



Rebalancing cost & capacity in the government & public sector

Government and public sector executives are not new to living in a revenue-uncertain and cost-constrained environment. However, the pace and depth of the current COVID-19 challenges are stretching past strategies to drive savings to their limits with near and longer-term federal support to mitigate revenue shortfalls not clear, and likely not adequate. Leaders of government at state, county and city levels, as well as institutional leaders in the higher education and non-profit sector, need new perspectives and analytical tools to accelerate their time-to-results given this new reality.

A roadmap for rapid cost containment

As executive leaders now look beyond the public health emergency response, the near and long-term revenue impacts of a new economic reality are becoming clear – characterized by growing unemployment, increased social support, sustained social distancing, and reduced travel and tourism activity. While maximizing relief and reimbursement at both federal and state level remains critical, such support seems unlikely to buoy government and public sector organizations for very long. Action for cost containment is needed quickly and decisively across the following operational and financial levers to preserve available options and ideally mitigate the layoffs, furloughs, and pay cuts required – especially as leaders face 20%+¹ less revenue and hard-won “rainy day” reserves begin to dry up.



Staffing: As one of the largest budget items for government and public sector organizations, difficult but necessary savings are found in freezing hiring, eliminating vacancies, right-sizing spans of control, re-thinking workforce mix, re-prioritizing work demand, and optimizing schedules to reduce overtime and headcount.

Purchasing: Vendor and third-party spending represents a large cost element, offering savings potential in terms of reduced or delayed consumption and ordering, consolidating and re-competing bulk volumes, renegotiating with potentially fewer suppliers, and tightening controls on new requisitions, contracts, and payments.

Processes: Operations should be streamlined with diminished workforce capacity through lean/six-sigma, screening and optimizing incoming demand, and quickly deploying “low-code” tools to automate or virtualize work and the constituent/client experience, such as call or chat bots, self-service, and already-owned platforms.

Projects: Portfolios of strategic, capital, technology, or consultant projects can be triaged and deferred to better match financial and organizational capacity, rationalized

and consolidated where overlap exists, and streamlined or optimized in terms of scope/schedule/budget using the leaning techniques applied similarly to processes and operations.

Assets: Portfolios of buildings and properties not repurposed for COVID-19 response can be analyzed in terms of consolidation, liquidation, or other revenue opportunities as the workforce sustains more remote working. Strategies to monetize right-of-ways, street lighting, or other public infrastructure can be leveraged to create revenue streams and increase bandwidth for remote working.

Balances: Fund balance accumulation and under-utilization of special revenue and agency funds can be analyzed to challenge perceived or interpreted “restricted” amounts and find flexibilities to allow for repurposing or release into alternative budget sources.

Performance: In parallel with cost containment actions, enhanced performance control over departments is needed. This begins with defining the right key indicators of performance, ensuring alignment to overall policy and mandated services (and levels of service), and obtaining and monitoring the right data to drive ongoing accountability, improvement, and flexibility across the enterprise.

Having supported numerous government, public and private sector organizations in their responses to economic uncertainty over the past many decades, we offer a rapid approach to cost containment to help guide executive action in the near and longer-term horizon. We believe a critical opportunity is present to catalyze and sustain an innovation agenda that has now met its moment of necessity.

¹Midpoint of a range of 18-23% that came from www.governing.com article, *Absent Fed Help, State Budgets Will Be the Worst in Decades*

Benefits and savings you can expect to deliver

Pressure to deliver for your constituents, consumers, clients and students will only increase amid revenue and cost constraints. An array of benefits and savings levers are available to you as an executive leader – and KPMG is here to help you identify, prioritize, realize and sustain these gains. We bring tested tools to quickly define and diagnose cost drivers, develop and design savings solutions, and help you accelerate the delivery of savings solutions at the speed your elected leadership, governing bodies, or constituents require.

1. Diagnose (3-4 Weeks)
2. Develop (4-6 Weeks)
3. Deliver (8-26+ Weeks)

Performance

Reprioritizing Demand

Call Type	# of Calls	% of Total	Priority	Weighted
1 Alerts	665	15.0%	3%	19.5%
2 Checklists	611	13.7%	54%	331.0%
3 Background/History	554	12.6%	83%	459.8%
4 Area Checks	483	11.1%	17%	81.1%
5 911 Call Center/Dispatch	378	8.6%	97%	366.7%
6 Followup	307	7.0%	23%	72.6%
7 Assist/Other Department	203	4.6%	32%	64.9%
8 Checklists/Status	121	2.8%	17%	20.5%
9 Training	102	2.3%	15%	15.3%
10 Weekly Dispatch/Status	111	2.5%	42%	46.2%
Other Calls	2,007	45.2%	87.0%	1,746.0%
Grand Total	4,429	100.0%		4,429.0%

Optimizing Resources

Streamlining Operations

Driving Performance

Staffing

Freezing: 3-5% of Staffing Cost
Restructuring: 5-10% of Staffing Cost
Optimizing: 10-15% of Staffing Cost

Purchasing

Delaying: 2-3% of Supply Cost
Consolidating: 3-5% of Supply Cost
Controlling: 5-10% of Supply Cost

Processes

Leaning: 5-10% of Staff Capacity
Optimizing: 5-10% of Staff Capacity
Automating: 10-15% of Staff Capacity

Projects

Deferring: 3-5% of Portfolio Value
Consolidating: 5-10% of Portfolio Value
Streamlining: 5-10% of Portfolio Value

Assets

Consolidating: 3-5% Portfolio Value
Liquidating: 5-10% of Portfolio Value
Leveraging: 10-15% of Portfolio Value

Balances

Maximizing: 3-5% of Fund Balance
Repurposing: 5-7% of Fund Balance
Releasing: 5-10% of Fund Balance

We stand by to accelerate your journey

KPMG is committed to government and public sector organizations through their most challenging times. The KPMG difference lies in our people, our passion, our insights and ready-to-use analytical tools, but most of all our tested track-record of results – a **10:1 return on investment** in the form of **\$100m+ in recurring savings and measurably improved services²** across our recent clients, affording them the opportunity to reinvest in their key priorities. We are a corporate sponsor of the National Governors Association (NGA) and National Association of Counties (NACo). We bring decades of combined experience as former public servants and professional consultants to bring about tangible change through a collaborative, results-oriented, data-driven approach. We help our clients improve their performance and operations in terms of outcomes, quality, speed, service, efficiency and cost. We utilize world-class, advanced analytics, tested operational change methods, and a collaborative and culturally-mindful approach to enhance results in a sustainable way across government and public sectors – from Public Safety to Public Health and Infrastructure to Education.

²Based on data from KPMG Government Performance & Operations team in the past 10 years

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