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RETOOLING METROPOLIS

How Social Media, Markets, and Regulatory Innovation Can Make America's Cities More Livable

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CHAPTER 4

HOW CITIES CAN IMPROVE THEIR PROCUREMENT OF GOODS AND SERVICES

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Introduction

Nearly everything important that city governments do combines the efforts of city government employees with goods and services acquired from the private sector. This is true of building and maintaining roads. It's true of transporting children to school. It's true of collecting and recycling trash. It's true of sheltering the homeless and providing job training to the unemployed. Even inherently governmental activities, such as licensing and inspections, require information technology systems purchased from the private sector.

Yet most cities treat procurement and contract management as back-office functions rather than as key strategic activities. Even simple procurements get tied up in red tape and can take months to accomplish. Many contracts are renewed at the last minute, without consideration of past performance. Contract management consists largely of processing invoices and change orders, with little attention paid to monitoring quality. Vendors are rarely challenged to improve outcomes.

Since 2011, the Harvard Kennedy School Government Performance Lab has been providing pro bono technical assistance to state and

local governments in an effort to understand how governments can improve their contracting and procurement. As part of Bloomberg Philanthropies' What Works Cities initiative, we are helping 20 cities across the country implement "results-driven contracting" strategies.

While our research is ongoing, we are now starting to identify common patterns across many cities in the most significant procurement challenges they are facing and in the solutions that are enabling them to improve results for their residents.

In the following pages, we describe the significant progress that can be made when cities treat procurement as a strategic priority, take advantage of information technology to track performance and manage vendor relationships in real time, and pursue a flexible approach to acquisition.

I. What a City Buys

There are two approaches we have taken to identify the most important and challenging procurements that cities manage.

Our first approach has been to analyze comprehensive data on everything that cities buy. Thanks to the open data movement, several cities now make procurement data on individual contracts available on the web. This follows the lead of the federal government, which makes information on every federal contract available at usaspending.gov. Analyzing these data allows us to identify the largest contracts in dollar value and to generate hypotheses about which other contracts appear to be the most mission-critical for city agencies.

Since our work as part of What Works Cities has focused on mid-size cities (those with populations between 100,000 and 1 million), our analysis to date has focused on the publicly available procurement data from Baltimore, Boston, and Fort Worth. Because the Boston data are the most complete, we present some findings from our Boston analysis below.

Our second approach has been to interview officials from dozens of cities about the procurement challenges they are facing and the solutions they have developed. Essentially, we ask them two questions: Which procurements are you losing sleep over?[1] And what are some innovative strategies you have developed to address specific procurement challenges?

At a given point in time, the City of Boston has approximately 1,500 active contracts, with a total annual value of $1.2 billion. This represents just under 50% of annual city expenditures.

Table 1 shows that Boston's largest categories of purchases include school transportation, trash disposal, health insurance for city employees, construction materials and services, and special-education services.[2]

Table 1. Boston's Top Purchases of Goods and Services, 2012

Goods and Services	No. of Contracts	Contract Value (in millions)
School-Related Transportation	2	$616
Trash Disposal	11	$344
Health Insurance	5	$286
Construction Materials and Services	36	$134
Special Education	26	$110
Lease Purchases	7	$93
Energy and Utilities	5	$82
Software and Applications	10	$62
Hardware and Infrastructure	10	$52
Building Repair and Maintenance	11	$44

Source: Authors' analysis of City of Boston Currently Active Contracts database

Table 2 further disaggregates these data by city department for the five city departments that purchase the most goods and services. The business services unit of the Boston Public Schools purchases school transportation, special education, and school meals. The public works department purchases trash disposal, road and bridge maintenance, and vehicle parts and maintenance. The neighborhood development department purchases construction materials and services and loan-provision services and pays policy consultants. The property and construction management department purchases construction-management and property-management services; professional services from architecture, engineering, and land-management firms; and construction materials and services.

Table 2. Top Goods and Services Purchased by Boston Departments That Spend the Most on Contracts

Department	Top Goods/ Services Purchased (in millions)			Total Contract Value (in millions)	Annual Contract Value (in millions)
Boston Public Schools Business Services	School-Related Transportation ($616)	Special Education ($110)	School Meals ($32)	**$943**	**$269**
Public Works	Trash Disposal ($344)	Repair of Roads, Bridges, etc. ($31)	Vehicle Parts and Maintenance ($21)	**$488**	**$107**
Health & Benefits Administration	Health Insurance ($286)	N/A	N/A	**$288**	**$288**
Neighborhood Development	Construction Materials and Services ($81)	Loan Provision ($22)	Policy Consultants ($22)	**$208**	**$74**
Property & Construction Management	Construction/ Property Management ($20)	Architecture/ Engineering/ Land Consultants ($10)	Construction Materials and Services ($8)	**$197**	**$68**

Source: See Table 1.

Two important categories of city purchases—technology spending and human-services spending—are largely absent from Table 2 because they are spread across multiple agencies. As of the end of 2012, Boston held 118 technology contracts, with a total (in some cases, multi-year) value of $167 million. Forty-three percent of this spending was for hardware and infrastructure, 35% was for software and applications, and 19% was for IT support and maintenance. In 2012, Boston held 261 human-services contracts, totaling more than $226 million. These included special-education services, homelessness services, and services for seniors and at-risk youth.

While these data are from a single city, we have found similar patterns in spending when we have looked at data from other cities. For example, Boston's annual contract spending is 48% of total city expenditures. In Fort Worth, contract spending is 49% of total expenditures.

And Boston, Philadelphia, and New York City all spend approximately one-third of contracted dollars on social services.

II. The Most Critical Procurement Challenges That Cities Face

Based on our data analysis, but even more so on our interviews with city officials, we have identified a Top 10 list of procurement challenges that most cities are currently facing:

1. *Strategic management of the overall portfolio of key procurements.* We have not identified a single city that develops a list of the most important procurements that are coming up for renewal over the next couple of years and uses that list to prioritize which procurements should receive the most attention to improve the value that they deliver. In fact, most policy and program staff perceive the procurement process not as an opportunity to take advantage of but as an obstacle that needs to be overcome.

2. *Optimizing basic procurement processes.* Many cities have requested our assistance with basic systems reengineering, including the development of common procurement templates across departments and guidance on optimal procurement processes. These efforts are aimed at ensuring the integrity of the vendor selection process; streamlining the procurement process to reduce transaction cost for potential vendors, thereby attracting more bids and boosting competition; and speeding up the procurement review process. Cities are also eager to institute report cards at the end of each contract so that they can use data on past performance to inform future contracting decisions across the city. Finally, city officials are interested in learning about model procurements and adopting best practices from other jurisdictions.

3. *Improving vendor diversity.* Many of the cities we work with have expressed interest in improving the racial and gender diversity of vendors to ensure that contracted dollars also support their equity goals. For example, Boston mayor Marty Walsh signed an executive order in February 2016 setting spending targets for minority- and women-owned businesses (MWBEs) competing for construction, architecture, engineering, and professional-services contracts. These diversity efforts heavily overlap with the goal of having city residents win a greater fraction of the city's procurements. To improve vendor diversity, cities can begin by in-

creasing outreach, starting with direct, one-on-one engagement with vendors through e-mails, text messages, and phone calls.

Cities should also hold events in communities where MWBEs are based, to ensure that MWBEs are aware of new contracting opportunities and are able to easily request additional information and technical assistance as they develop their bid responses. Facilitating connections between potential prime and subcontractors so that they can respond to bids as joint ventures can also help. Finally, cities should find ways to streamline their procurement processes and reduce unnecessary requirements, which will decrease costs for vendors and encourage a great number to submit bids.

Still, such efforts may only marginally improve outcomes if there are few qualified, diverse vendors to begin with. To expand the pool of MWBE vendors, cities also need to build vendor capacity and implement strategies to help such vendors overcome structural barriers, including lack of access to assets and capital and limited networks and connections. These are deeply rooted problems that can be addressed only by procurement staff who have the time and resources to focus on such efforts.

4. *Achieving better outcomes from human-services contracts*. Cities have a difficult time seeing the connection between spending on social services and progress in addressing major social problems. Take homelessness. Cities often find that they are spending more and more on services, yet there seems to be an increasing number of people sleeping on the streets. One problem is that there are often multiple funding sources tackling a given social problem, with little coordination to ensure that overall funds are efficiently allocated and that no needy person falls through the cracks. A second problem is that cities often fail to track the results of the services with meaningful metrics. At best, cities monitor processes, such as how many beds were occupied at an emergency homeless shelter. It is rare for cities to track outcomes, such as how many individuals were placed in stable housing. As a result, cities are unable to determine if their services are ultimately mitigating social problems. Furthermore—partly because of the lack of real-time data on program performance—cities are not monitoring whether service providers are delivering effective services, or collaborating with them to improve performance during the course of their contracts.

5. *Managing routine construction and maintenance contracts.* Cities are frustrated that these crucial contracts, particularly those for road construction, repeatedly run over budget and behind schedule. These contracts can require close coordination with other entities to ensure, for instance, that a utility company doesn't dig up a road to repair a pipe the day after that very road was repaved. Unpredictable environmental conditions, such as soil and weather, can further complicate managing the performance of these types of contracts. Finally, there is little attention paid to minimizing the burden on citizens, who have to deal with noise and rerouted traffic.

6. *Contract negotiation for large construction projects.* Cities also report frustrations with procuring and managing large multiyear construction projects, such as building new bridges or expanding subway systems. While independent authorities or other levels of government are often in charge of these projects, cities usually have a seat at the table. The problem is that stakeholders often lack information about the cost and scope of work necessary to complete a project at the time when they are procuring the vendor and negotiating the contract. The tendency during contract negotiations is to transfer as much risk as possible to the other party without considering which party is actually best positioned to detect and manage the particular risk. The result is budget overruns and missed deadlines.

7. *Lack of competition in very large contracts.* For big contracts, such as for school transportation and trash disposal, cities struggle with both performance and pricing. They find it challenging to write contracts that incorporate good performance incentives, and they find that they have little leverage over vendors because there are often only one or two local vendors qualified to provide the service.

8. *Contracts for new technology products and services.* Cities are rapidly developing new websites, new web-based service platforms, and new smartphone apps. But choosing the right procurement strategies and the right vendors for these innovative services is often a challenge. For new technologies, cities cannot simply conduct market research on existing solutions, since the solution may not yet exist. Standard procurement processes require specificity in the procurement and contract and don't permit flexibility. This is a particular challenge in a rapidly changing industry where technical specifications can quickly become outdated. Standard procure-

Case study: Boston's problem-focused, agile website-redesign procurement

Boston's redesign of the Boston.gov website is an example of how restructuring the procurement process to focus on the ultimate goal of the procurement—in this case, building an ever-evolving product that prioritizes user-friendliness—can yield improved results. A review of the more than 20,000 pages of the existing website demonstrated that the city's website was difficult to navigate and that key information was hard to find. The city wanted a new site that would be "beautifully designed, delightful to use, and thoroughly useful."

To find the most qualified vendor for each aspect of the project, the city decoupled the responsibilities for the back-end content management from the user-facing design and issued a separate request for proposal (RFP) for each. Bidders for both aspects of the project were asked to propose strategies for working with the city's staff to understand user needs and to conduct user tests. The city partnered with winning bidders to review website analytics and get input from end users during the initial discovery phase. Furthermore, in order to appeal to designers who might have balked at responding to a typical, uninspiring government procurement, the city deviated from its regular approach and issued the RFP as a slide deck with pictures and jargon-free language.

The city received 22 initial responses, which is much higher than the norm and included responses from firms that do not typically bid on government procurements. From these initial proposals, the city identified eight potential partners, who were then invited to organize design workshops. These workshops allowed the city to work alongside potential partners to ensure that they would put users at the center of their process. Ultimately, in September 2015, IDEO, a global design firm, and Acquia, a local technology provider, were selected to redesign the website. In January 2016, the city released a pilot version of its new website, which can adapt to all screen sizes and organizes content through "guides" (such as moving and starting a business) rather than by departments. The city then requested feedback from the public on the pilot version of the website to inform the development of the fully updated Boston.gov site, which launched in July 2016 but will continue to be improved. The RFP, as well as updates on the procurement process, is available on the blog next.boston.gov.

ment processes also do not allow customers and developers to collaborate closely in creating the specifications for the product, even though this is often crucial for ensuring that the product addresses the needs of the end users.

9. *Managing procurements for large IT systems, such as Enterprise Resource Planning (ERP) systems and human-resource management systems.* When it comes to large IT systems, cities are, by and large, purchasing these products from big national companies. They frequently run into challenges, such as being locked into ongoing customization, implementation, and maintenance contracts. Because of the technical barriers and high costs associated with shifting to a new vendor, cities feel locked in, and the vendors thus enjoy the advantages of a monopoly. Finally, when negotiating with national companies, governments are hindered by an asymmetry in available information: while the contractors can point to concessions made by other governments to build their case for favorable contract terms, cities do not have effective ways to share information with one another.

10. *Lack of competition for professional-services contracts.* Procurements for professional services—financial, accounting, advertising, legal, personnel, and research services—can be challenging. Procurements for such services are often structured in a way that limits the number of bidders and takes a highly specialized approach. As a result, vendors often assume that they are not qualified to bid on procurements issued by departments other than the ones they typically work with—and that leads cities to miss opportunities to achieve volume-pricing discounts by combining common professional-service purchases across departments.

III. The Results-Driven Contracting Solution

What can be done to address the 10 key challenges listed above? Through our work with the 10 cities (**Table 3**), as well as our work with states and counties, we have developed a framework for improving acquisition practices that we call "results-driven contracting." Some of the components are standard and can be found in any procurement curriculum. Others are more novel:

Appoint someone in city hall who would be in charge of managing the city's overall portfolio of critical procurements. An official in the mayor's

inner circle needs to be responsible for identifying the 15–20 most important procurements that will be issued or renewed over the next two to three years and putting in place a results-driven contracting process for each of them.

Table 3. List of Government Performance Lab's Engagements With Cities

City	Focus of Engagement
Baltimore	Feasibility analysis of social services for potential pay-for-success projects
Boston	Applying results-driven contracting strategies to transportation and public-works contracts; improving vendor diversity
Chicago	Pay-for-success project expanding pre-K to 2,620 additional children
Denver	Pay-for-success project providing supportive housing to 250 chronically homeless individuals
D.C. (Water Authority)	Green infrastructure project to reduce stormwater runoff
Little Rock	Improving citywide procurement templates and processes as well as instituting a vendor-evaluation system
Louisville	Pay-for-success project to treat substance abuse among individuals being released from jail
San Francisco	Improving alignment of workforce-development contracts across three departments
Seattle	Applying results-driven contracting strategies for homelessness services
St. Paul	Applying results-driven contracting strategies to road-construction procurements

Source: See Table 1.

While most cities have a chief procurement officer (CPO), that individual is rarely in the mayor's inner circle and is often more focused on compliance than on performance. In some cases, the existing CPO can take on this new strategic function. In other cases, it will make

more sense to maintain the current CPO in the existing role and assign a different staff person in the mayor's office with the responsibility for strategic management of the procurement portfolio and for convening working groups made up of both programmatic and procurement staff for each key procurement.

Develop a mission statement for each key procurement. Cities need to carefully consider what they seek to accomplish with the good or service they are procuring. Program and procurement staff should collaborate to define these goals. Together, they should review past performance to identify shortcomings and areas for improvement. If applicable, end users should be consulted as well.

Conduct market research. Cities need to understand the landscape of possible vendors, the goods and services they offer, and their cost structures. It's also crucial that a city learns from outside experience: How have other jurisdictions achieved similar objectives? At this stage, the city should confirm that contracting is preferable to building internal capacity to provide the good or service directly. Key factors in this decision are whether the good or service is inherently governmental, whether the city can maintain sufficient oversight over the contractor, and whether purchasing is more likely to produce the desired outcomes in a cost-effective manner. Before the procurement process has officially kicked off, the city should discuss its goals with potential vendors and ask for their input. It can also be helpful to survey potential vendors about barriers that could prevent them from participating in the procurement. This research can be done through informal interviews or through an RFI (request for information). This can be an informal process—Boston, for example, encourages the use of Google forms to get input from potential vendors prior to issuing an RFP (request for proposal).

Structure the procurement process and select the contract type. In accordance with the market research findings, the city should structure the procurement process and select the contract type in order to establish the appropriate incentives for the contractor. The following options and decision points should be considered at this stage:

Separating or bundling contracts: Is the good or service that a city needs best procured separately or jointly? When components are deeply intertwined, it is useful to hold one vendor accountable for the

overall deliverable through a single contract. For example, with large and complex construction contracts, such as building bridges, many cities couple the architectural/engineering design and construction services into a single "design build" contract. The contractor is selected based on qualifications, experience, and price. This reduces the need for change orders, which saves time and money.

For example, Minnesota replaced a portion of the I-35W Saint Anthony Falls Bridge that had collapsed in 2007 using this approach. The project was completed within 14 months—a full three months ahead of schedule—and at a cost of $251 million, which was significantly below the initial estimates of $300–$350 million. Early completion resulted in an estimated $400,000 per day of economic benefits, thanks to the avoided costs of detouring traffic.[3]

But bundling limits a city to working with large firms that can offer the full range of services. Sometimes separating out each component of a project means that the city gets more competitively priced bids and higher-quality outcomes because the city is able to select the most qualified vendor for each job and structure each contract to best align incentives.

Building internal capacity for managing the vendors and ensuring that the combined product achieves the procurement's goals are critical to this approach. For example, in re-procuring its new Child Welfare System technology, California decided to break down what would have been a monolithic, thousand-page RFP into a series of smaller RFPs, with support from Code for America and the General Services Administration's 18F digital services office. Instead of having to rely on a single large firm that can take the entire project, the state plans to select the best vendor for each specific aspect of the project and build management capacity at the state to ensure that the various modules sum up to a product that meets the users' needs.

Avoiding "cost type" contracts: Cost-reimbursement contracts, time-and-materials contracts, and labor-hour contracts allow governments to purchase goods and services in situations in which it is hard to determine how much work or material will be necessary. While these types of contracts can be appropriate in certain scenarios, including emergencies and R&D efforts, they pose a significant risk that government will overspend resources. They should be transitioned to fixed-

price or performance-based contracts as soon as there is greater clarity about the resources needed to accomplish the task.

Problem-based procurement: One relatively new approach that governments are using when they are unclear about the optimal solution to a problem is to provide a description of the problem and to seek ideas for solving that problem through what's called a problem-based procurement. This approach is in stark contrast to the traditional practice of specifying requirements in as much detail as is possible, which can trap governments into old ways of doing things. This problem-based approach is particularly appropriate when the key challenge is to discover the right idea—as is often the case with technology or design. San Francisco, for example, created the Startup in Residence (STIR) program, in which government agencies identified challenges related to housing, transportation, the environment, and public safety. Competitively selected start-ups were then embedded in agencies for 16 weeks to create a new product or service, usually involving a software solution or a mobile app that solved a particular challenge posed by the agency. Start-ups then have the possibility of entering into a paid contract with the agency. Since its initial launch in 2014, STIR has been expanded to include Oakland, San Leandro, and West Sacramento. Current projects include improving the process of recruiting foster parents using a mobile app with the San Francisco Human Services Agency; enabling city engineers and inspectors to record building-safety assessments after an earthquake with the San Francisco Public Works Department; and helping West Sacramento police officers connect homeless individuals to resources and social services, including vouchers for transportation, food, or shelter, using a mobile app.

Pay for success (PFS): PFS contracts make a portion of payment contingent on outcomes. Governments like PFS contracts for three primary reasons: they can help reorient their budgets toward preventive services and away from remedial costs; they diminish the chance that ineffective programs will continue to receive funding; and they can provide a framework for multiyear collaboration with service providers to reengineer systems to improve results. In the most rigorous PFS contracts, there is often a multiyear delay between when services are delivered and when outcomes can be assessed and payments made. In these cases, private investors provide the operating capital for the service

provider in exchange for the rights to the future success payments—a structure known as a "social impact bond." To date, two of the cities we have helped have launched PFS contracts backed by social impact bonds. In Denver, this approach is being employed to provide supportive housing to 250 chronically homeless individuals (see case study). In Chicago, a PFS contract is being used to expand high-quality preschool education. We are currently working on PFS projects with four additional cities in policy areas ranging from addiction treatment to green

Case study: Denver's homelessness pay-for-success contract

Governments often find it challenging to invest in preventive services even when they know that doing so will save money down the road. Several cities around the country are experimenting with PFS contracts that allow them to reorient their spending toward prevention while also gathering rigorous evidence about the effectiveness of these preventive investments. In Denver, for example, chronically homeless individuals are costing taxpayers more than $29,000 per person on average in jail days, police encounters, court costs, and in detox, ER, and other medical expenses. The city launched an initiative in February 2016 to provide 250 new housing units for chronically homeless individuals, plus supportive services, including intensive case management, crisis intervention, substance-use counseling, and mental-health treatment. These services would be paid for with the savings that result from stabilizing the individuals' lives.

The housing and services are being financed using a combination of $15 million of federal dollars and $8.7 million from private investors. The private investors will be repaid by the city to the extent the program is successful. If the program reaches its targets—a 35% reduction in jail days and 83% housing stability (that is, participants spend at least one year in housing), the investors would be repaid approximately $9.5 million. Payments would be reduced if these outcome targets are not achieved.

Across the country, the PFS approach is being applied to a wide range of policy areas, including prisoner reentry, prenatal care, workforce development, early education, and child welfare. By bringing together government agencies, service providers, and other community groups in a multiyear outcomes-focused effort to improve results, the PFS model creates a framework for sustained collaboration that is hard to achieve with more typical approaches to contracting for social services.

infrastructure. While some cities have successfully made use of the PFS/social-impact bond approach, others have found it challenging. In particular, some projects that cities have explored would have primarily generated budgetary savings for the state or county government, and it has been hard to persuade other levels of government to collaborate with cities in these PFS efforts. For this reason, we mostly focus our PFS work on projects initiated by state governments. Our state government partners have launched five PFS projects to date, with another five likely to launch this year.

Agile procurement: For technology procurements, in particular, deliverables often need to be developed through an iterative product-development phase with input from various stakeholders, including the end users. Agile procurement allows for close collaboration and provides the vendor with the opportunity to test prototypes on users throughout the development process in order to get critical, ongoing feedback. While the agile approach is especially useful for software development, key parts of this model—specifically, iteration and user testing—can improve outcomes of other types of procurements as well.

Use past performance to help select future vendors and to inform the decision to renew or extend contracts: Connecting past performance to future contracting decisions, including contract renewals and opportunities for multiyear contracts, is essential to incentivize vendors and will help cities allocate limited resources to the most effective contractors.

Piloting: When appropriate and feasible, a pilot phase can be built in to the procurement to test the good or service for viability and cost and to provide the contractor the opportunity to refine the product or service in collaboration with the relevant city officials and end users before scaling. The pilot phase can even include multiple vendors, with the best to be selected at the end of the pilot for a full contract.

Track progress of contractors in achieving goals. Cities need to measure their progress in achieving their goals during the course of contracts. Ideally, these measurements would use objective administrative data, though cities will sometimes need to rely on data provided by the contractors as well. The city may also establish a current performance baseline to focus attention on achieving improvements relative to the baseline. Where multiple contractors are working toward similar goals,

the government can develop an evaluation system that facilitates comparison of outcomes across contractors to determine which contractors are most effective. (Such a system, of course, would need to account for differences in the populations served and other factors that can influence the observed outcomes.)

Employing active contract management. Once the city has established a system for tracking performance, it needs to use the data as a management tool. The program or procurement staff should regularly monitor key outcomes and implementation data sourced from the city and the contractor to detect in real time if there are problems, as well as opportunities for improved performance. In social service contracting, we recommend an active contract-management approach that involves four steps:

1. Identify the entire target population and measure and track outcomes for the population on a regular basis. For example, the target population might be all chronically homeless individuals in the city, or all youth who failed to complete high school. The outcome might be defined as the fraction of the target population that is stably housed within six months or the percentage who are employed.

2. Make strategic decisions about which individuals to match to which services, and set up a system to make the connections happen. Rather than simply funding service providers to provide slots in their programs, assign them specific individuals to recruit to their program and serve.

3. Hold high-frequency (typically, weekly or monthly) meetings between the city official responsible for managing the contract and the service provider to review data on whether the referral process is working and on how individuals are progressing through the program. Use these meetings to troubleshoot, to reengineer processes to improve results, and to ensure that individuals are not falling through the cracks.

4. On an annual basis, assess whether the program models are working by examining whether population outcomes are improving and whether individuals referred to services are experiencing better results than equivalent individuals who were not referred to services, and by comparing results across service providers.

We have been working with several cities, including Seattle (see case study), to set up this approach to managing social services. To date,

Case study: Managing Seattle's homeless-services contracts to drive down homelessness

In November 2015, Seattle mayor Ed Murray declared a state of emergency because of the homelessness crisis facing his city. Even though Seattle had increased its spending on homeless services from $38 million in 2011 (in 2016 dollars) to $50 million in 2016, the number of unsheltered individuals has continued to rise in Seattle, growing by an estimated 13% per year during the same period, as measured by the Seattle/ King County Coalition on Homelessness One-Night Count.

The city's current spending is allocated across more than 60 service providers, many of which have multiple contracts with the city (the total number of contracts is 180). Due to the large volume of contracts, contract managers with the city and the providers are occupied full-time with perfunctory transactions, such as invoicing, modifications, renewals, and preparing for audits. This leaves little time for tracking performance and intervening to improve results. Moreover, lack of reliable data on the homeless population and the performance of programs limits the city's ability to develop policies that are effective in tackling the problem. While these may appear to be low-level, administrative issues, they can result in real problems on the ground as service providers are focused on conforming to requirements rather than being responsive to the needs of the homeless population.

As part of a pilot project to reform its contracts with five homeless-services providers, Seattle is consolidating contracts to free up staff time to focus on improving outcomes and to increase flexibility for service providers to shift funding between programs based on need without requiring amendments. The city will also make these contracts more performance-focused. In collaboration with providers, the city is implementing a new set of key outcomes and process metrics. For example, instead of measuring how many showers are provided at a day center or how many beds are filled at an emergency shelter, the city and providers will track the number of individuals who are placed into stable housing. To help interpret the performance of programs and capture homelessness trends, characteristics of individuals served by each program are recorded as well. The city has also designed strategies to improve the quality of data. By streamlining reporting requirements, the city is reducing the burden on providers and allowing them to focus on providing high-quality data for the most critical metrics.

Finally, the city's contract managers will be using data to collaborate more effectively with providers. During monthly check-ins with providers, they will review key outcome and process metrics and then come up with plans to improve outcomes. In addition, quarterly meetings between the city and service providers focused on a given target population (e.g., single adults in need of emergency shelter) will provide a forum for discussing the systemwide progress in improving outcomes for specific target populations.

the best example of this approach is from a PFS project we helped New York State launch in 2013. This program connected individuals being released from state prison with job readiness and placement services delivered by the Center for Employment Opportunities (CEO). The state is using predictive analytics to identify the individuals with the highest probability of reoffending and then referring those individuals to CEO. The percentage of referred individuals who show up for job training is tracked at a high frequency, and weekly meetings between the state agency and CEO are used to figure out how to improve enrollment rates. On the back end, the city is assessing the effectiveness of services using a randomized controlled trial.

IV. Elevating the Status of Procurement Work

Successful acquisition of goods and services from the private sector is essential to almost everything that a city government does. As a result, procurement and contract management are among the most important roles performed in city agencies—and governments need to treat these tasks as the high-value activities that they are.[4]

We have already emphasized our view that there should be a high-level official in city hall with the responsibility for identifying and managing the most critical procurements. But other steps need to be taken as well. Technology can greatly reduce the administrative burden of paying invoices and processing change orders, freeing up time for contract managers to do active performance-based contract management. As expectations increase for what procurement staff members should be doing, the skill set of employees in these positions needs to be

upgraded through training and recruitment. Most importantly, when procurement-related responsibilities are viewed as high-status, the most talented individuals entering city government want to work in this area.

There are some initial signs that this is starting to happen. Last year, a top graduating student from the Harvard Kennedy School accepted a job offer from us to work at the Government Performance Lab. A few days later, she came back and asked if she could back out to take a job in charge of IT procurement in a city government. We were thrilled. If we all start losing talented individuals to city hall procurement teams, we will know that we have achieved our mission.

Endnotes

1. We learned how effective the "Which procurements are you losing sleep over" question can be from shadowing Beth Blauer (who leads the Center for Government Excellence at Johns Hopkins University) on What Work Cities initial site visits.
2. The categories of purchases described in Tables 1 and 2 are based on analysis of Boston's 200 largest contracts, which constitute 76% of total contracts awarded. For technology and human-services contracts, however, all of the city's contracts were analyzed, even those outside the 200 largest.
3. "The Role of Design-Build Procurement," NYU Rudin Center for Transportation Policy and Management, June 2015.
4. Our thinking on this has been heavily influenced by Steven Kelman, "Strategic Contracting Management," in *Market-Based Governance: Supply Side, Demand Side, Upside, and Downside*, eds. John D. Donahue and Joseph S. Nye, Jr. (Washington, D.C.: Brookings Institution, 2002).