

City of Charlotte

Departmental Guide To

Privatization and Competition Projects

Last Updated

November 2002

Privatization and Competition Program Manager:

David Elmore
CMGC Room 925
Phone: 704.336.8694
Fax: 704.336.2258
E-mail: delmore@ci.charlotte.nc.us

City of Charlotte

Departmental Guide To Competition and Privatization

TABLE OF CONTENTS

Purpose of this Manual 1

Benefit To Your KBU 2

Summary of Competition Process 4

Decide/determine What Services to Compete 10

Define scope/level of service 14

Employee Relations 16

Funding 17

Develop cost accounting system 18

Develop Request for Proposal/ Proposal Specifications 21

Prepare and Submit City Proposal 24

Proposal, Evaluation and Award Process 25

Contract Administration 27

Public Relations 28

Continuous Improvement 29

Services Contracting Guidelines Attachment A 30

Competition/Privatization Policy Attachment B..... 43

Cost Allocation – Insurance and Administrative Overhead 45

CITY OF CHARLOTTE

Competition Process Handbook

Purpose of Manual

This manual is designed to be a generic "user's guide" for a City of Charlotte Key Business Unit to utilize in completing a competition process. It should not be considered to be comprehensive but viewed as a systematic guide to direct the user through the basic steps of the process. Many of the items listed under a particular area may not apply to every agency or every competition process. They are provided to enable the user to make a conscious decision as to whether the item will apply to their process. Many other items are simply factors users should keep in mind as the process is followed.

The competition process is the responsibility of each KBU with review and guidance provided by the Privatization and Competition Advisory Committee (PCAC) and the PCAC Program Manager, David Elmore.

City staff has identified three levels of the competitive bidding process (see next page). The duration of the contract and the dollar value of the contract will determine how much of the formal process should be followed. In summary:

- One-time contracts of less than \$10,000 should be handled internally by a Key Business Unit (KBU) with internal resources.
- One-time or year-long contracts of between \$10,000 and \$50,000 should be handled by the key business with help from BSS Procurement or EP&M with information sent to the PCAC Program Manager, the Privatization and Competition Advisory Committee and City Council.
- Any contract with dollar value over \$50,000 or a multi-year contract should follow the formal process outlined in this document.
- All first time outsourcing projects, or competition projects must be reported to the PCAC Program Manager for tracking purposes.

Under some sections there are flow charts and a list of considerations. The flow chart is intended to outline the critical steps to be followed under each section. The list of considerations should be used in conjunction with the flow chart to ensure that the proper bases are touched or at least considered under each section. In addition to the flow chart and list, there are other forms, procedures and list of references, which might be helpful as they relate to the section topic. Lengthy documents referenced on "Additional Resources" pages can be accessed through the PCAC Program Manager from the Competition Library.

Benefits of Managed Competition To Your KBU

We all need a reason to change, and competition / privatization is a big change for many City departments/employees. The reasons to participate in the competition and privatization program are much broader than just dollar savings and we have tried to list some of the intangible advantages to your Key Business Unit below:

- When a KBU participates in the privatization and competition program, management and the employees must determine exactly what work they accomplish on a daily basis. While this may seem easy, departments often find additional aspects of the work being competed that they never knew existed or problems for their employees that management had never heard about.
- During a competition process City employees should feel empowered to suggest ways of improving efficiency in their daily work. As the KBU matches budget dollars to tasks performed and involves employees in the process, the creative ideas of employees can be unleashed for the betterment of the work environment. If employees feel that management is listening to their ideas a more cohesive workplace is possible.
- We must move forward as an organization to dispel the old myth that management salaries will be higher if the manager has “more people and a bigger budget”. Management compensation should be based on performance not the dollars in a KBU or departmental budget. Management should never hesitate to compete with the private sector because of a perceived loss of influence or compensation.
- Employees involved in the competition process participate and contribute with increased energy and incentive. Competition with the private sector is a great motivator for City employees.
- If the City competes and wins, the employees have the possibility of gain-sharing dollars. This could potentially be a large part of an employee’s compensation from the City. For a contract awarded to the City after a competition process, up to 25% of an employee’s annual salary could be paid to the employee as gain-sharing from contract savings.
- The teamwork environment of a competition effort builds a stronger KBU with a more cohesive workforce. Employees and management are motivated to work together as a team, not just a group of individuals.
- Competition contract audits prepared by Internal Audit give the employees feedback on their performance they may never have had before. The competition process gives employees and management clear goals, and dollar savings to strive for each quarter.
- The competition process must have a buy-in from senior management in the KBU, but employees can drive the process. There have been instances in the City where the front line employees requested to be included in the competition program. The employees felt they could compete with the private sector and were eager to prove it.
- Competition builds a sense of pride in the KBU and among the employees themselves. When a department wins a competition effort, the entire KBU and the entire City workforce are proud of the winning department.

Competition: Classification of Contract

Criteria	Low	Medium	High
Dollar Value	< \$10,000	\$10,000 - \$50,000	> \$50,000
Duration	“one-shot”	“one-shot” or year long duration	multi-year contract
Competition and Privatization Advisory Committee Involvement	Information only	information	Information / guidance / review
Council Involvement	none	Information only	Approval of intent to compete for service, award or proposal
Proposal Process	Informal quotes only	Sealed proposal	Sealed proposal
City Costing Process	In-house cost estimate	Formal costing process	Formal costing process with formal audit of city proposal
Key Business Executive (KBE) Role	Make all decisions, award proposal	Advise Leadership Team of intent to award contract	Present RFP/proposal document to Leadership Team for approval, insure formal process followed.

SUMMARY OF COMPETITION PROCESS

City of Charlotte Competition Process

Before you read or attempt to follow these steps, it is important that you read, understand and familiarize yourself with the Services Contracting Guidelines (Attachment A, page 30) and Privatization and Competition Policy (Attachment B, page 43) adopted by City Council.

<u>Action Step</u>	<u>Additional Resources/Explanation</u>
<p>Step 1: Scope of Service</p> <p>A. Determine that a service should be subjected to competition.</p> <p>B. Discuss with customers to determine their expectations and possible concerns.</p> <p>C. Decide if all or only a portion of the service should be proposal</p> <p>D. Determine the contract period.</p> <p>E. Define current service level.</p> <p>F. Modify, Re-engineer or retain existing service delivery method.</p>	<p>PCAC Program Manger</p> <p>PCAC Program Manager, Departmental Guide To Privatization/Competition Projects</p> <p>Be sure to involve the persons currently providing the service in the process to describe.</p>
<p>Step 2: Internal Notification</p> <p>A. Discuss with employees currently delivering service of decision to compete; get their input.</p> <p>B. Complete Service/Activity Worksheet and clearly define policy issues.</p> <p>C. Notify Competition and Privatization Advisory Committee and City Manager of decision to compete.</p> <p>D. Each KBU has a yearly competition plan and a five year projected competition plan.</p>	<p>Departmental Guide To Privatization / Competition Projects section on Employee Relations.</p> <p>See guidelines for size of contract to determine how formal a process to use.</p> <p>Service/Activity Worksheet in Departmental Guide To Privatization/Competition Projects for notification of City Manager of decision to compete.</p>
<p>Step 3 External Notification</p> <p>Notify Competition Advisory Committee of decision to compete.</p>	<p>See Departmental Guide To Privatization/Competition Projects for size of</p>

	contract to determine how formal a process to use.
<p>Step 4: On-going Communication</p> <p>Develop a process to keep employees, PCAC and City Manager informed</p>	See Departmental Guide To Privatization / Competition Projects section on Employee Relations.
<p>Step 5: Develop Draft RFP</p> <p>A. Identify who will be responsible for preparing specifications</p> <p>B. (interdisciplinary team, existing staff or consultant).</p> <p>C. Collect example RFP's from other cities. Identify and benchmark the service with other comparable cities and private providers.</p> <p>D. Ensure competition guidelines are followed for "level playing field"</p> <p>E. Ensure other City policies are followed: Small Business Development (SBE), Customer Service.</p> <p>F. Define performance criteria; ensure city can meet same criteria;.</p> <p>G. Identify, reference and attach all applicable city ordinances, charter provisions, city code, interlocal agreements, federal, state and local laws pertinent to the service to be proposal.</p> <p>H. Consider vendor input.</p>	<p>See competition library in BSS</p> <p>See the Guidelines For Services Contracting found in back of Departmental Guide To Privatization / Competition Projects Attachment A.</p> <p>See SBE forms in Outlook Common Folder/City Contracts/SBE Forms.</p> <p>Consult City Attorney's office for assistance</p>
<p>Step 6: Prepare for Transition</p> <p>A. Prepare a transition plan for changing service provider(s) and begin to identify costs if service provider changes.</p> <p>B. Determine how service/contract will be administered and monitored.</p> <p>C. Develop a contingency plan for service delivery should the City lose the work and private sector subsequently</p>	<p>See Guidelines For Services Contracting in Attachment A to this handbook.</p>

defaults. D. Determine employee impact should the service be awarded to the private sector, and begin to develop a plan to address it.	See Guidelines For Services Contracting in Attachment A of this handbook.
Step 7: Finalize RFP A. Decide whether or not to pre-qualify bidders. B. Take draft RFP to PCAC Sub-Committee with any outstanding issues. C. Take RFP to PCAC Sub-Committee. D. City Council Restructuring Government Committee review of RFP, if it involves any policy issues. E. Develop and conduct pre-qualification process; Internal Audit will assist in determining pre-qualification criteria F. Finalize RFP	PCAC Program Manager Council will not review RFP if there no policy issues and the Advisory Committee & staff are in agreement. ➤ Draft Criteria ➤ Conduct Pre-Qualification Conference ➤ Amend RFP if necessary
Step 8: Implementation Schedule Develop a schedule / timetable that carries he process from completion of the RFP thru the day of contract implementation.	Consider personnel, training, equipment needs, seasonal variations and other time constraints
Step 9: Proposal/Proposal Process A. Issue final RFP. If pre-qualification was used, issue RFP to qualified vendors only. B. Conduct proposal process; coordinate with BSS/Contracts Administration or conduct in house, if staffing available and experienced.	➤ Conduct Pre-Proposal Conference ➤ Incorporate addendums ➤ Procurement Services Division is the available resource
Step 10: City's Proposal A. Finalize total City costs per competition guidelines.	See Cost Accounting section of this guide.

B.	Finalize transition plan and costs per competition guidelines.	See Service Contracting Guidelines in Exhibit A
C.	Finalize monitoring plan and costs per competition guidelines.	See Service Contracting Guidelines in Exhibit A
D.	Finalize employee impact statement and costs per competition guidelines.	See Service Contracting Guidelines in Exhibit A
E.	KBE reviews and approves costs and proposal/proposal	
F.	Obtain review and approval of City proposal/proposal at the appropriate level (Internal Audit, etc.); negotiate changes as necessary.	See matrix on pg.3 in this guide for size of contract; businesses can use private consultants for this function.
G.	Finalize City proposal/proposal	
H.	KBE signs and seals proposal, submits sealed proposal to agency receiving proposals prior to deadline, including information on total City costs, transition costs, employee impact costs and monitoring costs	
Step 11: Cost Elimination Plan		
Begin development of Cost Elimination Plan per the Council approved Service Contracting Guidelines found as Attachment A.		
Step 12: Evaluation Team		
Appoint evaluation team to evaluate proposals.		PCAC Program Manager
Step 13: Receive and open proposals		
Step 14: Evaluate Proposals		
Step 15: Evaluation Recommendations		
Evaluation team makes recommendation to PCAC; advisory committee is given results for information.		PCAC Program Manager
Step 16: Request for Council Action (RCA)		
Prepare RCA; notify Advisory Committee of Council agenda date.		PCAC Program Manager/BSS Procurement Services

<p>If awarded in-house:</p> <ul style="list-style-type: none"> ➤ Transition to new service level, purchase equipment, hire additional staff, etc., if applicable. ➤ Begin contract period ➤ Begin contract monitoring ➤ Begin tracking costs ➤ Prepare reports as appropriate, including actual costs, performance, customer satisfaction, etc. to departments, Council and Committees, if applicable. 	
<p>Step 17: Contract Award</p> <p>A. City Council awards contract.</p> <p>B. If awarded to private sector:</p> <ul style="list-style-type: none"> ➤ Notify contractor ➤ If necessary, City Council will approve the award of the Contract ➤ Conduct post-proposal conference ➤ Review and implement Employee Impact Plan, Transition Plan and Cost Elimination Plan 	<p>BSS / Procurement Services</p>
<p>Step 18: Begin Contract Period</p> <p>A. Begin contract monitoring and contract administration</p> <p>B. Prepare reports as appropriate, including actual costs, contractor performance, customer satisfaction, etc. to departments, Council and Committees, if applicable</p> <p>C. Report as needed to the Privatization and Competition Advisory Committee (PCAC)</p>	
<p>Step 19: Process Evaluation</p> <p>Conduct thorough evaluation of process after each major proposal to insure we learn from each process. Submit recommendations to PCAC; send any approved changes in the process to David Elmore</p>	

DECIDE WHAT SERVICE TO COMPETE OR OUTSOURCE

- List all of the services that are provided by Division/Department.
- Define separate services/functions that have potential for competition or privatization.
- Look for decision on the percentage of services to be competed or contracted.
- Determine which services should not be recommended for competition or privatization.
 - Is the service a strategic (safety, management, regulatory or judgment) function; if so this service should not be proposal out. Are there legal restraints to contracting the service?
- Determine which services should be contracted out / but not competed for.
 - What expertise is available in-house for providing the service.
 - Determine desirability of task to be performed.
 - Compare competence with that perceived for competition.
- Determine which services can be competed for.
 - Determine that potential bidders exist for the entire package of services.
 - Services that are best provided by the private sector because of clear market advantages should be investigated first.
 - Is the service offered in private industry?
 - Can the service be explicitly defined in a scope of services?
- Decide if all of a service or portions of a service should be contracted out.
 - Determine maximum level that service should be contracted out.
 - Determine percent of work to be contracted.
- Does the degree of customer contact affect the desirability of contracting the service?
- Does the degree of accountability required affect the desirability of contracting the service?
- Determine if any services can be bundled together as a package to make them more attractive to bidders, thus reducing the overall cost.
- Determine with the help of DIRM if there is liability connected with contracting the service (political, tort, etc.).

- Are the employees of the potential private service unionized?
- Amount of current backlog for the services
- Notify City Manager's office on decisions of proposal/no-proposal of services (see form attached).
- Advise employees of consideration of service to be competed for
- Notify PCAC of decision to compete (if major service, multi-year contract or estimated contract cost greater than \$50,000).

SERVICE/ACTIVITY WORKSHEET

NOTICE OF INTENT TO:

- COMPETE** WITH PRIVATE SECTOR-CURRENTLY PERFORMED BY STAFF
- COMPETE** WITH PRIVATE SECTOR-CURRENTLY PERFORMED BY CONTRACT
- COMPETE** WITH PRIVATE SECTOR-NEW WORK
- CONTRACT** OUT-WORK CURRENTLY PERFORMED BY CITY STAFF
- CONTRACT** OUT-NEW WORK
- PRIVATIZE**-GET OUT OF BUSINESS, DO NOT SUPPORT WITH TAX BASE

KEY BUSINESS:

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 N/A</u>	<u>CHECK POINT</u>	<u>TARGET DATE</u>
<input type="checkbox"/>	KEY BUSINESS LEADER	
<input type="checkbox"/>	STEERING COMMITTEE	
<input type="checkbox"/>	CITIZEN'S ADVISORY COMMITTEE	
<input type="checkbox"/>	CITY MANAGER	
<input type="checkbox"/>	CITY COUNCIL	

APPROVAL GIVEN BY:

DATE:

NARRATIVE INFORMATION ON PLAN TO COMPETE OR CONTRACT OUT:

1. Provide a brief Scope of Work
2. Indicate if the City will retain any capacity to provide the service in-house. If so, briefly indicate the recommended capacity and the reasoning.
3. State the BE goals.
4. Briefly summarize the contract administration plan and monitoring measures. Include estimated additional administrative and monitoring costs and staffing requirements to transition to the private sector.
5. Briefly summarize the transition plan. Include estimated costs (+/-) to transition the private sector.

6. Briefly summarize the contingency plan in the event of contractor default.
7. Indicate the number of employees by classification currently providing the total service and the number by classification that may/will be displaced/hired by this competition/contracting out. Briefly describe the plans to assist potentially displaced employees in securing alternative employment.
8. Briefly describe the process you will use to develop the RFP for the service and how you will involve other city agencies, potential vendors and affected employees.

SCOPE OF SERVICES DEVELOPMENT

Define scope/level of service (gain employee input)

- A. What is the current level of service?
- B. What is the necessary level of service?
- C. Who determines the level of service?
- D. Define the scope of services, in detail.
- E. Deadline for project completion.
- F. Flexibility to allow for emergency work.
- G. Should be initially defined by the current service provider.
- H. Decide on geographic area or volume of work to be done.
- I. Determine industry standard method of contracting for the particular service to be contracted, if available.
- J. Are there specifications currently available?
- K. Who is responsible for writing specifications, bidding work, monitoring/inspection, paying bills.
- L. Make sure that those most familiar with work assist in defining the scope/level of service.
- M. Are there other ways to provide the service than "its always been done that way".
- N. Would the use of technology change/improve the delivery of the service?
- O. Determine impact of size or requirements of contract scope or level of services required on the ability of SBE firms to proposal on and perform the work.
- P. Set up review process to take advantage of knowledge gained in previous contracts.
- Q. Will the structure of the contract promote or disqualify minority contractors.
- R. Provisions for rewarding/penalizing performance and setting accountability requirements.
- S. Is there due-process for citizen complaints
- T. Develop a schedule for implementation that considers personnel impact, training requirements, equipment needs, seasonal limitations, and any other time constraints.
- U. Will a performance bond be required?
- V. Legal review of contract.
- W. Division of Insurance and Risk Management (DIRM) review of insurance provisions.

EMPLOYEE RELATIONS

Have a strategy for dealing with affected employees

Certainly this is a critical step, and while not absolutely necessary for the proposal to take place, the successful long-range plan must be able to assure employees that this is a primary concern.

- A. Plan ahead to minimize layoffs to extent possible.
- 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. Provide them a way to contribute to the process.
- G. Evaluate whether displacement is a factor of the City winning a proposal or a factor of the City losing a proposal to an outside provider.
- H. Determine if displaced employees can be employed by the successful contract proposer.
- I. Employees should be reminded of the City's Ethics Policy, when dealing with potential bidders.
- J. Human Resources will conduct skills inventory and identify other potential positions the displaced employees would qualify for.
- K. Good communication plan needed with other KBE's to keep vacancies open for displaced employees, whenever possible.

FUNDING

Ensure funds are available to award contract

- A. Identify funding source.
- B. Request/prepare a budget ordinance transfer with your KBU financial manager for council approval.
- C. Set up accounts with finance for contract payments.
- D. Determine the amount of funds available for contracting the service.
- E. If City wins proposal, set up separate account for city services to accurately track costs expended under the City "contract". Coordinate with Budget and Finance to move all "contract" costs to separate cost center. (major service or dollar amount only)

COST ACCOUNTING

Develop cost accounting system

- A. Define/determine variable costs (go away costs), semi-variable costs (costs that may go away if additional services are outsourced), fixed costs (overhead such as KBE and City Manager), and standard billing rates. Internal Audit can help with this process by giving direction and suggestions from past competition efforts.
- B. Determine what costs to track and include (avoidable).
- C. When the department has reviewed all costs they feel are able to be tracked, include Internal Audit for a detailed look at costs.
- D. Develop cost control system.
- E. Track budget to actual performance.
- F. Define process for tracking actual costs after proposal is won or lost.
- G. Use that information on the next proposal process.
- H. Include costs of managing/inspecting in-house or contracted service.
- I. Management should have all cost information as a tool for refinements.
- J. Give each department an opportunity to use their own cost accounting system. Verify that system is adequate.
- K. Present cost may include:
 - a. Employees
 - 1. Wages (/hr.)
 - 2. Benefit costs Uhr.)
 - b. Equipment, tools and vehicles
 - 1. Original cost and expected life (determine cost /hr.)
 - 2. Maintenance cost Uhr.)
 - 3. Fuel cost
 - c. Facilities
 - 1. Rent/depreciation
 - 2. Utilities
 - d. Materials
 - 1. Identify materials/costs

- L. Develop appropriate interdepartmental charge-back systems when necessary for allocation of the service cost, cost of contract, cost of contract administration, conversion costs and asset loss or gain.
- M. Have a schedule of standard billing rates for personnel and equipment to be used in preparing estimates.
- N. All data should be current information and entered only once in the system. Tie payroll time reporting and cost accounting into one system.
- O. Report to employees on a timely basis what their actual costs have been and the target costs of the contract.

ADDITIONAL RESOURCES

- 1. Costing Team Report
- 2. Reason Foundation Report, "How to Compare Costs Between InHouse and Contracted Services", March, 1993
- 3. A-76 Guidelines
- 4. PCAC Program Manager, David Elmore 704.336.8694

Develop the Request for Proposal Work Specifications

- A. Identify lead person responsible for developing RFP; this may be someone in the KBU, BSS Procurement or an outside consultant.
- B. Identify "expert advisors" you will need to bring into the process; for example:
 - DIRM
 - Human Resources
 - Legal
 - SBE
 - Procurement Services Contracts Team
- C. Collect example RFP's from other Cities (if available)
- D. Collect example RFP from Charlotte (if available)
- E. Select team of employees to work together on developing RFP (be sure to include staff most familiar with work to participate in the development of the RFP).
- F. Pay attention to the requirements needed in the RFP to provide a "level playing field" when evaluating proposals between city and private sector.
- G. Pay attention to potential SBE guidelines:
 - 1. Are there any SBE's able to submit proposals for the work?
 - 2. Can the work logically be divided into sub-contract pieces?
 - 3. Are you willing to deal with sub-contractors?
 - 4. Can the work be divided to make it more likely to get SBE participation?
 - 5. How will the City show SBE participation?
- H. Do any other City policies apply?
- I. What Customer Service provisions are to be included?
 - 1. Can the City meet the same standard?
 - 2. How will customer service calls be tracked for the project?
- J. What performance criteria will be included in the RFP?
 - 1. Can the City meet the same standards?
 - 2. Will we hold ourselves to same high standards set for the private sector?
- K. What applicable ordinances, interlocal agreements, etc. affect the work under this contract? Is the funding from other than local revenues and are there any restrictions on these funds?

ADDITIONAL RESOURCES

1. Procurement Services Contracts Team
2. SBE forms found in Outlook Common\City Contracts\SBE FORMS
3. Customer Service Section from the Zone Wrecker RFP sent upon request to the PCAC Program Manager, David Elmore 704.336.8694
4. Wording on City Policies regarding
 - Medical Insurance
 - Personnel Practices
 - Drug-free Workplace
 - Displaced City Employees

CITY PROPOSAL

Preparation and submittal of City proposal

- A. Perform method and time study to determine most efficient use of personnel & equipment.
- B. Define needed equipment and personnel, and include in service (know abilities/costs).
- C. Review current state of in-house resources.
- D. A strategy should be approved to provide the physical & human resources if the proposal is awarded in-house.
- E. Coordinate proposal schedule with monitoring agencies.
- F. Preparation/submittal to be done by the department providing the service.
- G. Management should provide check off oversight only (KBE should review and feel comfortable with proposal).
- H. Identify required employees, materials, tools and equipment.
- I. Determine hours required for each employee, tool, and piece of equipment.
- J. Determine cost by multiplying unit cost by hours.
- K. Determine quantities of materials required; determine cost by multiplying units by unit cost.
- L. A method needs to be implemented so that the internal proposal can be validated by a third party (Internal audit).
- M. Each hour of labor and equipment brings with it proportional cost of facilities, maintenance, and storage.
- N. Each materials unit reflects proportional cost of facilities, handling, storage.
- O. What are the overhead costs (in-house)?
- P. Define the depreciation assumptions and other overhead costs.
- Q. KBE signs and seals proposal; submit proposal.

PROPOSAL PROCESS

Proposal, Evaluation and Award Process

- A. Detailed specifications should be developed for each service
- B. Develop list of potential companies who may propose for the contract however, the solicitation should be posted to the Internet by Procurement Services to ensure maximum participation
- C. Make a decision on whether bidders will have to be pre-qualified and if so what criteria will be used for pre-qualification
- D. Reasons for pre-qualifying:
 - 1. gives adequate time to determine proposer qualifications - if continuous performance is critical
 - 2. if service disruption would be hardship - if city could not provide interim service -will expedite proposal process
 - 3. if broad scope and complex project/service
 - 4. if don't, may have to reject low proposal submitted by a non-qualified service provider
- E. Reasons for not pre-qualifying:
 - 1. small project
 - 2. numerous bidders
 - 3. non-critical service
 - 4. not capital intensive service
 - 5. if obvious certification required
 - 6. if already dealing with "approved" list
- F. Develop vendor pre-qualification standards if applicable; Internal Audit will assist in developing appropriate pre-qualification criteria.
- G. Conduct proposal process; coordinate with PSD/Contracts Administration or conduct in-house if staffing available and experienced.
- H. Appoint proposal evaluation team to evaluate proposals; no member of proposal evaluation team should have been involved in developing city proposal; use multi-department representatives, including support from Procurement Services, Legal, Internal Audit and other departments as necessary.
- I. Evaluation team reviews proposals and makes recommendation to the relevant PCAC Subcommittee; prepare RCA; notify PCAC of anticipated Council Action date.
- J. Send proposals to Advisory committee for review (major contracts only).

- K. Develop Council Docket item for comparison of in-house to private proposal.
- L. Obtain concurrence of monitoring agencies in recommendation of award of contract.
- M. Designate a person to represent the recommendation to Council and to answer specific questions, particularly if a protest is anticipated.

CONTRACT ADMINISTRATION

Set up a system to administer and monitor contract performance

- A. Determine a course of action based on the PCAC Procedure For Cure if the City costs exceeds the proposal price.
- B. Develop a plan to administer and actively monitor the contract if the City is not chosen to perform the services.
- C. Train City personnel for effective contract administration.
- D. Develop a system of recovery/service restoration (non-compliant contractors).
- E. Develop a feedback/evaluation system for use on future contracts.
- F. Work with customer service to track complaints and compliments for the service provider.
- G. Develop a termination process for default of contract.
- H. Develop a process to maintain provision of services in the event of a contract default.
- I. Is there an evaluation process for the contract, national standards for service quality and/or performance?
- J. Contract administration should be decentralized for day-to-day and detailed monitoring.
- K. If the City wins a proposal and during the course of the "contract" the KBE determines that the City cannot substantially perform the terms of the "contract", the KBE must contact the PCAC with the issue, the options and a recommendation. Each case will be dealt with individually and a course of action will be recommended based on the situation and the Procedure For Cure developed by the PCAC.

PUBLIC RELATIONS

Significantly improve PR activities

- A. Communicate plan and schedule to affected employees.
- B. Develop communication tools/vehicles to tell the department story.
- C. Make public aware of City contract performance (cost savings, improved services).
- D. The public relations process should involve Corporate Communications.
- E. Send out good news stories regularly to Corporate Communications for including in FYI.
- F. Send out progress reports to employees.

CONTINUOUS IMPROVEMENT

Continuous Improvement

- A. Conduct a thorough evaluation of the process after each major competition project.
- B. Send all comments and evaluation to the Competition and Privatization Advisory Committee; after each major proposal present findings and recommendations.
- C. After the Competition and Privatization Advisory Committee has discussed recommendations, send copies to David Elmore for distribution to all key and support businesses for inclusion in Competition Handbook.

CITY OF CHARLOTTE

PRIVATIZATION/ COMPETITION
ADVISORY COMMITTEE

Guidelines for Services Contracting

Adopted by City Council July 25, 1994

Revised September 8, 1997

Table of Contents

<u>SECTION NUMBER</u>	<u>PAGE</u>
POLICY	1
GOALS	1
GUIDELINES:	
Guideline I - Level Playing Field.....	2
Guideline II - Organizing For Contracting.....	2
Guideline III - Content of Requests For Proposals	3

Attachment A
Services Contracting Guidelines

Guideline IV	- Development of Requests For Proposals.....	3
Guideline V	- Proposal Review.....	4
Guideline VI	- Costing Methodology	5
Guideline VII	- Employee Impact Statement.....	7
Guideline VIII	- Cost Elimination Plan.....	7
Guideline IX	- Contract Monitoring	8

CITY COUNCIL POLICY FOR SERVICES CONTRACTING

The City Council will evaluate whether an individual city service should be considered a public or private service. If the council determines that a service is a public service (involving a City-wide standard of service, determined and administered by the City and paid for by a tax or governmental levy), the following policy shall apply:

The City Council wishes to provide appropriate public services at the highest quality and the lowest cost, whether provided by City forces or by private contracts. In evaluating the most efficient and effective way to provide public services, the City shall use a competitive process in which private service providers are encouraged to compete with City departments for the opportunity to provide such services, and in which the option of delivering services through public employees and departments must be justified through the competitive bidding process. The City shall encourage the provision of public services through contracts with private service providers, wherever this offers the lowest cost, most effective method of service delivery consistent with service level standards and other adopted City policies.

CITY COUNCIL GOALS FOR SERVICES CONTRACTING

1. The City Council will systematically assess current City services to determine the appropriate level of service to be provided, whether by city forces or by private contract.
2. The City Council will assess the relationship of a service being considered for competition with other Council priorities and policies. Council will use this assessment to determine whether the services will be subject to competitive proposal and in what amount, to determine any special provisions which may need to be included in specifications and to address other council priorities and policies.

Attachment A
Services Contracting Guidelines

3. Current contracts for city services will be reviewed to ensure that existing private and city service providers are being held accountable and are providing effective and efficient services as specified by individual contracts. This review may result in placing a service out for competitive bidding.
4. The City Council will make an assessment of how to best provide a level playing field for the City and all potential private service providers. This assessment will include defining the public values of city services and how those values will be addressed in the proposal process and specifications.
5. Efforts should be made to minimize the impact on current city employees affected by competition. Each competition recommendation should include an assessment of the effect on employees and recommendations for handling any negative impact.

GUIDELINES

Guideline I - Level Playing Field

The Privatization/Competition Advisory Committee (Committee) is responsible for determining that the services contracting guidelines provide for a level playing field. The definition of a level playing field, for the purposes of these guidelines, is one that neither favors nor disadvantages any proposer (including any City department) to any extent over another party. City management and the Committee shall assure that specific procedures are in place for each specific proposal. Certain general guidelines to establish a level-playing field are summarized in Guidelines II through VI that follow.

Guideline II - Organizing For Contracting

- A. All Key Business Units (KBU) should have a Five (5) Year Competition Plan that will be updated annually. Services to be contracted out or subjected to public/private competition should come from these plans.
- B. Prior to starting a competition process, the City Contracts Administrator should be notified and provided with a proposed schedule of activities.
- C. 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.
 1. Contracts under \$100,000 - The responsible Key Business Executive (KBE) may establish an Evaluation Team and review process within a Key Business Unit.

Attachment A
Services Contracting Guidelines

2. Contracts of \$100,000 to \$500,000 - The Evaluation Team shall consist of representatives from Purchasing, Contracts Administration, Budget and Evaluation, and City Attorney. For contracts in support areas, a representative of a major user may also serve.
3. Contracts over \$500,000 - The Evaluation Team shall consist of at least two (2) members of the Committee, a representative from the City Managers Office and the staff KBE liaison to the Committee.
4. If the evaluation team determines that additional technical expertise is required, they may obtain that expertise from any source including requesting that the KBE of the bidding department serve on the evaluation team. In that case, the bidding KBE must be excluded from the bidding process and demonstrate a wall of separation from the proposal team.
5. Contracts for similar work should not be divided to avoid the thresholds stated above.

Guideline III - 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 City Council Policy and any other governmental mandates. Emphasis should be on describing the desired results in lieu of the means/methods used to obtain the result. 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 City'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 city employees who may be displaced by privatization.
- E. Each RFP should include the performance standards and other contact monitoring requirements as described in Guideline IX - Contract Monitoring.

Guideline IV - Development of Request For Proposals

- A. The service providing Key Business Executive is responsible for developing the Request For Proposal.

Attachment A
Services Contracting Guidelines

- B. For contracts less than \$500,000/year, the responsible KBE may use Business Support Services Key Business, or his/her own department staff to develop the RFP. However, the KBE must demonstrate the wall of separation between the RFP development team and the in-house City proposal team.
- C. The responsible KBE will use the services of Engineering Key Business, Business Support Services Key Business and/or an outside consultant to prepare RFP's for contracts exceeding \$500,000/year. The responsible KBE should create a wall of separation between the City proposal team and the RFP development team by minimizing his/her department's involvement in the RFP development. That involvement should be limited to providing the historical data necessary to compete for the service and any technical support necessary to describe the desired outcome.
- D. A draft of each RFP for contracts in excess of \$100,000 should be reviewed by all qualified bidders prior to publication.
- E. There should be a clearly designated staff resource, who is separate from the City's proposal team, 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.
- F. 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 City 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 City department in order to calculate or decide upon or prepare its proposal for performing the service in-house.

Guideline V - Proposal Review

- A. Where appropriate in relation to the size and scope of the service which is being considered for contracting out, a pre-qualification screening analysis of private sector bidders should be conducted to evaluate the potential vendor's business plan and resources committed to the plan, prior performance history (if any), financial and organizational ability to perform the scope of services, and the ability to obtain any necessary bonding. The use of pre-qualification screening and the criteria for such screening shall be decided on a case-by-case basis with input from the Committee on the appropriateness of such screening and the criteria for screening.
- B. 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 City's Standards of Conduct set forth in City Code Section 2-73 and in accordance with these guidelines.

Attachment A Services Contracting Guidelines

- C. Costing for City in-house proposals shall be reviewed by Internal Audit prior to proposal submittal.
- D. The results of all proposals over \$100,000 will be shared with the Committee.
- E. All proposal proposals over \$500,000 will be shared with the Committee. The committee may make its own comments and recommendations, if any, on such proposal proposals independent of the staff evaluation and recommendation. Such comments and evaluation by the committee will be transmitted to the City Manager and to City Council along with any staff recommendation and report on the proposals. In addition, in the event the Committee and City staff is unable to agree on other issues during the course of the process, the Committee may, at its option, seek further guidance and directions from City Council.
- F. In addition, the Committee anticipates that it will make quarterly reports (verified by an internal auditor) to City Council on the overall progress of the contracting out effort, including the selection of services for consideration by the City Manager and City Council, the schedule for consideration of contracting out, and the progress on the cost elimination plans.

Guideline VI - Costing Methodology

- A. Cost Methodology for Preparation of In-House Proposals
 - 1. Proposals submitted by a city department shall 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 City provides in-house.
 - 2. A reconciliation of the submitted proposal to the current budget. Internal Audit should verify this reconciliation.
 - 3. 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 allocated expenses for the Office of the Mayor and City Council, or expenses for services that are purely regulatory functions.

Attachment A
Services Contracting Guidelines

4. Costing for City 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 will be necessary in order to level the playing field. Because these guidelines require that in-house proposals include an allocation for certain semi-variable and 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 City's possible savings or costs from contracting out a service.

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

- a. The extent to which the in-house proposal includes an allocation for semi-variable or fixed costs which may not be eliminated or phased out over the short term if the particular service is contracted out. The key to this comparison will be the cost elimination plan provided in Guideline VII.
 - b. Transitional costs and/or savings (i.e., potential gains or losses from the disposal of any capital assets, employee impact costs).
 - c. 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 City 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 City of providing a service is as low as possible, consistent with the quality and service level standards specified in the approved RFP.

Guideline VII - Employee Impact Statement

- A. Consistent with the goals for services contracting established by the City Council, efforts should be made to minimize the impact on current City employees affected by decisions to contract out services.
- B. After receipt of the proposals, the city Manager shall prepare and submit as a part of the evaluation package a personnel impact statement, setting forth for each prospective proposal the cost of any personnel severance programs associated with the acceptance of such proposal, the potential for absorption of

Attachment A
Services Contracting Guidelines

displaced employees by other City agencies, and any other plans for dealing with displaced employees, including the cost of any such plans.

- C. In-house proposals shall include a statement setting forth the number, grade and pay ranges of current employees assigned to the service which is being put for proposal and the number, grades and pay ranges of employees who will be needed for performance of the contract awarded in-house.
- D. Private sector proposals should include a statement of the anticipated needs, if any, of the proposer for additional personnel if selected as the service provider and may include, at the election of the proposer, a proposal for providing qualified in-house employees access to future jobs that may be available in connection with the services to be provided.

Guideline VIII - Cost Elimination Plan

- A. In the event the City enters into a contract with a private contractor to provide a service previously provided by the City, the City Manager shall develop and implement a cost elimination plan to eliminate the avoidable costs related to that service during the first annual budget period of the contract.
- B. The cost elimination plan shall be based on the concept of variable, semi-variable and fixed costs. This concept recognizes that certain semi-variable costs, which cannot be eliminated due to the privatization of a single service, will become available in stages when more services are privatized. Whenever practical the cost elimination plan should provide an analysis of the next level of semi-variable costs which can be reduced or eliminated and the applicable phase-out period, if specific additional services or combinations thereof are contracted out to the private sector.

Guideline IX - 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 City-awarded contracts.
- B. The KBE for the contracted services is ultimately responsible for monitoring the contracts for cost compliance and service delivery. The Business Support Services Contract Administrator 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 City is the successful proposer. To encourage competition, the city should be accountable both to the taxpayers and to the non-successful bidders for evidence of compliance with

Attachment A
Services Contracting Guidelines

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 City 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 city will require of the contractor to ensure that those standards have been met. All contracts should include a mechanism for evaluating the contractors 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.
- H. The PCAC member(s) assigned to a proposal evaluation team (contracts over \$500,000) should receive monitoring reports of the awarded contract.
- I. The full PCAC should be provided an Annual Summary Report on contracts awarded in accordance with these guidelines that will have an annual value over \$100,000.
- J. The information in the Annual Summary Report on City-awarded Contracts should include:
 - 1) Summary of comparisons of current contract performance requirements with work completed to date.
 - 2) A forecast of future contract performance requirements and expected work completion.
 - 3) Expenditures to date and any variances between budget and actual.
 - 4) A narrative description of any problems encountered.

Attachment A
Services Contracting Guidelines

- 5) Any contract adjustments considered necessary.
- 6) Summary findings of any independent audits performed.

Attachment A
Services Contracting Guidelines

Prepare schedule of activities for a service identified in the five year plan & advise Contracts Administration	Yes	Yes	Yes
Form Evaluation Team	KBE may establish Team within their KBU	Team shall consist of representatives from: Purchasing, Contracts Admin., Budget & Evaluation and City Attorney Optional: Major internal user	Team shall consist of at least: 2 PCAC members, City Manager representative and/or PCAC KBE liaison Optional: Technical expert
Designate City staff resource to respond to RFQ and RFP inquiries	Yes (may be in bidding KBU)	Yes (may not be in bidding KBU)	Yes (may not be in bidding KBU)
Develop Request for Proposal (RFP)	May use BSS services or own KBU staff if RFP & Bid teams are separated	May use BSS services or own KBU staff if RFP & Bid teams are separated	Must use EPM, BSS, or Consultant services and limit KBU involvement in RFP development. Must separate KBU's RFP & Bid teams
Conduct Pre-Qualification Screening	Use where appropriate in relation to size and scope of service	Use where appropriate in relation to size and scope of service with input from PCAC	Use where appropriate in relation to size and scope of service with input from PCAC
Circulate Draft RFP to potential bidders for review	No	Yes	Yes
Advertise project and issue final RFP	Yes	Yes	Yes
Perform Internal Audit review of City's "in-house" proposal/costing prior to submittal	Yes	Yes	Yes
Receive Sealed Proposals	Yes	Yes	Yes

Attachment A
Services Contracting Guidelines

Share Bid tabulation with PCAC	No	Yes	Yes
Evaluation of Proposals	KBU Internal Team	Team shall consist of representatives from: Purchasing, Contracts Admin., Budget & Evaluation and City Attorney Optional: Major internal user	Team shall consist of at least: 2 PCAC members, City Manager representative and/or PCAC KBE liaison Optional: Technical expert
PCAC Recommendation for Contract Award	No	No	Yes
Review of Recommendation by City Council's Restructuring Government Committee	No	-If Staff and PCAC Disagree -If Referred to Committee by City Council	-If Staff and PCAC Disagree -If Referred to Committee by City Council
Council Notification of Award Recommendation	-Council/Manager Memo -All \$50-100K Contracts should appear on the City Manager's Monthly Contracts Report to City Council	-Council/Manager Memo -City Council Agenda (if Priv. Sector is Recommended for Award of Contract)	-Council/Manager Memo -Dinner Meeting (optional) -City Council Agenda (if Priv. Sector is Recommended for Award of Contract)
Contract Award	-All Under \$50K: KBE -All \$50-100K: City Manager	-Private Sector: City Council -Public Sector: City Manager	-Private Sector: City Council -Public Sector: City Manager
Contract Document	-Informal Contract - Private Sector -Memo of Understanding - City Agencies	-Formal Contract - Private Sector -Memo of Understanding - City Agencies	-Formal Contract - Private Sector -Memo of Understanding - City Agencies
Prepare quarterly Contract Monitoring Reports for "internally" awarded contracts	Yes	Yes	Yes (provide copy to PCAC Monitoring Sub-Committee & Evaluation Team members)
Prepare Annual Contract Report Summary for City Council and PCAC	No (Yes, with Gainsharing)	No (Yes, with Gainsharing)	Yes

PRIVATIZATION / COMPETITION POLICY
Approved October 25, 1993

SERVICES CONTRACTING

Policy Statement for Services Contracting

The City Council will evaluate whether an individual City service should be considered a “public” or “private” service. If the Council determines that a service is a public service (involving a Citywide standard of service, determined and administered by the City and paid for by a tax or governmental levy) the following policy shall apply:

In evaluating the most efficient and effective way to provide public services, the City shall use a competitive process in which private service providers are encouraged to compete with City departments for the opportunity to provide such services, and in which the option of delivering service through public employees and departments must be justified through the competitive bidding process. The City shall encourage the provision of public services through contracts with private service providers, wherever this offers the lowest cost, most effective method of service delivery consistent with service level standards and other adopted City policies.

Goals for Services Contracting

The City Council wishes to provide the highest quality services at the lowest cost, whether provided by City forces or by the private sector.

Current contracts for services will be reviewed to ensure that existing private service providers are being held accountable and are providing effective and efficient services as specified by individual contracts. This review may result in placing a service out for competitive bidding again, with the City also submitting a proposal for doing the work.

The City Council will systemically assess current City services to determine the appropriate level of service to be provided, whether by City forces or by contract with the private sector.

The City Council will assess the relationship of a service being considered for competition with other Council priorities and policies. Council will use this assessment to determine whether the services will be subject to competitive proposal and in what amount, and to determine any special provisions which may need to be included in specifications to address other Council priorities and policies.

Efforts should be made to minimize the impact on current City employees affected by competition. Each competition recommendation should include an assessment of the effect on employees and recommendations for handling any negative impact.

The City Council will make an assessment of how to best provide a “level playing field”, for the City and all potential private service providers. This assessment will include defining the public values of City services and how those values will be addressed in the proposal process and specifications.

ASSET MANAGEMENT

Policy Statement for Asset Management

In seeking to maximize the City's return from its current and future asset portfolio, the City will aggressively manage these assets. Maximizing the City's return will include pursuing alternative ownership/management strategies, which optimize the benefits of private ownership (tax revenue streams, and eliminating public costs associated with ownership) while meeting the City's public policy objectives.

Goals for Asset Management

The City will evaluate various levels of asset privatization for all new capital projects as it plans, builds, or acquires additional public facilities and assets.

The City will manage and maximize its existing portfolio of assets by (in order of priority):

Selling or donating non-buildable parcels (land that is too small to meet the minimum building code requirements for the zoning on that parcel)

Packaging and marketing existing property for sale

Packaging existing property for current or future "public purpose" use

Reviewing alternative ownership/management options

The City Council will balance the benefits of the sale of any of its assets with other Council policies and goals.

Insurance and Administrative Overhead Cost Allocation

Cost allocations for insurance and administrative overhead should be obtained with the help and advice of Internal Audit.

City Auditor, Greg McDowell can be reached by e-mail at gmcowell@ci.charlotte.nc.us or by phone at 704-336-8085.