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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**IBA Report Number:** 11-05

**City Council Docket Date:** February 1, 2011

**Item Number:** 332

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# Preliminary Statement of Work for Fleet Services

## OVERVIEW

On February 1, 2011 the City Council will be requested to review and approve the Preliminary Statement of Work (SOW) for General Services Department, Fleet Services Division.

In IBA Report 10-90, "Preliminary Statement of Work for Publishing Services," we summarized initial steps of the current Managed Competition process as well as City Council's role in approving the Preliminary SOW. We also outlined what is included in the Preliminary SOW and what can be expected in the Final SOW. This report will outline this information as well as discuss the City Council's ability to alter what is being measured in the Preliminary SOW as long as the service quality is not degraded.

## FISCAL/POLICY DISCUSSION

The Managed Competition Guide was approved by the City Council on October 12, 2010. The following provides a basic overview of the initial steps of the current process:

- Once a function has been considered for managed competition, a pre-competition assessment is performed to determine its appropriateness and eligibility for the managed competition program. Criteria utilized to make this determination include evaluating whether the function is inherently governmental, legal limitations, risk analysis, availability of alternatives, and efficiency/economic gain.
- If a function has been deemed appropriate and eligible for competition, the Mayor will prepare a preliminary written Statement of Work. The Preliminary SOW is provided to the City Council for review and approval.

As mandated by the City Charter, City Council is responsible for ensuring that service quality in the City is maintained when it has been determined by the Mayor that a function will undergo a managed competition process. Council approval of the Preliminary SOW is an important step in the process as it provides Council the opportunity to review service level requirements prior to issuance of the Request for Proposal (RFP). The Preliminary SOW describes the scope of the services being procured as well as existing workload requirements and selected performance standards. Once approved, the Preliminary SOW will form the foundation of the Statement of Work that will be developed and included in the RFP. Service levels cannot change between the Preliminary SOW as approved by Council and Final SOW.

The Preliminary SOW identifies existing City service levels based on current funding levels, as reflected in the adopted budget. This preliminary step is to ensure that existing service levels are well documented and approved by the legislative body and that service levels provided through competitive procurement will not result in reductions.

Not all service level information and performance standards are included in the Preliminary SOW so as to protect the competitive process. More detailed information will be included in the Final Statement of Work (SOW), which will be developed in the next phase in preparation for issuing a Request for Proposal.

As outlined in the Managed Competition Guide, the Final SOW will include the following information:

- General and Specific requirements- These requirements will describe the services the City is seeking from a service provider. This information includes the overall scope of work, general operating conditions, quality control requirements and employee certifications and training requirements.
- Any City-furnished Property, materials and services that will be provided to the selected service provider and whether the cost for replacement of City-furnished Property, when necessary, will be borne by the City or included in the service provider's proposed costs. Also included in the SOW is whether bidders should include or exclude the cost of any ongoing maintenance of City-furnished Property.
- Technical exhibits including but not limited to workload data, performance levels, facility data, and government furnished property inventory.
- Supporting documentation, which may include drawings, maps, component system descriptions, property inventories, reporting formats, material usage, guiding documentation, and other reference materials.

The IBA recommended that the following items also be included in the Preliminary and Final SOW:

- Expectations for how the provider will track requests, complaints, other feedback and how and when this information will be transmitted to the City.

- Expectations for how and when the provider will communicate to the city about service mishaps or delays and related remedies.

This information has been provided in IBA report 10-90.

### Fleet Services

It should be noted that the City Council has the discretion to alter what is being measured in the Preliminary SOW as long as the service quality is not degraded. Managed Competition contracts are performance-based and require appropriate performance measures to outline service quality requirements that must be met. They also help indicate whether a service provider is meeting the contract terms. As stated in the Managed Competition Guide, Final SOWs should “focus on what is to be done rather than on how it is currently done.” Specifying the desired end result through appropriate performance measures allows the proposer to describe how they would meet them.

In the case of Fleet Services, the PSOW includes a minimum of two Automotive Service Excellence (ASE) certified stations within the Performance Standards. Requiring a minimum number of stations (certified or not) in the PSOW may be considered restrictive, by dictating how the fleet services function should be operated. Including such a restriction, may limit the number of bids that are received or affect a bidders operational proposal.

At the same time, the number of ASE certified stations is not a measure of the ***quality*** of service that is provided, and instead reflects an operational statistic. Removing this measure from the Performance Standards in the Fleet Services PSOW (or reducing the number to a minimum of one) is an option available to the Council as it would not degrade the current quality of service. Such a change may improve the RFP and, ultimately, the proposals received.

### Quality Assurance

To ensure proper monitoring and evaluation of performance standards, a Quality Control Plan is developed by each bidder and is included in their proposal. This plan will define how the bidder will conduct quality control internally based on the specific requirements and the defined service levels of the RFP. The City provides a Quality Assurance Surveillance Plan (QASP) which it will use to evaluate the service provider’s performance. Non-performance of a contract occurs when the service provider’s performance does not meet or exceed the prescribed performance standard for a given requirement. The corrective actions are outlined under the terms and conditions in the contract and can include termination if the performance deficiency is not cured.

### Next Steps

Once the Preliminary SOW is approved by the City Council, the City will begin preparing for the solicitation. A Final SOW will be developed and will be included in the

RFP. The RFP is expected to be issued by May 2011. The City will receive proposals and forward to the Managed Competition Independent Review Board (MCIRB) who will evaluate and make a recommendation to the Mayor. The Mayor can accept or reject the MCIRB recommendation. If accepted, the Mayor will appropriately notify all labor organizations and begin the meet and confer process. The Mayor will then forward the recommendation to the City Council where they may reject or accept the recommendation.

## CONCLUSION

Based upon our review of the Preliminary Statement of Work for Fleet Services, including reviewing service level data and performance measures, the IBA recommends City Council approval.

The Fleet Services PSOW includes a minimum of two ASE certified stations within the Performance Standards. Since requiring a minimum number of stations in the Preliminary SOW may be considered restrictive and limit the number of bids or affect bidders' operational proposals, removing this measure (or reducing the number to a minimum of one) is an option available to the Council as it would not degrade the current quality of service. Such a change may improve the RFP and, ultimately, the proposals received.

**[SIGNED]**

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