance
Commissioner Precinct 2	➤ Road and Bridge #2 ➤ Mosquito Control
Commissioner Precinct 3	➤ Road and Bridge #3 ➤ Port Arthur Maintenance
Commissioner Precinct 4	➤ Road and Bridge #4 ➤ Auto Service Center

The Building Maintenance Department is responsible for the cleaning, maintenance and repair of all county-owned facilities. In addition, this department maintains a crew of carpenters who perform small construction and build-out projects for other county departments.

The Vehicle Service Center Department performs minor repairs and maintenance on all county-owned vehicles, outsourcing some repairs and bodywork as needed. The Engineering and Road and Bridge departments, as one would expect, maintain the county's roads and bridges. Building Maintenance and R&B employees are responsible for parks and recreation tasks, although these functions are maintained as a separate line item in the county budget.

Exhibit 6-2 shows expenditures for each of these functions from 2000 through projected 2005 spending.

EXHIBIT 6-2
EXPENDITURE TRENDS FOR MAINTENANCE FUNCTIONS
IN JEFFERSON COUNTY
2000 THROUGH 2005

	2000	2001	2002	2003	2004 (Unaudited)	2005 (Budgeted)
Maintenance-Beaumont	\$2,591,192	\$2,698,769	\$2,492,362	\$2,537,969	\$2,486,555	\$2,685,461
Maintenance-Port Arthur	487,529	504,485	523,020	522,148	489,582	513,522
Maintenance-Mid County	35,349	38,236	34,184	33,958	29,223	38,600
Road and Bridge PCT. #1	1,505,607	1,449,794	1,429,722	1,437,489	1,230,547	1,193,952
Road and Bridge PCT. #2	1,219,209	1,102,323	1,201,543	1,160,504	1,125,481	1,175,137
Road and Bridge PCT. #3	1,264,672	1,269,610	1,262,498	1,164,729	990,459	1,406,747
Road and Bridge PCT. #4	1,113,213	1,189,641	1,060,959	1,217,824	1,214,611	1,350,926
Engineering Fund	605,077	638,166	633,417	687,405	588,612	686,768
Parks and Recreation	49,539	58,665	48,431	43,112	80,535	172,447
Service Center	599,488	617,520	568,561	611,969	646,988	655,302
Total	\$9,470,875	\$9,567,209	\$9,254,697	\$9,417,107	\$8,882,593	\$9,878,862

Road and Bridge Department

Chapter 252 of Texas' Transportation Code gives most Texas counties four options for infrastructure management (**Exhibit 6-3**).

EXHIBIT 6-3
SYSTEMS OF COUNTY ROAD ADMINISTRATION
TEXAS TRANSPORTATION CODE CHAPTER 252

System	Description
Ex-Officio Road System	<p>Description: Each county commissioner is responsible for the roads in his or her precinct.</p> <p>Powers and Duties: Commissioners may direct the laying out of new roads and the building of bridges in their precincts, and may hire and fire R&B employees. Commissioners decide what projects the county will pursue in their precincts.</p>
Road Commissioner System	<p>Description: The Commissioners Court may employ up to four road commissioners, each of whom must reside in the district for which he or she is employed. If the county chooses to employ more than one road commissioner, the county must be divided into road districts.</p> <p>Powers and Duties: A road commissioner oversees all road employees and maintaining tools, machinery and vehicles used in road projects (in his or her district, in the case of multiple road commissioners).</p>
Road Superintendent System	<p>Description: The Commissioners Court appoints either a single road superintendent for the county or one superintendent for each county commissioner's precinct.</p> <p>Powers and Duties: The road superintendent has general supervision over the roads in either the county or precinct and is responsible for supervising road employees and maintaining tools, machinery and vehicles.</p>
Unit Road System (also called the county road department system)	<p>Description: The Commissioners Court may implement a unit road system directly or submit it to a vote of the general electorate. If voters successfully petition to place a unit road system on the ballot, the Commissioners Court must order an election. Under this system, the Commissioners Court acts as the policy-making body, while a county engineer acts as chief executive officer. Road construction and maintenance are planned for the county as a whole without regard to commissioners' precincts.</p> <p>Powers and Duties: The county road engineer is responsible to the Commissioners Court for the efficient and economical construction and maintenance of county roads. The engineer is responsible for hiring and firing employees; ensuring that commissioners' policies are executed; and preparing detailed budgets and estimates for road construction and maintenance and for capital expenditures.</p>

Source: Texas Transportation Code, Chapter 252, May 2005.

Each Texas county must maintain a Road and Bridge Fund to support its road and bridge activities. These funds, created by the Texas Constitution, include money from the county General Fund as well as dedicated sources such as motor vehicle registration fees, traffic fines and property taxes. Generally, in Jefferson County, all funding for the Road and Bridge precincts come from dedicated sources, i.e., vehicle registration, licenses, and fines and fees assessed in the county.

The state provides money to counties through its County and Road District Highway Fund, more commonly called the county lateral road account. To receive these state funds, the county auditor and county judge each must file a report with the Texas Comptroller of Public Accounts every year.

The money in each County Road and Bridge Fund must be used for building and maintaining public roads and bridges unless otherwise provided by law. Counties that do not impose a tax for the construction and maintenance of roads and bridges can transfer surplus registration fee revenues to any county fund the Commissioners Court designates. This money, however, may be spent only to acquire rights of way; build, maintain and police public roadways; and administer state laws pertaining to the supervision of road traffic and safety.

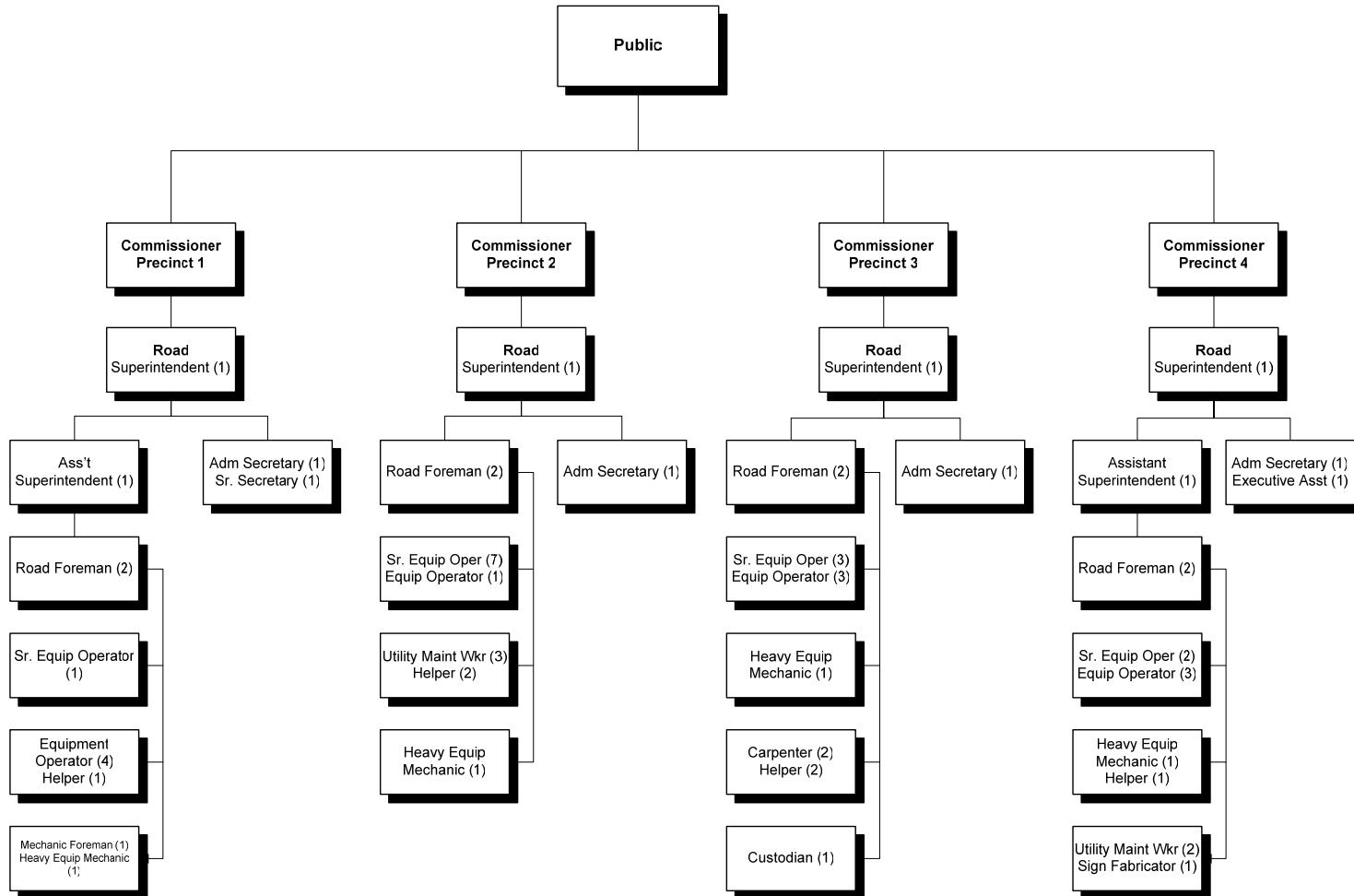
State law earmarks each dedicated source of road and bridge revenue for specific purposes. For example, lateral road funding may be used only to purchase rights of way for lateral roads, farm-to-market roads and state highways; to build and maintain lateral roads, including labor and materials, supplies and equipment; or to pay the principal, interest and sinking fund requirements maturing in that fiscal year on bonds, warrants and other legal obligations incurred to finance road and bridge activities.

R&B departments sometimes handle other responsibilities. Counties may assign additional duties to the R&B department or may choose to create a "public works" department that includes R&B functions as well as oversight for subdivisions, septic tank

permitting, coordination of drainage issues and vehicle maintenance for other departments. Since the County Road and Bridge Fund is dedicated, all other functions or responsibilities assigned to a road and bridge department must be funded from other sources.

Jefferson County's road administration is an ex-officio system supervised by the four precinct commissioners, who act as *de facto* road commissioners for their precincts. Four precinct road superintendents who report directly to the precinct commissioners are responsible for day-to-day operations (**Exhibit 6-4**). The county's Engineering Department is responsible for land acquisition and the design of capital improvements.

EXHIBIT 6-4
ORGANIZATIONAL CHART
ROAD & BRIDGE DEPARTMENT



According to a list of active employees dated February 14, 2005, Jefferson County's R&B Department has 62 full-time and six part-time employees to repair and maintain 413 miles of roads within the county. Although each precinct has different staffing patterns, most comprise two foremen (for roads and drainage), senior and heavy equipment operators, mechanics, maintenance workers, part-time helpers and some administrative support. In addition, two precincts have assistant superintendents.

The primary functions and activities of the Road and Bridge Department are:

- maintain and improve all county roadways, bridges and driveways. This includes patching, resurfacing, hot mix overlays and seal coating;
- maintain interlocal agreements with municipalities;
- maintain county drainage systems and rights of way. Clean ditches and culverts and replace deficient culverts;
- mow county right of ways;
- fabricate, install and maintain county road signs;
- respond to inquiries, complaints and requests for assistance regarding road and bridge issues;
- maintain grounds at Walter Umphrey State Park;
- maintain selected cemeteries and parking lots; and
- maintain several miles of beach, a pier and several boat launches.

The Road and Bridge Department must cope with aging equipment and machinery, due to a limited budget that seldom allows for upgrades or replacements. Although the precincts' R&B fund balances ranged from \$719,000 to \$2.9 million in 2003, these balances are being used to offset General Fund deficits and therefore are not available for R&B use.

Exhibit 6-5 lists fund balances for the R&B fund and for the General Fund for 2000 through 2005.

EXHIBIT 6-5
ROAD AND BRIDGE FUND BALANCES BY PRECINCT

	2000	2001	2002	2003	2004 Estimated	2005 Projected
R&B #1	\$ 1,987,151	\$ 2,394,293	\$2,224,742	\$ 2,079,358	\$ 1,825,989	\$ 1,818,378
R&B #2	674,077	723,745	704,135	921,262	980,206	1,096,162
R&B #3	971,156	847,730	259,694	449,571	718,993	452,102
R&B #4	2,373,815	2,623,206	3,154,636	3,187,989	2,911,047	2,824,770
General Fund	18,473,475	13,907,291	6,815,096	(1,316,413)	(5,731,806)	(4,927,394)
Totals	\$ 24,479,674	\$ 20,496,265	\$13,158,303	\$ 5,321,767	\$ 704,429	\$ 1,264,018

Jefferson County does not have an annual plan for road maintenance, and since each precinct is responsible for overseeing, budgeting and maintaining its own roads, priorities among the precincts diverge dramatically.

MGT obtained a list of projects completed in 2003 and 2004 from each precinct. Due to differing data and report formats, direct comparisons among precincts proved impractical. Even so, the review team noted significant differences in the types of projects taken on by each precinct.

All precincts have assisted in the construction or maintenance of Ford Park, the airport and the sheriff's offices, providing mowing, parking lot paving and dirt and limestone hauling. Other projects completed by county R&B crews include paving city roads, installing parking lots, building baseball parks and walkways and clearing land.

Through interlocal agreements, the county also has provided R&B services for a federal prison, Lamar University, area school districts and cities, the Pleasure Island golf course and the Audubon Society. When contracting with such entities, the county does not charge for its labor.

Exhibit 6-6 shows proposed R&B revenues for fiscal 2005, along with responsibilities. Revenues are derived from fees associated with auto registration, fines and road and bridge fees. Revenue allocations are based on each precinct's percentage of road miles compared to the county total.

EXHIBIT 6-6
ROAD AND BRIDGE REVENUES AND ROAD MILES
BY PRECINCT

Road & Bridge Precinct	Proposed Revenues For FY 2005	FY 2005 Percentage	Road Miles (Per Engineering Dept.)	Road Miles Percentage
Precinct 1	\$1,152,993	24.25%	100.2	24.25%
Precinct 2	\$1,230,018	25.87%	106.9	25.87%
Precinct 3	\$1,117,810	23.51%	97.1	23.50%
Precinct 4	\$1,253,791	26.37%	109	26.38%
Total	\$4,754,612	100.00%	413.2	100.00%

Each precinct performs its work based on its knowledge of past work history as well as complaints filed by the public. Work in bridges has been reduced to basic maintenance and repair.

Normally, the offices of the precinct commissioners or their road superintendents manually record complaints from the public in a complaint log. In some cases, staff members complete work orders and forward them to the appropriate road superintendent for follow-up and resolution. Road foremen investigate complaints to determine their validity and extent; most complaints involve problems with mowing and drainage.

Road superintendents and their foremen meet every morning to discuss the previous day's work and the current day's workload. Jobs are staffed based on priorities for the day and current work in progress. Routine work includes drainage maintenance, road patching and repair, mowing and the installation and maintenance of culverts.

FINDING

The decentralized nature of the Jefferson County Road and Bridge Department prevents the county from generating economies of scale.

RECOMMENDATION 6-1:

Centralize the Road and Bridge Department and initially eliminate 13 positions. In year three of implementation, eliminate 13 additional positions. This would eliminate duplicated efforts and allow for more efficient usage of equipment.

A recommended organization structure is shown in **Exhibit 6-7**. This structure would allow four separate crews for routine maintenance, two for roads and two for drainage work. In year three of implementation, the structure would support two separate crews, one for roads and one for drainage.

IMPLEMENTATION

- Primary Responsibility: Commissioner's Court.
- Major Tasks:
 1. Establish work group to review current organization structure.
 2. Develop revised structure based on a centralized operation. The recommended organizational structure in **Exhibit 6-7** can be used as a model. Exhibit 6-7A shows the recommended structure for year three.
 3. Identify positions to be deleted.
 4. Implement new organization structure.
- Begin/Completion Dates: July 2005 – June 2008.

EXHIBIT 6-7
RECOMMENDED ORGANIZATIONAL STRUCTURE

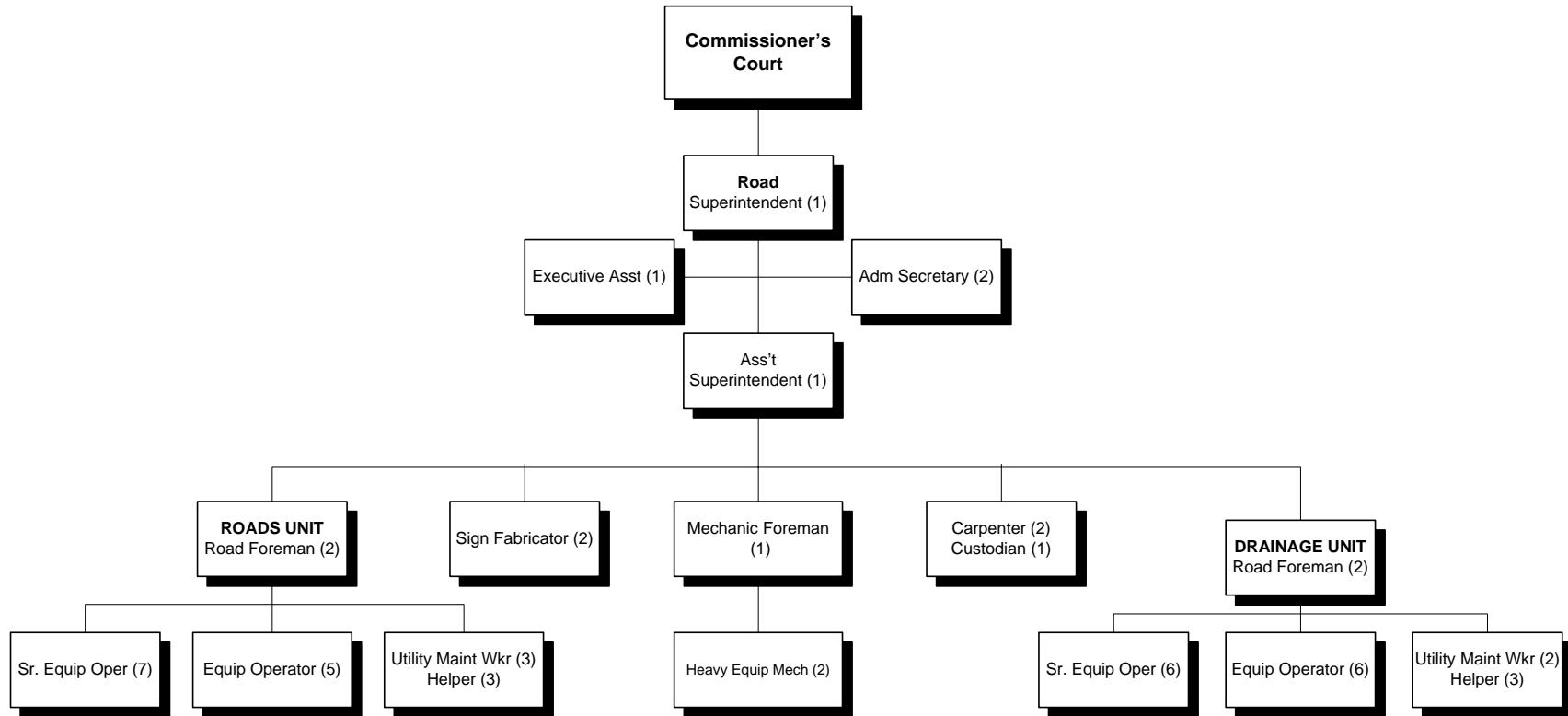
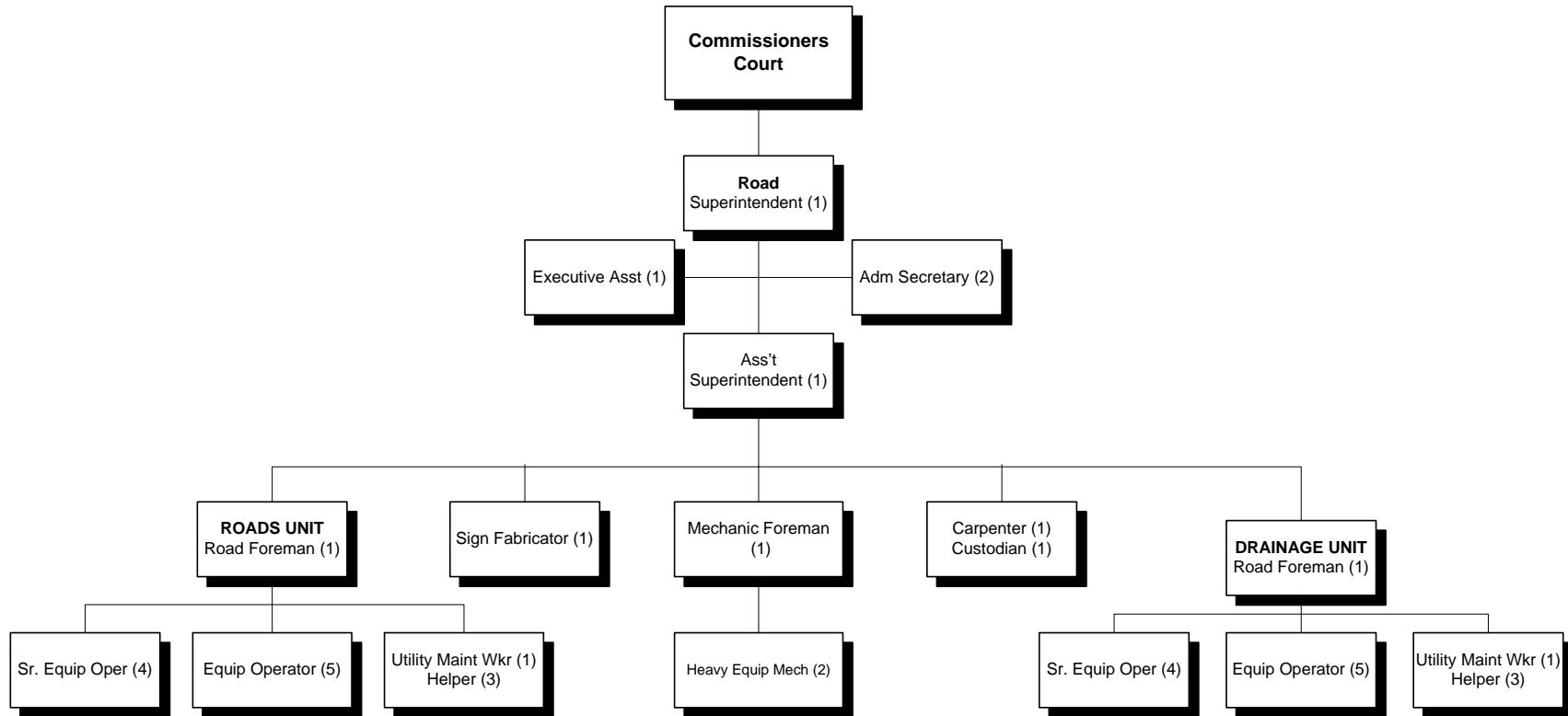


EXHIBIT 6-7A
RECOMMENDED ORGANIZATIONAL STRUCTURE
YEAR THREE, 2007-08



FISCAL IMPACT

This recommendation would save Jefferson County approximately \$5.6 million over five years. This is a conservative estimate because it is based on average salaries; through attrition, the county can expect that the highest paid employees will be retiring, which will result in actual higher cost savings. MGT recommends that initially 13 positions be eliminated, including three road superintendents, one assistant superintendent, four foremen, two mechanics and three administrative positions.

The county could experience further savings by eliminating 13 additional positions in year three of implementation, 2007-08. This would give the county time to adjust to the new administrative structure and further eliminate duplication of efforts. We recommend that the following positions be eliminated in year three: two foremen, five senior equipment operators, one equipment operator, three utility maintenance workers, one sign fabricator, and one carpenter. This would save an additional \$546,676 per year, based on average yearly salaries, plus benefits of 35 percent.

Recommendation 6-1	2005-06	2006-07	2007-08	2008-09	2009-2010
Centralize Road and Bridge operations and eliminate 13 positions	\$785,218	\$785,218	\$1,331,894	\$1,331,894	\$1,331,894

FINDING

Generally, the current road and bridge maintenance program is based on historical knowledge and complaints and problems reported by the public. The majority of the precincts in the county lack programs that call for routine inspections of road, mowing and drainage conditions; identification of work needs; and the development of a proactive maintenance plan. Precinct 4 Road and Bridge, in conjunction with the MIS Department, has been conducting a pilot program where they are automating the road maintenance complaint system. The forms and procedures consist of Citizen Request or Complaint Forms for Signs and Road/Drainage Procedures. Information regarding

the complaint and action to be taken is entered into a database and a work order is created for job assignment and complaint resolution.

RECOMMENDATION 6-2:

Establish a planned maintenance program based on a detailed inventory of maintenance needs in the road and drainage system. Additionally, review and enhance the automated complaint system being piloted in Precinct 4 and, if feasible, implement countywide.

These needs should be costed, prioritized and scheduled for action. The plan and schedule should factor in a capacity for unanticipated and emergency work as it arises. The pilot program needs to be enhanced to allow for report creation and flexibility to incorporate all precinct needs.

IMPLEMENTATION

- Primary Responsibility: Road and Bridge superintendent and assistant superintendent, road foremen.
- Major Tasks:
 1. Develop a detailed maintenance inventory with current condition assessments.
 2. Define preventive maintenance requirements.
 3. Determine resources needed to meet repair and preventive maintenance needs.
 4. Prioritize and schedule maintenance program.
 5. Review pilot program in Precinct 4.
 6. Revise and enhance program to incorporate a reporting module and the needs of all Precincts.
 7. Review and obtain approval of the Commissioners Court.
- Begin/Completion Dates: July 2005 to June 2006.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FINDING

MGT found that the R&B Department lacks meaningful workload and performance measures. **Exhibit 6-8** provides examples of such measures.

EXHIBIT 6-8
RECOMMENDED PERFORMANCE MEASURES

Work orders received
Work orders completed
Road signs installed
Miles of roadside mowed
Right of ways cleared
Potholes patched (asphalt tons)
Roadways paved

RECOMMENDATION 6-3:

Establish key workload and performance measures and create recording and reporting procedures to track them.

IMPLEMENTATION

- Primary Responsibility: Road and Bridge superintendent, assistant superintendent, road foremen.
- Major Tasks:
 1. Identify key workload/performance measures to track.
 2. Conduct staff meetings to discuss new workload and performance measures. Revise the measures as needed.
 3. Establish procedures for data collection.
 4. Determine how data will be summarized and reported monthly.
 5. Submit to precinct commissioners for approval.
 6. Begin data collection and reporting procedures.
- Begin/Completion Dates: July 2005 to December 2005.

FISCAL IMPACT

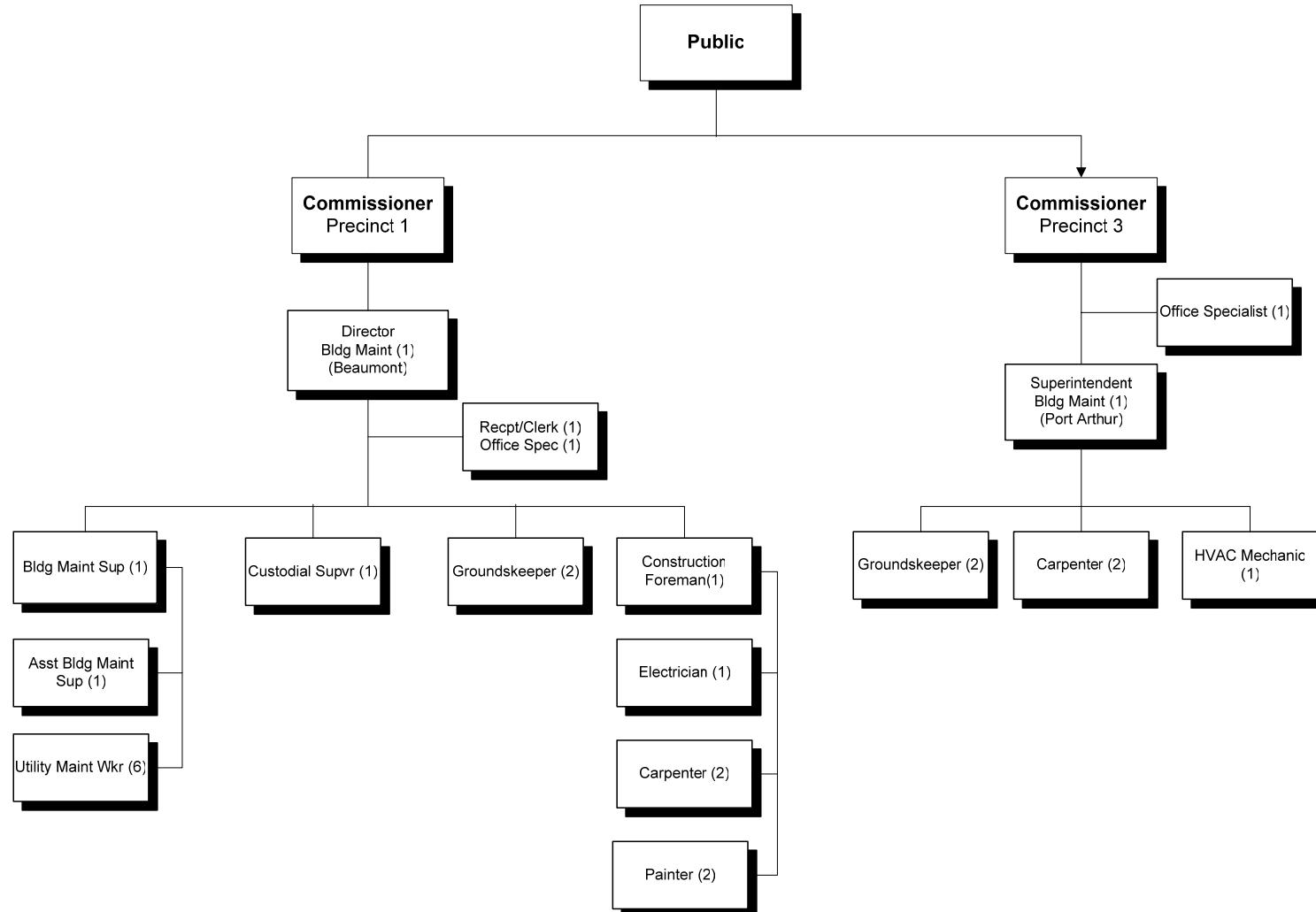
This recommendation could be implemented with existing resources.

Building Maintenance

The Jefferson County Building Maintenance Department is responsible for maintaining all county public buildings, properties and landscaping. Its responsibilities are divided between two precincts, Precinct 1 (Beaumont) and Precinct 3 (Port Arthur).

Exhibit 6-9 illustrates the department's organization.

EXHIBIT 6-9
JEFFERSON COUNTY MAINTENANCE DEPARTMENT



In Precinct 1, the director of Building Maintenance oversees day-to-day operations and reports directly to the precinct commissioner. The director's staff consists of 19 positions, including a building maintenance supervisor, an assistant building maintenance supervisor, a construction foreman, a custodial supervisor, an electrician, two carpenters, two painters, six utility maintenance workers, two groundskeepers, a receptionist and an office specialist.

A Building Maintenance superintendent, who also reports directly to the precinct commissioner, oversees Precinct 3 activities. The superintendent is supported by six positions in Port Arthur, including one HVAC (heating, air conditioning and ventilation) mechanic, two carpenters, two groundskeepers and one office specialist.

The department's major functions and activities include:

- repairs to county structures and electrical, mechanical and plumbing equipment;
- construction of furniture, such as desks, cabinets and tables, for county departments and offices;
- carpentry and masonry work on county structures;
- preventive maintenance on HVAC systems;
- operation of a variety of equipment such as a truck, power tools, mechanic's and plumbing tools, hand and yard tools, etc.;
- custodial services for selected county facilities;
- movement and assembly of furniture and equipment;
- landscaping and maintenance of county parks and grounds, including weeding, blowing or raking and debris removal;
- preventive maintenance of equipment used;
- data and telephone cabling;
- floor, carpet and tile maintenance;
- parking lot maintenance;
- mail deliveries to county buildings and to the post office;
- room setup for special meetings; and
- delivery of copy paper and other office supplies.

The major problems facing the Building Maintenance Department include low pay, lack of an automated work-order tracking system and aging equipment including air conditioners, boilers and chillers.

The department could not provide summary historical workload data, but furnished the review team with copies of work requests submitted by the various county departments.

The department tracks and assigns routine work manually. Department personnel take work requests county departments submit either verbally or in written form, and note them on paper, by hand. Most requests concern lighting, plumbing, furniture needs, delivery of copy paper, painting, heating and cooling issues and miscellaneous errands.

In addition to routine work requests, the department is involved in special projects throughout the year, such as painting buildings, remodeling offices, pressure-washing buildings and porches and preparing facilities for elections and special events.

FINDING

All Building Maintenance record-keeping is manual, making it difficult to track costs and organize work efforts efficiently. In the absence of an automated tracking system, department managers cannot answer fundamental questions about the department's efforts.

For example, would it be more cost-effective to order copy paper from local office supply vendors and have *them* deliver the product directly to county buildings? An automated system could help make this decision by summarizing the number of trips made to deliver copy paper, the amount delivered and the staff time involved.

RECOMMENDATION 6-4:

Acquire and implement a Computerized Maintenance Management System (CMMS).

Many personal computer-based CMMS software packages are available for \$1,000 or less, depending on the number of stations and features. These systems would allow the department to manage the maintenance workload; plan and assign scheduled and unscheduled work; balance resource requirements; prepare and issue work orders; capture actual time and materials used on jobs and cost them; and prepare a variety of reports on actual accomplishments versus plan, job costs, crew productivity, backlogs, resource constraints, etc. The county might want to review the automated work order pilot project in Precinct 4 for transferability.

IMPLEMENTATION

- Primary Responsibility: Commissioners, Building Maintenance director and superintendent, Information Technology manager.
- Major Tasks:
 1. Identify and investigate available software packages, including the pilot program in Precinct 4.
 2. Define system specifications and desired features.
 3. Issue request for proposals.
 4. Evaluate responses and select vendor.
 5. Acquire and implement system.
- Begin/Completion Dates: July 2005 to December 2005.

FISCAL IMPACT

This recommendation could be implemented within existing resources or would entail a one-time expense of \$5,000. This amount should cover two workstations, software and installation.

Recommendation 6-4	2005-06	2006-07	2007-08	2008-09	2009-2010
Acquire a Computerized Maintenance Management System	(\$5,000)	\$0	\$0	\$0	\$0

FINDING

The Building Maintenance Department builds custom-made furniture for county departments and offices, which are not charged for the costs of material or labor.

RECOMMENDATION 6-5:

Begin charging internal departments for the costs of material and labor needed to build custom-made furniture.

IMPLEMENTATION

Primary Responsibility: Commissioners, Building Maintenance director and superintendent.

- Major Tasks:
 1. Establish a labor rate charge for building furniture.
 2. Implement a charge-back system for county departments and offices.
 3. Submit plans to commissioners for approval.
 4. Implement charge-back system.
- Begin/Completion Dates: July 2005 to December 2005.

FISCAL IMPACT

The fiscal impact of this recommendation cannot be determined in advance, but the county should experience some savings as a result of the new charge-back structure.

FINDING

Staffing appears adequate for the Building Maintenance Department, however, full-time on-site maintenance assistance is needed at Ford Park.

RECOMMENDATION 6-6:

Transfer one FTE position to Ford Park for maintenance activities. We recommend that this position be a generalist or HVAC staff person.

Other positions could substitute as workload demanded.

IMPLEMENTATION

- Primary Responsibility: Commissioner's Court.
- Major Tasks:
 1. Identify position to be transferred.
 2. Process necessary paperwork to effect change
 3. Obtain approval from Commissioner's Court.
 4. Implement position transfer to Ford Park.
- Begin/Completion Dates: August 2005 – December 2005.

FISCAL IMPACT

This recommendation can be implemented within existing resources.

FINDING

The department could not provide MGT with performance measures at the time of the review.

RECOMMENDATION 6-7:

Establish key workload and performance measures and create recording and reporting procedures to track them.

Examples of useful performance measures are shown in **Exhibit 6-10**.

EXHIBIT 6-10
RECOMMENDED PERFORMANCE MEASURES

Department	FY 2004-2005	FY 2004-2006	FY 2004-2007	FY 2004-2008
Work orders received				
Work orders completed				
Number of furniture building requests				
Furniture building requests completed				
Special projects completed				

IMPLEMENTATION

- Primary Responsibility: Commissioners, Building Maintenance director and superintendent.
- Major Tasks:
 1. Identify key workload/performance measures to track.
 2. Conduct staff meetings to discuss new workload/performance measures. Revises measures as needed.
 3. Establish procedures for data collection.
 4. Determine how data will be summarized and reported monthly.
 5. Submit to precinct commissioners for approval.
 6. Begin data collection and reporting procedures.
- Begin/Completion Dates: July 2005 to December 2005.

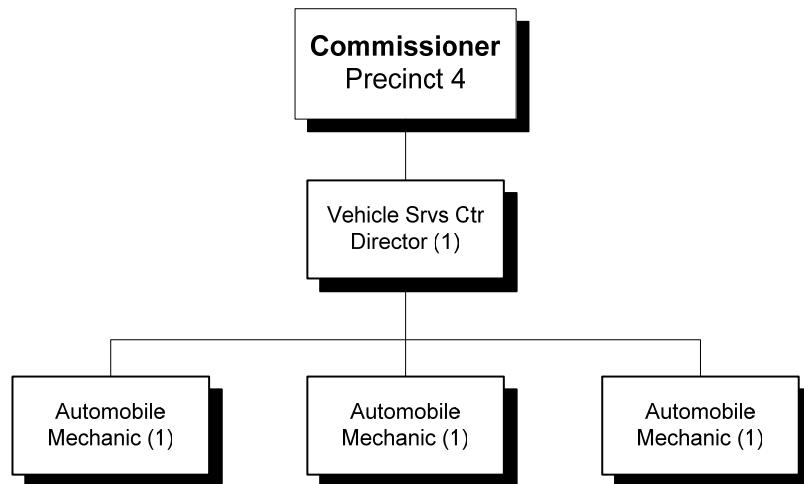
FISCAL IMPACT

This recommendation could be implemented with existing resources.

Vehicle Service Center

Jefferson County's Vehicle Service Center is located in Beaumont, under the oversight of the commissioner for Precinct 4. A director who reports directly to this commissioner is responsible for day-to-day operations, and is supported by three mechanics. The county fleet consists of about 190 vehicles. **Exhibit 6-11** illustrates the organization of the Vehicle Service Center Department.

EXHIBIT 6-11 **VEHICLE SERVICE CENTER DEPARTMENT**



The department's primary functions and activities include:

- repair and preventive maintenance services for county-owned vehicles. About 80 percent of these belong to the Sheriff's Department; other departments with vehicles include Constables, Probation, Voting and Restitution;
- installation and maintenance of specialized equipment on law enforcement vehicles;
- troubleshooting for computerized engine control systems;
- inspection and repair of vehicle HVAC systems;
- requisitioning of replacement parts, fuel and lubricants;
- maintenance and repair of gasoline-driven motors, pumps, compressors and related equipment; and
- welding and fabrication work.

Major issues facing the department include:

- the Vehicle Service Center is more than 27 years old and needs a new roof. When it rains, fluid drips from the roof on to vehicles, causing paint damage;
- the department has inadequate authority over vehicle replacements; and
- parts and fuel are part of the Service Center's budget.

The department could not provide MGT with historical workload data. All department records are manual; written booklets are maintained on each car serviced. The department uses manual work orders and completes one for each work request.

The Service Center processes about 60 to 70 work orders a month. At present, it has no backlog of work orders and can accommodate "walk-in" requests in addition to scheduled appointments.

User departments are responsible for calling the center to schedule appointments for preventive maintenance service. The center keeps some commonly used parts, such as oil and oil filters and sparkplugs, on hand but uses "just in time" purchasing procedures to obtain most parts for repair. Parts usually are ordered from local auto parts shops and delivered to the center relatively quickly. The department contracts for repair work involving front ends, automatic transmissions, body repairs and law enforcement vehicle decal work.

FINDING

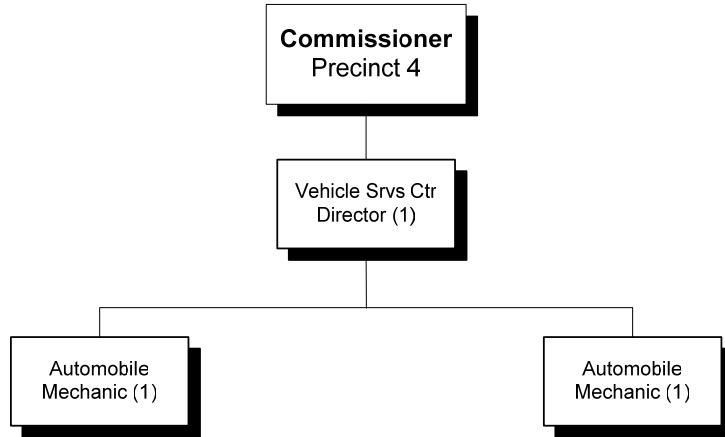
The Vehicle Service Center appears to be overstaffed. Industry standards call for a ratio of about one mechanic per 90 vehicles; the center's ratio is about 1:48.

RECOMMENDATION 6-8:

Eliminate one auto mechanic position.

Exhibit 6-12 illustrates a recommended organizational structure.

EXHIBIT 6-12
VEHICLE SERVICE CENTER
RECOMMENDED ORGANIZATION STRUCTURE



IMPLEMENTATION

- Primary Responsibility: Commissioner, Vehicle Service Center Department director.
- Major Tasks:
 1. Identify position to be eliminated.
 2. Submit for approval.
 3. Delete position.
- Begin/Completion Dates: July 2005 to December 2005.

FISCAL IMPACT

This recommendation would save the county \$45,774 annually (based on a mechanic's average salary of \$33,907 and benefits of 35 percent), or \$228,870 over five years.

Recommendation 6-8	2005-06	2006-07	2007-08	2008-09	2009-2010
Eliminate one mechanic position	\$45,774	\$45,774	\$45,774	\$45,774	\$45,774

FINDING

The Vehicle Service Center Department lacks useful workload and performance measures.

RECOMMENDATION 6-9:

Establish and track key workload and performance measures.

Examples of performance measures are shown in **Exhibit 6-13**.

EXHIBIT 6-13
VEHICLE MAINTENANCE PERFORMANCE MEASURES

Department	FY 2005-06	FY 2006-07	FY 2007-08	FY 2002-06
Vehicle Maintenance				
Tire repairs				
Tire replaced				
Truck repairs				
Car repairs				
Equipment repairs				
Periodic maintenance				
Service calls				
Repair and repaint				
Hood checks				

IMPLEMENTATION

- Primary Responsibility: Commissioner, Building Maintenance director and superintendent.
- Major Tasks:
 1. Identify key workload/performance measures to track.
 2. Conduct staff meetings to discuss new workload/performance measures. Revise measures as needed.
 3. Establish procedures for collection of data.
 4. Determine how data will be summarized and reported monthly.
 5. Submit to precinct commissioner for approval.
 6. Implement data collection and reporting procedures.
- Begin/Completion Dates: July 2005 to December 2005.

FISCAL IMPACT

The recommendation could be implemented with existing resources.

FINDING

Jefferson County allows each department to establish its own vehicle replacement policies and criteria. Most departments replace vehicles when they feel it is warranted due to age, mileage or condition. When a department decides a vehicle should be replaced, the cost is included in its capital budget request, which may or may not be approved by the commissioners.

RECOMMENDATION 6-10:

Establish countywide vehicle replacement policies and criteria.

These policies should consider each vehicle's age, condition, mileage or operating hours and repair history. The replacement cost for each vehicle should be estimated and a preliminary schedule submitted to the County Auditor's Office.

IMPLEMENTATION

- Primary Responsibility: Commissioners Court, County Auditor, Vehicle Service Center director.
- Major Tasks:
 1. Survey department directors to determine current replacement policies and criteria.
 2. Conduct research to determine industry practices and norms.
 3. Develop draft policies and criteria, distribute for department head comments/suggestions, and revise as necessary.
 4. Analyze existing vehicle inventory to verify description and age and to enter current mileage or operating hours, repair history, general condition, other replacement considerations and replacement cost.
 5. Develop a preliminary schedule specifying the fiscal year for replacing each vehicle and the estimated cost.
 6. Summarize costs per year and submit a preliminary schedule to Finance.
 7. County Auditor determines the financial feasibility of the preliminary schedule and works with Vehicle Service Center to make any necessary revisions.
- Begin/Complete Implementation: January 2006 to April 2006.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

FINDING

The department processes work orders manually. Although this manual system seems to meet the department's immediate needs, it is antiquated and needs to be automated for greater efficiency. Commonly available, automated fleet management systems offer features that can greatly increase productivity.

RECOMMENDATION 6-11:

Acquire and implement a new fleet management software package.

The county should purchase one of the many fleet management software packages available. System features should include work order preparation, closeout and costing; preventive maintenance scheduling; vehicle/equipment operating and maintenance histories; parts ordering, issuance, perpetual inventory and costing; and user billing.

IMPLEMENTATION

- Primary Responsibility: Commissioner, Vehicle Service Center director.
- Major Tasks:
 1. Identify and investigate available software packages.
 2. Define system specifications and desired features.
 3. Issue a request for proposals.
 4. Evaluate responses and select a vendor.
 5. Acquire and implement system.
- Begin/Complete Implementation: October 2001 to March 2002.

FISCAL IMPACT

The fiscal impact of this recommendation would depend on the software package and features selected and cannot be determined at this time.

CHAPTER 7.0
JUDICIAL AND PUBLIC SAFETY
FUNCTIONS

7.0 JUDICIAL AND PUBLIC SAFETY FUNCTIONS

This chapter contains findings and recommendations related to Jefferson County's judicial and law enforcement functions, as administered by the justices of the peace, district and county judges, district attorney, sheriff and constables.

Background

One of the primary functions of county governments is carrying out administrative and judicial responsibilities of the state. In other words, the counties are responsible for implementing the policies of the state. To this end, the Judicial and Law Enforcement functions account for a major portion of county business. In Texas, these functions are principally carried out through the District Attorney, County Attorney, the District Clerk, the District Courts, the County Clerk, County Courts, Justice of the Peace Courts, the Constables and the Sheriff.

Some counties have both a County Attorney and a District Attorney, while others have either a Criminal District Attorney or a County Attorney with felony responsibility. The Attorneys serve as legal advisor to county officers and prosecutes criminal misdemeanors filed in the County and Justice Courts. The Attorneys work with law enforcement officers in the investigation and preparation of cases to be heard before the criminal courts. In the absence of a District Attorney, the County Attorney will represent the state in district court.

Serious criminal cases, important civil cases and most cases dealing with juvenile and domestic relations are heard in the District Courts. District Courts have original jurisdiction in all felony criminal cases, divorce cases, cases involving title to land, election contest cases, civil matters in which the amount in controversy (the amount of money or damages involved) is \$200 or more, and any matters in which jurisdiction is not placed in another trial court. While most District Courts try both criminal

and civil cases, in the more densely populated counties the courts may specialize in civil, criminal, juvenile, or family law matters. The District Clerk ensures the smooth operation of the District Court by acting as the official recorder, registrar and custodian of all District Court pleadings, instruments and papers. In addition, the District Clerk is charged with swearing and impaneling juries, recording verdicts, securing court records, maintaining dockets and collecting filing fees.

The County Courts at Law are statutorily established by the Legislature to aid the Constitutional County Court or, in more populated areas, to take over the judicial responsibilities of the Constitutional County Court. The County Courts at Law include criminal, civil, general and other specialized jurisdictions. The number, dollar limit and jurisdiction of the courts vary widely from county to county; these functions are established by the particular statute that created each court. The County Clerk acts as clerk to the County Courts, maintaining records of court actions.

The Justices of the Peace are elected from each Justice of the Peace precinct, which are established based on county population. These Justices preside over the Justice Courts. Justice of the Peace Courts have original jurisdiction in Class C misdemeanor criminal cases. These courts also have jurisdiction of minor civil matters and may function as small claims courts. The dollar limit on these courts is \$5,000. A Justice of the Peace may issue search or arrest warrants, conduct investigations and preliminary hearings, perform marriages, and serve as the coroner in counties where there is no provision for a medical examiner.

The Constables are executive officers of the Justice of the Peace Courts. They subpoena witnesses, act as bailiff, execute judgments and serve papers. They may perform patrol functions, make criminal investigations and assist in truancy programs. In larger metropolitan areas, the Constables may assist the County and District Courts as well.

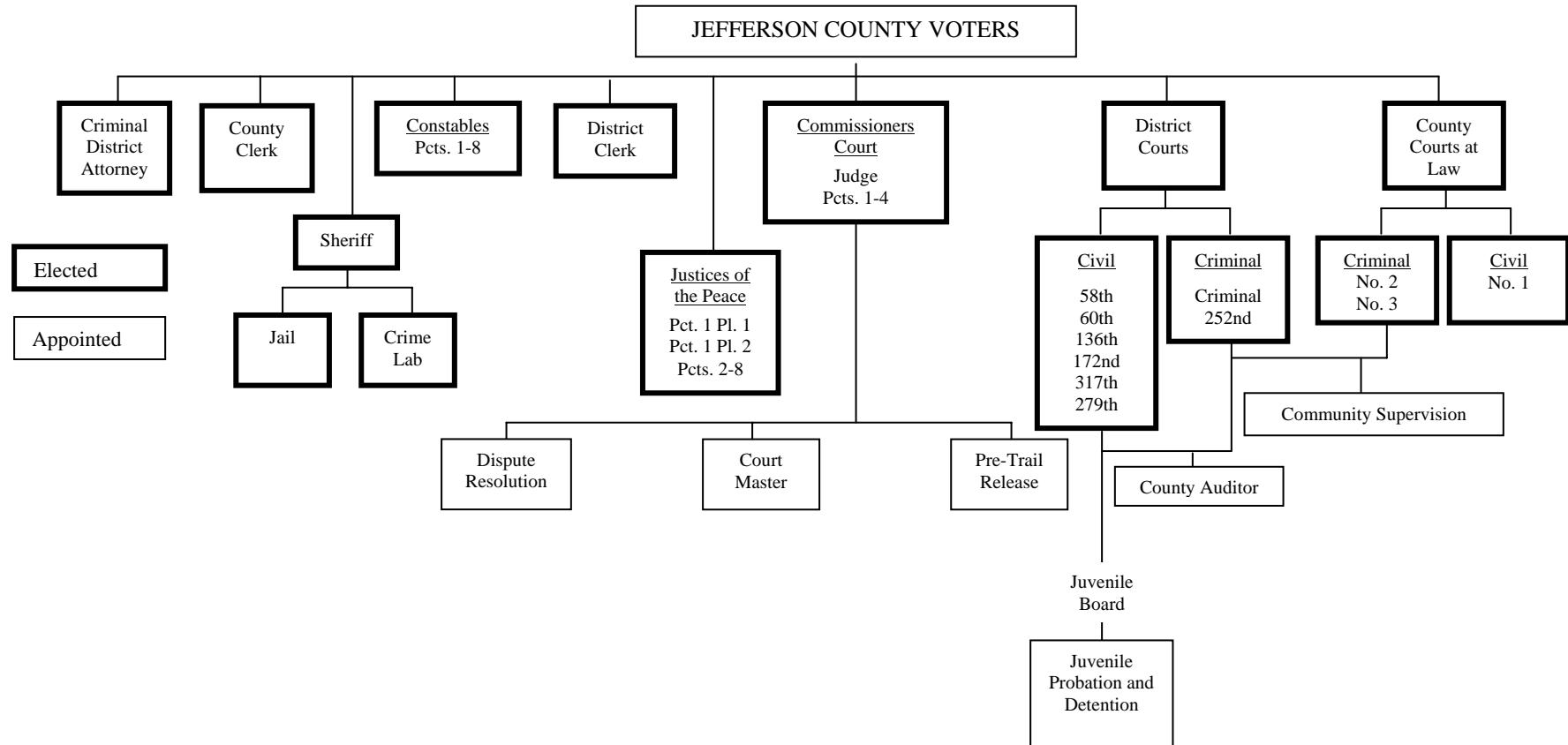
The Sheriff is the principal law enforcement officer in the county and charged with preventing criminal action and arresting offenders. The Sheriff's range of duties includes criminal investigations, traffic enforcement, operation of the jail and other responsibilities.

The Judicial and Law Enforcement Functions of Jefferson County account for a large portion of the county activities, representing 58.9 percent of total budgetary expenditures and over 60 percent of all employees in 2004. These functions are carried out by the activities of the following divisions:

- the District Attorney;
- District Clerk;
- District Courts, including the, 58th, 60th, 136th, 172nd, 252nd, 279th, 317th District Courts;
- the Juvenile Probation and Detention Department;
- one County Clerk;
- County Courts, including two criminal courts and one civil court;
- seven Justices of the Peace, who oversee Justice and Small Claims Court;
- six Constables; and
- the Sheriff.

In addition, the department of Pre-Trial Release, the Dispute Resolution Center under the Commissioners Court are also included in this function. The department of Pre-Trial Release aids individuals after arraignment and prior to their trial date for obtaining jail release. The Dispute Resolution Center is responsible for working with individuals, families, community groups, government agencies and businesses to assist them in resolving conflict. Through the use of mediation and facilitation, the center helps to prevent the need for litigation or escalation of the conflict. Also included are Community Supervision and the Court Master. Community Supervision represents maintenance and equipment expenditures mandated by the state for the Adult Probation Department. The Court Master is allocated all expenditures associated with the Drug Impact Court of Jefferson County.

EXHIBIT 7-1
ORGANIZATIONAL CHART
JUDICIAL AND LAW ENFORCEMENT
AS OF SEPTEMBER 30, 2003



Sheriff's Office

MGT's review of the Jefferson County Sheriff's Office was limited by a lack of access to law enforcement and correctional staff. These restrictions prevented the review team from completing a comprehensive study, but did permit an analysis of the some of the major issues facing the office's programs and services. Although access was officially restricted because the Sheriff "opted out" of the review, the Sheriff and all of his staff did cooperate by providing the review team with information it requested.

The Sheriff is an elected official whose office is established in the Texas Constitution and other state law. In all Texas counties, the Sheriff is responsible for patrolling roadways and public areas of the county; enforcing federal, state and local laws; enforcing civil remedies; providing courthouse security; operating the county jail; and providing dispatch services.

The Jefferson County Commissioner's Court approves the Sheriff's budget, but the office is otherwise independent in its operations. The current Sheriff is serving his third term. His senior staff includes long-term department employees with experience in both law enforcement and jail management. The Sheriff is an experienced law enforcement officer who has served with the Port Arthur Police Department and the Jefferson County District Attorney's Office.

Organization and Staffing

The Sheriff's department has a total of 381 employees. To support the department's mission, it is organized into three functional areas:

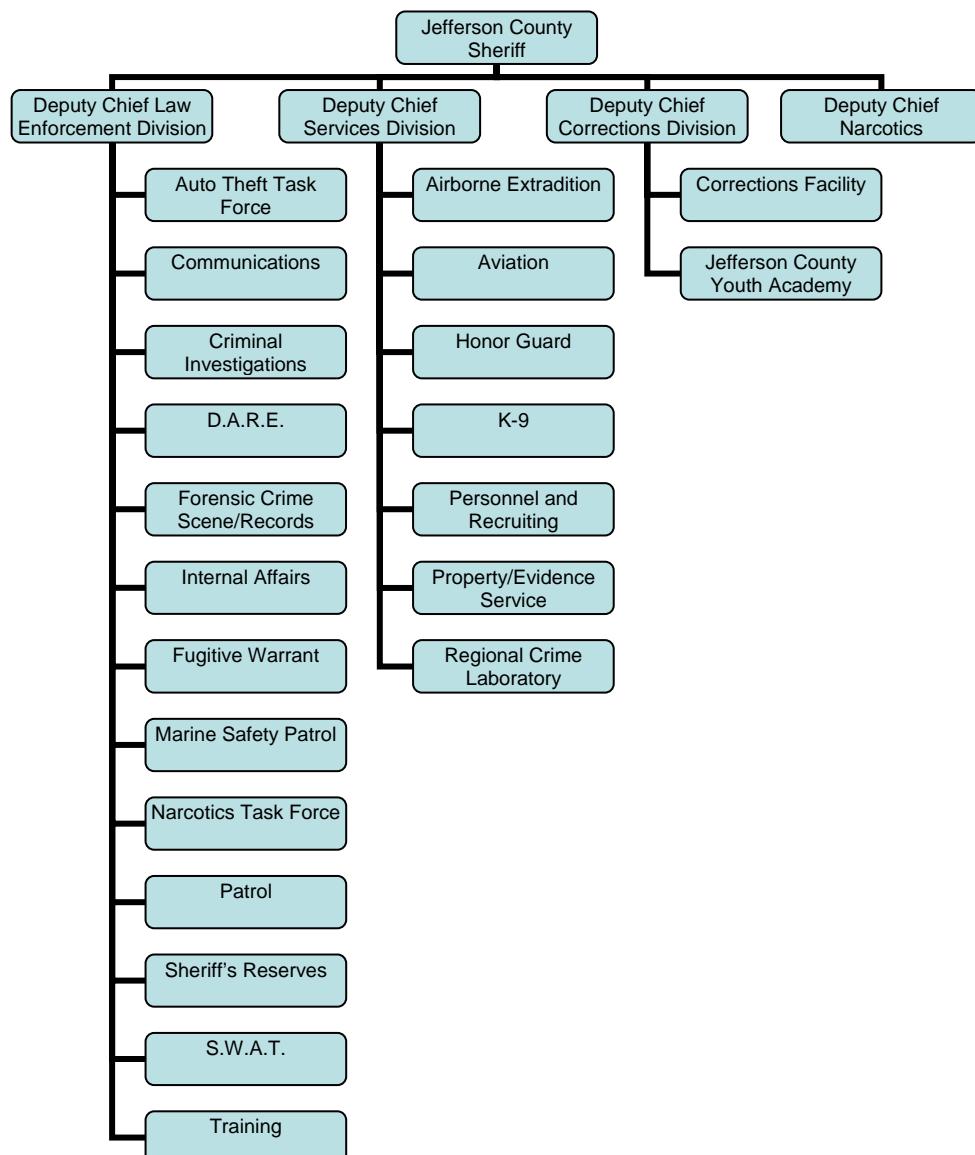
- a Law Enforcement Division, including an Auto Theft Task Force, Communications Division, Criminal Investigations Unit, D.A.R.E, an Identification (ID) Division, Internal Affairs Unit, Fugitive Warrant Division, Marine Safety Division, Narcotics Task Force, Patrol, Sheriff's Reserve, S.W.A.T., and Training;
- a Services Division, including the Airborne Extradition Unit, Aviation Unit, Honor Guard, K-9 Unit, Personnel and Recruiting Information,

Property/Evidence Service Department and Regional Crime Laboratory; and

- the Corrections Division, including the Corrections Facility and the Jefferson County Youth Academy (JCYA).

These divisions are managed by three deputy chiefs who report to the Sheriff; a fourth deputy chief oversees narcotics investigations (**Exhibit 7-2**).

EXHIBIT 7-2
JEFFERSON COUNTY SHERIFF'S OFFICE
ORGANIZATIONAL STRUCTURE



Source: Jefferson County Sheriff's Office.

Exhibit 7-3 details staffing within the Sheriff's Office; **Exhibits 7-4** through **7-6** provide staffing totals for each division.

EXHIBIT 7-3
JEFFERSON COUNTY SHERIFF'S OFFICE STAFFING

Position	Number
Sheriff	1
Sheriff's Assistant	1
Deputy Chief	4
Assistant Chief	2
Major	3
Captain	6
Lieutenant	19
Lab Director	1
Sergeant	15
Deputy/Corrections Officers	295
Dispatch Supervisor	1
Dispatcher	8
Lab Personnel	7
Other Staff	18
Total	381

Source: Jefferson County Sheriff's Office.

EXHIBIT 7-4
LAW ENFORCEMENT DIVISION STAFFING

Position	Number
Deputy Chief	2
Major	2
Captain	5
Lieutenant	8
Sergeant	6
Deputies	65
Dispatch Supervisor	1
Dispatcher	8
Other Staff	4
Total	101

Source: Jefferson County Sheriff's Office.

EXHIBIT 7-5
SERVICES DIVISION STAFFING

Position	Number
Deputy Chief	1
Crime Lab Director	1
Lab Personnel	7
Deputies	2
Other Staff	3
Total	14

Source: Jefferson County Sheriff's Office.

EXHIBIT 7-6
CORRECTIONS DIVISION STAFFING

Position	Number
Deputy Chief	1
Assistant Chief	2
Major	1
Captain	1
Lieutenant	11
Sergeant	9
Correctional Officers	228
Other Staff	11
Total	264

Source: Jefferson County Sheriff's Office.

The Sheriff's Office receives funding under three separate budgets: Sheriff's Department, crime lab and the jail.

The jail budget covers salaries, operating and capital expenditures for jail operations and the Aviation Unit, although the organization chart provided by the Sheriff's Office indicates that aviation is the responsibility of the Services Division.

The Sheriff's Department budget includes essentially all other departmental functions except for the crime lab; these are primarily law enforcement operations, court security (bailiffs) and dispatch services. The jail received about \$18 million in appropriations for fiscal 2004-2005; the crime lab received \$509,000; and the Sheriff's Office was budgeted for \$6.4 million.

Correctional Services (Jail Operations)

There are two jails in Jefferson County; the old county jail, also called the “downtown jail” or Detention Center and the “new” county jail, known as the Jefferson County Correctional Facility, located on Hwy 69 between Beaumont and Port Arthur. The downtown jail, closed after the new jail was built, was reopened in 1998 and is operated by a private corrections company (CSC) under a contract with the Sheriff. It houses inmates from other jurisdictions (state, local or federal) for a daily fee, called a “per diem”. The county receives anywhere from \$31 per day to more than \$51 per day per inmate and pays the private operator between \$31 and \$42 per day. When operated near capacity the downtown jail earns more than a \$1 million per year for the county.

The Sheriff operates the new jail, which is where criminals arrested by law enforcement officers (Sheriff's deputies, Beaumont, Port Arthur, Nederland, Groves, and Port Neches police officers, Texas DPS, etc.) in Jefferson County bring their offenders to be booked and detained and where sentenced offenders may serve their sentence or await transfer to state prison. The following discussion on correctional services is concerns the correctional facility and not the downtown jail.

As with most counties, correctional services represent a significant portion of Jefferson County's total budget. This commitment makes it important to ensure that the county operates its correctional services as efficiently as possible, while maintaining public safety. **Exhibit 7-7** compares Jefferson County with several peer counties in spending and other aspects of jail operations.

EXHIBIT 7-7
JEFFERSON AND PEER COUNTY JAIL INFORMATION
FISCAL 2004

	Jefferson	Collin	Denton	Fort Bend	Galveston	Montgomery
Est.2004 County Population	250,086	608,357	522,429	418,760	267,505	349,955
Jail Avg. Daily Population	976	794	898	763	881	792
Incarceration Rate	3.89	1.34	1.76	1.58	3.29	2.32
Jail Budget	\$18,028,912	\$16,645,339	16,845,117	\$12,971,255	\$9,992,800	\$10,417,335
FTEs	264	315	284	216		
Jail Health	\$2,187,500	\$3,126,000	2,396,014	N/A	N/A	N/A
Healthcare cost per day (est.)	\$6.14	\$10.79	\$7.31	N/A	N/A	N/A
Avg. Total Cost Per Day	\$50.61	\$68.22	\$58.70	\$46.58	\$31.08	\$36.04
Telephone Commission	\$683,000	\$343,863	N/A	N/A	N/A	N/A
Per Capita Spending	\$72.09	\$32.50	\$36.83	\$30.98	\$37.36	\$29.77
Ratio of Inmates to Staff	3.7	2.52	3.16	3.53	N/A	N/A
Cost per meal	\$0.78	N/A	\$0.80	\$0.60	\$1.03	\$0.86

Source: Texas Commission on Jail Standards, Incarceration Rate Report, May 2005, and Individual County Budgets.

It must be noted that in several cases data was unavailable. This is particularly true for operational costs, as counties account for certain costs differently (such as capital outlays, utilities, transportation, contracted services, etc.).

Despite these limitations, a few conclusions can be drawn from the data. Jefferson County's cost per day to house an inmate is about \$50, which is close to the midrange of the peer counties. Jefferson County looks very good in a couple of comparisons. An outstanding comparison is the medical cost per day per inmate. Jefferson County's per day cost of \$6.14 is outstanding compared to other Texas counties and to national averages, which are generally greater than \$8 per day. Also, inmate meal costs are among the lowest compared to other Texas counties and the national average.

Jefferson County also compares well in its ratio of inmates to staff, at 3.7 inmates per staff member, with the national average closer to 5.1 for medium-sized and large jails. In any case, this ratio varies considerably from jurisdiction to jurisdiction due to such factors as the physical plant, programs offered to prisoners, staff shift length and rotation and the extent of contracted services.

The most alarming figure in **Exhibit 7-7** is the per-capita cost of jail operations—that is, the jail's cost per county resident. Jefferson County's per capita cost, at more than \$72 per resident, is more than twice as high as the peer average of \$33.40. Because the county's per-day cost of \$50 is more or less in line with the peer counties, it appears that the main cause for the anomalous per-capita figure is the large size of the county's jail population versus the county's population, which is known as the incarceration rate.

Again, because certain expense items each county includes or excludes in its jail budget vary and because Jefferson's jail cost is closer to a full cost, other counties' cost per capita would be somewhat higher if all costs that Jefferson County includes were included in their budgets. The issue here is not the variance caused by what costs are included or excluded, but rather the high number of inmates (and associated cost) per county resident.

Because of the number of inmates locked-up compared to the number of residents (the incarceration rate) is high, more financial burden falls on each Jefferson County resident than in communities with lower incarceration rates. (A later section in this chapter discusses this factor more fully.) In particular, it notes that Jefferson County has 25 percent more pre-trial inmates than the state average.

Local governments are—or should be—constantly searching for ways to control and reduce correctional costs. Such measures can include revenue sources such as inmate payphone fees, charging for certain services such as a medical co-pay, charging

other jurisdictions for housing their offenders, the use of contracted services (all of which Jefferson County does an outstanding job of doing) and, most importantly, careful inmate management. Decisions concerning who is housed in county facilities, and for how long; the manner and security level of jail housing; and the level and type of services that are provided directly affect the cost of this critically important function. Some of these decisions are made by jail staff or by other agents of the criminal justice system, such as judges, prosecutors, juries, etc. Due to project scope limitations, the review team was unable to evaluate the county's performance in this area.

Of course, no efficiency measures should be undertaken without ensuring that operations continue to protect the safety and security of the public, county employees and offenders alike. County jails must be maintained in a manner consistent with contemporary correctional practices and the standards of the Texas Commission on Jail Standards (TCJS).

Offender Population

According to TCJS, the Jefferson County jail's average daily population (ADP) averaged 976 for the period of June 1, 2004 through May 1, 2005.¹ The population ranged from 926 to 1,039 during this reporting period.

The following exhibits compare Jefferson County's jail population with those of a series of peer counties that share some demographic similarities. Although the exhibits present data from varying (but overlapping) time periods, they illustrate some critically important measures of how the county manages its correctional population.

Exhibit 7-8 compares county jail populations with capacity. Jefferson County is operating at 79.8 percent of its capacity, near the statewide average of 80.1 percent and

¹ ADP is based on the 1st day of the month jail population report figures from 6/1/2004 - 5/1/2005.

slightly above the peer-county average. Thus the county is fortunate, at present, to be immune from the capacity crises many local jurisdictions face.

EXHIBIT 7-8
JAIL POPULATION

County	Population	Jail Capacity	% of Cap.
Jefferson	974	1,220	79.84%
Peer Average	605	800	75.99%
Brazoria	776	1,170	66.32%
Chambers	101	148	68.24%
Collin	791	1,010	78.32%
Denton	871	1,400	62.21%
Fort Bend	645	763	84.53%
Galveston	841	881	95.46%
Hardin	90	127	70.87%
Lubbock	712	795	89.56%
Montgomery	723	1,155	62.60%
Nueces	865	1,020	84.80%
Orange	238	326	73.01%
Statewide	63,757	79,590	80.11%

Source: Texas Commission on Jail Standards, April 1, 2005.

Jails by their nature have fluctuating populations and must have some capacity available to meet unusual demands. Over several years (January 2000–February 2004), Jefferson County's jail population fluctuated between a low of 745 (January 2001) and a high of 1,152 (February 2003), representing available operating capacities of less than 6 percent and 39 percent, respectively. While both extremes were rare, they clearly illustrate the ever-changing nature of the space demands placed on the jail.

Corrections authorities generally believe an available bed capacity of 15 percent is sufficient to cover normal fluctuations in demand. In Jefferson County, from January 2000 through February 2005, the jail's population exceeded 85 percent (that is, the capacity fell below 15 percent) in just eight of 62 months (as measured by the ADP at the beginning of each month).

Another important jail population indicator is the incarceration rate, expressed as incarcerated individuals per 1,000 population. **Exhibit 7-9** compares Jefferson County's

incarceration rate with those of its peers, based on 2004 population estimates and ADPs for May 1, 2005. Jefferson County had the highest overall incarceration rate.

In fact, Jefferson County's incarceration rate is among the state's highest, ranking 18th among Texas counties in a May 1, 2005 TCJS report; the statewide average was just 2.49. This situation should be examined further to determine its cause and significance.

EXHIBIT 7-9
INCARCERATION RATES
AS OF MAY 1, 2005

	2004 Population Estimate	Capacity	ADP (Average Daily Population)	Incarceration Rate
Jefferson	250,086	1,220	976	3.90
Peer Average	287,338	800	619	2.15
Brazoria	265,366	1,170	783	2.95
Chambers	28,435	148	100	3.52
Collin	608,357	1,010	794	1.31
Denton	522,429	1,400	898	1.72
Fort Bend	418,760	763	650	1.55
Galveston	267,505	881	873	3.26
Hardin	49,428	127	99	2.00
Lubbock	251,701	795	860	3.41
Montgomery	349,955	1,155	792	2.26
Nueces	313,870	1,020	733	2.34
Orange	84,914	326	223	2.63
Statewide	22,293,020	72,559	55,619	2.47

Source: Texas Commission on Jail Standards, Incarceration Rate Report, May 1, 2005.

Incarceration rates are affected by factors beyond the control of jail officials, such as crime rates and demographic trends. It can also indicate that they are using excess capacity by housing other jurisdiction inmates for a fee. But they can also indicate that a jurisdiction's population management policies and practices should be modified, possibly through the use of alternative sanctions and enhanced pre-trial release programs.

Exhibit 7-10 compares characteristics of the Jefferson County jail population (as of May 1, 2005) with statewide averages. These data indicate some significant differences between statewide populations and the county's. These differences, while

due in part to local demographics and crime trends, are influenced and affected by the policies and procedures of the Sheriff's Office as well as other state and local entities, such as courts and city police departments. According to jail officials, the jail is receiving more violent inmates than in prior years, which has led the Commission of Jail Standards to recommend that any new beds constructed be maximum security.

The policies of TDCJ's Parole Division affect the number of parole violators housed in the jail. The sentencing practices of the area's judiciary play a major role in determining the jail's population, as can the availability and type of services provided by the county's probation department, and the effectiveness of pre-trial release programs. These entities should be reviewed periodically to determine if modifications to their policies and procedures could affect capacity needs, and thus the county budget.

EXHIBIT 7-10
JAIL POPULATION BY OFFENSE TYPE

Offense Type	Statewide*	Jefferson County**
Pretrial Felons	30.92%	36%
Convicted Felons	8.18%	9.20%
Convicted Felons (Co Jail Time)	2.23%	1.25%
Blue Warrant	3.98%	7.90%
Parole Violation/New Charge	4.48%	4.30%
Pretrial Misdemeanants	10.05%	4.35%
Convicted Misdemeanants	7.48%	1.60%
Bench Warrant	1.52%	3.40%
Federal	11.35%	0%
Pretrial State Jail Felon (SJF)	7.62%	19.40%
Convicted SJF (County Jail)	2.15%	2.50%
Convicted SJF (State Jail)	2.22%	3%
Other	7.77%	6.50%

* As of 3/1/2005.

** As of 5/1/2005.

Source: Jefferson County Sheriff's Office, May 2005.

One conclusion that can be drawn from **Exhibit 7-10** is the share of convicted felons housed at the jail. The share of Jefferson County's jail population represented by such offenders is above the statewide average. This could reflect how quickly TDCJ

makes transfers to state prisons, or an exceptional willingness on the county's part to house TDCJ inmates in return for a negotiated per diem fee.

A more significant concern is that nearly 60 percent of the county's jail population represents pre-trial inmates, compared to the statewide average of 48.6 percent.

A systematic and empirically based review of this data should be periodically undertaken in order to determine if the practices, policies, procedures and/or program offerings could be modified to benefit the county and its citizens.

COMMENDATION

The percent of pretrial misdemeanants locked-up in the Jefferson County jail was about 43 percent of the statewide average.

RECOMMENDATION 7-1:

Jefferson County should review its pre-trial release program and practices to determine why its percent of felony pre-trial detainees is so high compared to the statewide average.

The county could consider contracting for an independent analysis of the jail population to determine if county policies, procedures and practices could be modified to the benefit of the county. This review should include an assessment of alternatives to incarceration to determine if they might allow the county to reduce its costs while maintaining public safety.

MGT interviewed employees of the county's Pre-Trial Release Program Department (which is a separate department within the county and not part of the Sheriff's Office). It was apparent that, while they are hard-working, dedicated individuals, they can accomplish little under their present working arrangements.

At the time of MGT's review, the position of program department head was temporarily vacant, as the incumbent was in Iraq; an assessment specialist was standing in for the department head and handling her own duties as well. Each day she has to

go to the jail to review cases and interview qualified detainees to assess potential enrollees for the program.

Too frequently only a small percentage of those arrested are able to qualify for this program. Department statistics indicate that its employees prepare only about 46 pre-trial release affidavits per month, or about 1.5 per day—compared to 52 new jail inmates added per day.

FISCAL IMPACT

The cost of an independent study can not be estimated. Savings would depend on results of analysis.

Facility Staffing

Staffing analyses of correctional facilities normally involves an extensive on-site examination of the facilities and examinations of the population's security and program needs, the facility's mission and other factors that affect the need for staff. Jefferson County's jail facilities were not made accessible to MGT, making a detailed review impossible.

The review team was, however, able to review several documents related to the county's jail staffing, including a master roster, reports from Texas Commission on Jail Standards and a 2003 internal staffing analysis, among other documents. Without firsthand inspection, however, MGT cannot speak definitively on jail staffing.

According to a TCJS analysis, Jefferson County needs 30 additional corrections officers. The Commissioner's Court has taken no action in response. A 2003 in-house staffing analysis indicated that the jail needs 46 more officers.

Without independent verification, MGT cannot comment on the accuracy of either assessment. There are indications that an independent staffing analysis is warranted

and could improve the jail's operations and efficiency, foremost of which is the amount of overtime pay earned by jail employees.

One county report indicated that from April 2004 through March 2005, county jail staff earned 39,296 hours of overtime, an average of nearly 3,275 hours per month. This appears to be excessive given the number of employees on staff but could be a result of inefficient staffing a scheduling, or both. Certain duties, especially those related to medical custody and court and medical transports, frequently lead to high overtime costs.

The information shared with MGT gives no indication that the county has completed or commissioned a thorough, independent post analysis (an analysis of staffing broken down by positions and duties) or any examination of other factors that may affect the jail's staffing requirements, such as the use of civilian and sworn officers. We believe that this represents a significant missed opportunity.

RECOMMENDATION 7-2:

Conduct a thorough review of the county jail's functional and operational relationships to maximize effectiveness, enhance workflow, clarify reporting relationships and prepare for future growth.

FISCAL IMPACT

Cost of an independent review can not be estimated.

RECOMMENDATION 7-3:

Conduct a review of the structure and responsibilities of the jail's managerial staff to ensure that its reporting relationships, composition and responsibilities are consistent with department goals and objectives.

FISCAL IMPACT

The cost of an independent study can not be estimated. Savings would depend on results of any study.

RECOMMENDATION 7-4:

Conduct a review of the use of sworn officers in civilian posts and implement adjustments in staffing where appropriate.

FISCAL IMPACT

The cost of an independent study can not be estimated. Savings would depend on results of any study.

RECOMMENDATION 7-5:

Conduct a review of scheduling patterns and consider establishing 12-hour shifts.

Other jail facilities use scheduling alternatives that can benefit staff morale and development while improving efficiency and effectiveness. One such method is the use of 12-hour shifts configured in such a way that all staff get every other week end off and only work seven rather than 10 days every two weeks. It should save resources for the county as well. Jefferson County should fully explore such alternatives to ensure that its schedules provide the best operational, fiscal and staff retention outcomes.

One FTE could be eliminated or redeployed for every five positions (posts) that are converted to 12-hour shifts.

RECOMMENDATION 7-6:

Conduct an analysis of jail staffing needs related to court, clinic and medical transportation issues.

These issues place severe demands on the jail staff and all options for reducing demand should be considered.

FISCAL IMPACT

The cost of an independent study can not be estimated. Savings would depend on results of any study.

Privatization

The Sheriff's Correctional Services Unit has used private contracts to reduce its costs for services delivery in areas including health care and dietary services. In addition, the unit has used several contractual arrangements to generate revenue for the county, including:

- private management of the downtown jail facility;
- contract housing for federal inmates and detainees, in exchange for payments from the U.S. Marshall's Service;
- contract housing for state inmates and detainees, in exchange for payments from TDCJ;
- contract housing municipal offenders from cities within Jefferson County; and
- the use of pay telephones that generate commissions on prisoner phone call toll charges.

Health Care Delivery

Jefferson County has an ongoing agreement with NaphCare to provide medical, mental health and dental care to county jail inmates. Based on the average jail population for the last 12 months, the base compensation NaphCare receives is about \$6 per inmate per day, a figure at or below what one would expect for a facility of this size.

In addition, the annual base compensation includes \$260,000 per year for the provision of off-site services. All costs for off-site services above this level are the county's sole responsibility.

MGT reviewed the inmate healthcare contract and found it generally sound and favorable to the county. Nevertheless, we did note a few areas of concern:

- the contract does not detail a required staffing pattern for medical professionals and contains no performance guarantees or penalties for nonperformance;
- according to department officials, the Sheriff's office has a full time contract monitor for inmate medical and food service contracts. The review team could find no evidence of formal contract monitoring by the

county auditor or any other Jefferson County official. The contract does not contain monitoring provisions; and

- the contract offers no incentive to the vendor to encourage appropriate utilization review, because the county pays for all services above the expenditure cap.

COMMENDATION

The contract for the provision of inmate healthcare is generally very good and is substantially cheaper than a county-run inmate healthcare program. It also includes an inmate co-payment requirement, which will reduce costs to both the county and the vendor and provide revenue for the county.

RECOMMENDATION 7-7:

Include formal contract monitoring provisions in all contracts to ensure vendor compliance.

The Sheriff' office is monitoring contract performance, but provisions for such are not clearly stated in the contract. The county should monitor and document vendor performance in meeting all key contract provisions on at least a quarterly basis. Nonperformance on critical contract provisions should be grounds for penalties. The contract does provide penalties for the vendor not filing vacant positions.

FISCAL IMPACT

This recommendation can be implemented within existing resources.

RECOMMENDATION 7-8:

The county should adopt a “shared risk” approach to medical service management.

The key to controlling hospitalization expenditures is to establish reasonable treatment guidelines, combined with aggressive utilization review (a critical examination by a medical professional of health-care services provided. It is conducted to help ensure costs are controlled (by identifying unnecessary procedures) and the quality of care is appropriate) and appropriate incentives, to manage care responsibly. Under the current contract, the vendor has little incentive to encourage appropriate level of care because the county pays for all services above the expenditure cap.

The county should modify the contract so that the county and vendor equally share costs above an agreed level to give both parties an incentive to manage service delivery responsibly.

FISCAL IMPACT

This recommendation can be implemented within existing resources.

Downtown Jail Facility

Since May 1998, Jefferson County has had in place a management agreement with Correctional Services Corporation (CSC) to operate the old jail facility (Jefferson County Detention Center) in downtown Beaumont to house state and federal prisoners

An August 2001 contract amendment modified the per diem rates paid to the county for each offender housed in the downtown jail. The facility houses county prisoners at a rate of \$31 per inmate per day. TDCJ pays Jefferson County \$31 to \$32.26 per prisoner per day for the housing of state prisoners, while federal agencies (U.S. Marshall Service, INS, Federal Bureau of Prisons) pay as much as \$51 per prisoner day for their prisoners. The downtown jail can house up to 411 inmates. Jefferson County pays the jail operator, CSC, about \$31 per inmate.

This contract is clearly advantageous to the county and should be continued. The county should continue to monitor the per diem amount and modify it to maintain the going rate for leased beds in this region.

COMMENDATION

The housing of federal and other inmates in the CSC-run downtown jail facility by contracting with CSC for all operations earns the residents of Jefferson County about \$1 million per year.

Inmate and Public Pay Phone Services

In recent years, correctional authorities across the nation have negotiated agreements with telephone companies to provide phone services in their facilities in exchange for a commission.

Jefferson County has an agreement in place with SBC that gives the company the exclusive right to install and maintain telephone equipment at both of the county's correctional facilities for both inmate and public use. Exhibit A of the contract provides for a compensation rate of 44 to 46 percent of the total annual inmate revenue generated by the agreement. Phones in correctional facilities in Jefferson County earned the county almost \$480,000 in 2003 and more than \$683,000 in 2004. This is almost \$700 per inmate per year.

The only comparable revenues MGT could obtain was for Collin County, which earns an average \$433 per year per inmate. Jefferson County earned almost 62 percent more per inmate than in Collin County.

COMMENDATION

The inmate telephone revenue earned by the county provides the Sheriff's Office substantial funds which can be spent on inmate programs and other services without costing the county additional money. The commission percentage, the total revenue and the per inmate revenue is high.

U.S. Marshal Service/TDCJ

The U.S. Marshal Service and U.S. Immigration Service have been extremely aggressive in identifying sources of leased beds to house offenders under their jurisdiction. TDCJ, in turn, periodically faces bed shortages that require the agency to seek additional detention beds.

These agencies have established formal agreements with Jefferson County that appear financially beneficial to the county.

The Marshal Service's contract pays the county \$51 per prisoner per day, and remains in effect until September 1, 2006. TDCJ's contract specifies a per diem amount of \$39.75 per prisoner.

Other provisions of these contracts (concerning inmate access to health care, transportation, etc.) are beneficial to the county because they limit additional county expenditure beyond what is contractually agreed to in the contracts. Jefferson County should continue to pursue such agreements, particularly in view of the substantial capacity its jail often has. The Sheriff recently agreed to house up to 250 TDCJ inmates at the downtown facility, which will net the county about \$8 per day per inmate.

COMMENDATION

The Jefferson County sheriff has aggressively sought contracting opportunities to improve the revenue earning potential of the downtown jail.

Municipal Prisoners

As in most Texas counties, the incorporated cities of Jefferson County do not operate their own jails; their police officers bring arrested persons to the county jail. The sheriff is obligated to house felons and misdemeanants who have committed state crimes but not those that have violated municipal ordinances. The sheriff maintains contracts with area cities to house persons arrested for violation of city ordinances. In addition, he now charges the cities for all arrested state felons and misdemeanants arrested by city police for the days they spend in county jail until they have been "magistrated" (bound over to the county by a court). The jail has raised the per diem rate it charges local jurisdictions to \$50 per day, which covers its costs.

Unfortunately, no reports provided by the sheriff or by the county auditor can substantiate any of the revenue.

Law Enforcement and Services Divisions

As its principal law enforcement officer, the sheriff has jurisdiction over the entire county, including its incorporated municipalities. Beaumont, Port Arthur, Groves, Nederland and Port Neches have their own police departments, although the sheriff can police these areas as well, if he chooses. Nome, China and Bevil Oaks have no police departments, so the sheriff maintains primary responsibility for patrolling and responding to calls in these areas.

Small cities without police departments that desire a greater level of police service may contract with their county sheriff for additional patrol deputies. None of the three Jefferson County cities without police have done so.

Pay Comparisons

The Jefferson County Sheriff's Office hourly pay schedule is lower than that offered by other county law enforcement agencies by as much as 22 percent. **Exhibit 7-11** shows starting hourly pay rates for the other local law enforcement departments in Jefferson County.

EXHIBIT 7-11 LAW ENFORCEMENT PAY COMPARISONS

Level 1 Patrol Officer Starting Hourly Rates	
Port Neches Police Department	\$18.57
Beaumont Police Department	17.80
Nederland Police Department	17.34
Port Arthur Police Department	17.27
Groves Police Department	16.05
Jefferson County Sheriff	14.57

Budget History

The Sheriff's Office budget has risen by about 11 percent over the last five years.

EXHIBIT 7-12
SHERIFF'S OFFICE BUDGET BY YEAR

1988	\$5,756,752
1989	6,446,861
1990	9,463,067
1991	10,572,038
1993	17,373,489
1994	20,464,969
1995	21,739,195
1996	20,817,716
1997	21,140,506
1998	20,760,206
1999	22,110,500
2000	23,033,843
2001	22,877,810
2002	24,239,545
2003	23,695,405
2004	\$25,737,418

Source: Jefferson County Sheriff's Office.

Law Enforcement Division Staffing

Exhibit 7-13 shows the Law Enforcement Division's staffing history since 1990.

Staffing has not increased significantly since 1990, and is presently lower than in 1995.

EXHIBIT 7-13
LAW ENFORCEMENT DIVISION STAFFING HISTORY
1990-2004

1990	98
1995	111
1996	111
1997	111
1998	113
1999	111
2000	111
2001	115
2002	114
2003	113
2004	107

Source: Jefferson County Sheriff's Office.

Crime Lab Statistics

The Crime Lab's caseload rose by 25 percent from 2002 to 2004; its budget fell by 15 percent over the same period (Exhibit 7-14).

EXHIBIT 7-14
LABORATORY STATISTICS

Year	Cases	Budget
2002	3,202	\$516,699
2003	3,690	\$494,165
2004	4,029	\$441,756

Source: Jefferson County Sheriff's Office.

Uniform Crime Reporting Statistics

Jefferson County's crime rate has fallen in recent years. According to the Federal Bureau of Investigation, Part I crimes (murder, forcible rape, robbery, aggravated assault, burglary, larceny [theft], motor vehicle theft and arson) fell by 12 percent between 2000 and 2004; Part II crimes (all other crimes) decreased by about 5 percent.

EXHIBIT 7-15
UNIFORM CRIME REPORTING STATISTICS

	2000	2004
Part I	793	702
Part II	2,206	2,114

Source: Federal Bureau of Investigation.

Calls for Service

Service calls received by the Sheriff's Office rose from 9,176 in 2000 to 11,012 in 2004, an increase of nearly 20 percent (4.67 percent per year). Although crime rates in Jefferson County, like the rest of the country, are down in recent years, crime has gone up due to population growth.

According to 2004 U. S. Census Bureau figures, the population of Jefferson County has decreased by almost 4,000 residents since 2000. However the population of the unincorporated parts of Jefferson County increased by 1 percent during that same time period. While the five incorporated cities with police departments are serving fewer residents, Jefferson County sheriff's deputies are serving more.

The population of Jefferson County's unincorporated areas rose from 17,334 in 1990 to 30,701 in 2000. Adding the populations of Bevil Oaks, China and Nome, which have no local police departments, brings the total population of the area served by patrol deputies up to about 33,600. However, the department provides service to only about 22,600 of those residents, because more than 10,000 reside in prisons, jail or other correctional facilities (prisoners are included in Census Bureau population counts and estimates). When the incarcerated population is eliminated, each sheriff's deputy serves about 1,100 residents.

Even though state prison inmates are not normally requiring the services of deputies, deputies do occasionally respond to calls at state adult and juvenile correctional facilities and have to investigate some crimes and accusations of illegal activity each month. In addition to responding to calls for service, the Sheriff's department is responsible for serving warrants and subpoenas. In 2004, the department received 4,737 subpoenas, up from 3,588 in 2001, a 32 percent increase (9.7 percent annually). It also received 12,012 warrants, up from 10,068 in 2000, a 20 percent increase. The Sheriff's Warrant Division cleared (executed) 5,000 warrants in 2004.

Sheriff Office Fleet

Take-Home Car Policy

The Sheriff's Office has established a vehicle use policy (G.O. XXI revised 01-01-02) allowing deputies to take patrol cars home after work. The policy appears to be suitably restrictive and sets proper standards for the use of county vehicles.

Take-home vehicles create a high-profile presence in the community that enhances public safety. The policy also can prolong the useful life of the vehicles, since officers tend to take better care of cars when they have them all the time.

Although the department's vehicle use and record-keeping policies appear to be reasonable and sound, a formal analysis would verify their costs and benefits.

Age of Fleet

The Sheriff's Office has 97 vehicles assigned to it; records provided to the review team indicated a year model for 88 of them. Thirty of these (34 percent) were either 2004 or 2005 models (**Exhibit 7-16**). Without mileage and maintenance reports and actual fleet observations, it is difficult to draw any significant conclusions or make any recommendations concerning the fleet, but it is quite modern compared to other jurisdictions. Even in the face of substantial county budgetary restrictions, 58 percent of the fleet has been purchased since 2002.

EXHIBIT 7-16 **SHERIFF OFFICE VEHICLE MODEL YEARS**

Year Model	Number Of Vehicles
1992-1995	3
1996	1
1997	7
1998	2
1999	10
2000	8
2001	6
2002	12
2003	9
2004	13
2005	17
Average Age	3.4 years

Source: Jefferson County Sheriff's Office.

Five years and 80,000 to 100,000 miles generally is considered to be the economic life expectancy of law enforcement vehicles. Some jurisdictions, such as Salt Lake County in Utah, sell vehicles every 12 to 18 months, when they have between 15,000 and 25,000 miles. These vehicles are still under warranty and sell at a value reasonably close to their purchase price, typically costing the department about \$6,000 to \$7,000 per year per vehicle, with almost no maintenance costs.

Depending on the average miles driven per year (information not provided to MGT), Jefferson County patrol vehicles should be scheduled for replacement every four to six years. If the vehicles experience average annual mileage of 25,000 miles, a four-year rotation should be followed.

COMMENDATION

The Commissioners Court and sheriff's office appear to be maintaining a sound vehicle replacement plan.

Capital budgets often are slashed in times of financial cutbacks. This can be extremely detrimental to vehicle fleets. Most law enforcement department vehicles should be replaced on a 100,000 miles or four-to-six year cycle, since older vehicles require higher maintenance and operational costs and greater downtime.

Secondary Employment Policy

The sheriff's secondary employment policy (G.O. XV revised 8-1-98) is appropriately restrictive and properly addresses conflicts of interest and the use of county-owned equipment.

A component of the policy sets pay rates for secondary employment opportunities. This protects employees and decreases the risk of inequitable compensation.

Patrol Staffing

According to basic staffing data provided by the Sheriff's Office, the Law Enforcement Division employs 65 deputies. Of these, however, only 22 are available for patrol duties. The rest are responsible for various functions such as D.A.R.E., training, forensics, warrants, narcotics, the airport and investigative duties.

The patrol schedule for the week of January 4, 2005 indicates that there are generally 13 deputies, plus supervisory staff, on duty each day. That means that at most times four deputies, plus the supervisor were available to respond to calls, although because the department uses 10-hour shifts, certain periods in the day will have two shifts on duty at the same time.

Jefferson County covers more than 1,100 square miles. Some call responses can take more than 30 minutes.

Staffing

The Sheriff's Office has four deputy chiefs, two assistant chiefs, three majors, six captains and 19 lieutenants. This is a top-heavy rank structure for a department of 381 employees. According to department officials, some command staff carry work loads and respond to calls for service, so it may not be as top-heavy as it appears.

The Law Enforcement Division, by contrast, has just six sergeants for 65 deputies. This is an average span of control of one supervisor for every 11 employees. Most law enforcement operations have a ratio of one sergeant for every eight employees, indicating a need for two additional sergeants to properly supervise employees.

RECOMMENDATION 7-9:

Redistribute patrol personnel to allow more officers to respond to calls for service and participate in community policing efforts.

The Sheriff's Office should complete a thorough study of Law Enforcement Division assignments. In particular:

- the D.A.R.E. program should be evaluated to determine whether it justifies the use of three deputies;
- the Narcotics Unit should be evaluated to see if it should remain a separate unit or be combined with the Law Enforcement Division; and
- the Training Unit, even though it covers certain other functions, such as Human Resources, should be evaluated to determine whether it justifies the need for two sergeants and two deputies.

After all positions have been evaluated for potential reallocation to the patrol function, the department should conduct a further staffing study based on calls for service, available time for community policing and distance and travel times for call responses.

FISCAL IMPACT

This recommendation can be implemented within existing resources.

RECOMMENDATION 7-10:

Reevaluate the department's organizational structure and, if warranted, reduce the number of middle management positions.

Alternatively, as new front-line staff are hired do not automatically hire/promote a equal number of managers.

FISCAL IMPACT

This recommendation can be implemented within existing resources.

RECOMMENDATION 7-11:

Conduct a compensation study for Jefferson County Sheriff's deputies.

Preliminary data indicate that deputies are not compensated at parity with other local law enforcement agencies. This can lead to high attrition and increased costs of training new deputies.

FISCAL IMPACT

See chapter 4 recommendation 4-15.

Aviation Unit

The Southeast Texas Air Support Unit is comprised of pilots from Jefferson County Sheriff's Office and the Beaumont Police Department. Military surplus helicopters are operated to support the unit's mission. The unit flies about 100 hours a year conducting or assisting with patrol, narcotics enforcement and investigations, searches and other duties. Operations require no county money because funds used are from asset seizure funds.

The Aviation Unit also operates an airplane for prisoner extradition and for other law enforcement purposes. When any law enforcement agency across the state or country apprehends criminals that are wanted for crimes committed in Jefferson County, those criminals must be returned to the county for detention and trial or else released (unless they have charges pending in other jurisdictions). Depending on where a criminal is being held, most are picked up by Sheriff's deputies using ground transportation, however, some are picked-up by flying to the jurisdiction that has custody of the criminal. Travel by commercial air is extremely expensive due to the need to send two deputies (plus a one-way ticket for the criminal) and because travel arrangements are typically made at the last minute. The Sheriff's Office closely tracks costs associated with this activity and has prepared analysis that indicates owing and operating its own plane saves the county money over using commercial transportation.

An evaluation of the analysis of the aviation program is beyond the scope of this project, nevertheless, some comments can be made. Commercial airlines have become less tolerant of prisoner transport. Some, including Southwest Airlines, prohibit it. So commercial air transport, in addition to generally costing more, has become less of a

viable alternative. The benefit of using a department owned airplane versus ground transportation becomes a function of where the criminal is located. Savings associated with flying versus driving will be on a case by case basis, depending on distance. Over the past three years, the Aviation Unit averages about eight air transports per month. Most prisoners (more than 100 per month) are transported by passenger vehicle.

Most sheriff's offices in Texas do not own their own prisoner transport plane. However, based on the large number of transports and Jefferson County's non-central location it may be appropriate and beneficial. Nevertheless, there are alternatives such as TransCor America (a private prisoner extradition and transport company) and the U.S. Marshall Service. The main conclusion that can be drawn from this brief overview is that prisoner transport is costly and that it probably warrants a more in-depth, critical analysis to determine the most economical program.

RECOMMENDATION 7-12:

Conduct an evaluation of the prisoner transportation program (ground and air transport) including a cost analysis to determine actual costs and to see if there are more economical ways of providing prisoner transport.

FISCAL IMPACT

The fiscal impact of this recommendation can not be estimated.

Emergency Response Services

Public Safety Answering Points (PSAPs) are facilities for receiving 9-1-1 calls and dispatching emergency response services, or transferring or relaying 9-1-1 calls to other public safety agencies. Currently, four primary PSAPs and one secondary PSAP exist in Jefferson County.

The county maintains a PSAP through the Sheriff's Department that answers fire, police and emergency medical service (EMS) calls for unincorporated areas of the county. The Beaumont Police Department functions as a primary PSAP and is

responsible for fielding all emergency calls within the Beaumont city limits. It then dispatches police calls and transfers all fire and EMS calls to the Beaumont Fire Department, which functions as a secondary PSAP. The Beaumont Fire Department receives the calls transferred from the Police Department and dispatches for fire and EMS calls.

The Port Arthur Police Department, another primary PSAP, answers and dispatches calls for police, fire and medical emergencies within its city limits. The fifth PSAP is the Nederland Police Department, which fields calls from Nederland, Port Neches and Groves. This PSAP answers and dispatches calls for all emergencies – police, fire and EMS – in those communities.

Exhibit 7-17 shows the size and expenditures of the PSAPs in Jefferson County.

EXHIBIT 7-17
JEFFERSON COUNTY PUBLIC SAFETY ANSWERING POINTS
SUMMARY OPERATIONAL DATA

	Salary Expenditures	Annual Call Volume	Staff (FTE/PTE)	Average cost per call *	Staff trained in EMD
Jefferson County	\$406,350	36,083	9	\$11.26	0
Beaumont Police	\$1,408,337	344,226	36	\$4.09	0
Beaumont Fire	\$752,600	28,000	10	\$26.88	10
Port Arthur Police	n/a	n/a	20	n/a	0
Nederland Police	\$494,124	34,000	8	\$14.53	7

* Includes only personnel cost and not other operational costs.

All five PSAPs have 800 MHz radio systems and consoles that have been upgraded recently. Beaumont Police, Beaumont Fire and Port Arthur have a Computer Aided Dispatch (CAD) system. The Jefferson County and Nederland Police do not have CAD systems. **Exhibit 7-18** summarizes the communications technology of the PSAPs.

EXHIBIT 7-18
JEFFERSON COUNTY PUBLIC SAFETY ANSWERING POINTS
COMMUNICATIONS TECHNOLOGY

	Radio System / Consoles	CAD (Yes/No)	Recording Equipment	Last Upgrade
Jefferson County	800 MHz	No	Dictaphone	2004
Beaumont Police	800 MHz	Yes	Voiceprint	2005
Beaumont Fire	800 MHz	Yes	Voiceprint	2005
Port Arthur Police	800 MHz	Yes	SBC	2004
Nederland Police	800 MHz	No	Dictaphone	2000

RECOMMENDATION 7-13:

Consolidate the Police, Fire, and EMS Public Safety Answering Points in Jefferson County under one service provider.

Centralizing emergency calls at one call center is a win-win situation by providing the centralized service provider with an additional revenue stream and providing the other jurisdictions with the opportunity to reduce expenditures on emergency calls. The service provider would charge a fee for providing answering and dispatch services. With the increased call volume, the average cost per call would be lower due to the realization of economies of scale. As a result, the communities in Jefferson County could save considerably by outsourcing these functions to a centralized PSAP.

Potential savings results from the elimination of redundant staff and equipment as well as from staff productivity gains as more calls are handled per shift. Furthermore, if dispatch services were centralized, the residents of incorporated areas who are currently paying for dispatch services provided by the county and by their municipality would only have to pay for one PSAP.

In addition to financial benefits, a centralized PSAP could enhance the quality of dispatch services. The centralized center would provide better call coverage and facilitate communication between jurisdictions. As a result, the jurisdictions would be

better able to organize and coordinate a response in the case of a catastrophe. For some of the smaller jurisdictions, it is challenging to provide 24-hour service due to the staffing requirements and low call volume. A centralized PSAP with a higher call volume could afford a larger staff, which would provide increased flexibility in scheduling, vacation and training for the staff. Furthermore, it may be cost beneficial to invest in training staff in CPR and Emergency First Aid in order to provide even better services to callers. Finally, a centralized answering point may facilitate the handling of calls originating from cell phones.

While centralizing the communication centers would benefit both the county and the jurisdictions that maintain their own PSAPs, there are some issues that should be considered before consolidation. These issues include:

- Allocating costs associated with center operations among jurisdictions involved;
- Organizing the entity to manage the consolidated center; and
- Managing response policy differences of the jurisdictions.

In addition, the jurisdictions may hesitate to join the centralized system due the perceived loss of local control. Addressing these issues early on will facilitate the integration of the independent PSAPs into a centralized county-wide Public Safety Answering Point.

FISCAL IMPACT

This recommendation can be implemented within existing resources, but could ultimately result in a savings to Jefferson County, as well as other jurisdictions.

Justice of the Peace Courts

Justices of the Peace (JPs) are county officials elected from within precincts to four-year terms. They have original jurisdiction in misdemeanor criminal cases when punishment is by fine only. These courts generally have exclusive jurisdiction of civil

matters when the amount in controversy does not exceed \$200, and concurrent jurisdiction with the county courts when the amount in controversy is from \$200.01 to \$5,000. JP courts also have jurisdiction over forcible entry and detainer cases and function as small claims courts. All counties are different, but in general, JPs in Texas handle most traffic violations. Other duties include presiding over death and fire inquests, issuing search and arrest warrants, and serving as notaries public and registrars of vital statistics. They are also authorized to perform marriage ceremonies.

Jefferson County has six Justice of the Peace precincts and seven justices; Precinct 1 has two places. Each Justice of the Peace office has four staff members including the justice, an associate court administrator and two clerks (**Exhibits 7-19** and **7-20**).

Each precinct has a corresponding constable who serves citations issued by the court. In Jefferson County, each constable has a staff of five to ten individuals. The constable in Precinct 1 serves two Justices of the Peace.

EXHIBIT 7-19
JUSTICE OF THE PEACE OFFICE STAFF

Staff	Precinct 1 Place 1	Precinct 1 Place 2	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8	Total
Justice of the Peace	1	1	1	1	1	1	1	7
Senior Court Clerk	2	2	0	0	0	2	0	6
Court Clerk	0	0	2	2	2	0	2	8
Associate Court Administrator	1	1	1	1	1	1	1	7
Total	4	4	4	4	4	4	4	28

EXHIBIT 7-20
JUSTICE OF THE PEACE OFFICE STRUCTURE

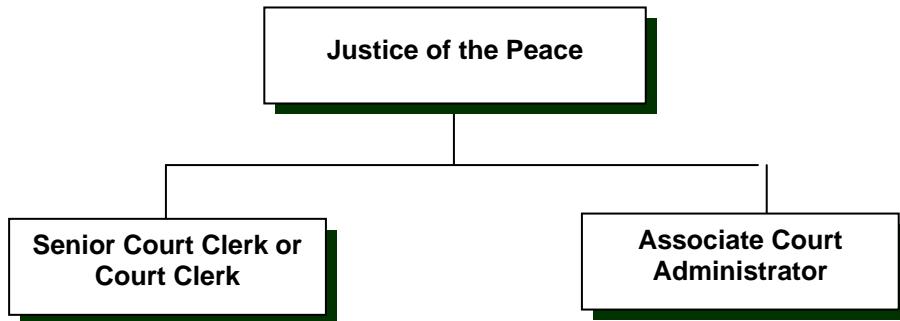


Exhibit 7-21 compares the workloads of Jefferson County's Justice of the Peace courts with those of 11 peer counties for fiscal year 2004 (September 1, 2003 through August 31, 2004).

EXHIBIT 7-21
JEFFERSON COUNTY AND PEER COUNTY WORKLOADS

Counties	County Population ¹	Civil Cases Filed	Civil Cases Disposed	Criminal Cases Filed	Criminal Cases Disposed	Inquests	Revenue	2003-2004 Operational Budget ²
Jefferson	248,605	4,306	3,748	29,642	20,880	1,378	\$3,377,700	\$1,527,216
Bell	248,727	3,545	3,084	17,975	15,677	816	\$2,239,804	\$1,103,771
Brazoria	263,149	3,017	2,693	38,297	32,662	318	\$3,254,491	\$2,185,456
Chambers	27,581	234	128	17,045	13,323	76	\$1,631,243	N/A
Galveston	266,775	4,867	3,826	42,041	33,494	1	\$4,380,510	\$1,595,700
Hardin	49,634	245	55	4,845	3,203	131	\$383,018	\$545,357
Lubbock	250,446	2,900	3,180	24,046	23,318	0	\$2,907,890	N/A
McLennan	219,807	2,936	2,469	18,230	27,044	420	\$2,781,153	\$1,207,336
Montgomery	344,700	4,564	3,237	80,321	73,626	925	\$6,093,230	\$1,824,424
Nueces	315,206	3,823	3,535	22,865	17,673	1	\$2,095,143	\$1,337,333
Orange	84,390	854	636	13,200	12,085	260	\$1,188,184	\$736,511

Source: All data from "Justice of the Peace Courts Summary of Reported Activity from September 1, 2003 to August 31, 2004," Office of Court Administration, unless otherwise noted.

(1) US Census Bureau, 2003 estimate.

(2) County Budgets.

Jefferson County ranks seventh in terms of population and fourth in budgeted expenditures when compared to the peer group, and ranks third in terms of revenue collected.

Exhibit 7-22 presents work-load measures for Jefferson County and its peers on a per capita basis. As this exhibit shows, Jefferson County's JPs conducted 5.54 inquests per 1,000 residents (1,378 inquests in fiscal 2004), far more than any of the peer counties. This is due to the fact that Jefferson County is home to a central trauma unit, and surrounding counties transport their patients to Jefferson County for treatment. Since many of these patients are in serious condition, a Jefferson County JP must perform an inquest in the event of a death.

An examination of **Exhibit 7-21** shows that Jefferson County ranked second-highest in the number of civil cases filed and highest in the number of civil cases disposed of in comparison to the peer counties. However, Jefferson County fell in the mid-range of the peer group for criminal cases filed and disposed.

EXHIBIT 7-22
JEFFERSON COUNTY AND PEER COUNTY WORKLOADS, FY 2004

Counties	County Population¹	Civil Cases Filed Per 1000	Civil Cases Disposed Per 1000	Criminal Cases Filed Per 1000	Criminal Cases Disposed Per 1000	Inquests Per 1000	Revenue Per Capita	2003-2004 Operational Budget² Per Capita
Jefferson	248,605	17.32	15.08	119.23	83.99	5.54	\$13.59	\$6.14
Bell	248,727	14.25	12.40	72.27	63.03	3.28	\$9.01	\$4.44
Brazoria	263,149	11.46	10.23	145.53	124.12	1.21	\$12.37	\$8.31
Chambers	27,581	8.48	4.64	618.00	483.05	2.76	\$59.14	N/A
Galveston	266,775	18.24	14.34	157.59	125.55	0.00	\$16.42	\$5.98
Hardin	49,634	4.94	1.11	97.61	64.53	2.64	\$7.72	\$10.99
Lubbock	250,446	11.58	12.70	96.01	93.11	0.00	\$11.61	N/A
McLennan	219,807	13.36	11.23	82.94	123.04	1.91	\$12.65	\$5.49
Montgomery	344,700	13.24	9.39	233.02	213.59	2.68	\$17.68	\$5.29
Nueces	315,206	12.13	11.21	72.54	56.07	0.00	\$6.65	\$4.24
Orange	84,390	10.12	7.54	156.42	143.20	3.08	\$14.08	\$8.73

Source: All data from "Justice of the Peace Courts Summary of Reported Activity from September 1, 2003 to August 31, 2004," Office of Court Administration, unless otherwise noted.

(1) US Census Bureau, 2003 estimate.

(2) County Budgets.

A “clearance rate” is used to measure how effectively a court disposes of cases on its docket. It is calculated by dividing the number of disposed cases by the number of cases added. If a court has a clearance rate of 1.0 for a given period, it disposed of the same number of cases as it was assigned in that year, and therefore no cases were added to the court’s backlog.

However, it should be noted that especially in criminal cases, the court can only clear cases in which a defendant is brought before the court. It is not possible to clear a criminal case where the individual charged with the crime never appears in court or enters a plea.

In fiscal 2004, Jefferson County’s citizens filed civil cases in JP court at a rate of 17.32 per 1,000 residents, making the county more litigious in this respect than all but one of its peers (Galveston County). Jefferson County ranked in the middle of the peer group in terms of criminal case filings, but its clearance rate for criminal cases (0.70) was lower than in all but one of the peers (Hardin with 0.66). The clearance rate for civil cases in Jefferson County, 0.87, is higher than six of the peer counties, indicating that perhaps it could improve the way it handles criminal cases (**Exhibit 7-23**).

EXHIBIT 7-23
CLEARANCE RATES

Counties	County Population¹	Civil Cases Filed	Civil Cases Disposed	Civil Clearance Rate	Criminal Cases Filed	Criminal Cases Disposed	Criminal Clearance Rate
Jefferson	248,605	4,306	3,748	0.87	29,642	20,880	0.70
Bell	248,727	3,545	3,084	0.87	17,975	15,677	0.87
Brazoria	263,149	3,017	2,693	0.89	38,297	32,662	0.85
Chambers	27,581	234	128	0.55	17,045	13,323	0.78
Galveston	266,775	4,867	3,826	0.79	42,041	33,494	0.80
Hardin	49,634	245	55	0.22	4,845	3,203	0.66
Lubbock	250,446	2,900	3,180	1.10	24,046	23,318	0.97
McLennan	219,807	2,936	2,469	0.84	18,230	27,044	1.48
Montgomery	344,700	4,564	3,237	0.71	80,321	73,626	0.92
Nueces	315,206	3,823	3,535	0.92	22,865	17,673	0.77
Orange	84,390	854	636	0.74	13,200	12,085	0.92

Source: All data from “Justice of the Peace Courts Summary of Reported Activity from September 1, 2003 to August 31, 2004,” Office of Court Administration.

(1) US Census Bureau, 2003 estimate.

Exhibits 7-24 and 7-25 provide comparative revenue and workload data for each JP precinct in Jefferson County. Although the workload varies considerably among the precincts, the JP offices are staffed with the same number of people.

In 2004, Precinct 7 had the largest total number of cases, generated the largest amount of revenue and received the largest share of the county budget. Precinct 7 also had the highest clearance rates for both civil cases (1.13) and criminal cases (1.09), reducing its backlog in both categories. Precinct 8 had the smallest budget (\$142,643) and the smallest caseload of all. Its clearance rate was high for civil cases (0.90) but quite low for criminal cases (0.48).

EXHIBIT 7-24
JEFFERSON PRECINCTS
REVENUES AND BUDGETS,
FISCAL 2004

Precinct	Population	Revenue	Budget ¹
Precinct 1 Place 1	81,846	\$463,641	\$239,869
Precinct 1 Place 2		\$537,278	\$237,795
Precinct 2	39,541	\$356,311	\$211,154
Precinct 4	13,247	\$529,816	\$220,633
Precinct 6	35,042	\$198,905	\$228,275
Precinct 7	53,333	\$1,120,925	\$246,847
Precinct 8	18,084	\$170,824	\$142,643

EXHIBIT 7-25
JEFFERSON PRECINCTS WORKLOAD

PRECINCT	POPULATION	CIVIL CASES FILED	CIVIL CASES DISPOSED	CLEARANCE RATE	CRIMINAL CASES FILED	CRIMINAL CASES DISPOSED	CLEARANCE RATE
Precinct 1 Place 1	81,846	1,354	1,259	0.93	4,094	1,744	0.43
Precinct 1 Place 2		824	500	0.61	3,006	2,494	0.83
Precinct 2	39,541	709	510	0.72	2,118	1,419	0.67
Precinct 4	13,247	114	74	0.65	4,371	3,472	0.79
Precinct 6	35,042	380	423	1.11	1,878	1,813	0.97
Precinct 7	53,333	664	751	1.13	8,418	9,138	1.09
Precinct 8	18,084	257	231	0.90	1,677	800	0.48

RECOMMENDATION 7-14:

Eliminate one Justice of the Peace precinct and staff.

By redrawing Justice of the Peace boundaries and increasing court efficiency, the county could eliminate the need for one JP and is/her staff.

Implementation of this recommendation would eliminate the positions of one Justice of the Peace, one associate court administrator and two court clerks.

IMPLEMENTATION

The Commissioners Court should vote to re-draw JP boundaries and abolish one JP office and the staff.

FISCAL IMPACT

The fiscal impact has been calculated based on current salaries and benefits calculated at 35 percent. The total savings from eliminating one Justice of the Peace office would be \$846,358 over the next five years.

Position	Salary	Savings
1 Justice of the Peace	\$62,090	\$83,822
1 Associate Court Administrator	\$37,211	\$50,235
2 Court Clerks	\$28,716	\$77,533
	Total	\$211,590

Recommendation 7-14	2005-06	2006-07	2007-08	2008-09	2009-10
	\$0	\$211,590	\$211,590	\$211,590	\$211,590

County Constables

Under the Texas Code of Criminal Procedure, county constables are certified peace officers elected to four-year terms within county precincts. They serve legal documents and warrants for the Justice of the Peace in their precinct; act as bailiffs; transport prisoners; and summon jurors for Justice of the Peace courts.

Constables are associate members of the Texas Department of Public Safety and therefore may be called upon to perform other law enforcement duties. They respond to

accidents, burglar alarms, crimes in progress, loose livestock and funeral processions. While constables are elected to individual precincts, their jurisdiction extends throughout the entire county.

Jefferson County has six constables, one for each Justice of the Peace precinct. Staff sizes in these offices vary, but each consists of a constable, an office specialist and one to eight deputy constables (**Exhibit 7-26**).

EXHIBIT 7-26
CONSTABLE OFFICE STAFF

	Precinct 1	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8	Total
Elected official	1	1	1	1	1	1	6
Senior office specialist	1	1	1	1	1	1	6
Office specialist	1	0	0	0	0	0	1
Constable deputy	5	3	1	3	3	3*	23
Total	8	5	3	5	5	5	36

* Five deputies in Precinct 8 are assigned to the Absent Student Assistance Program with Port Arthur Independent School District. The district reimburses the county for the expenses associated with staffing this program.

MGT was able to examine workloads for the last three years for each of the county constable offices. The workload measures consist of the number of papers received from local courts and the number of papers served (**Exhibit 7-27**); these are represented graphically in **Exhibits 7-28** and **7-29**.

EXHIBIT 7-27
CONSTABLE OFFICE WORKLOAD, 2002-2004

Fiscal Year 2002						
Work Load Measure	Precinct 1	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8
# of papers received	10,415	3,444	733	5,358	4,076	2,522
# of papers served	9,567	3,174	660	5,230	3,978	2,422
# papers served/deputy	1,913	1,058	660	1,743	1,326	807
Fiscal Year 2003						
Work Load Measure	Precinct 1	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8
# of papers received	9,836	4,006	709	5,428	4,531	2,836
# of papers served	10,357	3,663	772	5,502	3,771	2,712
# papers served/deputy	2,071	1,221	772	1,834	1,257	904
Fiscal Year 2004						
Work Load Measure	Precinct 1	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8
# of papers received	8,577	2,965	675	4,241	3,358	2,121
# of papers served	8,724	2,865	595	4,231	2,915	2,210
# papers served/deputy	1,745	955	595	1,410	972	737

EXHIBIT 7-28
NUMBER OF PAPERS RECEIVED

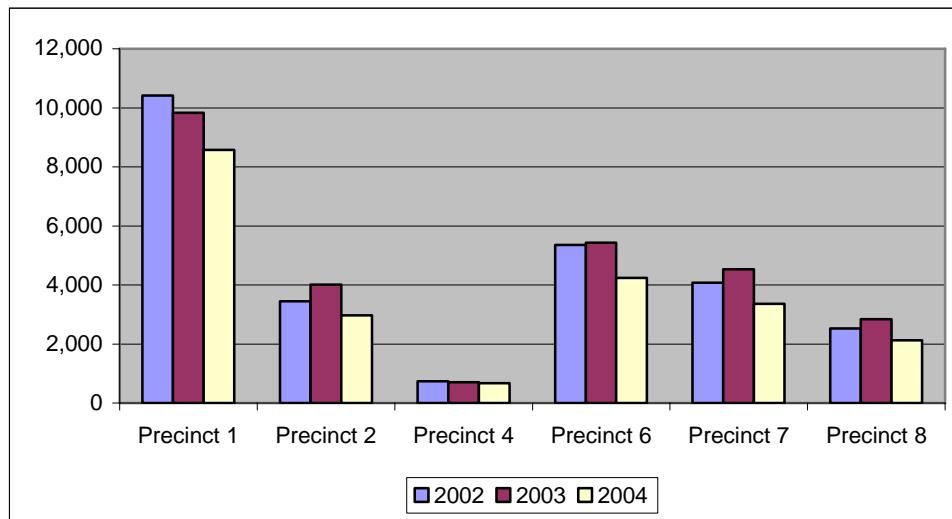
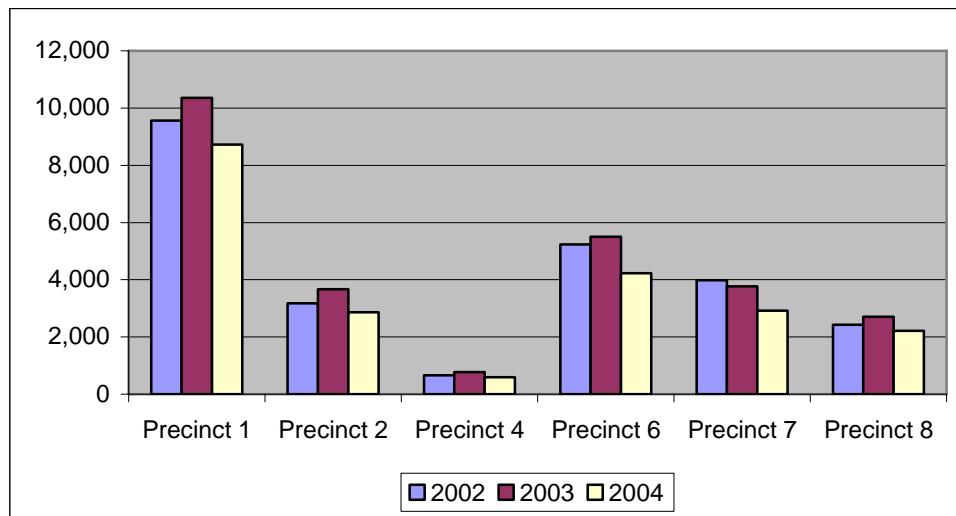


EXHIBIT 7-29
NUMBER OF PAPERS SERVED



While the numbers of papers both received and served by constables' offices increased slightly in 2003, all six precincts have seen an overall decrease between 2002 and 2004. While their workload has fallen, the offices' staffing levels generally have remained constant. In addition, although the precinct 2, 6 and 7 offices employ the same number of staff, Precinct 6 received and served almost 3,300 more papers per year than Precinct 2 over this three-year period.

While their total workload fell, the total amount of money allocated to constables' offices increased between 2002 and 2004 (Exhibit 7-30).

EXHIBIT 7-30
CONTABLES' BUDGETS

	Precinct 1	Precinct 2	Precinct 4	Precinct 6	Precinct 7	Precinct 8	TOTAL
Fiscal 2004	\$567,817	\$336,786	\$197,811	\$360,978	\$317,803	\$502,324	\$2,283,519
Fiscal 2003	\$536,275	\$339,550	\$203,895	\$354,587	\$328,793	\$485,468	\$2,248,568
Fiscal 2002	\$518,535	\$321,426	\$191,520	\$346,039	\$308,352	\$307,390	\$1,993,262

In total, the constable office budgets increased by almost \$300,000 between fiscal years 2002 and 2004.

Exhibit 7-31 presents a comparison of all Jefferson County Constable offices. As noted, the staffing and budget amounts for Precinct 8 operations have been adjusted to reflect this precinct's participation in the Absent Student Assistance Program. As this exhibit demonstrates, the least efficient precinct is Precinct 4, which is operating at 11.33 percent. In this instance, efficiency is being measured by the ratio of revenue to expenditures. This precinct also has the lowest amount of expenditures (\$199,248) and revenues (\$22,571) but is funding the smallest staff of all the precincts (three total staff members with only one deputy serving papers). Although this is taken into account, Precinct 4 still has the lowest amount of revenue collected per staff (\$7,524) as well as the fewest number of papers handled per staff (423), reflecting a less efficient office than the other precincts.

Precinct 8 has the second highest net income with \$201,279 in 2004, while functioning with the same number of staff members as Precincts 2, 6 and 7. However, it has the second lowest amount of papers handled per staff (866) as well as the second lowest amount of revenue generated per staff member (\$18,366), or \$8,573 less than the county wide total. While having the lowest expenditures per staff member (\$58,622), Precinct 8 has the second lowest efficiency at 31.33 percent.

The most efficient precinct, functioning at 67.18 percent is Precinct 1. While it has eight total people on staff including five deputies, it generates the largest amount of revenue per staff member (\$47, 963) by at least \$11,000. Precinct 1 also functions with the second largest amount of expenditures per staff member (\$71,391) while handling the largest amount of papers per staff (2,163) which is 761 more than the countywide total of 1,402.

EXHIBIT 7-31
CONTABLE ACTUAL REVENUES, EXPENDITURES
AND WORK LOAD MEASURES
2004

	Pct. 1	Pct. 2	Pct. 4	Pct. 6	Pct. 7	Pct. 8	Total
County Revenue	\$35,873	\$9,090	\$3,210	\$42,353	\$14,358	\$8,525	\$113,408
Credits	\$347,832	\$119,467	\$19,361	\$138,410	\$128,578	\$83,305	\$836,953
Office Expenditures	\$571,129	\$341,230	\$199,248	\$360,386	\$320,245	\$293,109 ⁽¹⁾	\$2,303,432
Net Income	\$187,424	\$212,673	\$176,677	\$179,624	\$177,310	\$201,279	\$1,353,071
Efficiency	67.18%	37.67%	11.33%	50.16%	44.63%	31.33%	41.26%
# of staff members	8	5	3	5	5	5 ⁽²⁾	31
Revenue/staff	\$47,963	\$25,711	\$7,524	\$36,153	\$28,587	\$18,366	\$26,399
Expenditures/staff	\$71,391	\$68,246	\$66,416	\$72,078	\$64,049	\$58,622	\$63,984
Total Papers	17,301	5,830	1,270	8,472	6,273	4,331	43,477
Papers per staff	2,163	1,166	423	1,694	1,255	866	1,402

(1) Budget been adjusted by \$218,086, the amount that Port Arthur ISD reimburses the county for the ASAP program.
(2) Staffing adjusted to exclude the five deputy constables working with the ASAP program.

Exhibit 7-32 shows overtime expenses incurred by deputy constables for all precincts for the past three years and what has been incurred through June 30, 2005. As this exhibit shows, the amount of overtime incurred has been increasing over the time period presented.

EXHIBIT 7-32
DEPUTY CONTABLE OVERTIME EXPENSES
2002 THROUGH 2005

	As of 6/30/05	2004	2003	2002
Constable Pct 1	\$29,101.11	\$38,789.59	\$29,132.15	\$26,261.57
Constable Pct 2	-	-	-	130.79
Constable Pct 4	10,172.97	-	-	-
Constable Pct 6	10,973.78	12,580.08	9,606.83	8,737.56
Constable Pct 7	1,224.71	2,585.88	2,161.96	2,486.55
Constable Pct 8	-	24.31	-	(166.92)
Totals	\$51,472.57	\$53,979.86	\$40,900.94	\$37,449.55

RECOMMENDATION 7-15:

Eliminate one constable office and administrative staff.

This would involve eliminating one elected position as well as the position of one office specialist. In addition, the county should analyze deputy constable overtime and consider adding a deputy within two years if overtime expenses continue their current trend.

IMPLEMENTATION

The Commissioners Court should vote to eliminate one constable office.

FISCAL IMPACT

The fiscal impact includes current salaries and benefits calculated at 35 percent of salaries. The total savings for eliminating one constable office would be \$465,138 over the next five years.

Position	Salary	Savings
1 Elected Officials (Constables)	\$60,201	\$81,271
1 Office Specialists	\$25,936	\$35,014
Total		\$116,285

Recommendation 7-15	2005-06	2006-07	2007-08	2008-09	2009-2010
	\$0	\$116,285	\$116,285	\$116,285	\$116,285

Emergency Management

The Jefferson County Emergency Management Plan (EMP) was updated in 2004. It is a comprehensive plan based on the Incident Command System (ICS) model. The Incident Command System model was developed in the 1970s in response to the numerous wildland fires that were occurring in southern California. The Federal Emergency Management Agency (FEMA) adopted the model and has made it an example for emergency responders to use to respond to critical incidents of all types. FEMA describes the Incident Command System as follows:

ICS is the model tool for command, control, and coordination of a response and provides a means to coordinate the efforts of individual agencies as they work toward the common goal of stabilizing the incident

and protecting life, property, and the environment. ICS uses principles that have been proven to improve efficiency and effectiveness in a business setting and applies the principles to emergency response.

The county's Emergency Management Plan is well-prepared and well-written. The EMP includes a "Hazard Mitigation and Action Plan for Jefferson County" prepared by J.F. Thompson, Inc. of Houston, Texas and Lamar University. It is an excellent mitigation plan for natural hazards and may be used as a suitable foundation for future planning.

Threat Assessment

The Jefferson County Emergency Management Coordinator conducted a comprehensive threat assessment on the Jefferson County area in November/December 2001. The threat assessment was professional in that it applied FEMA approved methods and created a substantive foundation for critical incident planning. The threat assessment took into consideration the various factors necessary for first responders to consider during a critical incident. These factors included structural formation of the emergency response organization, the various functions included in the emergency response, and processes used by responders to handle the crisis. The structure-function-process approach to analyzing emergency response is an effective method that should prove successful for Jefferson County.

Jefferson County is a member of a Joint Terrorism Task Force (JTTF), which allows it to participate in its intelligence briefings and remain abreast of potential threats to area institutions. After the terrorist attacks of September 11, 2001, the Federal Bureau of Investigation began coordinating efforts of local law enforcement agencies through the creation of groups, or task forces, consisting of local agencies' intelligence officers. These groups, located throughout the United States, are known as Joint Terrorism Task Forces (JTTF). The existence of a JTTF indicates the cooperation and collaboration of local agencies in response to a potential terrorist threat.

The functions involved in the threat assessment included:

Law Enforcement—

- Public Works;
- Public Safety Communications;
- Emergency Management Agency;
- Public Health; and
- Government Administrative Agencies.

Functions not involved were:

Emergency Medical Services—

- Fire Service;
- Hazardous Materials; and
- Health Care.

This approach to threat assessment covers the law enforcement efforts as mentioned above, but because it does not include Emergency Medical Services (EMS), it should not be considered a complete assessment of potential threats to Jefferson County citizens. This assessment should either be expanded to include EMS, or to liaison with EMS if a separate assessment has been conducted for that particular institution.

Needs Assessment Planning

Local jurisdictions' emergency agencies in Jefferson County conducted a needs assessment based on the February 1999 EMP and made a recent update to the plan in 2002. The report included an analysis of equipment, training and required exercises for the entities listed.

Mutual Aid Agreements

Mutual aid agreements are specific contracts entered into by government entities that authorize assistance to be given by one organization to another. These agreements are approved by the governing body and are meant to expedite emergency response

across jurisdictional boundaries. Jefferson County has entered into mutual aid agreements with:

City of Beaumont	07-31-02
City of Bevil Oaks	06-17-02
City of China	08-21-02
City of Groves	06-17-02
City of Nederland	06-20-02
City of Nome	07-09-02
City of Orange	03-19-02
City of Port Arthur	08-15-02
City of Port Neches	08-02-01
Chambers County	05-11-04
Liberty County	06-11-02
Tyler County	07-12-02
Hardin County	07-08-02
Orange County	08-08-02
Newton County	06-26-02
Jasper County	07-22-02
Sabine County	09-23-02
Lumberton Independent School District	07-02-02

The existence of these mutual aid agreements provides emergency responders in the various jurisdictions with the proper tools and resources to respond to critical incidents.

Emergency Management Plan

The present Emergency Management Plan was written in 1999 and updated in 2004. The plan includes the following jurisdictions:

- Jefferson County;
- City of Beaumont;
- City of Bevil Oaks;
- City of China;
- City of Groves;
- City of Nederland;
- City of Nome; and
- City of Port Neches.

The EMP covers the necessary four phases of disaster response: mitigation, preparedness, response and recovery. The emergency plan has been distributed to all participants, as well as:

- the American Red Cross;
- Salvation Army;
- hospital administrators; and
- independent school districts.

The purpose and phases of the plan are well-articulated and appropriate. Strengths of the plan include the organization and assignment of responsibilities, which are clearly outlined in the Emergency Management Functional Responsibilities matrix. Direction and control also are well-defined with an appropriately delineated chain of command and span of control.

Presently, the plan is *“updated based upon deficiencies identified during actual emergency situations and exercises and when changes in threat hazards, resources and capabilities, or government structure occur.”* (Basic Emergency Plan: Page 30, Section D, Subsections 1 and 2). The Basic Emergency Plan must be reviewed for potential update every five years. This is inadequate as situations may require the need for a plan that is more recent than five years.

In addition, the references cited in the plan should be updated. The guidelines used to write the plan are dated 1981 through 1988. The Federal Emergency Management Agency (FEMA) has newer information relating to the creation and implementation of emergency planning that should be reviewed. The plan should be reviewed to determine if it meets the current standards set by FEMA.

Moreover, the threat assessment should include areas not presently covered:

- Emergency Medical Services;
- fire service;

- hazardous materials; and
- health care.

In addition, most of the county's mutual aid agreements are three years old.

RECOMMENDATION 7-16:

The Emergency Management Plan should be reviewed and revised annually.

Each jurisdiction (agency) should design and use specific checklists for all responders' positions, using the Incident Command System (ICS) and National Incident Management System (NIMS) as models. The National Incident Management System was developed by the Secretary of Homeland Security at the request of the President after September 11, 2001. The National Incident Management System is an emergency response system that integrates effective practices in emergency preparedness and response into a comprehensive national framework for incident management. This system will enable responders at all levels to work together more effectively to manage domestic incidents irrespective of the cause, size or complexity of the event. The county adopted the NIMS model in 2004.

According to FEMA, the benefits of the NIMS system will be significant:

- NIMS allows for standardized organizational structures, processes and procedures;
- Standards for planning, training and exercising, and personnel qualification standards are in place;
- Equipment acquisition and certification are standardized;
- Communications processes have the ability for interoperability (the ability for agencies to communicate with each other);
- Information management systems are used by all affected agencies; and
- The existence of supporting technologies – voice and data communications systems, information systems, data display systems and specialized technologies.

Training in ICS and NIMS is available at no cost from FEMA if it is accessed online at their website. The Jefferson County Emergency Management Coordinator has obtained a NIMS certification. Other Jefferson County emergency personnel should take advantage of this training as well.

Electronic Filing of Court Cases

The first electronic filing system for court cases in the U.S. was created in Delaware in 1991. The system was created because of a shortage of storage space, a common problem for courts across America.

In 1995, the 58th District Court of Jefferson County became the first court in Texas to adopt e-filing, to help deal with a large number of multi-person lawsuits. The county contracted with a local electronic filing service provider to process the electronic filing of cases filed with the district clerk. At the time, the district courts adopted rules allowing judges to require electronic filing of cases not limited to multi-person lawsuits. Montgomery County followed with a similar system in 1997.

The district judge for the 58th District Court, James W. Mehaffey, was the leading figure in the county's initiative to implement electronic filing. Judge Mehaffey has worked closely with state judicial officers and the Office of Court Administration to advance the use of electronic filing statewide. In addition, Judge Mehaffy has written and delivered papers at national audiences on the use of electronic filing.

Some attorneys criticized these early systems; they were unhappy with the requirements because, for example, they did not want to pay a subscription fee for the services of the electronic filing service provider. Another common concern with electronic filing was the need for signatures on some documents. These concerns and others had to be addressed if the systems were to be readily accepted.

In Jefferson County, one major concern was cost. The county felt that private service providers should charge user fees on a per-transaction basis, so that the county would not be saddled with the expense. Another concern of outside attorneys was related to the county's administrative authority to enter into relationships with electronic filing service providers; yet another objection of attorneys was related the development of rules for administering the system, which the county felt should be approved by the Texas Supreme Court and Texas Bar. The county addressed these concerns and was able to move forward with implementing the electronic system.

In an effort to create a statewide electronic filing system, the 1997 Legislature established the Judicial Committee on Information Technology to establish standards to facilitate the flow of electronic information in the judicial system. (Judge Mehaffy is a member of this committee.) After establishing standards and assessing the size of the state's caseloads, the committee, with the help of the Texas Supreme Court and the Office of Court Administration, launched an e-filing pilot project in January 2003.

Bexar and Fort Bend counties were the first counties involved in the pilot study. They were later followed by Upton, Dallas and El Paso counties. After about 18 months, the Texas Supreme Court and the TexasOnline Authority, a state Web site designed to allow Texans to interact with government agencies, ended the pilot project and approved statewide implementation of the system. The statewide e-filing system now is operated through TexasOnline and a handful of commercial electronic filing service providers.

The e-filing system was promoted in part because of its ability to curb the costs of delivering and processing paper for law firms, clients and government offices. Law firms benefit by avoiding costs for couriers, supplies, shipping, mailing, printing and parking. Courts and clerks' offices, in turn, have less paper to file, track and store, entailing significant savings. According to TexasOnline, a cost-benefit analysis conducted as part of the pilot study showed savings ranging from 40 to 70 percent after the first year.

E-filing allows filers to file from anywhere, increasing convenience and eliminating travel costs. It also gives filers more time to file, as they are not confined to submitting documents during regular office hours.

In Jefferson County, the county and district clerks' offices have seen a steady increase in caseloads (**Exhibit 7-33**). The county clerk's office and various county courts are managing a caseload that has risen by 16 percent in the total number of cases since 1993; the district clerk's and district courts' caseload rose by 28 percent over the same period. It is unlikely that the caseloads will decrease in the foreseeable future.

EXHIBIT 7-33
JEFFERSON COUNTY
COUNTY COURT CASELOAD VOLUME, 1993 - 2004

JEFFERSON COUNTY COUNTY-LEVEL COURTS									
FY	Total Cases			Civil Cases			Criminal Cases		
	Cases Pending 09/01	Cases Added	Cases Disposed	Cases Pending 09/01	Cases Added	Cases Disposed	Cases Pending 09/01	Cases Added	Cases Disposed
1993	10,724	11,006	10,666	1,734	3,526	3,540	8,990	7,480	7,126
1994	11,064	10,054	10,037	1,720	3,231	3,203	9,344	6,823	6,834
1995	11,081	10,985	9,553	1,748	3,114	3,236	9,333	7,871	6,317
1996	12,513	12,291	11,161	1,626	5,080	3,598	10,887	7,211	7,563
1997	12,685	10,453	11,706	2,150	3,110	4,225	10,535	7,343	7,481
1998	11,432	9,283	10,479	1,035	1,987	2,312	10,397	7,296	8,167
1999	10,254	9,674	9,061	728	2,314	2,043	9,526	7,360	7,018
2000	10,852	9,029	10,224	984	2,319	1,959	9,868	6,710	8,265
2001	10,345	9,585	9,211	2,032	2,510	2,570	8,313	7,075	6,641
2002	10,696	9,633	8,339	1,949	2,500	2,187	8,747	7,133	6,152
2003	11,991	8,794	8,471	2,263	2,200	2,049	9,728	6,594	6,422
2004	12,443	9,975	10,876	2,414	2,492	2,046	10,029	7,483	8,830
Avg. per year		10,064	9,982		2,865	2,747		7,198	7,235
Total		120,762	119,784		34,383	32,968		86,379	86,816

EXHIBIT 7-33 (*Continued*)
JEFFERSON COUNTY
COUNTY COURT CASELOAD VOLUME, 1993 - 2004

	Cases Pending 09/01	Cases Added	Cases Disposed	Cases Pending 09/01	Cases Added	Cases Disposed	Cases Pending 09/01	Cases Added	Cases Disposed
1993	9,856	18,059	18,141	6,796	14,053	14,128	3,028	3,655	3,665
1994	9,735	18,165	17,138	6,721	14,244	13,450	2,979	3,522	3,315
1995	10,727	18,721	18,076	7,515	14,746	14,206	3,151	3,479	3,390
1996	11,338	16,903	17,426	8,055	13,309	13,324	3,203	3,161	3,642
1997	10,792	17,424	17,296	8,040	13,795	13,609	2,670	3,214	3,250
1998	10,857	15,643	16,982	8,226	12,104	13,177	2,571	3,059	3,336
1999	9,444	17,713	17,830	7,126	13,712	14,063	2,247	3,599	3,325
2000	9,143	18,496	18,074	6,643	14,633	14,367	2,477	3,383	3,229
2001	9,496	18,626	19,774	6,708	14,829	18,629	2,763	3,361	3,726
2002	8,309	18,585	17,120	5,908	14,516	13,439	2,359	3,639	3,302
2003	11,377	19,950	18,603	8,662	15,826	14,865	2,625	3,767	3,400
2004	12,618	18,453	18,277	9,630	15,200	15,046	2,881	2,839	2,776
Avg. per year		18,062	17,895		14,247	14,359		3,390	3,363
Total		216,738	214,737		170,967	172,303		40,678	40,356

Source: Texas Office of Court Administration, May 2005.

Exhibit 7-34 details caseloads for the county and district clerks' offices for 2004.

The year saw a relatively stable level of case submissions and dispositions each month for both offices; the county clerk's office processed an average of 831 new cases each month, while the district clerk's office processed an average 1,538 new cases. The county clerk's office processed or disposed of an average of 906 older cases per month; the district clerk's office processed or disposed of an average of 1,523. (Note that the case load for the county clerk's office does not include probate cases, which are not included in the Office of Court Administration's data. However, the county clerk's office processed a total of 2,386 probates cases in 2004. If probate cases are included, the county clerk's office processed an average of 1,030 cases per month.)

In all, the county clerk's office processed or disposed of about 1,737 cases per month in 2004, not counting cases that were pending the court system. The district

clerk's office processed or disposed of about 3,061 cases per month, in addition to cases pending in the court system that were not disposed of during the year. In all, the staff of the two court systems are tracking and managing about 25,000 cases per month.

EXHIBIT 7-34
JEFFERSON COUNTY
CASELOAD VOLUME IN 2004

JEFFERSON COUNTY COUNTY-COURTS 2004									
	TOTAL CASES			CIVIL CASES			CRIMINAL CASES		
	Cases Pending 09/01/03	Cases Added	Cases Disposed	Cases Pending 09/01/03	Cases Added	Cases Disposed	Cases Pending 09/01/03	Cases Added	Cases Disposed
September	12,443	653	704	2,414	147	239	10,029	506	465
October	12,392	978	1,447	2,322	154	212	10,070	824	1,235
November	11,923	691	550	2,264	201	84	9,659	490	466
December	12,065	850	674	2,382	192	96	9,683	658	578
January	12,241	956	781	2,478	231	137	9,763	725	644
February	12,416	752	1,523	2,572	257	265	9,844	495	1,258
March	11,645	1,047	874	2,564	239	151	9,081	808	723
April	11,818	834	856	2,652	151	210	9,166	683	646
May	11,760	761	870	2,593	211	178	9,167	550	692
June	11,651	916	799	2,626	300	156	9,025	616	643
July	11,768	735	673	2,770	187	116	8,998	548	557
August	11,830	802	1,125	2,841	222	202	8,989	580	923
Avg. per month		831	906		208	171		624	736
Total for Year		9,975	10,876		2,492	2,046		7,483	8,830
JEFFERSON COUNTY DISTRICT COURTS 2004									
	TOTAL CASES			CIVIL CASES			CRIMINAL CASES		
	Cases Pending 09/01/03	Cases Added	Cases Disposed	Cases Pending 09/01/03	Cases Added	Cases Disposed	Cases Pending 09/01/03	Cases Added	Cases Disposed
September	12,612	1,297	1,485	9,630	1,033	1,119	2,881	242	335
October	12,424	1,794	1,816	9,544	1,347	1,505	2,782	415	282
November	12,397	1,271	1,313	9,386	1,043	1,047	2,910	208	237
December	12,342	1,523	1,944	9,382	1,241	1,682	2,868	239	234
January	11,919	1,511	1,481	8,941	1,192	1,104	2,871	287	331
February	11,936	1,539	1,200	9,029	1,197	951	2,814	311	230
March	12,263	1,677	1,436	9,275	1,478	1,258	2,883	144	121
April	12,449	1,573	1,497	9,495	1,380	1,314	2,851	143	137
May	12,508	1,383	1,682	9,561	1,223	1,417	2,840	126	205
June	12,172	1,635	1,702	9,367	1,362	1,306	2,724	238	353
July	12,061	1,644	1,391	9,423	1,433	1,150	2,565	176	202
August	12,510	1,606	1,330	9,706	1,271	1,193	2,735	310	109
Avg. per month		1,538	1,523		1,267	1,254		237	231
Total for Year		18,453	18,277		15,200	15,046		2,839	2,776

Source: Texas Office of Court Administration, May 2005.

Studies of case processing systems suggest that each case contains a *minimum* of 17 pages of information. If Jefferson County is managing approximately 25,000 cases per month, the judicial offices and clerks' offices are handling at least 425,000 pieces of paper per month. This is an enormous amount of paper that has to be stored somewhere.

The Jefferson County District Clerk's Office stores case files in its offices in the courthouse, the basement of the courthouse, parts of two floors in the old jail and in the carpenter's shop across the street from the courthouse. Case files for the district clerk's office take up huge amounts of space, and with only 403 cases e-filed last year, the need for storage space will continue to grow. The district clerk has one full-time employee whose sole responsibility is moving paper files to and from storage. That staff person uses two jail trustees to help.

At this point, only one district court in Jefferson County (58th District Court) requires e-filing. All the other county and district courts still require filers to submit paper documents.

Cameron, Collin and Nueces counties have both county and district courts using e-filing systems. In addition, Fort Bend, Hidalgo and Tarrant county courts use e-filing. In all, 17 Texas counties use e-filing and 40 more counties are considering it, according to the Office of Court Administration.

El Paso County's experience may be of particular interest to Jefferson County, because El Paso County started out much the same way; that is, El Paso County put its own system in place, but ran into problems when small law firms complained about the difficulties of using the system.

In 2004, El Paso County switched to TexasOnline because it allowed all firms to file cases easily and it allowed cases to be filed electronically from the beginning.

(Under El Paso County's system, cases were filed using paper and the paper documents were converted to electronic files by the clerk's office, as does Jefferson County today.)

TexasOnline e-Filing

The TexasOnline Authority manages a Web-based system designed to facilitate the interaction between government agencies and persons who need to interact with them.

The authority approved electronic filing in July 2002 and developed its e-filing service in conjunction with the Judicial Committee on Information Technology, the Office of Court Administration and the Attorney General's Office. According to TexasOnline, e-filing offers a series of benefits to attorneys, courts and clerks, including:

- 24/7/365 filing;
- reduced operating costs;
- faster service;
- remote tracking;
- flexible payment options;
- security through the use of a single, safe e-filing portal;
- the ability to append messages and instructions for the clerk's office handling the document(s);
- automatic calculation of fees by the service provider, thereby reducing the chance of miscalculations and collection duties by court and county staff; and
- minimal impact on county information technology staff, since TexasOnline manages the Web site and related hardware and software.

TexasOnline offers free assistance for the development and maintenance of interfaces and Web applications for counties' e-filing systems. TexasOnline will:

- assist with marketing, advertising and public outreach to promote the use of TexasOnline and e-filing;
- provide help-desk services for citizens and businesses;
- provide account representative teams to serve as single points of contact for services; and

- provide an accounting center to track and control all transactions and provide detailed documents for audit purposes.

RECOMMENDATION 7-17:

Move all Jefferson County courts to an e-filing system to enhance the county's ability to accept cases electronically.

Simply as a way to inform the potential users of the benefits of e-filing, the county should invite representatives of TexasOnline to explain the steps necessary to move to a fully integrated e-filing system. TexasOnline can help the potential users understand the benefits of e-filing, including improved efficiency and reduced workload burdens on county and district clerks.

MGT understands that the county's own e-filing system may be adequate to meet the needs of the county. However, the county currently does not have an organized outreach effort to inform potential users of the benefits of the system. In addition, there could be some additional costs to the county for managing its own system. Nonetheless, the county's current system is a viable option and deserves full consideration.

IMPLEMENTATION

Beginning in August 2005, the Jefferson County judges, district and county clerks should begin discussions on deploying an e-filing system for all district and county courts. The judges, district and county clerks should schedule a September orientation session for all potential e-filing system users and their staffs to fully explain the benefits of moving to an e-filing system. (The District Attorney's Office also should be included in the orientation session because the office is already familiar with electronic filing because the federal court system requires the electronic filing of documents.)

At the orientation session, with the help of the judges, the district and clerks' offices should present a tentative implementation plan for consideration and discussion.

Based on discussion at the orientation session, the implementation plan may need to be modified to address any concerns raised by judges, staff and others.

The county should consider expanding e-filing to the Jefferson County Clerk's Office and the various county courts, as other Texas counties have done. The county clerk's office has already looked into the electronic filing of cases and should be able to share what it has learned. (As a point of clarification, this recommendation is directed at e-filing court cases and is not meant to cover "e-recording" or the electronic filing of real property documents.)

FISCAL IMPACT

In the long term, e-filing could save the county (as well as area law firms) money by reducing their reliance on paper documents, thereby reducing the need for copying, copying supplies and storage space. For example, the county and district clerks' offices together spend about \$140,000 per year on duplicating supplies, paper, postage and duplicating equipment rental. If the county could expand the use of e-filing to include all courts (district and county), it could save \$35,000 per year in supply and equipment costs alone. (This estimate reflects savings only for the district clerk's office and district courts and does not include the county clerk's office and county courts.) In addition, the clerks' offices could avoid hiring more staff as the associated workload grows by making their existing employees more efficient.

It must be stressed that the district and county court judges hold the key to implementing electronic filing. If the judges do not support a more efficient use of county resources, the county cannot realize the benefits of electronic filing. It is incumbent on the judges to support electronic filing for the system to be successful and for the county to realize the financial benefits of e-filing.

After a cursory review of the clerks' offices, it appears the offices already have the computer equipment needed to increase the use of electronic filing. Some upgrade to the county's current e-filing system may be needed to handle increased demand for services and support. Therefore, we included \$2,000 for MIS.

Recommendation 7-17	2005-06	2006-07	2007-08	2008-09	2009-10
Move Jefferson County courts to a fully integrated e-filing system	(\$2,000)	\$35,000	\$35,000	\$35,000	\$35,000

COMMENDATION

Jefferson County should be commended for being first in the state to implement an e-filing system.

The 58th District Court led the state in pushing the use of electronic filing of cases to help improve the efficiency of judicial operations and improve customer service.

Indigent Defense

The 2001 Legislature's Fair Defense Act (FDA) is intended to improve the quality of indigent defense by setting fair and appropriate statewide rules and standards. In addition, FDA spurred the creation of the Texas Task Force on Indigent Defense to administer statewide appropriations and policies. The task force also monitors county compliance with the policies and provides technical assistance to counties wishing to improve their indigent defense systems.

As a result of the FDA standards and the task force's monitoring, Jefferson County's indigent defense costs have increased by 33 percent, from \$1.32 million in 2001 to \$1.75 million in 2004.

The county's indigent defense costs are relatively high—5 percent higher than the peer group average in 2004 and, interestingly, 22 percent higher than the average for counties with public defender offices (**Exhibits 7-35 and 7-36**).

EXHIBIT 7-35
INDIGENT DEFENSE LOADS OF JEFFERSON COUNTY
AS COMPARED TO PEER COUNTIES
FISCAL YEAR 2003-2004

Counties	2000 Population	Poverty Rate	Total ID Expenditures	Total Cases	Total Expenditures / Per Capita	Avg. Cost Per Case
Jefferson	252,051	19.0%	\$ 1,754,994	3,543	6.96	495.34
<i>Peers</i>						
Brazoria	241,767	13.2%	1,249,399	2,677	5.17	466.72
Chambers	26,031	13.9%	108,393	268	4.16	404.45
Collin	491,675	5.1%	4,138,440	5,732	8.42	721.99
Denton	432,976	7.8%	2,582,250	7,423	5.96	347.87
Fort Bend	354,452	10.5%	2,013,054	3,834	5.68	525.05
Galveston	250,158	15.5%	1,650,484	2,229	6.60	740.46
Hardin	48,073	14.9%	213,108	1,864	4.43	114.33
Lubbock	242,628	17.9%	2,099,275	5,115	8.65	410.42
Montgomery	293,768	11.6%	3,440,988	4,150	11.71	829.15
Nueces	313,645	22.3%	2,402,008	6,706	7.66	358.19
Orange	84,966	16.2%	\$ 406,247	1,491	4.78	272.47
Peer Average					6.66	471.92

Source: Texas Task Force on Indigent Defense.

EXHIBIT 7-36
INDIGENT DEFENSE LOADS OF COUNTIES WITH
PUBLIC DEFENDERS OFFICES
FISCAL YEAR 2003-2004

Counties	2000 Population	Poverty Rate	Total ID Expenditures	Total Cases	Total Expenditures / per Capita	Avg. Cost per Case
Jefferson	252,051	19.0%	\$ 1,754,994	3,543	6.96	495.34
<i>Counties w/ PDO</i>						
Cameron	335,227	35.3%	1,124,451	1,821	3.35	617.49
Colorado	20,390	20.1%	105,101	229	5.15	458.96
Dallas	2,218,899	11.3%	17,812,870	67,045	8.03	265.69
El Paso	679,622	27.9%	5,912,316	15,428	8.70	383.22
Travis	812,280	13.1%	6,386,885	25,318	7.86	252.27
Webb	193,117	35.2%	2,248,574	4,469	11.64	503.15
Wichita	131,664	15.8%	\$ 916,514	2,551	6.96	359.28
Peer Average					7.39	405.72

Source: Texas Task Force on Indigent Defense.

Centralizing county indigent defense functions through public defender offices has cut costs while yielding higher dependability and more predictable budgeting. Among the potential benefits are:

- lower pay requirements, since public defenders are paid through salaries rather than fees;
- eligibility for grants from the federal government, legal organizations and private foundations; and
- increased efficiency from centralization of services, specialization and accumulation of expertise.

Public defenders could help the county create a more efficient and dependable indigent defense system, while simplifying the conduct of routine business. Public defenders provide a single point of contact for courts and the sheriff's office, and the quality of their services is more easily evaluated and monitored than with those provided by private attorneys.

Furthermore, services provided by the Public Defender Office are more standardized as a result of policies, training and supervision, and the system allows them to disseminate policy changes more efficiently and more uniformly.

Organizational inertia as well as legitimate concerns about cost can prohibit any major change. To motivate the indigent defense community to create a new system of service delivery, they must build consensus among key stakeholders of the criminal justice system, often a time-consuming and difficult task.

For startup costs, on the other hand, help is available. Discretionary grants available through the task force can mitigate the initial burden, and the establishment of a public defender office qualifies for multi-year funding.

Once established, public defender offices sometimes confront the challenges of excessive workload and high employee turnover. Courts often assign public defenders higher caseloads to minimize costs. As a result of this strain, as well as relatively low pay, defenders tend to leave the profession relatively quickly. The best can easily take their valuable experience and training into the private sector or start their own practices.

For these reasons, the county must strike a careful balance between cost efficiency and caseloads. When this balance is kept, a public defender office can lead to a significant reduction of indigent defense costs and impressive gains in efficiency and effectiveness.

RECOMMENDATION 7-18:

Establish a public defender office for adult felony and misdemeanor cases to provide quality indigent defense while realizing significant savings.

FISCAL IMPACT

A public defender office could reduce Jefferson County's expenditures for indigent defense by 22 percent.

The estimate employs fiscal 2004 caseload and expenditure data from counties with public defender offices. Average salaries and operational expenses were used to calculate expenses. Jefferson County's fringe benefit rate of 35 percent was used to calculate benefits.

Startup costs were estimated based on a survey of discretionary grant proposals for establishing public defender offices. These costs include computers and other information technology, office furniture and supplies and information technology consulting fees.

The average multi-year grant received was \$272,000 in 2005. This is not considered in the fiscal impact, but does offer additional savings if the grants are secured.

Recommendation 7-18	2005-06	2006-07	2007-08	2008-09	2009-2010
Startup Costs	(\$75,000)				
Savings	\$344,884	\$344,884	\$344,884	\$344,884	\$344,884
Net Savings	\$269,884	\$344,884	\$344,884	\$344,884	\$344,884

Dispute Resolution

In 1983, the Texas Legislature passed the Civil Practices and Remedies Code §152 which authorizes the county commissioners to “establish an alternative dispute resolution system (ADRS) peaceable and expeditious resolution of citizen disputes” and refer civil cases to that system as deemed appropriate by the judge. §152.004 authorizes the commissioners court to set a court cost in an amount of \$10 or less to fund an alternative dispute resolution system. In September 2005, this maximum fee will be raised to \$15 according to HB282.

In 1987, Civil Practices and Remedies Code §154 defined the state’s policy to “encourage the peaceable resolution of disputes, with special consideration given to disputes involving the parent-child relationship, including the mediation of issues involving conservatorship, possession, and support of children, and the early settlement of pending litigation through voluntary settlement procedures.” This statute lays out five dispute resolution procedures to which a case can be referred: mediation, mini-trial, moderated settlement conference, summary jury trial and arbitration. In addition, the statute sets qualifications, standards & duties and compensation of impartial thirds.

As a result, in Texas, 17 dispute resolution centers have been established. The majority of these are independent non-profit organizations, although two are county departments, two are umbrellaed under universities and two are umbrellaed under the local Council of Governments. Most of the centers contract with a single county, although Amarillo, Conroe, Ft. Worth, Kerrville and Lubbock contract with multiple counties. Only two offer free mediation services; the others provide a flat fee or sliding scale fee, generally with a need-based waiver. Lubbock is the only center to charge an hourly rate. See Exhibit 7-37 for a summary of dispute resolution centers in Texas.

Jefferson County established a dispute resolution center to alleviate the civil disputes case load in the county. The center is a county department with an operating budget of \$166,049 for the current fiscal year. It is partially funded by filing fees in eligible civil court cases; the remaining operating expenses are funded by county funds.

EXHIBIT 7-37
DISPUTE RESOLUTION CENTERS IN TEXAS

	Counties Served	Governance	Fees Structure
Amarillo	Contracts w/ Potter, Randall; 26 counties serviced	Planning Commission / Council of Governments	Flat, Need-based Fee Waiver
Austin	Travis	Non-profit	Flat, Need-based Fee Waiver
Beaumont	Jefferson	County	N/A
Bryan/College Station	Brazos	Non-profit	Sliding Scale
Conroe	Montgomery, Liberty	Non-profit	Sliding Scale, Need-based Fee Waiver
Corpus Christi	Nueces	Non-profit	Flat, Need-based Fee Waiver
Dallas	Dallas	Non-profit	Flat, Need-based Fee Waiver
Denton	Denton	University	N/A
El Paso	El Paso	Council of Governments	Flat, Need-based Fee Waiver
Ft Worth	Tarrant, Parker	Non-profit	Flat, Need-based Fee Waiver
Houston	Harris	Non-profit	Free
Kerrville	Kerr, Gillespie, Bandera, Kendall, Mason, Menard, Kimble, McCulloch (Contracts with almost all)	Non-profit	Flat
Lubbock	Lubbock, Crosby, Hockley, Cochran, Terry, Yoakum, Garza, Dickens	County	Hourly Fee, Need-based Fee Waiver
Paris	Lamar	University	N/A
Richmond	Ft Bend	N/A	N/A
San Antonio	Bexar	County	Free
Waco	McLennan	Non-profit	Flat, Need-based Fee Reduction or Waiver

The review team has no opinion or recommendation on whether the department should be privatized or continue as a county run department.

RECOMMENDATION 7-19:

Increase ADRS fee to \$15, the new maximum fee allowable.

IMPLEMENTATION

The Commissioners Court should vote to increase fee.

FISCAL IMPACT

Alternative dispute resolution fee revenue would increase by 50 percent over current revenue.

Recommendation 7-19	2005-06	2006-07	2007-08	2008-09	2009-2010
	\$33,630	\$33,630	\$33,630	\$33,630	\$33,630

CHAPTER 8.0
ENTERPRISE OPERATIONS OF
JEFFERSON COUNTY

8.0 ENTERPRISE OPERATIONS OF JEFFERSON COUNTY

Background

Jefferson County maintains two operations that are accounted for as proprietary funds, Ford Park and the Southeast Texas Regional Airport (SETRA). Governments use proprietary funds to separately account for operations that are financed and operated in a manner similar to those in the private sector, where the intent is to recover the costs of providing goods or services to the public primarily through charges levied on those who use them.

Ford Park

Ford Park is a multi-purpose entertainment complex located in the Beaumont city limits, just off Interstate 10 on the south side of the city. The complex became fully operational in 2004. **Exhibit 8-1** describes the various facilities that comprise the 221-acre park and the date when they became operational.

EXHIBIT 8-1 FORD PARK FACILITIES DESCRIPTION

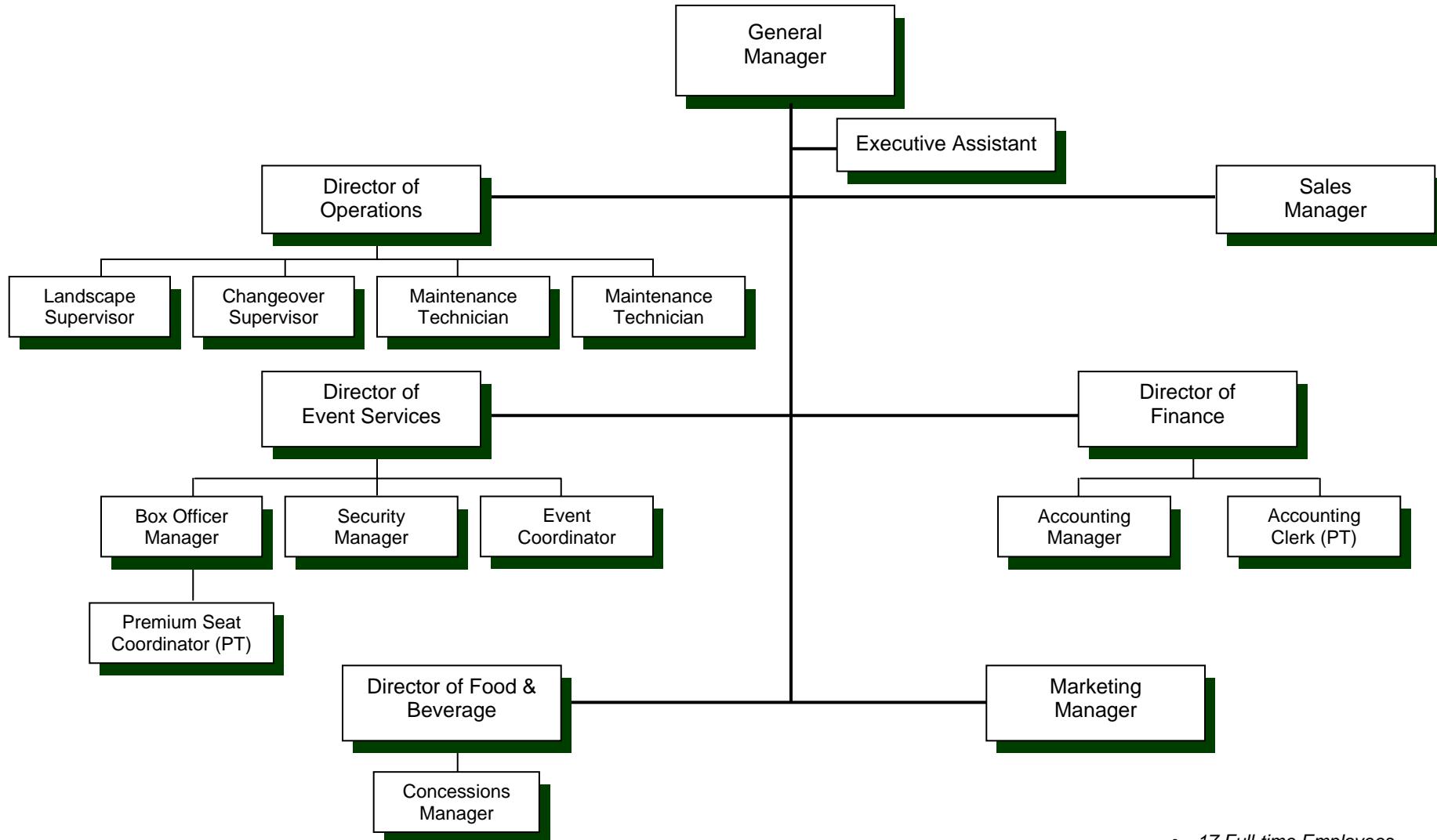
Facility	Description	Date Operational
Ford Fields	Contains 12 championship-caliber, fast-pitch softball/youth baseball fields with covered stands, all-weather infields and concession area and restrooms.	February 2002
Ford Pavilion	18,000-seat (6,200 seats under cover) outdoor amphitheater-type arena with lighting and sound for outdoor concerts and other activities, parking and restrooms and a food and beverage plaza.	April 2003
Ford Arena	Multi-purpose indoor facility that seats 9,500. Hosts the Texas Wildcatters hockey team, concerts, rodeos, motor sports, ice shows and other events.	November 2003
Agricultural Barns	Two barns, one 45,000 square feet in size, the other 25,800 square feet.	January 2004

EXHIBIT 8-1 (Continued)
FORD PARK
FACILITIES DESCRIPTION

Facility	Description	Date Operational
Ford Exhibit Hall	48,000 square feet of indoor space for exhibits and catered events.	January 2004
Midway	900,000-square foot paved area for festivals, fairs and rodeos. Hosted the 2004 South Texas State Fair.	October 2004
Gulf Coast RV Resort	125-space recreational vehicle park.	Fall 2001

The county contracts with SMG, a Pennsylvania-based company specializing in the development and management of civic centers, arenas and stadiums, to oversee the park's day-to-day operations. With 17 full-time and two part-time employees on site, SMG has a wide range of responsibilities including managing the complex's business office, ticket sales, events booking, kitchen and catering functions and operational responsibilities connected with buildings and facilities. The organizational structure for SMG is shown in **Exhibit 8-2**.

EXHIBIT 8-2
FORD PARK ORGANIZATIONAL CHART



- 17 Full-time Employees
- 2 Part-time Employees

Gulf Coast RV Park, the 15 acres of land occupying the southeast corner of Ford Park, is managed under a separate contract with I-10 RV, LLC. Under the county's agreement for RV operations, I-10 RV is responsible for operation, maintenance, upkeep, daily supervision, permits and licenses, insurance, rate setting and financial reporting for the RV Park. The county is responsible for providing infrastructure required for park operations including streets, sidewalks, drives, patios and pads, pipes for a lawn sprinkler system, water and sanitary sewer extensions, lighting, stormwater improvements, perimeter fencing and various hookups such as water, sewer, electrical, cable TV, and dual telephone hookups for voice and electrical transmission.

The county receives a percentage of gross rental revenue received by I-10 RV in conjunction with RV park operations. The county also receives a percentage of gross sales revenue from convenience store, game room and vending machine sales. As required under the contract, the county receives 10 percent of gross rental revenue up to \$500,000 and 20 percent of gross rental revenue over \$500,000. The percentage of gross sales revenue that the county receives is 3 percent.

In February 2000, the Jefferson County commissioners unanimously voted to issue \$55 million in certificates of obligation to fund the construction of the multi-purpose entertainment center, at the time called the Southeast Texas Entertainment Complex (later named Ford Park under an agreement with the Ford Motor Company). Plans for the facility soon were expanded, based on input from the public and an outside management firm, increasing the complex's cost by \$17 million.

The land on which Ford Park is located was obtained through a partial donation and sale; a private citizen donated 50 acres and sold the remaining 171.2 acres.

At the time when county commissioners were considering whether to build the complex, the county auditor projected annual revenue growth for the county of 2.3

percent for 2001 through 2010. The auditor supported an aggressive construction timeline.

At the same time, the county had received an economic impact study conducted by a private firm and paid for through private funding. Based on projections provided by the county auditor, the study projected that, over ten years, building the multi-purpose facility would create 1,238 jobs, increase taxable sales in the area by a cumulative \$268 million and increase the value of local tax rolls by \$92 million. The study also anticipated additional county tax revenues of \$29 million over ten years, as well as an additional \$11 million for the city of Beaumont. Other economic indicators, such as a relatively stable local economy and low interest rates, also supported the county's decision to build the facility. However, the county has never conducted a feasibility study to determine whether the region's market would support such a facility. A feasibility study is designed to provide an overview of the primary issues related to a business idea, the purpose being to identify the "make or break" issues that would prevent the business from succeeding. A feasibility study is not the same as a business plan.

In May 2000, the county entered into an agreement with SMG for pre-opening consulting services, including planning and programming; design, development and construction; pre-opening operational tasks; tasks related to furniture, fixtures and equipment; and advertising consulting (**Exhibit 8-3**).

EXHIBIT 8-3
SUMMARY OF SERVICES REQUIRED UNDER
PRE-OPENING CONSULTING AGREEMENT BETWEEN
SMG AND JEFFERSON COUNTY

Service	Description
Planning and Programming	<p>Meet with county officials and convention and hospitality industry representatives to assist in preliminary program development.</p> <p>Work with the architectural firm to assist in the design of the complex.</p> <p>Develop an initial market and financial assessment, including projections of operating revenues and expenses.</p> <p>Prepare a pre-opening budget.</p> <p>Recommend strategies to attract a professional sports team to the area.</p> <p>Recommend insurance coverage for the complex.</p>
Design, Development and Construction Services	<p>Review and advise on designs and drawings prepared by the architect.</p> <p>Conduct a utility review of electrical lighting and audio/visual plan.</p> <p>Conduct a telecommunications review.</p> <p>Conduct an interior finish review including furniture and carpet, with a focus on cost-efficiency.</p> <p>Conduct a security and sound system review.</p> <p>Review directional signs, loading areas, kitchen and concession areas and staging and seating to ensure safe and efficient design and use of space.</p> <p>Review ice floor, refrigeration and heating, air conditioning and ventilation systems, to ensure optimal energy conservation.</p> <p>Monitor and analyze construction budget estimates and report the impact of significant budget adjustments.</p>
Pre-Opening Operational Tasks	<p>Recommend appropriate operating, accounting, booking and rental rate policies and procedures.</p> <p>Recommend marketing and event booking strategies to promote a regional and national identity for the complex.</p> <p>Maintain accurate accounting records relating to SMG's activities on behalf of the complex; issue periodic financial reports.</p> <p>Negotiate, execute and deliver tenant agreements, booking commitments, licenses, contracts and vendor agreements.</p>
Furniture, Fixtures and Equipment (FF&E) Consulting Services	<p>Provide consulting services pertaining to such items as janitorial carts, trash carts, transportation equipment, materials handling equipment, banquet tables, staging, spotlights, turnstiles, scoreboards, etc.</p> <p>Recommend a proposed FF&E procurement list and prepare a budget for the proposed items.</p> <p>Recommend technical specifications for recommended FF&E.</p>
Advertising Consulting Services	<p>Assist in naming rights planning and procurement including conducting research and evaluating entertainment complex advertising values.</p> <p>Develop an advertising inventory design and premium seating planning.</p> <p>Conduct an advertising sales analysis by identifying product categories, creating sponsor benefit packages and signage and developing promotional and sponsorship programs.</p> <p>Project advertising sales revenue for the county.</p> <p>Develop a sales plan including relevant sales materials and videos.</p> <p>Develop sales contracts for advertisers.</p> <p>Report monthly status reports on sales efforts.</p>

Compensation for SMG's services, as spelled out in the contract, required the county to pay a monthly fixed fee of \$7,000, with a total minimum fee of \$36,000 and a total maximum of \$50,000, as well as reimbursements for travel expenses incurred by SMG employees.

In May 2001, after paying SMG a total of \$53,500 in fees, \$3,500 more than the maximum established in the contract, the county amended the contract to continue the monthly payments, but to reduce the fixed monthly fee to \$4,000. In addition to the monthly fee, SMG was entitled to sales commissions based on aggregate gross sales revenue generated by the sale of naming rights, product and service rights, advertising rights and suite and premium seating rights, at the rates shown in **Exhibit 8-4**.

EXHIBIT 8-4
ADVERTISING CONSULTING SERVICES COMMISSIONS
PAID BY JEFFERSON COUNTY TO SMG

Type of Sale	Commission Rate
Advertising, Sponsorship, Product and Service Rights	15% of net revenues resulting from sales
Facility Naming Rights	7% of net revenues collected in the first year 5% of net revenues collected for each year thereafter
Suite and Premium Seating Rights	5% of net revenues from sales

In April 2002, the county continued its relationship with SMG by engaging the company to promote, operate and manage the facility. A management agreement authorized SMG to:

- employ and supervise personnel;
- negotiate and execute licenses, occupancy agreements, rental agreements, booking commitments, advertising agreements, concession agreements, supplier agreements and service contracts;
- provide day-to-day administrative services to support management such as preparing budgets and financial reports; and
- engage in advertising, solicitation and promotional activities.

Under this agreement, the county must pay SMG a fixed fee beginning at \$75,000 per year, with this figure to be adjusted upward each year based on the consumer price index. In addition to this fee, the agreement gives SMG a percentage of concession revenues.

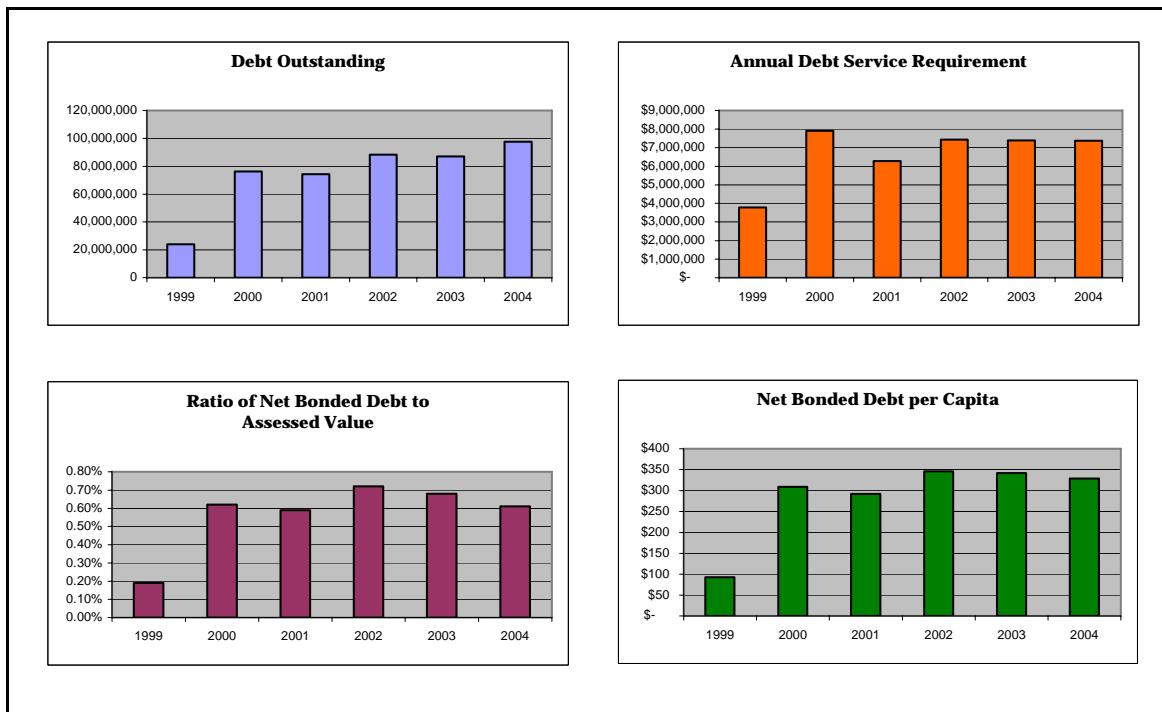
The agreement also requires SMG to prepare and submit annual operating budgets, cash flow budgets and monthly reports of operations. By April 1 of each year, SMG must deliver an outside audit of the prior year's accounting records and reports.

Section 5.11 of the management agreement requires SMG to provide \$700,000 to Ford Park for the purchase of a transportable video board, including production facilities and cameras. Per the contract, SMG is allowed to amortize the \$700,000 contribution in the amount of \$50,000 annually over 15 years. The actual amount of annual amortization is \$46,667 and the county maintains the assets and corresponding contribution on its book. In the event of the expiration or termination of the management agreement, the county must pay SMG the unamortized portion of the contribution.

The 2002 issuance of \$55 million in certificates of obligation (a type of long-term debt that requires no voter approval) increased the county's outstanding debt to more than \$76 million. In addition, its debt service requirements—the amounts required to pay interest and principal on the bonds—rose to more than \$6 million annually, more than doubling the county's previous total debt service. As a result, the percentage of general fund expenditures used for debt service increased from 4.21 percent in 1999 to 7.11 percent in 2004.

By 2004, the amount of outstanding debt rose to \$98 million, with an annual debt service requirement of more than \$7 million. The county's ratio of net bonded debt to assessed property value—a measure of its ability to pay its debt—increased from 0.19 percent in 1999 to 0.61 percent in 2004. Net bonded debt per Jefferson County resident rose from \$93 to \$329 for the same time period (**Exhibit 8-5**).

EXHIBIT 8-5
JEFFERSON COUNTY
DEBT TRENDS FOR FORD PARK



Shortly after the Ford Park project began, the county, Texas and the nation as a whole entered an economic downturn spurred primarily by the events of September 11, 2001. The downturn, coupled with the large amount of debt Jefferson County had taken on, placed a significant drain on the county's financial reserves. The downturn also hit the nation's entertainment industry, affecting Ford Park's ability to attract and book musical events.

In addition, Ford Park was plagued with management problems, the most significant of which were flawed financial projections made by SMG. SMG's funding requests repeatedly underestimated the amount needed for its operations by significant amounts, making it difficult for the county to manage its cash needs.

For instance, on June 18, 2003, SMG submitted a cash request to the county for \$575,000. The request stated that this amount would be sufficient to cover operations of Ford Park through September 30, 2003. On August 29, 2003, however, SMG

management requested an *additional* \$200,000 to cover operations for the month of September. Again, in October 2003, SMG forecasted the park to be financially self-sufficient, with a net operating profit projected for fiscal year 2004 at \$24,000. As it turned out, however, SMG required \$1,637,408 for fiscal 2004.

Exhibit 8-6 tracks county funding for Ford Park. As this exhibit shows, Ford Park's operation has cost each Jefferson County resident \$4.67 so far for fiscal year 2005. Total cost per resident for the park's operations is \$17.87 for all years since its inception.

EXHIBIT 8-6
COUNTY FUNDING FOR FORD PARK OPERATIONS
2002 THROUGH 2005

Fiscal Year	Amount	Amount Per Capita⁽¹⁾
2002	\$125,509	\$0.50
2003	1,564,018	6.21
2004	1,637,408	6.50
2005	1,178,224 ⁽²⁾	4.67
Total	\$4,505,159	\$17.87

⁽¹⁾ Based on 2000 US Census Bureau estimates for Jefferson County population of 252,051.

⁽²⁾ Year-to-date total through June 1, 2005.

Other management deficiencies came to light in an outside audit of park operations for the fiscal year ending September 30, 2003. The audit found that SMG was not properly recording and reconciling accounting transactions; that its payroll and accounts payable transactions did not agree with their supporting documentation; that SMG was not following county purchasing policies, which resulted in the cancellation of contracts; and that it was not preparing and submitting financial statements to the county in a timely fashion.

The audit also found that SMG was transferring cash from the Box Office Sales account in violation of its contract. Section 5.7 of the contract requires that all revenue from ticket sales be held in a separate bank account to protect ticket purchasers and to provide a source of funds to pay performers and promoters. Following the satisfactory completion of an event, SMG can transfer any remaining cash balances to the park's operating account. The auditors found, however, that money was being transferred *before* the completion of events without the county's knowledge.

Unfortunately, the county initially failed to provide adequate oversight of the contract, and subsequently failed to press SMG to solve its problems in a timely fashion. The outside audit was issued in March 2004; SMG did not issue a plan for remediation until September 2004.

With the arrival of a new SMG management team in fall 2004, management practices at the park improved. The new team took immediate action to reduce operating costs, including eliminating some staff positions. The new team has corrected numerous accounting errors so that cash flow forecasts are more accurate. In addition, deficiencies identified in the 2003 audit have been fully corrected.

As Ford Park was experiencing this rocky start, the county was dealing with other financial problems. The General Fund balance was being depleted by the recurring use of reserves to cover operating expenditures. From 2000 through 2004, almost all areas of county government spending increased while revenues remained flat. In 2002, a compensation and classification study led to a 12.3 percent increase in General Fund spending, and large fund transfers were made for airport operations, which were also severely hurt by the economic decline.

The problems at Ford Park, combined with the county's other financial difficulties, caused widespread unhappiness in the county work force and the community at large. Departmental budgets were cut and a freeze was placed on employee salary increases,

while citizens saw their taxes rise and the level of services diminishing. This angered many citizens and employees.

Many events and performances were experiencing low attendance rates. For a six-month period from April 2003 to September 2003, the amphitheater hosted eight music concerts with attendance of 45,759. Based on this attendance rate, SMG projected 16 concerts with an attendance of 92,000 for 2004. Actual attendance in 2004, however, was well below this projection, adding to the park's financial difficulties. Family shows at the park also had poor attendance. For instance, the Disney on Ice show resulted in a total attendance of 13,000 for eight performances. The same show in Laredo, Texas had an attendance of 33,000. Attendance for the Texas Wildcatters hockey games were also lower than expected, with an average of 2,000 people attending each game during the inaugural season. The average attendance rate for other cities having teams in the same league is 4,000 per game.

In spite of the difficulty in attracting attendance for events, Ford Park has had some significantly successful events. These include the Hilary Duff, Cher and ZZ Top concerts in 2004. In addition, events such as fast pitch softball, the Tae Kwon Do National Championships, the United Cheer National Cheerleading and Dance Competition and the Professional Bull Riders show are popular recurring events that bring in local revenue for hotels, restaurants and other businesses in the area.

Although Ford Park is accounted for in the county's books as an enterprise fund, not all of its related expenses are charged to the park. These expenses include parks and recreation expenditures, which in recent years remained steady at around \$50,000 annually until 2004, when they rose to \$80,500. For 2005, parks and recreation expenses are projected to increase to more than \$170,000.

In addition, the county's Road and Bridge crews have performed a significant amount of work on the complex, from regular mowing and grounds upkeep to assisting

with its construction by paving the midway and all parking lots. None of these costs have been allocated to Ford Park.

Though the sales staff and management at Ford Park are aggressively marketing the complex, SMG and the county have not yet developed a long-term strategy for the park's operations, or organized efforts to improve the park's image with the public.

COMMENDATION

Ford Park should be commended on its use of local volunteer groups to staff its concession sales during events and performances. By using volunteer groups, the park reduces its operating costs while at the same time giving back to the community. In return for handling concession sales, volunteer groups receive either 10 percent of the net food and beverage sales they handle, or \$200, whichever is greater. Participating non-profit groups include the following:

- Beaumont Founders Lions Club
- Beaumont Ballet
- Spindletop Select Soccer
- Alpha Tau Omega
- Hamshire Fannett Operation Graduation
- Sabine Pass School
- Pediatric Brain Tumor Foundation
- Golden Triangle Select Baseball
- Dick Dowling Lions Club
- West Brook Baseball
- Sigma Nu
- Hamshire Fannett Music Booster
- Vidor Junior Football
- Beaumont Junior Forum
- Beaumont Blast
- Nederland Rotary

RECOMMENDATION 8-1:

Ensure that all contracts related to the operation of Ford Park are reviewed by the District Attorney's Office.

Many of the issues surrounding Ford Park operations are a result of the county entering into contracts that are not reviewed by the District Attorney's Office, including the management contract between the county and SMG. The contract between SMG and the county contains terms that are unfavorable to the county, such as a lack of dollar

limits on certain expenditures. In addition, the contract vests authority in SMG for entering into contracts, which is in violation of both county policy and state law.

In addition, the county conducts business and enters into contract for which SMG management is not made aware. Examples include certain contracts for events such as the South Texas State Fair and the hockey contract with the Texas Wildcatters. While the State Fair has proven to be a successful event, financial terms of the hockey contract are not adequate to fully cover Ford Park's cost of utilities for maintaining the arena ice.

IMPLEMENTATION

Establish procedures that ensure that all contracts involving Ford Park are reviewed both by SMG management and the Districts Attorney's Office.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

RECOMMENDATION 8-2:

Establish a Parks Board to oversee the operations of Ford Park.

Establishing a Parks Board to oversee Ford Park will provide direction for SMG, better oversight of operations, and will help to facilitate more expedient decision making regarding park operation. There is currently no long range plan for park operations, and SMG management is not clear as to what decisions they can and should make regarding avenues of business to pursue. In addition, when decisions need to be made and SMG requests guidance from the county, the decision at hand is required to go before the Commissioners Court for discussion and a vote. This requirement slows the decision-making process considerably.

IMPLEMENTATION

In February 2003, the Jefferson County Commissioners Court approved the creation of a Parks Board. However, this board has never become operational. Chapter 320 of the Local Government Code spells out the provisions for establishing such a board. By staffing and authorizing this board, the Commissioners Court should transfer to the board the jurisdiction and control of Ford Park. Chapter 320 specifies that the Parks Board be composed of seven members serving two-year terms appointed by the Commissioners Court. In appointing the initial board, the Commissioners Court should designate three members to serve for a term expiring February 1 following their appointment and four members to serve for terms expiring the next February 1, thus establishing staggered terms.

By August 31, 2005, the Commissioners Court should request that the Chambers of Commerce located within Jefferson County nominate individuals to serve on the board. By September 30, 2005, the Commissioners Court should appoint members from the list of nominees to serve on the Parks Board and assign the board the responsibility of overseeing the operations of Ford Park. Members of the board should include members of the community and business leaders. The Commissioners Court should outline the responsibilities of the board which should include:

- Act as liaison between Ford Park and the county;
- Assist in the development of a mission statement, long-range plans and strategies for Ford Park;
- Oversee Ford Park operations to ensure compliance with contract terms by both the county and SMG;
- Establish and monitor Ford Park's budget and
- Work with community groups to improve relations with Ford Park.

FISCAL IMPACT

The operation of the Parks Board will require administrative support, but this function can be assumed by existing county administrative staff. Therefore, there is no fiscal impact associated with this recommendation.

RECOMMENDATION 8-3:

Improve oversight of Ford Park operations.

Although current SMG management has improved operations and procedures at Ford Park, and accountability has improved, the county should ensure that terms of the contract with SMG are adhered to. For instance, the contract requires that an outside audit of Ford Park operations be completed and delivered to the county by April 1 of each year. For the fiscal year ending September 30, 2004, however, the county only entered into an agreement with an outside auditor on April 4, 2005. In light of the past problems with Ford Park operations, the county should not delay the audit. Correcting any audit findings will be made more difficult when the subsequent fiscal year is substantially complete by the time the audit is complete.

In addition, the county has embarked on other Ford Park business decisions without coordinating with SMG. During a May 2005 budget workshop for instance, county staff presented a plan to the Commissioners Court for capital expenditure requests on behalf of Ford Park. SMG management was not present during this workshop and was not aware that Ford Park capital expenditures were being discussed. In fact, SMG management was working on compiling their own list of capital expenditure items, unaware of county efforts of doing the same.

IMPLEMENTATION

The County Auditor, Purchasing Agent and attorney should work together with the Parks Board and the staff of Ford Park to ensure efficient and effective operations of the park. All contracts affecting Ford Park should be discussed with SMG management

and should receive a thorough review from the District Attorney's Office. Oversight by the Parks Board will help to ensure that any contract entered into is in line with the mission and long range plan established for park operations.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

RECOMMENDATION 8-4:

Develop a mission statement and long-range strategic plan for Ford Park that can be integrated into the county's overall strategic plan.

SMG makes sales and revenue forecasts for Ford Park annually. However, there is no long-term strategy to provide guidance for SMG and county managers in where they want to go with the park in the long term. This makes it particularly difficult for SMG management and sales staff to make decisions regarding park operations. Without a mission statement, SMG has no direction as to the types of events to pursue.

IMPLEMENTATION

The Parks Board should work to develop a mission statement and long-range strategic plan for Ford Park that addresses issues such as image, obtaining community buy-in and support of the facility, and capital investment requirements. In the strategic planning efforts, the community should be given ample opportunity to express their concerns and suggestions on the operations of the facility.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

RECOMMENDATION 8-5:

Ensure that all Ford Park expenditures are accounted for in the enterprise fund.

In order to analyze and assess what Ford Park is costing the county, all associated expenses should be tracked and accounted for in the enterprise fund. Any work performed by the county's Road and Bridge crews should be charged to the park.

IMPLEMENTATION

The County Auditor should account for all Ford Park expenditures in the enterprise fund.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

Southeast Texas Regional Airport

Jefferson County is one of only a handful of Texas counties that operates a commercial service airport. The Federal Aviation Administration (FAA) classifies Jefferson County's airport, the Southeast Texas Regional Airport (SETRA), as a class IV airport. SETRA must meet certain federal standards to maintain its certification and ensure safe and efficient operations.

Exhibit 8-7 ranks Texas' commercial airports according to the number of passengers boarded in 2003. In 2003, 42,244 passengers boarded commercial aircraft at SETRA, making it the 23rd-busiest in the state and 262nd in the nation. SETRA has seen a considerable decline in activity in recent years; in 2001, the airport ranked 18th in the state and 230th nationally, boarding 73,881 passengers. Commercial airport traffic at SETRA fell by 42.8 percent between 2001 and 2003.

Most Texas commercial airports are owned by cities. Among Texas' commercial airports, only SETRA, Victoria County, Gregg County (East Texas Regional) and Brazoria County airports are county-owned. Ownership is a significant issue because it involves the provision of fire-fighting personnel and equipment (see below).

EXHIBIT 8-7
TEXAS COMMERCIAL SERVICE AIRPORTS,* CALENDAR 2003

Airport	Texas Rank	US Rank	2003 Boardings	Owner
Dallas Fort Worth	1	4	24,976,881	Cities
Houston George Bush	2	8	17,097,738	City
Houston Hobby	3	45	3,703,767	City
Austin	4	47	3,177,889	City
San Antonio	5	48	3,120,098	City
Dallas Love Field	6	56	2,797,303	City
El Paso	7	70	1,409,164	City
Lubbock Intl	8	114	508,860	City
Midland Intl	9	125	395,011	City
Valley Intl Harlingen	10	126	391,401	City
Amarillo Intl	11	128	387,809	City
Corpus Christi Intl	12	132	360,799	City
McAllen Miller Intl	13	151	270,325	City
Killeen Municipal	14	208	97,189	City
Laredo Intl	15	219	76,077	City
Easterwood (College Station)	16	226	66,721	Texas A&M
Brownsville/South Padre	17	235	60,207	City
Tyler Regional	18	236	59,970	City
Waco Regional	19	241	56,429	City
Abilene Regional	20	249	52,021	City
San Angelo Regional	21	252	48,299	City
Ellington Field (Houston)	22	255	46,484	City
SETRA	23	262	42,244	County
Wichita Falls Municipal	24	268	39,275	USAF
East TX Reg. (Longview)	25	294	28,986	County
Victoria Regional	26	254	11,853	County
Brazoria County	27	452	6,328	County
Lake Charles, LA		264	40,911	Parish

*Lake Charles, Louisiana included for purposes of comparison.

Source: Federal Aviation Administration, Air Carrier Activity Information System.

Land

SETRA is conveniently located on 1,181 acres between Beaumont and the south and mid-county cities of Port Arthur, Nederland, Groves and Port Neches. It is adjacent to US Highway 69 to the east and State Highway 365 to the south, in an unincorporated part of the county that borders Port Arthur to the south, Nederland to the east and north and unincorporated areas to the west. **Exhibit 8-8** compares “regional” Texas airports (plus that of Lake Charles), on acreage, number of home-based general aviation aircraft and total operations (meaning the total number of boardings).

EXHIBIT 8-8
REGIONAL AIRPORT INFORMATION*

Airport	Acreage	Ownership	Based Aircraft	Operations
SETRA	1,181	Jefferson County	92	63,394
Abilene Regional	1,686	City of Abilene	145	84,094
Brownsville	1,700	City of Brownsville	66	34,458
East TX Regional (Longview)	1,300	Gregg County	79	76,611
Killeen	180	City of Killeen	53	41,786
Lake Charles, LA	1,737	Calcasieu Parish	85	39,976
Laredo	1,796	City of Laredo	59	69,242
San Angelo Reg.	1,489	City of San Angelo	121	131,092
Tyler Regional	1,200	City of Tyler	77	110,181
Victoria Regional	1,766	Victoria County	63	30,419
Waco Regional	1,369	City of Waco	94	44,148
Wichita Falls	3,800	USAF	223 (200 mil.)	53,829

*Operations data reported to the FAA for a recent 12-month period; the period may vary among airports.

Source: FAA, *Airport Master Record*, April 27, 2005.

Facilities

A number of buildings are located on SETRA property, including the main terminal and an FAA control tower as well as the old terminal building, called the Jerry Ware Building, which now serves as a meeting center and a flight services operations center for general aviation users of the airport.

Also on the airfield are several public and privately owned hangars, a fire station, an administrative office and maintenance facilities; several buildings used by the Texas Air National Guard; the Jefferson County library; the Precinct 2 business office; and other county offices. Airport personnel provide custodial and maintenance service to the main terminal, the Jerry Ware building and the administration building.

Operations

Ninety-two general aviation aircraft (airplanes or helicopters) call SETRA home. In addition, one commercial air carrier serves the airport, Continental Express. Continental Express operates seven daily flights to Houston's George Bush International Airport. No cargo carriers are operating at SETRA.

Recently, local organizations formed an organization, the Southeast Texas Coalition for Air Service, to raise money to offer Delta Airlines a revenue guarantee if it would begin service at SETRA. The effort raised \$975,000 and Delta began service to Dallas-Fort Worth International Airport (DFW) in summer 2004. Soon afterward, however, Delta announced plans to close its hub operations at DFW.

The coalition asked Delta to stay at SETRA and offer service to its largest hub, Atlanta. Delta agreed and began offering two flights a day to Atlanta on February 1, 2005. The coalition's revenue guarantee to Delta for Atlanta service, which included no county or other public funds, totals \$300,000. Unfortunately, Delta recently told Jefferson County airport officials that it would cease operations from SETRA effective June 30, 2005.

Commercial air service generally is considered essential for a community's economic development. **Exhibit 8-9** shows commercial carrier activity over the most recent six-year period for SETRA and other regional airports in Texas and Lake Charles.

Boarding totals differ slightly from others used elsewhere in this chapter due to different FAA data sources.

EXHIBIT 8-9
PASSENGER BOARDINGS
1999-2004

Airport	1999	2000	2001	2002	2003	2004	Average Annual Change 1999-2004
SETRA	100,684	92,174	78,215	59,021	44,103	53,900	-11.75%
Wichita Falls	52,127	52,800	49,936	40,285	37,147	37,147	-6.55%
Laredo	68,358	74,497	71,058	66,206	63,318	68,668	0.09%
Waco	58,913	59,602	59,158	48,505	46,178	54,449	-1.56%
College Station	90,623	90,347	84,289	74,923	65,887	81,846	-2.02%
Tyler	73,845	72,654	65,336	54,824	53,854	58,976	-4.40%
Longview	28,631	33,376	30,869	25,683	27,762	22,273	-4.90%
San Angelo	40,180	44,067	48,599	37,745	40,975	46,970	3.17%
Killeen	86,649	98,012	98,574	100,285	92,106	92,782	1.38%
Brownsville	57,569	65,249	51,895	50,738	59,796	55,371	-0.78%
Abilene	45,905	52,197	55,012	43,269	44,112	47,285	0.59%
Lake Charles	78,006	71,051	48,514	43,214	40,925	41,351	-11.92%
Average by Yr	65,124	67,169	61,788	53,725	51,347	55,085	-3.29%

Source: FAA, FPO Terminal Area Forecast, January 2005 (some 2004 data are estimates).

As already noted, recent years have seen a significant reduction in commercial airline traffic at SETRA. In 1999, SETRA boarded more passengers than the 11 other regional airports cited in **Exhibit 8-9**. By 2004, its boarding had declined by about 47 percent over 1999 levels, or an average of 11.75 percent annually. Among the airports in the exhibit, only Lake Charles fared worse.

The impact of 9/11 is responsible for some of this decline; none of these airports has regained its pre-9/11 passenger traffic levels. While SETRA has not fared well in recent years, it has not suffered alone.

In 2004, SETRA's number of passenger boardings rose to 53,900, a 26.9 percent increase over 2003. Even more encouraging is the fact that boardings are running 44.5 percent higher for the first quarter of 2005 compared to the same period last year

(14,024 in 2005 versus 9,689 in 2004). If that percentage increase could be maintained through the end of the year, boardings could exceed 60,000 for 2005. Recent developments regarding Delta's service will severely affect SETRA's ability to maintain its growth.

One criticism heard repeatedly about SETRA is that Jefferson County and other Southeast Texas residents would rather drive to Houston or Lake Charles because fares there are cheaper. To test this assertion, MGT compared fares over several dates (Exhibit 8-10).

EXHIBIT 8-10
SAMPLE AIRFARES
SETRA, HOUSTON (GEORGE BUSH INTERCONTINENTAL)
AND LAKE CHARLES

	From SETRA via Delta	From Lake Charles via Delta	From SETRA via Continental	From Lake Charles via Continental	From Houston via Continental	From Houston via Continental
To Atlanta 3/23/05	\$399	\$425				
To Washington. D.C. 3/23/05	\$592	\$748	\$489	\$494		
To Washington. D.C. 5/19/05	\$333	\$398			\$255	
To Atlanta 5/19/05	\$386	\$386	\$283	\$288	\$194	\$194
To Washington. D.C. 5/19/05			\$333	\$338		\$244
To New York City 5/19/05			\$438			\$349
To Los Angeles 5/19/05			\$339			\$220

Source: MGT of America, Inc.

Based on this admittedly small survey, SETRA appears to be a less costly departure point than Lake Charles, with a generally larger difference in fares for Delta than Continental. On the other hand, passengers departing from Houston's George Bush Intercontinental would save money on either carrier. (MGT did not compare rates for Houston Hobby airport.)

For these flights, the Houston departure costs an average of \$111 less than SETRA. If the fare differential were a bit less, it might be more cost-effective to fly out of SETRA, because it offers free parking.

SETRA officials have not surveyed their passengers to determine how many are “local”—beginning their travel in Southeast Texas—versus “itinerant”—originating at other airports and passing through or arriving at SETRA. To gauge this, MGT examined a proxy measure, rental car revenue earned by the airport.

Although SETRA boarded significantly fewer passengers in 2002 and 2003 than in prior years, the airport’s rental car revenue remained strong. As shown in **Exhibit 8-11**, SETRA’s car rental revenue in 2003 averaged about \$4.50 per passenger, while comparable airports averaged \$2.84. This may indicate that a greater share of its boardings represented passengers whose travel began at other airports, rather than SETRA.

EXHIBIT 8-11
SETRA OPERATION INFORMATION AND PEER COMPARISON

2003	SETRA	Victoria	Laredo	College Station	Waco	Abilene	San Angelo	Wichita Falls	Gregg County	Lake Charles	Tyler	Average
Enplanements	42,244	11,853	76,077	66,721	56,429	52,021	48,299	39,275	28,986	40,911	59,970	47,526
Landing Fees	\$35,308	\$0	\$188,177	\$161,798	\$24,836	\$48,003	\$323,140	\$15,836	\$8,961	\$59,814	\$40,164	\$82,367
Terminal Rental	132,657	12,000	0	229,920	23,668	70,210	19,815	59,340	31,437	125,630	42,000	67,880
Apron Tiedown	764	0	0	13,080	0	0	0	0	0	0	0	0
FBO	0	691,031	0	0	0	0	123,436	0	8,325	50,537	47,114	83,677
Cargo and Rental Hangars	155,394	88,093	772,342	130,403	285,359	18,334	553,553	28,466	75,817	21,216	26,118	195,918
Avg. Fuel Tax Retained	0	0	0	0	0	0	0	0	0	0	0	0
Fuel Sales Net Profit/Flowage	277,110	11,656	327,981	778,427	49,577	72,183	68,968	34,716	40,667	20,674	46,274	157,112
Sec Reimb.	0	0	0	0	0	0	0	0	0	0	0	0
Misc	0	0	0	15,136	0	573	28,412	0	0	0	0	0
Other	0	29,907	507	0	0	0	0	0	36,611	21,426		8,845
Aeronautical Op Rev	\$601,233	\$832,687	\$1,289,007	\$1,328,764	\$383,440	\$209,303	\$1,117,324	\$138,358	\$201,818	\$299,297	\$201,670	\$600,264
Land and Non-term Facilities	72,935	261,862	2,285,083	0	0	165,703	62,320	0	0	218,869	659	278,857
Term. Food and Bev	0	4,320	0	3,000	2,862	0	27,503	3,663	0	0	11,117	4,770
Term. Retail	79,085	0	0	0	9,246	0	0	0	0	1,344	0	8,152
Term Other	9,627	0	550	63,391	0	0	0	0	0	0	31,931	9,591
Rental Cars	190,184	17,027	0	313,544	162,923	199,217	111,283	178,664	58,087	176,785	148,943	141,514
Parking	4,864	14,062	115,024	298,210	0	137,609	0	31,126	70,081	0	285,084	86,915
Misc	9,305	1,418	6,274	9,346	225	7,529	5,096	7,192	4,758	702	3,290	5,012
Other	4,048	272,903	361,032	0		0	191,260	4,821	8,415	0	16,307	85,879
Nonaeronatical Operating Rev	\$370,048	\$571,592	\$2,767,963	\$687,491	\$175,256	\$510,058	\$397,462	\$225,466	\$141,341	\$397,700	\$497,331	\$612,883
Interest Income	908	12,522	21,162	86,679	4,443	0	6,350	0	7,070	9,770	742	13,604
Grant Receipt	0	180,417	10,994,077	984,754	551,284	1,805,905	1,971,508	0	591,355	1,137,859	212,935	1,675,463
PFC	204,762	55,679	205,003	268,339	187,687	172,076	168,962	0	65,905	108,985	148,852	144,205
Other	898,143	341,632	25,000	0	207,914	0	157,784			333,746	625,519	323,891
Nonoperating Rev	\$1,103,813	\$590,250	\$11,245,242	\$1,339,772	\$951,328	\$1,977,981	\$2,304,604	\$0	\$1,313,506	\$1,590,360	\$988,048	\$2,127,719
Total Rev	\$2,075,094	\$1,994,529	\$15,302,212	\$3,356,027	\$1,510,024	\$2,697,342	\$3,819,390	\$363,824	\$1,656,665	\$2,287,357	\$1,687,049	\$3,340,865

EXHIBIT 8-11 (Continued)
SETRA OPERATION INFORMATION AND PEER COMPARISON

2003	SETRA	Victoria	Laredo	College Station	Waco	Abilene	San Angelo	Wichita Falls	Gregg County	Lake Charles	Tyler	Average
Personnel	1,554,531	519,999	1,724,956	1,038,376	426,620	786,317	735,879	39,107	769,050	650,854	392,925	785,329
Comm. and Utilities	208,435	149,745	335,934	194,123	110,439	149,596	118,421	54,948	106,324	107,878	239,185	161,366
Suppl. and Matl.	62,859	554,662	100,357	67,247	51,566	53,093	67,887	36,081	84,643	116,373	48,547	113,029
Repair and Maint.	119,939	304,402	313,809	374,037	48,991	74,391	172,912	0	37,310	93,468	91,986	148,295
Contractual Serv.	186,800	56,917	929,141	211,085	471,029	20,615	62,842	0	32,207	264,406	193,709	220,796
Ins.	5,928	26,989	108,771	27,232	76,133	0	64,818	8,696	0	43,948	18,176	34,608
Misc.	13,779	19,154	0	67,023	-2,858	62,118	14,711	0	1,051	14,526	0	17,228
Other	105,119	0	6,766	0	0	0	0	36,004	0	0	198,878	31,524
Operating Expenses	\$2,257,390	\$1,631,868	\$3,519,734	\$1,979,123	\$1,181,920	\$1,146,130	\$1,237,470	\$174,836	\$1,030,585	\$1,291,453	\$1,183,406	\$1,512,174
Non-op Exp	0	0	11,011,817	0	55,695	0	0	186,688	0	27,507	0	1,025,610
Deprecation	215,550	0		531,496	853,649	0	0			591,174	817,708	334,397
NET	(\$397,846)	\$362,661	\$770,661	\$845,408	(\$581,240)	\$1,551,212	\$2,581,920	\$2,300	\$626,080	\$377,223	(\$314,065)	\$529,483

0

To some extent, this confirms assertions heard in community forums that many area residents prefer to fly from Houston.

Finances

Exhibit 8-12 summarizes SETRA's most recent two years of financial data, as reported by Jefferson County.

EXHIBIT 8-12
AIRPORT FINANCIAL DATA
FISCAL 2003 AND 2004

	Year Ending Sept. 30, 2003	Year Ending Sept. 30, 2004	Year to Year Change
Operating Revenues	<u>\$1,725,746</u>	<u>\$2,014,163</u>	16.7 %
Operating Expenses			
Salary and Benefits	1,554,531	1,497,428	-3.7%
Depreciation	954,694	883,218	-7.5%
Other	<u>1,254,986</u>	<u>1,415,615</u>	12.8%
Total Operating Expenses	<u>3,764,211</u>	<u>3,796,261</u>	.8%
Operating Gain (Loss)	(2,038,465)	(1,782,098)	12.6%
Total non-operating Revenues	71,711	304,609	324.8%
Total operating Transfers	829,764	586,386	-29.3%
Capital Contributions	<u>805,470</u>	<u>939,575</u>	16.6%
Change in Net Assets	<u>\$(331,520)</u>	<u>\$48,472</u>	
Net Assets, Beginning	<u>\$17,125,688</u>	<u>\$16,794,168</u>	
Net Assets, Ending	<u>\$16,794,168</u>	<u>\$16,842,640</u>	

Source: Jefferson County Fiscal Years 2003 and 2004 Financial Statements, State of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds.

Exhibit 8-12 indicates that the airport takes in less money than it spends, and therefore requires a subsidy of county general funds to pay its bills. The FAA prefers airports to be self-sufficient:

Each federally assisted airport owner/operator is required by statute and grant assurance to have an airport fee and rental structure that will make the airport as self-sustaining as possible under the particular airport circumstances.¹

¹ Federal Register, Part II, Department of Transportation, Federal Aviation Administration, *Policy and procedures concerning Use of Airport Revenue: Notice*, February 16, 1999, p.7710.

It is heartening to note, however, that the amount of county funds needed to continue SETRA operations fell by 29 percent between 2003 and 2004. MGT believes this is due to the hiring of a new airport manager who has financial experience and manages with an eye on the bottom line. While operating expenses were cut by just 1 percent between 2003 and 2004, revenues rose by almost 17 percent.

MGT examined Lake Charles and Texas regional airports for useful comparisons (**Exhibit 8-11**). As noted in **Exhibit 8-7**, Tyler is a city-owned facility; the others are county- (or parish-) owned. Items of interest include the following:

- Landing fees are paid by commercial carriers to commercial airports for using an airport and are based on the weight of the aircraft. SETRA's landing fees are lower than the "peer" airport average. Yet the rate SETRA charges is as high or higher than those of many of the peers, so the difference must be due to the volume of air traffic and the lack of cargo carriers.
- SETRA is alone among the peer airports in having no fixed base operator (FBO)—a person, firm or corporation based at the airport that provides services such as aircraft maintenance and repair, fueling, flight instruction, avionics and aircraft storage on a commercial basis, under contract with the airport. FBOs can be a significant source of airport revenue.
- SETRA's personnel costs are relatively high. This may be due to the fact that Jefferson County employs SETRA's fire and rescue personnel, while these are often city fire department employees at other airports.
- SETRA's rental car revenue is relatively high, as is its revenue from fueling aircraft.
- SETRA's revenue from hangar rentals is less than the average among its peers and trails some other similar regional airports, such as those in Laredo, Waco and San Angelo, by a significant amount.
- Personnel costs per enplanement were highest at Victoria at \$43.87, followed by SETRA at \$36.80; the peer group average was \$14.74. Again, costs appear to be higher at county-run facilities due to the fact that fire and rescue personnel are not supplied by a city fire department.
- "Handling fees" represent money earned by refueling commercial carriers. SETRA earned about \$0.84 per passenger boarded while the peer group average was \$1.81.
- Among the peer airports, only SETRA received no grant funding between 1999 and 2001.

SETRA has not secured federal grants as aggressively as other smaller and mid-sized Texas commercial airports. **Exhibit 8-13** shows grants SETRA and other Texas airports have received since 2000 from the FAA's Airport Improvement Program (AIP). AIP assists the development of a nationwide system of public-use airports by providing funding for airport planning and development projects, as well as noise compatibility projects established by the Aviation Safety and Noise Abatement Act of 1979.

EXHIBIT 8-13
AIP GRANTS AT
SELECTED TEXAS AIRPORTS
FISCAL 2000-2005

Airport	2000	2001	2002	2003	2004	2005
SETRA	\$ 0	\$ 0	\$ 682,386	\$ 676,333	\$ 1,274,385	Pending
Abilene	3,100,000	2,235,000	3,325,000	2,000,000	5,012,400	4,690,500
Brownsville	2,798,291	1,671,780	1,702,290	1,036,804	2,289,069	2,459,897
Easterwood (College Sta.)	1,234,324	708,570	1,210,817	1,298,630	1,043,058	1,923,485
Laredo	0	6,654,379	6,621,205	4,314,480	15,725,881	4,271,932
Longview	609,223	3,034,060	1,280,000	0	2,080,911	2,500,000
San Angelo	1,531,635	558,194	2,234,360	1,000,000	3,525,000	3,000,000
Tyler	1,509,375	3,989,291	1,024,300	711,672	1,911,500	2,203,655
Victoria	0	1,283,635	1,281,600	1,340,000	1,515,250	Pending
Waco	492,915	633,855	29,380	2,186,811	1,000,000	Pending
Wichita Falls	1,290,164	0	484,583	3,218,575	1,000,000	1,000,000
Lake Charles LA	806,614	1,605,392	638,654	1,182,763	1,000,000	1,000,000

Source: Federal Aviation Administration, <http://www.faa.gov/arp/financial/acip/index.cfm>.

Exhibit 8-13 makes it clear that SETRA lags considerably behind other Texas airports in this funding category. No AIP grant funding was obtained in 1999 through 2001. Since 2002, the airport has done somewhat better, but still lags others by a significant amount. Airport officials and the FAA indicated \$3.5 million has been requested and will be awarded this year. In addition to the AIP grants listed in exhibit 8-13, SETRA also received a \$500,000 grant from the DOT Small Communities Air Service Development Pilot Programs Grants in 2002. The county told MGT that these grants require local matching funds and projects in need of attention. But SETRA has no lack of projects needing funding; a quick review of recent FAA annual certification inspections showed a number of them.

One of reasons cited for the lack of federal grants is a lack of local matching funds. In the case of AIP, however, the federal government requires matching funds in the range of just 5 to 10 percent. A good deal of money is being left on the table for lack of relatively modest investments.

As noted earlier, there is now only one commercial airline that provides service to SETRA and no cargo carriers. UPS, Federal Express and other freight carriers must truck cargo from Jefferson County and surrounding areas to and from other airports for air shipment. According to SETRA officials, Federal Express occasionally sent an aircraft on holidays to provide direct service, but this practice has been discontinued.

The lack of cargo service also contributes to SETRA's relatively low revenue from landing fees. SETRA's landing fees appear to be at or above levels at peer airports, so the difference must lie in the number and weight of aircraft landing there.

SETRA's hangar rental rates appear to be low, based on an analysis of FAA data. While the peers averaged \$199,970 per year in 2003, SETRA earned \$155,394, 23 percent less. In view of the number of aircraft based at SETRA, this revenue is even less impressive.

On average, hangar rental revenue per based aircraft at SETRA was about \$1,700 per year in 2003, compared to more than \$2,700 at College Station and more than \$3,000 at Waco. According to SETRA management, the airport has a waiting list for hangar space and some local aircraft owners have built their own hangars. The airport manager reported that rates were raised at the beginning of 2005.

FINDING

Obviously, the lack commercial airline flights, other than to and from Houston's George Bush Airport, reduces the attractiveness of the airport for potential passengers. This severely reduces revenue earning opportunities and makes it necessary for the county to continue to provide funding.

RECOMMENDATION 8-6:

SETRA management and county officials need to improve securing federal dollars for airport improvement projects.

IMPLEMENTATION

In conjunction with the revision of the airport's master plan, all capital projects for which federal grant funding is available should be scheduled and grant applications submitted. County Commissioners should provide matching funds when airport funds are not sufficient to provide the required match.

FISCAL IMPACT

The fiscal impact of this recommendation can not be estimated, but it would require funding of five to ten percent of the FAA grant amount.

RECOMMENDATION 8-7:

SETRA management, county officials and local airport supporters such as the Southeast Texas Coalition of Air Service should coordinate their efforts to increase air traffic by encouraging other commercial airlines and cargo carriers to offer service at SETRA.

IMPLEMENTATION

The county should appoint an airport advisory board of interested citizens, to help SETRA set policy, conduct research, market the airport's services, recruit new tenants, assist with the development of the master plan, secure grants and seek development funding and partnerships. The county and other interested parties should explore the creation of an airport authority to take over governance of SERTA.

Commercial carrier service to Dallas/Ft. Worth would increase airport revenues and provide additional flight opportunities for potential airport users. The airport and local airport supporters should continue efforts to attract carriers offering non-stop service to Dallas/Ft. Worth.

FISCAL IMPACT

This recommendation could be implemented with existing resources.

FINDING

FAA data indicate that SETRA's hangar rental rates are relatively low. While the peers averaged \$199,970 per year in 2003, SETRA earned \$155,394, 23 percent less. Given the number of aircraft at SETRA, these results seem even less impressive. On average, SETRA hangar rentals brought in about \$1,700 per year per based aircraft in 2003; College Station earned \$2,700 per aircraft and Waco received more than \$3,000. Yet SETRA managers report that they have a waiting list for hangar space, and that some local aircraft owners have built their own hangars. The airport manager reported that rates were raised at the beginning of this year.

RECOMMENDATION 8-8:

SETRA should consider building additional hangar space and secure funding as necessary.

IMPLEMENTATION

The airport manager should determine the costs and benefits of building an additional hangar based on anticipated demand and rates and, if warranted, build an additional hangar. This should not be done until an airport master plan is completed.

FISCAL IMPACT

The fiscal impact of this recommendation would depend on the size of the hangar built and the revenue stream available to pay back construction costs. Over the long-term it would have a positive fiscal impact.

RECOMMENDATION 8-9:

Review and revise as needed all rates and fees charged for airport services.

IMPLEMENTATION

Airport management should review and revise all rental, tie-down and towing rates to ensure they are competitive with other airports.

FISCAL IMPACT

This recommendation could be accomplished with existing resources. The results of the review of rates should increase airport revenue.

FINDING

The airport sells products, services and lease space to numerous customers. MGT reviewed the March 31, 2005 Accounts Receivable Aging Summary report to examine the current status of the airport's accounts receivable. Out total receivables of \$57,554.70, only \$24,156.71 could be considered current (less than 30 days old). The older accounts receivables become, the more difficult they are to collect.

According to the report, the age of receivables is as follows:

31-60 days old	\$8,687.93
61-90 days old	5,695.92
More than 90 days	<u>19,014.14</u>
Total aged	\$33,397.99

Because the total dollars in this report of are net of outstanding credits, the actual amount of aged (delinquent) accounts receivable is really about \$16,700 higher. Thus, as of March 31st, about \$50,000 in receivables were outstanding by more than 31 days, and \$34,000 of that amount was more than 90 days old. One account, which involves \$250 per month in rent, has not paid in more than a year and a half. Another account is for an airport concession that closed in 2003.

SETRA officials have not made collecting delinquent accounts receivable a priority.

In addition, it is not clear why there are so many credits in this report. If they are valid, the airport owes its customers more than \$18,000.

RECOMMENDATION 8-10:

SETRA should monitor its past-due accounts more closely and make serious attempts to collect on them.

If workload demands are such that airport personnel cannot keep up with accounts receivable, collections should be turned over to another county department.

IMPLEMENTATION

Airport administrative staff should review account balances monthly and issue statements and past due notices as needed.

FISCAL IMPACT

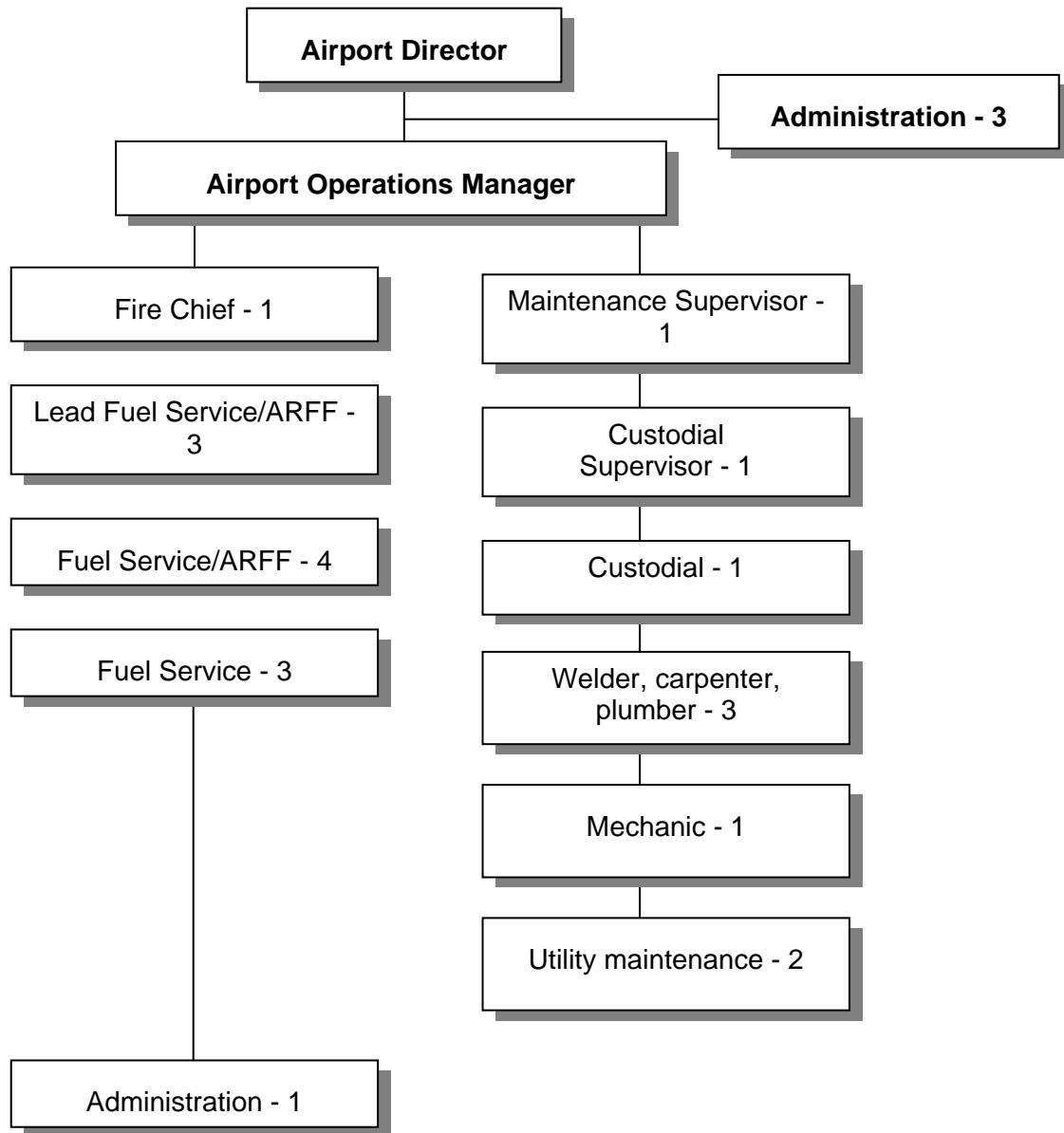
If SETRA collected half of its accounts receivable, it would gain \$25,000 in the current year. In later years, new monitoring and aggressive collection efforts should help ensure that revenues are collected when due, thus reducing past due accounts.

Recommendation 8-9	2005-06	2006-07	2007-08	2008-09	2009-2010
Monitor and collect past-due accounts	\$25,000	\$0	\$0	\$0	\$0

The People – Organization and Staffing

SETRA has a staff of 26 full-time employees, although it has 29 authorized positions. The staff is organized into three areas, Administration, Maintenance and Fire Fighters/Fuelers, with some crossover of employees among areas. MGT was not given an organizational chart, but produced **Exhibit 8-14** based on its review.

EXHIBIT 8-14
SETRA ORGANIZATION



Source: MGT of America.

Some of the most critical airport employees are the Aircraft Rescue and Fire Fighting (ARFF) workers. The FAA (in its Part 139 Airport Certification) requires airports with commercial flights to maintain firefighting response units and personnel on site, so that they are able to respond to emergencies within three minutes of notification.

SETRA has seven ARFF positions and working fire chief. As most airports are owned by cities, which have municipal fire departments, providing airport firefighting services is seldom a problem. In Texas, however, most county fire fighting is performed by volunteers or by firefighters hired by fire districts with taxing authority; SETRA has neither.

To minimize the cost of fire and rescue services, Jefferson County decided that its airport firefighters also should fuel aircraft. Asking ARFF personnel to perform other duties is not uncommon; at Lake Charles, ARFF personnel double as airport maintenance staff, and Gregg County Airport ARFF workers provide other public safety services.

At first glance, then, SETRA's practice seems reasonable. Firefighters at SETRA typically spend only a small portion of their shifts conducting required inspections of equipment and facilities and other ARFF-related duties, and then devote the balance of their time to towing general aviation aircraft into and out of hangars and fueling aircraft. Fueling services—the outright sale of fuel to general aviation customers or the transfer of fuel for commercial carriers that own and store their own fuel on airport grounds—provides welcome revenue for the airport.

Under the federal Fair Labor Standard Act (FLSA), most county employees are owed overtime compensation for working more than 40 hours in a single work period (generally a week). FLSA provides a partial overtime exemption (called the section 207(k) exemption) for public fire protection and law enforcement personnel. Firefighters are not entitled to overtime unless their hours worked exceed 212 hours in 28 days. In Jefferson County, which uses a seven-day work period, firefighters would not be entitled to overtime until they work 53 hours in a seven-day work period (there are four seven-day periods in 28 days, and $212/4 = 53$).

SETRA's ARFF workers, however, spend a significant part of their duty time refueling aircraft, thus reducing the time devoted to ARFF-related duties. For this reason, they are generally ineligible for the 207(k) exemption and therefore are paid overtime when working more than 40 hours in a week.

Firefighters everywhere typically work 24 consecutive hours followed by 48 consecutive hours off. SETRA uses this schedule for its ARFF staff. Under this schedule, workers can work either 48 or 72 hours in a seven-day period, 32 hours of which represents overtime. To help minimize overtime in weeks in which ARFF personnel work a third shift they are often given a day off, called a "Kelly day." Even then, they are working 48 hours and accruing eight hours of overtime every week.

SETRA officials are considering hiring additional employees to work as fuelers only. This would allow the ARFF staff to spend more time on firefighting-related duties and become eligible for the FLSA overtime exemption.

ARFF employees still would work a 24-hour on and 48-hour off rotation and therefore every seventh week would work three shifts (72 hours) in seven days, thus incurring overtime of up to 19 hours, unless time is given off in the form of "Kelly days." For the other six weeks, they would work only 48 hours, five less than the maximum allowed before overtime is incurred.

COMMENDATION

SETRA is attempting to reduce overtime by hiring additional fuelers who would have no ARFF duties.

RECOMMENDATION 8-11:

Airport management should establish an alternate work-period for ARFF personnel in order to achieve more flexibility permitted under the FLSA section 207 exemption.

IMPLEMENTATION

SETRA management should change the work periods of ARFF workers, since the seven-day work period does not mesh well with a firefighter's work schedule. The work-period should be a multiple of three (nine, 12, 15, 18, or 21 days). This would minimize the overtime impact of ARFF personnel working 24 out of every 72 hours.

FISCAL IMPACT

Overtime compensation, excluding the Kelly Day, would be reduced by 7.5 hours per person per month (28 days).

Recommendation 8-11	2005-06	2006-07	2007-08	2008-09	2009-2010
Change ARFF personnel work period	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000

RECOMMENDATION 8-12:

Airport management should reduce the ARFF team's hours of operation.

The airport fire station need not be a 24-hour operation. It could be staffed only when commercial airline operations are under way, and closed and left unmanned between midnight and 5:00 or 6:00 a.m. This would produce a 10- or eight-hour workday for ARFF personnel, leading to a significant reduction in personnel costs.

Maintaining a 24/7 operation with a minimum of two ARFF personnel on duty at all times requires 336 staff-hours per week. Changing the ARFF hours of operation would reduce the staffing demand to 252 hours per week. If an 18 hour-per-day operation, which could be covered by two eight-hour shifts (with a one-hour lunch), is not sufficient for the airport's operational needs, 10-hour or split shifts could be considered.

Airport officials believe that an airport open and operating 24 hours a day gives it an intangible edge in attracting non-scheduled aircraft for such activities as training and diversions. A review of data from the first quarter of this year indicated only 16 diversion flights landed and purchased fuel at SERTA, one every 5.6 days on average. It is not

clear from the data if any of these operations occurred after midnight, but most commercial activity of regional carriers is between 6 a.m. and midnight. Therefore, it is unlikely many or any of these diversions were after midnight.

Training is another matter. Training flights could occur in non-peak hours. There were 49 training flights (one every 1.8 days) that landed and purchased fuel during the first quarter of 2005. On average these aircraft purchased 730 gallons of fuel, earning the airport about \$100 in flow fees. Hours of these flights were not provided to the review team.

IMPLEMENTATION

Airport officials should discuss merits of recommendation with airlines and other tenants and customers, the FAA, the Southeast Texas Coalition of Air Service, and county leaders. Additional analysis to quantify financial benefits and determine any intangible benefits should be conducted.

FISCAL IMPACT

Up to two ARFF positions could be eliminated by reducing hours of operations, depending on whether eight or 10-hour schedules were used. The estimate assumes current salaries and benefits. The estimated savings should be compared to (and reduced by) any potential loss of revenue due to reduced number of training and diversion flights that might result from reduced hours of operation. Sufficient data were not available to conduct this cost-benefit analysis. Airport officials believe that a 24/7 operation provides intangible benefits because airlines know that SETRA is always open and ready to receive and service all arrivals including diversions and training flights.

Recommendation 8-12	2005-06	2006-07	2007-08	2008-09	2009-2010
Reduce ARFF team's hours of operation	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000

FINDING

As noted above, Port Arthur and Nederland have adjoining boundaries with the airport. According to Jefferson County and municipal officials, an agreement dating back to the 1960s states that the cities will not annex the airport into their city limits.

RECOMMENDATION 8-13:

Officials of Jefferson County and the cities of Port Arthur and Nederland should reexamine the agreement concerning annexation to determine whether it still produces the best results for area taxpayers.

Annexation would make ARFF a city responsibility and allow the county to eliminate its ARFF personnel. The city or cities annexing the airport would derive increased local sales and property tax revenue from commercial growth along Highways 69 and 365, so all jurisdictions involved might benefit from such an arrangement.

IMPLEMENTATION

Jefferson County officials should contract city leaders to initiate discussion after discusses merits of recommendation with airport officials.

FISCAL IMPACT

The fiscal impact would depend upon the precise nature of the arrangements and cannot be estimated.

Airport Equipment and Maintenance

FAA requires certified airports to maintain safe facilities and grounds. The federal requirements include the mowing of grass so that lighting and other piloting aids are easily seen. With more than 700 acres inside the fenced area (airside) and the long Southeast Texas growing season, grass must be mowed almost constantly for more than eight months a year. This requires several tractors, mowing decks and maintenance personnel.

FINDING

MGT reviewed SETRA's vehicle and equipment inventory and considers it to be completely inadequate to provide the level of service needed to maintain safe and efficient airfield operations. Vehicles and large equipment are stored under a large outdoor pole barn to keep equipment out of the weather. This area, with about 15 pieces of equipment, is more like a dumping ground than a storage facility. Of 15 pieces of equipment observed under the cover, only two were in working order.

Of three large (15-foot) mowing decks, for instance, two were beyond repair and one was broken down on the airfield. That left only one five-foot mowing deck operational. An airfield of this size simply cannot be maintained properly with a single five-foot mowing deck.

Most of the tractors needed to pull the mowing decks were not working either. Of four tractors listed on the inventory, two were inoperable and another had broken down on the airfield, only one tractor was working. None of SETRA's tugs (used to pull aircraft or other large equipment) were operational; the auxiliary power unit was broken as well. SETRA's staff is forced to borrow equipment from the commercial air carriers.

The only pieces of equipment that appeared to be maintained adequately were the fueling trucks, and even one of them was inoperable, forcing fuelers to rely on a truck on loan from a fuel supply company.

Light-duty equipment was in no better shape. Grass trimmers and grass mowers were in need of or beyond repair. SETRA staff placed much of the blame for this on the county jail inmates used to provide labor, but this excuse seemed inadequate considering the poor condition of almost every other piece of equipment.

Many of the smaller and light-duty pieces of equipment, moreover, are not commercial grade but homeowner-quality equipment one would purchase at a Lowes or

Home Depot. Such equipment is not meant to withstand the usage it receives at a commercial operation such as an airport.

Furthermore, SETRA has no preventive maintenance schedule for its equipment, to maintain it in good working order and prolong its operational life. A look at the maintenance scheduling board indicated that the last preventative maintenance was scheduled more than three years ago.

SETRA has included requests for new equipment in every budget for the past three years but has received no funding for this purpose. Occasionally it receives “hand-me-down” equipment from one of the commissioner precincts that is purchasing new equipment.

A review of the county budget indicated that Jefferson County has not made any purchases of capital items at least since 1997. Every year, the approved budget includes between \$300,000 and \$2 million for capital purchases, but according to the subsequent years' budget documents, no capital items were ever actually purchased.

RECOMMENDATION 8-14:

The airport manager should develop a capital improvement plan and equipment replacement schedule so that new equipment can be systematically acquired before the existing stock breaks down.

At minimum, SETRA should purchase mowing equipment as soon as possible to keep up with its mowing schedule and maintain FAA compliance and a safe operating environment. The purchase of light-duty equipment should be avoided as it simply doesn't last in commercial settings; it will prove more costly in the long run.

FISCAL IMPACT

This recommendation would entail a cost to the county that would depend upon the items cited in the capital improvement plan and cannot be estimated.

FINDING

A certificated airport must have a master plan for its operations. SETRA's master plan has not been updated since 1994. The FAA not only requires updated master plans but also pays 95 percent of their preparation cost, which in SETRA's case is estimated at about \$500,000. According to the airport manager, the master planning process has begun, with the selection of a consultant to prepare the master plan.

RECOMMENDATION 8-15:

Jefferson County should hire a consultant and begin the master planning process immediately.

Although a consultant has been selected, as of May 2005 no work had begun and no contract had been made between the county and the consultant.

FISCAL IMPACT

The cost to SETRA would be 5 percent of the estimated total cost, due to the grant funds available for such services.

Recommendation 8-15	2005-06	2006-07	2007-08	2008-09	2009-2010
Hiring a consultant for creating master plan	(\$25,000)	\$0	\$0	\$0	\$0

As part of the master planning process, SETRA management, county officials and the airport consultant must address the airport's continuing financial viability. Based on the recent trends, MGT believes that SETRA has the opportunity to achieve self-sufficiency. Nevertheless, due to the turbulent nature of the airline industry, soaring fuel prices and the national and Southeast Texas economies, master planners should consider a broad variety of options for the next 10 to 25 years.

During interviews and focus groups, MGT heard some concerns expressed about the airport's future and its cost to the county. To address some of the concerns and

suggestions heard, MGT offers some potential long-range options that should be considered during the master planning process.

RECOMMENDATION 8-16:

Jefferson County commissioners should consider privatizing portions of the airport's operations and explore privatizing the airport itself.

Many regional airports in Texas have fixed base operators (FBO) that contract with the airport owner and pay the airport for the opportunity to provide airport services to users of an airport. An FBO would provide fueling, line service, aircraft maintenance and repair services, avionics, flight instruction, aircraft sales and rentals, aircraft storage, etc. earning revenue from the customers and paying the airport a fee under a contract.

Around the world, governments are turning to the private sector for airport management and development. This has resulted in a significant trend worldwide toward the use of public-private partnerships, although the concept is relatively new in the U.S.

Most airports already have ceded some operations to fixed base operators. Further privatization offers several benefits to governments, including increased revenue and reduced risk for project development.

In 1992, then-President Bush created an airport privatization pilot program to remove barriers for privatization and encourage grant-making federal agencies to cooperate with local governments wishing to privatize airport assets. Although most airlines and unions and the FAA have opposed privatization, it is still an option for local governments.

A few larger U.S. airports, including those in Milwaukee and Orange County, California, are considering privatization. As of this time, there have been no large scale privatization projects initiated in this country. Nevertheless, county officials should be aware of this option, study existing models, continue to evaluate benefits and determine whether it makes sense for SETRA.

RECOMMENDATION 8-17:

County and SETRA officials should closely follow the development of the proposed Trans Texas Corridor.

Governor Perry has made the Trans-Texas Corridor (TCC) plan a major priority. The proposed TTC is a multi-use, statewide network of transportation routes involving a 4,000-mile network of 1,000- to 1,200-foot wide corridors with separate lines for passenger vehicles, trucks, high-speed passenger and freight rail and utilities.

Due to Jefferson County's port cities and its strategic location on IH-10, the TTC could have a significant impact on area transportation. A corridor running parallel to IH-10 from Orange to El Paso already has been identified as priority segment of the corridor.

The TCC would affect SETRA and the services it provides. High-speed passenger rail service could significantly reduce passenger demand at SETRA. On the other hand, increased port activity could increase demand for air cargo activity and a freight transportation hub. SETRA could be positioned to take advantage of certain aspects of the TCC—or to become a victim of it.

On the eastern seaboard, the I-95 Corridor Coalition's membership includes all states that I-95 traverses. In 2003, the coalition produced a report, *Airport Outreach and Intermodal Coordination*, which examined ways to include airports in multi-mode transportation plans and improve intermodal connections at airports for passengers and cargo. The coalition's research and outreach programs should prove useful for Texas communities as the TCC plan unfolds.

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

RECOMMENDATION 8-18:

Jefferson County leaders and SETRA management should explore ways to maximize their opportunities in the evolving TTC project.

This could include marketing strategies to attract companies that could benefit from the low rents and large tracts of land available at the airport. The properties offer numerous commercial opportunities, such as locating certain facilities in the airport's Foreign Trade Zone (FTZ).

Foreign Trade Zones

A foreign trade zone is a designated site, licensed by the federal Foreign Trade Zones (FTZ) Board, at which special customs procedures may be used. These procedures allow domestic activity involving foreign items to take place before formal customs entry. Duty-free treatment is accorded items that are re-exported and duty payment is deferred on items sold in the U.S. market, thus offsetting customs advantages available to overseas producers who compete with American producers. Subzones are special-purpose zones, usually at manufacturing plants. A site that has been granted zone status may not be used for zone activity until approved for FTZ activation by local U.S. Customs and Border Protection (CBP) officials, and the zone activity remains under CBP's supervision. FTZ sites and facilities remain within the jurisdiction of local, state and federal agencies.

What are the benefits to a zone user?

- Duty exemption: no duties or quota charges on re-exports.
- Duty deferral: customs duties and federal excise tax are deferred on imports.
- "Inverted" tariff: when zone manufacturing results in a finished product that has a lower duty rate than those on foreign inputs, the finished products may be entered at the duty rate that applies to its condition as it leaves the zone, subject to public interest considerations.
- Logistical benefits: companies using FTZ procedures may have access to streamlined customs procedures (e.g. "weekly entry" or "direct delivery").
- Other benefits: foreign and domestic goods held for export are exempt from state and local inventory taxes. FTZ status also may also make a site eligible for state and local benefits unrelated to the FTZ Act.

What are the public benefits?

- Facilitates and expedites international trade.
- Provides special customs procedures to help firms conduct international trade-related operations in competition with foreign plants.
- Encourages and facilitates exports.
- Attracts foreign economic activity and encourages the retention of domestic activity.
- Assists state and local economic development efforts.
- Creates employment opportunities

FISCAL IMPACT

There is no fiscal impact associated with this recommendation.

APPENDICES

APPENDIX 1
ECONOMIC DEVELOPMENT
INCENTIVES POLICY

APPENDIX 1: ECONOMIC DEVELOPMENT INCENTIVES POLICY

The first step in developing a coherent business incentive policy is to carefully assess the overall nature and scope of the net social benefits of some of these instruments to the taxing jurisdictions and taxpayers. As part of this process, a number of questions arise. For example:

- Will the project truly add to the existing base of economic activity in the jurisdiction? Would this project happen absent the provision of incentives?
- What is the opportunity cost of the incentive (in other words, what alternative uses of these resources are foregone by supporting this project)?
- Who will receive the project's benefits? How will distribution of the benefits occur within the receiving organization?
- How much economic activity will accrue to the area providing the incentives (as well as other communities in the region) as a result of the project? What is the total present value of the incentive package?
- How much will it cost the jurisdiction to adequately service (e.g., utilities, public safety, etc.) the project during its construction and operational phases? What will be the environmental impact?
- What return can government expect in terms of tax revenues from the project?
- Will the benefits accrue to past the immediate recipient? Over what time period?
- Is the project consistent with strategic goals for overall development? With community values?
- Does the project address an area of targeted concern?

The format of the document is to discuss each of the items posed in the questions above, and in the process develop a methodology for how to reply to each. The first three questions, which are addressed below, should be viewed as reflecting the preliminary thought process that must occur before the decision is made to undertake a cost-benefit analysis. This analysis encapsulates the last four questions and is detailed in sections three through five. The steps in conducting a cost-benefit analysis are as

follows: 1) collect information; 2) determine the direct effects; 3) determine the indirect and induced effects; 4) determine the fiscal impacts; 5) determine the costs (both real expenditures and opportunity costs); and 6) compare the costs and benefits in present value terms. The end result is an assessment of the overall viability of the project, as well as determining the appropriate structure and scope of any incentive to be offered.

Does the Project Add to the Existing Economic Base?

Positive economic impacts are typically assumed to be caused by net additions of economic activity to a region. Positive impacts typically occur when the investment inherent in a new project either:

- A. expands the outflow of goods and services from the region (e.g., relocation of a transportation equipment firm that exports internationally or the expansion of the sole base of operation of a national insurance provider) or
- B. reduces the inflow of goods and services into the region by substituting local goods for imports (e.g., the establishment of the city's first micro-brewery or, in a new part of the city, an urban farmers' market that sells only locally produced fruits, vegetables, dairy goods, and meat products).

Often, the new activity represented by the project eventually displaces existing regional establishments, since these firms sell most of their product locally. The classic example is that of a new superstore displacing many main street, locally-owned businesses in a small town. Traditional impact analysis does not capture the true impact on the community in these cases, since little if any additional net economic activity results. As a result, it is important to distinguish between incentives that encourage industries that cater to the local economy (which are referred to as *nonbasic* industries) from those that stimulate the outflow of goods and services (called *basic* or *export-based* industries) or stem their inflow (nonbasic but *import-substituting* industries).

Failure to make the distinction among basic and non-basic industries is a frequent error in the creation of an economic development strategy. The location of a retail megastore mentioned above again is a good example. It is conceivable that the introduction of such a “big box” store actually can have a net negative economic impact on the community, even if its total sales revenues exceed that of the “Main Street” it superceded. When the Main Street is viable, the local chamber of commerce and other civic/social/business organizations encourage local businesses to buy from one another, minimizing the leakage that occurs when a company must go outside the local area to purchase goods and services. This practice enhances the multiplier (or ripple) effect by keeping money in the local economy. In the end, despite higher prices, this “buy local” attitude returns more income to the local economy in terms of earnings, proprietors’ income, and profits than does a “big box” store. In addition, local production of goods (other than retail trade) is enhanced by locally headquartered establishments simply because they are more likely to be aware of the existence of locally produced goods. Hence, the introduction of a “big box” store can mean that goods produced outside of the region are substituted for those produced locally, further decreasing the capacity of the economy to produce wealth.

If an analysis ignores the fact that a new retailer will become a substitute for existing ones, then incorrect positive economic impact results are readily obtained by entering the expected number of retail jobs or the output (about 20 percent of retail revenues) for the new store. This process ignores the displacement effects of introducing nonbasic industries. How are projects identified as being basic versus nonbasic?

Rule 1:	<i>If the project generates a net addition to the economy, then it is basic (clearly generates net economic benefits to the region). If the industry to</i>
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which the incentive is provided is considered basic, then the investment itself is probably basic.

Manufacturing, for example, is typically a basic industry. Hence, investments in a manufacturing establishment should typically be considered basic investments, and generally all of their economic impacts are net additions to local economies. How are other basic industries identified?

Rule 2: *If the investment induces a net increase in the demand for locally produced goods and services, it is at least partially basic.*

Hotels are an example of this investment category. Although some local residents use them, hotels primarily cater to individuals and firms outside of the impact region. Other types of partially-basic establishments include distribution activities (transportation, wholesaling, warehousing, and communications) and business service activities (non-depository financial institutions, architecture, engineering, contract research, consulting firms, market research, advertising, public relations firms, and data processing firms).

The economic impacts of an investment in this category should be discounted to the degree that it substitutes for the activity of existing local establishments. They may need to be further discounted if they do not *enhance the demand* for locally provided goods and services. This is because *existing local demand*, or demand that would come about with or without such establishments, can be met without government incentives — if there is a need for such establishments locally, they typically will locate in the area of their own accord. This does not mean that government incentives do not have a role in luring such firms, however. It only means that incentives should only be used to direct when such organizations will come and the form that they take. If a hotel asks for an incentive package, it should provide evidence that it will yield some special service to the community that will heighten the demand for its own business in a way that no other such hotel could. For example, it may furnish a large set of rooms under one roof to help

induce convention business or provide a different quality of service that will serve desirable new visitors.

What Are Other Uses for the Funds? Would the Project Happen Anyway? When?

Every penny available to a government has an alternative use. If it is not used to provide a direct incentive to recruit firms, then it can be used to invest in highways, prepare the disadvantaged for the job market, or encourage investment in the local housing stock.

Rule 3: *Economic benefits of a project should **always** be evaluated in contrast to an alternative use of the investment funds.*

Rule 3 applies even if the project would not occur without some amount of public investment, or if the incentive is predicated on abating property taxes on the incremental increase in value attributable to the new project. In both cases, an estimate of the net present value of the flow of the net economic benefits that arise from the project's operations (and construction, if appropriate) should be calculated. The price of the alternative use of funds is the municipal bond interest rate, since bonds are used to fund a variety of projects.

If the investment would occur in the absence of an incentive, then the issue becomes a bit more complex. First, it should be determined whether there will be any delay in the scheduled delivery of benefits.

Rule 4: *If the investment would occur in the absence of an incentive and no delay in the scheduled delivery of economic benefits is perceived, then the concept of an incentive should be dropped for the investment.*

Rule 5: *If a delay in the delivery of project benefits is perceived due to the lack of availability of public incentives, any changes in the project's costs and benefits (or differences between its costs and benefits and those of its alternative's) should be assessed. The net present value of the result should be compared to the net present value of the original proposal.*

How are the Total Economic Impacts Determined?

Once the decision to conduct an analysis has been reached, the first step in evaluating the fiscal and economic impact of a program, project, event, or industry expansion is to estimate its regional economic impact. This section focuses on how to estimate regional total economic impacts. The manner in which total economic impacts are created in an economy is often compared to the way ripples are made in a pond.

The total economic impact has three segments, which are delineated in Figure 1.

- *Direct impacts* (the initial drops causing the ripple effects) are the changes in spending due to a new or existing economic activity.
- *Indirect impacts* are economic changes required to produce the supplies and services required by the direct effects.
- *Induced impacts* are the changes in consumer spending generated by changes in regional labor income that results from the direct and indirect effects.

FIGURE 1:
COMPONENTS OF THE MULTIPLIER FOR THE CONSTRUCTION OF A HOTEL

DIRECT IMPACT	INDIRECT IMPACT	INDUCED IMPACT
Excavation/Construction	Production Labor	Expenditures by wage earners
Labor	Steel Fabrication	on-site and in the supplying industries for food, clothing, durable goods, entertainment
Concrete	Concrete Mixing	
Wood	Factory and Office Expenses	
Bricks	Equipment Components	
Equipment		
Finance and Insurance		

Types of Direct Economic Effects

It is important to understand that the direct effects can be classified into two types of expenditure streams—those generated by projects (typically composed of construction and/or equipment purchases) or special events and those resulting from programs or new commercial establishments (on-going operations and maintenance).

The two types of direct effects are delineated by the duration of their economic impacts

and the manner in which the annual level of spending that generates the economic impacts is estimated. Often a proposed project has both types of direct effects (e.g., a new hotel has a construction phase as well as an operations phase). In such cases, the economic activity that makes up the two types of direct impacts must be separated.

Impacts of Projects and Special Events

Typically only the total spending or person-years of effort for the full duration of projects and special events is well known. Therefore, in order to provide a sense of the phase-in process of any project, annual spending estimates over the life of the project are made as proportions of the total. Examples are the construction of a new hotel or spending generated by having an existing local facility serve as the venue for a soccer tournament. In both cases, the economic activities involved are likely to be measured in total dollars spent or in terms of the total number of jobs that will be “created.” Further, the term of the economic activity associated with projects and events typically is a period shorter than five years. (Equipment purchases also fall into this category of “one-time economic impacts” through the spending for equipment. Generally, equipment purchases are not made in the region, so the economic impacts generated directly from such spending tend to be small.)

Recurring Impacts

Unlike spending on special events or construction and equipment purchases, the annual operation and maintenance expenditures of new and/or expanded facilities generate an on-going stream of economic impacts. Such economic impacts are typically referred to as *recurring impacts*. The regional economic impacts of operations and maintenance expenditures are based on spending or employment levels for a typical year. Generally, however, the establishment or program for which the impacts are measured, tends to endure for a much longer period. Hence, the recurring economic

impacts are often measured as a stream of annual income with no well-defined end date. Examples of recurring expenditures are the operation and maintenance of a hotel or set of roads. Events, such as festivals, can also be classified into this category, provided they occur every year.

Defining and Estimating the Direct Economic Effects

Rule 6: Great care and effort should be used to define and estimate the direct effects.

Rule 6 is true because the total economic impacts resulting from an economic model are only as good as the data that are used to produce them. Hence, defining and estimating the direct effects is the most important part of economic and fiscal impact analyses.

Direct effects of a program, project, event, or industry expansion can be defined for either a single industry or multiple industries. The decision regarding which of the two options is appropriate should be based on the how closely the direct effect matches one of the 500 or so industries available in the input-output model. If one of the 500-plus industries (such as Electronic Component Manufacturing) alone is sufficient to identify the source of the direct effects, then a single-industry direct effect can be used. For example, if an industry is identical to that of the entire direct effect or if it is an aggregate of the industry that is disturbed plus one or more other industries, then the choice of a single-industry direct effect is the correct one. Otherwise, the direct effect should be defined by two or more industries. Examples of both are provided as follows:

Single-industry direct effect.

It is probably best to start learning how to estimate economic impacts by first measuring the effects of change in a single industry. As mentioned above, this type of analysis should only be performed when the industry directly affected by the event, project, or program is defined well by the economic model that is used. This is because,

for each industry, the economic model is based upon something akin to a recipe of production for each industry specified in it. Thus, if the “recipe” for the model’s industry does not portray the direct effects well, then the multiplier effects will be inaccurately estimated. It cannot be emphasized enough that the direct effects must be estimated accurately. One way to assure that the direct effects are as precise as possible is to use as much project-specific data as possible or to perform a survey of the suppliers.

If the direct effects appear to be defined well by the model (e.g., if the direct effects are hotel operations and the model has an industry labeled Hotel and Motels) then simply using the annual projected industry revenues (or employment) that define the direct effect may be sufficient. If the duration of the project is less than a year (such as the Republican national convention) and the direct effects is specified in terms of jobs, then the number of jobs should be multiplied by the fraction of the year the direct effect endures. Regardless, it is best if the industry’s wages and salaries are calibrated to that known for the direct effect. This assures that the bulk of the direct effects, which tend to be in the form of labor income (on average nearly 70 percent of industry revenues are used for payroll) are specified precisely.

Rule 7: *The direct effects entered into the regional economic model should only be those that are produced in the region.*

Even if the direct effects are portrayed extremely well by the model’s industry, the economic impacts can be estimated improperly by the model in a regional setting. This is because, in some cases, not all of the estimated direct effects are produced in the impact region. The situations where this is the case are those where the direct effects are due to a change in local demand for a good or service. An example of such a direct effect would be the set of goods and services required in order to build a new hotel in Jefferson County. In this case, the architects, engineers, and construction contractors

involved need not be from Jefferson County. They could come from Jefferson County or places beyond. The same could be said for the equipment and other manufactured goods that they use in the construction process. Furthermore, if the contractor is not from Jefferson County then the labor income is probably mostly spent by employees outside of the Jefferson County area. In such cases, the direct effects must be discounted (shared down/bifurcated) so that they reflect only the purchases that are likely to be made in the region. This process is called “regionalizing the direct effects.”

Regionalizing the direct effects can be done in either of two ways. The first requires a survey of the direct effects. The survey would ask the organization causing the direct effects to provide the proportion of each of their industry expenditures that will be fulfilled by local producers. The second way is to use a set of proportions that, for each industry, represents the average propensity at which local goods and services are used to fulfill local demands. This set of proportions is technically called the vector of regional purchase coefficients (RPCs). Although less accurate than those obtained via survey work, they are readily available from some regional input-output model vendors. Further, they are better than doing nothing at all about the regionalization issue. Indeed, since many economic impact-modeling situations afford neither the time nor the money for the requisite survey work and since often times even when such work possible the actual proportions are unknown, the vector of RPCs must be used.

Regardless of the type of direct effect the following procedures apply:

- (1) Determine whether the direct effects can be identified by a single industry in the economic model.
- (2) To calibrate the model, obtain local data on the average earnings per worker for each major industry that comprises the direct effects.
- (3) If retail and wholesale trade are involved be sure to find out details on the types of goods and services that are provided. If possible identify the operating margins of the retail and wholesale establishments involved. If this is difficult or impossible, assume that the establishments operate with a margin of about 20 percent of sales revenues. Distribute the remaining 80

percent to manufacturers and local wholesalers. This distribution should be made on the basis of the types of goods that the wholesalers/retailers sell.

- (4) Use all of the primary data sources that you can.
 - a) Use all available local survey data on the direct effects (e.g., often some data on visitor spending are available)
 - b) Use architecture and engineering cost estimates for construction projects to get an idea of the types of materials, equipment, and labor that are required. The materials and equipment can be translated into industry purchases.
 - c) Obtain the new organization's estimates of its operation and maintenance costs in as detailed a fashion as possible.
 - d) Bifurcate by industry the direct effects into the value of goods and services that will be supplied by local organizations and that supplied by organizations outside of the impact area. That is, determine how much of each expenditure item in the direct effects will be spent in the impact area.
 - e) Get information on all of the major taxes that will be affected by the direct effects (e.g., sales tax, property tax, income tax, hotel occupancy tax, cement production tax, other gross receipts taxes, and corporation franchise tax).
 - f) Get information on the prospective increase in public services (by level of government and by department) that will be needed, if any.

Estimating Indirect and Induced (Multiplier) Economic Effects

The process for estimating a given project's indirect and induced economic impacts is more roundabout. By definition, a project's first round of *indirect impacts* includes the purchases of any supplies and/or services that are required to produce the direct effects. Subsequent purchases of supplies and services generate other rounds of indirect impacts. The *induced impacts* are the purchases that arise, in turn, from the increase in aggregate labor income of households. Both the indirect and induced economic impacts demonstrate how the demand for direct requirements reverberates through an economy.

One means of estimating these indirect and induced impacts would be to conduct a survey of the organization producing the direct effect. In the case of a construction project, like a new hotel, the questionnaire would ask for the names and addresses of the contractor's suppliers, what and how much they supply, the names and addresses of

their employees, and their annual payroll. It would also ask for the organization to identify which of the suppliers were in the impact region. Another questionnaire might cover the household spending of the employees of the surveyed firms. It could request a characterization of the employee's household budget by detailed line items, including name and address of the firm or organization from which each line item is purchased. The business questionnaire could also be sent to the regional business addresses identified in these other questionnaires, and the household questionnaires, in turn, could be sent to the homes of the employees of the businesses contacted in the first round of surveying. This snowball-type sampling could continue until time or money was exhausted. The spending of each organization or household surveyed would then be weighted by its contribution to either the project or to household consumption. The weighted sum of these survey responses would yield the total regional economic impact.

This survey-based approach to estimating indirect and induced impacts, however, consumes a great deal of money and time. Economic models that cost far less are typically used instead. The model that has proven to estimate the indirect and induced economic effects of events most accurately is the input-output model. Its advantage stems from its level of industry detail and its depiction of interindustry relations.

Estimates of the total economic impacts of a project, program, or event are derived from regional input-output models by applying them to the regionalized direct effects, discussed earlier. The total economic impacts produced by input-output models typically come in many forms. First, they present the economic activity in terms of output or revenues (except for the retail and wholesale trade industries), employment, and income. Also, they often present it in terms of the regional equivalent of gross domestic product (GDP), which represents the wealth accumulated in the region due to the

project, program, or event. Second, they decompose each of these total economic effect measures into their direct and indirect portions.

The best way to compare the relative return of projects, programs, or events competing for dollars from the same funds is to calculate the economic impacts per million dollars of investment. To derive such a measure for a government entity, this means the total economic impacts of the project, program, or event should be divided by the amount of public spending/incentives given that is required to make it come about. The two components of public spending required typically are in the form of tax incentives and the marginal cost to the government of the additional public services and goods that must be provided.

Estimating the Distributional Effects

When the economic impacts of an investment are announced, it is appropriate to ask what proportion of the announced job and income gains will be enjoyed by the area's current citizenry. Implicit in the question is the expectation or hope that a reasonable proportion of the gains will be garnered by some of the area's more distressed households. The concerns are twofold; that local citizens could wind up paying for an investment that directly benefits newcomers, or that disadvantaged members of the community will end up subsidizing wealthier households. At the same time, current local residents presumably will not cause an incremental increase in public sector costs (police, fire, etc.), while new residents inevitably will constitute an incremental burden on municipal services.

All other things being equal, the optimal relocation is one which will employ the greatest number of local residents, especially those from the disadvantaged community. However, all other things are seldom equal, and the opportunity to expand the economic base of the region should not be foregone simply because immigrants to the area will be

employed at the new location. A number of other factors that could mitigate the situation must be considered, such as the relative tightness of the local labor market, how the proposed location fits with the area's economic development strategy, and the nature and scope of the indirect impacts of a new project. As a result, it is difficult to articulate hard and fast guidelines about whether or not economic development incentives can or should be offered to firms who may employ non-local residents.

Rule 8: *The lower the pay scale, on balance, the greater will be the proportion of jobs that will be filled by the local constituency.*

Lucrative jobs in high-technology industries, for example, tend to go to high-skilled technical or professional workers who participate in a national or international labor market. Most hotel jobs, on the other hand, tend to be those involved in housekeeping and food service, and are typically low-wage jobs that are met through the resident population.

Rule 9: *When the local economy is already heavily employed (high labor force participation rate and low unemployment rate), it is more likely that the jobs will go to non-local labor.*

Rule 10: *Smaller organizations are more likely to hire local residents than are larger organizations. Smaller firms have fewer resources, and hence have a smaller field of search for filling their needs.*

Determining that at least some better-paying new jobs will go to members of lower-income households can be especially difficult. The best way is to get assurances from the investing organization. If persuaded, they likely can provide some occupational break out of the jobs they will create with an average wage rate for each type (including an estimate of any tips or bonuses involved). In addition, they should be able to provide estimates of the benefit levels for the occupation classifications they use. The occupations for the jobs can serve as surrogates for pay levels if average wages cannot

be calculated. If such data are not forthcoming, an average wage can be estimated from their total payroll estimate and their count of jobs created. This, in turn, can be compared to the average wage calculated from ES202 data¹ or *County Business Patterns* data for that industry.

How are the Marginal Costs of Supporting Public Goods and Services Estimated?

Projects may cost jurisdictions in ways other than through the value of the incentives they provide. There may be

1. Site development costs (e.g., road realignments, rerouting utility lines, and archeological research);
2. Cost of delays and inconveniences on other projects;
3. Revenue losses (gains) on related public properties (e.g., city-owned parking lots and retail space);
4. Relocation expenses (e.g., buying-out leases, moving homeowners, and relocating businesses); and
5. Added costs to public services. For example, the need for extra
 - Police
 - Firemen
 - School rooms
 - Hospital rooms
 - Health inspections
 - Street repair and maintenance
 - Upkeep of added green space, and
 - Operations of sewerage and water facilities.

Some of these costs typically are well-known by governments at the time a project is proposed—in particular, those pertaining to site development costs, revenue losses, and potential relocation expenses. This information usually can be obtained through interviews with officials of the municipal departments and jurisdictions that are

¹ ES202 data are the annual covered employment data co-produced by state labor departments and the U.S. Department of Labor's Bureau of Labor Statistics. They are generally deemed the best source of local employment and earnings data outside of those produced in the Regional Economic Information System of the U.S. Department of Commerce's Bureau of Economic Analysis.

likely to incur the added costs. The interviews should cover the construction and operations phases if they both are involved, and the results should be verified against those obtained in other projects. After the interviews are complete, the costs should be put in net present value terms, as explained below.

While the costs directly associated with the project (numbers one through four above) are relatively simple to determine, the added costs for public services are more difficult to measure, since no one project typically will substantially increase the ongoing cost of providing public services. However, the cumulative effect over time of increased economic activity ultimately will translate into the need for more police, fire protection, public education, etc. There is no hard and fast rule about whether to use cost figures that reflect the immediate impact of the project at hand (essentially, the marginal impact) or whether to employ a procedure that translates increased activity over time into increased demand for public services (somewhat analogous to a public sector annexation cost model). Since no clear rule is in place, it seems prudent to make this decision on a project-by-project basis.

Net Present Value Calculations

Tax incentives apply to a finite period, typically ten to fifteen years. In order to include tax incentives in the cost-benefit calculations, the stream of incentives that are distributed over time (or not received in terms of tax revenues) must be put into dollars of a single particular year. The present value period for this portion of the analysis clearly should reflect the period of incentives. In terms of the recurring (ongoing) impacts of the project, the analyst has some discretion as to the length of time to measure and present value the stream of benefits. However, diminishing marginal returns suggest that ten years is an appropriate time-frame to analyze the recurring impacts.

Although the calculations can be quite easy (say, ten times the estimated foregone tax revenues of the first year of operation), they can also be somewhat

complex. The degree of complexity depends on the schedule of the incentives, which can be front-loaded or phased out as the operations-phase of the project progresses. Nonetheless, the annual amount of incentives provided must be known, as must the projected rate of inflation for each year that the incentives are granted.

How are the Net Fiscal Impacts Estimated?

Once the economic impacts on the jurisdictions have been measured, an evaluation of the impact on tax revenues can be ascertained. Changes in tax revenues are derived as a function of changes in economic activity; for example, an increase in sales tax revenue is calculated by applying the appropriate tax rates to estimates of increased retail sales.² Estimates of tax revenue impacts are typically needed for all jurisdictions that are affected economically by the project.

Rule 11: *Tax revenue impacts should be measured for every jurisdiction in the labor market (metropolitan area) in which the government offering incentives exists. The results from this detail can show which other governments should contribute to the tax incentives.*

The data needed for the analysis are:

1. The discount rate (interest rate on a 10-year bond for the impact municipality)
2. The forecasted inflation rate
3. The change in value of the facility (if construction occurs)
4. The stream of yearly spending on the construction phase (if needed).
5. The incentive-receiving organization's expected yearly stream of revenues over the evaluation period.
6. The stream of annual state and county economic impacts on income (or employment) for both the construction and operations phases (if needed).
7. The annual economic impact estimates (for both the state and the county) for the food and drink, retail trade, and cement production industries in terms of output (production) for both the construction and operations phases (if needed).

² In this particular example, it is important to estimate the proportion of new retail sales that will be subject to sales taxes before applying the appropriate sales tax rates to generate the revenue estimate.

8. Estimates of the tax revenue per job or effective tax rate (not nominal) for each type of tax. (This is tax revenue divided by the jurisdiction's portion of the region's total income received by residents.)
9. The stream of yearly added government spending for the provision of goods and services.
10. The stream of yearly spending on tax incentives.

APPENDIX 2
FISCAL IMPACT SUMMARY

APPENDIX 2: FISCAL IMPACT SUMMARY

Our report contains 74 recommendations. Of these recommendations, 11 suggest that the county invest funds of \$2.4 million. If fully implemented, these recommendations will result in a net savings of \$12.3 million over five years. The chart presented on the following pages summarizes these cost savings by chapter.

Recommendation	2005-06	2006-07	2007-08	2008-09	2009-2010	Total Fiscal Impact
Chapter 3:						
Recommendation 3-1	NFI	\$160,400	\$160,400	\$160,400	\$160,400	\$641,600
Recommendation 3-2	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 3-3	(\$20,000)	(\$10,000)	NFI	NFI	NFI	(\$30,000)
Recommendation 3-4	NFI	NFI	NFI	NFI	NFI	NFI
Total Chapter 3	(\$20,000)	\$150,400	\$160,400	\$160,400	\$160,400	\$611,600
Chapter 4:						
Recommendation 4-1	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-2	\$49,602	\$49,602	\$49,602	\$49,602	\$49,602	\$248,010
Recommendation 4-3	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-4	(\$50,478)	\$49,522	\$49,522	\$49,522	\$49,522	\$147,610
Recommendation 4-5	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-6	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-7	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-8	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,500,000
Recommendation 4-9	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-10	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-11	\$125,900	\$125,900	\$125,900	\$125,900	\$125,900	\$629,500
Recommendation 4-12	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-13	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$1,500,000)
Recommendation 4-14	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$250,000)
Recommendation 4-15	(\$80,000)	NFI	NFI	NFI	NFI	(\$80,000)
Recommendation 4-16	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-17	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-18	NFI	(\$15,000)	NFI	NFI	NFI	(\$15,000)
Recommendation 4-19	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 4-20	NFI	NFI	NFI	NFI	NFI	NFI
Total Chapter 4	\$195,024	\$360,024	\$375,024	\$375,024	\$375,024	\$1,680,120

NFI – No fiscal impact.

Recommendation	2005-06	2006-07	2007-08	2008-09	2009-2010	Total Fiscal Impact
Chapter 5:						
Recommendation 5-1	(\$52,000)	(\$52,000)	(\$78,000)	(\$78,000)	(\$104,000)	(\$364,000)
Recommendation 5-2	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 5-3	NFI	\$210,750	\$210,750	\$210,750	\$210,750	\$843,000
Recommendation 5-4	NFI	NFI	NFI	NFI	NFI	NFI
Total Chapter 5	(\$52,000)	\$158,750	\$132,750	\$132,750	\$106,750	\$479,000
Chapter 6:						
Recommendation 6-1	\$785,218	\$785,218	\$1,331,894	\$1,331,894	\$1,331,894	\$5,566,118
Recommendation 6-2	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-3	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-4	(\$5,000)	NFI	NFI	NFI	NFI	(\$5,000)
Recommendation 6-5	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-6	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-7	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-8	\$45,774	\$45,774	\$45,774	\$45,774	\$45,774	\$228,870
Recommendation 6-9	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-10	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 6-11	NFI	NFI	NFI	NFI	NFI	NFI
Total Chapter 6	\$825,992	\$830,992	\$1,377,668	\$1,377,668	\$1,377,668	\$5,789,988
Chapter 7:						
Recommendation 7-1	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-2	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-3	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-4	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-5	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-6	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-7	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-8	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-9	NFI	NFI	NFI	NFI	NFI	NFI

NFI – No fiscal impact.

Recommendation	2005-06	2006-07	2007-08	2008-09	2009-2010	Total Fiscal Impact
Recommendation 7-10	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-11	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-12	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 7-13	NFI	\$211,590	\$211,590	\$211,590	\$211,590	\$846,360
Recommendation 7-14	NFI	\$116,285	\$116,285	\$116,285	\$116,285	\$465,140
Recommendation 7-15	(\$2,000)	\$35,000	\$35,000	\$35,000	\$35,000	\$138,000
Recommendation 7-16	\$269,884	\$344,884	\$344,884	\$344,884	\$344,884	\$1,649,420
Recommendation 7-17	\$33,630	\$33,630	\$33,630	\$33,630	\$33,630	\$168,150
Total Chapter 7	\$301,514	\$741,389	\$741,389	\$741,389	\$741,389	\$3,267,070
Chapter 8:						
Recommendation 8-1	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-2	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-3	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-4	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-5	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-6	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-7	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-8	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-9	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-10	\$25,000	NFI	NFI	NFI	NFI	\$25,000
Recommendation 8-11	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$90,000
Recommendation 8-12	\$86,000	\$86,000	\$86,000	\$86,000	\$86,000	\$430,000
Recommendation 8-13	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-14	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-15	(\$25,000)	NFI	NFI	NFI	NFI	(\$25,000)
Recommendation 8-16	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-17	NFI	NFI	NFI	NFI	NFI	NFI
Recommendation 8-18	NFI	NFI	NFI	NFI	NFI	NFI
Total Chapter 8	\$104,000	\$104,000	\$104,000	\$104,000	\$104,000	\$520,000
Total Savings	\$1,354,530	\$2,345,555	\$2,891,231	\$2,891,231	\$2,865,231	\$12,347,778

NFI – No fiscal impact.