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Subject/Title

**Optimization Program Guidelines**

Date Effective

February 1, 2008

Revision Date Effective

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Code Number

BSS 15

*W. Curtis Walter Jr.*

City Manager

Business Support Services

Responsible Key Business

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**Objective:** To establish a uniform method for administering the optimization program and associated gainsharing program for the City of Charlotte.

**Policy:** When competitions yield cost and/or productivity savings and lessons can be learned from the process that can be applied to other similar service areas, an optimization may be conducted instead of a direct competition with the private sector. Additionally, due to limited time and resources available to conduct multiple competitions simultaneously, when optimization is a viable option based on a previously similar competition and performance measures can be identified and tracked, competition shall not be employed.

**Scope:** Policy guidelines are not intended to be retroactive for optimizations already underway at the time the policy is made effective. All optimizations after policy implementation must conform to the new guidelines, including any revisions to existing optimizations. The full optimization study report is available on the BSS CNET site.

**Responsibilities and References:**

The Competition/Privatization liaison office in Business Support Services is considered the coordinating unit for the optimization program for the City of Charlotte and shall provide such services as deemed appropriate. The Budget and Evaluation Office shall provide additional support and assistance as appropriate.

**Procedures:**

1. **Traditional Optimization** based on a previous Competition - If a previous competition with the private sector has been conducted - conduct a standard optimization process adhering to the following guidelines:
  - Optimizations can last no longer than the competition MOU it is based upon (if a competition runs for five years, the optimization term in total can last for no longer than five years and can begin during the competition term upon which it is based or can begin at the conclusion of the competition term upon which it is based).
  - Optimization MOU must include a section outlining the lessons learned from the competition and what changes are being implemented to change the way business is currently performed.
  - Metrics to measure the effectiveness of the new business processes and key performance indicators for the services should be identified and tracked during the optimization.
  - Services must be substantially similar to those where a managed competition was held with the private sector.

- A gainsharing plan and MOU shall be submitted when submitting the optimization bid for Internal Audit review (similar to requirements in the competition guidelines).
- All Optimization MOUs and Gainsharing Plans must be reviewed and approved by a majority of the Gainsharing Review Team (GRT) before implementation. The GRT will be comprised of the Assistant City Manager assigned to the PCAC, the City's Internal Auditor, the Human Resources Key Business Executive, one PCAC member appointed by the PCAC Chair, and the PCAC Staff Liaison. The GRT, in conjunction with the KBUs, will develop criteria to guide the review process.
- Proposals for optimization must be submitted to Internal Audit no later than 90 days before planned start date (proposals which do not substantially follow Audit Guidelines will be returned for later re-submittal).
- Approval of optimization information by GRT must take place no later than 60 days before planned start date.
- Optimization plan including completed MOU and Gainsharing Plan must be presented to the full PCAC as information before the start date of the optimization.

2. Non-traditional Optimization or Business Analysis - The competition program can be somewhat intimidating for KBUs without experience in competing with the private sector. This new option provides a way for city employees to become involved in the competition program by providing an opportunity to determine their current business processes, analyze their business needs, and make appropriate process changes and measuring these changes to determine if costs are reduced and productivity increased.

If a previous competition with the private sector has not been conducted – the KBU has the option to conduct a Business Analysis process adhering to the following guidelines:

- Business Analysis projects will be included on the five-year competition plan along with traditional managed competition projects, optimizations, contracted services and benchmarks.
- Each Business Analysis project must include the following:
  - A plan for improved productivity or enhanced business processes which sufficiently demonstrates improvement in service provision or a reduction in cost, including changes to the business processes
  - Must include metrics sufficient to measure the effectiveness of the new standard and how the new standards will be monitored
  - Gainsharing will be paid in accordance with the existing Clever Ideas in Acton (CIA) program, which limits the period of time to one year and delays payment of incentives to employees

until savings are calculated to be removed from the next year's budget

- The plan must be approved by a majority of the Gainsharing Review Team before implementation

3. Equipment Replacement

- The Vehicle Replacement List maintained by the Budget & Evaluation Office shall be the primary guideline used for determining replacement schedules under optimization. When additional or other standards are used, justification to Internal Audit is required.
- Equipment and vehicle capital costs and maintenance expenses must be built into the optimization bid and communicated to Internal Audit early in the process. Specific guidelines related to the costing of equipment and vehicles for optimization can be found in the current Internal Audit Guide to Competitive Bidding and Optimization.

4. Position Management

- The setting of appropriate service levels helps to address the question of when vacancies should be eliminated following an optimization. It is estimated that one year is sufficient time for management to determine how many employees are needed to do the work at the service level Council has funded. When they exist, vacancies within an optimization must be evaluated at the close of each contract year to determine disposition. The addition of employees can also be influenced by the service level expectations of City Council to add employees where appropriate.
- Internal Audit, Human Resources and Budget & Evaluation will work with each KBU involved in optimization MOUs to complete the evaluation of vacant positions. Existing vacancies as well as opportunities related to staffing levels for workload demands are to be addressed in the evaluation. This evaluation will be conducted in conjunction with the PCAC.

5. Gainsharing

Employees are eligible for gainsharing pursuant to the City of Charlotte Competition-based Gainsharing Plan, and as follows:

Eligibility

- Eligible employees must be actively employed on the day checks are distributed in order to receive payment. Exceptions to this are employees who retire or terminate due to disability, job elimination, or death (pay to the estate of). Employees who transfer from the cost center to another division or to another KBU under good and acceptable circumstances are eligible to receive gainsharing payments.
- City Temporary employees, Part Time Regular and Full Time Regular employees are eligible to participate in gainsharing. Temporary employees who are employed through outside temporary agencies are not eligible.

**Subject/Title**

**Optimization Program Guidelines**

**Code Number**

**BSS 15**

**Page**

**4**

**of**

**5**

- Employees will become eligible to participate in gainsharing once they have been with the contract unit for 30 days.
- In order to be eligible for a payout, the employee must not have been placed on performance probation during any part of the period covered for the payout and must have performed at the “Achieved Expectations” or above level during the full period covered for the payout.
- Employees on probation at the time checks are written for previous period gainsharing should not receive the check until they are released from performance probation.
- Employees on any type of approved leave will receive any gainsharing payments due once they return from leave.
- Employees on any type of approved leave will be considered for gainsharing only for the number of days worked during the gainsharing period. All types of leave (military, FMLA, etc.) are treated the same.

Calculation

- Only those employees who are eligible for payout should be included in the payment calculation.
- All eligible employees will be paid a proportional share of the gainsharing payout based on days (8 hours) worked (includes benefit hours such as vacation, holiday, funeral, and sick days) under the gainsharing/optimization agreement during the measurement period.
- Gainsharing is to be calculated and paid quarterly as deemed appropriate by the KBE in charge of the services.
- If an employee has reached the 25% (gainsharing) 17% (optimization) cap, then those earnings over the cap should not be redistributed to the other employees who have not yet reached their cap. Redistribution of the cap goes against the original intent of the program and it is not appropriate to give the higher paid employees the money generated from the lower paid employees meeting the cap.
- If an employee is eligible for an amount less than 100% of gainsharing (due to being in a support position or working across multiple zones), then the 25% (gainsharing) 17% (optimization) cap should be prorated by the same reduced percentage amount for which the employee is eligible. Otherwise, the prorated employee and the 100% employee could receive an equal payout, due to the salary cap.
- Checks shall not be "netted down" meaning that the City's portion of FICA, 401K, and retirement should not be taken out of the employee's gross in calculating the payout. This practice ensures that employees receive the full 33%. These amounts are normally paid by the City as the Employer's portion for all other payouts (Incentive, Longevity, and CIA).
- For each six month period of gainsharing, when savings are realized, 50% (33% for optimization) of the audited savings will be set aside for employees in the form of gainsharing. Half of the gainsharing (25% of the total savings for gainsharing, 16.5% for optimization) will be held in reserve to be paid at

**Subject/Title**

Optimization Program Guidelines

**Code Number**

**BSS 15**

**Page**

**5**

**of**

**5**

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the end of the fiscal year or netted against any prior quarter losses until the end of the contract year.

- If savings are less than \$1,000, in any measurement period, no payment will be made to employees for that measurement period. Additionally, gainsharing will not be paid to an individual employee during the first three quarters of the fiscal year if the individual employee's payout is less than \$50.00. These payments will be held and distributed with the next scheduled payment, if the combined payments equal \$50.00, otherwise, with the fourth quarter payment.

Disposition of City Savings

- Formal tracking of the City's portion of designated savings as referenced by the current Gainsharing Policy shall be conducted by each optimization project. For the final year of the contract period, due to the delay in the final audit and final savings being verified, remaining funds will remain in the contingency fund for a period of one year following the release of the audit.