



## Competitive Service Delivery Assessment Tool



### Preamble

The purpose of this tool is to assemble the basic information necessary to help make informed decisions regarding service delivery, and to make the decision-making process more transparent.

This Service Delivery Assessment is intended to:

- be educational
- provide an initial common approach to service delivery assessments.
- provide an initial assessment tool to outline the associated issues
- identify the people or groups that could be affected by a service delivery change and involve employees in the assessment process.
- make apparent when it is appropriate and helpful to seek stakeholder input.
- identify major or fundamental obstacles to service delivery change early in the consideration of alternative options.

As an initial assessment, this tool does not provide a definitive answer to the question of the best means for delivering services. However, it is comprehensive enough to more clearly understand the viable options available.

### Principles for Service Delivery

- Dedication to Continuous Service Improvements
- Internal Service Improvements is an option throughout the assessment process. (Level 1 assessment is necessary to define existing service regardless of option.)
- Union and Management will work jointly to encourage and support the use of the Competitive Service Delivery tool.
- Competitive Service Delivery Tool will be used when considering service delivery change.
- When using tool and you are considering Service Delivery Options (Level 2) inform the Union.
- Employees who do the work will be involved in the assessment.
- Participants will respond in a timely manner.
- The Union will have access to Assessment documentation.

### Decision Making Principles

- Decisions are made based on information from a balanced assessment of the elements outlined in the tool.
- Decisions are made about service delivery to optimize service to the customer.
- Internal service improvement can be decided after Level 1 assessment and at any time throughout the process. (off ramp)

**Note to reader: The Competitive Service Delivery Assessment Tool has been reformatted here to allow a quick read. When employed as a tool for decision making, it will be formatted as a workbook.**

## LEVEL 1 / SERVICE DESCRIPTION QUESTIONS

**The purpose of this part of the assessment is to create a clear picture of the current service. After describing the service and reasons for looking at service improvements or alternative delivery methods, answer all the questions in Level 1 that apply to the current service.**

»Clearly define the service or product being considered for change

»Why is the service or product being considered for change? (e.g. cost, quality, customer request, legal mandate change, time constraints, by whom, etc.)

- Do you have quantifiable measures for this product or service?
- What are the quantifiable measures of this product/service?
- What are the Direct Services, Direct Cost + Indirect Cost. (Current budget actuals)
- Are there legal frameworks that define this service?
  - Statutory / Regulatory
  - Contractual (Labor or Other)
  - Financial; Purchasing, Fund Restrictions, Endowment Restrictions
- What is the expectation of ongoing service and support?
  - Level of Service
  - Volume
  - Quality of Service Required
  - Cycle Time
  - Volume per (timeframe)
- Who is the customer?
- What level of customer standard is expected?
- Are there other persons, groups, employees or organizations that support or are supported by this service that would be affected? Who are they?
- What other service providers or organizations can we benchmark against?
- In addition to the customers, who are other users or recipients of this service/product?
- Who pays for this service/product?
- What is the degree to which the City will be negatively impacted due to service interruption?
- Is this service linked to Emergency, Public Safety, Environmental or Community Health operations?
- Are there specialized knowledge and skills associated with this product/service? Describe them.
- What is the expected life cycle of this knowledge or skill?
- What is the life cycle or longevity of the product/service?
- Are there material or service standards? Describe them.
- Other Input

## LEVEL 2 / SERVICE DELIVERY OPTIONS

**Based on the definition of the service or product and the reasons for considering a change, identify all options based on the Level One Assessment. Draft a short description of why each option is potentially feasible or not.**

- Maintain service as is (keep as is with normal ongoing improvements)
- Internal service improvement
- Service change through a partnership with another agency
- In-source Service
- Outsource service
- Eliminate service
- Other

## LEVEL 3 / OPTION SPECIFIC QUESTIONS

**In order to understand implications for service change, for each viable option identified in Level 2, answer all the following questions that apply. The intent is to further vet options by exploring seven key areas:**

- 1. Legal/Policy** Federal, State or Local laws, ordinances, administrative orders or adopted policies that either direct what the service is or outcomes required or establish conditions that limit or affect delivery of service.  
Are there legal considerations that limit or prohibit service changes?  
Statutory / Regulatory / Contractual (Labor Agreements or Other)  
Financial (Purchasing, Fund Restrictions, Endowment Restrictions)  
Are there value/policy considerations to be understood about this service, e.g., EMS, APPM, FPMP, Required Internal Training, others.
- 2. Risk** Possible negative outcomes when evaluating this service; such as, Financial, Legal (Litigation), Health & Safety, Environmental, Political  
What is the risk of non-performance or faulty product/service?  
Who bears the risk? Can it be shifted or shared?  
What is the benefit for sharing or shifting risk?  
Should the City retain the capacity to provide the delivery of this service in the future? Why?  
What is the risk to returning to the initial delivery of service?  
What are the specialized knowledge, tools and skills associated with this product/service that the City should maintain?  
How does this change impact Emergency Services, Public Safety, community or environmental health?
- 3. Customer Groups** and/or individuals directly receiving this service.  
When faced with making a change in the service/product, what effect will it have on the ability to meet existing customer needs?  
What ability does the customer have to be involved in ongoing design, decisions and delivery of this service?
- 4. Market Groups** and/or individuals who are capable of providing the product/service.  
How many service providers exist? Who are they?  
What is their capacity and ability to respond to providing the product/service?
- 5. Costs** A qualitative definition of general categories related to costs, not specific dollar amounts. (Costing model will determine these details once specific options are agreed upon.)  
Are there ongoing savings or revenues? Define the potential savings. Define potential revenue streams.  
What types of start-up, transition or new ongoing costs are anticipated?  
What categories of costs will remain if we change this service?  
What are the cost impacts of this change to other parts of the City organization?
- 6. Employees** Regular full-time, part-time or limited duration City of Eugene employees.  
What will the impact be on employees? How can we enhance or mitigate this impact?  
What will be the effect on employees who are not part of the service?
- 7. Service Management** Service Management covers the key decisions regarding control of service delivery. It also includes the planning, directing, oversight and evaluating of activities.  
What controls must be maintained by the City to manage critical service quality and outcomes?  
How will the City maintain these controls and outcomes under this option?

## LEVEL 4 / COSTING MODEL

The goal of the costing model in the Competitive Service Delivery Assessment Tool is to provide a systematic approach to analyzing service delivery expenses for each of the identified Level 2 options. *The model is a framework for decision making, not for budgeting purposes.*

The costing model will present guidelines in calculating the cost of service delivery by the City of Eugene and a proposed change in service, which could range from internal service improvement, to partnering with other agencies to an external service provider. The costing model is also one of four lenses that the Competitive Delivery Assessment Tool uses to assess a change in service delivery.

The framework for setting up the Costing Model was developed using the “Make or Buy? Using Cost Analysis to Decide Whether to Outsource Public Services” article by R. Gregory Michel (*Government Finance Review*, August, 2004, Government Finance Officers Association).

### **A. Internal Service Improvement**

In using the assessment tool, the user may have an idea of internal service change that would improve service delivery. This is called the “exit ramp” option. The user does not have to complete the full assessment to explore the internal service change.

For costing model purposes, analyzing the impact of the internal change is comparing the expenses associated with delivery by the City of Eugene today with the expenses associated with delivery of the service after the internal improvement change tomorrow. The user would then reevaluate the need to continue with the service delivery assessment tool after that analysis.

### **B. City of Eugene Service Delivery Costing Model**

The purpose of costing out current service delivery is to enhance understanding of the “cost centers” contributing to the financial expenses for any service, and to establish a baseline for comparison to the cost of a proposed change in service. Regardless of the service delivery option, the user will need to cost out the current expenses borne by the City of Eugene.

A second step in the costing of current services identifies those costs that could be eliminated or avoided with a change in service delivery. These expenses can be incurred by performing the service in-house or sharing the service with another provider or by simply overseeing a contractor’s performance of the service.

## **LEVEL 4 / COSTING MODEL**

### **City of Eugene Service Delivery Costing Model, cont'd**

#### Assumptions

The cost model for the City of Eugene assumes the following:

- *Department and Division administrative costs and the Central Service Allocation are not included in the cost analysis. The underlying assumption is that change in how a service is delivered would not require a change in administrative functions. However, if the proposed service delivery change is large enough to affect these administrative units, then the administrative cost due to the service delivery change should be included as a component of the costing model.*
- *The model will use actual expense data for the proposed service delivery change and not budget data.*
- *Due to irregularities in a single year's worth of data or high sensitivity to the change in service delivery, the model may need to utilize several years of actual data.*
- *The user will provide a descriptive note of any equipment or assets that are used in the current form of service delivery but would not be in the proposed change option.*
- *The data will provide summary level data that is detailed enough to explain the costs.*
- *Finance Staff will be available to help gather the necessary data.*
- *The costing model utilizes only avoidable costs – those that are eliminated immediately or eliminated after a brief transition period due to a service delivery change.*

#### **C. Alternative Service Delivery Costing Model**

The purpose of this step of the costing model is to provide a thorough picture of the net cost of an alternate way of providing a service. Although this step is described in terms of a competitive contracting situation, the same analysis would be completed for a major service reorganization, partnering with other agencies or a contracting out proposal.

#### Assumptions

The alternative service delivery option cost model includes the following:

- *The alternative service provider's bid for service delivery.*
- *The cost to administer the contract by the City of Eugene.*
- *Transition costs associated with moving from the current form of service delivery to an alternative method of delivering the service.*
- *Revenue changes that are tied to the alternative service delivery option.*

## Comparison Model of Service Delivery Options B & C

The comparison model looks at the cost difference between the City of Eugene delivering the service and an alternative service delivery option. *The model will use a minimum of two years (Transition year and first year of operations) and upwards to six years (or more) of forecast data depending on the length of the contract.*

Service Delivered by the City of Eugene	Current Annual Cost of Service	Avoidable Costs			
		Transition Year	Year 1	up to	Year 6
Salary/Wages	\$xC	\$xT	\$x1	...	\$x1
Pension & Benefits	\$xC	\$xT	\$x1	...	\$x1
Materials	\$xC	\$xT	\$x1	...	\$x1
Training	\$xC	\$xT	\$x1	...	\$x1
Professional Services	\$xC	\$xT	\$x1	...	\$x1
Facilities Maintenance	\$xC	\$xT	\$x1	...	\$x1
Fleet Maintenance	\$xC	\$xT	\$x1	...	\$x1
Info Svcs Maintenance	\$xC	\$xT	\$x1	...	\$x1
<b>Total Costs</b>	<b>\$X<sub>C</sub></b>	<b>\$X<sub>T</sub></b>	<b>\$X<sub>1</sub></b>	<b>...</b>	<b>\$X<sub>1</sub></b>

Alternative Service Delivery Costing Model	Costs/Revenue			
	Transition Year	Year 1	up to	Year 6
Bid Price	\$y <sub>T</sub>	\$y <sub>1</sub>	...	\$y <sub>1</sub>
Contract Administration by the city	\$y <sub>T</sub>	\$y <sub>1</sub>	...	\$y <sub>1</sub>
Transition Costs	\$y <sub>T</sub>	\$y <sub>1</sub>	...	\$y <sub>1</sub>
Costs Subtotal	\$Y <sub>T</sub>	\$Y <sub>1</sub>	...	\$Y <sub>1</sub>
<i>Revenue from the sale of unused assets</i>	<i>(\$Y<sub>T</sub>)</i>	<i>(\$Y<sub>1</sub>)</i>	...	<i>(\$Y<sub>1</sub>)</i>
<b>Net Cost (Costs - Revenue)</b>	<b>\$Y<sub>T</sub></b>	<b>\$Y<sub>1</sub></b>	<b>...</b>	<b>\$Y<sub>1</sub></b>

### ANALYSIS

Compare the Cost of Delivery by the City of Eugene versus Alternative Service Provider.

If the cost difference is less than 10%, then the service options are considered competitive depending on the potential impact of the change.

## D. In-sourcing a Service or Analysis of a New Service

The costing model still holds in the cases where the organization wishes to in-source a service or assess the method for delivery of a new service. The user would no longer use the concept of avoidable costs. Instead, the costing model would be a mixture of the City of Eugene Service Delivery Costing Model and Alternative Service Delivery Costing Model. The user would account for transition costs, staff costs, material and service expenses, and administration expenses (if applicable). This analysis would then be compared against other service delivery options.

### Other Factors to Consider

Present value comparison and sensitivity analysis.