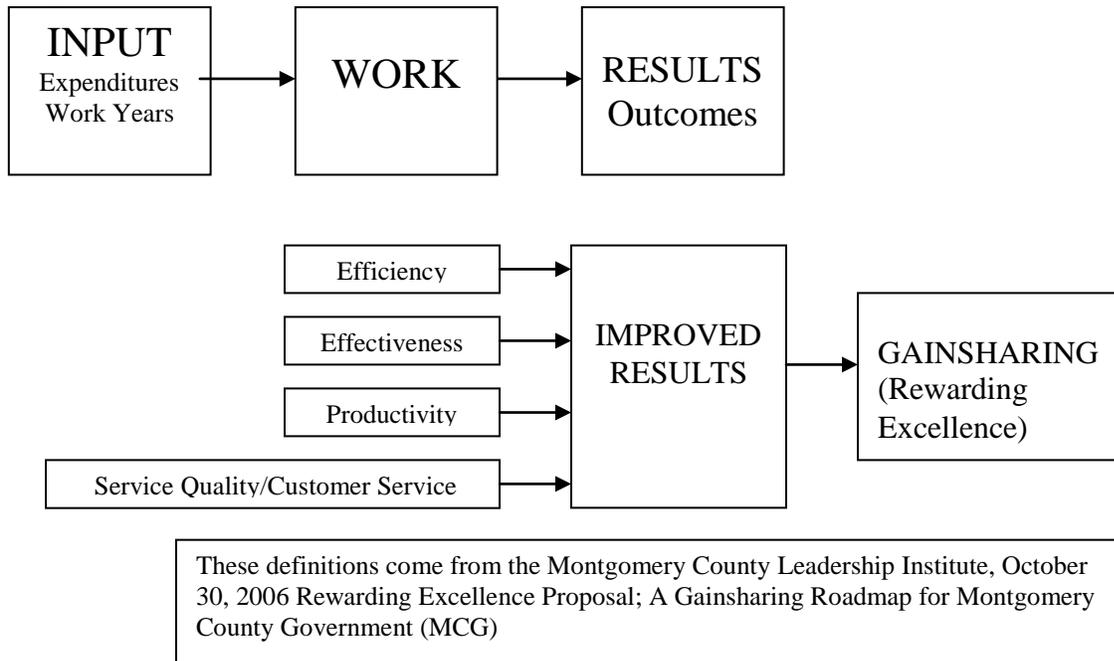


REWARDING EXCELLENCE PROPOSAL GUIDELINES

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The County encourages changes that improve efficiency, increase effectiveness and productivity, reduce costs, streamline operations and enhance customer satisfaction/ service quality leading to a more productive, healthier workplace. All proposals submitted should reflect at least one of the above goals. Proposals that negatively impact the level of service, outcomes, or outputs are not eligible. For example, the efficiency of a service or productivity of a work unit may be improved by a proposed reduction in the level of service. The level of service, however it is measured, must be sustainable and the same or better for the proposal to be considered eligible. If there are cost savings generated as a result of improved efficiency, increased effectiveness, enhanced productivity, streamlined operations and/or enhanced service quality/customer service then teams will be rewarded for their excellence in the form of a bonus.

Cost Savings will be determined by comparing prior actual or “baseline costs” (1 – 3 years) in the current fiscal year budget to the actual costs in the fiscal year after the proposal has been implemented. Cost savings will be accumulated and measured on an annual basis unless designated sooner in the proposal.



When evaluating inputs, departments should consider organizational units, work years, people, dollars (operating, personnel), expenditures, and other resources actually devoted to the particular program, process, product, or service. A subset of Workload/Outputs might consist of:

- **Efficiency** -- the cost per unit of output, such as cost per ton of solid waste collected or cost per inspection performed.
- **Effectiveness** -- timeliness, compliance, accuracy or satisfaction with services delivered. Examples include error rates, missed stops, response time and volume of complaints.

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- **Productivity** -- the amount of time spent to produce a unit of output, such as the average amount of time to perform an inspection or the average time to process a form.
- **Service Quality/Customer Service** -- distinctive attributes, characteristics, or properties of a program, process, product, or service. Such attributes, characteristics, or properties may set a program, process, product, or service apart from any other program, process, product, or service, or may denote some degree of achievement or excellence.

To determine a workable savings target and a schedule to meet the target, employee teams must establish a baseline by determining the full (variable and fixed) cost of the current program, process, product, or service. They may review costs in other structures, best practices, models, private industry, and other sources in the functional area to set realistic and tangible cost saving goals.

For an overview of Performance Measurement, reference [County Stat's Rotational Fellowship Program Training Manual](#).

PROPOSALS

Proposals may be submitted involving many different functional areas. Please refer to the [Rewarding Excellence Program Guidelines](#) for all areas of consideration. Team members may consult individual mentors or RETAP members as necessary when questions arise. This guide has been generated to give team members general guidelines when putting together their fully researched and documented proposals; it is not intended to be all-inclusive and could expand as the program is implemented in Montgomery County Government. Please refer to the categories delineated below for additional details for consideration in each of the listed areas.

PREVIOUSLY CONTRACTED WORK

If a team proposes to take on additional work by developing a proposal to bring services in-house, the team must show how that time will become available. For example, the team proposes to undertake previously contracted effort for the next six months at the rate of 20 hours per month. The team must identify how the 20 hours per month will be made available. Some options may be efficiencies gained by the elimination of redundant work or overtime. An example of efficiencies gained by the elimination of redundant work would be as follows: Research shows that five of the current reports that the team currently produces on a monthly basis averages 4 hours per month per report and no one uses them any longer. By eliminating the requirement for these reports, 20 hours per month would become available for additional projects. In addition, overtime is a management option that can help to address work load peaks or special projects. Depending upon the particular situation, the higher hourly cost is often more than offset by the avoidance of costs of recruitment, training, and benefits.

Proposal Must Then Demonstrate Total Cost Comparison

Proposals that intend to show that work could be done more cost effectively within Montgomery County Government, must show total cost comparison. Total labor job cost includes total hours

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expected to perform a job multiplied by the total labor rate. Total labor rate is calculated by calculating hourly wage multiplied by the total percentage Retirement, Social Security, and Medicare plus flat dollar rate for Health, Prescription, dental, and Life insurance costs. See [Default Benefit Rates for Vacant and New Positions for FY2016](#) developed by MCG's Office of Management Budget.

Example – Assume Mechanic Technician II, Grade 18 and determine the Bargaining Unit for this position. Click on the [Classification and Compensation Salary Schedules](#) Click on the year you are looking for (2015 in this example) and the OPT and SLT Salary Schedule. Use the midpoint, which is calculated on an annual basis - \$57,826. Next divide the annual midpoint by 2080 (number of hours worked annually for a 40-hour/week employee). Answer is \$27.80 Hourly Rate. Then multiply the hourly rate by the total percentage for Retirement, Social Security, and Medicare found on the [Default Benefit Rates for Vacant and New Positions for FY2016](#). Answer is \$32.15. Next add the total hourly flat rate for group Health, Prescription, Dental, and Life Insurance costs of \$5.30. Total labor rate is \$37.45.

Proposal Must Also Consider Steady State Employment

There are some cases where it is advantageous for the government to have a service provided by a contractor, and pay the contractor a premium. This allows the government to scale up or scale down service relatively easily or to quickly replace the skill set of contractors as needed to provide a service. Please contact the budget liaison in your respective department to see if this may be one of those cases.

EQUIPMENT NEEDED TO PERFORM

If equipment is needed to implement certain enhancements, then the costs of the equipment should be amortized using the straight-line method (*straight-line method is when you take the value of the asset at purchase and subtract the value of the asset at the end of its useful life (aka "salvage value") and then divide by the number of years you will utilize the asset.*) over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements other than Buildings	3 – 40
Furniture, Fixtures, Equipment & Machinery	3 – 20
Automobiles and Trucks	2 - 15

The County Depreciates assets per this schedule [Page 52 of the FY2008 CAFR(Comprehensive Annual Financial Report)]

See [Capital Assets of Local Governments Suggested Useful Lives](#) from the MCG Finance Department, Capital Assets for more detailed years.

Assets or Equipment needed for proposal implementation will be evaluated on a case-by-case basis to determine if it can be purchased in the current fiscal year or must wait to the next fiscal year.

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LABOR COSTS

Rewarding Excellence proposals should include labor costs in their saving calculation to capture the opportunity cost of work not being performed so the recommended work can be performed.

Under this guideline, there are two types of labor costs:

- 1. Recurring***
- 2. Non-recurring***

1. Accounting for Recurring Labor Costs:

The recurring labor costs will be accounted for each year based on the total hours to perform the job multiplied by the total labor rate. Total labor rate is calculated by the hourly wage multiplied by the total percentage for life insurance, retirement, social security, and Medicare plus flat dollar rate for medical, dental, and prescription. See Default Benefit Rates for Vacant and New Positions for FY 2010 developed by MCG's Office of Management and Budget.

Example – Assume Mechanic Technician II, Grade 18 and determine the Bargaining Unit for this position. Go to the OHR Resource Library; click on HR Management; click on Classification and Compensation; and click on Office, Professional, Technical & Service Labor Trade Salary Schedule FY2010. Use the midpoint, which is calculated on an annual basis - \$54,243. Next divide the annual midpoint by 2080 (number of hours worked annually for a 40-hour/week employee). Answer is \$26.08 Hourly Rate. Then multiply the hourly rate by the total percentage for life, retirement, social security, and Medicare found on Appendix A 1.1646. Answer is \$30.37. Next add the total hourly flat rate for medical, dental, and prescription of \$4.62. Total labor rate is \$34.99

2. Accounting for Non-recurring Labor Costs

The non-recurring labor costs will be accounted for in the same manner as recurring labor costs with exception of non-recurring labor costs that relate to information technology application development. GASB 51 provides accounting guidance in the area of intangible assets which includes internally developed software. The activities involved in internally developed software can be grouped in 3 stages: preliminary project, information technology application development, and post-implementation/operation stage. GASB 51 advises that activities relating to the application development stage can be capitalized and amortized over the life of the developed software. Teams should determine the life of the development software and amortize these costs when considering project feasibility and payout.

REVENUE GENERATION OR FEE IMPLEMENTATION IDEAS

Revenue generation and fees are a responsibility of the County Executive and reviewed by the Office of Management and Budget, approved by the County Council. Because of this, new

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revenue or fees will not be considered as part of the Rewarding Excellence Program. Loss recovery ideas for existing fees or enhancements to revenues already collecting may be considered.

USE OF OVERTIME

The use of overtime in proposals may be justified on a short-term basis as long as a cost/benefit analysis is performed. The use of overtime should be short-term, no longer than one year. Also, the savings should occur in the same fiscal year.

CONTRACTUAL CONSIDERATIONS

As part of a proposal, a team may recommend either “in-sourcing” or “out-sourcing” County Services depending on whether either action would provide cost savings, improved outcomes, improved efficiencies or address other program objectives.

Bringing Service In-house

If it would produce cost savings and address other program objectives a team proposal may include bringing services currently performed by contractors “in-house”. This would happen because Montgomery County Government could be more efficient and/or have better control. Consideration must be given to the term of the contract and contractual requirements or obligations. Generally renewals are optional and the Contractor should be given notice that the contract may not be renewed due to County taking over operations, which may take several forms such as placing a notice within the solicitation if bringing in-house during the term of a replacement contract, via an amendment for an existing contract, which may require Contractor sign off on amendment since it would be changing terms of the contract, as well as other operational and legal considerations. If the design team is proposing to bring the work in-house but a firm decision has not been made and the contract is expiring (versus being renewed), then the new solicitation and contract needs to have a provision in it that the County is considering in-sourcing and the contract may be terminated before the end of the term. More details would have to be coordinated and worked out through the Contract administrator, Procurement, and County Attorney. The proposal should include details on the cost to the County of performing a function with in-house staff. Costs to consider are direct and indirect overhead costs such as imputed rent, utilities, administrative support (legal, HR, Procurement, finance etc.) If the employee base does not change, then these costs would not be increased. If there were a suggestion to add employees where they need to purchase or lease space, please add the appropriate direct and indirect costs.

Restructuring of the Contract

Where a contract is expiring, and a new solicitation is being developed, one may want to review how the work can be performed differently by a contractor and revise or update the scope of work or specifications. For example, the term of the contract may be longer to realize cost savings through economies of scale or based on industry standards (e.g. maintenance).

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ARE THERE ANY BUDGETS OFF LIMITS FOR CREATING COST SAVINGS?

Proposals may be generated to show savings in any operating budget except Trust Funds, the Health Benefits Self Insurance Fund and the Capital Budget. The Capital Budget is primarily paid for with the proceeds of Debt Issuances which restrict the use of those funds to the direct creation of the asset and any savings created in one project would go to the next project.

IDEAS MUST BE NEW OR NEVER IMPLEMENTED

See the section on Management Ideas/Normal Duties and Responsibilities/Budget Process under the Program Guidelines.

PROPOSAL FORMATTING

Please consistently present figures. What does this mean?

- Numbers – if rounded, consistently round all the numbers.
- Numbers – if exact, then consistently present the numbers as exact.
- Numbers – if use the symbol K for \$1,000, then consistently use K for \$1,000.

Savings Spreadsheets

- Please make sure to use row numbers
- Sub-total columns are helpful