

37

**Before the Board of Supervisors in and for the
County of Monterey, State of California**

Guidelines for Contracting Existing)
Services to the Private Sector,)
Adopted; Administrative Officer)
Authorized to Implement)

Upon motion of Supervisor Petrovic, seconded by Supervisor Shipnuck, and unanimously carried, the Board hereby approves and authorizes the Administrative Officer to implement the attached guidelines for contracting for the provision of existing County services with the private sector.

PASSED AND ADOPTED this 29th day of March, 1982, by the following vote, to-wit:

- AYES: Supervisors Del Piero, Shipnuck, Petrovic, Moore & Peters.
- NOES: None.
- ABSENT: None.

I, ERNEST A. MAGGINI, County Clerk and ex-officio Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof at page -- of Minute Book 47 , on Mar. 29, 1982 .

Dated: Mar. 29, 1982

ERNEST A. MAGGINI, County Clerk and ex-officio Clerk of the Board of Supervisors, County of Monterey, State of California.

By Anne Arri
Deputy.

Report to Monterey County Board of Supervisors

SUBJECT	CONSIDER ADOPTING GUIDELINES FOR CONTRACTING EXISTING SERVICES TO THE PRIVATE SECTOR AND AUTHORIZE THE ADMINISTRATIVE OFFICER TO IMPLEMENT	BOARD MEETING DATE 3/23/82	AGENDA NUMBER REGULAR 7
DEPARTMENT	Administrative Management		

RECOMMENDATION

I RECOMMEND your Board approve and authorize the Administrative Officer to implement the attached guidelines for contracting for the provision of existing County services with the private sector.

JUSTIFICATION


Your Board directed the Administrative Officer to develop objectives to be used by the County in contracting for private sector services. Your Board's direction was in part in response to concerns raised by the Monterey County Employees Association (MCEA). I submitted a preliminary report on this matter in February. In this report I advised the development objectives should only be directed at decision making criteria for use in contracts impacting services for existing programs and now provided directly by County employees. I also expressed, due to the potential uniqueness of each contracting decision, it appeared best to develop a policy guideline approach as opposed to a detailed and standardized procedure or checklist.

Since submitting my February report, I have met with Mr. Richard Humm, General Manager of MCEA. He has generally agreed that contracting objectives should only be directed at existing County services and he also agreed a checklist approach may not be an appropriate decision making tool. In addition, Mr. Humm has suggested a number of concepts which add to and improve the broad categories of considerations I suggested in my last report. As his comments are supportive of good management procedures and policy analysis, they have been incorporated in the attached guidelines.

There is, however, one suggestion made by Mr. Humm to which I do not concur. The Davis-Bacon Act requires, when federal money is used to contract, the contractor must pay his or her employees the prevailing union wage. As I understand it, this provision is primarily directed at construction projects. Mr. Humm believes the Davis-Bacon concept should be applied to all types of contracts, regardless of the funding source. Though the County must follow federal law where applicable, I do not concur with expanding these requirements to include all services regardless of funding source.

A copy of the attached guidelines will be sent to all department heads. In addition, I am preparing a manual for preparing Board reports and recommendations. The guidelines will be included as part of this manual. I also, will instruct my staff to assist department heads in using the guidelines when making contracting decisions or recommendations.

RICHARD ANDREWS
County Administrative Officer


By: ROBERT JASPER
Principal Administrative Analyst
March 18, 1982

RA:RJ:jr

cc: Mr. Richard Humm, General Manager, MCEA
Ralph Kuchler, County Counsel
All Department Heads

GUIDELINES FOR CONTRACTING FOR THE
PROVISION OF EXISTING COUNTY SERVICES
WITH THE PRIVATE SECTOR

As department heads, you are mindful of the need to periodically consider methods for improving services to the public or in reducing costs or both. One method you may consider to improve productivity is to contract with the private sector for the provision of services. The following guidelines are to be employed when appropriate in your analysis, in making recommendations, or in actual implementation of contracts.

I. INITIAL ANALYSIS OF THE POTENTIAL FOR CONTRACTING A SERVICE

In almost all situations, you would first examine the potential for contracting a service prior to actual steps to invite competing bids or proposals to provide an existing County service(s). As part of this analysis or examination, you should normally consider the following:

A. PRIVATE SECTOR ALTERNATIVES OR POTENTIAL ALTERNATIVES

As a first step you would consider whether there are existing or potential private sector agencies/resources to provide the service.

B. COST AND COST RELATED CONSIDERATIONS

In most cases, cost and cost related considerations would be a significant part of your initial analysis as to whether to consider contracting. A cost analysis would normally consider both direct and indirect cost factors as well as actual or potential start-up or one time cost. Normally a cost analysis would consider both long and short term costs and would also consider the type and stability of financing. It should be recognized a cost analysis must be related to the quality or level of service.

C. COMMUNITY ACCEPTABILITY

Your analysis should consider the perceptions of service recipients and the citizenry as a whole as to the proper sector or agency to provide the service.

D. OPERATING EFFICIENCY

Your analysis should consider the potential for operational efficiency in contracting decisions. This analysis would likely consider such factors as economy or diseconomy of scale, necessary support factors, and the services' interrelationship with other services within broader categories of programs.

E. PROGRAM EFFECTIVENESS

Your analysis should consider the potential for program effectiveness. Factors to be considered might include economy or diseconomy of scale, existing or potential to hire appropriately qualified staff, and service interrelationships with other services within broader categories of services. Your analysis should also consider the need for County control over the service and various methods for exercising the level of control required.

F. MANAGEMENT CAPABILITIES

Your analysis should consider the existing or potential management capabilities of potential contract agencies (both programmatic and fiscal). You should also consider the management capabilities of your department or that of County's central administration to effectively manage by means of a contract as opposed to direct service provisions.

II. PROCEDURES FOR SELECTING APPROPRIATE METHOD OF PROVIDING A SERVICE

After your initial analysis, it may or may not appear appropriate to continue consideration of contracting options. If it appears appropriate, you will likely need as a next step to invite competing proposals. Prior to inviting bids or proposals you should however, discuss the matter with the Administrative Officer, so he may in turn discuss with the appropriate County Employee Association.

A. BIDDING OR REQUEST FOR PROPOSALS

In many cases the County is required by law to request competing bids for services. As a matter of form you should check with the County Purchasing Agent to see if a bid process is required and follow the process as specified by law.

When a bid is not required by law, you should consider whether to use a bid process or a process whereby competing proposals are requested from potentially interested parties. Usually a bid process can only be used when the service to be purchased can be clearly specified in qualitative and quantitative terms. A successful bid can then be selected based on the cost of meeting specified outcomes. This cost can then be compared to the cost of direct service provision by the County.

It will likely be difficult to clearly specify many County services in clear qualitative and quantitative terms. For these services you would normally employ a "Request for Proposals" process. In order to evaluate the relative merits of competing proposals and to compare these proposals to a direct provision of services by the County, you must be able to specify some indicators or criteria as to the quality and quantity of services desired. In some cases you may have to rely on "proxy measures" such as staff qualifications or activity measures -- e.g., number of clients seen or number of counseling hours provided. Regardless of the criteria used, you should be as complete as possible in specifying the service to be provided and the information required on a submitted proposal. You should also employ knowledgeable staff or outside experts in reviewing submitted proposals and comparing them to the direct County provision of the service.

III. RECOMMENDATIONS TO BOARD OF SUPERVISORS

In most cases you would include a discussion of the following in justifying your recommendations to the Board:

A. COST COMPARISON

You should attempt to be brief but as comprehensive as possible.

B. QUALITY AND LEVEL OF SERVICE

To the extent possible, you should specify the quality and level of service. You should also provide a service level comparison to existing services.

C. PROJECTIONS OF SERVICE EFFICIENCY AND EFFECTIVENESS

This section would discuss the advantages and disadvantages of contracting in terms of both cost and quality of services.

D. MONITORING AND EVALUATION

This section would discuss how services are to be monitored and/or evaluated. This section would also discuss the need for and advantage or disadvantages of posting a performance or some other type of bond.

IV. CONTRACT PROVISIONS

The following provisions should, in most cases, be specified in a contract for services:

- A. Term
- B. Cost
- C. Service to be provided
- D. Method for reporting, monitoring, and evaluating services
- E. Requirement of contracting agency adopting and maintaining equal opportunity policies and procedures.
- F. Requirement of contracting agency to follow all applicable federal, state and county laws impacting the provision of services and the employment of agency staff.

1-29-82
9:50

Before the Board of Supervisors in and for the
County of Monterey, State of California

Matter of Adopting Guidelines for)
Contracting Existing Services to the)
Private Sector and Authorizing the)
Administrative Officer to Implement,)
Continued to Monday, March 29, 1982)
for Inclusion on Consent Calendar)

Upon motion of Supervisor Shipnuck, seconded by
Supervisor Peters, and unanimously carried by those members
present, the Board hereby continues the matter of adopting
guidelines for contracting existing services to the private
sector and authorizing the Administrative Officer to implement,
to Monday, March 29, 1982 for inclusion on Consent Calendar.
(Supervisor Moore absent.)

I, ERNEST A. MAGGINI, County Clerk and ex-officio Clerk of the Board of Supervisors of the County of
Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said
Board of Supervisors duly made and entered in the minutes thereof at page -- of Minute Book 47,
on March 23, 1982.

Dated: March 23, 1982

ERNEST A. MAGGINI, County Clerk and ex-officio
Clerk of the Board of Supervisors, County of Monterey,
State of California.

By *Nancy Kucken* Deputy.

Report to Monterey County Board of Supervisors

SUBJECT	CONSIDER ADOPTING GUIDELINES FOR CONTRACTING EXISTING SERVICES TO THE PRIVATE SECTOR AND AUTHORIZE THE ADMINISTRATIVE OFFICER TO IMPLEMENT	BOARD MEETING DATE 3/29/82	AGENDA NUMBER CONSENT 31
DEPARTMENT	Administrative Management		

RECOMMENDATION

I RECOMMEND your Board approve and authorize the Administrative Officer to implement the attached guidelines for contracting for the provision of existing County services with the private sector.

JUSTIFICATION

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There is, however, one suggestion made by Mr. Humm to which I do not concur. The Davis-Bacon Act requires, when federal money is used to contract, the contractor must pay his or her employees the prevailing union wage. As I understand it, this provision is primarily directed at construction projects. Mr. Humm believes the Davis-Bacon concept should be applied to all types of contracts, regardless of the funding source. Though the County must follow federal law where applicable, I do not concur with expanding these requirements to include all services regardless of funding source.

GUIDELINES FOR CONTRACTING FOR THE
PROVISION OF EXISTING COUNTY SERVICES
WITH THE PRIVATE SECTOR

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C. COMMUNITY ACCEPTABILITY

Your analysis should consider the perceptions of service recipients and the citizenry as a whole as to the proper sector or agency to provide the service.

Purchasing Agent to see if a bid process is required and follow the process as specified by law.

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It will likely be difficult to clearly specify many County services in clear qualitative and quantitative terms. For these services you would normally employ a "Request for Proposals" process. In order to evaluate the relative merits of competing proposals and to compare these proposals to a direct provision of services by the County, you must be able to specify some indicators or criteria as to the quality and quantity of services desired. In some cases you may have to rely on "proxy measures" such as staff qualifications or activity measures -- e.g., number of clients seen or number of counseling hours provided. Regardless of the criteria used, you should be as complete as possible in specifying the service to be provided and the information required on a submitted proposal. You should also employ knowledgeable staff or outside experts in reviewing submitted proposals and comparing them to the direct County provision of the service.

In reviewing and selecting proposals you should be sure to investigate and comply with all applicable provisions of law governing competitive selections of service providers, particularly those provisions of law concerning conflict of interest.

III. RECOMMENDATIONS TO BOARD OF SUPERVISORS

In most cases you would include a discussion of the following in justifying your recommendations to the Board:

A. COST COMPARISON

You should attempt to be brief but as comprehensive as possible.

- F. Requirement of contracting agency to follow all applicable federal, state and county laws impacting the provision of services and the employment of agency staff.

Closed session off

Report to Monterey County Board of Supervisors

SUBJECT	DEVELOPING OBJECTIVES FOR PRIVATE SECTOR CONTRACTING OF SERVICES	BOARD MEETING DATE	AGENDA NUMBER
DEPARTMENT		Administrative Management	2/2/82

Your Board directed the Administrative Officer to study and report back to you on the development of objectives to be used in decisions on contracting for private sector services. Due to other work load constraints, I have not been able to complete this project by your requested due date of February 2, 1982. I will, however, provide you on Tuesday morning, as a non-agenda report, a very preliminary report on this matter. Your Board may wish to consider this preliminary report in closed session, as it affects pending litigation.

By *Richard Andrews*
RICHARD ANDREWS
Administrative Officer
January 28, 1982

RA:RJ:jm

Co. 2001 - old memo 8/1

Report to Monterey County Board of Supervisors

SUBJECT		BOARD MEETING DATE	AGENDA NUMBER
PRELIMINARY REPORT ON DEVELOPMENT OF OBJECTIVES FOR USE BY THE COUNTY IN CONTRACTING FOR PRIVATE SECTOR SERVICES		2/2/82	Non-Agenda
DEPARTMENT	Administrative Management		

Your Board directed the Administrative Officer to study and report back by the first meeting of February the development of objectives for use by the County in contracting for private sector services. This report was to be coordinated with County Counsel. Unfortunately, due to other work load, and more importantly, the complexity of the issue, I am unable to provide you with a completed set of objectives at this time. The following outlines some of the factors which may need to be reviewed in the development of the objectives and some of the major types of criteria which, from my preliminary review, might be applied to any consideration of contracting for service provision.

Factors to be Reviewed in the Development of objectives

- County services are financed by a multitude of revenue sources including revenues provided by state and federal governments. In addition, county government serves as an administrative arm of the state. As such, the provision of county services are, to varying degrees, subject to state and federal laws and regulations. These laws/regulations vary from program to program. In some cases, the county is prohibited from contracting; in others, the county is encouraged and/or required (e.g., annual county audits, various aging services financed by federal Area Agency on Aging funds). When the county is required, encouraged or allowed to contract, the laws/rules vary from program to program. In some cases the county is required to follow exacting bid procedures. In others we may issue purchase orders or distribute requests for proposals. In some cases, citizen advisory groups or other forms of public participation are required. In summary, there are a variety of laws and regulations impacting your Board's consideration on contracting.
- In many cases, the County has historically contracted for the performance of services or service activities. Your Board has a long tradition of contracting with community-based, nonprofit agencies for the provision of

In most instances, if not overtly, at least intrinsically, your Board considers all or most of the above options in arriving at the decision to contract with private or nonprofit agencies. Given the number of service options available, there are also a number of criteria which can be used to assist in your decision making. The following is a preliminary list of criteria which might be considered.

- Costs and Savings (initial start-up, short-term and long-term).
- Impact on County employees or employees of other entities.
- Economies and diseconomies of scale.
- The need for control over service provisions and the type of control(s) needed to insure proper performance and responsiveness.
- Stability of financing (e.g., "soft" grant funds or longer term financing).
- Availability of required expertise or professional resources.
- Management (both programatic and fiscal) capabilities.
- Operational efficiency.
- Ability to define and monitor performance and effectiveness.
- Equity (both geographic and ethnic).
- Need for service.

Each of the above criteria and likely many others, may need to be considered in deciding how best to provide a given public service. Accordingly, appropriate criteria could prove useful in developing objective guidelines for use in deciding whether to contract with a private or nonprofit agency for service. Decisions about the weight to be given criterion, or which if any should be excluded, would of course depend on the specific service under study.

There are no simple methods or guidelines to be followed in deciding whether to contract for a given service. The issue is complex and not easily answered by "pat" procedures or a checklist type of analysis. There are, however, five broad, categories of considerations which, in most cases, should be reviewed and assessed:

- Cost and cost related considerations.
- Community Acceptability (for both service recipients and the citizenry as a whole).
- Potential for operational efficiency.
- Potential program effectiveness in delivering the desired quality/quantity of service desired.
- Management capabilities.