

Real World Applications for Alternative Service Delivery

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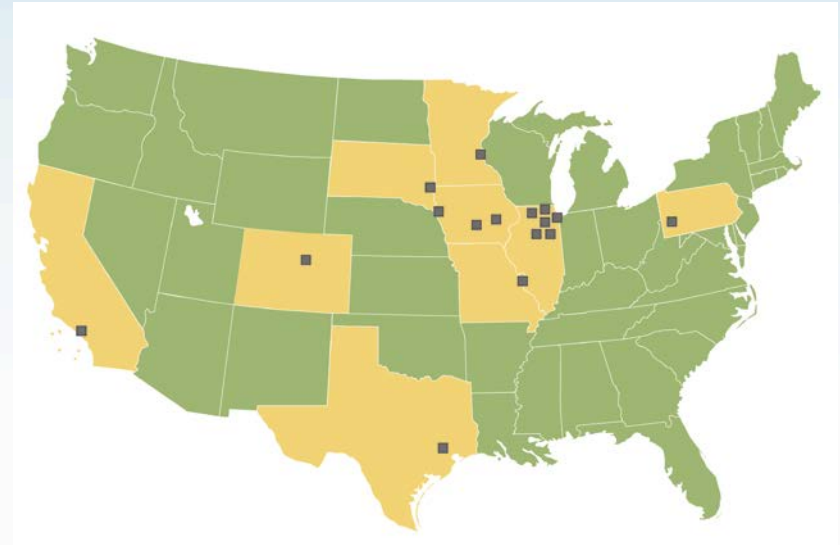


HR Green Background

- Founded in 1913 by Howard R. Green in Cedar Rapids, Iowa
- Long history in civil engineering as “Howard R. Green Company”
- Growth and diversification since 1970 (esp. since 1990s)
- Nearly 400 employees
- Locations in 9 states, including Colorado

*We help public and private sector clients to **design, construct, own and operate** successful enterprises in five markets:*

- Transportation
- Water
- Governmental Services
- Senior Living
- Energy



City of Clinton, Iowa

- 26,885 Citizens
- Manager/Council form of Government
- FY 2013 Budget of approx. \$66 million
- Number of Employees: 200



The Concept

Purpose:

Determine if it's feasible to achieve lower operating costs in the delivery of street, building, grounds maintenance through an alternative service delivery option



Factors that prompted this assignment

- Challenges associated with capital for operations
- Reorganizing staff from Parks & Recreation to Public Works
- Escalating labor costs – particularly attributed to health care and pensions
- Flat population growth in Clinton and how roads are financed in Iowa via Road Use Tax revenues
 - Slow tax base growth 1995-2008 – average 0.6% per year
 - Spread out nature of City along the Mississippi River



Shared-Services Selection

- Area government based organizations
 - Adjacent cities
 - County Secondary Roads Department
 - Public Schools
- Summarize service needs with a relatively simple “yes” and “no” response
 - Yes responses requested additional information on unit prices



What we want to know

- Estimated costs associated with services
 - Personnel
 - Equipment
 - Avoided-cost linked to administrative expenses
- We also wanted to maintain the anonymity of participants
 - To prevent an advantage or disadvantage if the project proceeded to implementation



We also wanted to know...

- Which services the participant was capable of doing
- Whether the participant would provide equipment
- Level of interest in purchasing or renting City equipment if made available
- Determine how equipment would be maintained
- Who would provide required materials (i.e., sand, salt, fertilizer, related chemicals)
- Response time
- Additional charges for emergency calls
- Insurance coverage
- Invoicing schedule
- Use of performance bonds
- Suggestions that would make this opportunity more appealing to a business
 - Multi-year contracts
 - Qualify bidders to verify that they have the equipment to carry out the work
 - Incentive pay



Approach

- Define services and service-level expectations;
- Evaluate historic public sector costs associated with these service and comparing them with private vendors and other governmental agencies
- Input was sought from private vendors and sister-communities (i.e., using a shared-services model)
- Cost comparisons were assembled to determine if it's feasible to achieve savings via operating costs by choosing an ASD.



Work Product

- Report findings linked to the comparative cost of maintaining the exterior of public buildings, parks and related public domain open spaces, roads and right-of-way maintenance
 - Current “city” delivered services
 - Private Vendors
 - Shared Services
- Other ancillary elements were investigated (e.g., purchase of city-owned equipment, insurance, performance bonds, etc.)
- The study did not consider reviewing current procedures to identify efficiencies in the delivery of services



Private Sector Vendor Selection

- Road Maintenance
 - Within a 30 minute commute
 - Capability of providing snow removal equipment
 - Targeted excavation companies and related earth moving businesses
- Buildings & Grounds
 - Targeted local lawn service businesses
 - Identified 8 in the region
 - Within a 30 to 60 minute commute
 - Provide equipment that meet the different needs associated with ground maintenance



Factors influencing results

- The absence of operations manuals or documented procedures posed challenges for measuring how services were delivered
- Full cost accounting methods that accounted for specific responsibilities
- Ability to identify vendors that would participate in the study & submit bids if the City chose to privatize services
- Ability to identify a critical mass of vendors that could respond within a reasonable timeframe



Summary of Findings

- The region has several landscape and facility maintenance businesses that can address most of the City's needs;
 - Exceptions to this would be changing light bulbs in exterior lights and tree maintenance that requires specialized equipment
- Soliciting information from contractors to satisfy road maintenance duties was more challenging;
 - Difficulties in providing timely responses
 - Lack of interest to participate
- While hourly rate estimates suggest opportunities for cost reduction could occur , it's important to:
 - Review current labor agreements and determine what the City can do and when
 - Define service level expectations
 - Performance expectations
 - Metrics that measure costs – man-hours, commodities, and units of completed work
 - Identify unintended consequences of alternative service delivery methods



Recommended Actions

- Phase 1 – Create an Implementation Plan:
 - Prepare an Operations Policies & Manuals for Streets, Buildings and Grounds Maintenance;
 - Define performance metrics;
 - Define *core* and *optional* services;
 - Review appropriate Labor Agreements
- Phase 2 – Execute the Plan:
 - Develop a transition plan for selected services;
 - Prepare RFP/Bid Document to solicit proposals and/or prepare Intergovernmental Agreement(s) for select services – assuming this is not in conflict with any labor agreements;
 - Engage prospective vendors prior to issuance of RFP/Bid Document, etc.
 - Implement a Managed Competition strategy to evaluate in-house and contract service delivery options
 - Outline a disposition plan for city-owned vehicles, equipment, and buildings that would be affected by a change in service delivery



Parting thoughts

- Efficiencies that may result from outsourcing is an important consideration from both a financial and service delivery standpoint.
- *Properly specified* performance contracts that guarantee service levels for the City while allowing private sector vendors to compete in a “bidding” environment employing their efficiencies may well be one of the most attractive methods of securing savings.
- Implementing a process of “Managed Competition” is also a way to accurately compare costs of “in-house” verses “contract” services.



Parting thoughts

- Once you privatize, it is difficult to start over again as cost of re-entry would be higher.
- Several variables should be considered.
 - Look at longer term cost specifically.
 - Would an initial rate go up in subsequent years more than the cost the City would have provided at that time?



Questions/Comments?

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