



The Civic Federation

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MANAGED COMPETITION

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The Civic Federation is an independent, non-partisan government research organization working to maximize the quality and cost-effectiveness of government services in the Chicago region and State of Illinois.

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EXECUTIVE SUMMARY

Managed competition is a form of alternative service delivery¹ that requires in-house service units of a government to compete with external providers under a controlled or managed process.

The purpose of this issue brief is to describe managed competition, provide a short history of its use and results, identify managed competition best practices and to review the forms of managed competition being used in selected jurisdictions including San Diego, California; Charlotte, North Carolina; Cook County, Illinois and Chicago, Illinois.

The benefits of using managed competition include:²

- *Improving efficiency:* Governments can reduce the cost of services by reducing delivery schedules.
- *Empowering front-line employees:* Involving employees in the decision-making process can help soften transition processes when moving to new methods of service delivery.
- *Promoting innovation:* Managed competition can foster creativity and encourage employees to explore new ways to deliver services, deal with service demands and staff programs.
- *Providing opportunities for management and labor to work together:* Management and labor can partner to more efficiently deliver services.
- *Rewarding competitive thinking:* If managed competition programs include gainsharing, governments can share savings with employees.

The disadvantages of managed competition include:

- *The difficulty and expense of accurately identifying the total cost of service delivery:* It is an essential step to first accurately identify all direct and indirect costs to help determine if savings can be achieved through a managed competition process. That requires the government to have a cost accounting system in place to link costs to service outcomes. Developing such a system can be costly.
- *Getting public acceptance* or buy-in for service delivery changes.
- *Staff reductions:* There may be a need for layoffs if the government unit is to remain competitive with private vendors in a managed competition bid.
- *Negative impacts on employee morale:* If employees lose a managed competition bid, it can have a demoralizing impact.

Managed competition case studies show that successful implementation of managed competition requires:

¹ Alternative Service Delivery (ASD) refers to any process that shifts some or all of the functions or responsibilities of delivering a service from the public sector to the private sector or the nonprofit sector. It is a broader definition than that for public-private partnerships as actors may be involved that are neither public nor private.

² The discussion of benefits and disadvantages of managed competition is drawn from Christine Smith, "Managed Competition," International City County Management Association, http://icma.org/en/icma/knowledge_network/documents/kn/Document/304186/Managed_Competition (last visited on July 24, 2013).

- A strong oversight and performance monitoring system to manage and evaluate the effectiveness of a managed competition contract;
- The collection and analysis of accurate cost data so that bids can be effectively compared and contract efficiency monitored during implementation.
- A plan for workforce training so that employees can: 1) prepare competitive bids and meet performance standards in successful contracts or 2) transition into other areas of government or out of government service if they are not successful in winning a competition.

Managed Competition Highlights from Selected Jurisdictions

Some of the highlights of managed competition efforts in three of the four jurisdictions reviewed are presented below. Cook County, Illinois is in the process of developing a managed competition for janitorial services and does not yet have results.

Charlotte, North Carolina

- Between February 1994 and July 2010, Charlotte municipal departments conducted approximately sixty competitions. The services subject to competition included transportation, neighborhood development, garbage collection and water treatment.
- Of those competitions, forty-six were awarded to City departments while fourteen were initially awarded to private contractors.
- As a result of using managed competition, the city reports that municipal departments have changed their business culture and now systematically incorporate benchmarking and continuous process improvements into their operations.
- It is estimated that more than \$10 million in administrative and program costs over time have been saved since the inception of Charlotte's managed competition program.

San Diego, California

- There have been seven competitions since 2010 for the following city services: 1) Publishing Services; 2) Fleet Maintenance; 3) Street Sweeping; 4) Public Utilities Department Customer Support; 5) Street and Sidewalk Maintenance; 6) Landfill Operations; and 7) Capital Improvement Program Delivery.
- City workers have won five of these competitions for combined annual projected savings of \$12.2 million. Of these competitions:
 - Fleet Maintenance projects \$4.2 million in savings. This will require laying off 26 staff members and eliminating 50 vacancies.
 - Street Sweeping estimates \$559,000 in savings, including the elimination of two positions.
 - Landfill Operations estimates \$5.6 million in savings and the elimination of 11 positions.
 - Street and Sidewalk Maintenance estimates it will achieve \$875,000 in savings.

Chicago, Illinois

- Since 2011 Chicago has conducted competitions for five services: 1) the Blue Cart recycling program; 2) tree trimming; 3) the water call center; 4) custodial services at O'Hare Airport; and 5) the City health clinics.

- The City projects that it saved \$4.7 million in recycling costs for its Blue Cart program in the one year period after implementation. These savings will be used to expand the program to 340,000 additional households in 2013.
- The City estimates that annual investments for the Blue Cart program under managed competition have fallen from \$31.1 million to \$19.2 million.

THE BASICS OF MANAGED COMPETITION

Managed competition is a form of alternative service delivery or public-private partnership (P3) that requires in-house service units of a government to compete with external providers under a controlled or managed process. Essentially, it involves comparing the costs and benefits of contracting out public services versus the costs and benefits of those same services being provided by public employees. This approach was pioneered by the city of Phoenix, Arizona in the 1970s and has since been utilized by a number of jurisdictions, including Indianapolis, Indiana; Charlotte, North Carolina; San Diego, California and Chicago, Illinois.

The following sections provide an overview of 1) the benefits and drawbacks of implementing managed competition; 2) lessons learned from managed competition cases around the country; 3) a description of the managed competition process; and 4) discussion of best practices in managed competition.

The Pros and Cons of Managed Competition

In a recent article from the International City County Management Association, author Christine Smith notes some of the pros and cons of managed competition.³

THE PROS AND CONS OF MANAGED COMPETITION	
BENEFITS	PROBLEMS
Efficiency Improvements	Fully Identifying Total Costs
Empowering Employees	Winning Public Acceptance
Promoting Innovation	Staff Reductions
Encouraging Labor-Management Partnerships	Employee Morale
Rewarding Competitive Thinking	

The benefits of using managed competition include:

- *Improving efficiency:* Governments can reduce the cost of services by reducing delivery schedules.
- *Empowering front-line employees:* Involving employees in the decision making process can help soften transition processes when moving to new methods of service delivery.
- *Promoting innovation:* Fostering creativity and encouraging employees to explore new ways to deliver services, deal with service demands and staff programs.

³ Christine Smith, "Managed Competition," International City County Management Association, http://icma.org/en/icma/knowledge_network/documents/kn/Document/304186/Managed_Competition (last visited on July 24, 2013).

- *Encouraging labor-management partnerships:* Providing opportunities for management and labor to work together in partnerships to deliver services.
- *Rewarding competitive thinking:* Providing opportunities for gainsharing, which allows governments to share savings with employees.

The disadvantages of managed competition include:

- *The difficulty and expense of accurately identifying the total cost of service delivery:* It is an essential step to first accurately identify all direct and indirect costs to help determine if savings can be achieved through a managed competition process. That requires the government to have a cost accounting system in place to link costs to service outcomes. Developing such a system can be costly.
- *Getting public acceptance* or buy-in for service delivery changes.
- *Staff reductions:* There may be a need for layoffs if the government unit is to remain competitive with private vendors in a managed competition bid.
- *Negative impacts on employee morale:* If employees lose a managed competition bid, it can have a demoralizing impact.

Lessons Learned from Selected Managed Competition Cases

Several studies of managed competition efforts in various jurisdictions have made important observations about the process. Some of the lessons learned from these efforts are summarized below.

A 1997 study of six state and local privatization efforts including managed competition by the then General Accounting Office identified six lessons that could be drawn from these experiences and applied to privatization efforts in other jurisdictions.⁴

- Privatization is more likely to be successful if it is championed by a *political leader*.
- Government leaders must take the time and effort to develop an *implementation structure* for privatization efforts.
- *Legislative and resource changes may be necessary* to promote the use of privatization.
- Governments must *collect and evaluate* reliable *cost data* to support informed privatization decisions and to assess the performance of privatized services or functions.
- Governments must develop *strategies for workforce transition* if privatization is adopted.
- Developing a sophisticated *monitoring and oversight system* is critical to the success of privatization efforts to protect the government's interests and to ensure the delivery of high quality, cost effective services after privatization has commenced.

A study prepared for the Baltimore Efficiency and Economy Foundation in 2000 that reviewed privatization efforts in Charlotte, Indianapolis, Philadelphia, Phoenix and San Diego concluded that a successful managed competition program required the following:⁵

⁴ United States General Accounting Office, "Privatization: Lessons Learned by State and Local Governments. A Report to the Chairman, House Republican Task Force on Privatization," March 14, 1997, p. 4.

⁵ Marsha R.B. Schachtel and Douglas R. Sahmel, "Competitive Governance Strategies for Baltimore City: Lessons from Other Cities," Baltimore Efficiency and Economy Foundation, September 2000, pp. 57-58.

- Identifying the presence of a pool of qualified vendors;
- Calculating the degree to which savings can be applied to other government functions;
- Assessing the vulnerability of the community to service disruption if the contractor should fail to perform;
- Developing alternatives available for potentially displaced government employees;
- Implementing longer contracts (7-10 years), especially in services such as solid waste and recycling as these will attract more competitors initially and are likely to produce lower rates;
- Special attention must be given to defining performance standards, compliance monitoring and non-compliance remedies in long-term contracts;
- Developing effective Requests for Proposal, especially regarding the development of performance standards;
- Avoiding the specification of inputs or solutions. Instead, the managed competition contract adopted should define the output desired and leave implementation to the competition winner; and
- Utilizing the knowledge of existing workers in developing processes.

A 2006 case study of Indianapolis' use of managed competition for fleet services concluded:⁶

- Managed competition can be a difficult process to implement as it requires a great deal of sustained attention during all stages of the process;
- Successful managed competition efforts require a long-term commitment by the government to ensure adequate performance. This requires intensive monitoring of contract performance to meet contract goals; and
- Monitoring managed competition contracts can be an expensive proposition.

The Reason Foundation's 2007 study of San Diego's managed competition efforts concluded that the keys to success for a managed competition process included:⁷

- Utilizing *trained procurement staff* in the process who are skilled in negotiating and managing contracts;
- Establishing a *centralized managed competition unit* that assists other departments in developing procurement and competition documents;
- Developing *performance measures* to measure and monitor contract implementation;
- Developing *reliable cost comparisons* for in-house versus private vendor competitions; and
- Implementing *performance-based contracts*, that is soliciting bids on the basis of what the results the government wants and not what activities are to be conducted.

⁶ Hai-Chiao Chang, et al, "Managed Competition in Indianapolis: The Case of Indianapolis Fleet Services," Columbia University School of International and Public Affairs, December 6, 2005, p. 15.

⁷ Geoffrey Segal, et al. "Streamlining San Diego: Achieving Taxpayer Savings and Government Reforms Through Managed Competition," San Diego Institute for Policy Research and Reason Foundation, September 1, 2007, pp. 48-50.

Managed competition has won support from organized labor in certain circumstances. A 2012 report by the Chicago Federation of Labor notes that public employees have successfully won service contracts and saved governments millions of dollars, including City Hall maintenance services in Tulsa, Oklahoma; print shop operations in San Diego, California; solid waste collection in Phoenix, Arizona; and fleet services in Indianapolis, Indiana.⁸ Drawing on these cases, the report outlines some steps that organized labor argues governments can take to ensure fair managed competition efforts:

- The government should spend adequate time defining the full scope of the service being considered for managed competition. Every aspect of the service must be identified, including services provided by other government units;
- Bid requirements should provide for pay scales comparable to those for public employees;
- Services to be competitively bid should be defined in terms of outcomes, not processes;
- Time and resources should be devoted to training city employees on how to develop bid proposals;
- Mechanisms should be developed to ensure that there is a level playing field between public workers and private vendors; and
- A performance monitoring system should be established to ensure that bid standards are met.

While the case studies reviewed above emphasize different aspects of managed competition, some common themes do emerge. They include the need for:

- A strong oversight and performance monitoring system to manage and evaluate the effectiveness of a managed competition contract;
- The collection and analysis of accurate cost data so that bids can be effectively compared and the efficiency of the contract monitored during implementation; and
- A plan for workforce training so that employees can: 1) prepare competitive bids and meet performance standards in successful contracts or 2) transition into other areas of government or out of government service if they are not successful in winning a competition.

Successfully meeting each of these goals likely requires the extensive use of fiscal and staff resources.

The Managed Competition Process

There are several different ways to approach managed competition:⁹

⁸ Chicago Federation of Labor. "City of Chicago 2012 Budget Efficiency Report," July 26, 2011.

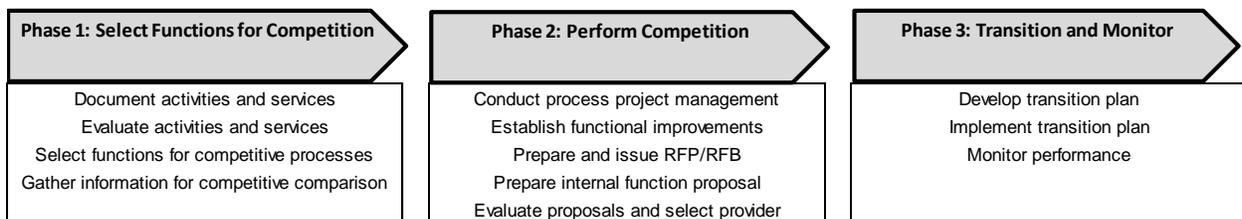
⁹ The following discussion is drawn from Christine Smith, "Managed Competition," International City County Management Association, http://icma.org/en/icma/knowledge_network/documents/kn/Document/304186/Managed_Competition (last visited on July 24, 2013).

- *Ad Hoc* Approach: This involves comparing in-house costs of service delivery with market processes.
- *Informal bidding*: Involves obtaining prices or bids from private firms for services and then comparing them to in-house estimates.
- *Formal bidding*: This is a competitive comparison between bids submitted by in-house service providers and private sector firms.¹⁰ This approach involves the greatest cost and time to implement.

The first phase of a managed competition process involves identifying which functions or services will be entered into a managed competition process. This stage includes evaluations of key factors such as legal issues, whether there is a pool of qualified vendors, the total costs of providing a service, risks involved in shifting to a different service delivery model, implementation feasibility and the costs and revenues from capital investments required for service delivery.

Phase Two focuses on establishing the parameters of the management competition process. Here it is important to develop clear guidelines that identify participants, processes and timelines. Criteria must be developed to determine desired service levels. Then, information gathered in Phase One can be used to compare desired service levels to industry benchmarks or similarly situated peer jurisdictions to determine feasibility as well as opportunities for improvement or innovation. The last part of Phase Two involves comparing bids from internal units and outside vendors and selecting the winning bid.

The final phase involves implementing the managed competition process. This requires developing a transition plan that considers necessary budget, purchasing, investment, personnel and communications changes required. After implementation, progress should be monitored by means of a performance evaluation system.



Source: Christine Smith. Managed Competition. ICMA at http://icma.org/en/icma/knowledge_network/documents/kn/Document/304186/Managed_Competition.

Best Practices in Managed Competition

The Civic Federation has developed a series of standards that governments should apply when considering alternative service delivery while the Government Finance Officers Association (GFOA) has proposed best practices that apply specifically to managed competition.

¹⁰ Christine Smith, “Managed Competition,” International City County Management Association, http://icma.org/en/icma/knowledge_network/documents/kn/Document/304186/Managed_Competition (last visited on July 24, 2013).

Civic Federation Guidelines for Alternative Service Delivery

The Civic Federation supports governments entering into alternative service delivery contracts only if there is a marketplace of competitive, qualified vendors or service providers and strong, sustained management oversight by the government. Governments must establish a mechanism to monitor and evaluate cost saving and efficiency benefits produced by any alternative service or privatization efforts. These efforts should include the public reporting of efficiencies and/or savings achieved. Privatization efforts, i.e., the transfer of service delivery responsibilities to the private sector, should be focused on non-core services or programs. When transferring responsibility for service delivery by means of a long-term lease or sale, governments must carefully consider the policy implications of matters such as limitations on competition and eminent domain. Revenues from commercialization efforts such as asset sales or leases should not be used for recurring expenditures. Rather, these revenues should be used to reduce existing obligations, such as long-term debt or unfunded pension obligations.¹¹

In the June 2011 issue of *Government Finance Review*, the Civic Federation laid out a specific checklist that governments should follow when developing public-private partnerships. Most of these points also apply to other forms of alternative service delivery, including managed competition. The adapted and relevant parts of that checklist are presented below.

- 1) *Does the government have a formal policy regarding managed competition?*
Governments should adopt a formal managed competition policy to provide a framework for evaluating and entering into these arrangements. This could be a stand-alone policy on the issue of managed competition or included as part of a broader alternative service delivery policy.¹² The policy should be publicly discussed, approved by the governing body and made available to stakeholders.¹³
- 2) *Have all potential costs been considered?* Governments need reliable service delivery cost data to make an informed decision about a managed competition transaction and to assess performance over time.¹⁴ A cost analysis must consider direct and indirect costs, short-term and long-term costs, oversight costs, the impact on outstanding debt and future grant eligibility and long-term impacts on rates or charges.¹⁵ There also may be transition costs to consider. Governments entering into a managed competition arrangement may be foregoing other economic and financial opportunities. They should evaluate these opportunity costs.

¹¹ The Civic Federation, *Alternative Service Delivery: An Issue Brief*, December 1, 2006, pp. 14-15.

¹² For example, the City of Toronto has adopted a Service Improvement and Alternative Service Delivery Work Program that provides a framework for how that government evaluates and implements alternative service delivery proposals. See <http://www.toronto.ca/asd/info.htm>.

¹³ Governments might consider including a provision for the use of certain asset proceeds in extraordinary fiscal or economic circumstances. However, this should only be for emergency situations as it is not prudent or fiscally responsible to use long-term asset lease proceeds for operating expenses.

¹⁴ Government Accountability Office, "Privatization: Lessons Learned by State and Local Governments," Report to the Chairman, House Republican Task Force on Privatization, March 1997.

¹⁵ See NACSLB Recommended Practice 6.1: *Develop Programs and Evaluate Delivery Mechanism* (1997) and GFOA Best Practice, *Measuring the Cost of Government Services* (2002).

- 3) *Does the asset or service under consideration for a managed competition contract provide non-essential services?* Managed competition may be a good way for a government to transfer responsibility and risk for non-core functions. What is considered a non-core function will vary in different communities.
- 4) *Is there a competitive bidding process for vendor or operator selection?* Transparent, competitive bidding processes protect the public interest by ensuring governments receive maximum financial benefit and that it is easier to uncover unethical behavior by bidders. Having a pool of at least three to five qualified bidders can help insulate the government from pressure to favor local bidders. For larger deals, consortia are likely to bid. All consortium firms must possess complementary skills and operations expertise.¹⁶
- 5) *Are there contractual provisions for adequate management oversight?* Government should protect the public interest by including management oversight provisions in managed competition contracts. This helps ensure that the vendor provides quality service and the government can take remedial action if there are service disruptions or failures. The contract also should include provisions for the asset reverting to full public control if the vendor fails to fulfill contractual obligations.
- 6) *Is there full public discussion and review of the managed competition proposal?* Managed competition proposals generate questions about service delivery quality, rate or fee increases and the use of proceeds. The confidentiality of negotiations may limit how much information can be divulged at certain points in the process. However, stakeholders need accurate and complete information about costs and benefits and contractual obligations to make an informed decision. Governing bodies need adequate time to consider the financial and operational implications of a managed competition.
- 7) *Are there requirements for the public reporting of managed competition results?* Governments should provide stakeholders with accessible reports on managed competition agreements and the results of performance and financial audits.

Government Finance Officers Association Best Practices on Managed Competition

GFOA adopted a best practice on managed competition in 2006.¹⁷ GFOA recommends that governments considering a managed competition option need to consider a number of key issues:

- 1) *Executive Direction:* Support from a government's executive leadership is critical to the success of a managed competition effort.
- 2) *Environmental Considerations:* Governments must consider how service delivery via a managed competition model affects different stakeholders and the jurisdiction's economic situation. GFOA recommends a comparative study of similarly situated jurisdictions be conducted prior to adoption of managed competition.

¹⁶ Aidan R. Vining and Anthony E. Boardman, "Public Private Partnerships: Eight Rules for Governments," *Public Works Management Policy*, 2008, p. 157.

¹⁷ Government Finance Officers Association, "Managed Competition as a Service Delivery Option," 2006.

- 3) *Stakeholders' Support*: Stakeholders should be involved in the managed competition process. These include unions, employees, advocacy groups, businesses, media and the public.
- 4) *Legal Ramifications*: The government must consider the legal issues associated with employment law, existing labor agreements and the transfer of liability to contractors.
- 5) *Service Availability*: Services being considered for managed competition should only be those for which there are significant marketplace competitors. In addition, a government that has made a major investment in current service delivery mechanisms may be precluded from entering into a managed competition system.
- 6) *Cost*: Deciding whether to outsource a service or provide it in-house requires consideration of four steps to determine total cost:
 - a. Clearly defining the government service being considered for outsourcing;
 - b. Calculating the in-house direct and indirect costs that could be avoided by outsourcing;
 - c. Estimating the total costs of outsourcing, including the contractor's bid price and administrative costs, less any new revenue generated.
 - d. Comparing cost savings from outsourcing to costs incurred. Only if savings are greater than costs incurred does outsourcing make good financial sense.
- 7) *Transition Process*: Governments must develop a transition implementation process when adopting a managed competition model to ensure continued effective service delivery.
- 8) *Performance Measurement*: All governments using managed competition should employ performance metrics to measure the efficiency, effectiveness, timeliness and productivity of service delivery outcomes.

MANAGED COMPETITION IN SELECTED JURISDICTIONS

Several local governments have utilized managed competition processes. Phoenix, Arizona is a pioneer in this area, having implemented a managed competition process for solid waste collection since 1979. The City is divided into ten areas and every two years one of the areas is bid for a contract term of six years. Between 1979 and 2010, there were thirteen managed competitions. Of these, private companies won six competitions and municipal workers won seven.¹⁸ As of 2010, the city had saved approximately \$38 million.¹⁹ This section of the report highlights efforts in San Diego, California; Charlotte, North Carolina; Cook County, Illinois; and Chicago, Illinois.

¹⁸ John Trujillo, Assistant Public Works Director, City of Phoenix, Presentation to the United States Conference of Mayors, http://usmayors.org/mwma/uploads/Privatization_John_Trujillo.pdf.

¹⁹ Hilton Collins, "Governments Save Money Using Managed Competition," *Government Technology*, January 17, 2011, <http://www.govtech.com/transportation/Governments-Save-Money-Using-Managed-Competition.html>.

San Diego, California

In 2006 San Diego voters approved Proposition C by a favorable vote of 60.4%.²⁰ The proposition amended the City Charter to:

Employ any independent contractor when the City Manager determines, subject to City Council approval, City services can be provided more economically and efficiently by an independent contractor than by persons employed in the Classified Service while maintaining service quality and protecting the public interest.²¹

The amendment authorized the City to utilize alternative service delivery methods, including managed competition. In 2010 San Diego adopted and published a Managed Competition Guide that outlines the procedures that the City follows in its managed competition process.

The Managed Competition Process

The managed competition process begins when the Mayor determines that city services might be more efficiently delivered by a private contractor by means of a pre-competition assessment. A pre-competition Assessment Report is prepared by the City Business Office to determine if a city service is a good candidate for the managed competition process. Factors considered in this assessment are the type of service provided, efficiencies that can potentially be achieved, the state of the competitive marketplace and the capability of the city to deliver services in the event of a contractor failure or default. The City Charter specifies that core public services performed by police, firefighters or lifeguards enrolled in the municipal retirement system are not subject to managed competition. If there is evidence that city workers can provide services efficiently, they can bid on providing services to other municipal departments or entities.²² Bidding companies must provide a savings of at least 10 percent against bids submitted by the city. However, the companies don't have to include healthcare costs.²³ Utilizing the information provided by the pre-competition report, the Mayor then decides whether or not to pursue managed competition.²⁴

The managed competition process proceeds through five phases:

Phase One: Competition Planning. In this phase, the Business Office develops a preliminary statement of work, schedules the competition timeline and drafts a communications plan for the competition. The City Council must approve the preliminary statement of work.²⁵

Phase Two: Solicitation Development. The City develops an acquisition plan that lays out its implementation strategy for the competition process, develops a final statement of work that includes bid requirements and documentation as well as a final request for proposal document. In addition, the Business Office develops a quality assurance surveillance plan that details the

²⁰ <http://www.smartvoter.org/2006/11/07/ca/sd/prop/C/>.

²¹ City of San Diego City Charter, Article VIII: Civil Service, Section 117 (c) – Unclassified and Classified Services.

²² City of San Diego, “Managed Competition Guide,” July 26, 2010, p. 5.

²³ Hilton Collins, “Governments Save Money Using Managed Competition,” *Government Technology*, January 17, 2011, <http://www.govtech.com/transportation/Governments-Save-Money-Using-Managed-Competition.html>.

²⁴ City of San Diego, “Managed Competition Guide,” July 26, 2010, p. 5.

²⁵ City of San Diego, “Managed Competition Guide,” July 26, 2010, pp. 8-10.

process by which performance standards are to be measured and met and an independent cost estimate is prepared.²⁶

Phase Three: Employee Proposal Preparation and Development. The employee team is provided with resources to propose operational efficiency and effectiveness improvements under the terms of the statement of work.²⁷

Phase Four: Source Selection: In the fourth phase, the Managed Competition Independent Review Board (MCIRB) evaluates proposals on cost and technical criteria and makes a recommendation to the Mayor. The Managed Competition Independent Review Board is a seven member body appointed by the Mayor and confirmed by the City Council. It consists of a City Manager staff designee, a City Council staff designee and the City Auditor and Comptroller or a staff designee as well as four citizen members who serve without compensation.²⁸

If the Mayor accepts the MCIRB recommendation, he or she sends it to the City Council for their approval.

If a private contractor wins a competition, impacted employees can accept employment with that contractor. Workers whose jobs are eliminated have 90 days in employment before termination. They can be transferred, demoted or promoted into other city departments.²⁹

Phase Five: Transition and Post-Competition Accountability. In the final phase, the managed competition plan is implemented and monitored. The monitoring process includes a requirement for annual performance audits as well as an independent audit every five years to evaluate the City's experience with the contractor or city unit and the annual performance audits.³⁰

Managed Competition Progress

To date, there have been seven competitions for the following San Diego city services:³¹

1. Publishing Services;
2. Fleet Maintenance;
3. Street Sweeping;
4. Public Utilities Department Customer Support;
5. Street and Sidewalk Maintenance;
6. Landfill Operations; and
7. Capital Improvement Program Delivery.

²⁶ City of San Diego, "Managed Competition Guide," July 26, 2010, pp. 11-16.

²⁷ City of San Diego, "Managed Competition Guide," July 26, 2010, pp. 17-18.

²⁸ City of San Diego, "Municipal Code," Section 22.3701- 22.3716; O-19565.

²⁹ City of San Diego, "Managed Competition Guide," July 26, 2010, p. 21.

³⁰ City of San Diego, "Managed Competition Guide," July 26, 2010, pp. 22-23.

³¹ City of San Diego, "Managed Competition Status," February 1, 2012,

<http://www.sandiego.gov/business/mc/pdf/120201mcstatus.pdf>.

City workers have won five of these competitions for combined annual projected savings of approximately \$11.2 million.³² Of these competitions,³³

- Fleet Maintenance projects \$4.2 million in savings. This will require laying off 26 staff members and eliminating 50 vacancies.
- Street Sweeping estimates \$559,000 in savings, including the elimination of two positions
- Landfill Operations estimates \$5.6 million in savings and the elimination of 11 positions.³⁴
- Street and Sidewalk Maintenance estimates there will be \$875,000 in savings when the contract is implemented (although this contract has not yet been negotiated).³⁵

Only the competitions for publishing services and street sweeping have been implemented as of February 2013. In December 2012, newly elected Mayor Robert Filner stopped implementation of managed competition pending a full review of the program's results. He has cited concerns that the fleet services contract awarded to municipal workers did not allocate sufficient resources to adequately maintain the city's fleet.³⁶ However, on February 7, 2013, the Mayor issued a memorandum directing staff to continue with implementation of managed competition for street sweeping, fleet maintenance, landfill operations and street and sidewalk maintenance.³⁷

Charlotte, North Carolina

The City of Charlotte began its first five-year managed competition program in 1992³⁸ and adopted a formal Privatization/Competition Policy in 1993. The Employee Placement Policy was adopted in 1994 and expanded in 1995.³⁹

In its first five-year program, Charlotte injected competition into several service areas such as transportation, neighborhood development and solid waste. Initially, some "core" city services were considered but not made subject to competition, including uniformed police and fire services and strictly regulatory departmental functions (i.e. planning and permitting).⁴⁰

³² Craig Gustafson, "Filner's flawed take on bidding process," *San Diego Union-Tribune*, February 7, 2013.

³³ Lisa Halverstadt, "Managed Competition Contracts: Where They Stand," *Voice of San Diego*, February 12, 2013.

³⁴ Ryan Holeywell, "Public Workers Bid for Their Jobs," *Governing*, October 2012, www.governing.com/templates/gov_print_article?id=171541851.

³⁵ Lisa Halverstadt, "Managed Competition Contracts: Where They Stand," *Voice of San Diego*, February 12, 2013.

³⁶ Craig Gustafson, "Filner's flawed take on bidding process," *San Diego Union-Tribune*, February 7, 2013.

³⁷ Office of Mayor Bob Filner, "Status of Managed Competition – Memorandum to Scott Chadwick, Acting Chief Operating Officer," February 7, 2013.

³⁸ Marsha R.B. Schachtel and Douglas R. Sahmel, "Competitive Governance Strategies for Baltimore City: Lessons from Other Cities," Baltimore Efficiency and Economy Foundation, September 2000, p. 3.

³⁹ City of Charlotte, "Privatization/Competition Policy," October 25, 1993, <http://charmeck.org/city/charlotte/SharedServices/Resource/PCAC/Pages/ManagedCompetition.aspx>.

⁴⁰ Marsha R.B. Schachtel and Douglas R. Sahmel, "Competitive Governance Strategies for Baltimore City: Lessons from Other Cities," Baltimore Efficiency and Economy Foundation, September 2000, p. 19.

Three measures have been used to determine success: cost savings, ability to fund high priority services and new growth without taxes and the establishment of five-year competition plans.⁴¹

The Managed Competition Process

The City Council is charged with evaluating whether a government service should be considered for managed competition. Public services may be subject to a competitive process in which private operators as well as public employees are encouraged to compete. The Privatization/Competition policy's goals for service contracting include:⁴²

- The city should provide the highest quality services at the lowest cost;
- Private service provider contracts must be reviewed to ensure that they are effective and efficient;
- The Council will systematically evaluate current services to determine the appropriate level of services to be provided, whether by public employees or private contractors;
- The impact of competition on employees should be minimized;⁴³
- The City Council will determine which services will be subject to competitive bid and in what amount; and
- The council will determine how to best provide a level playing field for city employees and private service providers.

An 11-member Privatization/Competition Advisory Committee (PCAC) monitors progress on implementing services contracting and recommends services and assets to be considered for competition. Two members of the Committee are appointed by the Mayor and nine by the City Council. They serve two year staggered terms with each member limited to two consecutive terms.⁴⁴

Each Charlotte city department, known as a Key Business Unit (KBU), submits a five year competition plan annually for review by the City Manager. There is a \$500,000 minimum threshold for the cost of a service for it to qualify for managed competition consideration. The five year competition plan lays out how each KBU will participate in a competition and privatization program. That plan is reviewed by the Privatization and Competition Advisory Committee and city staff. The review considers whether additional services may be required for the competition plan and the type of competition process to be utilized. The different competition choices include benchmarking results, optimization of performance, outsourcing to a private

⁴¹ City of Charlotte, *The Charlotte Story: Public service is Our Business: Charlotte's Roadmap to Change and Improving Performance*, April 2000, pp. 65-66.

⁴² City of Charlotte, "Privatization/Competition Policy," October 25, 1993, <http://charmeck.org/city/charlotte/SharedServices/Resource/PCAC/Pages/ManagedCompetition.aspx>.

⁴³ City of Charlotte, "Employee Placement Policy," Adopted August 22, 1994, expanded June 1995.

⁴⁴ City of Charlotte, "Privatization/Competition Advisory Committee," Approved November 22, 1993, revised November 25, 1996, <http://charmeck.org/city/charlotte/SharedServices/Resource/PCAC/Pages/ManagedCompetition.aspx>.

vendor or managed competition. The PCAC monitors progress on each project listed on the competition plan.⁴⁵

If a key business unit (KBU) wins a bid, the City enters into contractual relationship with it using many of the same performance standards as when the City contracts with a private firm. There are a few differences, notably regarding legal provisions that do not apply, such as those for default, performance bonds, insurance, injunctive relief, venue and jurisdiction. Audits are conducted to ensure that the terms of the agreement between the KBU and the City are maintained. If deficiencies are revealed in the audit, the KBU must prepare a Plan for Cure that is submitted to the City Manager for approval and oversight after approval. If the problems cannot be mitigated, the contract may be terminated.⁴⁶

Employee Gainsharing Opportunities

Charlotte offers municipal employees the opportunity to participate in a gainsharing incentive plan funded from savings achieved when they are the low bidder for competitively bid projects. The gainsharing plan must be submitted to the City Manager for approval and provides that if a public employee unit completes the work for less than the bid amount, up to one half of the savings realized from the difference between the contract amount and the final actual cost may be shared with employees. The total payout per employee may not exceed 25% of the employee's base rate of pay during the contract period.⁴⁷

Managed Competition Results

Between February 1994 and July 2010, Charlotte municipal departments have conducted approximately 60 competitions. Of those competitions, 46 were awarded to City departments while 14 were initially awarded to private contractors. Of those awarded to the private sector, two contractors later resigned and one contract was terminated due to non-performance. The work was awarded to the City as second lowest bidder. Since 2010 the focus on formal competitions has developed toward on-going continuous improvement efforts within the City departments including benchmarking initiatives, market analysis and incorporating managed competition when services are identified that will benefit from a formal competition format.⁴⁸

Charlotte officials note that one of the most important outcomes of the managed competition program has been a change in the business culture regarding how municipal departments operate.

⁴⁵ David Elmore, "Innovators in Action: City of Charlotte's Privatization and Competition Advisory Committee," Reason Foundation,

<http://charmeck.org/city/charlotte/SharedServices/Resource/Documents/2007ReasonFoundationArticle.pdf>.

⁴⁶ City of Charlotte, "Procedure for Cure of a Key Business Unit (KBU) Failure to Achieve Bid Terms Under a Managed Competition Agreement,"

<http://charmeck.org/city/charlotte/SharedServices/Resource/Documents/Procedure+for+Cure.pdf>.

⁴⁷ Gainsharing is also possible for optimization projects when public employee units complete work below a benchmark amount set by the city administration. City of Charlotte, "Pay and Benefits Recommendation Report: Competition-Based Gainsharing Plan," June 23, 1997,

<http://charmeck.org/city/charlotte/SharedServices/Resource/PCAC/Pages/ManagedCompetition.aspx>.

⁴⁸ Information provided by Traci M. Ethridge, Communications & Marketing Officer, City of Charlotte, May 2, 2013.

Departments now systematically incorporate benchmarking and continuous process improvement processes into their operations.⁴⁹

Charlotte estimates that it has saved more than \$10 million in administrative and program costs since inception of managed competition. An example is the solid waste services competition for the West Zone garbage collection. In this case, the City saved \$2.5 million dollars over a five-year period by contracting with Inland Service Corporation.⁵⁰

The City notes that savings also result from the same level of work being performed for fewer budgeted dollars or for additional work performed for the same budget because of productivity increases. The City does not have systematic quantitative evidence of these savings, but can point to improvements in specific instances:

- The Charlotte Department of Transportation has increased street repair crew productivity under its competition contract.
- The Charlotte Mecklenburg Utilities' innovations in water treatment have resulted in less chemical usage.
- During the East Zone competition for garbage collection, Solid Waste Services took the lessons learned from the West Zone competition and changed the way they do business. Changes were made in equipment, production standards, maintenance schedules, tire contracts, personnel services contracts and other process improvements. The result was a competitive proposal during competition of approximately \$1 million dollars less than the private sector over five years.⁵¹

Cook County, Illinois

Cook County Board President Toni Preckwinkle has embraced using a managed competition approach for some services.⁵² The County has developed and made publicly available a managed competition guidebook that clearly explains the steps in the process and the roles and responsibilities of the various participants.

The Managed Competition Process

A five-member Managed Competition Review Board (MCRB) has been selected by the President to review and select winning proposals for evaluation by the County Board President before a contract is awarded. The members of the MCRB are the Budget Director, the Chief Administrative Officer, the Bureau Chief of Human Resources, a President's Office designee and

⁴⁹ Information provided by Traci M. Ethridge, Communications & Marketing Officer, City of Charlotte, May 2, 2013.

⁵⁰ Information provided by Traci M. Ethridge, Communications & Marketing Officer, City of Charlotte, May 2, 2013.

⁵¹ Information provided by Traci M. Ethridge, Communications & Marketing Officer, City of Charlotte, May 2, 2013.

⁵² Toni Preckwinkle, "Managed Competition Brings Fiscal Responsibility To County Contracts," April 13, 2012, <http://blog.cookcountyil.gov/economicdevelopment/2012/04/13/managed-competition-brings-fiscal-responsibility-to-county-contracts/>.

a user department designee.⁵³ The Cook County government is currently working on a managed competition process for custodial services for nine of its facilities located in its Central District. Eight of these facilities are currently serviced by County employees and one is serviced by outside vendors.⁵⁴

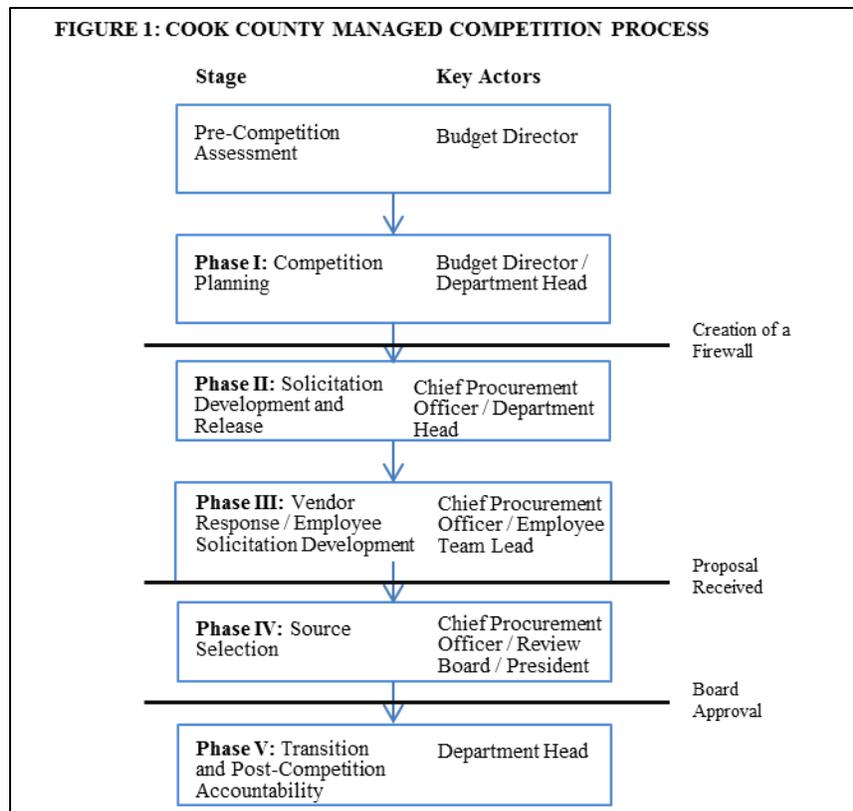
The chart below outlines Cook County's managed competition process.⁵⁵ The managed competition process will consist of five phases:

1. Phase I: Competition Planning: The budget office and relevant departments work to prepare a plan for the level of effort and time required for the managed competition process.
2. Phase II: Statement of Work and Solicitation Development: The Procurement Office develops a Statement of Work which defines bid requirements for private vendors and the employee teams as well as standards for required documentation.
3. Phase III: Vendor Submittal/Employee Solicitation Development and Submittal: The Procurement Department solicits bids and an employee team develops a response to the solicitation.
4. Phase IV: Source Selection: Several steps are taken in the source selection phase.
 - a. The Procurement Office reviews bids and determines which private vendors meet specified requirements.
 - b. The Procurement Office forwards the employee solicitation response to the County Comptroller who will validate that the solicitation response is comprehensive with cost considerations.
 - c. The Comptroller then provides an assessment report along with the employee response to the Review Board.
 - d. The winning private sector solicitation response is then compared with the employee solicitation response by the Managed Competition Review Board (MCRB).
 - e. The winning solicitation response selected by the Review Board is submitted to the Cook County Board President for consideration and then to the County Board of Commissioners for final approval.
5. Phase V: Transition and Post-Competition Accountability: Once approved, the winning service delivery model is implemented and the County begins tracking the cost and quality of the service provided.

⁵³ Communication from Andrea Gibson, Cook County Director of Budget and Management Services, February 4, 2013.

⁵⁴ Cook County, "Managed Competition Brings Fiscal Responsibility to County Contracts," news release, April 13, 2012.

⁵⁵ Cook County, "Cook County Managed Competition Guide," March 2012, p. 5.



Chicago, Illinois

Chicago Mayor Rahm Emanuel has made managed competition a priority on his administration's agenda.⁵⁶ To date, competitions have been conducted for the Blue Cart recycling program, tree trimming, the water call center, custodial services at O'Hare Airport and City health clinics. There has been discussion of future managed competitions being held for sewer repair and concrete work.⁵⁷

⁵⁶ Kristen Mack. "Emanuel's 'managed competition' push goes into full swing on recycling pickups," *Chicago Tribune*, September 30, 2011.

⁵⁷ Information in this section was provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

The Managed Competition Process

There are three triggers for a managed competition in Chicago:⁵⁸

- 1) When there is evidence that costs for certain services are significantly higher than private sector costs of providing the same service;
- 2) When the Office of Budget and Management identifies services that are more costly than those provided in peer cities during a comparative review of service delivery; and
- 3) When unions have requested that the City re-evaluate the costs of previously privatized services to consider bringing the function back in-house.

The managed competition process proceeds according to the following steps:⁵⁹

- 1) *Calculation of Costs:* The City calculates the complete cost of providing a given service in-house using City crews.
- 2) *Competitive Bidding Process:* A competitive RFP to provide the service in question is issued and bids are collected from private vendors.
- 3) *Evaluation of Bids:* Next, city crew and private bids are evaluated, with care taken to ensure an accurate comparison is made. In some cases, the winner is determined based on a comparison of the submitted bids and City costs. In other cases, the competition continues into a **service phase** during which selected private vendors (i.e., those that offered the best qualified price through the RFP process) and City crews each provide service in designated areas. This is the method being used in the Blue Cart recycling competition.
 - Whether or not a competition moves into a service phase depends on a number of factors, including the cost differential in the initial cost comparison, the quality of private vendor proposals and whether the service is new or already being provided by the City.
 - Prior to the start of the service phase, evaluation criteria to measure the performance of City and private crews are defined and benchmarks are established on a timeline specific to the service phase.
 - During the service phase, crews are tracked and evaluated, and at the end of the service phase period, an overall service delivery program is determined based upon the agreed criteria.

⁵⁸ The City of Chicago refers to its managed competition process as “competitive bidding.” Information on the City of Chicago’s managed competition process was provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

⁵⁹ Information on the City of Chicago’s managed competition process was provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

It is important to note that the managed competition process for the Blue Cart recycling program has been different (see discussion that follows).

Contract Administration and Evaluation

City departments are responsible for the monitoring and administration of managed competition contracts. The City uses the same process for evaluating managed competitions as it does for all private contracts.⁶⁰

Before the service phase begins, evaluation criteria are developed to measure overall performance, quality of operations and the cost of service for both City and private vendor crews. In addition, an evaluation timeline schedule is determined.

During the service phase, the performance of City and private crews are monitored by the relevant department. Departments utilize project managers, construction managers, resident engineers and auditors to assist in monitoring performance. For construction projects requiring the payment of the prevailing wage, certified payroll information must be submitted to the City. Finally, the City's Compliance Division monitors MBE/WBE/DBE compliance on projects.

Remedies for Contractor Non Compliance⁶¹

If a contractor fails to fulfill contractual obligations, the City may declare a vendor in default. The City may give the vendor an opportunity to fix the default within a certain period of time. If the City does declare a default, it may invoke any or all of the following remedies:

- City take over and completion of the services, or any part of the services, at the contractor's expense and as agent for the contractor, either directly or through others, and bill the contractor for the cost of the services;
- Termination of the contract;
- Demanding specific performance, obtaining an injunction or other appropriate equitable remedies;
- Monetary damages; and/or
- Withholding all or any part of the contractor's compensation under the agreement and the right to deem the contractor non-responsible in future contracts to be awarded by the City.

⁶⁰ Information provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013. An overview of the City's contracting process is available in the publication "Procurement Fundamentals," which is available on the City's website, http://www.cityofchicago.org/content/dam/city/depts/dps/Outreach/ProcurementFundamentals2012_book-1-.pdf. City contracts can be viewed online at http://www.cityofchicago.org/city/en/depts/dps/provdrs/contract/svcs/contract_search.html.

⁶¹ Information provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

Summary of Chicago Managed Competition Efforts

To date, Chicago has conducted competitions for five services: 1) the Blue Cart recycling program, 2) tree trimming, 3) the water call center, 4) custodial services at O'Hare Airport and 5) the City health clinics. A brief summary of the first four services is provided below followed by a more detailed discussion of the Blue Cart recycling program.⁶²

- ***Tree Trimming.*** City workers won this competition and are currently providing these services. The City opted to keep certain private bidders 'on call' for emergency situations in which additional manpower would be required. Unlike the Blue Cart recycling competition, the tree trimming competition did not include a service phase. The winner was determined based on a comparison of submitted private vendor bids and City costs. A service phase was determined to be unnecessary, as the bids submitted by private vendors were substantially higher than the cost of providing the service with City crews.
- ***Water Call Center.*** A private bidder won this competition. The contractor began providing service at the end of 2012.
- ***Custodial Services at O'Hare Airport.*** This competition is now in the service phase, with City crews providing the service at the Food Court in Terminal HK and the outlying buildings and private crews providing the service at all the other locations in the airport. The results will be evaluated in May 2013 after which an overall service delivery program will be determined.
- ***Health Clinics.*** There were two initial steps in the competition to provide services at City health care clinics. First, the City completed a cost and outcome comparison based on data that health clinics and providers are required to track. There was also an early pilot to confirm that community healthcare providers (federally-qualified health centers, or FQHCs) could provide the necessary level and quality of service. Based on the results, in mid-2012, all seven City clinics transitioned to FQHCs, which provide an expanded menu of services and extended hours at a lower cost. CDPH staff continues to provide additional services such as HIV and STI services, immunization, family case management and WIC services at six of the clinics.

The Blue Cart Recycling Program

Mayor Richard Daley proposed privatizing Chicago's blue cart recycling program in 2010. Laborers Union Local 1001 promptly took the issue to arbitration but lost. Once elected, Mayor Emanuel moved forward in October 2011 to implement a managed competition process for the program.

Chicago's recycling program provides biweekly recycling collection services to city residents in single family homes and multi-family dwellings of two to four flat buildings. In early 2013 the program was expanded from 260,000 to 340,000 households.

⁶² Information regarding tree trimming, the water call center, custodial services at O'Hare Airport and health clinics was provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

In its initial evaluation of the possibility of using a managed competition process, the City found that private vendors were more cost efficient than city workers because private vendors spent about \$2.75 to pick up each blue cart while city workers cost about \$5 per cart. The difference in costs was due to higher city labor costs. The city and private vendor labor forces are both unionized, but privately employed Waste Management were paid \$25.56 per hour versus \$33.85 per hour for city workers. There are other differences as well that impact costs:

- Waste Management drivers collected recyclables by themselves while there were two city workers on each recycling truck; and
- Waste Management had developed a mapping route to minimize turns that trucks take and developed a set route for employees to follow while city workers historically did not follow a set route and one worker picked up the other at another location, consuming 30 minutes a day in non-productive activity.⁶³

The City decided to award responsibility for picking up recyclables in two city service areas to Department of Streets and Sanitation crews while private vendors won the right to service four other service areas.⁶⁴ Seven year contracts were awarded to two private vendors, Waste Management and Metal Management Midwest. Waste Management is paid \$3 million per year while Metal Management Midwest will receive \$695,000 per year.⁶⁵ The unions agreed to work rule changes so that city workers would meet at a location for the start of their shift and agree to map out routes. The number of recycling crews was reduced from forty-five to fifteen to bring costs in line with private company practice.

Blue Cart Recycling Managed Competition Results

The City projects that it saved \$4.7 million in recycling costs in the one year period after implementation in 2012. These savings were used to expand the program to 340,000 additional households in 2013. The City estimates that annual investments for the program under managed competition have fallen from \$31.1 million to \$19.2 million.⁶⁶

Monthly cost per cart for October 2011 to March 2013 rose slightly from \$2.70 to \$2.77. The City crew monthly cost per cart was higher, falling from \$4.33 to \$3.64. The average monthly cost per cart for both public and private recycling pickup was \$3.28.⁶⁷

⁶³ Kristen Mack, "Emanuel's 'managed competition' push goes into full swing on recycling pickups," *Chicago Tribune*, September 30, 2011.

⁶⁴ Presentation by Thomas Byrne, Commissioner of the Chicago Department of Streets and Sanitation at Beyond Parking Meters: The Future of Public-Private Partnerships in Illinois, A Conference Co-sponsored by the Federation Reserve Bank and the Civic Federation, "Competitive Bidding: Chicago's Recycling Collection," March 14, 2012.

⁶⁵ Kristen Mack, "Emanuel's 'managed competition' push goes into full swing on recycling pickups," *Chicago Tribune*, September 30, 2011.

⁶⁶ "Chicago Expands Recycling Program," *Recycling Today*, February 22, 2013, www.recyclingtoday.com/chicago-blue-cart-curbside-municipal.aspx.

⁶⁷ Information about Blue Cart recycling program costs and savings was provided by Jessica Higgins, City of Chicago Office of Budget and Management, May 2, 2013.

Before managed competition was implemented, the total cost for the Blue Cart program was \$12.6 million annually with a monthly cost per cart of \$4.77. The post managed competition cost for 2012 was \$8.2 million with an average monthly cost per cart of \$3.28. Total costs between the pre and post competitive bidding periods fell by 34.9% or \$4.4 million.

In 2013, after citywide expansion of the recycling program, the City estimates that the average monthly cost per city crew cart will be \$3.64 versus \$2.77 for private crew carts. The total estimated annual cost will be \$19.2 million.⁶⁸ Under the service delivery terms used before managed competition was introduced (i.e., City crew pickup), costs would have been \$31.2 million.

GLOSSARY

An **Ad Hoc Approach** to Managed Competition involves comparing in-house costs of service delivery with market processes. Many jurisdictions employ this relatively simple approach to managed competition.

Alternative Service Delivery (ASD) refers to any process that shifts some or all of the functions or responsibilities of delivering a service from the public sector to the private sector or the nonprofit sector. It is a broader definition than that for public-private partnerships as actors may be involved that are neither public nor private. Managed competition is a form of ASD.

A **cost analysis** is a comprehensive review of all potential costs that governments considering managed competition should complete before beginning that process. Costs that should be considered include direct and indirect costs, short-term and long-term costs, oversight costs, impact on outstanding debt and future grant eligibility, transition costs and opportunity costs.

Informal bidding involves obtaining prices or bids from private firms for services and then comparing them to in-house estimates. It is an approach to managed competition employed by many jurisdictions.

Formal bidding is a competitive comparison between bids submitted by in-house service providers and private sector firms. It is an approach to managed competition employed by many jurisdictions.

Gainsharing is an incentive program that allows governments to share savings with employees.

Managed Competition is a form of alternative service delivery that requires in-house service units of a government to compete with external providers under a controlled or managed process.

A **Managed Competition Policy** is a guideline or framework for evaluating and entering into managed competition arrangements. The policy should be publicly discussed, formally approved by the governing body and made available to stakeholders.

⁶⁸ Revenues from recycling impact total costs.

Performance measures are quantitative or qualitative indicators of program or service outputs and outcomes. They are effective means of monitoring, measuring and evaluating departmental and program performance over time. They help track progress toward meeting intended programmatic goals and help assess whether programs are making an efficient use of resources. Evaluating and reporting on program results helps keep policymakers and taxpayers alike informed about actual results compared to expectations.

A **Public-Private Partnership (P3)** is a government service which is funded and operated through a partnership of government and one or more private companies. Managed competition can be considered a form of public-private partnership.