Salinas City Productivity Bank

Guidance Document and Department Instructions

GENERAL PRINCIPLES

Effective July 1, 2019, the City Manager has established a Productivity Bank. Departments have the opportunity to compete for "Productivity Bank" monies. The purpose of the Productivity Bank is to provide one-time seed money for investments that will lead to increased revenue and/or reduced ongoing operating costs.

Qualified Applicants

Proposals will only be accepted from City employees.

Investment Characteristics

- Proposals must be for one-time investments only.
- No other funding available
- Not jeopardize normal service levels
- Savings and revenue achieved are sufficient to repay the loan plus interest within 5 years

The Productivity Bank will make Loans, as further described below. The Productivity Bank seeks proposals that demonstrate a positive Return on Investment (ROI), through increased revenue and/or reduced operating costs. Proposals which do not demonstrate a positive ROI are not eligible for a Productivity Bank investment. An investment that leads to reduced operating costs produces cumulative operating savings within five years of implementation that exceed the initial investment. These investments will be treated as a "loan" and must be paid back by the recipient, on the terms set forth below.

First Year of Loan – 100% of the amount in earned or saved in excess of the repayment amount may be appropriated to the department and used for nonrecurring one-time purposes

Second Year of Loan – 50% of amount earned/saved shall be appropriated to the department for nonrecurring one-time purposes and 50% to the Productivity Bank

Third Year of Loan and thereafter – 100% to the General Fund

Example: *The City loans $150,000 to the X Department to implement an online system. By reducing the staff required to meet walk-in customers, ongoing operating costs would be reduced by $50,000 annually for a total of $250,000 in five years. Department X would keep $50,000 of the savings the first year, $25,000 in the second year*

Minimum Amounts

Proposals must be for $50,000 or greater.

EVALUATION CRITERIA

The Productivity Bank Committee will rank proposals based on the following criteria, in order of importance:

Disruptive Innovation

The Productivity Bank seeks proposals that disrupt the status quo way of addressing a challenge or delivering a service and offer a compelling and game-changing solution. Not all innovative ideas are new. Applicants are encouraged to apply existing, proven ideas which have been funded and applied by others (e.g., philanthropic partners, educational institutions, business practices) but not used by our City.

Sustainability

The Productivity Bank seeks proposals that create sustainable improvements lasting for many years beyond the initial investment. Projects that provide a one-time "bump" in results but then revert back to the base level will not be eligible for funding. The Productivity Bank will not provide funding beyond the initial investment. If the investment is for a pilot or demonstration project, any follow-on funding will subject to a competitive process in future years' regular operating budget cycles, and applicants should demonstrate how future funding may be obtained either from the regular operating budget or from external sources, or both.

Leverage

The Productivity Bank seeks proposals that partner the City with other investors, such as foundations, businesses, and state and federal Departments who want to join us in promoting innovative solutions to our toughest challenges. Proposals that demonstrate strong potential for such partnerships, such as proposals seeking to leverage external dollars through a "last-in investment" by the City will receive priority consideration.

Customer Service Focus

The Productivity Bank seeks proposals that include a focus on providing excellent customer service. Applicants should think of customers broadly. Internal customers could include other City Departments or City staff members. External customers could include citizens, businesses, vendors, or other potential users of City services.

Collaboration

Preference will be given to proposals that show collaboration between two or more City Departments.

APPLICATION PROCESS

First, applicants requesting Productivity Bank monies should coordinate with the effected department director(s) who will be responsible for the execution of the proposal. If the department director does not agree with the proposal, they can put their issues in writing and the narrative will accompany the application through the review process. The application proposals will be

submitted to the Finance Director. A standard template is available from the Finance Department. This proposal will be reviewed by the Finance Director for completeness and reasonableness and share the information with the City Attorney for his review and comments. Once the application is complete, the Finance Director will forward application packet to the Productivity Bank Review Committee (Review Committee) for their comprehensive review. The Review Committee will evaluate the project proposed based on the review criteria and in relation to the funding available and the other applications at that time. The Review Committee will make a recommendation to the City Manager. The City Manager makes the final approval. Applications are due by January 30 of each year for next budget year (or rolling basis during year). The application packet consists of:

- **General Information:** The applicant will need to list their name, the Department name, service or program name, contact information, and the dollar amount of the request.

- **Proposal:** The Department should describe the proposal in detail. The proposal should provide a clear case, with supporting evidence, for achieving measurable revenue increases and/or cost savings results. A strong proposal will address the evaluation criteria described above.

- **Plan:** Describe the key personnel involved in the project, the timeframe for implementation, partnerships with other Departments or outside entities, how risks will be managed and an assessment of the likelihood of success, and how the results will be evaluated.

- **Track Measures of Success:** The Department should list the quantitative measures that will be used to measure success. Projects should be measured either in terms of improved revenue and/or dollars saved. The Productivity Bank Review Committee will be reviewing numerous proposals and will be looking for stretching (but realistic) targets, and a good overall "bang for the buck."

- **Develop Budget:** The Department must estimate all planned expenditures of Productivity Bank dollars by object, with a specific description for each line item and forecast out over the payback period. These expenditures must include both one-time upfront costs and any "life cycle" costs that might be required after the initial investment, such as ongoing maintenance, upgrades, or shutdown costs. The applicant is also required to provide information on any other sources of funding for the project and how those will be used. In addition, for savings projects, the application requires a forecast of the amount and timing of the expected savings and the expected ROI. Applicants are encouraged to meet with the Finance Director to forecast savings and revenue potential.

Note: *Departments that receive Productivity Bank monies will be expected to report on their progress to the Productivity Bank Committee quarterly until the loan is repaid. Once the fund is paid, Departments will be expected to report on their progress on an annual basis. The Committee will provide instructions on the format and content of these reports.*

PRODUCTIVITY BANK REVIEW COMMITTEE

Proposals will be evaluated by a Productivity Bank Review Committee. The Committee will consist of 7 members appointed by the City Manager as follows:

- One Department Director or ACM, other than the Finance Director
- Three exempt employees, other than Department Directors or ACM
- Three non-exempt employees

The Review Committee will meet as needed, which may be four times per year to review applications and review the quarterly reporting. Decisions will be determined by a majority vote of quorum members present. The City Manager has final approval. Finance Director will provide administrative support to the Review Committee.