

**The Hamilton County
Center for Efficient
Government & the Project
Gate Management Process**

February, 2006

Background

On October 5, 2005, the Hamilton County Board of County Commissioners adopted a resolution establishing a citizen-led task force charged with developing recommendations on cost saving initiatives through managed competition.

This task force, called the Hamilton County Competition and Efficiency Committee, continues to evaluate Hamilton County's existing outsourcing efforts and identify opportunities for additional managed competition initiatives. The task force also recommends that Hamilton County follow the "Project Gate Management Process", guidelines that will determine which functions in county government are subjected to managed competition, and that the County establish the "Hamilton County Center for Efficient Government", the mission of which will be to implement and manage the Project Gate Management Process.

The Project Gate Management Process

All public sector entities, including Hamilton County government, must continually seek ways to improve services and increase accountability to its taxpayers. In order to improve the way Hamilton County government does business, the County must institutionalize a fair and transparent process for managed competition. That process is enshrined in the Project Gate Management Process.

The Project Gate Management Process reviews a managed competition initiative at critical stages in its lifecycle to provide validation that it can successfully advance to the next stage. The Project Gate Management Process is also designed to couple a more transparent process with more predictable costs and outcomes.

There are five Gates, or points, at which a project is evaluated during its lifecycle: two during the planning phases of an initiative and three during implementation. The process follows:

- Stage 1 – Business Case Development
- Stage 2 – Procurement Process
- Stage 3 – Contract Management
- Stage 4 –Transition Management: Training, Communications, Workforce
- Stage 5 – Post Implementation

The goal of this type of review is to provide for a thorough assessment at key decision points in the process of outsourcing a government function or service. This review is to be independent of the project team and shall serve to provide a clear demonstration of benefits and savings to be achieved. A series of recommended guidelines for this process is provided in Appendix A.

Why initiate the Project Gate Management Process?

The Project Gate Management Process provides assurance and support for agencies in transitioning their functions to a third party in order to achieve their core missions by ensuring that:

1. The business need of a proposed project is justified.
2. The full scope of work for a project has been realized.
3. The competition has an added mechanism of oversight.
4. The agency has the necessary and appropriate resources to successfully manage the project and its contract.
5. An enterprise level approach is the driving force behind procurement strategies.
6. There is a roadmap for how the project is developed, procured, implemented and managed.
7. Projects are entered into within the context of what is best for the County holistically.

Hamilton County Center for Efficient Government

The mission of the Hamilton County Center for Efficient Government is to implement the Project Gate Management Process, which the Center shall use to evaluate and manage any given outsourcing project.

Once established, the Hamilton County Center for Efficient Government will assist a Hamilton County agency or department during any stage of a managed competition initiative as requested by the agency or department or at the direction of the Competition and Efficiency Committee, the County Administrator or Board or County Commissioners. The Center shall report directly to the County Administrator.

The Center shall also provide additional oversight and accountability to ensure that expected savings from contracting for services are achieved and that Hamilton County's taxpayers receive a fair return on their tax dollars. The Center shall also create and maintain a resource bank of best business practices, articles and references on outsourcing to be made available to county agencies and departments.

The Hamilton County Center for Efficient Government will provide long-term stability in government operations by identifying opportunities for managed competition, assessing the feasibility of proposed initiatives and in managing the process using best business practices.

Oversight Board

The Hamilton County Center for Efficient Government shall be governed by the Competition and Efficiency Committee, the membership of which shall be determined by the Hamilton County Board of Commissioners. Current members include:

- Tony Condia, Chairman
- Gary Conley
- Ian Corbett
- Brian Frank
- Delores Hargrove-Young
- Doug Meyer
- Dan Peters
- Paul Saba

The committee shall have the discretion to review initiatives at each key decision point or Gate. The committee will not approve or deny the continuance of any project, but will serve to validate that a project has gone through appropriate measures to comply with Center standards and make recommendations if further accountability is required.

Appendix A – The Project Gate Management Process – Guidelines & Procedures

The purpose of this document is to convey the standards by which the Hamilton County Center for Efficient Government evaluates managed competition initiatives at key milestones in the Project Gate Management Process. The guidelines set forth herein were developed to promote fair and transparent best business practices in government in order to foster accountability, competition, efficiency and innovation in the way Hamilton County agencies and departments deliver services to Hamilton County citizens. The Hamilton County Center for Efficient Government will continue to seek feedback from county agencies and department to aid in updating this document and ensuring a positive and beneficial outcome.

The Project Gate Management Process provides for a method of evaluating each stage of any outsourcing initiative: *Business Case Development, Procurement, Contract Management, Transition Management* and *Post Implementation*. Standards are outlined for each of these stages. The end of each stage represents a Gate for review and validation.

Index – Gate Management Process Guidelines and Procedures

1. Development of business case
2. Guidelines for cost comparison
3. In-house Measurements Guiding Bids, Performance, and Costs
4. Guidelines for Initiative Management
5. Hamilton County RFP Development and Procurement Policies
6. Managed Competition Initiative Worksheet

1. Development of Business Case

Summary

A comprehensive business case is essential to provide a broad analysis and plan of the overall project to facilitate early buy-in and provide a verifiable basis for conducting a managed competition initiative. The business case must clearly identify the current situation and the key factors driving consideration of all alternatives. It should also define the expectations of the project in terms of the key benefits to be achieved, provide a detailed analysis of the financial costs associated with the proposed project, and present a clear basis for the recommendation.

A business case should only be drafted after a project has been conceptually designed and vetted by agency or department leadership and the Hamilton County Center for Efficient Government.. It is important to develop a business case within the context of an agency or department's core mission and their other programs, functions or services. If the business case is for a project affecting more than one agency or department, it should be framed within perspective of the County's policy and budget priorities. A business case should be a living document through the execution of a contract.

The *preliminary* business case is a working document that will lead to the first Gate Management Process Review by the Center for Efficient Government's Oversight Board. If key assumptions or the methodologies change, or as additional information is made available, the business case should be *updated*.

Once a contract is executed, a *final* business case should be created to reflect issues agreed upon in the contract. The final business case should include any specific performance metrics or Service Level Agreements agreed to during contract negotiations, particularly where these may impact any of the key drivers of the business model and the associated cost/benefit model.

The purpose of creating a sound business case is to:

- clearly demonstrate the value to the Board of County Commissioners and taxpayers,
- convey one consistent message to all stakeholders, and
- provide a roadmap for how the project should be developed, procured, implemented and managed.

Specific goals of a robust business case shall be to:

- Communicate a clear business need.
- Obtain management commitment and approval for the project.
- Ensure that senior management and owners of the business case fully understand the implications and scope of the project.
- Clearly present the rationale and documentation for investment.

- Justify the project in terms of benefits to be realized.
- Quantify all potential benefits, who will achieve them and how they will be measured.
- Provide a detailed estimate of the costs associated with the proposed project.
- Identify all risks and how they will be mitigated.
- Demonstrate that the implementing agency or department is capable of implementing and managing the project.
- Provide a framework for decision-making in the planning and management of the project.
- Provide an audit trail for decisions to be made during the planning and implementation stages.
- Document the policy, budget and functional objectives.
- Identify business processes that will be changed.
- Identify key stakeholders and formulate the plan with their input to ensure their commitment to the project and to managing any changes required for successful implementation.

In its final form, the business case will also be an important resource to be used as county agencies and departments move projects through the remaining stages of the Center's Gate Process. The business objectives, benefits, project scope and required performance measurements defined in the business case will ultimately be used as inputs in the following major areas:

- In developing the solicitation document during the procurement process.
- In defining specific contract terms and conditions, particularly around desired outcomes and performance metrics.
- In establishing the performance management guidelines to be used during and post-implementation.

How to Create a Sound Business Case

It is essential that a business case be written in a clear and logical structure. It should assist in the decision making process, not create confusion. Recommendations must be definite and supported by factual analysis. The following guidelines are provided to assist in developing a business case:

- Use appendices for supporting detail
- Sufficient evidence to support key points
- Business language, not technical terms
- Graphics to convey complex information clearly and concisely
- Provide context to show due diligence and the level of stakeholder involvement.
- Document key assumptions and ensure that they're considered reasonable.
- Identify sources of all data and estimates.
- Provide ranges of estimates rather than single points (use scenarios, such as best, worst and most likely cases). This avoids implying a false precision in estimates.

- Clearly define each benefit in terms of the process affected, with before and- after performance metrics.
- Identify the executive accountable for realizing each benefit stream.
- Demonstrate that the potential benefits are measurable.

The initial business case will not be inclusive of data available after the execution of a contract or reflect all changes or decision points that will arise during the implementation phase. Rather, it should be as comprehensive as possible and be an important resource in determining the potential of the project and making the case for statutory or budget authority if needed.

A good business case should be developed with the input of key stakeholders, both internal and external, and drafted by a team of people including, at a minimum: subject matter experts, budget staff, legal staff, personnel and purchasing officers, experienced project managers, senior managers and seasoned technology project managers where applicable.

It is important that all of these stakeholders have the opportunity to provide input or feedback on the front end of a project as each will have a different perspective and will, at some point, be responsible for managing certain components of an initiative.

Typical Business Case Development Process

Key Components of a Sound Business Case

The ultimate goal of a strong, comprehensive business case is to outline the *scope* of the proposed project, describe the *rationale* for adopting a recommendation, demonstrate that the *feasibility* of such a project has been analyzed and outline the *strategy* for procuring, managing and implementing the project.

The following guidelines are presented as a recommended structure for developing a business case. These are provided as guidelines only. The same level of detail in each area would not normally be necessary for every business case. The size and complexity of the proposed project will generally indicate a commensurate level of detail necessary for a sound business case.

As a final note, it is important to allocate the appropriate amount of time necessary to conduct the detailed analysis required for a sound business case. A detailed business case will provide the foundation for successfully moving a project through the Gate Process and will ultimately increase the chances of a successful project implementation. Ensure that adequate time is allocated to develop a sound business case.

Details of Business Case

The business case is broken out into ten sections to include:

1.01 Executive Summary

- 1.02 Provide the Benchmark
- 1.03 Rationalize Basis for Introducing Competition into Service
- 1.04 Describe Assumptions and Methodology
- 1.05 Formulate and Detail Recommended Solution
- 1.06 Identify Agency or Department Impact
- 1.07 Explain Transition Management Strategy
- 1.08 Identify and Document Project Performance Metrics
- 1.09 Outline the Proposed Procurement Process
- 1.10 Conclusion

An explanation for each section follows.

1.01 – Executive Summary

The Executive Summary should be a short narrative overview identifying the scope and purpose of the business case, including the current status of the program or service, areas of inefficiencies that are to be addressed and targeted by the proposed effort, and the goal of the proposed outsourcing. The Executive Summary should clearly communicate what benefit the county will achieve through the managed competition process. Summarize key points from other sections in the business case. It may be useful to fully develop all other sections of the business case before preparation of the Executive Summary. The Executive Summary should confirm the business need, scope, and provide the summary recommendation. Recommended information to be included in the Executive Summary is as follows:

- Clearly identify the business objective of the outsourcing initiative.
- Categorize the project's goal as Cost Reduction, Performance Enhancement, or Value Added.
- Summarize the priorities of the agencies and/or departments associated with this effort.
- Describe any Executive driving the need for change.
- Describe public policy, market conditions or technology drivers behind the business case, including a brief assessment of best practices in the area of concern where appropriate.
- Define the critical success factors associated with the program area(s) and the proposed initiative. State what needs to be addressed or achieved to make the effort a success and achieve the stated business objective.
- Summarize and describe why the various options are considered. Summarize the pros and cons of each option. This should show a linkage between how each option may or may not address the identified critical success factors and the overall business objective. A summary cost/benefit analysis should be provided for each option as part of the options analysis.
- State the recommended solution. Provide a summary of the overall cost/ benefit of the proposed solution. Make the case for a return on investment, identifying both tangible and intangible (quantitative and qualitative) benefits.
- Describe the proposed next steps to implement the project (e.g. recommended procurement strategy and timeline).

1.02 – Provide the Benchmark: Describe Current Service, Program or Function

This should be a comprehensive documentation of the current service, program or function, as it is currently conducted by the county. By capturing this information and establishing a benchmark, the agency will be able to compare future competitive sourcing initiatives with the benchmark data and determine successes and shortcomings. Further, comparing this data will determine whether or not the areas of inefficiencies that needed to be addressed and targeted by the proposed effort were achieved, and whether or not the goal of the proposed outsourcing was realized. This will also aid in reporting on the actual benefit the county achieved by contracting for the service or function. It is imperative to establish good current county benchmark data in order to determine the project's success during the monitoring stage of the Gate Management Process. Make sure those most familiar with the service assist in defining the scope and level of service.

Document the current status of the program or service, including inefficiencies and shortfalls that should be addressed. For service outsourcing, include:

- Specific Service Descriptions
 - Current level of service
 - Necessary level of service
 - Identify any deadlines
 - Identify any flexibility that is needed for contingencies or emergencies
- Staffing Information
 - Total number FTE
 - Positions
 - Salary & benefits
 - Length of service
- Budget (prior county fiscal year, current county fiscal year, and projection for next county fiscal year)
- Performance Measures and performance data (last county fiscal year, current county fiscal year, next county fiscal year)
- Validate current performance metrics in any area identified for improvement in the proposed business case. It is critical to establish baseline data across any categories/service levels that will be monitored to assess future performance and validate the success of the initiative.
- Include any related benchmarking data such as customer satisfaction survey results or industry data.
- Current Service Agreements, if any, including any interagency agreements
- Technology Resources, including hardware, software, and licensing
- All internal and external stakeholders
- Number of customers served

1.03 – Rationalize basis for introducing competition into service

This section should explain how the service, function or program area is critical to the agency or department’s mission and how it is aligned with the county’s policy and budget priorities and identify all objectives for changing the method of service delivery.

Document specific issues that need to be addressed in order to improve the quality of service or achieve new efficiencies. Justify the business need for the service and for entering into managed competition. Include any performance, operational and financial issues. Explain why the status quo is not desirable and note the drivers of change. For the sake of comparison, explain what the current service has been compared against; public to private, public to public or improvements in procedures and processes.

Identify any best practices for the program available from other public or private sector entities not currently being utilized by the county. Identify if the use of technology changes or improves the delivery of the service.

Briefly document the recommended solution and identify other alternatives in terms of feasibility, anticipated process or programmatic improvements and benefits. Explain why dismissed alternatives were not chosen. Identify why the function or service could not be improved upon internally and describe the other alternatives considered. These should include different levels of outsourcing and agency alternatives for improving service through in-house reengineering or increasing/ decreasing the scope and/or requirements of the service being performed. Ensure that all available and appropriate options have been considered. In the description of alternatives, document the following:

- Any assumptions unique to each alternative.
- The impact to the agency or program area for each alternative.
- The complexity of implementation for the alternative.
- Pros, cons and potential benefits for each alternative, tangible and intangible, quantitative and qualitative.
- Estimated costs for each alternative.
- Risks associated with each alternative (and potential mitigation strategies for each risk).

When outlining the various options considered and assessing their viability or suitability, it is essential to agree on a consistent list of variables to be assessed.

These variables should be clearly articulated and referred back to throughout any options analysis conducted as part of identifying the recommended solution. This is critical to allowing an “apples-to-apples” comparison of options and is important in establishing the rationale for the recommended solution.

Variables should be linked to key drivers associated with the business objective (i.e. reducing cost, improving performance etc.). Cost/benefit comparisons should also be consistent across all

options as far as factors considered and assumptions used. (The Center will continue to develop templates to assist agencies in this area.)

Employee Bidding

The Center encourages agencies to assist employees, and provide them an opportunity to present alternatives for providing the identified function or service themselves. This option, or the rationale for not considering it, should always be included in the business case. If an option utilizing existing employees is being considered, all precautions shall be taken to ensure a firewall is placed between any employee(s) working on the internal option and those conducting the analysis on external options. When possible, potentially affected employees should also not be involved in development of the business case. The process for how the development of the employee option will be managed and handled in a fair manner is to be well documented.

1.04 – Describe Assumptions and Methodology

The business objectives and recommended solutions are often based on assumptions associated with policy, agency or department direction, market conditions, timing of events, and other considerations that may change over time.

This section should clearly articulate such assumptions and should be the basis for all business case rationale. This section should also identify how changes in key assumptions would impact the project and outcome. If key assumptions *do* change, this document must be updated.

List all assumptions considered when determining the necessity of performing this project and organize assumptions into major categories such as those related to current policy directives, market and technology conditions and events, internal organizational changes, legislative changes, current cost or funding structure changes, and schedule mandates.

It is important to detail the assumptions upon which the case is built not only because many of them may change, but because the wider audience to whom you are making the case may not have enough background to automatically make similar assumptions. You may also use this section to document how you arrived at certain data where no specific information may be available or to explain estimated figures used to arrive at a conclusion.

The methodology used to develop cost comparisons should be further detailed in this section, as it is often difficult to compare true cost allocation figures when financial models across sectors are different. The method used should aim to keep the process as simple as possible, allow equitable comparisons, and ensure a high degree of validity.

Methodologies used for calculating any other variable figures should also be expressed in this section as should methods used to assign costs or associated figures to resources associated with the project. Stakeholders need to understand how the agency arrived at cost and benefit figures.

1.05 – Formulate and Detail Recommended Solution

This section should begin with a high-level narrative description of an ideal outcome—describe the full scope of an initiative. Identify the functionality requirements across the effort that must be addressed and delivered and provide a synopsis of what the residual role of the county would be and how the program area would eventually be reorganized due to the change in delivery of service.

This narrative should clearly communicate what the potential project encompasses and the overall scope in terms of what responsibilities will remain within the affected agencies or departments and what may be being shifted to a vendor. State how the project will contribute to the agency or county’s core mission. In addition, if any policy change or budgetary authority is needed, provide a description detailing what the changes are and how the agency plans to accomplish these changes.

The remainder of this section should be dedicated to providing more detailed information regarding the full scope of an initiative. This should include the fiscal impact, associated changes in business processes, risks associated with this option, the timeline and milestones planned in pursuing the initiative and all other related areas necessary to demonstrate that the agency understands the complexity of the initiative, has done due diligence in researching the business requirements and risks and is prepared to manage all aspects of the initiative, if implemented. Any expected benefits and savings should be balanced with expected risks and up front costs to the county. Prove here that this balance has been weighed and that this project will provide added value to the County.

The following issues represent the level of detail to be established for the proposed project in this section:

- Functions within the agency that are expected to be affected
- High level requirements for each function or program area and a brief description of each requirement
- Business objectives
 - Desired outcome; address all that apply
 - Reduced cost
 - Cost avoidance
 - Increased service level (qualitative or quantitative)
- Scope
 - Identify all services, functions, programs and state assets to be transferred to a contractor
 - Identify processes, systems and employees within scope of project
- Cost model reflecting
 - Current expense: As-is cost and any associated system(s) replacement cost, including current FTE count
 - Projected expense: Total initiative costs for length of initiative (projected expense)
 - Subtotal for operational expense (e.g., contract)

- Subtotal residual organization cost
- Subtotal for workforce transition cost
- Subtotal for any third party monitoring cost
- FTE reduction
- Total expected verifiable cost savings
 - Over length of initiative
 - Projected annual cost savings
 - Savings timeline
- Published industry average or benchmark for service
- Project timeline and milestones
- Location (s) covered
- Impact on organization (what division or unit of what agencies are impacted, what functions, what personnel)
- Acceptable possible funding methods
- Expected performance, service or program improvements (must be verifiable)
- In final business case – a chart comparing the best and final offers from interested bidders showing company name, annual cost, total cost
- In final business case – justification for award
- Summary of net change in cost position of the county
- Summary of benefits to the county
- Programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project

Outline how the initiative is achievable and explain how the lead agency is or will be able to manage the procurement and initiative as required to successfully implement the project. Next, detail how the initiative will be managed. Be sure to identify a project management lead (does not have to be by name) and an initiative management team. Explain how the initiative will be monitored. Detail how stakeholder input was taken into consideration and how they will be involved in the development and implementation of the project. Explain how this is a viable and beneficial project to potential contractors. If this has been done for other public sector entities, provide details.

Tangible benefits should be quantified. This includes cost savings and possibly revenue impact. Total costs should be identified and organized, both project and operational. Return on Investment (ROI) should then be calculated and substantiated. Identify benefits in a manner that can be tracked and measured through post-implementation operations. “Soft” benefits and costs should also be documented, such as increased satisfaction to those who use services, and opportunity costs associated with doing the initiative.

A Cost Benefit Analysis and Risk Analysis should also be conducted for each alternative considered, so that comparisons and appropriate recommendations can be made. A proposed methodology for cost comparisons, attached to this document, may be used as a tool in making cost comparisons between in-house and contract service delivery. The detail associated with the

description of the various options considered should include the following (although the level of detail may vary for any specific project or alternative):

- If applicable, identify current/expected total resource costs associated with not conducting this project at all.
- Show a cost-to-benefit analysis associated with each viable alternative identified.
 - Document increased revenue opportunity if applicable over anticipated life of an initiative.
 - Document change in total resource costs to the county over life of each option. For option to source in-house, contract cost would be zero, and show change in total resource cost. Document anticipated contract costs over the life of the contract for this option.
 - Calculate the ROI associated with each viable option.
- Document funding methods, and list all constraints on funding sources.
- List any federal requirements for funding in each alternative.
- Document a list of anticipated soft costs and/or benefits associated with each alternative.
- Document the risks associated with each alternative and associated risk mitigation strategies.

1.06 – Identify Agency or Department Impact

This impact statement should begin by stating what divisions or units of the agency or department are impacted, what functions, personnel and capital or technology resources will be impacted and how any changes in the business process will affect these resources. Any changes affecting the method of service delivery to the customer should be identified and explained. Changes in the business process should also be explained and the process by which these changes will be mapped and managed should be well-documented.

Critical components of this section and of the project itself are in demonstrating that a Risk Assessment has been conducted and identifying how the agency is prepared for the impact on the county if risks are realized. Risk allocation should be clearly communicated.

Risk Assessment

The lead agency or department should identify and document key risks and craft a mitigation strategy. Document those opportunities for problems that could have a negative impact on the performance and success of the initiative. Also document risks associated with not performing the initiative and realizing the business objectives.

For an outsourcing recommendation, risks and obstacles associated with outsourcing should also be identified and documented. For each risk, a mitigation approach should be identified.

- First list the current risks to the organization/agency that are REDUCED or mitigated from accomplishing this outsourcing effort.
- List the risks associated with moving forward with the outsourcing initiative. These may include funding risks, service level risks, schedule risks, vendor performance and relationship risks, etc
- Determine a severity level for each risk.
- Determine and document a mitigation approach for each risk identified. Based on the severity, the plan may be to accept the risk and do nothing, or spend money at the onset in preparation of having to mitigate a risk realized.
- Clarify residual roles and responsibilities on the county side and explain what the impact will be, if any, on the rest of the agency or county. If the project will require the agency reorganizing, describe the new organization and how the reorganization will be achieved.
- Some initiatives affect only the agency or department that is initiating them. However, many projects will impact several, if not all, agencies and departments. Each agency or department expected to be affected should be identified, including the areas or functions most affected within each agency or department.

- List all agencies potentially impacted by an initiative. Consider all processes that may change, all events causing possible disruption, and all functions that are expected to impact resource levels.
- Conduct an initial impact analysis facilitated session with representatives from each agency. Determine groups within each agency that may be impacted.
- Summarize Change Management needs for each agency. Analyze what the impact on the County would be if the project fails to reach full implementation. Identify contingency plans for each major risk.

1.07 – Explain Transition Management Strategy

Identify the Project Management Team and describe the roles and responsibilities of each member

Create a Change Management Team and Outline a Change Management Plan. As a part of an agency's reform initiatives, a change management team should be created out of current resources composed of high level agency or department staff.

This team should be defined in the business case for each project and shall include, but not be limited to, the agency or departments senior leadership to include the director of the affected work unit, work group employees and contractor representatives. The role of this team will be to identify and resolve issues throughout the life cycle of an initiative. They shall provide clear pathways for affected employees to seek and obtain information or assistance. In the event of outsourcing, the change management team should also provide in-person informational sessions addressing the outsourcing initiative with affected employees, agency management and any external interested parties.

Outline a Communications Plan

The Transition Communication Plan should identify all stakeholders and employee classes to be affected by an initiative. Identify when and how the agency and vendor will communicate the status of an initiative and the personal impact on each employee throughout the procurement and implementation stages.

Multiple types of communication should be utilized including electronic mail. Communications plan should include post-implementation plans and efforts to communicate results (e.g., cost savings and improved performance).

Outline an Employee Transition Plan

In the event of an outsourcing, address the data related to affected employees, identify specific positions to be outsourced if possible (if not, identify broad classes) and describe the feasibility and process of implementing the project with minimum impact to these employees. Include any contractual terms related to the transition of employees that will be required for the procurement to succeed.

- The business plan for contracted services should address a communications plan for affected employees. This plan should identify all stakeholders and employee classes to be impacted by the project and identify when and how the agency and vendor will communicate the status of the project and the personal impact on each employee.
- The County administration should develop job placement policies for employees affected by an outsourcing initiative. Policies may include, but not be limited to,

requiring that each impacted employee be interviewed by the contractor and considered for job placement within the company.

- The County administration should develop a reemployment and retraining assistance plan for employees who are not retained by the agency or employed by the contractor.
- The County Administrator may choose to offer Critical Employee Retention salary increases in order to retain those individuals identified as critical to successful transition of the outsourced service to the contractor.

Outline a Training Plan for employees and customers

Summarize the requirements for training, a timeline for training prior to implementation of an initiative and include continued training for the transition phase. In the event of an outsourcing, describe how the transition period of the county turning over a function or service to another entity will be managed. Identify programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project. Implementation does take time, so account for how this transition phase will be managed, if it occurs and, if applicable, describe how customer service levels will be maintained during this period.

1.08 – Identify and Document Project Performance Metrics

Identify how a return on investment shall be determined and document those characteristics of the project's end-result that must be met at a minimum for the project to be considered a success.

Project Performance Metrics

Project Performance Metrics should be easily measurable both during and at the completion of an initiative and, in the event of an outsourcing, may be non-negotiable during the procurement of a contract. Examples include the elimination of a manual processing unit, reduced annual maintenance costs or higher quality service metrics. Provide a full description of business outcomes and service requirements necessary.

- Based on the current state of the agency and on the business objectives identified, list what critical results must be realized for the project to be considered a success.
- Identify which risks are most closely associated with those factors critical to the initiatives success, and re-address mitigation strategies if necessary.
- Identify as many specific, minimum performance metrics that should be included in the final contract as possible.

1.09 – Outline the Proposed Procurement Process

This portion of the business case should document the recommended procurement approach and the basis for it. This section shall include but not be limited to:

- Proposed solicitation method
- Anticipated number of respondents
- Proposed evaluation method (i.e. best value to the county, best cost or a blend of both)
- Anticipated procurement timeline
- Anticipated procurement budget (if required)

A Procurement Review Team should be identified in this section to include, at a minimum:

- Appropriate representative(s) of all affected agencies and departments if more than one.
- Budget staff of the lead department and other affected agencies (as appropriate)
- Personnel office if employees are being affected.
- Agency head or senior management designee of the lead department.
- Legal Counsel.
- Purchasing staff.

Identify key contractual terms such as duration, how to market the project to potential contractors and milestone delivery. Also, briefly state how the procurement and project will be monitored. If a third party is recommended to serve as monitor, outline the proposed procurement process for this contractor and their anticipated requirements and deliverables.

1.10 – Conclusion

The conclusion should reiterate the key points made in the Executive Summary. Restate the business need and scope of initiative. Explain why the recommended solution is the best value for the county and communicate why initiating the project now is appropriate and beneficial to the county. It may also be appropriate to include a brief outline of the anticipated timeframe and any proposed work plan associated with the procurement process.

2. Guidelines for Cost Comparison

This provides a structured approach for making cost comparisons between in-house and contract service delivery. The approach outlined here is based on: 1) public financial management thinking; 2) the best identified practices of federal, state, and local governments; and 3) a desire to keep the process as simple as possible while ensuring a high degree of validity.

Determining the Total Cost of In-House Service Delivery

The total cost of providing a target service in-house, also known as the fully allocated cost, is the sum of its direct costs plus a proportional share of organizational overhead or indirect costs. When the direct and overhead costs of a target service are identified, the resulting dollar amount constitutes the *fully allocated cost*, or total cost, of providing a target service in-house.

$$\text{In-House Fully Allocated Cost} = \text{Direct Costs} + \text{Share of Indirect Cost}$$

A. Direct Costs

Direct costs are those cost items that only benefit, and thus are totally (100%) chargeable to a service. Examples of direct costs include the salaries, wages, and fringe benefits of government employees who work exclusively (100%) on the in-house delivery of a service, as well as the costs of supplies, materials, travel, printing, rent, utilities, communications, and other costs consumed or expended for the exclusive benefit of a target service.

B. Direct Costs Frequently Overlooked

Some direct-cost items are routinely overlooked when computing the cost of providing a service in-house and thus warrant special mention. Frequently overlooked cost items include: interest costs, pension costs, and facility and equipment costs.

Interest Costs: Interest on capital items purchased for the exclusive (100%) use of a service through a bond issue or other financing arrangement should be included as a direct cost of in-house service provision. For example, a fire truck purchase that is financed will typically take interest payments from a local government's general fund, but this cost should be counted toward the cost of fire-protection services. (Equipment costs are handled below.)

Pension Costs: The pension costs of government employees who work exclusively (100%) on a service should be included as a direct cost of in-house service provision regardless of whether the government fully funds the pension plan or not. Unfunded and under-funded pension plans *defer*, but do not *avoid*, these costs.

Facility and Capital Equipment Costs: Facilities and capital equipment used exclusively (100%) for a service should also be included as a direct cost of in-house service provision. Depreciation costs can be computed, or, if depreciation is not appropriate or no depreciation schedule exists, a use-allowance factor can be computed. (Use allowances are employed for those capital items for which no depreciation schedule exists. For most municipal items, depreciation is appropriate.) Even when no actual cost is incurred, a use allowance factor should still be included because the asset could be used for other government purposes or sold.

C. Overhead Costs

Overhead costs, or indirect costs, are cost items that benefit the service and at least one other government service, program, or activity. The expenses of various administrative and support services provided to a target service by other governmental departments are overhead costs. Examples include: salaries, wages, fringe benefits, supplies and materials, travel, printing, rent, utilities, communications, and other costs that benefit the target service and at least one other government service, program, or activity. A check should also be made to ensure that overhead costs include applicable interest costs, pension costs, and depreciation or use-allowance costs on shared facilities and equipment. If not, these costs should be added to applicable overhead costs.

Overhead costs are generally apportioned among government services, programs and activities according to some allocation scheme. The most common methods are *personnel costs*, *total direct costs* and the *step-down* method. The personnel-cost method assumes that overhead costs are proportional to the number of employees (or full-time equivalent employees). The total direct-cost method assumes overhead is proportional to the budget of the target service. And the step-down method divides all departments into either support or production departments and works by allocating all the costs of support departments to the other entities they serve.

Many state and local governments have automated accounting systems capable of identifying, tracking, and allocating overhead costs. Frequently, state and local governments develop overhead or indirect cost rates that are simply applied to the personnel or total direct costs of a target service.

Determining the Cost of Contract Service Delivery

The total cost of contract service delivery is the sum of: 1) contractor costs; *plus* 2) contract administration costs; *plus* 3) an allowance for one-time conversion costs; *minus* 4) off-setting revenues.

A. Contractor Costs

Contractor costs may be the easiest component of contract-service delivery costs to compute. Contractor costs are simply the total costs a contractor proposes to charge for performing the target service. Contractor costs can generally be taken directly from a contractor's bid or proposal. There is one exception though, true performance-based contracts where final contract price can fluctuate based on the performance of the contractor. However, there generally is a cap which can be used.

B. Contract Administration Costs

Contract administration costs may be the most difficult component of contract-service delivery costs to compute. Contract administration can be defined as all those activities that take place from the time a decision is made to contract out until the contract is fully executed and final payment is made. Contract administration costs include: procurement, contract negotiations, contract award, the processing of amendments and change orders, the resolution of disputes, the processing of contractor invoices, and contract monitoring and evaluation.

$$\text{Total Contracting Cost} = \text{Contractor Cost} + \text{Administration Cost} + \text{Conversion Costs (Amortized)} - \text{New Revenue}$$

Informed Judgment: E. S. Savas, a nationally recognized expert on contracting, estimates the cost of contract monitoring *exclusive of other contract administration costs* at between 2 and 7 percent of contractor costs. John Rehfuss, another contracting expert and a former city manager, suggests that the cost of contract monitoring *again exclusive of other contract administration costs* is probably closer to 5 or 10 percent of contractor costs. *This cost may depend on what sort of service is contracted, and the ease with which it can be objectively measured and monitored.*

The county should already conduct at least some monitoring of in-house service delivery; so contract-monitoring costs should not represent entirely new costs.

When all contract administration costs *not just monitoring costs* are considered, estimates can increase substantially. A reasonable estimate for contract administration costs is between 10 and 20 percent of contractor costs. A general rule of thumb in applying this cost range would be to move toward the higher end of the range for small dollar contracts and the low end of the range for large dollar contracts. In instances where existing staff are assigned contract-monitoring responsibilities, the low end of the range should probably be used.

C. One-Time Conversion Costs One-time costs are sometimes incurred when converting a service from in-house to contract service delivery. Examples of one-time conversion costs include: 1) personnel-related costs; 2) material-related costs; and 3) other costs. When substantial one-time conversion costs are involved, these costs should be amortized over multiple years. The *front-end-loading* of substantial one-time conversion costs into one year can skew cost comparisons between in-house and contract service delivery in favor of the former.

Personnel-Related Costs: include unemployment compensation, accrued annual and sick-leave benefits, and other severance items that must be paid to terminated government employees. This can be avoided if there are not any reductions-in-force. Every effort should be made to reposition existing employees into other positions.

Material-Related Costs: include costs associated with the preparation and transfer of government property or equipment to be made available to a contractor for use in providing a target service.

Other Costs: include any other one-time conversion costs, such as penalty fees associated with terminating leases or rental agreements, the costs of unused or underused facilities and equipment until other uses are found or they are sold, and other costs associated with the transition.

D. Off-Setting Revenues

An off-setting revenue is any new or enhanced revenue stream (e.g. state or local income, sales, property or other taxes, user fees, etc.) that will accrue to the government as a result of contracting out a target service. An item here that is sometimes overlooked is revenue to be derived from the sale or other disposition of facilities or equipment made redundant as a result of contracting out a service. Any amount included in this section represents a *deduction* from the cost of contract service delivery.

E. The Total Cost of Contract Service Delivery

When contractor costs, contract administration costs, and one-time conversion costs are combined and reduced by any off-setting revenues, the resulting dollar amount represents the total cost of contract service delivery.

Comparing the Costs of In-House and Contract Service Delivery

A. When to Use Fully Allocated Costs

As noted earlier, the total cost, or fully allocated cost of providing a service in-house is the sum of its direct and overhead indirect costs. Cost comparisons using fully allocated costs are useful in determining if the in-house cost of providing a target service is comparable with private-sector market prices. The state of Texas, for example, routinely compares the fully allocated cost of in-house service delivery with private-sector market prices. If the fully allocated cost of in-house service delivery is greater than 110 percent of the prevailing private-sector market price, the State of Texas agency must reduce its costs within a specified period of time or the service may be targeted for contracting out.

B. When Not to Use Fully Allocated Costs

The use of fully allocated costs is generally inappropriate in estimating the *savings* to be realized by contracting out a target service that is currently being conducted in-house. In other words, the amount of money that is likely to be saved is not simply the difference between fully allocated in-house costs and the total contracting cost. This is because contracting out does not generally result in a dollar-for-dollar reduction in governmental overhead costs. For example, the contracting out of a target service, or a portion thereof, may result in decreasing the workload of service departments like personnel, finance, and facilities management but the workload reductions may be insufficient to have any significant effect on the costs of maintaining these departments. When attempting to determine the potential cost savings associated with the contracting out of a target service, the appropriate in-house costs to use in the comparison are the *avoidable costs*.

C. Avoidable Costs

Avoidable costs are those in-house costs that will not be incurred if a service, or portion thereof, is contracted out. How-to contracting books, as well as several contracting-out guides prepared by state and local governments, recommend the use of avoidable costs when assessing the likely cost savings achievable through contracting out. The use of avoidable, or incremental, costs is also the generally accepted managerial accounting approach to conducting the financial component of a business *make-or-buy* decision. Determining which in-house costs are avoidable is not a simple task. Of course, virtually all direct costs will be avoidable. But ascribing what portion of overhead costs are avoidable is a matter of judgment, and depends largely on three factors:

1. The determination of the public sector to reallocate resources efficiently;
2. The extent of the privatization effort, both in the service area and in other services that employ the support of the same government departments; and
3. The time period in which resource allocation is expected to occur.

Resource Reallocation: In the private sector, the decision to discontinue a particular function is usually accompanied by a swift reallocation of resources in support areas as well. For example, a company that eliminates a product line that accounts for 30 percent of sales will not only eliminate those positions directly involved in manufacturing that product, but is also likely to reduce the size of support staff, such as personnel, procurement, accounting, etc., by something approaching 30 percent. The private sector has a strong incentive to reduce overhead as much as possible. The public sector lacks such strong incentives, and the extent to which overhead costs can be avoided in the wake of contracting out is partly a function of political will.

Extent of Privatization: The reduction in overhead costs is related to the extent of the privatization. There is a cumulative effect to be considered, in that contracting out not only in the target service but in other services which make use of the same overhead support functions influences the potential for overhead reduction. For instance, contracting out a service with only five employees

would be unlikely to reduce overhead by any appreciable amount, *unless* several other small programs were also being contracted out as well. Several small contracts, which considered separately would have a negligible impact on overhead, could in the aggregate reduce overhead significantly.

Time Factor: There are many costs that cannot be avoided in the short term that may be avoidable in the long term. For example, contracting out of a portion of transit service may leave a public entity holding a lease for more storage and maintenance capacity than is necessary. In the *short term*, that cost may be unavoidable, but in the *long term* the public entity could decline to renew the lease. Similarly, there may be instances in which contracting out leaves a public entity overstaffed but legally obligated not to lay off workers. In the short term, this represents an unavoidable cost, but in the long term, staff levels could be reduced to efficient levels through attrition.

Avoidable costs can never exceed fully allocated costs. You can never avoid more than the service currently costs to provide. Over the long term, however, an organization should reconfigure itself so that overhead is adjusted downward to an efficient level. MIT's Jonathan Richmond has written that "in the longer term, as a general rule...marginal costs approach and converge with fully allocated total costs."¹ In this way, fully allocated costs can be thought of as the long-term theoretical upper limit of avoidable costs.

This emphasis on avoidable costs does not mean that computing the fully allocated costs of providing a service in-house is a superfluous exercise. In order to determine the costs to be avoided by contracting out, the fully allocated costs of in-house service delivery must first be determined. And, as mentioned previously, fully allocated costs are appropriate when comparing operating efficiencies of the public and private sectors.

In all cases, the sought-after figure when estimating cost savings should be:

$$\text{Avoidable Costs} - \text{Total Contractor Costs} = \text{Cost Savings}$$

3. In-house Measurements Guiding Bids, Performance, and Costs

Costs:

- All costs shall be included in the in-house bid – these include direct, indirect, overhead, capital. (see: cost comparison guidelines for what costs shall be included in the in-house bid). In addition, in-house costs shall include depreciation costs, or replacement reserves, and interest expense on borrowed funds and debt.
- When comparing costs, every effort shall be made to account for differences in service levels. Cost-out what the in-house provider would have to spend to deliver the defined performance level.
- Account for any offsetting costs i.e., taxes paid by contractor lower the cost of their bid.
- In-house units shall not be given a price preference unless high transaction costs are anticipated and cost savings are the only motivation for competition (quality or performance factors will not be considered).

Bids:

- In-house bidders shall be subject to the same requirements concerning sealed bids and proposals as private bidders. All parties should be required to bid from the same RFP.

Subsidies:

- One objective of managed competition should be to decrease, or at least make transparent, subsidies to public-sector service providers. If the subsidy derives from other policy objectives, then when possible the subsidy should be available to both the in-house and external providers.

Qualifications:

- Qualifications, including technical and managerial expertise of both public and private bidders, should be considered when awarding bids.

Risk:

- Any allocated risk to the private sector should be valued and added to the in-house bid.

Performance:

- If the in-house unit wins the managed competition, they shall sign a performance binding MOU. If the public unit exceeds their bid price the following penalties will accrue:
 1. The amount of the overrun shall be added to the in-house department to its next bid.
 2. If the in-house unit costs exceed its bid price by 5% it will not be allowed to bid in the next round.
 3. If the in-house unit costs exceed its bid price by 10% the MOU will be voided and the contract will be re-competed as soon as possible. The in-house unit will not be allowed to bid.
- If the in-house unit fails to meet the performance guidelines established in the MOU the following penalties will accrue:

1. A cure period equal to that established for any contracted service shall be given to the in-house unit.
 2. If unable to bring performance within guidelines during the cure period, the in-house unit shall be ineligible in the next contract bidding process.
 3. If performance problems remain persistent, MOU may be cancelled and the contract will be re-competed as soon as possible. The in-house unit will not be allowed to bid.
- The in-house unit shall be allowed to “earn back” penalties assessed by exceeding performance standards in a future time period or by exceeding performance standards in other areas during the same time period.
 - The in-house unit shall be given maximum flexibility to reengineer their operations to meet cost and performance standards.

If the in-house unit wins a competition, a separate account shall be established within the County to accurately track costs expended. This account shall be considered the equivalent of an account established for contractor payment.

4. Policy Guidelines for Initiative Management

1. Identifying Competition Opportunities

- List all of the services that are provided by Division/Department.
- Define separate services/functions that have potential for competition.
 - Utilize Countywide Services List as developed by the County Administration
- Rank potential competition opportunities by:
 - Complexity or lack thereof
 - Opportunity for savings
 - Need for performance improvements
 - Need for capital investment
 - Services that are best provided by the private sector because of clear market advantages
- Determine which, if any, services should not be recommended for competition.
 - Provide justification for keeping these services in-house. (Acceptable reasons include safety, management, regulatory, or lack of market.)
 - Identify any legal restraints to contracting the service? If there are, identify the level of government the restraint resides with i.e., local, state, or federal.
- Identify potential bidders and scope of service.
- Decide if all of a service or portions of a service should be competed.
 - Larger competitions generate larger savings.
 - Smaller competitions tend to be less complex and have easier transitions.
- Does the degree of accountability required affect the desirability of potentially contracting for the service?
- Identify enterprise wide solutions to common services or functions to increase the potential for savings.
- Amount of current backlog for the services
- Advise employees of consideration of service to be competed for
- Notify committee of decision to compete and initiate the GATE Management Process (Develop Business Case)

2. Employee Relations

Have open and honest communication with all employees. This is critical, and while not directly tied to the success of any one initiative, employees do have a lot to offer to the process. Indeed, public employees win many competitions where managed competition has been introduced.

- A. Plan ahead to minimize layoffs to extent possible.
 - To the extent possible integrate human capital data and expectations into initiative planning.
 - Identify strategies to reduce potential layoffs (e.g., attrition, intra-agency transfer).
 - Establish guidelines employee transition to contractor (consider incentives or 'evaluation' points).
- B. Provide early communication to affected employees once an area is selected for competition.
- C. Keep employees apprised of events as they occur, i.e. proposal-opening results immediately after proposals, council action immediately after award.
- D. Provide a schedule to employees as to when significant events will occur.
- E. Provide them a single source to go to for information.
- F. Employees should be reminded of the County's Ethics Policy, when dealing with potential bidders.

3. Organizing For Contracting

- A. Prior to starting a competition process, the County Administrator should be notified and provided with a proposed schedule of activities.
- B. An Evaluation Team should initially be formed to assist in developing specifications, conducting pre-qualification screening, and evaluating all proposals received. This review should include substantiating the reasonableness, completeness and accuracy of cost figures and cost comparisons set forth in the proposal contract; evaluating the quality assurance and customer complaint procedures proposed; and reassuring conformity to other elements of the Request For Proposals (RFP). The members of the Evaluation Team will be established based on the annual contract value.

4. Costing Methodology – Established in Project Gate Management Process

Additional guidelines:

1. Proposals submitted by a County department should include the following cost calculations and components of total cost:
 - a. All direct or variable costs associated with performance of the service, which would not be incurred if the service were not provided in-house;
 - b. An allocation for capital costs (including depreciation and actual or imputed financing costs) for capital equipment and assets used or required in order to provide the service; and,
 - c. An allocation for semi-variable and fixed costs whose amount is related to and may be affected by the number, scope and level of services which the County provides in-house.
2. There shall be excluded from these calculations those fixed costs which, regardless of the extent to which services may be contracted out to private bidders, could not be eliminated. An example of these excludable costs would be expenses for services that are purely regulatory functions.
3. Costing for County in-house proposals shall be reviewed by Internal Audit prior to proposal submittal.

B. Comparison of In-House and Private Proposals

1. In comparing proposals prepared by private contractors with in-house proposals to provide a service, certain adjustments may be necessary in order to level the playing field. Because these guidelines require that in-house proposals include an allocation for fixed costs, simple comparison of the bottom line totals for in-house proposals with the price quoted in private proposals may not be an accurate reflection of the County's possible savings or costs from contracting out a service.

In order for the County to make a proper comparison of in-house proposals with private proposals, the following possible factors and adjustments may need to be considered:

- a. Transitional costs and/or savings (i.e., potential gains or losses from the disposal of any capital assets, employee impact costs).
 - b. The costs of contract monitoring and oversight. Where these costs are different for in-house proposals and private bidders or as between different private bidders, the County should provide full justification and rationale for any such differences
2. Applying these factors in particular instances may have the same effect as an adjustment in the proposal price, either up or down. The goal of such

comparison is to ensure that the various proposals and proposals are evaluated on a level playing field, regardless of the cost basis used in their preparation and to ensure that the ultimate total costs to the County of providing a service is as low as possible, consistent with the quality and service level standards specified in the approved RFP.

5. Hamilton County RFP Development and Procurement Policies

Existing State of Ohio and Hamilton County purchasing code shall be in effect for the development, acceptance, and evaluation of Requests for Proposal. Law and code will be followed for contract award, negotiation, evaluation and monitoring as well.

The following guidelines are for internal guidance on the development of processes and procedures regarding the RFP and contract management:

1. Content of Requests For Proposals

- A. The scope of the services to be provided, in the form of work statements, the length of the contract period, and all other pertinent information should be clearly and explicitly set forth in the Request For Proposals.
- B. Each RFP should specify the desired outcome/result of the service in accordance with Board of County Commissioners Policy and any other governmental mandates. Emphasis should be on describing the desired results in lieu of the means/methods used to obtain the results. RFP's should encourage responders to demonstrate creativity and innovation in describing their method for delivering the service instead of describing how they would perform the County's existing program.
- C. Each RFP should include a formalized quality assurance and customer complaint resolution plan, which shall seek to assure quantitative and qualitative measures of service delivery to be followed by the successful proposer during the contract period.
- D. Each RFP should request that all bidders provide their approach to using current County employees who may be displaced by competition.
- E. Each RFP should include the performance standards and other contact monitoring requirements as described in Guideline IX - Contract Monitoring.

2. Development of Request For Proposals

- A. The service providing Department Director and/or the Center for Efficient Government is responsible for developing the Request For Proposal.
- B. A draft of each RFP should be reviewed by the Competition and Efficiency Committee and approved by the Center for Efficient Government prior to publication.
- C. There should be a clearly designated staff resource who is separate from the County's proposal team and who is responsible for responding to general

inquiries about the contracting process from private service providers and other interested citizens. After the issuance of an RFP for a specific service this individual is responsible for making available to private service bidders the information/data relevant to or needed by them in the preparation of proposals.

- D. Procedures should be developed for insuring that any information or data, which is requested by one proposer, is made available to all bidders. Under such procedures, all information which is requested or which is made available to a County department for its use in preparing an in-house proposal shall also be made available to private bidders: This will not mean that private bidders may request or have access to the working papers prepared or developed by a County department in order to calculate or decide upon or prepare its proposal for performing the service in-house.

3. Proposal Review

- A. All proposals submitted in response to an RFP shall be sealed and submitted at the same time. The proposal evaluation process shall be conducted in accordance with the Ohio Revised Code.
- B. All costing for County in-house proposals shall be reviewed by an Internal Auditor and approved by the center and committee prior to proposal submittal.

4. Contract Monitoring

- A. Monitoring is the process of overseeing performance after a contract has been signed to ensure that cost and service specifications are met. Monitoring procedures should address the general requirements for post-award assessments of all contracts and should also address the unique requirements for County-awarded contracts.
- B. The Department Director for the contracted services is ultimately responsible for monitoring the contracts for cost compliance and service delivery. The Center for Efficient Government serves as the central source for the collection and reporting of monitoring data. In addition, effective independent auditing of monitoring activities and verification of compliance with policies and procedures should be part of the internal control system to ensure that the processes put into place are working as intended.
- C. There are additional monitoring considerations when the County is the successful proposer. To encourage competition, the County should be accountable both to the taxpayers and to the non-successful bidders for evidence of compliance with proposed costs and service delivery. This evidence should include an audit (independent of the bidding team) to ensure that cost overruns are not passed on inadvertently to other County departments.
- D. The best way to monitor contracts is to set explicit and quantifiable performance

standards in the contract and then clearly state what the County will require of the contractor to ensure that those standards have been met. All contracts should include a mechanism for evaluating the contractor's performance as defined in the RFP. For some contracts, recording satisfactory completion within the time and cost constraints will satisfy the monitoring requirement. Larger multi-year contracts with complex specifications and performance criteria will demand more extensive monitoring procedures.

- E. Monitoring requirements should include some form of contractor-prepared statements of progress, which provides information on work completed, and information relative to performance standards. These statements of progress should identify problems encountered and any contractual adjustments believed necessary. The size and complexity of the contract will determine the frequency of reporting but the reports should be verified (audited) for accuracy.
- F. The feasibility of on-site inspections will depend on the contract and on the type of monitoring conducted. Inspection results should be reported comparing the observation and accomplishment of work to prescribed specifications. The contractor should be informed of the nature of these inspections and a standard rating or scorecard should be used to record findings.
- G. The method for obtaining feedback from citizens, user departments, or service recipients should be identified in the contract monitoring requirements.

5. Contract Administration

Additional considerations to supplement process, standards, and guidelines established in Business Case and contract documents:

- Train County personnel for effective contract administration.
- Develop a feedback/evaluation system for use on future contracts.
- Establish process to track complaints and compliments for the service provider.
- Develop a termination process for default of contract. (Should be established in contract)
- Prepare contingency plans in the event of contractor default – should be outlined in Business Case.
- Contract administration should be decentralized for day-to-day and detailed monitoring.
- Establish process and guidelines

6. Managed Competition Initiative Worksheet

Managed Competition Worksheet

KEY DEPARTMENT:

DATE:

CONTACT PERSON:

PHONE:

SERVICE/ACTIVITY:

PROPOSED LENGTH OF CONTRACT:

ESTIMATED NUMBER OF CONTRACTS/CONTRACTORS:

ESTIMATED ANNUAL VALUE OF THE CONTRACT:

SOLICITATION METHOD: RFI RFQ RFP RFB

NOTIFICATION CHECK OFF LIST (show N/A where appropriate):

| <u>X or NIA</u> | <u>CHECK POINT</u> | <u>TARGET DATE</u> |
|--------------------------|--------------------------------------|--------------------|
| <input type="checkbox"/> | KEY DEPARTMENT DIRECTOR | |
| <input type="checkbox"/> | COMPETITION AND EFFICIENCY COMMITTEE | |
| <input type="checkbox"/> | COUNTY ADMINISTRATOR | |
| <input type="checkbox"/> | BOARD OF COUNTY COMMISSIONERS | |

APPROVAL GIVEN BY:

DATE:

ATTACH BUSINESS CASE – Must include the following:

1. Provide a brief Scope of Work.
 2. State the goals and expected outcomes.
 3. Identify and summarize the contract administration, monitoring and oversight plans, and performance evaluation and measurement guidelines.
 4. Briefly summarize the transition plan.
 5. Identify and summarize any monitoring and transition costs associated.
 6. Briefly summarize the contingency plan in the event of contractor default.
 7. Indicate the number of employees affected and summarize plans to assist any potentially displaced employees (include those hired by contractor, transferred within County government, retirement, and those securing alternative employment).
-