

2017 NASCA Roundtable:

A Managed Service Contract for Facilities Management

MAY 3-4, 2017
NASHVILLE, TN



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Our 3 "Ah-ha's" of working with the State of Tennessee

What are the keys to success?



1

Leadership

Needs visionary and
passionate advocate
for change.

What are the keys to success?



2

Change Management

Take care of the
people side of
change—first.

What are the keys to success?



3

Technology and Governance

Embrace innovative technologies and focus relentlessly on data.

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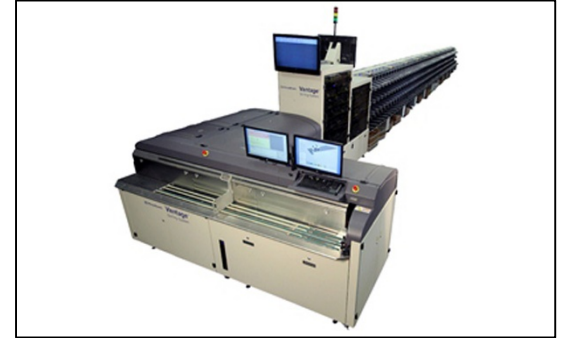
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Procuring for Managed Services

- Why is this space sometimes out of the comfort zone?
- Key contracting concepts
- Overcoming challenges

Outcome Based Comfort Zone Issues

We are good at spec'ing the mail sorting machine...



We are good at saying "dredge the river to seven feet"

We are good at saying "mow every two weeks"



Performance SOW/Statement of Objective Approach

- Define requirements in terms of minimum acceptable standard or ranges of acceptable performance
- May require a particular type of product or approach
- Leaves most of the “how to” decisions to the contractor
- Enhances competition because the SOW enables a contractor to use its company’s strengths and creativity to satisfy the requirement
- Can be complex to create and manage in an environment that is primarily familiar with Functional or Design based SOW’s

Requirements vs Specifications

Requirements

- What's the outcome?
- What will the user be able to do?

Specifications

- How will the item accomplish requirements?
- What standards or performance will it adhere to?

Destinations are not Routes

- User: "I want to go to the airport"
- Driver: "The freeway is backed up, do you want to take the toll road?"



Service Levels in Managed Services

- The purpose of service levels is to enable agreement on delivery standards that allows the contract manager to monitor and control performance
- Service Level Agreements should reconcile with requirements
- Service Levels should be:
 - established at an achievable level (the cost of the extra 9)
 - prioritized by the customer by an agreed scale (ex. critical, major, urgent, important, minor)
 - objective and quantifiable
 - unambiguous and understandable by all parties

Service Credits in Managed Services

- Service Credits are a primary enforcement mechanism of Service Levels
- Creates real penalties for missing Service Levels in a way that keeps the vendor goals aligned with the state goals for ongoing performance situations
- Typically charged at an overall contract level, at the end of performance periods, with an opportunity for earn back
- Why allow earn back?
 - Trying to encourage performance, not get the Supplier's money
 - Allowing opportunity to earn back a credit during the year incentivizes Supplier to invest in fixing the problem

“Arcs and Rooks”

- When you have rollout that will happen over time, a variant of “typical services levels is Arcs and Rooks
- ARC: Additional Resource Credit
- RRC: Reduced Resource Credit
- Prenegotiation of what happens when new resources are added or removed, with upper and lower bands
- When a band is crossed, it is a contract event
- Concepts employed in technology sourcing, but applicable here
- All of these methods are out of the familiarity zone of day to day purchasing agents

Methods to Overcome

- Ensure the procurement group has designated at least one person with strategic contracting responsibilities and establish a professional development plan
- Leverage examples – procurement LOVES examples
- Do your homework – you will need it anyways
 - Spend in the space
 - Major Agencies in the space
 - Contract portfolio in the space
- Consider alternative scope to take at least one step forward
 - Job Order Contracting
 - Janitorial Services
 - (MRO) Maintenance/Repair/Operations consolidation



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Audience Response

Please take out your cell phones!