



Modification to Agenda Item

Date: February 6, 2008
To: Darlene J. Bloom, Clerk of the Board of Supervisors
CC: County Executive Office
From: Thomas G. Mauk, County Executive Officer
RE: Agenda Item # 33 for the 2/10/09 Board Meeting
ASR Control #(s): 09-000209
Subject: Amend CalWORKs Case Management Services Contract

RECEIVED
 2009 FEB - 6 PM 12:16
 CLERK OF THE BOARD
 ORANGE COUNTY
 BOARD OF SUPERVISORS

Explanation:

Listed below are changes to the Recommended Action, Background Information, Financial Impact, Current Year Cost and Annual Cost. Attached is the revised MAXIMUS amended budget FY 2008-09.

Revised Recommended Action

Approve the proposed budget amendment to MAXIMUS Case Management Services Contract, 4/1/07-6/30/09; and authorize Director or designee to execute amendment to the agreement for a maximum obligation of \$5,254,569 for fiscal year 2008-09; or suspend MAXIMUS Case Management Services Contract effective February 28, 2009 to be re-assessed for Social Services Agency budget for fiscal year 2009-10.

Modifications made to paragraphs 5, 6, 9 and 10 in the Background information. Modifications are shown in red.

Subject **Background Information** Summary

As a result of negotiations, MAXIMUS has submitted an amended budget for FY 2008-09, provided as an exhibit to this ASR, which itemizes annualized contract reductions of 18 percent of total FY 2008-09 budget. However, when those savings are prorated for the remaining four months of the contract and added to the current year-to-date expenditures, the actual savings are projected at 11.2%.

The revised FY 2008-09 MAXIMUS obligation is \$5,357,642 which is \$660,733 less than the current adopted contract amount of \$5,915,302. The \$660,733 is anticipated to be 100% net county cost savings but is \$1.3 million less than projected in SSA's budget balancing strategies and creates an additional burden to the general fund.

In identifying contract expenses for reductions, SSA requested that MAXIMUS review and consider its entire budget, including all levels of staff, all program expenses, and all corporate expenses. Although the MAXIMUS proposal represents an annualized 18 percent reduction, the actual FY 2008-09 savings are only 11.2% and it should be noted that:

SSA is including a secondary recommendation to your Board to suspend the MAXIMUS Case Management Services contract in order to minimize the excess net county cost for FY 2008-09. As SSA moves into FY 2009-10, it is projected that current revenue shortfalls will continue into FY 2009-10. If the MAXIMUS contract is maintained, SSA will continue discussions with MAXIMUS to identify specific reductions to meet future year budgetary challenges

Revised Exhibits/Attachments (attached)

MAXIMUS amended budget FY 2008-09

Additional Information change in Financial Impact, Current Year Cost, and Annual Cost

Financial Impact

Retaining the MAXIMUS contract results in a financial impact of \$2.5 million to SSA and an increased net county cost of approximately \$2 million. This is mitigated by \$660,733 in savings proposed

Current Year

(\$660,733)

Annual Cost

(\$660,733)

OC CalWORKs Case Management Projected Annual Budget Cost Reduction

SALARIES AND EMPLOYEE BENEFITS	ORIGINAL CONTRACT FY 08/09		MODIFIED CONTRACT FY 08/09			FY 2009-2010 PROPOSED CONTRACT @ 18% Adjustment				Budget Reduction Totals	FY 2008-2009 Actuals + Estimates
	FTE	ANNUAL LABOR ALLOCATION	FTE	ANNUAL LABOR ALLOCATION	Per Position	Adjusted FTE	Projected Labor Adjustment	New FTE	12 Month Budget		
PROJECT DIRECTOR	1	118,584	1	100,000	100,000		-	1	100,000	33,333	97,417
OPERATIONS MANAGER/SPECIALIZED SERVICES C	2	133,474	3	200,211	66,737		-	3	200,211	66,737	186,855
HR MANAGER	1	87,804	1	67,804	67,804		-	1	67,804	22,535	65,375
FINANCE MANAGER	1	66,277	1	66,277	66,277		-	1	66,277	22,092	64,354
ADMINISTRATIVE ASSISTANT	1	32,448	1	29,688	29,688		-	1	29,688	9,896	23,284
INTENSIVE SERVICES MANAGER	1	58,243	-	2,578	-		-	-	-	-	3,437
STAFF DEVELOPMENT MANAGER	1	58,446	-	2,365	-		-	-	-	-	3,152
SPECIALIZED SERVICES SUPERVISOR	-	-	1	48,398	48,398		-	1	48,398	16,133	40,687
STAFF DEVELOPMENT SPECIALIST	2	84,848	2	91,222	45,611		-	2	91,222	30,407	73,546
CASE MANAGER SUPERVISOR	6	290,389	6	290,389	48,398		-	6	290,389	96,796	277,051
*LEAD CASE MANAGER	6	265,512	6	253,312	42,219		-	6	253,312	84,437	251,570
*CASE MANAGER	40	1,553,261	40	1,553,261	38,832	6	232,989	34	1,320,272	440,091	1,377,404
*OFFICE ASSISTANT	8	230,422	8	218,222	27,278		-	8	218,222	72,741	219,743
UNIT ASSISTANT	6	152,508	4	101,507	25,377	4	101,507	-	-	-	54,366
SENIOR OFFICE ASSISTANT	1	33,737	1	25,872	25,872	1	25,872	-	-	-	11,592
VERIFICATION SPECIALIST	3	81,120	-	-	-		-	-	-	-	-
PARTICIPATION SERVICES SPECIALIST	5	216,320	4	173,056	43,264	1	43,264	3	129,792	43,264	142,701
CAREER PLANNING SPECIALIST	6	267,321	4	187,614	46,904	4	187,614	-	-	-	130,776
VACANCY FACTOR (5.00% of *)		(193,440)		(193,440)			(103,850)		(89,590)	(29,863)	(29,863)
Subtotal Salaries	91	3,521,072	83	3,218,136			487,396	67	2,725,797	908,599	2,993,447
Employee Benefits (25%)		880,268		804,534			121,849		681,449	227,150	748,362
Total Salaries and Benefits		4,401,340		4,022,670			609,245		3,407,246	1,135,749	3,741,809
		ANNUAL PROGRAM ALLOCATION		ANNUAL PROGRAM ALLOCATION			Projected Program Adjustment		New Annual Budget		
OFFICE SUPPLIES		25,576		33,113			10,000		23,113	7,704	23,348
TELEPHONE		19,023		15,000			8,000		7,000	2,333	4,839
MILEAGE		70,704		25,690			15,000		10,690	3,563	8,807
PRINTING/POSTAGE		48,205		40,856			15,000		25,856	8,619	22,854
STAFF INCENTIVE PAYMENTS		176,811		75,000			-		75,000	25,000	64,868
BILINGUAL STAFF INCENTIVE		42,999		32,000			7,000		25,000	8,333	24,423
FACILITY LEASE		44,991		44,991			44,991		-	-	27,815
CONSULTING		38,564		13,414			13,414		-	-	-
EQUIPMENT MAINTENANCE		58,560		10,000			1,180		8,820	2,940	5,071
OUT OF TOWN TRAVEL		2,250		2,060			2,060		-	-	-
INTRACOMPANY SUPPORT		42,018		13,411			4,000		9,411	3,137	3,948
OTHER		20,985		10,738			-		10,738	3,579	5,160
TOTAL PROGRAM EXPENSES		590,686		316,273			120,645		195,628	65,209	190,933
OVERHEAD (15.10%)		691,010		631,559			117,065		514,494	171,498	570,961
GENERAL & ADMINISTRATIVE (10.10%)		636,500		558,696			140,842		415,854	138,618	466,763
Total Indirect Costs		1,327,510		1,188,255			257,907		930,348	310,116	1,037,724
Total Reimbursable Costs		6,319,536		5,527,198			993,976		4,533,222	1,511,074	4,970,466
CONTRACTOR FEE (7%)		442,368		388,104			70,778		317,326	105,775	387,176
CONTRACTOR'S INCENTIVE PAYMENT		80,000		-			-		-	-	-
TOTAL ANNUAL COST		6,841,904		5,915,302			1,064,755		4,850,547	1,616,849	5,357,642

Reduction Achieved \$1,064,755
 Reduction Percentage Achieved 18.00%
 80 Hour Work Furlough (02/01/09 - 06/30/09) \$103,073
 Furlough Percentage 1.70%
TOTAL \$1,167,828



RECEIVED AGENDA STAFF REPORT

2009 FEB -5 PM 4:47

ASR Control 09-000209

23F2

MEETING DATE: 02/10/09
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office (Approved)
DEPARTMENT CONTACT PERSON(S): Michael Riley (714) 541-7707
 Steve Dunivent (714) 834-3028

SUBJECT: Amend CalWORKs Case Management Services Contract

CEO CONCUR Concur	COUNTY COUNSEL REVIEW N/A	CLERK OF THE BOARD Discussion 3 Votes Board Majority
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Budgeted: N/A **Current Year Cost:** N/A **Annual Cost:** N/A

Staffing Impact: No **# of Positions:** **Sole Source:** N/A
Current Fiscal Year Revenue: N/A
Funding Source: N/A

Prior Board Action: N/A

RECOMMENDED ACTION(S)

Approve the proposed budget amendment to MAXIMUS Case Management Services Contract, 4/1/07-6/30/09; and authorize Director or designee to execute amendment to the agreement.
 or Authorize Director or designee to terminate MAXIMUS Case Management Services Contract.

SUMMARY:

Take action on contract with MAXIMUS, Inc., for Welfare-To-Work Case Management Services effective February 28, 2009.

BACKGROUND INFORMATION:

The County of Orange Social Services Agency (SSA) currently contracts with MAXIMUS, Inc., for Cal WORKs Welfare-To-Work (WTW) case management services. The current contract performance period, as approved by the Board of Supervisors on March 27, 2007, is for the period of April 1, 2007 through June 30, 2009. The Request for Proposal issued on June 23, 2006, included the option to renew contract services for two additional one-year terms for FY 2009-10 and FY 2010-11.

Case Management is a mandated CalWORKs WTW program service, which requires development of individual WTW Plans for identifying and removing barriers to employment and assisting participants to achieve the goal of self-sufficiency. Case Managers work closely with participants and administer assessment processes, develop case plans, make referrals to service providers, and monitor attendance and progress. Currently, the contractor is responsible for 45 percent of the WTW caseload, with Orange County Social Workers responsible for 55 percent.

Due to the current State and Federal revenue shortfalls, SSA faced a current year budget deficit of approximately \$33 million. Despite taking many cost reduction measures including layoffs, staff furloughs, contract reductions and other miscellaneous budget cuts, SSA remains over budget in various programs including the CalWORKs program. SSA's strategies to bridge the FY 2008-09 budget deficit included over \$2 million in net county cost savings projected as a result of the elimination of the MAXIMUS contract proposed to your Board Agenda Staff Report 09-000136 dated January 27, 2009. As a result of your Board's directive of January 27, 2009, SSA worked with MAXIMUS to mitigate the \$2 million increase to the agency's net county cost.

As a baseline for budget discussions, it was established that MAXIMUS will maintain its current contract performance standards; MAXIMUS will maintain the hiring freeze as established for SSA County employees; and MAXIMUS will commence with a work furlough as established for SSA County employees and notwithstanding this budget reduction.

As a result of negotiations, MAXIMUS has submitted an amended budget for FY 2008-09, provided as an exhibit to this ASR, which itemizes annualized contract reductions of 18 percent of total FY 2008-09 budget. However, when those savings are prorated for the remaining four months of the contract and added to the current year-to-date expenditures, the actual savings are projected at 10.3%.

The revised FY 2008-09 MAXIMUS obligation is \$5,407,147 which is \$611,228 less than the current adopted contract amount of \$5,915,302. The \$611,228 is anticipated to be 100% net county cost savings but is \$1.3 million less than projected in SSA's budget balancing strategies and creates an additional burden to the general fund.

Proposed reductions to MAXIMUS include

- * Elimination of 16 Regional Office positions, inclusive of 10 layoffs and six vacancies
- * Reduction of overhead and corporate costs associated with eliminated positions
- * Reduction of Program Expenses by 40 percent, including costs associated with Consulting, Printing/Postage, Mileage, Office Supplies, and Out-of-Town Travel
- * MAXIMUS also reduced its budget by lease costs associated with the Westminster One-Stop, as SSA no longer co-locates staff at this facility

In addition to the proposed reductions, a work furlough of 80 hours per MAXIMUS employee realizes a savings of \$103,073 for FY 2008-09.

In identifying contract expenses for reductions, SSA requested that MAXIMUS review and consider its entire budget, including all levels of staff, all program expenses, and all corporate expenses. Although the MAXIMUS proposal represents an annualized 18 percent reduction, the actual FY 2008-09 savings are only 10.3% and it should be noted that:

- * The MAXIMUS proposal includes no reductions to management, which leaves the percentage of management at nine percent of total staff
- * The management staff includes 1 full time equivalent for both Human Resources Manager and Finance Manager;
- * All MAXIMUS layoffs were to staff assigned to regional operations providing client service;
- * As a for-profit entity, MAXIMUS maintains its current rates of corporate expenses, including Overhead (15.1%), General/Administrative (10.1%), and Contractor's Fee/Profit (7%)

If SSA maintains the MAXIMUS contract with the proposed FY 2008-09 budget reductions, and does not terminate the contract, SSA's projected net county cost overrun will increase by \$1.3 million. As SSA continues to implement strategies to manage their remaining deficit without impacting their remaining staff, this additional burden will directly impact the general fund.

SSA is including a secondary recommendation to your Board to terminate the MAXIMUS Case Management Services contract in order to minimize the excess net county cost for FY 2008-09. As SSA moves into FY 2009-10, it is projected that current revenue shortfalls will continue into FY 2009-10. If the MAXIMUS contract is maintained, SSA will continue discussions with MAXIMUS to identify specific reductions to meet future year budgetary challenges.

FINANCIAL IMPACT:

Not eliminating the MAXIMUS contract results in a financial impact of \$2.5 million to SSA and an increased net county cost of approximately \$2 million. This is mitigated by \$611,228 in savings proposed by MAXIMUS.

STAFFING IMPACT:

N/A

EXHIBIT(S):

MAXIMUS amended budget FY 2008-09

OC CalWORKs Case Management Projected Annual Budget Cost Reduction

SALARIES AND EMPLOYEE BENEFITS	ORIGINAL CONTRACT FY 08/09		MODIFIED CONTRACT FY 08/09			FY 2009-2010 PROPOSED CONTRACT @ 18% Adjustment				Budget Reduction Totals	FY 2008-2009 Actuals + Estimates*
	FTE	ANNUAL LABOR ALLOCATION	FTE	ANNUAL LABOR ALLOCATION	Per Position	Adjusted FTE	Projected Labor Adjustment	New FTE	12 Month Budget	March - June 2009	12 Month Budget
PROJECT DIRECTOR	1	116,584	1	100,000	100,000		-	1	100,000	33,333	97,417
OPERATIONS MANAGER/SPECIALIZED SERVICES C	2	133,474	3	200,211	66,737		-	3	200,211	66,737	186,855
HR MANAGER	1	67,604	1	67,604	67,604		-	1	67,604	22,535	65,375
FINANCE MANAGER	1	66,277	1	66,277	66,277		-	1	66,277	22,092	64,354
ADMINISTRATIVE ASSISTANT	1	32,448	1	29,688	29,688		-	1	29,688	9,896	23,284
INTENSIVE SERVICES MANAGER	1	56,243	-	2,578	-		-	-	-	-	3,437
STAFF DEVELOPMENT MANAGER	1	56,446	-	2,365	-		-	-	-	-	3,152
SPECIALIZED SERVICES SUPERVISOR	-	-	1	48,398	48,398		-	1	48,398	16,133	40,687
STAFF DEVELOPMENT SPECIALIST	2	94,848	2	91,222	45,611		-	2	91,222	30,407	73,546
CASE MANAGER SUPERVISOR	6	290,389	6	290,389	48,398		-	6	290,389	96,796	277,051
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VERIFICATION SPECIALIST	3	81,120	-	-	-		-	-	-	-	-
PARTICIPATION SERVICES SPECIALIST	5	216,320	4	173,056	43,264	1	43,264	3	129,792	43,264	142,701
CAREER PLANNING SPECIALIST	6	267,321	4	187,614	46,904	4	187,614	-	-	-	130,776
VACANCY FACTOR (5.00% of *)		(193,440)		(193,440)			(103,850)		(89,590)	-	-
Subtotal Salaries	91	3,521,072	83	3,218,136			487,396	67	2,725,797	908,599	2,993,448
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Total Reimbursable Costs		6,319,536		5,527,198			993,976		4,533,222	1,511,074	4,962,878
CONTRACTOR FEE (7%)		442,368		388,104			70,778		317,326	105,775	400,687
CONTRACTOR'S INCENTIVE PAYMENT		80,000		-			-		-	-	-
TOTAL ANNUAL COST		6,841,904		5,915,302			1,064,755		4,850,547	1,616,849	5,363,565

Reduction Achieved \$1,064,755
Reduction Percentage Achieved 18.00%
80 Hour Work Furlough (02/01/09 - 06/30/09) \$103,073
Furlough Percentage 1.70%
TOTAL \$1,167,828

*Total for FY 2008-2009 Actuals + Estimates = \$5,407,147 according to SSA calculations