



# OUTSOURCING MAINTENANCE OPERATIONS

## *Experiences from Elkhart County Highway*

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# Scenario Driving Decisions

- Extreme winter stress of 2013-14 had taken its toll on employee morale.
- Economic downturn reduced income
- Expenses continued to rise
- Unusual winter exceeded budget
- 2013 MVH Income - \$4,287,357
- 2013 MVH Budget - \$5,084,904
- Difference – **(\$797,547)**

# Additional Factors

- 2014 MVH Income - \$5,126,391
- 2014 MVH Budget - \$5,786,645
- Difference (\$660,254)
- Decided to reorganize the business model
- All aspects of maintenance operations were audited for efficiency
- Measured costs and productivity
- All decisions were data driven to improve efficiency

# Work Data Gathered/Analyzed

- ⦿ Mechanics/Garage/Shop work
- ⦿ Snow Plowing (subdivisions and main roads)
- ⦿ Equipment utilization:
  - Street sweeping
  - Catch basin cleaning
  - Excavating (culverts, ditch work, etc.)
  - Chip seal
  - Roadside mowing

# Results of Study

- Equipment underutilized – Gradall, grader, etc
- Plowing service to subdivisions not timely and quality of plowing unacceptable.
- Equipment/vehicle repair – quality and quantity unacceptable.
- Identified potential cost savings through outsourcing.

# Overcoming Perceptions

- ⦿ Outsource certain work functions
- ⦿ Just because we “can” do it doesn’t mean we should.
- ⦿ It may cost more “in house”.
- ⦿ Reduce work force (layoff or release)

# Treat Employees Courteously

- Took employees to another building to explain being released
- Provided 2 weeks severance pay
- Did not contest unemployment benefits
- Willing to give good reference
- Provided information on benefits and insurance
- Vacation was paid

# Engage Officials In Decision Making

- Commissioners
- Attorney
- Personnel Department
- Council
- County Administrator
- Build a consensus and ownership in decisions



# Prepare for the Fallout

- Media
- Television
- Comments by officials – “dead wood”
- 3 EEO filings
- Former employees appearing at meetings
- Stay focused – stay the course

# Summary of Operational Changes

- Snowplowing subdivisions - \$60.00/Hour
- Roadside mowing – \$20.00/mile
- Main roads plowing - \$80.00 - \$160.00/hr.
- Work release – untapped resource
- Outsource shop - \$300,000 + savings
- Excavating - outsourced
- Auctioned underutilized equipment - \$88,474 Today's balance \$40,831.56

# 2013 vs. 2015

| ⦿ <u>MVH</u> | <u>2013</u>                       | <u>2015</u> | <u>Difference</u> |
|--------------|-----------------------------------|-------------|-------------------|
| ⦿ Total      | \$4,494,834                       | \$3,627,476 | -867,358          |
|              | (includes 3% raise for employees) |             |                   |

| ⦿ <u>LRS</u> | <u>2013</u> | <u>2015</u> | <u>Difference</u> |
|--------------|-------------|-------------|-------------------|
| ⦿ Total      | \$1,136,400 | \$1,128,400 | -8,000            |

| ⦿ <u>CBF(1135)</u> | <u>2013</u> | <u>2015</u> | <u>Difference</u> |
|--------------------|-------------|-------------|-------------------|
| ⦿ 1135             | \$ 488,585  | \$ 325,873  | -162,712          |

# 2013 v. 2015

- Garage/Shop/Fleet Maintenance

| ●  | Personnel         | Budget               |
|--|-------------------|----------------------|
| ● 2013   | 5                 | \$1,082,981.84       |
| ● <u>2015</u>  | <u>0</u>          | <u>\$ 631,600.95</u> |
| ● Difference   | -5                | \$ 451.380.89        |
|  | (savings in shop) |                      |
| ● 2015 Additional Appropriations for road maintenance paving - |                   | \$1,050,000          |

# 2013 vs. 2015

- Personnel Summary (Includes MVH & CBF)

| ● <u>Positions</u>      | <u>2013</u> | <u>2015</u> |
|-------------------------|-------------|-------------|
| ● Labor/Drivers/Formn   | 53          | 30          |
| ● Mechanics             | 4           | 0           |
| ● Office/Clerical       | 4.5         | 3.5         |
| ● Mgmt/Supervisory      | 9           | 2           |
| ● Engineers/Technicians | 7           | 7           |
| ● Total Employees       | 77.5        | 42.5        |

# Commissioners/Political

- Commissioners own the decision
- Develop strategy for County Council
- Inform entire County Council at same time as plan is implemented with employees
- Media contacts: Commissioners, not staff
- Ensure a consistent message to public

# Summary

- ⦿ Outsourcing may or may not be suitable in your county.
- ⦿ Determine inefficiencies in operations
- ⦿ Consider the political consequences
- ⦿ Build a consensus with others
- ⦿ Make the tough decisions
- ⦿ Reevaluate the effectiveness and adjust
- ⦿ Ignore the noise!