



LEGISLATING FOR RESULTS: *Motivating Contractors and Grantees to High Levels of Performance*

A Municipal Action Guide

Number 8 of 10

Contractors and grantees also have major roles in producing results. Financial arrangements can have considerable effects on behavior. Many local governments contract for garbage collection, waste disposal, public transit, and a variety of human services. The inclusion in agreements of goals relating to results can have considerable motivating power. Incentives need to be linked to good results and not encourage make-work.

Traditionally, agreements between the local government and contractors or grantees specify how the service will be provided – but without any specification of the quality and results of that service. The role of elected officials and the actions they can take to ensure this is the subject of this Action Guide.

Summary of Actions

- When considering a change from in-house to contractor service delivery, consider the likely service outcomes and not only the costs.
- Tie ongoing and future contracts and grants to outcomes. Include outcome targets in contracts, grants, and other agreements. Where feasible, link payments to target achievement.
- Before switching to performance contracting in a service, obtain the contractors/grantees input into the process.
- Give the contractors/grantees more leeway in how they provide the service in exchange for greater accountability for service outcomes.
- Assure that there are sufficient resources to monitor the contractors/r grantees outcomes.
- For key contracts, grants, and agreements, require periodic progress reports on the results and costs being achieved as compared to the contracted performance.
- Ask questions about outcomes when major contracts come before the council.

ACTIONS

Deciding whether to provide a service in-house or contract it. Results information can be of considerable value to elected officials in deciding whether it is most cost-effective to provide a service in-house or contract for it with private parties or other governments.

ACTION: Consider not only the relative cost of contracts versus in-house delivery of the service, but also the outcomes (service quality) that would result. Ask questions about the ability of potential contractors to produce satisfactory outcomes and results when major contracts come before the council for approval. (*See Examples: Coral Springs, FL*)

ACTION: Tie ongoing and future contracts and grants to outcomes. Include outcome targets in contracts, grants, and other agreements. Where feasible, link payments to target achievement.

Motivating contractors and grantees to achieve desired results. If a decision is made to contract for a service or provide funds to a grantee, the inclusion of outcome targets can be a strong motivator in ensuring that desired results are achieved.

ACTION: Include outcome targets and a clear statement of the consequences for not meeting contract outcome targets in the agreement.

ACTION: Provide an opportunity for the private sector to review the outcome indicators and targets in order to gain their support for performance contracting.

ACTION: Give contractors and grantees more leeway as to how the work should be done in exchange for their increased accountability for results.

ACTION: Encourage the inclusion of outcome targets into “private-public” agreements, such as tax exemptions for economic development. (*See Examples: Iowa City, IA*)

ACTION: Make sure when using performance contracts that departments have sufficient capability to obtain the needed outcome information on the contract’s results.

ACTION: Ask for information about how the quality and results of those services will be monitored and what

rewards, or penalties, will occur for good, or poor, outcomes when major contracts for services are presented for approval.

ACTION: Ensure that there are sufficient resources to monitor the contractor or grantee performance.

ACTION: Receive periodic reports on progress towards meeting the agreement’s quality and results targets.

ACTION: Take appropriate action when contractors or grantees fail to meet the results targeted in the agreements, after considering possible extenuating circumstances. (*See Examples: Washington, DC*)

ACTION: Use the information on contractor and grantee past outcomes to help make future contract and grant decisions.

EXAMPLES

Coral Springs, FL

The Coral Springs, FL City Commission used response time data to determine that having its own EMS service was preferable to its contract for the service.¹

Iowa City, Iowa

The Iowa City, IA City Council has linked multi-year property tax rebates to increases in the number of full-time employees in redevelopment agreements with the private sector. Recently, a private firm missed the number specified in the agreement. The city prorated the rebate based on the ratio of the employment increase the city planning department certified actually occurred to the original size of the increase projected by the private firm.² Indianapolis, IN has used a similar procedure.

Washington, DC

A Washington DC council member in 2006 found that a nonprofit agency had enrolled only 123 persons, rather than the 300 people called for by its contract. The council member’s pressure led to the health officials terminating the contract. The council member also held hearings in which the contractor was asked to explain its poor results.³

¹ E-mail communication from Kevin Knutson, Director of Communications & Marketing (formerly Budget Director), City of Coral Springs (June 2, 2006).

² Transcription of the City Council Work Session of April 4, 2006, p. 12.

³ Washington Post, “City Cuts Ties to Nonprofit Agency,” page B4, May 31, 2006.

NOTES

