

Innovation Program

SCOPE

This policy establishes guidelines for the Innovation Program.

OVERVIEW

The Innovation Program is designed to encourage City employees to think creatively about how to improve day-to-day operations and address inefficiencies within business processes. Begun in 2012, the Innovation Program has become an integral part of the City's fiscal management approach. It consists of three parts: the Innovation Fund, the Employee Innovations Program (EIP), and Lean Government.

INNOVATION FUND

PURPOSE

The purpose of the Innovation Fund (the Fund) is to provide seed money that will lead to improved results, reduce ongoing operating costs, and/or new revenue. City agencies and quasi-City agencies may apply for Innovation Fund loans by submitting proposals to the Innovation Program Committee. Grantees are not eligible to apply directly for Innovation Fund money, but can partner with eligible agencies. Innovation Fund proposals are separate from normal operating budget proposals.

Innovation Fund investments are one-time loans. Awarded funds must be paid back to the Fund by the agency so that monies are available for future awards. Any follow-on funding will be available on a competitive basis in future years' regular operating budget processes. The Fund seeks proposals that demonstrate a positive **Return on Investment (ROI)** through reduced operating costs and/or new revenue. Proposals that improve results, but do not reduce costs and/or increase revenue should be advanced through the regular budget proposal-making process. Proposals which do not demonstrate a positive ROI are not eligible for an Innovation Fund investment.

- An investment that leads to **reduced operating costs** produces cumulative operating savings within five years of implementation that exceed the initial investment.
- An investment that leads to **increased revenue** may be as a result of better performance such as leveraging new funding sources, more fees collected due to increased effectiveness, or the implementation of new fees due to a change in service delivery.

Operating cost savings realized during the first two repayment years will be split between the agency and the Innovation Fund, in equal shares. The agency shall use its share of savings to fund projects which conform to the requirements of investments made hereunder and such use shall be certified in detail to the Innovation Fund Committee prior to commencement. Savings

Innovation Program

during subsequent years shall go to the Innovation Fund, until the Innovation Fund has been repaid 100% of the investment, after which time, 100% of the savings shall go to the General Fund. Operating savings will be certified by the Bureau of the Budget and Management Research (BBMR), and agencies that receive Innovation Fund monies will be expected to report on their progress to BBMR quarterly.

Upon approval by the Mayor, BBMR will draft a Letter of Agreement specifying funding amount and use, funding terms, deliverables, schedule, and project monitor and manager. Both the Budget Director and agency head must sign the Letter of Agreement to acknowledge the terms and conditions of the funds issued.

JUDGING OF PROPOSALS FOR THE INNOVATION FUND

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

Disruptive Innovation. The Fund 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 agencies at all or to scale.

Sustainability. The Fund 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 of performance will not be eligible for funding. The Innovation Fund will not provide funding beyond the initial investment. If the investment is for a pilot or demonstration project, any follow-on funding will be 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 Fund seeks proposals that partner the City with other investors, such as foundations, businesses, and State and federal agencies 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 Fund seeks proposals that focus on providing excellent customer service. Applicants should think of customers broadly. Internal customers could include other City agencies or City staff members. External customers could include citizens, businesses,

Innovation Program

vendors, or other potential users of City services.

Based on these criteria and available funding, the Committee will make loan proposals to the Mayor for final approval.

FUNDING FOR ADOPTED INNOVATIONS

The amount budgeted for the Innovation Fund is at the discretion of the Mayor and City Council. Proposals must be for loans of \$100,000 or greater. Funding for investments of less than \$100,000 must be requested and justified within a regular operating budget proposal process.

SUBMITTING APPLICATIONS

Agencies requesting Innovation Fund monies must submit a two part application. A standard template will be provided by BBMR including a narrative portion in a Word document and an Excel spreadsheet.

Innovation Fund Proposals should:

- 1) Clearly demonstrate how they are going to re-pay their Innovation Fund award including the proposed period of repayment.
- 2) Clearly demonstrate the benefits, including how they advance the Mayor's Priority Outcomes and goals; how costs will decrease; how performance will improve; and how revenue will increase.
- 3) Not simply espouse the benefits, but "unpack" the projections with data sources and clear assumptions.
- 4) Not be wish lists. They should reflect thoughtful, strategic use of funds for a specific purpose and benefit.

ADMINISTRATION

The Bureau of the Budget and Management Research (BBMR) has overall responsibility for administering the program. In administering the Innovation Fund, BBMR provides the standard template of application, informs agencies of the Innovation Fund Committee's decision, and evaluates quarterly reports provided by agencies being awarded Innovation Fund monies.

EMPLOYEE INNOVATIONS PROGRAM

PURPOSE

Innovation Program

The Employee Innovations Program is designed to:

- Encourage employees to propose creative and divergent solutions to problems facing the City and formulate improvements to existing operations and procedures.
- Recognize employees whose proposals are adopted and implemented.

This program applies to all City employees except those whose job responsibilities involve the investigation of methods to improve operations or services and supervisory personnel if the proposal involves operations that they have the authority to change.

Employees may propose ways to improve customer service, employee relations, administrative procedures, operations, equipment, production methods, safety measures, or other aspects of the work environment. Proposals may be made by an individual employee or jointly by two or more employees. Proposals must result in significant savings in terms of time, money, or materials, solve an operational problem, increase revenue, or greatly increase customer service or other work performance. The minimum savings or increase in revenue considered will be \$50,000.

Cash awards may be made to an employee whose proposal is selected and implemented. Generally, awards will amount to 5% of the anticipated savings or increased revenue, up to a maximum of \$5,000. Awards of \$500 may be made for cost-neutral service quality improvements.

All awards will be treated as compensation to the employee to be disbursed as a one-time payment as part of an employee's paycheck and subject to all applicable taxes. Awards for group proposals are distributed evenly among the members of the group. If sufficiently similar proposals reach BBMR on the same day, any award is shared equally among all the employees whose proposals were similar and adopted. If a proposal is rejected and the same proposal is submitted and adopted within three years, the employee(s) who made the original proposal will also be eligible to share in the award, if any. Except as specifically set forth above, when two or more similar proposals are submitted, only the one received first is eligible for a cash award.

Awards are generally funded by the agency to which the proposal is applied. Awards for proposals that have citywide impact, as determined by the Innovation Committee, will be funded by the Innovation Fund. All cash awards are subject to the availability of funds.

The Innovation Program Committee's (or Board of Estimates') decision on any matter related to Innovation Fund or Employee Innovations Program submissions, including the amount of any

Innovation Program

award, is final and may not be the subject of a grievance.

Each proposal is treated confidentially. The name(s) of employee(s) are released only with the employee(s)' consent. Only the control number assigned by BBMR identifies the submission.

BBMR vets each submission for completeness, sending responses to participants to ensure that they know that their ideas have been received and that they meet the submission criteria.

JUDGING OF PROPOSALS FOR THE EMPLOYEES REWARDS PROGRAM

Proposals for the Innovation Fund and Employee Innovations Program will be reviewed by the Innovation Program Committee, chaired by the Director of Finance and consisting of the Director of Human Resources, the CitiStat Director, and three individuals appointed by the Mayor.

The Innovation Program Committee examines all proposals and determines its merit and financial impact. The Committee may authorize cash awards, commensurate with anticipated savings or increased revenue.

Eligible proposals would be limited to those that are:

- a) original to the City of Baltimore
- b) not currently being developed in the City
- c) implementable in the current context of the City of Baltimore
- d) scalable in their capacity to be expanded either in scope or to new challenges
- e) quantifiable in their impact

The Committee judges ideas on a uniform scorecard to ensure fairness of judging.

FUNDING FOR ADOPTED EMPLOYEE INNOVATIONS PROGRAM IMPLEMENTATIONS

The cost to implement any selected proposal will generally be charged to the agency to which the proposal applies. If the Innovation Committee determines the cost to implement a selected proposal will be more than can be reasonably charged to the agency based on their budget, but the projected savings or revenue increase justifies implementation, the agency may be required to submit a budget enhancement request to offset the implementation costs.

Innovation Program

If the Innovation Committee determines the selected proposal will have impact on more than one agency or citywide impact, the cost to implement the selected proposal may be borne by the Innovation Fund.

SUBMITTING APPLICATIONS

Individuals or groups may submit proposals using any of the following methods:

- Complete an online application at: <http://bbmr.baltimorecity.gov/InnovationProgram/EmployeeInnovationsProgram.aspx>. Any additional information for consideration by the Innovation Committee (sketches, charts, etc.) should be scanned and attached to the submission.
- Complete the attached application form, print and email the completed submission to budget@baltimorecity.gov. The email should be titled: Employee Innovations Program Submission – [Contact Person’s Name] – [Date of Submission]. Any additional information should be scanned and attached to the email for consideration by the Innovation Committee.

Employees should retain a copy of all submitted documents.

ADMINISTRATION

The Bureau of the Budget and Management Research (BBMR) has overall responsibility for administering the program. In administering the EIP, BBMR provides the standard template of application, informs employees of the Innovation Fund Committee’s decision as to whether their proposal was accepted or not for implementation, and informs employees of all policies, including those concerning payment, for the EIP.

LEAN GOVERNMENT**PURPOSE**

The purpose of Lean Government is to make government business processes more customer-friendly and efficient. Lean employs a variety of tactics to identify and eliminate waste. From mapping out complicated, intensive processes step-by-step or implementing small changes quickly that can have dramatic results, Lean Government is a flexible technique to improving how government delivers services to its residents.

Innovation Program

The goal of this policy is to promote a Lean culture in city government by training employees and sponsoring Lean events. Lean events are held for City employees to carefully examine business processes, eliminate the parts of the process that are inefficient, outdated, or not useful, and design a better process to use going forward.

The Innovation Program Committee will review all proposals for Lean events. Events will be led by certified facilitators. The Committee will also oversee a Lean training program for employees, the goals of which are to foster “grassroots” Lean improvements across agencies and to certify a cadre of City employees to lead formal Lean events.

JUDGING AND SELECTION OF PROPOSED LEAN EVENTS

The Innovation Program Committee will select proposals to participate in Lean events based on the following criteria:

- 1) Description of Business Process – this includes defining the current problems with the process and the impact those problems are having on customer service, cost, employee morale, etc. In prioritizing proposed events, the Committee will consider both the complexity of the business process and the impact of improving the business process.
- 2) Readiness – a clear showing of readiness on the part of the agency(ies) involved, including having a list of event participants and a full understanding of the requirements of the event. Requirements may include, but not are limited to, pre-work to be done and attendance. Agencies should be fully prepared to commit to the work that needs to be done in order for a Lean event to be successful.
- 3) Advice from Certified Lean Facilitators – The Innovation Program Committee will consult with City-approved Lean facilitators to determine which events are ready to take place and have the greatest chance of success.

SUBMITTING APPLICATIONS

Agencies may submit proposals by obtaining an application from the BBMR website at <http://bbmr.baltimorecity.gov/LeanGovernment/About.aspx>. Once the application has been completed, it should be sent to budget@baltimorecity.gov.

ADMINISTRATION

BBMR is responsible for supporting the Committee in its review of Lean event proposals,

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Innovation Program

managing any contracts for Lean facilitation and training, assisting agencies in following through on Lean implementation plans, and documenting the results of Lean events.

The Innovation Committee may request reports from implementing agencies with quantitative and qualitative information on the benefits of the implemented proposals.

INNOVATION PROGRAM COMMITTEE

The Innovation Program Committee is chaired by the Director of Finance and is comprised of the following members:

- Deputy Mayor for Operations
- Chief Information Officer
- Director of Human Resources
- Director of Citistat
- One representative from the City Council office
- Two agency heads (rotating for two-year terms)
- Two citizens with expertise related to business plans, technology, or operations management.