

Outsourcing Case Studies for Public Works

Public Works Officers Institute & Mini Expo
Wednesday, March 21, 2012
10:45 a.m. to 12:15 p.m.
Fairmont Hotel, San Jose CA

What we'll Cover

- Why & Why Not
- Different models and approaches
- Case Studies
- Preparation – before, during, after
- Random Advice
- Contact information

Why?

- More efficient use of resources
 - Generally lower benefit, salary costs.
 - Leapfrog equipment, technology.
 - Less administration (maybe)
- Transfer the tough stuff to private firm:
 - Liability for injury, other damages
 - Personnel actions – hiring, firing, discipline.
- Oftentimes done better:
 - Strong customer service
 - Can be more effective

Why not?

- Not enough possible vendors.
- Don't have the ability on staff to manage contracts well.
 - The 2012 ideal City employee – a good contract manager! (among other things)
- A service might be too important to trust to "some firm":
 - Libraries, lifeguards, police, fire.
 - Tide valves and berm construction (NB)





Models

- Complete Outsource
 - A company/other agency does it all.
- In-source
 - Your staff contracts for others – in OC, City of Brea & IT
- Service Sharing
 - Regionalized service; or
 - Partnerships to purchase, install, train.
 - Las Vegas - North Las Vegas, Pasadena-Burbank-Glendale
- Hybrid
 - A company might manage your staff, or fill in vacancies.
 - Brea, Fullerton – Battalion Chiefs
 - Overtime staffing in some safety positions with min staffing levels.

Case Studies - Background

- City of Newport Beach, CA:
 - 84,000 people
 - Full-service city and charter city.
 - We have our own:
 - Police, Fire, Lifeguards, Libraries, Trash collection, Engineering, Revenue, IT, Recreation, Senior Center, HR, City Attorney, etc.
 - But we contract for:
 - Trash transfer, tree trimming, specialty consulting, street sweeping, parking meters, 1/2 of parks, beach trash cans, more.

Case Studies - Summary

- Recently contracted:
 - Parking Meters (Maintenance and Collection)
 - Street Sweeping
 - Beach Trash Can Collection
- Under Consideration:
 - Residential trash service
 - Jail operations
 - Dispatch + CAD/RMS purchasing

Case Study – Street Sweeping

- Multiple competitive vendors
- Visibility = low
- Risk = low
- Avoided purchase of expensive CNG sweepers (\$600K)
- Allowed use of corporate yard.
- All employees addressed through attrition, move to vacant positions.
- Cut costs by 54% (\$915K to \$420K/year)

Case Study – Parking Meters

- Parking Meter Maintenance & Collection
 - 3 moderately competitive vendors
 - Visibility = medium
 - Risk = low
 - Leapfrogged our technology.
 - Challenging contract development – might be more complex than needed.
 - Had to lay off 3 employees.
 - Cost savings = yet to be determined.

Case Study – Residential Trash

- Residential Trash Collection
 - Multiple, highly competitive vendors.
 - Visibility = high
 - Risk = low
 - 18-25 current employees – great service.
 - Current cost = \$5.7 M – could be \$2M savings (35%)
 - Would help avoid pricey CNG purchases
 - Could use corporate yard.

Case Study – Dispatch, Jail

- Dispatch:
 - Could share with 1-2 other cities
 - Operations (one city could house & staff 2-3 cities' system) – employees could remain City employees.
 - Purchase of new CAD/RMS system
 - Visibility – medium
 - Risk - high
 - Will service be as good or better?
- Jail:
 - Could share with 2-4 other cities (hours of operation, matron services, more)
 - Neighboring city has private-sector vendor.
 - Visibility = low
 - Risk = medium
 - Cost savings TBD – liability savings significant.
 - Different model: Booking van comes to you.

Preparation - Before

- Before:
 - Talk with the City Attorney & HR – check:
 - Muni Code, City Charter, State law (even if a Charter City), Labor MOUs, Employee-Employer Relations Resolution.
 - Is Council approval required for an RFQ/RFP?
 - Minimum staffing levels in MOUs?
 - What's required notice to impacted employees?
 - Meet with impacted employees.
 - Have a strong RFQ/RFP template – include draft contract agreement.
 - Data, data, data.

Importance of Data

- Be prepared to:
 - Accurately state current costs
 - Measure current performance
 - Accurately project short- and long-term costs after contracted.
 - Measure performance later by the vendor.
- Is your Financial System/ERP ready for this or will you wing it?

Preparation - During

- During:
 - Check references – especially other cities (ask: “would you hire them again?”)
 - Negotiate strong contract terms
 - Check it 2x, 3x.
 - Have someone else read it and relay their understanding back to you.
 - Develop and implement a media strategy.
 - What are you going to say when the paper interviews the about-to-be-laid-off employee?
 - ID who’s capable of managing the contract.

After

- Scan & file the executed contract w/all attachments, delete drafts.
- Note contract milestones.
- Monitor contract performance.
- Understand compliance/penalty/termination clauses.
- Critique the process.
 - Improve upon the next RFQ/RFP.

Random Thoughts

- It’s not just about money.
- Avoid displacement of employees – take advantage of attrition, phase it if possible.
- Have several potential vendors.
- Learn from others’ mistakes.
- Think about:
 - Visibility factor – “back office” versus “right up there in everyone’s face.”
 - Risk factor – what happens if a vendor makes a mistake?
- Don’t shortcut the process. Usually takes more time than you think.
- Staff of the Future: Effective managers of contracts.

Contact Information

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