HARVARD Kennedy School

Government Performance Lab

Results-Driven Contracting Solutions Book:

How cities are improving the outcomes of high-priority procurements

Procurement is a powerful tool that enables governments to produce greater value for their constituents.

Nearly every important city government activity combines the efforts of government employees with goods and services acquired from the private sector. This is true of building and maintaining roads, collecting and recycling trash, 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 strategic activities. When the GPL launched results-driven contracting as part of Bloomberg Philanthropies' What Works Cities initiative in 2015, we found only about a dozen examples of innovative or exemplary procurements across U.S. cities. More frequently, we heard from city officials how even simple procurements get tied up in red tape and can take months to accomplish. They were concerned that many contracts were renewed at the last minute despite mediocre or unknown past performance by the vendor. We saw how overly specific requirements for goods or services in procurements left little flexibility for contractors to design new solutions. And too often we learned that contract management was limited to processing invoices and change orders instead of engaging with contractors to achieve better outcomes.

In the first phase of What Works Cities, the GPL has helped more than 20 cities across the country implement results-driven contracting strategies. Through this work, we have found common patterns across cities in the types of procurement challenges they face and the solutions that can enable them to improve results for their residents. We are proud that our technical assistance has gone beyond reforming specific procurements to helping governments recognize the broader strategic importance of contracting for attaining high-priority objectives.

The following pages summarize a selection of results-driven contracting projects on which we provided pro-bono technical assistance to cities through What Works Cities. These projects helped cities improve outcomes across a wide range of policy areas, including homelessness, public works, and workforce development. These case studies demonstrate the significant progress that cities can make when they 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. As we look to the future, we hope that cities not only reform one key procurement at a time but move toward systematically applying results-driven contracting strategies to their entire portfolio of high priority procurements – an approach that Louisville, KY is currently implementing. Such efforts can catalyze culture change in cities, elevating the role of procurement from a back office administrative function to an indispensable tool for effectively serving constituents.

Jeffrey Liebman
Director | Government Performance Lab
Harvard Kennedy School

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Improving Outcomes of Homelessness Services in Seattle, Washington

A lead member of Seattle's Navigation Team offering help at a homeless encampment.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Seattle 1) consolidate its contracts with homeless services agencies and 2) re-orient these contracts to focus on performance.

The Problem: Despite an increase in spending on homeless services over the past five years, the number of people experiencing homelessness in Seattle has risen at an average rate of 13 percent *per year* between 2011 and 2016. Structural factors, including housing affordability, poverty, and inadequate mental health care, have contributed to this challenge, resulting in the Mayor's declaration of a state of emergency on homelessness in 2015. Moreover, the City's system of funding homeless services was not focused on achieving desired outcomes—specifically, permanent housing placements and retention. Historically, services have not been coordinated across providers, and for the last decade there has not been a competitive, strategic procurement for homeless services. Instead, the City relied on the renewal of legacy contracts and creation of new contracts to disburse additional funding. As a result, the City held roughly 200 contracts with 60 providers, with one provider having as many as 18 contracts for its different programs. Due to the high volume of contracts, contract managers on the City and provider side spent most of their time on administrative tasks, such as invoice and audit preparation. This left little time for monitoring performance to learn if spending was producing results, to flag operational challenges, and to develop and implement course corrections during the course of the contract.

Applying Results-Driven Contracting Strategies: To improve outcomes for people experiencing homelessness, Seattle and the GPL piloted a coordinated and strategic approach to funding homeless services with five service providers that collectively received $8.5 million in spending. This approach:

1) **Consolidated contracts to align structure with goals.** The Human Services Department (HSD) and providers merged 26 existing contracts into 8 portfolio contracts in order to free up staff time to focus on performance. The consolidation also gave providers more flexibility to shift funding and staff time between programs based on the need on-the-ground.

2) **Re-oriented contracts to be more performance-focused, including by:**

  a. **Specifying performance metrics**. Seattle lacked reliable, actionable, real-time information about the size of the homeless population, the barriers homeless households face in securing stable housing, and the role of HSD-funded services in helping the people experiencing homelessness overcome these barriers. Metrics for providers were inconsistent, sometimes even across the same program type, and focused primarily on counting activities rather than measuring outcomes. To better understand program impact, HSD collaborated with providers to identify consistent metrics that accurately measure program performance in real-time and can be aggregated to understand system-wide progress.

  b. **Streamlining reporting to improve data quality.** HSD previously collected data through three separate databases. These systems were not linked, which meant that HSD could not easily access all program or performance data for a specific provider. The GPL helped HSD identify what pieces of data it was capturing where, and streamline reporting through one system – the federally mandated Homeless Management Information Systems (HMIS). HSD partnered with service providers to improve HMIS data reliability and quality through a focus on improving data completeness and client consent rate, and now only uses information submitted through the HMIS portal to make decisions about key programmatic, funding and policy issues.

  c. **Implementing active contract management.** HSD realized that merely collecting and sharing data is insufficient. Instead, HSD set up a system with the GPL's support to regularly review program performance data to identify homelessness trends and challenges in delivering effective services. Using this information, HSD and providers can swiftly and collaboratively develop solutions to achieve better outcomes. HSD implemented i) monthly meetings with each provider, ii) quarterly internal meetings, and iii) quarterly executive meetings with groups of providers serving the same target population.

3) **Prepared for the City's first comprehensive competitive procurement for homeless services in over a decade.** The City used the procurement, which constituted $30 million in spending and was released in June 2017, as a tool to expand results-driven contracting, adjust the portfolio of homeless services to meet system-wide needs, and transform the homeless services system to be person-centered, evidence-based, and racially equitable. The request for proposals (RFP) scoring also took into account past performance of service providers.

The Results: Since the results-driven contracting pilot, HSD has expanded the use of the key metrics to all of its homeless services contracts. With these data, HSD will be able to 1) compare the performance of similar programs, 2) identify characteristics or strategies of high-performing programs and share best practices amongst providers, and 3) understand system-wide progress in moving people from homelessness to permanent housing. Anecdotal feedback from providers who participated in the pilot indicates that the contract consolidation has helped them direct more staff time to service delivery and performance improvement, reduced the volume of invoicing and reporting, and enabled them to leverage newly flexible client assistance funding to better meet the needs of clients. Furthermore, through the RFP, HSD re-evaluated its spending on homeless services, expanded services that have the highest impact, and better matched service mix and budget amounts to the needs of the homeless population. HSD also expanded the use of portfolio contracts for grantees with multiple programs of the same type (such as multiple emergency shelters) to increase service flexibility and reduce administrative burden. Finally, the City is now seeking to expand results-driven contracting to the procurement of new community safety services, including youth violence prevention services.

Enhancing Workforce Development Services in Washington D.C.

Mayor Bowser, Deputy Mayor Snowden, and DOES Director Donald at the opening of a new American Jobs Center site.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Washington, D.C. apply results-driven contracting strategies to improve the outcomes of its workforce development services.

The Problem: Although Washington, D.C. benefits from a low overall unemployment rate of around 5 percent, the differences in employment prospects across the District are stark. In five of the District's eight geographic wards, the current unemployment rate is below 6 percent, while in the three remaining wards the unemployment rate is higher—at 7, 10, and 12 percent.

To address these employment inequalities, the Department of Employment Services (DOES) strategically located three of its four American Job Centers (also called one-stop centers) in these high unemployment rate wards. The one-stop centers are designed to serve as the entry point to the public workforce system. Staff at the one-stop centers evaluate customers' needs and barriers and match them to appropriate workforce development services. However, the District lacked key information or processes to coordinate 1) the needs of the population seeking services; 2) the customer experience with the public workforce system (e.g. how quickly individuals were connected to programs); and 3) the success of the one-stop centers in matching individuals to the right programs. This coordination is critical for helping the District ensure that workforce development resources are being appropriately leveraged and that services are effective.

Furthermore, the District sought to build on the successful pilot of the Workforce Intermediary Program, which connects businesses in two of the six in-demand industries to jobseekers and is administered by the Workforce Investment Council (WIC). D.C. wanted to transform this pilot into a permanent part of DOES's service delivery model allowing the intermediary to expand pilots in the four other in-demand occupations.

Applying Results-Driven Contracting Strategies: To procure a new one-stop operator and to design a framework for transitioning programs piloted under WIC into permanent programs under DOES the GPL and Washington, D.C.:

1) **Defined the roles and responsibilities of the one-stop operator.** In the procurement for a new one-stop operator, the District clearly defined the objectives of the one-stop operator, which include system-wide coordination of services and developing a measurable referral process. The District allowed for some flexibility and innovation in the responses to the RFP by inviting vendors to describe how they plan to achieve the specific goals and provide the services outlined in the RFP.

2) **Laid the groundwork for a strong referral tracking system.** Through the RFP, vendors were directed to explain their plans for assessing customer needs and identifying appropriate programs to which they should be referred, tracking referrals to make sure they smoothly enrolled into those programs, and assisting the agency in collecting data on customer activities post-referral.

3) **Defined key performance metrics and deliverables over the contract term.** The District defined key performance measures for the one-stop operator to track enrollments, timely service delivery, and successful coordination of one-stop partner services. A combination of process metrics and outcome metrics will help the District better evaluate performance of the one-stop operator as well as the overall workforce development system.

4) **Established active contract management.** The new contract will build in an active contract management approach, with performance data reviews and check-ins between DOES, the WIC, and the operator. The one-stop vendor and the District contract administrator will meet bi-monthly to review key performance indicators, including the number of referrals, the number of enrollments, and the length of time from referral to enrollment. These regular meetings provide opportunities for the District and the vendor to identify and flag coordination issues in real time and brainstorm solutions to address those issues. These meetings can foster a common understanding of program goals and performance and can illuminate trends regarding one-stop customers that need services.
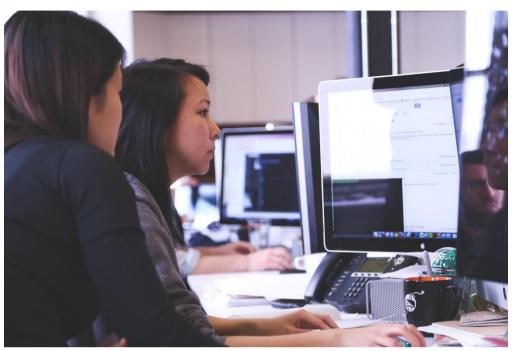
   Additionally, the one-stop operator will coordinate quarterly meetings with all one-stop partners to review the referral and hand-off process, identify strengths and opportunities for improvement, and encourage collaboration on system-wide improvements.

5) **Formalize contract extension criteria.** Frequently, a lack of clarity around contract renewal terms sets the stage for routine contract extensions regardless of performance. Contract extension decisions can be an opportunity to incentivize performance improvements, particularly if the vendor does not take renewals for granted. The District plans to make decisions regarding renewals based on an annual performance review as well as the vendor's efforts to collaborate with the District and improve during the contract term.

6) **Develop a Memorandum of Understanding (MOU) to establish a partnership between WIC and DOES.** Through the partnership, WIC will develop and pilot innovative pre-apprenticeship, job training, or supportive services programs and establish evidence for their effectiveness. For successful programs, WIC will transfer funding to DOES which will then a) incorporate the program into the District-wide portfolio of workforce development services; b) align the offering to WIOA metrics in an effort to fund the program using federal WIOA funding; and c) expand the program as appropriate. The MOU defines key metrics that DOES will use for evaluating program effectiveness and in turn informing decisions regarding the continuation and/or expansion of pilot programs.

The Results: The RFP for a one-stop operator launched this summer, a vendor was selected, and the new contract is being implemented. Furthermore, the new MOU between WIC and DOES has enabled WIC to transition the intermediary model to DOES, which will scale it to other in-demand occupations and integrate it into the wider service delivery ecosystem. These efforts are helping D.C. better meet the workforce needs of businesses and jobseekers.

Boosting Coordination and Results of Workforce Development Services in San Francisco, California

Students taking online training courses.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help San Francisco improve its workforce development outcomes by 1) better aligning services, funding, and contracting across departments and 2) incorporating performance-based payments in contracts held by the Office of Economic and Workforce Development (OEWD).

The Problem: San Francisco has had strong job growth and low overall unemployment over the past few years. To ensure that all residents benefit from this prosperity, the City seeks to provide extensive support services and to connect individuals with high barriers to training and employment opportunities. The City invests over $90 million annually in workforce services through 17 different departments, with most of the funds being spent through contracts with local community-based organizations. While the diversity of service providers is what makes San Francisco's workforce system strong, it also creates redundancies and inefficiencies. An assessment revealed that some of the 17 departments funded similar services for overlapping populations. Recognizing this, the City enacted legislation for all city departments to align and coordinate workforce services and tasked the OEWD to facilitate this initiative. The goals were to improve coordination among departments, maximize and leverage the various funding sources, decrease administrative costs, and ultimately improve and increase services to residents. Moreover, a better aligned system in which participants were triaged into the programs that best meet their needs—regardless of which department offers the services—would ensure that residents who are disconnected from the labor market are not left behind. The GPL's engagement supported this workforce alignment effort to create a better workforce system for San Francisco's unemployed or underemployed job seekers, particularly those in low income communities.

Applying Results-Driven Contracting Strategies: To improve coordination and performance of San Francisco's workforce development services, the GPL helped San Francisco implement two primary strategies:

1) **Align contracting across the three largest departments that invest in workforce services.** To analyze all workforce contracts held by these three departments, the GPL administered a survey and developed a common dictionary of terms to identify a) the goals of the contracts, b) the types of program models receiving funding, c) the targeted populations, d) the outcomes that were tracked, and e) the common providers with which these departments contracted. Based on the analysis of this data, OEWD and GPL developed recommendations for improving system alignment by conducting joint procurements, reducing service overlaps and gaps to make sure that the array of services corresponds to the needs of the population, and coordinating outreach to participants to match them to appropriate programs regardless of departmental entry point. The team also helped San Francisco develop common metrics for tracking the performance of workforce services. By using consistent metrics across programs, these departments will be able to compare the performance of similar providers and better understand outcomes across the system as well as for specific target populations and program types. Building on GPL's work, OEWD convened a working group comprised of staff from city departments and service providers to refine metrics that will be collected in the City's annual Workforce Services Inventory.

2) **Incorporate performance incentives into service provider contracts.** The GPL worked with OEWD on how to structure a 10 percent performance-based payment to encourage providers to place individuals with high barriers into job pathways that pay significantly more than minimum wage. As part of a pilot, OEWD included the recommended payment structure in its contracts with American Job Centers (locally called Neighborhood Access Points and Comprehensive Access Points), and may expand performance incentives to other providers when renewing contracts. The services being funded through those contracts began in July 2017. After at least one year of administering the services under this new contract, OEWD will be able to measure whether more participants with high needs are employed in jobs that pay a higher wage.

The Results: The alignment work is already having a visible impact. The City identified two summer employment programs for youth run by two different departments (the Department of Children, Youth, and their Families and the Human Services Agency) that were providing the same services. One of the programs is federally funded, while the other is funded out of the City's general fund. Through the analysis, the GPL discovered that while the City-funded program was over-subscribed, the federally-funded program was under-subscribed. Since the provider and the services were nearly identical, the City was able to serve more youth by shifting individuals who were eligible for federal funding into the program with empty slots, expanding the number of youth receiving employment opportunities.

Connecting High-Risk Youth to Outcomes-Oriented Services in New Haven, Connecticut

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help New Haven set up a performance management system for Youth Stat, the City's youth services program. This system will be used to flag challenges and course correct based on opportunities for improvement.

The Problem: The City of New Haven, where 77 percent of students are eligible for free and reduced-price meals, has been trying to reduce violence and tackle the challenges facing high-risk young people. In 2014, the Mayor's Office and the Youth Services Department set up a program called Youth Stat. Through this program, they collaborate with the Board of Education, Police Department, and over 20 community-based organizations to provide services for high-needs young people. Schools refer young people with failing grades, poor attendance, school discipline infractions, or involvement in the criminal justice systems to the program. These young people are then enrolled into Youth Stat – in some cases, through persistent follow up outside of school by outreach workers. Youth Stat regularly convenes Youth Department officials, school and Board of Education staff, including teachers, as well as representatives from local providers at each school to discuss individual cases, review difficulties participants face, and identify services that can help meet their needs. Services range from therapy for acute trauma to vocational training and can also involve securing resources, such as a mattress if a youth needs to stay with a relative when the immediate home is unsafe. While there are many anecdotal success stories, Youth Stat officials did not have a good sense of what happened to individuals after they were referred to providers – in fact, there have been isolated reports of referrals not happening promptly and youths falling through the cracks. Youth Stat officials also lacked data on the program's performance to help flag potential areas for improving outcomes.
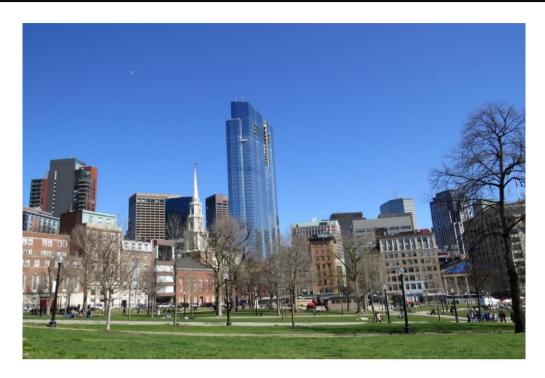
Applying Results-Driven Contracting Strategies: The GPL collaborated with staff from Youth Stat, the Board of Education, and affiliated service providers to develop performance management tools to enable them to flag and troubleshoot operational challenges in real time to improve outcomes for high-risk youth. As part of this process, the GPL and New Haven:

1) **Produced process and outcome metrics for two Youth Stat service providers, Project Youth Court and VETTS veteran mentoring.** The process metrics, which are unique to each provider model, track the movement of youths through programs and will be used to present information on enrollment, advancement, and program completion to Youth Stat leadership in the future. The recommended outcome metrics, which include school discipline incidents, arrests, and sentencing, can be used across programs. By using the same or similar outcome metrics, the City can compare performance across similar programs and also monitor system-wide improvement of outcomes for young people.

2) **Developed the "Active Contract Management" quantitative performance management tool and piloted it for Project Youth Court.** Through Active Contract Management meetings, Youth Stat leadership and providers examine process and outcome metrics for programs to identify trends, challenges, and areas of improvement. Data are reviewed for the period prior to youths' enrollment in a program, during program participation, as well as after exit from the program. In addition, metrics may be broken out by referral source and by age. Meeting attendees collaboratively use the data to brainstorm strategies for overcoming barriers and driving better performance. For example, it may become apparent during a review of performance data that a particular provider has positive impacts on school absenteeism but not on participants' grades. In response, Youth Stat staff could consider what academic supports might complement the program.

3) **Designed and piloted the qualitative performance management tool, named "Stories".** Youth Stat participants are randomly selected on a regular basis to be interviewed about their experience with Youth Stat and affiliated programs. During "Stories" meetings, Youth Stat leadership will review trends and individual experiences from these interviews. The goal is that the qualitative information will complement the analysis of performance data through Active Contract Management, allowing Youth Stat staff and service providers to uncover trends that the data may not highlight or to interpret trends revealed by the data. Attendees can discuss findings to identify challenges and develop adjustments to the program to drive performance. For example, it may become apparent during a review of performance data that wait times to begin a particular program are too long. Interviews with young people may indicate that this is due to confusion about how to enroll in the program. In response, the Youth Stat staff could clarify with the provider the expected service delivery timeline after a referral and who is responsible for onboarding program participants. In addition, success stories that may emerge from the interviews can also help the City communicate the potential of Youth Stat to change the lives of youth, which is critical as New Haven seeks greater political and financial support to expand the program to additional schools.

The Results: New Haven is in the process of: 1) selecting a point person who will manage the collection of Active Contract Management and "Stories" data, lead the meetings to review data, and work with Youth Stat leadership to design strategies to improve outcomes; 2) building new reporting functions into the program's case management software that would allow staff to track select outcomes for young people by provider and over time; and 3) deciding which requirements for data collection and reporting to include in new or renewed contracts with service providers that are affiliated with Youth Stat.

Procuring for a Capital Works IT System in Boston, Massachusetts

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Boston procure for an IT system designed to improve the management and performance of capital construction projects.

The Problem: Each year, Boston spends over $120 million on construction projects across its Public Works, Public Facilities, Parks and Recreation, and Transportation departments. Prior to engaging the GPL, these projects were managed through a combination of homegrown databases, paper files, and spreadsheets, making it difficult for departments to collaborate and share project information. In an effort to standardize project management processes, increase the flow of data, and improve service delivery both across and within departments, the Department of Innovation and Technology led the procurement for a cross-department capital project management (CPM) IT system.

Applying Results-Driven Contracting Strategies: To ensure that the procurement of the CPM IT system met user needs and fell within the planned timeline and budget, the GPL and Boston:

1) **Conducted market research on vendors and products.** The City interviewed universities and other public entities that use CPM systems, reviewed their request for proposals (RFPs), and conducted site visits to observe these systems in action.

2) **Issued a request for information (RFI) to gather vendor feedback on project scope and pricing structure.** The City released a draft scope of work as an RFI in order to gather vendor feedback on project framing, detail, and pricing structures, which are often complex for these types of systems. An accompanying Google Form made it easy for vendors to provide input, and for the City to obtain granular information on system component prices.

3) **Released a problem-based procurement emphasizing essential functionalities over prescriptive specifications.** Instead of outlining technical system requirements in the RFP, the City identified its most pressing problems and high-level goals, such as "promote project
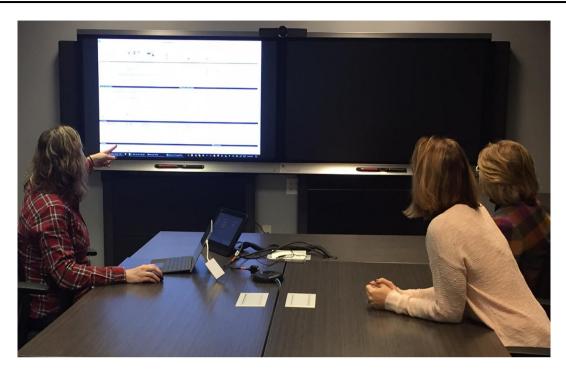
transparency through data centralization" and "facilitate collaboration." The City deliberately left the RFP open-ended so that vendors could suggest an array of methods to achieve these goals. Vendors were invited to propose solutions and to recommend process and design best practices from their experiences with other governments.

4) **Requested a phased-in solution so as to slowly introduce process improvements and increase the probability of project success.** The City asked that only essential functions be developed within the contract's first year, and selected key department staff to receive access to and test the system during the initial implementation phase. This agile product development approach enables the City and vendors to iterate on the design and implementation of core functions and incorporate user feedback. Additionally, it reduces the time necessary to establish an initial working product, and improves the overall likelihood of a successful user experience. Finally, vendors were asked to separately propose and price advanced functionalities in their response to the scope of work, giving the City the ability to incorporate select modules in the second year of the contract and beyond.

The Results: Due to extensive market research and engagement with potential vendors, as well as a thoughtful and easy-to-understand RFP, Boston received 13 proposals on its procurement for a new CPM IT system (surpassing the six proposals it typically receives for similar IT procurements). Moreover, having four departments procure for a single system that fits all of their needs facilitated the sharing of best practices, and has already led to process improvement and increased coordination. Finally, the lean initial deployment is less costly, accelerates timelines, and places emphasis on the user experience.

Reorienting IT Support Services to Focus on Outcomes in Naperville, Illinois

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Naperville adopt results-driven contracting strategies for its IT support services contracts, to increase vendor competition, improve service quality, and enhance Naperville's IT capabilities.

The Problem: Each year, Naperville contracts for a variety of IT support services to augment staff, support special projects, and maintain the City's IT systems. Over time, the number and quality of vendors applying for these contracts decreased and the City's IT Department felt that current vendors were not performing at a high level or advancing Naperville's IT knowledge and practices. The City believed that reforming the solicitation and contracting structure could help it establish a new set of partnerships for IT support services that focused on performance and effective knowledge sharing.

Applying Results Driven Contracting Strategies: To improve the alignment of IT support services contracts with the Department's needs, Naperville and the GPL:

1) **Identified the key goals and outcomes of the IT support services contracts in collaboration with the IT and Finance Departments.** The GPL used a series of deep-dive conversations and logic-model activities with the IT Department leadership to better understand what the Department expected from vendors and where the City felt the existing partnerships were lacking. Through these exercises, City staff realized that they were attempting to solve several problems—not always well-defined—with a single procurement. The GPL was able to help the City focus on a concrete set of outcomes and better define the Department's expectations for future vendors.

2) **Developed an outcomes-based request for qualifications (RFQ) and published notifications of the upcoming procurement prior to the official release date.** Once the City's goals and outcomes were identified, the GPL assisted the City with integrating them into a newly structured, easy-to-understand RFQ document. Several weeks before the RFQ was released,

the City established a targeted list of vendors and sent "save the date" emails to the list to notify vendors about the forthcoming opportunity. These actions resulted in a 300 percent increase in downloads of the RFQ and 150 percent increase in respondents compared to previous procurement attempts. Additionally, the responses to the RFQ were considered by the IT Department to be from better-qualified firms, on average, than those received in prior years.

3) **Implemented a scenario-based interview process to better understand how vendors would approach the goals and outcomes the City desired.** The IT Department identified partnership and "transfer of knowledge" as key components it sought from a future vendor. To help the procurement selection committee more accurately judge a vendor's philosophy on partnership, the GPL recommended a role-play exercise that modeled project planning and performance review meetings. This activity demonstrated whether vendors used a one-size-fits-all model or approached their clients as partners with individualized needs. The selection committee commented that the activity helped them make a more informed choice than they would have otherwise made using traditional interview questions.

4) **Established a two-phase selection process that rewards good project performance.** Project needs within the IT support services portfolio required different sets of expertise. In addition, the timing of projects requiring support was not always consistent with the availability of vendors. In previous years, one vendor was awarded the contract regardless of project needs. The City believed that this often led to the vendor assigning less qualified staff to Naperville projects and having difficulty managing time and personnel, which in turn led to budget overruns. To improve vendor quality and alleviate time management issues, the RFQ incorporated a two-phase selection process. In phase one, the City compiled a short list of qualified vendors based on initial RFQ responses and results from the interview process. For the second phase, the Department would release work order requests for newly identified projects to short-list vendors to compete for that particular project. Work orders could take into consideration performance on previous projects, encouraging vendors to act as long-term partners for the City rather than just competing on price alone.

The Results: Adopting results-driven contracting strategies, Naperville was able to improve the quality of its IT support services procurement; increase the pool of interested, qualified vendors; and select IT partners that could meet the City's needs for high performance and knowledge transfer. In addition, the City increased its focus on outcomes, competition, and performance in IT contracting, and adopted templates and procedures that it can apply to other strategic procurements in the future.

Improving IT Application Services in Indianapolis, Indiana

GPL Fellow meets with staff from the City of Indianapolis. (Photo by Joseph Lee)

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Indianapolis increase competition, reduce costs, improve service quality, and enhance the City's information technology (IT) capabilities by adopting results-driven contracting strategies for its IT application services contracts.

The Problem: Indianapolis sought to improve the performance of its contracted IT application services. Specifically, in partnership with the GPL, the City set out to answer the following questions:

- How is the City's current IT application services vendor performing?
- How can the City boost the value it obtains through the contract and improve the vendor's performance?
- How should the City prepare for the rebid of IT application services?
- How can the City achieve the best value for an upcoming IT support procurement?

Applying Results Driven Contracting Strategies: To improve the performance of its IT application services contracts, Indianapolis worked with the GPL to:

1) **Develop a foundation for improving vendor performance** by strengthening the City's understanding of the current vendor's performance, identifying strategies for improving outcomes going forward, and laying the groundwork for strategic performance management. With support from the GPL, Indianapolis has created several vendor performance metrics to track the outcomes of the IT application services and inform contract management, including:
   - Timeliness of project work;
   - Post-project and quarterly user department satisfaction surveys; and
   - Summary of root cause analyses.

2) **Design a competitive procurement approach** that encourages vendor diversity, maximizes value, and strategically aligns with the City's goals. The GPL recommended that conducting

competitive procurements to select the vendor delivering services on a frequent basis can produce cost savings and improve the level of expertise available to the City. The GPL helped the City identify a viable procurement structure and develop the components of a competitive request for proposals (RFP) that aligns with the City's strategic priorities. This procurement approach can also enable the City to compare vendor competencies in an actual project setting and accommodate both recurring support and special project needs through the new pricing structure.

3) **Develop a pilot procurement to partially unbundle IT services** and test approaches for better tracking vendor capabilities. The GPL worked with the Indianapolis Purchasing Division and Information Services Agency (ISA) to develop a draft RFP for a specific scope within the larger area of IT application services. The GPL recommended structuring pricing and payments to reflect the difference between ongoing monthly recurring services and special (short-term) projects. In addition, the draft RFP addresses ISA's request to better understand prospective vendors' approaches to project planning, communication, and implementation by requiring finalists to complete a short demonstration project using the skills required for the contracted scope of work.

4) **Reduce future IT costs.** The City initially indicated an interest in either re-procuring application services or gathering additional information that could drive a cost-effective renewal of the current contract. The GPL held a series of meetings with City staff and vendor area leads to understand the City's current and future application development and maintenance needs as well as its vendor service levels and capabilities. Based on these findings, the GPL made a number of recommendations to improve contract management and unbundle services from the master contract. In 2017, ISA negotiated a contract renewal for application services that reduced annual costs by approximately $900,000—nearly $3.6 million total over the remaining life of the contract.

The Results: Going forward, Indianapolis can improve vendor accountability and maximize the value of its IT application services contract by adopting and analyzing performance measures, such as those developed during our engagement, and by scheduling regular meetings with the vendor to review performance. The City can also include performance measures in other RFPs and contracts that reflect the specific outcomes the City is trying to achieve. Specifically, the Purchasing Division plans to work with user departments to incorporate desired outcomes into contracts as well as to design, implement, and monitor performance measures that regularly flag progress toward meeting those goals over the life of the contract. Actively managing contracts in this manner can help the City proactively identify roadblocks, troubleshoot challenges, and reorient attention towards key measures of success.

Enhancing the Employee Wellness Program in Tempe, Arizona

Tempe employees participate in an enrollment event for the new employee wellness program.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help the City of Tempe apply results-driven contracting strategies to improve the outcomes of its employee wellness program.

The Problem: Tempe's employee wellness program provides low-intensity supportive health and wellness services to all City employees. However, the City had not clearly articulated the goals of the program nor set in place a method for evaluating the impact of the services. With the contract nearing the end of its term, Tempe saw an opportunity to use results-driven contracting to implement performance metrics and to drive better outcomes through active management of the contracts.

Applying Results-Driven Contracting Strategies: To incorporate results-driven contracting strategies, Tempe and the GPL:

1) **Released a request for information (RFI) to gather information about innovations in employee wellness programs nationwide.** The RFI allowed Tempe to a) inform potential vendors about the upcoming request for proposals (RFP), b) learn about innovations in employee wellness programs, and c) identify potential metrics for program evaluation. Tempe received 12 responses to the RFI from vendors of different sizes and offering a variety of program models.

2) **Defined key goals of the employee wellness program.** The GPL helped Tempe define the primary goals of the employee wellness program: to improve the overall physical health and financial wellness of employees; to increase workplace engagement; and to decrease Tempe's healthcare costs. Tempe specified these three goals in the RFP to signal to providers the intent of the program. As a result, providers submitted responses that were tailored to Tempe's needs and clearly described how they planned to achieve the City's goals.

3) **Incorporated performance metrics into the RFP to measure progress towards the City's goals.** Tempe defined the following key metrics in its employee wellness RFP but also provided flexibility for adjusting metrics based on recommendations by the service provider:

- Reduction in negative health outcomes;
- Changes in health-related visits;
- Reduction in absenteeism;
- Increase in physical activity; and
- Participation in the wellness program.

By including program goals and metrics in the RFP, Tempe laid the groundwork for obtaining the data necessary to evaluate program performance during the course of the contract.

4) **Established a governance structure to review progress and refine program design year-over-year.** The RFP required providers to submit specific data on a monthly and quarterly basis. This data will provide the City leadership with insight into the overall impact of the program and help identify which components of the program have the greatest impact. Tempe can use the data to identify performance trends and make real-time changes to improve the program as needed.

The Results: Tempe received 18 responses to the employee wellness program procurement. This positive response will enable the City to select a qualified provider that is open to collaborating with the City on program design and implementation. Tempe is also considering piloting performance-based payments in future years of the five-year contract.

Remediating Blight using Community Engagement and Home Rehabilitation Contracts in Mesa, AZ

The City of Mesa team on site in the Love Your Neighborhood (LYN) program area.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL supported the City of Mesa, AZ in procuring for a partner organization to implement the Love Your Neighborhood (LYN) program, which is a community engagement and home rehabilitation initiative.

The Problem: The City of Mesa wanted to provide residents with resources and services to create sustainable improvements in a neighborhood that was particularly challenged with high instances of code violations, graffiti, police calls, and vacancies. The Department of Community Services launched the LYN program to help homeowners qualify for and implement home rehabilitation activities (funded by Community Development Block Grant dollars) and to engage residents with information and resources related to home and property maintenance. Initially, staff from the Department of Community Services piloted the LYN program and found that a third party partner was needed to deeply engage community members, identify homeowners to participate in the program, and carry out home rehabilitation projects. The City of Mesa issued an initial request for proposals (RFP) for a partner organization, but ultimately did not select a partner during that procurement process. The GPL supported Mesa in drafting and issuing a new RFP for a partner organization to implement the LYN program.

Applying Results-Driven Contracting Strategies: To set the LYN program up for success, the GPL and the City of Mesa:

1) **Defined key goals of the LYN program.** The GPL helped Mesa make the goals of the LYN program explicit within the RFP to ensure that vendors understood Mesa's needs from a partner organization. Specifically, the RFP articulated the following goals (with progress to be measured using data from pre- and post-initiative surveys of the neighborhood's residents):

   a. Increase in residents that work together to address neighborhood issues;

   b. Increase in residents who are aware of and understand how to use City of Mesa services; and

      c.   Increase in residents who view homes, yards, landscaping as being well-maintained in their neighborhood.

2) **Encouraged partnerships among vendors.** The City of Mesa wanted to work with a partner who offered both community engagement and home rehabilitation experience. Given that there are few organizations that offer expertise in both areas, the RFP explicitly invited vendors to prepare a response to the RFP as a partnership. This would allow, for example, an organization with experience in community engagement to partner with an organization with expertise in home rehabilitation. Furthermore, at the pre-bid conference, the City of Mesa encouraged all vendors to introduce themselves and indicate if they were interested in partnering. The pre-bid conference also included networking time to encourage vendors to make connections.

3) **Incorporated performance metrics.** To measure progress against the City's goals for the LYN program, the City of Mesa defined the following key metrics in the RFP:

      a.   Total number of unique households engaged.

      b.   Number of households engaged in each of the following activities: one-on-one meetings with residents, community educational events, or community trainings, including home maintenance training, code compliance education, and financial/mortgage counseling. Engagement does not include door-to-door program solicitation.

      c.   Number of exterior home rehabilitation activities completed, including: replacement of damaged or deteriorated trim (door, window, corner etc.); replacement of damaged or deteriorated wood siding; replacement of damaged or deteriorated stucco; painting of the exterior of the home; installation of new landscape gravel in front yard; replacement of entrance door and security door including locksets and deadbolts; installation of new windows (metal frame); and installation of new roof covering and fascia boards.

The City of Mesa created an Excel spreadsheet that is uploaded on a SharePoint site, accessible by both the City and the partner organization, to make tracking of activity measures turnkey for both the City and the vendor.

4) **Implemented active contract management to encourage collaboration.** With the support of the GPL, the City of Mesa implemented a system of active contract management to encourage collaboration and offer a venue to celebrate successes and flag challenges in real-time. Initial collaboration meetings with the partner organization focused on sharing background information about the LYN program, lessons learned from the City's pilot, a manual for working with the City on the LYN program, and the tracking spreadsheet for review and feedback. Future meetings will be more focused on discussing the status of program implementation and identifying issues for discussion informed by the data.

The Results: The City of Mesa selected a partner organization in January 2018 after receiving three responses to the RFP, one of which was a partnership between two organizations. Implementing active contract management strategies at this early stage in program implementation is already leading to high levels of collaboration between the City and its partner.

Driving Better Outcomes for Road Repair and Maintenance in Boston, Massachusetts

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro-bono technical assistance to help Boston incorporate results-driven contracting strategies into its roadway resurfacing work. The structure of the new contract will give the Public Works Department the ability to course-correct in real time and increase the probability of high-quality service delivery.

The Problem: Prior to engaging the GPL, the Boston Public Works Department's road resurfacing contracts were overly focused on achieving high paving mileage targets to the detriment of other critical goals, such as maintaining steady work flows and minimizing inconvenience to constituents.

Applying Results-Driven Contracting Strategies: To reorient the City's Asphalt Resurfacing Program (ARP) around a holistic set of goals that reflect the complexities of the resurfacing operation, provide vendors with incentives to meet these goals, and increase the flow of data within the Department, the GPL and Boston:

1) **Surveyed the local vendor community and key City staff to better understand the challenges facing the ARP.** A lack of data within the Public Works Department made it difficult to quantitatively pinpoint contractual challenges and shortcomings. As such, anonymous interviews with a diverse set of vendors – frequent and occasional winners – and key staff allowed the Department to identify and verify major obstacles. By soliciting feedback from both the vendor community and long-tenured front-line staff, Department leaders were able to foster goodwill between those who might otherwise be resistant to change, as well as ensure that any adopted changes actually make sense for those on the ground.

2) **Modernized and reoriented the contract to focus on all of the City's goals while providing vendors with key information to facilitate planning and reduce risk.**

   a. The new contract remains a unit price by material bid format, but now includes a list of work locations and the expected hours of work (e.g. weekends, mornings, nights) at each of those locations. These locations equal 35 to 70 percent of the work to be completed under each

contract. All planned arterial resurfacing work, which tends to be more challenging and costly than typical roadwork, is specified on the list.

   b. To better leverage construction efficiencies and thereby mitigate risk for vendors who haul equipment and materials into the City on a daily basis, the contract guarantees additional resurfacing locations in the vicinity of arterial work locations.

   c. The contract guarantees that the Public Works Department will announce any work locations not specified in the initial list during the annual pre-construction conference to enable vendors to coordinate with subcontractors and set yearly work schedules before the resurfacing season commences.

   d. To draw a stronger connection between program goals and vendor performance, the contract details why and how the City is committed to values such as public safety, constituent convenience, work zone cleanliness, and sustainability, and defines performance benchmarks that map to these values.

3) **Devised a two-stage performance payment structure to encourage excellent performance along all dimensions of the operation.**

   a. To better control work flow, minimize impact on constituents, and maintain roadway safety, the City defined "progression of work" targets for the construction components of the roadway resurfacing operation. Each quarter, the City evaluates whether vendors have met the progression of work targets on streets in their portfolio, and releases up to $15,000 per vendor in performance bonuses.

   b. To further encourage performance, the City expanded the scope of its third-quarter performance review to include a holistic assessment of vendor performance. During this review, vendors receive a letter grade based on their season-to-date performance not only for progression of work targets, but also for targets related to pavement quality, parking management, and environmental conservation. Those with higher grades win the right to additional in-season resurfacing work (an expansion to the original scope of work, and thus, contract dollars) relative to those with lower grades.

The Results: The new ARP contracts, worth $6 million a year, clearly define the City's objectives and set out a performance payment structure to align contractors' interests with these goals. In addition, the City now shares information on the anticipated work locations and hours upfront with vendors as part of the bidding process. This reduces the uncertainty that vendors face and enables them to more effectively plan their work, lowering their proposed budgets. The City also adopted an active contract management system to increase the flow of data on vendor performance and to engage relevant stakeholders in driving the success of the contract over the course of the season. Finally, excited about this new approach to contracting, the Public Works Department has decided to implement the results-driven contracting strategies piloted with ARP in all of the City's yearly capital programs (worth $40 million per year).

Procuring a Bike Share System Operator in Boston, Massachusetts

The public bike share program, Hubway, operates across Boston, Brookline, Cambridge, and Somerville.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Boston, neighboring municipalities, and its partners leverage their procurement for a new bike share operator to improve the user experience, maintain the current system's state of good repair, and expand the network of stations without significant public expense.

The Problem: Boston and three neighboring municipalities (Brookline, Cambridge, and Somerville) own the regional bike share system, Hubway. In coordination with the Metropolitan Area Planning Council, these participating municipalities had to procure a new operator for Hubway as their current contracts were set to expire in April 2017. Boston sought to use the procurement as an opportunity to address a number of challenges with the bike share system. Hubway members frequently encountered stations that were empty, preventing them from picking up a bike, or full, preventing them from dropping off a bike. The participating municipalities also wanted to expand the system to improve bike and dock availability in areas that were already served, boost total ridership, and increase access for low-income and minority communities.

Applying Results-Driven Contracting Strategies: Boston, its partners, and the GPL used this system operator procurement to:

1) **Implement performance metrics that better capture the user experience.** Hubway's previous key performance indicators (KPIs) were too broad to track a central performance challenge: keeping certain high-traffic stations "normal" – meaning at least one dock and one bike are available – during rush hours. Under the old contracts, individual stations were evaluated on whether they were "normal" for at least 85 percent of the time between 6 AM to 10 PM every day each month, an overly broad metric that did not focus on the times and places where rebalancing services were most needed. To better capture the user experience, the request for proposals (RFP) recommended that respondents a) use a "cluster" approach to measure bike and dock availability, and b) vary KPI targets by timing and by site. Using a cluster metric, a full or empty station would be considered "not normal" only if its immediately neighboring stations did not offer the needed bike or dock. And

providing distinct KPI targets for rush hours and for high-traffic stations will focus the operator on making bikes and docks available to the greatest number of users. By adopting KPIs that incorporate these structures, the operator will have a greater incentive to maximize user satisfaction, and will be positioned to collaborate with participating municipalities to pinpoint and troubleshoot challenges that arise after the contracts launch.

2) **Improve system operations by balancing operator oversight and flexibility.** Under the old contracts, many changes to system operations required parties to reenter negotiations. The new RFP instead proposed that the operator could modify the pricing and structure of some Hubway membership options, allowing for a) demand-based discounts that encourage users to return bikes to stations where they are most needed, reducing dependence on expensive rebalancing vehicles or valet services; b) promotions that increase ridership; or c) the creation of new membership tiers based on user demand, such as single ride passes for tourists. Where the operator's incentives to maximize revenue might not align with the participating municipalities' goals, the RFP included requirements and oversight measures. For example, the participating municipalities set goals for marketing and multilingual customer support to increase the diversity of members.

3) **Recruit private financing for the system expansion while promoting the participating municipalities' goals.** Hubway's complicated financing structure was typical of public-private partnership bike share systems. In the past, one participating municipality shared profits with the operator while the others paid the operator a fixed monthly fee for each functioning dock within their borders, as well as specific fees for other services needed during the contract term, such as installing or moving a station. The revenue sharing agreement proposed in the new RFP has the potential to remedy the current financing structure's limitations as well as to encourage the operator to improve user experience and to maximize the capital raise. The RFP identifies four revenue streams—a title sponsorship, which could give a single company branding rights akin to New York City's Citi Bike; secondary sponsorships to fund specific elements of the system such as single stations; member fees; and casual user fees—and proposes that each be split differently between the participating municipalities and the operator. This arrangement recognizes that revenue streams should be shared based on which party's performance will most influence that stream's size, the amount of funds parties need to fulfill their respective programmatic obligations, as well as the timing of when parties need funds to meet those obligations.

The Results: In April 2017, Boston and its partners finalized the new operations contracts and a regional Memorandum of Agreement. Under these new agreements, Boston will expand its station network by more than 70 stations over the next two years – there are 127 stations now – without spending additional public dollars. Through the expansion, the City is increasing access to the bike share system for low-income and minority communities, including reaching the neighborhoods of Roxbury and North Dorchester. The relaunched Hubway bike share system incorporates new procedures and financial incentives to improve the user experience.

Reducing Budget and Timeline Overruns of Street Reconstruction Contracts in Saint Paul, Minnesota

Mayor Coleman riding on the Capital City Bikeway in downtown Saint Paul.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Saint Paul expand the pool of vendors that bid on street reconstruction contracts and improve vendor management during construction.

The Problem: Saint Paul's Public Works Department issues several street reconstruction (street repaving, curb replacement, etc.) contracts each year. Prior to engaging the GPL, the City had been struggling with contracts regularly running past the agreed-upon timeline and budget. The City typically received only two proposals on each street reconstruction procurement, and nearly 90 percent of these contracts went to one vendor. The City suspected that greater competition could contribute to lower prices and more timely project completion.

Applying Results-Driven Contracting Strategies: To improve competition and the management of street reconstruction projects, Saint Paul and the GPL:

1) **Conducted a vendor survey to understand why vendors were not bidding on Saint Paul procurements.** The Procurement Office created a list of vendors who had not recently bid on Saint Paul contracts but bid on contracts with other municipalities and counties in the Minneapolis/Saint Paul metropolitan area. The GPL and the City collaborated on a questionnaire, and the GPL conducted a phone survey with targeted vendors. The survey results indicated that while vendors were excited to learn that the City wanted their feedback, vendors held inaccurate perceptions about the challenges of participating in the Public Works procurement processes. In particular, vendors voiced past concerns about the permitting and payment processes. To address these perceptions, the Procurement Office developed a print and digital communications campaign to explain how the procurement process works and how the City seeks to collaborate with vendors.

2) **Instituted a pre-bid meeting for every procurement.** The Procurement Office established a requirement to hold a pre-bid meeting for every procurement to explain the project and answer

vendor questions. Previously, pre-bid meetings were encouraged, but not required. In addition to improving the City's engagement with vendors, pre-bid meetings offered vendors the opportunity to meet one another and form joint ventures, partnerships, and subcontracting relationships that could create business opportunities for diverse vendors.

3) **Assigned a single staff person project management responsibility for the entire project from design to construction completion.** The Public Works Department restructured project responsibilities such that a single person was charged with managing an entire project rather than handing off project management responsibilities after the design was completed and the contract signed. This created more accountability throughout the construction process, particularly in managing change orders and contract amendments.

4) **Created a dashboard to track projects during the construction phase.** To better track project progress and enable a dialogue in real-time with vendors about construction progress, the GPL drafted a simple dashboard with metrics such as dollars spent, change orders, and project timing.

5) **Got some help from the press.** The new leadership of the Public Works Department generated media attention[1] as part of a strategy to better communicate improvements on a variety of issues from snow removal to parking to capital projects.

The Results: In 2016, Saint Paul issued seven procurements and received between two to seven bids on each project, achieving a significant expansion of the vendor pool. Furthermore, only two of the seven procurements were awarded to the same vendor. This progress has continued in 2017 as the first procurement of the construction season received seven bids. Anecdotally, there are early indications that the recent projects have elicited fewer change orders and contract amendments. In addition, the Procurement Office has continued to foster a culture of continuous feedback from vendors by following up with vendors not selected for a procurement and debriefing with selected vendors at the end of each project to understand strengths and opportunities for improving the procurement process.

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[1] For more details, see the following link: http://www.twincities.com/2016/05/27/st-paul-public-works-reorganization-is-largest-city-shuffle-since-2006/.

Driving Performance of Grounds Maintenance Contracts in Wichita, Kansas

Riverside Park in Wichita, Kansas. (Photo by Wichita Parks Foundation)

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Wichita reform its solicitations for grounds maintenance and landscaping services to improve the quality of City parks while reducing costs.

The Problem: In 2008, Wichita's Parks Department transitioned its internally managed grounds maintenance services to local landscaping companies in response to fiscal pressures. However, while drastically downsizing its staff by approximately 50 percent, the City did not adjust its approach to managing the contractors from how it had previously managed its own employees. The City dictated everything from activities required during each mowing cycle to worker and equipment qualifications (down to the size and lettering of branding displayed on vehicles). Additionally, in 2015, grounds maintenance bid amounts were up 30 percent over the prior year, contractors were failing to meet parks inspectors' quality standards, and City officials had received numerous complaints about the height of the grass on playgrounds and playing fields. These challenges led the Parks Department to institute a provision for punitive damages for poor performance in grounds maintenance contracts. However, performance standards were not clearly defined, contractors were fined at the discretion of Parks department staff, and had no appeals or mediation process. This further soured the relationship between the City and vendors, making collaboration difficult.

Applying Results-Driven Contracting Strategies: To improve the quality of City parks while reducing grounds maintenance costs, Wichita and the GPL:

1) **Created a tool to track performance on key indicators.** The GPL developed and tested a data collection tool that was compatible with the Android tablets ground inspectors were using in the field. Using a Google Form, the tool enabled each inspector to drill down into areas and individual parcels they were responsible for servicing. It also gathered information on the date and time of inspection, the designated inspector, six key performance indicators (grass height, debris on site, prevalence of weeds, sidewalk edging, property damage, and sprout removal), and whether a re-inspection would be required.

2) **Created operational flexibility for vendors and set up a system to actively manage performance using data.** Instead of dictating inputs and activities and penalizing poor performance, the City provided vendors with more flexibility in managing the progress and completion of their tasks. The actionable data that the City now collects can be used to understand and troubleshoot problems with service delivery in real-time. Furthermore, this information can also be used to compare performance between vendors performing similar tasks and inform future procurement and contracting decisions.

3) **Conducted a competitive procurement to select vendors for smaller parcels based on quality of service and price.** The City decided to re-solicit grounds maintenance contracts as a competitive Request for Proposal (RFP) rather than rely completely on the lowest-bid. For the first time, the City considered past performance, vendor experience, and ability to report on key metrics as part of the vendor selection. In addition, to reduce barriers to entry and encourage competition, the Purchasing Department divided large land areas that were previously bid out into smaller parcels and reached out to vendors that had not previously bid on the City's contracts.

4) **Replaced punitive damages for under-performance with a bonus payment to reward over-performance.** The City replaced its contract provision for punitive liquidated damages with a 5 percent performance bonus to more effectively incentivize strong performance. Incentives were offered three times throughout the mowing season.

5) **Empowered contractors to take ownership of the property outcome.** Vendors submitted invoices with pictures of the completed work. This eliminated the need for City staff to perform on-site inspections.

The Results: Wichita increased the number of small and minority-owned businesses participating in the procurement and boosted overall competition. Specifically, the number of vendors submitting responses rose by 38 percent, and more than 95 percent of parcels had more than one bid. And with flexibility around mowing cycles and pricing structures, overall costs remained roughly the same as during the prior year. Wichita has applied the RDC approach to 11 grounds maintenance contracts that resulted from this procurement. The City has introduced a 5 percent performance bonus payment for each of these contracts. And in one contract, the City is piloting a 100 percent outcomes-based payment for a small group of parcels whereby the payment to the vendor is fully dependent on maintenance of quality standards (including grass length and absence of weeds, trash, and debris). Most importantly, residents' lives have improved as indicated by the fact that complaints to the City Manager about grounds maintenance have substantially fallen.

Improving Outcomes for Waste Collection Services in Charleston, South Carolina

Employees delivering waste collection services for the City of Charleston. (Photo by Matt Alltop)

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Charleston reform its solicitations and increase price flexibility for the City's waste collection services.

The Problem: Due to its size and geographic dispersion, the City of Charleston provides in-house waste collection services in some areas, and contracts out for these services in others. The City desires that all neighborhoods – regardless of service provider – receive safe, high-quality, and timely garbage, debris, and bulk item waste pick-up. With the contract for waste collection services in two of the fastest-growing areas of the City set to expire, Charleston engaged the GPL for assistance in issuing a request for proposals (RFP) that is oriented around the unique challenges of delivering services to these areas, clearly-defined performance metrics, and the flow of information between residents, the vendor, and the City.

Applying Results-Driven Contracting Strategies: In order to provide residents with high-quality waste collection services while making efficient use of taxpayer dollars, Charleston and the GPL:

1) **Tailored the RFP objectives to the unique circumstances of waste collection on Daniel Island and Cainhoy.** Daniel Island and Cainhoy are two of the fastest-growing areas within the City of Charleston. The two areas also pose distinct challenges for waste collection vendors. While Daniel Island is home to some of the City's narrowest streets and alleys, Cainhoy is a rural community with secluded homes and roadways. Accordingly, the City explicitly defined its desire to work with a vendor that has the ability incorporate new collection routes over the course of the contract; serve new homes along existing routes; and provide high-quality services along tight city streets, as well as remote gravel roads.

2) **Defined key performance metrics to reflect the City's goal of safe and on-time waste collection services.** Prior to engaging the GPL, the City had not clearly mapped its waste collection objectives with well-defined performance standards. The new RFP explicitly defines what is meant by

high-quality performance along several key domains – route completion, response time to missed collections, response time to roll cart requests, and response time to property damage claims. Because the City depends on the vendor to report performance in several of these domains – for example, it is incumbent upon the vendor to report when a route is incomplete, meaning fewer than 95 percent of homes on the route were serviced – the RFP emphasizes a desire to work with vendors using real-time data-sharing capabilities.

3) **Implemented a performance-based payment structure to encourage excellent performance.** The new RFP gives the City the option to levy penalties for vendors' failure to meet the standards of service delivery (discussed above). In this way, the threat of potential penalty gives vendors the incentive to deliver high-quality performance along the domains that are most important to the City. To minimize the perverse incentive of having the vendor report on its own performance, the City also has the option to levy penalties for underreporting of serious offenses (as the City can validate this information through citizen contact).

4) **Provided vendors with key information and flexibility to facilitate vendor planning and maximize the value of taxpayer dollars.** The new RFP reduces uncertainty by letting vendors know precisely which streets – and how many – require the use of special collection equipment. It also gives vendors the ability to set their own collection times and immediately resolve certain types of complaints in the field. Finally, the RFP asks for price estimates by collection type and day of the week. The reduced uncertainty and increased flexibility offered by the RFP are meant to ensure that the City receives the best possible services at the best possible price.

The Results: The City's Procurement, Budget, Environmental Services, and Process Improvement offices collaborated on an RFP for waste collection services on Daniel Island and Cainhoy that has clear objectives, is outcomes-oriented, improves the collection of key data and provides vendors with the incentives to meet the City's goals. The RFP also reduces uncertainty for vendors, which is a crucial step in controlling costs. The RFP launched in the Fall of 2017, a vendor was selected, and the contract was approved by City Council. The contract was implemented in January 2018 and the City is standardizing processes for collecting data from vendors and tracking the metrics developed with the GPL.

Adopting a Strategic Procurement System in Louisville, Kentucky

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Louisville design and pilot a strategic procurement system to improve the outcomes of the City's contracted dollars.

The Problem: Like many cities, Louisville simply renewed contracts year after year without assessing performance and considering potential improvements to contracts, thereby missing opportunities to achieve better results.

Applying Results-Driven Contracting Strategies: In order to identify the City's most important and challenging upcoming procurements and to develop solutions for improving the performance of the contracts, Louisville and the GPL:

1) **Designed a strategic procurement system.** The GPL supported the Division of Purchasing within the Louisville Office of Management and Budget (OMB) in designing a new strategic procurement system that would allow the City to systematically prioritize and focus staff resources on improving key upcoming procurements. Specifically, OMB:

    a. **Established a Strategic Procurement Committee.** The Strategic Procurement Committee consists of senior department leaders that select key procurements or renewals that are expiring within the next quarter. These contracts are selected if they i) are high value or strategically important, ii) are coming up for renewal, and iii) could produce better outcomes through more strategic planning and management.

    b. **Assigned working groups to each contract.** The working groups met six times to learn general contracting and procurement best practices, identify challenges for their assigned contract, and develop recommendations for improving the results of the contract. Each working group was comprised of three members: one staff member from the department that held the contract, one staff member from an external department, and one staff member from OMB. The working groups shared their final recommendations with the Strategic Procurement Committee to get approval and implement changes.

2) **Tested the new system on three key upcoming procurements.** The Strategic Procurement Committee selected three upcoming procurements for piloting the new system. The pilot included a security guard services contract, a sidewalk repair and resurfacing contract, and an elevator maintenance contract.

3) **Refined the strategic procurement system based on the successes and challenges of the pilot.** Based on the lessons learned from the pilot, Louisville adjusted the structure of the system and formalized it. Notably, representation from the Mayor's Office of Performance Improvement and Innovation, the Office of Risk Management, and the Department of Information Technology was added to the Strategic Procurement Committee. The Committee is now also responsible for making recommendations to improve contracting and procurement system-wide. The working groups were streamlined and will meet less frequently to reduce the time requirements of participating in the new system. Finally, an OMB staff member is now in charge of coordinating and managing the system.

4) **Formalized opportunities to collaborate and share best practices from high-performing contracts across multiple departments.** Through the working groups, staff share solutions to contracting challenges and brainstorm new strategies. This formalized collaboration encourages staff across multiple departments to implement solutions developed by the working groups.

The Results: Louisville plans to incorporate the working group recommendations on the three pilot contracts as they are rebid. The Strategic Procurement Committee is meeting on a quarterly basis to review contracts coming up for expiration, identify those that are high-priority, and select working group staff members to analyze contract challenges and recommend improvements. Additionally, they will review purchasing data to identify trends and develop policies for system-wide changes, such as incorporating a vendor report card into facilities management projects.

Promoting Vendor Diversity in
Boston, Massachusetts

*Mayor Walsh signs a Memorandum of Understanding announcing the creation of the
Boston Small Business Center in June 2017. (Mayor's Office Photo by Jeremiah Robinson)*

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Boston improve its vendor diversity by contracting with more Minority- and Women-owned Business Enterprises (MWBEs).

The Problem: Contracting with government can be a challenge for MWBEs for several reasons. First, government contracts tend to be larger than private sector contracts and involve burdensome procurement processes that can be overwhelming for smaller businesses, including those owned by women and people of color. Second, minority small business owners may have less access to capital. In particular, small businesses often depend on family and friends for start-up and growth capital, and on average people of color have only a fraction of the net worth of white families. Third, people of color and women can face discrimination in the private marketplace. Like many other cities, Boston wanted to improve the racial and gender diversity of its vendors so that contracted dollars also support the City's equity goals. This effort further aligns with the City's goal of having local residents win a greater fraction of its contracts.

Applying Results-Driven Contracting Strategies: With the assistance of the GPL, Boston's Department of Innovation and Technology (DoIT), Department of Neighborhood Development (DND), and Office of Small Business Development (OSBD) collaborated on several initiatives to improve vendor diversity:

1) **Establishing vendor diversity goals and creating a performance tracking system to monitor progress toward goals.** In Boston, Mayor Walsh publicly set goals for increasing the number of MWBEs with which the City contracts, signaling his commitment to vendor diversity to City employees as well as to businesses. Boston is also setting up an internal visual dashboard to monitor several outcomes for the City as a whole and for individual departments. In addition to reviewing the percentage of total contracted spending going to certified MWBEs, the City will track complementary metrics to get a more complete picture of challenges and successes. For example, the City will monitor

the size and distribution of contracts to highlight if absolute or percentage spend targets are met by giving a small number of large contracts to MWBEs or by giving many small contracts to a small number of MWBEs. Either of these scenarios would suggest that the City or a specific department was not successful in its outreach or in building the capacity of smaller MWBEs.

2) **Streamlining procurement practices.** DoIT and other departments have streamlined procurement processes and focused on strategically structuring contracts to make contracting with the City more accessible and transparent. Process and systems improvements have included:
   - Improving timeliness of payment to vendors;
   - Encouraging departments to eliminate or lessen deposit or bonding requirements;
   - Clarifying language on the City's contractor registration website and creating a single landing page (www.boston.gov/contracting-city) for all organizations interested in working with the City;
   - Minimizing paperwork requirements, including allowing for documentation to be submitted electronically wherever possible;
   - Breaking up large contracts into multiple small contracts to increase accessibility for small businesses;
   - Facilitating partnerships between new and established firms, including by sharing contact information between businesses that attend City-led information sessions about procurements;
   - Sharing request for information (RFI) responses to publicize which vendors are potentially interested in a procurement, both to facilitate the formation of joint ventures between firms and to provide a window into how competitors view the opportunity; and
   - Providing feedback to contractors who did not win a bid on how to strengthen future applications.

3) **Expanding technical assistance for diverse vendors.** Boston has assembled a team of motivated DND and OSBD staffers, who are skilled in project management and business development and have roots in the communities they serve, to provide intensive outreach and technical assistance to small businesses, which are disproportionately MWBEs. These efforts include:
   - Providing one-on-one support and guidance to vendors on the City's requirements for business registration, certification, bidding, contracting, and payment processes;
   - Conducting workshops on business development in predominantly low-income or minority neighborhoods;
   - Partnering with nongovernmental organizations to increase access to capital and pro bono legal services for smaller vendors;
   - Attending community group meetings, including those affiliated with churches and trade organizations; and
   - Cold-calling publicly listed businesses to inform them of new bidding opportunities.

The Results: Initial signs suggest that these strategies can be effective. For example, DND estimates that 70 percent of its maintenance expenditures on City-owned, vacant plots in the first half of 2015 was spent on contracts with MWBEs. DND, OSBD, and DoIT are sharing their practices with other City departments as they seek to build momentum around improving vendor diversity throughout the City government. Furthermore, the City launched a New Small Business Center in June 2017, which will serve as a one-stop resource for small business owners and entrepreneurs, providing professional training, networking, and one-on-one coaching sessions. The Mayor's Office of Economic Development has also set out to conduct a disparity study to support the City's equity-based policies, with a request for proposals (RFP) for a consultant released in October 2017.

Establishing a Vendor Evaluation System in
Little Rock, Arkansas

The Little Rock Purchasing Team has been implementing reforms to improve the City's procurements.

As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help Little Rock adopt results-driven contracting strategies across its entire procurement portfolio, improving consistency, vendor management, and data usage throughout the City.

The Problem: Little Rock's Purchasing Division historically performed compliance-based functions, shuttling solicitations developed within various departments to the City Attorney's Office and ensuring minimum standards were met during the procurement process. The City had been struggling with contracts regularly needing to be re-solicited due to an insufficient number of respondents or poorly constructed requests for proposals (RFPs) and requests for qualifications (RFQs). Additionally, the City became concerned that vendor competition and diversity were declining, and the lack of performance evaluations in previous contracts meant that departments often selected underperforming vendors. The City believed that centralizing the procurement process, improving consistency among solicitations, and focusing on vendor performance could result in increased competition and greater value for the City.

Applying Results Driven Contracting Strategies: To improve the procurement process and increase competition and performance tracking of vendors, Little Rock and the GPL:

1) **Conducted interviews with City departments to understand existing procurement practices.** The GPL and the City Purchasing Manager conducted 11 interviews across City departments to better understand existing procurement practices. The interviews highlighted that City staff found the procurement rules difficult to navigate, practices were inconsistent across the City, and there was a hesitancy to engage with Purchasing staff since they were perceived to add bottlenecks to the procurement process. As a result, each City department went through its own process for developing RFPs, meaning that relevant staff were not always consulted on the development of a solicitation, vendors and Purchasing staff were often not expecting the procurement to be released, and expectations were frequently unmet. To address these concerns, the

Purchasing Division developed several guideline documents for departments to follow as they create new solicitations, including who needed to be included at various stages of the process.

2) **Invited new and/or recently rejected vendors to speak with procurement staff about the application and procurement experience.** To better understand the procurement experience from the vendor's perspective, the GPL and the Purchasing Manager interviewed vendors that had recently either been awarded a city contract for the first time, or had applied and not been selected. These conversations flagged steps in the procurement process that were confusing to vendors and sometimes counterproductive in encouraging participation of new vendors.

3) **Designed a new outcomes-focused RFP template to improve consistency across the City.** Using the information gathered through the interviews, the GPL assisted the Purchasing Division in developing a performance-based RFP template. The template included directions for city staff on how to develop each section and ensured that each solicitation contained the appropriate information in a consistent format. Beta testing of the template allowed for staff to become comfortable with the new format and provide feedback on how to make it more user-friendly.

4) **Developed a vendor performance review framework.** To better track vendor performance and enable a dialogue with vendors about project progress, the GPL drafted a simple vendor performance review form. For the first time, the City was able to collect vendor performance information over the course of a contract—and across multiple contracts with the same vendor—and use that information to influence future contracting decisions.

The Results: In 2016, Little Rock transitioned 100 percent of their RFPs to the performance-based RFP template developed in partnership with the GPL, a practice that has been sustained. Since launching the new RFP template, the City has observed a decrease in re-procurements and change orders as well as increased cost control. Initial vendor performance reviews have been productive and poor performing vendors are beginning to be replaced. Furthermore, the City created a cross-departmental Procurement Task Force to review existing procurement policy and make recommendations for changes based on best practices and the work done with the GPL. These recommendations are presented to the City Manager who will then move them forward as changes to the City's procurement code to be approved by the Mayor and Board of Directors. These changes are expected to further improve contract management, increase vendor competition in Little Rock, and deliver greater value for taxpayers.

HARVARD Kennedy School
Government Performance Lab