Appendix A: Background on Service Delivery Options

This document is intended to be used by SACOG to facilitate a discussion about the feasibility of any particular shared service. SACOG staff will use this with city managers, county administrators, and jurisdictional department heads as part of the feasibility analysis.

Starting the Feasibility Analysis

Developing any shared service arrangement requires engaging all stakeholders to conduct a feasibility analysis. It is important to start with the highest level of agreement possible, as later steps all tie back to the decisions about how to partner. A feasibility analysis can be as formal or informal as the agencies wish. Generally, the analysis should get at the following questions.

- What is the existing service being offered?
- What is similar/dissimilar in how the service is being delivered by each agency?
- Is there interest in expanding/shrinking the service?
- What funding is available for any start-up costs for changing service delivery?

This process of selecting a portfolio of services to pursue ultimately should lead to services that have the clearest value and a feasible path to implementation.

Once this process is complete, the parties can move forward with greater resolve, which can translate into a framework for developing the service delivery business model.

Table 1 below provides a generalized overview of the four basic options or models for service delivery. It divides the service delivery options into four general types:

- **Coordinating** includes consolidation and/or sharing of specific function(s) by entity. Coordinating is typically done between public agencies.
- **Merging** includes combining specific function(s) and/or political entities into a single public entity.
- **Contracting** includes transferring management and execution of function(s) to an external service provider (public or private).
- Creating a **New Entity** involves transferring management and execution of function(s) to a separate entity created to provide function. The new entity may be public or private.

Table 1: Service Delivery Options

	Coordinating	Merging	Contracting	New Entity
	Consolidation and/or sharing of specific function(s) by agencies	Combining specific function(s) and/or political agencies into a single agency	Transferring management and execution of function(s) to an external service provider	Transferring management and execution of function(s) to a separate entity created to provide function
Typical reasons to implement	• Reduce redundancy • Reduce costs by realizing economies of scale • Standardize processes • Improve existing/add higher level of service	• Reduce redundancy • Reduce costs by realizing economies of scale • Share/lower future investments • Provide new service	• Variable fixed costs • Eliminate future/ongoing investments • Flexible capacity • Provide new service	• Share risk/benefit • Address regional needs • Provide new service • Make resources more affordable
Limitations/risks	Need for incremental investments with technology/industry changes to realize continued benefits	• Lower benefits with larger number of merging entities/functions • Wages at highest of pre-merged levels • Potential loss of individual entities' identities	• Smaller scopes of work yield little financial benefit • Lower control of day-to-day service delivery	• Lower control of day-to-day service delivery • Lower responsiveness to local change requirements • Loss of individual entities' identities
Responsible party	Shared (not always equally) across participating entities under separate agency authorities	Single merged agency under the authority of its single governing body	External service provider according to agreed upon service-level agreements and duration	Separately created entity under the authority of its governing body

A more detailed listing of the tradeoffs with each model is provided in Table 2 below. The tradeoffs among these service delivery options fall into three categories: fiscal impacts, non-fiscal impacts, and barriers. The tradeoffs are described generally and will vary from service to service. Each public agency will also weigh these tradeoffs differently, so this is meant as a general guide rather than a prescription.

Table 2: Service Delivery Tradeoffs

		Coordinating	Merging	Contracting	New Entity
Fiscal Impacts	Costs	Medium – Varies based on extent of system/process changes	High – Integration costs can be significant	Low – Spread over number of years	Medium – Substantial if new infrastructure required
	Benefits	Varies – potential significant benefits when one entity has excess capacity and/or greater capabilities	Varies – potential benefits when one entity has greater capabilities	Varies – savings attributable to personnel may be small; greater potential for savings from scalable systems	Varies – savings attributable to personnel may be small; greater potential for savings from scalable systems
Non-fiscal Impacts	Benefits	• Reduce redundancy • Reduce costs (economies of scale) • Standardize processes • Improve existing/add higher level of service	• Reduce redundancy • Reduce costs (economies of scale) • Share/lower future investments • Provide new service	• Variable fixed costs • Eliminate future/ongoing investments • Flexible capacity • Provide new service	• Share risk/benefit • Address regional needs • Provide new service • Make resources more affordable
	Risks	Need for incremental investments with technology/industry changes to realize continued benefits	• Lower benefits with larger number of merging entities/functions • Wages at highest of pre-merged levels • Potential loss of individual entities' identities	• Smaller scopes of work yield little financial benefit • Lower control of day-to-day service delivery • Higher oversight/contract management than traditional in-house delivery	• Lower control of day-to-day service delivery • Lower responsiveness to local change requirements • Loss of individual entities' identities
Barriers	Political	Low – Preferred with high regulatory constraints	High – Susceptible to political pressures	Low-Medium – Susceptible to pressures for services visible to the public	Medium – Susceptible to political pressures
	Funding	Low – Existing funding should be adequate to provide service	Medium – Additional funding for start-up costs may be a challenge	Low-medium – Depends on the amount of start-up funding required beyond existing service costs	Medium-high – Legal and other costs not related to service provision may be significant

		Coordinating	Merging	Contracting	New Entity
	HR	Low – Most staffing options should not impact existing staff; shared positions may create classification issues, based on individual agency rules	Medium-high – Changes to existing staff responsibilities likely subject to labor negotiations; position reductions a potentially significant barrier	High – Assuming reduction in positions	High – Assuming reduction in positions
	Legal	Low – may be done with non-binding agreements	Medium – requires formal agreement between agencies	Medium – requires formal agreement between agencies and/or solicitation for services	Medium-high – requires formal agreement between agencies and creation of legal structure for new entity
	Social	Low – least publicly visible change; lowest start-up costs	Medium – combining into a single agency necessitates public education; may face initial resistance; demonstrated efficiencies may reduce resistance	Medium-high – transfer to an external provider necessitates public education; may face initial resistance; demonstrated efficiencies may reduce resistance; additional potential for resistance if service provided by non-governmental entity	Medium – creation of a new entity necessitates public education; may face initial resistance; demonstrated efficiencies may reduce resistance
	Economies of scale	Medium – may be difficult to scale using existing staffing	Low-Medium – depending on how staffing is arranged, it may be easy to add staff to meet demand	Low – easiest option for adding staff to meet demand, as well as for reducing staffing if demand reduces	Low-medium – easy to add staff to meet demand, but entity needs to be designed to allow for flexible staffing
	Primary focus	Cost reduction	Cost reduction	Flexibility	Focus on service delivery
	Service responsibility	Shared between agencies (non-hierarchical)	Shared between agencies, but more responsibility on agency delivering service (hierarchical)	Entity delivering service	Entity delivering service