



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: March 18, 2008 **REPORT NO:** 08-040
ATTENTION: Budget and Finance Committee
Agenda of March 26, 2008
SUBJECT: Managed Competition Status Update

REQUESTED ACTION:

Receive the Report.

STAFF RECOMMENDATION:

This report is for information purposes only; no action is recommended.

SUMMARY:

The voters expressed their enthusiasm for a managed competition program within the City of San Diego (City) through their approval of Proposition C in November 2006. An update report on the state of the managed competition program was provided to Council on December 12, 2007 and was delivered to the Committee on Budget and Finance on January 16, 2008. This report serves as an update for the period of December 13, 2007 – March 13, 2008. Staff continues to make significant progress on moving the managed competition program forward. Over the last three months, that progress has focused on completing the initial 16 pre-competition assessment (PCA) reports and preparing for functions to potentially enter the competition phase upon completion/approval of their PCAs. The City will use managed competition as a means to deliver quality services to residents in the most economical and efficient way possible for years to come.

Background

The City of San Diego is committed to delivering quality services to taxpayers, residents, and visitors in the most economical and efficient means possible. This commitment can also be expressed as delivering services through “competitive government,” defined as government with processes in place to validate that service quality and costs are comparable to those offered by any legitimate available provider.

Managed competition provides a structured, transparent process that allows an open and fair comparison of public sector employees and independent contractors in their ability to deliver services to our citizens. This strategy recognizes the high quality and potential of public sector employees and seeks to tap their creativity, experience and resourcefulness by giving them the opportunity to structure organizations and processes in ways similar to best practices in competitive businesses. Inherently governmental¹ functions are not considered for this procurement strategy.

Pre-competition Assessments

The first step in managed competition is conducting a pre-competition assessment to understand whether a function is eligible and appropriate for competition. The pre-competition assessment evaluates questions such as whether a function is inherently governmental, whether there are legal limitations to competitively sourcing a function, and whether there are opportunities for improved economic advantage.

The managed competition program has completed pre-competition assessments for sixteen functions within two Departments (Environmental Services and General Services). Pre-competition assessments for the following functions have been completed:

- Bindery and reproduction services (Publishing Division of the General Services Department)
- Container delivery services (Environmental Services Department)
- Dead animal pick-up (Environmental Services Department)
- Disposal operations (Environmental Services Department)
- Fee booth operations (Environmental Services Department)
- Graphic design (Publishing Division of the General Services Department)
- Greenery compost facility operations (Environmental Services Department)
- Landfill monitoring and maintenance (Environmental Services Department)
- Pavement markings and signs (Street Division of the General Services Department)
- Sidewalk maintenance (Street Division of the General Services Department)
- Solid waste collection services (Environmental Services Department)
- Storm drains maintenance (Street Division of the General Services Department)
- Street lights maintenance (Street Division of the General Services Department)
- Street maintenance (Street Division of the General Services Department)
- Street sweeping (Street Division of the General Services Department)
- Traffic signals maintenance (Street Division of the General Services Department)

Having heard briefings on each of the pre-competition assessments, the Steering Committee will provide a recommendation to the Mayor on whether functions are eligible and appropriate for competition and, if so, on what timeline they should proceed to competition. Once the Mayor makes a decision and that decision is announced, copies of the reports will be provided to each Council member and Managed Competition Internal

¹ Inherently governmental services are those so intimately related to the public interest as to require performance by government employees. The City of San Diego has included police officers, firefighters and lifeguards in this definition.

Review Board (MCIRB) members. At that juncture, the pre-competition assessment reports will be posted on the MCIRB web page for public review.

Once the Mayor announces the results, it is anticipated that at least one of the functions will enter the next phase of managed competition and commence competitive procurement. That phase will consist of the following tasks:

- Developing the acquisition plan, competition schedule and project organization structure
- Establishing Statement of Work and Employee Proposal Teams
- Establishing a firewall between the Statement of Work and Employee Proposal Teams
- Conducting preliminary solicitation data gathering and planning
- Developing the Statement of Work, performance requirements and quality assurance surveillance plan
- Developing the solicitation and independent government estimate
- Publishing the Request for Proposals

Next Pre-competition Assessments

Additional pre-competition assessments will commence as BPRs are completed. The pre-competition assessments expected to begin next include:

- Custodial Services functions
- Development Services functions
- Facilities Maintenance functions
- Grants & Gifts functions (assessment commenced February 2008)
- Homeland Security functions
- Libraries functions
- Park Maintenance functions
- Reservoir Recreation functions

While the BPR Report to Council dated January 25, 2008 indicated that the Position Classification BPR would go to pre-competition assessment in March 2008, as that is a non-Mayoral Department, it will not be progressing in that fashion.

Labor Advisory Committee

The Labor Advisory Committee continues to meet on a monthly basis, providing a venue for organized labor to voice opinions and vet issues related to managed competition.

Managed Competition Independent Review Board

With the passage of Proposition C and the amendment/addition of subsection (c) to City Charter section 117, the Managed Competition Independent Review Board (MCIRB) was established to advise the Mayor/City Manager on whether the proposal of City employees or that of an independent contractor will provide services more economically and efficiently while maintaining service quality and protecting the public interest.

The second meeting is scheduled to be held March 20, 2008.

Statement of Work Support Contractor

We have begun routing a 1472 bringing to Council for ratification the award of a contract with Grant Thornton to provide preliminary planning and statement of work support. We anticipate this will be docketed by the end of March and before full Council by the middle of April.

Next Steps

The managed competition program is complex, with many difficult tasks at each stage and with numerous stakeholders playing key roles throughout its execution. As a result, we are not able to provide a precise timeline that has great specificity for each stage of the process. However, we continue to track to the high-level timeline presented in September and appearing below.

Activity	Timeline
Initiated pre-competition assessments	December 2007
Complete initial pre-competition assessments	Winter 2007/Spring 2008
Announce functions for initial procurement	Spring 2008
Develop RFP	Spring - Summer 2008
Advertise solicitation	Summer 2008
IRB reviews proposals	Fall 2008
Mayor/Council consider award recommendations	End of 2008
City Meets & Confers with impacted labor organizations	Early 2009
Transition to proposed service delivery process completed	By Summer 2009
Begin performance monitoring	Thereafter

In addition to the operational timelines set out above, there are some legislative issues still to be addressed. At the December 5, 2006 hearing which approved the implementation ordinance, staff indicated that some “clean up” of both Council Policies and Administration Regulations regarding the “cooling off” period for classified employees would be necessary to fully implement the text and intent of the Implementation Ordinance. In addition, certain Council members expressed an interest in addressing other elements of the Municipal Code which might further their stated goals of transparency and good governance. The Council President indicated that such actions should move through the Rules Committee prior to full Council consideration. These actions/processes will not impact the pre-competition process, but should be accomplished before completion of the first Request for Proposals (RFP).

FISCAL CONSIDERATIONS:

A 1472 is being routed and will soon be docketed for Council consideration requesting authority to fund contractor support for the Managed Competition program, including contractor support for competition preparation, Statement of Work development, COMPARE[®] software training and employee proposal development.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

March 27, 2006. City Council adopted Ordinance O-19474, placing on the November 7, 2006 ballot the proposition to amend Article VIII of the City Charter by adding subsection (c) regarding the use of managed competition to section 117.

December 5, 2006. City Council approved Ordinance O-19565, which amended Article 2, Division 37 of the Municipal Code.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The managed competition program was initiated with the citizens of the City voting to approve Proposition C in November 2006. As we have worked to establish the managed competition program, staff has spent considerable time working with the labor unions (AFSCME Local 127, POA, IAFF Local 145, and MEA) to receive input on program plans. In addition, we have established a Labor Advisory Committee to facilitate continued work with the unions.

With the passage of Proposition C and the amendment/addition of subsection (c) to City Charter section 117, the Managed Competition Independent Review Board was established to advise the Mayor/City Manager on whether the proposal of City employees or that of an independent contractor will provide services more economically and efficiently while maintaining service quality and protecting the public interest.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Given that no pre-competition assessment has yet been completed, it is premature to speculate on impacts. However, key stakeholders in this process are City employees, the City's recognized labor unions and the residents and visitors of the City of San Diego.

<Signed>

Anna Danegger
Business Office Director

<Signed>

Jay M. Goldstone
Chief Operating Officer

Attachment to Managed Competition Status Update of March 18, 2008

**Managed Competition Questions Received from Members of the
Committee on Budget & Finance
January 16, 2008**

General Process Questions

<p>How is the LAC set up and why?</p>	<p>Where Addressed? (B=Ballot, IO=Implementation Ordinance, <i>Managed Competition Guide</i>=Guide)</p>
<p>The managed competition labor advisory committee is intended to foster improved labor and management relations by facilitating communications and resolving questions regarding the City of San Diego’s managed competition program.</p> <p>The committee was established to provide a forum to labor organizations to address issues, questions or recommendations regarding the program.</p>	<p>N/A</p>
<p>What is the role of the Managed Competition Independent Review Board (MCIRB)? Can they weigh in on policy and/or standards of performance? Can they evaluate pre-competition assessments?</p>	<p>Where Addressed?</p>
<p>The role of the MCIRB is to “advise the City Manager whether a City department’s proposal or an independent contractor’s proposal will provide the services to the City most economically and efficiently while maintaining service quality and protecting the public interest.”</p>	<p>B 117 (c) IO §22.3706</p>
<p>Who prepares the Statement of Work (SOW)?</p>	<p>Where Addressed?</p>
<p>The statement of work is prepared by a team from the activity department. The SOW Team is headed by the Assistant Deputy Chief Operating Officer (or designee) of the activity department and made up of personnel from within the department. The team will be supported by a consultant and by the Business Office. Additional support on an as needed basis will be provided by subject matter experts from Purchasing & Contracting, Financial Management, Labor Relations, Personnel and City Attorney.</p>	<p><i>Guide</i>, page 12</p>
<p>Can the LAC comment on the SOW?</p>	<p>Where Addressed?</p>
<p>Under the current process, the SOW Team is firewalled and all work is covered under a non-disclosure and confidentiality agreement. Until the SOW is publically released to all parties, it is considered a confidential document. This ensures a level playing field and prevents any proposer, including employees, from obtaining an unfair advantage through access to otherwise internal information. This confidentiality is also essential to prevent bid protests from overturning awards to the best value provider because of an unfair advantage.</p>	<p><i>Guide</i>, page 10</p>
<p>Isn’t the Business Process Reengineering hold-back designed to protect employees?</p>	<p>Where Addressed?</p>
<p>Yes. By withholding BPR recommendations, we allow City employees the opportunity to develop their most competitive organization and tailor it to the Statement of Work without competitors having insight into the cost of service provision that should be beaten by 10 percent in order for an independent contractor to have a cost-competitive bid.</p>	<p>N/A</p>