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Public-Private Partnership in Local Administration: An Exploratory Study of the City of Sandy Springs

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**Public-Private Partnership in Local Administration:
An Exploratory Study of the City of Sandy Springs**

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A Practicum Paper

Submitted in Partial Fulfillment of the Requirements for the

Master of Public Administration

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Public-Private Partnership in Local Administration: An Exploratory Study of the City of Sandy Springs

Executive Summary

This research paper is an attempt to understand and analyze the unique nature of the public-private partnership embraced by the City of Sandy Springs, in the Greater Atlanta area, North Georgia. The City of Sandy Springs's innovative experiments with a different layer of public-private partnership has created immense curiosity among municipalities around the nation for a plausible new governing model that could revolutionize the way local governments function in the future. Hence, this exploratory study makes an effort to bring out the salient features of the governing model of the City of Sandy Springs which would encourage further empirical research in this regard.

The new City of Sandy Springs was incorporated on December 1, 2005 after decades of dissension with Fulton County over mediocre services. Since the inception, the City has contracted out the major portion of its services to a sole company, CH2M HILL OMI, one of the predominant public service delivery entities in the United States of America. The City asserts that it opted for this partnership as a means to achieve cost-effectiveness, better responsiveness, speedy delivery of services, less long-term liability, and less bureaucracy. Keeping the City's articulation in mind, this study attempts to find out the extent to which the City has achieved these objectives.

The study uses an array of available literature to substantiate its validity. Further, it touches upon the recent history of the City's incorporation and examines the present capacity of the City, elaborating its organizational, legislative, and administrative features. Furthermore, the City's partnership with CH2M HILL OMI is discussed in detail. CH2M HILL OMI's profile is examined, and the behavior of the contracted-out departments is

observed with the help of available qualitative data. An attempt is made to understand the visible and invisible incentives for private companies like CH2M HILL OMI to perform almost completely on behalf of the City. Apparent positive and negative outcomes of the partnership are enumerated.

A survey/interview questionnaire is used to collect data from people directly and indirectly involved in the City's public-private partnership to comprehend factors such as accountability, cost-effectiveness, better responsiveness, efficiency, and reduced bureaucracy. The data indicated that the partnership has indeed resulted in cost-effectiveness, cost utilization, and better responsiveness. The City's measures to achieve accountability to the taxpayers are discussed. Similarly, participants' desire for transparency and accountability measures from the company is identified. Moreover, some data shed light on several practices of the private company such as loose hiring standards, lack of accountability, and lack of coordination with the City's departments that raise questions and concerns about the company's respectability.

Finally, the study recognizes the City of Sandy Springs' extreme dependency on the private company and suggests plausible courses for the City in order to mitigate its risks in an adverse situation. The City Council is recommended to adopt a stricter code of ethics and standards for key players who interact intensely with the private, company blurring sectorial boundaries. By the virtue of democracy, the City needs to demonstrate its power over the private company. The City must restrain the private company's monopoly over services; facilitate healthy competition, and introduce choices. The City should utilize its interaction with the company to understand and learn the company's "tricks of the trade" and attempt to adopt the claimed virtues of the private sector such as efficiency, lesser bureaucracy, and cost-effectiveness into the City's administration and establish a less dependent city.

**Public-Private Partnership in Local Administration:
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Public-Private Partnership in Local Administration: An Exploratory Study of the City of Sandy Springs

Introduction

Public-private partnership at various levels of public administration is the recent, highly dynamic, and closely watched trend in the United State's public sector. Public-private partnerships are more favored these days as they have broadened the horizons of resource availability, bringing together government entities, private businesses, and multinational capital investment organizations to work together for a common goal. The private sector, with its claim to bring about cost-effectiveness, efficiency, and better responsiveness, is thoroughly and eagerly set to distribute the conventionally known governmental services to the public, as the sector recognizes this as a tremendous opportunity to expand and strengthen its territory without significant risk.

This very idea of the public sector's romance with the blatantly profit oriented private sector has given rise to a mixed response among scholars, public administrators, and policymakers (Ghere, 1996; Norment, 2008; Savas, 2000; Bloomfield, 2006). For some, this is the inevitable measure to reinvent and rejuvenate the diverse levels of government, simultaneously achieving cost-effectiveness, increasing efficiency, lessening bureaucracy, and maintaining fiscal restraint. However, for others, this phenomenon is a serious intrusion into the "ethical terrain" (Ghere, 1996) of the service sector, corroding the integrity and the core values of democracy in the long run.

The issue of public-private partnership has created a stage for very intense debate among scholars. There is a stream of interesting ongoing research and discussions with regard to the nature, scope, and reliability of public-private partnership in administration especially in local governance. The literature review section of this research paper presents the exposition and criticisms concerning the positive and negative aspects of public-private partnerships.

Purpose of the study

This section elaborates why the City of Sandy Springs warrants special attention. Amidst the ongoing discourse supporting and criticizing public-private partnership, many state government agencies in the United States and governments around the world have sought the public-private partnerships to tackle the growing challenges and demands of public services. As a consequence, transportation, waste management, road works, and infrastructure projects have been the most shared or contracted areas in such partnerships. On the contrary, however, the new, rebel City of Sandy Springs in metro Atlanta, has taken the concept of public-private partnership a step further by contracting out a majority of its services to CH2M HILL OMI, a private multinational company. The City has hired this private company to operate and manage the City's administrative, municipal and public works, and other services except emergency services such as police, fire protection, and E911 in the hope of saving millions of taxpayers' dollars, thereby achieving better responsiveness, accountability, and lesser bureaucracy (Peisner, 2006). The entire public service community is closely watching the attempt and progress of the City of Sandy Springs, with many municipalities eager to follow in the footsteps of the new leader; the elected officials of the City hope to make their city a new model for twenty-first-century municipal government (Peisner, 2006).

Since very few studies have focused exclusively on the extensive contracting of a city's services to private entities such as the City of Sandy Springs, the case of Sandy Springs yields a lot of opportunities for scholars to identify the gaps in the model as well as to come up with plausible solutions. Hence, in this research paper, the researcher intends to understand the basic model of the City of Sandy Springs and further address the issues of cost-effectiveness, better responsiveness, less bureaucracy, and accountability.

The National Council for Public-Private Partnership defines public-private partnership as a contractual agreement between a public agency (federal, state, or local) and a private sector entity.

Through this agreement, the skills and assets of each sector (public or private) are shared in delivering a service or operating a facility for the use of the general public. In addition to the sharing of resources, each party shares the risks and rewards potential in the delivery of the service and/or facility (Norment, 2008). The Council prudently states that this partnership is “an answer and not the answer” to solving the challenges of public sector. The City of Sandy Springs’ bold venture into public-private partnership goes beyond the standard norms of partnership. The City has chosen private partnership to be the most significant way to achieve success in the City’s administration. Keeping this definition in mind, this research aims to find out the nature of interaction between the City of Sandy Springs and private entities in order to achieve cost-effectiveness, better responsiveness, and efficiency.

The perception of accountability

Many empirical studies indicate that the public and private sectors have fundamental differences in interpreting the concept of accountability. Public sector employees are accountable to their office, their elected officials, and ultimately to the taxpayers. Private sector employees, on the other hand, with their profit-making motive, are expected to be loyal to their stakeholders. Their success lies in profit-making; they work hard, using available resources in a very systematic way to generate more money. For public sector personnel, accountability is “community accountability,” while for private sector personnel, accountability is predominantly “market accountability” (Acar, 2001). With this finding in mind, the researcher intends to observe how the two sectors work together for transparency and accountability in the City of Sandy Springs.

Literature review

This literature review section attempts to understand the emergence and academic importance of public-private partnerships. Arguments for and against the public-partnerships,

especially at the municipal level, are discussed. As the arguments foster interesting questions on factors such as accountability, better responsiveness, cost-effectiveness, and less bureaucracy, the City of Sandy Springs' inception, incorporation, governing model, and progress with its unique partnership is discussed on the basis of the perceived meaning of the above-mentioned factors. Further, the City's partnership with a private company is dealt with in detail, its visible positive and negative outcomes are listed.

Emergence of public-private partnerships

The existence of public-private partnerships in recent time in the United States is traced back to 1965 with Boston Water Works Company, the first documented private corporation for the provision of drinking water to citizens on a public-private partnership basis (Ewoh, 2007). However, the partnerships proliferated, prominently recognized, and labeled as “public-private partnerships” during the early 1990s. An important factor in the emergence of public-private partnerships as a new form of governance is the “resurgence of neo-liberal politics and policies in Western democracies which emphasize the efficiency of market competition in the provision of public services and the importance of introducing management reforms to make government more businesslike” (Linder, 1999). Conversely, such partnerships encounter intense disapproval in geographical areas where people and political parties strongly retain faith in the capacity of the government to deliver public services.

President Reagan's New Federalism ideals is another cause for the interest in public-private partnerships as his federalism concept reduced the federal government's direct assistance to local governments and there was a shift of public responsibilities from the federal government to local governments (Acar, 2001). Local governments were forced to find innovative means to fund administrative as well as capital-intensive projects. As a result, many forms of public-private partnerships thrived.

Voices in favor of public-private partnerships

Many public-private partnerships, as some research show, have proved to be cost-effective in enterprises such as water systems, sewage systems, construction and maintenance of new bridges, parking lots, waste water management, solid waste treatment, and transportation (Savas, 2000). Conservatives, who favor a free market economy and public choice theory, argue for the inclusion of the private sector in day-to-day governmental activities, in the hope that such partnership helps to keep the taxes low, assures no long-term responsibility towards employees. Local governments have been influenced by this remedy as contracting out services and functions to private companies would help them reduce employee payroll, benefit costs, and future pension commitments. Here, government does not need to invest in equipment, expertise, skills, or transportation means. Moreover, such a phenomenon increases competition among bidders and government can choose excellent services for competitive costs. Furthermore, it offers quicker services by slashing the conventional bureaucratic set-up of a government.

Public-private partnerships are praised for innovation and flexibility that is lacking in a governmental setup. These partnerships are custom-braided for each client's need; they ease financial, administrative and procedural burdens on governments. Additionally, the partnerships are easily formed through a procurement process and can be renewed seemingly easily, without being held up by time-consuming procedures. In most partnerships, private companies are always willing to initiate the deal by investing the initial capital and making the entire procurement process easier for government agencies. As Ewoh (1999, 19) contends, "when profit is the 'bottom line' and fresh business the 'juice of life,' private companies find that giving may also entail receiving when it comes to government contracts." Some scholars strongly favor such partnerships, terming them the future best practice methods for governmental agencies in order to be cost-effective and efficient (Savas, 2000-2001, NCPPP, 2002). These scholars opine that partnerships yield profit for the local

governments and the general public in many ways. Savas's study demonstrates that New York City's privatization initiatives in the aggregate have resulted in cost savings, cost avoidance, more revenue, better service quality, greater responsiveness to the public, and direct savings to the public as tax-levy spending for Public Assistance has been reduced by over \$550 million a year by shifting the emphasis to preparing for work (Savas, 2001, 1). Similarly, the literature illustrates more seemingly cost-effective partnerships in many parts of the United States (NCPPP, 2002-2003-2004).

Arguments against public-private partnerships

Some scholars consider public-private partnership as a form of complex decision making networks and contend that it is difficult to achieve complete trust and harmonious joint decision making among actors, given the fact that complex inter-organizational networks are ambiguous and unpredictable (Edelenbos and Klijn, 2007). The partnering government is expected to define its superiority clearly in order to take more authority over the partnership. In these partnerships government is required to play a critical role, as a convener securing citizen access and participation. It has to possess a crucial capacity, to both manage markets and to support democratic debate. Government is more than a business and its prime duty is to serve citizens, not simply to steer a market process (Warner-Hefetz, 2008).

Since the private sector does not take up any responsibility unless it senses profit making in the process, many scholars intensely question the idea of the private sector providing public services on ethical grounds (Bloomfield 2006, Flinders, 2005). Partnered governmental agencies tend to be informal and a little forgiving towards their private partners, as "governmental controls to enforce ethical standards in partnership situations could strain working relationships with nongovernmental actors" (Ghere, 1996, 2). A city or governmental agency with limited budget and infrastructure finds itself completely dependent on the private company for expertise, personnel, or equipment and is forced to ignore or forgive the loopholes of its private partner. As Klein (2007) very strongly posits,

the private sector is characterized for its ability to exploit such situations. It thrives well in a situation where the other partner is experiencing a sudden change that is beyond its capacity to handle or has undergone a disaster.

These scholars doubt if the private companies involved in most of the public-private partnership ever have a service-oriented or philanthropic approach. Especially at the local level, as Bloomfield (2006) states,

...the most visible and widely publicized public-private partnerships fall squarely into the category of business transactions: They are complex, long-term municipal contracts with private companies for some combination of services, construction, or financing in return for some combination of public funds, public assets, or user fees. As such, they bear little resemblance to the philanthropic initiatives with which they share the public-private partnership label (Bloomfield, 2006, 1).

Likewise, private companies are not always financially reliable as they can go bankrupt, leaving the contract in jeopardy. Also, such partnerships reduce public sector jobs. Monopoly in bidding could occur if a particular project needs wealthy bidders. As Flinders posits:

...some strongly believe that public-private partnerships may deliver efficiency gains and service improvements in some policy areas but these benefits may involve substantial political and democratic costs. Further, far from transferring risk to the private sector, it transfers the risk to the government, workforce, and the public as users and taxpayers. The concept of risk transfer in the context of essential services is fundamentally flawed (Flinders, 2005, 3, 16).

Similarly, Bloomfield negates NCPPP's (NCPPP, 2002) portrayal of public-private partnerships as innovative, collaborative undertakings that facilitate responsibilities, risk, and reward sharing between the two partners:

...Although government's ability to shift significant project risks to the private contractor is considered an important benefit of long-term public-private partnerships, the long-term public-private partnership contracts executed by local governments do not always capture this benefit. In comparing public-private partnerships in the United States and Great Britain, scholars such as Forrer, Kee, and Zhang conclude that many public-private partnerships in the United States are negotiated arrangements without competitive bidding and that many U.S. public-private partnerships are a means of transferring investment risk from the private sector to the public sector (Bloomfield, 2006, 3).

On the basis of opponents and proponents' arguments, this research paper therefore attempts to understand the public-private partnership scenario of the City of Sandy Springs.

The tale of the City of Sandy Springs

History

Sandy Springs was part of Fulton County and an extremely affluent tax base for the County. The City always protested that it received lower standards of services from the County, despite paying huge taxes (American City & County, 2005). The active citizen groups of Sandy Springs, who collectively believed in less government intrusion, public choice theory, or more choices for the taxpayers, were unhappy with Fulton County's average treatment. They wanted higher quality of services from the County. Besides, they wanted to gain direct benefit for the tax they paid. The present Mayor of the City of Sandy Springs, Ms. Eva Galambos, has been the president of the Committee for Sandy Springs for 30 years and "a driving force behind the movement to incorporation" (Porter, 2006) since the inception of the idea. As a result of citizens' long run democratic fight and political lobbying for the creation of a new city, the Georgia State Legislature

finally agreed on a referendum to vote for the creation of Sandy Springs. Approximately 90,000 residents of Fulton County, Georgia, voted and on Thursday, December 1, 2005, the City of Sandy Springs was incorporated.

Several years before the incorporation of the City of Sandy Springs, the Committee for Sandy Springs, a volunteer citizen group ardently pressing for the incorporation of the new city, had formed a Charter Commission to study, sketch, and codify the structure and powers of the future city (Porter, 2006). Oliver W. Porter, a volunteer public servant and an ardent supporter of the fight for a separate city, was appointed as the chairman and chief organizer of the Commission (Porter, 2006). This Commission had studied the needs of the future city and had conceptualized the new city's future path. At the time of its incorporation, the City had a "cursory" plan drafted by Mr. Porter, the chairman of the Charter Commission, and also the first appointed Interim City Manager of the City of Sandy Springs (Porter, 2006). An ex-corporate executive himself, Mr. Porter favored and instilled the idea of outsourcing comprehensive services of the new City to a private company and became instrumental in making the City of Sandy Springs a uniquely contracted out/privatized city. He initiated the City's possible partnership deals with private companies in early 2005 (Porter, 2006).

Now

The City of Sandy Spring is Georgia's third-newest city and seventh largest city (the City of Sandy Springs, 2007a) with a land area of 37.7 square miles and a population of approximately 98,000. The City's population is expanding as is its popularity as a fast growing city. This young city proudly boasts of its mostly new infrastructure and safe and desirable living conditions. The City has new zoning visions as it primarily wants to be a City for single family homes built on large, less dense lots. The average price of a single family house in the City of Sandy Springs is approximately \$465,000. The intention of the City is to make it desirable for well-to-do families and to increase its

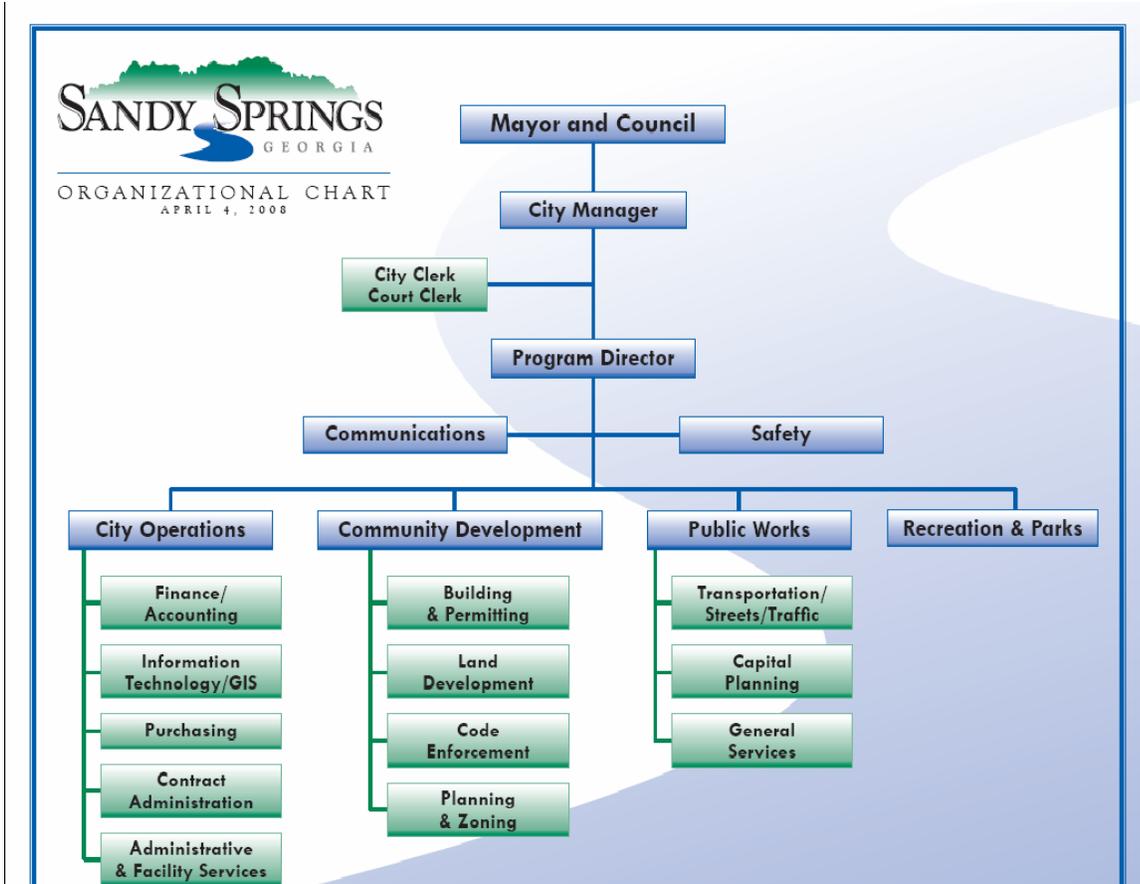
affluent tax base. The City has six districts and six council members. After the incorporation, it established 11 departments such as Administration, Finance, Community Development, Transportation, Public Works, Police, Fire and Emergency Medical Services, Parks and Recreation, Building, E-911, and Municipal Court (the City of Sandy Springs, 2008a).

Legislative body

The Mayor and six council members are the policymaking and legislative governing authority in the City of Sandy Springs. This legislative body is elected for four-year terms on a non-partisan basis. Each of the council members is elected by district and the mayor is elected at-large by popular vote. The City operates under a council/manager form of government, where the Council is the legislative authority and the Mayor possesses all the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of Sandy Springs charter. Similarly, the City Manager possesses all the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's charter (the City of Sandy Springs, 2007a, 7).

Basic model

The City of Sandy Springs organizational chart is shown below:



(Source: www.sandyspringsga.org – City of Sandy Springs’ official website)

While the Mayor, Mayor Tempore and the Council members remain the legislative head of the governing body of the City, the City Manager, an appointed official with abundance of administrative powers bestowed from the State of Georgia’s constitution, plays a very powerful role. In the case of the City of Sandy Springs, he/she is the most crucial link in the communication between the elected officials and the contracted private company, CH2M HILL OMI.

In fact, the City Manager has the power to sign and award certain improvement projects, can periodically refine policies, procedures, and guidelines, and keep the Mayor and the Council informed of the changes (the City of Sandy Springs, 2008e). The City Manager also holds much

authority over the City funds. To illustrate, the City's initially set-up rule gave authority to either two of the four persons that is, the Mayor (elected), Mayor Tempore (elected), City Manager (appointed), City Clerk (appointed) to sign for the withdrawal of funds for the City's expenses. This initial rule asked for one compulsory signature of an elected official and one of the appointed officials. However, the City modified this particular rule on March 28th 2006 and now allows (gives flexibility) to any two of the four, i.e., Mayor (elected), Mayor Tempore(elected), City Manager (appointed), and Assistant City Manager (appointed), persons' signatures for the withdrawal of funds (the City of Sandy Springs, 2006 c). Interestingly, in the case of the City of Sandy Springs, the Deputy/Assistant City Manager is appointed by the City's private partner and is the key person communicating on behalf of the private partner on a daily basis. Further,

- The City Manager is also given the power to “supervise the contract and terminate the agreement without cause. Also, he/she may dictate the removal of key company personnel within the contract” (Porter, 2006, 145-146). All communications to the Mayor, City Council, and press is done through the City Manager.
- All Mass communications to the residents is reviewed and approved by the City Manager prior to printing and dissemination (Porter, 2006, 242 sec 2.7).
- City Manager establishes the procedures for withdrawal, transfer and disbursement of City funds (Porter, 2006, 242 sec 3.1).
- City Manager periodically reviews the financial reports of the City as prepared by the corporation.
- City Manager can request the transfer of any employee of the corporation working for the partnership (Porter, 2006, 246 sec 7.6).

Apparently, in the City of Sandy Springs, the City Manager bears great power and immense responsibility on his shoulders. The City's governing model appears more like an elected-appointed-contracted establishment where all the three sections almost share equal powers.

The partnership

The City of Sandy Springs, true to its rebellious spirit, has deployed a unique, non-traditional approach to government services and made one of the largest contracts let by a municipal government for outsourced services and operations. The City has outsourced management of the City Attorney, City Clerk's Offices, City Manager's Office, Community Development, Finance, Media and Communications Department, Operations, Public Works, Purchasing, Recreation and Parks, and Revenue responsibilities to its private sector partner, CH2M HILL OMI.

When the City was formed in 2005, the legislative leaders were left with two options to run the City. This enabled them to ask fundamental questions about what role government should play. They had to decide whether to "make" or "buy" public services. Ultimately they decided to "buy" most services from the private sector by signing a contract with CH2M HILL OMI, to oversee and manage the day-to-day operations of the City (Reason Foundation, 2006). Since the City had very little time, a limited budget, and limited resources to run the City of Sandy Springs in the "conventional way" the city officials struck a contractual deal for approximately \$30 million for the first fiscal year with CH2M HILL OMI and claim to have saved \$20 million of the taxpayers' money the same year. This contract was around half the taxes charged to the residents of the City by Fulton County before the City's incorporation. Importantly, since this partnership was established at the same time as the City's incorporation, the City did not have to invest any money, immediately, to establish the necessary administrative infrastructure. The private partner took care of the initial

establishment expenses, giving the City a jump start and the ability to serve the people within 90 days of incorporation.

Through this public-private partnership, the City provides a full range of services, the construction and maintenance of streets, and other infrastructure, sanitation services, recreational and cultural activities, call center services, residential areas and park maintenance, and many other services. The City has an official city festival and a cycling challenge and these two special events of the City are contracted out to the same private partner, CH2M HILL OMI, as well. As per the contract, this private company will plan, recommend, and upon adoption, implement and coordinate staffing for planning, promoting, and supervising the two events (The City of Sandy Springs, 2008b). Furthermore, the City has created a legally separate entity, the City of Sandy Springs Public Facilities Authority (the “Authority”), to assist with the funding of capital projects (the City of Sandy Springs, 2006e).

What is unique about the nature of this partnership is the fact that there is only one private entity involved. People, who usually favor smaller, at times privatized governments, ardently follow the public choice theory which facilitates fragmented governments. The theory thoroughly promotes competition from various service providers. The majority of the prior public-private partnerships attempted to provide a balance and a sense of competition by having multiple entities. On the contrary, people who favor the City of Sandy Springs’ partnership argue that having multiple private companies handling multiple responsibilities adds overheads to the process of review and evaluation; when a single entity handles the entire administration it allows for higher efficiency and reduction in bureaucracy. This contradiction to public choice theory and a new hybrid of “public choice” encouraging monopoly of services has attracted much attention of the administrative and academic world.

For undisturbed flow of services, apart from its partnership with CH2M HILL OMI, the City has several Intergovernmental Agreements (IGAs) with neighboring cities and the County (for emergency services) such as,

- The City of Sandy Springs has an IGA contract with the Fulton County for the operation of the City's 911 calls (the City of Sandy Springs, 2006 a), and fire services (the City of Sandy Springs, 2008c)
- Water and sewer services are delivered to residential and commercial properties by the City of Atlanta and Fulton County, via IGA (the City of Sandy Springs, 2008c).
- The City has agreed to support a Special Local Option Sales Tax imposed by the Fulton County School Board for new elementary schools in Fulton County including two new elementary schools in Sandy Springs (the City of Sandy Springs, 2008d)
- The City entered into an IGA with Irwin County for long-term sentencing of defendants and has another IGA with the City of Doraville to book and temporarily hold defendants arrested by the Police Department (the City of Sandy Springs, 2006b).

An Introduction to CH2M HILL-OMI

CH2M Hill OMI is a large multi-national corporation with \$3 billion in revenues and 23,000 employees, which specializes in full-service engineering construction and operations. Its employees are working on around 9,000 projects in 77 countries. The organizations tagline is "Extraordinary people, performance and projects" (CH2M Hill, 2008). CH2M Hill OMI focuses on providing environmental, infrastructure, and operational services to large industries and governments. CH2M Hill was founded in 1946 as an engineering services and consulting firm. The company's rather odd name is derived from the initials of the company's four founders' last names: Holly Cornell, James Howland, T. Burke Hayes, and Fred Marryfield. Some 25 years later, the company merged with Clair

A. Hill and Associates to form CH2M HILL. Further, OMI stands for Operation, Management, International (CH2M Hill, 2008).

This multinational company has an impressive employee ownership model and is completely owned by the employees. This model is supported by an internal stock market through which the company stocks are traded. The company is rated among the top 100 companies to work for by the *Fortune* magazine.

- CH2M Hill OMI has been providing services to the public sector through several industrial and infrastructure projects. It is also engaged in various partnerships with the public sector to build and operate specific infrastructure operations for the government.
- The company has been involved in various partnership projects with several governments across the world in building infrastructure, water treatment, and other similar project in engineering, operations, and environmental protection.
- CH2M HILL OMI's partnership with Sandy Springs to provide comprehensive services to a City government was a notable first for CH2M HILL OMI.
- CH2M Hill OMI, Operations Management International is the division that is currently managing the operations for the City of Sandy Springs.
- The company has subsequently won 4 similar projects in the metro Atlanta area to manage cities modeled on the City of Sandy Springs' partnership.

Details of the partnership

Oliver W. Porter, the interim city manager of the City of Sandy Springs upon its incorporation, explains that the decision to form the City of Sandy Springs on the foundation of private industry was driven by two main considerations: 1) "Over time, private industry would provide more efficient, effective and responsive services. 2) In the short run, private industry was the only vehicle that could provide a fully operational city in the time required" (Porter, 2006, 123).

Mr. Porter's book currently is the only readily available source of documentation that provides details of the partnership. The partnership contract agreement provided in this book is extensively referred to in this section.

Among the four major competitive bidders, the City of Sandy Springs chose CH2M HILL OMI for its multi dimensional capabilities. Some key details of the partnership are:

- The contract provides the City with the right to terminate all, or part, of the contract if there is dissatisfaction with any part of the service (Porter, 2006, 131).
- The contract for CH2M with the City of Sandy Springs was set for 6 years with automatic renewal every year. The City had an option to terminate the contract prior to the start of the year with a 30 day notice. Hence, every year, the City of Sandy Springs' council decides to fund and extend the contract after reviewing the partnership's performance (Porter, 2006).
- The City has made a "Fixed Cost" Agreement with CH2M HILL OMI. That is, the private company has to operate under a fixed budget for the duration of the contract to provide all the services and cannot bill additional charges to the City. However, there seems to be a provision in the partnership agreement, as Mr. Porter explains, "for re-basing the contract after the second year to allow for changes in the service-levels and even the possibility of shifting to a 'Cost Plus' basis" (Porter, 2006, 148). The cost plus basis would enable the private company to bill the City beyond the agreed-upon annual budget, for certain services and projects.
- CH2M HILL OMI has further subcontracted some of the service of the City to another private company.
- In the event of an emergency or natural disaster, CH2M HILL OMI is immediately and on an ongoing basis required to continue to provide the necessary resources and services to

ensure normal functioning of the City, to satisfy city, county, state, and federal administrative requirements (Porter, 2006, 244, sec 6.1).

- In case the partnership of the City with “the corporation” (CH2M HILL OMI) is terminated, the City has the right to hire employees of the corporation without a need to obtain consent of the corporation (Porter, 2006, 250 sec 14.2).
- The corporation is responsible for monitoring the City’s IGAs with other county and city governments for services like Police, 911, library, and emergency care.
- CH2M HILL OMI is also obliged to help the Police and Fire department with book-keeping or accounting and clerical responsibilities.

The contractual agreement between the City of Sandy Springs and CH2M HILL OMI, the “corporation” in the contract, is elaborate. It covers the personnel, administrative, infrastructure, termination, liability, insurance, and other clauses pertaining to the partnership. However, the partnership detail does not mention the required service levels or required qualifications of the personnel, nor the performance-program evaluation criteria for the several areas covered in the contract.

Evaluation criteria

The City of Sandy Springs, as officials admit, does not have pre-set evaluation criteria for the performance of any of the departments. This is evident in the City’s contract with CH2M HILL OMI. It is said that the City could not specify performance criteria for its private partner as the new city had no experience, prior data, benchmarks, or measurements. Instead, private bidders were asked to “help shape the measurement criteria and to propose an implementing plan” (Porter, 2006, 126). According to a source, the effort to establish comprehensive performance or program evaluation criteria for programs, projects or departments is still under progress.

City departments and the way they function

According to the partnership agreement contract, “the corporation” or CH2M HILL OMI in this case, has to provide all the required personnel including the directors of all the contracted departments to the City. Vehicles used by the City departments, infrastructure, electronic gadgets, equipment, liability insurance, employee compensation, everything is the responsibility of CH2M HILL OMI. The private partner also has to provide experienced advisors to every department to maintain smooth functioning.

According to an anonymous source, the City’s departments function mostly independently under the guidance of the department directors. They interact with other departments on a need basis. The contracted departments’ heads coordinate with the Assistant City Manager or Project Manager and the City administrative department heads coordinate with the City Manager. This, as the source admits, has created a “gap” and “coordination issues” between the two sectors. This setup is an observable point in the governing model of the City of Sandy Springs as a traditional City Manager in a conventional government is completely responsible for overseeing and coordinating with all the department heads.

Furthermore, the flow of information seems to be complex in the case of the City as the contracted departments release data to the City Manager or to the City administrative departments only with the “prior approval” of the private company. For example, if a City official requests a report or data from a contracted department, the department head informs the Assistant City Manager, the chief corporation employee in the City of Sandy Springs. The ACM of the City forwards this request to the corporation’s branch in the North Georgia region. This request is further passed onto the corporation’s headquarters in Englewood, Colorado. The decision to provide the report or data after learning the reason for the need is made by the corporation heads. Their decision travels back in similar hierarchical order to the concerned department head and then

the report or data is delivered to the City's official. Thus, it can be noted that the corporation, similar to a government agency, has a well established, different kind of bureaucratic order that suits its needs. Additionally, the City of Sandy Springs, on a daily basis, operates simultaneously on two budgets: a budget followed by the private company and one by the City administration.

In order to be cost-effective, the departments have very sophisticated, state-of-the-art, record-keeping systems that reduce overhead. Since most of the administrative departments are located in the same building, "faster" communication is achieved. The private company has hired fewer employees and utilizes their time and efforts to the "maximum" level. Sources express dissatisfaction about the hiring practices of the company, which are said to be mostly based on employees' readiness to work "hard and efficiently" than on their qualifications. Similarly, they felt that "equity and fairness" were not considered seriously while hiring employees. However, employees are permitted to work flexible hours, offered higher compensation, and the honor of working for an employer rated among the top 100 by *Fortune* magazine.

Positive outcomes of the partnership

Undoubtedly, the goal of effective customer service was one of the hallmarks of this public-private partnership established by the City. The service levels expected from the private company were very high. One of the strong demands from the City was to establish a 24/7 call center to address city residents' requests and calls. As a result, the City's existing state-of-the-art 24/7 Call Center provides personalized services to the citizens for a large majority of the calls and is well regarded by its taxpayers as a very effective measure to achieve better responsiveness. This Call Center is now said to handle around 100,000 calls each year. Under the umbrella of customer service, the City also focuses on the following priorities: public safety, transportation, planning and zoning, and parks.

The City has reduced the permitting backlog from eight weeks to two weeks. Also, the City has taken an innovative approach with the traffic signals along Roswell Road, the main traffic artery in the City. The improvements in the traffic signal system is claimed to have saved commuters about \$11 million last year.

The City has stricter code enforcement regulations for street signs and displays. It has cleared hundreds of street signs since the beginning of the partnership. It imposes “heavy fines” on violators. Constant attempts are made to keep the roads tidy and safe. Most of the complaints from the residents are taken care of within 48 hours.

A recent article in the *Atlanta Journal-Constitution* did a comparison between Sandy Springs and a similarly populated, similarly sized “traditional” city in Georgia, comparing such metrics as permit turnaround time, response time for a pothole report, city employees, and total budget. On every single metric, the City of Sandy Springs either met or far outperformed the traditional city, illustrating its relative cost performance and customer focus (Muni Net Guide, 2006).

Negative outcomes of the partnership

The City’s partnership with CH2M HILL OMI along with its claimed advantages by the City, has engendered several drawbacks to the primary intended beneficiaries of the partnership, its citizens. After the initial “honeymoon,” the City of Sandy Springs’ residents found the “cleaning and development” process too much to handle. Several residents were helpless witnesses to trees being felled in neighborhood lots. Efforts to address these through the City’s Media and Communications department were not helpful. Finally, the citizens protested in public meetings to draw attention to their concerns.

Small business owners are unhappy with the City’s code violation regulations as they are very strict and do not allow businesses to post banners or promotions of any kind out side the businesses. Also, the fines imposed on violations are heavy.

The cities of Milton and Johns Creek followed the path of the City of Sandy Springs and went private, outsourcing all their services to the same company, i.e., CH2M HILL OMI. Since the staffing for services on the three cities is now combined, there have been reports of complaints from residents in the City of Sandy Springs that the code enforcement officers are no longer as efficient as they used to be. Their lax performance has led to a lot of code violations in the City and has brought the City back to the situation it faced prior to breaking away from Fulton County (Daniels, Cynthia and Nurse, Doug. 2007).

The City of Sandy Springs follows an open records policy. While the City has been very prolific in publishing information to the public, the private company has not been forth coming with the details: volume of services provided, department budgets, expenditure, income and profit, and more (Jeremy, 2008). The company strictly believes in being discreet about its financial activities, thus creating a concern for complete accountability and transparency.

The company does not seem to encourage any kind of research and development activities concerning this public-private partnership model. So far, there is no evidence that it has invested in analyzing the progress, pitfalls, and further possibilities of this governing model. To illustrate, attempts to approach the Media and Communications department with requests for help with this research were promptly turned down.

Since the company strictly operates on a cost-effective philosophy and contract details, nothing more than what is mentioned in the contract can be expected. Therefore, the company's concern for fair and equitable services, and its commitment for transparency for the people of the City of Sandy Springs raises questions.

Perks for CH2M HILL OMI

True to their primary objective, private companies are very shrewd to aim for profits and incentives. Apart from the actual “profit” made from the partnership contract, CH2M HILL OMI has bagged many more incentives from this partnership deal.

The City has passed resolutions to request the Georgia State Legislature to ensure protection to private entities that are performing on behalf of governments under the government’s sovereign immunity law and to enable such entities to purchase goods without paying sales taxes (the City of Sandy Springs, 2006d).

The City of Sandy Springs was a hundred percent sure that it would get attention from innumerable municipalities around the country for its innovative partnership model. The City used this as a criterion to sell the deal as it would share the “spotlight” with the private partner. The partner would “have a ‘leg up’ on penetrating an enormous market...the opportunity to crack a multibillion-dollar market was a terrific incentive to respond to Sandy Springs” (Porter, 2007, 127).

The City Manager believes that the main motivation for CH2M HILL OMI to perform well and sustain the partnership is the long-term contracts with the City and the reputation of the partnership’s success (Fox News with Shepard Smith, 2006). For CH2M HILL OMI this is the best opportunity to prove their strength as the best overall service provider. They realize many municipalities all over the United States are watching the process as prospective clients. In fact, three more new cities in Georgia, Johns Creek, Milton, and Chattahoochee Hills have already signed partnership deals with CH2M HILL OMI, contracting out all their services to the company. Similarly, Central, a Louisiana city has also finalized its contract with CH2M HILL OMI.

With the above understanding of the City of Sandy Springs’s partnership deal and partner, the next section features a study conducted to understand the cost-effectiveness and better responsiveness factors of the City’s partnership based on the opinions and views of key participants.

Research methods

This section explains the rationale for choosing the survey/interview methodology for the study. It gives a detailed description of the design adopted for the study. Furthermore, two different types of data collection methods and procedures are explained. Since the study involved a survey/interview questionnaire, the last part of the section briefs the procedures of informed consent and confidentiality principles.

Participants

The study involved 13 participants: City officials and employees working for the public-private partnership in the City of Sandy Springs. They were both female and male, either residing in the City of Sandy Springs or residing outside the City. The data collection began on September 5, 2008 and ended on November 4, 2008.

Procedure

The data presented in this study was collected from volunteering officials of the City of the Sandy Springs. The participants were contacted personally, via emails, phone calls, and regular mails with survey questionnaires. A total of 45 survey questionnaires were distributed in person and through e-mails. Only 13 of the contacted persons agreed to participate in the study, most of them strictly on anonymity and confidentiality basis. A few participants insisted on an informal phone survey. In such instances, the researcher read the questions mentioned in the questionnaire to the participants and noted their response. For the rest, the collection took place in the participants' offices, residences, through emails, faxes and other places of their convenience. Later, the data were consolidated by the researcher and compiled for further analysis.

Anonymity and confidentiality

The scope of the interview/survey questions were strictly academic and limited to the duties performed by the interviewees/participants. However, since the participants hold titles in public-private offices and wished to remain anonymous, none of the participants' names, positions, departments, roles, or any demographic information revealing their identity are disclosed in this analysis.

Limitation of the sample

The researcher intended to pool the opinion of City's seven members of the legislative body, the volunteer interim manager who is chiefly responsible for the partnership initiative, and seven top ranking partnership employees of the City of Sandy Springs in order to better understand the governing model of the City. This relatively small "convenience sampling" size was deemed sufficient for this initial exploratory study. However, this target was not met as a senior official of the City of Sandy Springs had directed the City employees not to participate in the study. The researcher had to take extra measures to contact interested employees and document their opinion. Despite her repeated efforts, the researcher regrets her failure to convince the majority of elected officials of the City to participate in the study and urges them to be more forthcoming for future studies in this regard.

Measures

A survey/interview questionnaire prepared by the researcher, containing 15 main questions is the primary instrument used. Among the 15 questions, 11 were closed-ended questions and 4 were open-ended questions. The questions were basically designed to understand the cost-effectiveness, accountability and better responsiveness aspects of the governing model of the City of Sandy Springs. To understand the achievement of cost-effectiveness, better responsiveness, accountability,

and lesser bureaucracy, it was important to learn the parameters and benchmarks adopted by the City to evaluate the performance of the partnership and of departments. Therefore, a few questions addressed the issues of performance measurements. Finally, to comprehend the whole process of the City's administration and interaction with a private company, one question was asked to determine ethical conflicts, if any, for employees in conducting day-to day work.

Quantitative analysis

This section describes how the researcher has consolidated the collected data in quantitative form. For the purpose of coding the open-ended survey questions, the researcher has created generic responses and consolidated the answers. Participants' responses were sorted out based on their closeness/similarity to the generic responses.

Also, the researcher has disseminated survey responses on the basis of public and private sector participants. The aim is to understand the perception of the partnership and its progress by both sectors. Factors such as participants' role-involvement in initiating the partnership, their involvement in the performance evaluation of the partnership, accountability, efficiency, and ethics are discussed and interpreted based on the opinions/observations of the participants. The data are further analyzed and presented, using pie charts and bar graphs.

The participants' responses were extremely useful in the attempt to explore and understand the City of Sandy Springs' public-private partnership scenario. In addition, qualitative information provided by few participants and opinions expressed for the open-ended questions in the questionnaire, enabled the researcher to further discuss the factors of cost effectiveness, accountability, and transparency in greater detail, under the relevant questions.

Question 1 identified whether the participants belong to the public sector or the private sector. Fifty four percent of the participants belonged to the public sector and 46 percent belonged to the private sector. Though the administration of the City of Sandy Springs has a higher

representation in the private sector, given the partnership, it can be observed that they were not as forthcoming in responding to the survey when compared to the representatives of the public sector.

Questions 2, 3, and 4 helped determine participants' departments, designation and roles in the City's administration, respectively. After interacting with the participants and understanding the smaller size of the City of Sandy Springs' government, the researcher realized that mentioning such detail could reveal the identity of the participants who wished to remain anonymous. To maintain the confidentiality of the majority of participants, the researcher withholds further discussion on the findings from these questions (see Appendix 1 for survey questions).

Question 5 examined participants’ involvement in the decision-making process of the City of Sandy Springs’ public-private partnership initiative (see Appendix 1 for the complete questionnaire).

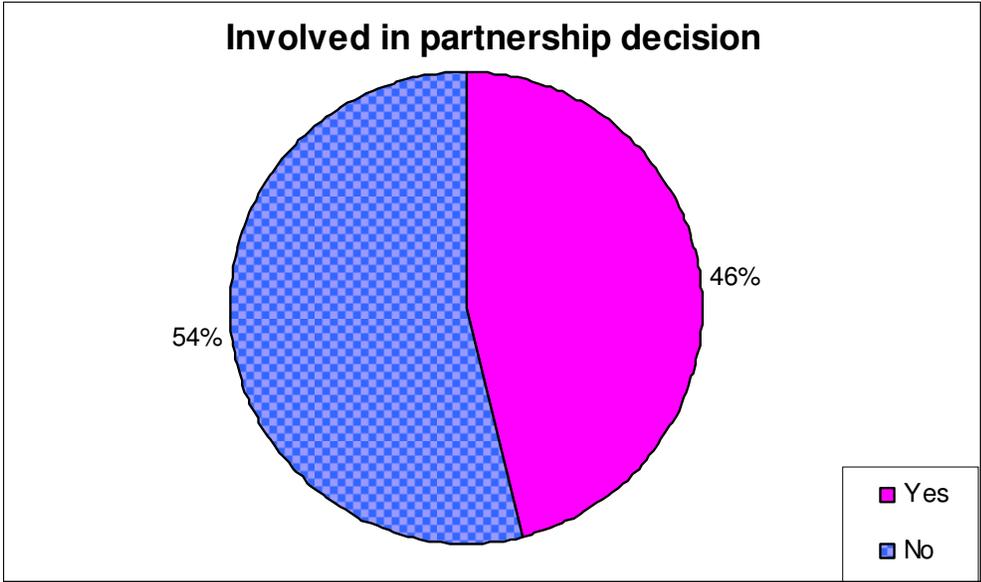


Figure 1: Percentage of respondents involved in the partnership decision.

Among all the participants, 46 percent of the participants said they were involved in the decision making process of the partnership initiative. Eight percent of them were from the private sector and 38 percent from the public sector. Among them, few were directly involved as officials and architects of the partnership model by “reviewing the partnership proposals from various private companies and deciding which company suits the requirements of the City,” whereas many of the participants felt they were involved in the decision making process as citizens, by participating in the referendum initiative and citizen survey. On the other hand, 54 percent of them said they have not taken part in the decision making process. Among them, 38 percent were from the private sector and 8 percent were from the public sector. Majority of the respondents did not feel they were involved in the decision making process, while analyzing this figure one has to bear in mind that considerable portion of the staff in the City of Sandy Springs do not reside in the city.

Question 6 addressed the major factors considered while making the decision on the partnership. (The graphs in this section show the results of the survey as a percentage of the total respondents. Please refer to Appendix 2 for the graphs with the counts.)

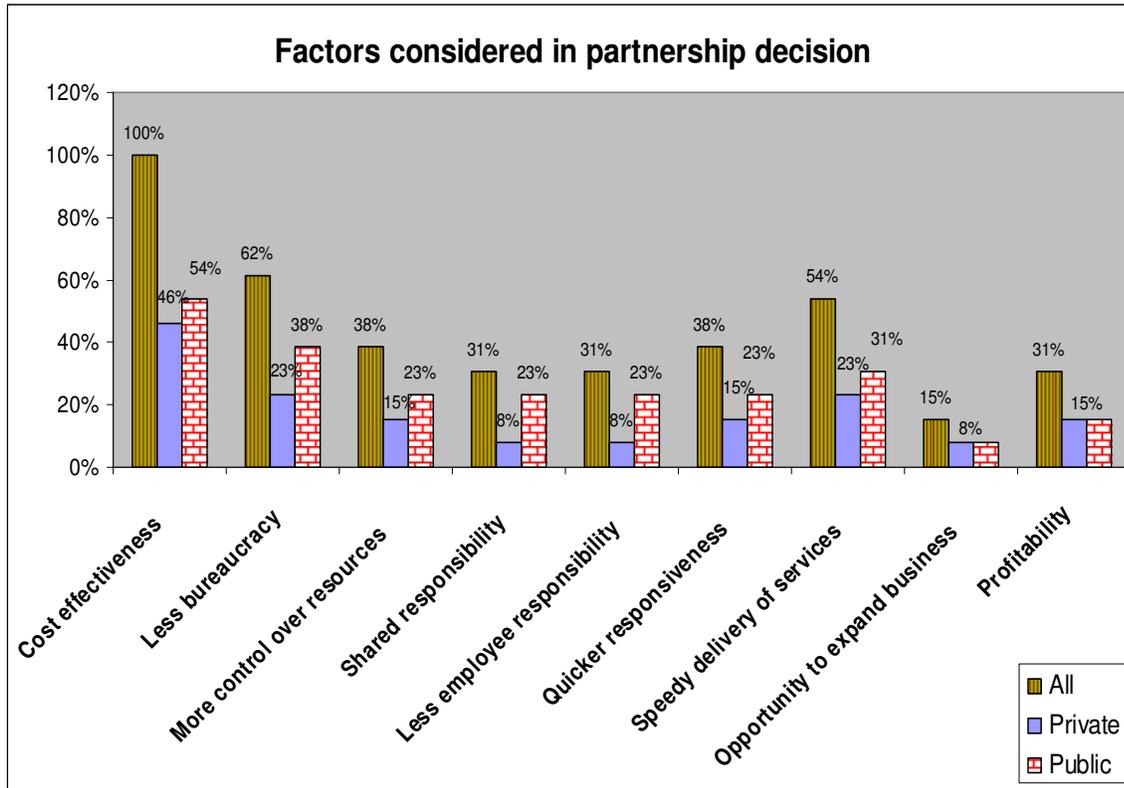


Figure 2: Factors considered while deciding for a public-private partnership

In the questionnaire 10 options were given and participants were asked to rate their choices. The 10th option was “other.” This bar graph illustrates the rating of major factors considered for the partnership, by all the participants. The graph also indicates the ratings given by participants from both sectors. According to the data, cost-effectiveness was rated as the most important factor for considering the partnership by participants from both sectors, followed by less bureaucracy, more control over resources, shared responsibility, quicker responsiveness, less employee responsibility, speedy delivery of services, profitability, and opportunity to expand business, respectively. Participants from the public sector rated cost-effectiveness and less bureaucracy as the top two factors, and profitability and opportunity to expand business as the less important factors. One

participant thought the unavailability of any other option to fund the starting City as the most important factor. Similarly “less long term liability” was another factor considered which is not mentioned in the questionnaire.

Question 7 was open-ended, trying to identify at least two agreed upon criteria to evaluate the performance of the partnership.

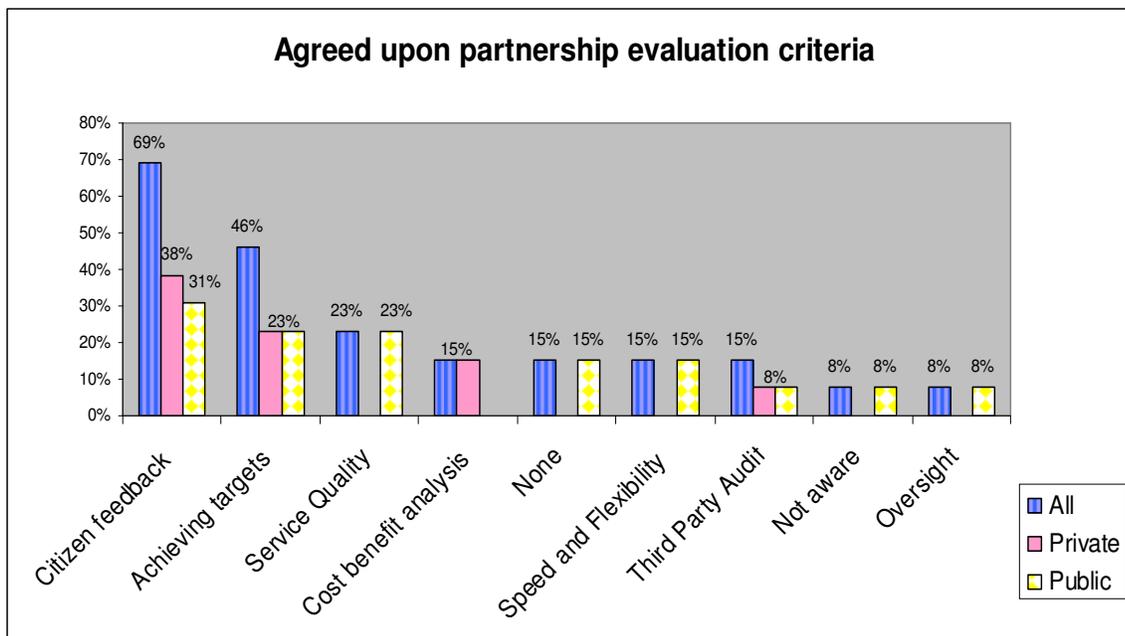


Figure 3: Agreed upon criteria to evaluate the partnership

Even though there were no particular agreed-upon criteria to measure the performance of the partnership, as explained by an elected official of the City, participants from both sectors agreed that citizen feedback was the key criterion to evaluate the performance of the partnership. Achieving targets and service quality were subsequently rated by all participants. Public sector participants considered citizen feedback, achieving targets and service quality as the main criteria to evaluate the performance of the partnership. Answers from the private sector participants did not differ much from those of the public sector participants. However, they considered cost-benefit analysis as another main criterion to evaluate the partnership performance.

Question 8 explored participants' involvement in evaluating the performance of the partnership.

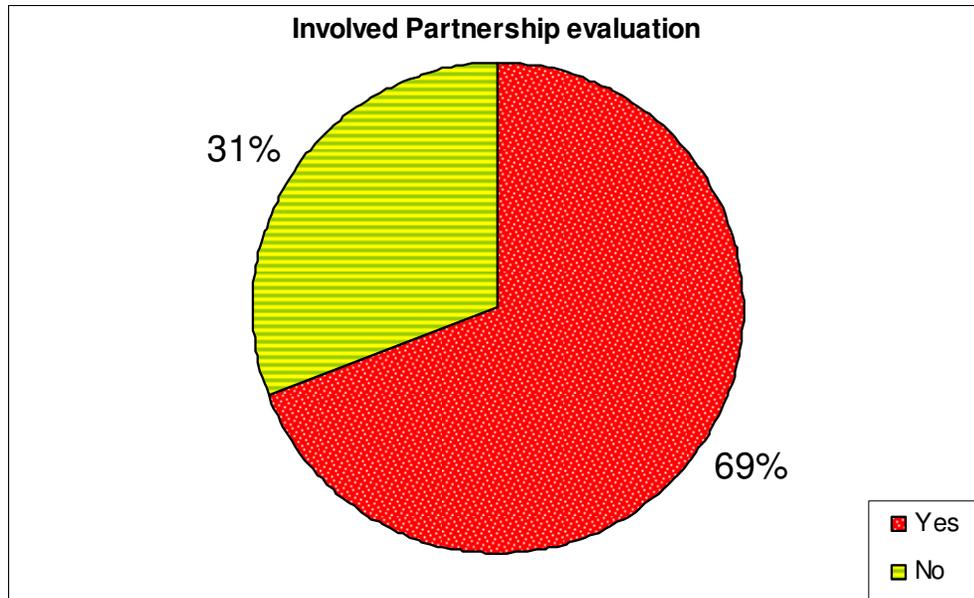


Figure 4: Respondents involved in evaluating the partnership

Among the 69 percent who were involved in the evaluation of the partnership, 46 percent were from public sector and 23 percent from private sector. Participants were involved in the evaluation by actively assisting the City Manager to prepare output measures, attending town hall meetings, participating in public involvement sessions, reporting the monthly progress of departments and projects that impact the performance of the partnership.

Among the uninvolved 31 percent of participants, 23 percent were from the private sector and 8 percent were from the public sector.

Question 9 attempted to examine the general mechanism used to measure the performance of departments.

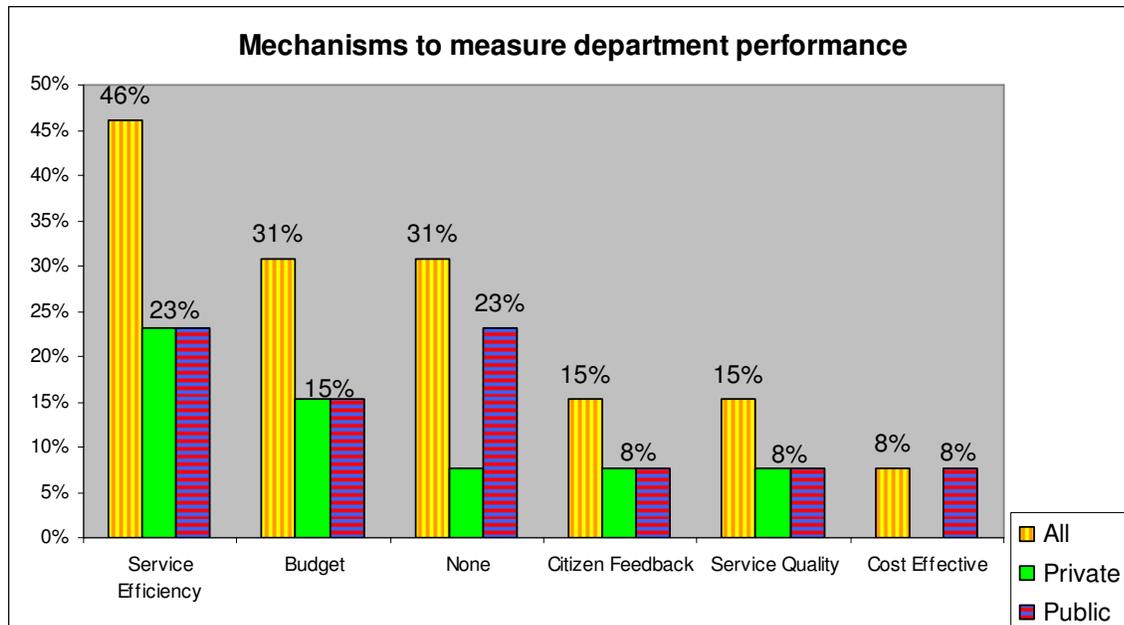


Figure 5: Mechanisms used to measure department performance

Question 9 was an open-ended question. The responses to this were very inconsistent. The researcher consolidated the answers, created generic responses, and sorted participants’ responses based on their closeness to the generic responses.

The City of Sandy Springs is said to be “experimenting with various mechanisms” to measure the performance of the contracted-out departments. Usually, “output measures are agreed upon, and data are developed against the output measures.” All the participants thought service efficiency and achieving targets within a set budget as the generally used mechanisms to measure departmental performance. Few public sector respondents pointed out the lack of a general mechanism and expressed a desire for one.

Question 10 addresses the frequency of the partnership’s performance evaluation.

Ninety two percent of the total number of the participants opined the partnership is evaluated annually. Among them 46 percent were from the public sector, 46 percent from the private sector.

However, an elected official mentioned that “the private company evaluates its departments on a monthly basis.”

Question 11 collected participants’ opinion on the performance of the partnership. Five choices were given for this question. All the participants chose only three options. Therefore only those three options are consolidated and interpreted.

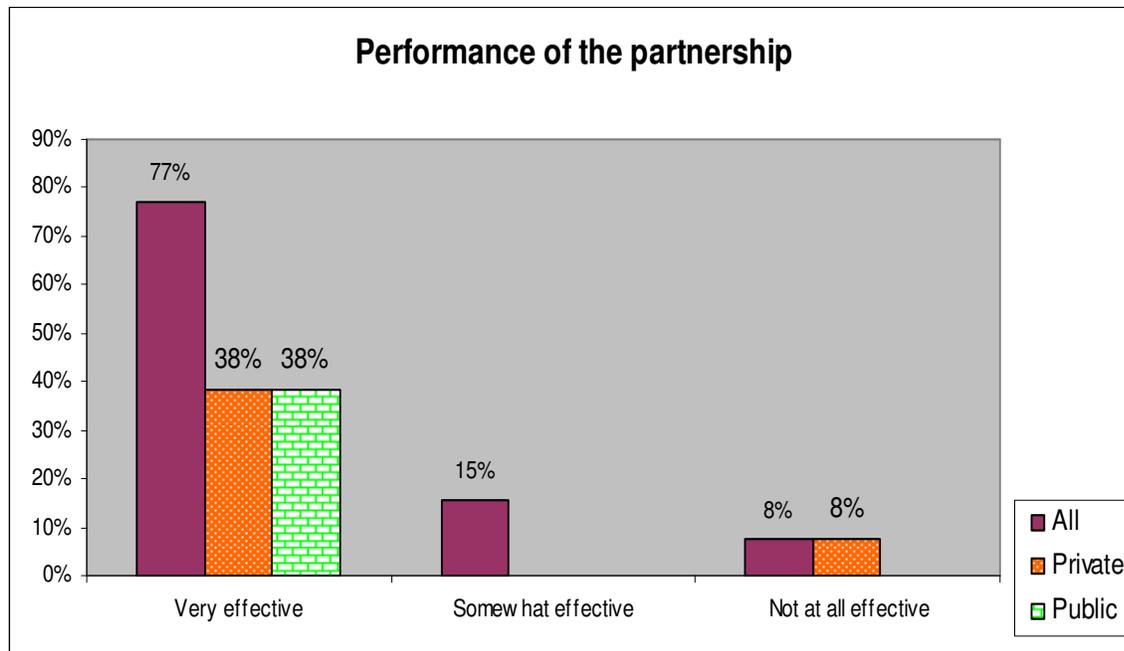


Figure 6: Opinion on the performance of the partnership

Seventy seven percent of all the participants and 38 percent of the public and private sector participants considered the partnership as very effective. Fifteen percent of the public sector participants thought the partnership is somewhat effective and 8 percent of them thought the partnership is not at all effective.

Participant who considered the partnership very effective opined that it has saved the City millions, simultaneously providing “very good services for low cost.” They also expressed that the private company is “very responsive to any needs or changes that are necessary,” the City’s “citizens are very complimentary about how services are delivered,” and the “speed of the progress.”

Participants who thought the partnership was somewhat effective thought that they “could perform better in the years to come as the City is learning to deal with the company.” They stressed the “need for long term sustainability and effects” and more “commitment from the company towards the taxpayers than the contract.”

Participants who dismissed the partnership as not at all effective criticized the company’s priorities to be “always based on budget.”

Question 12 determined the partnership’s cost effectiveness aspect.

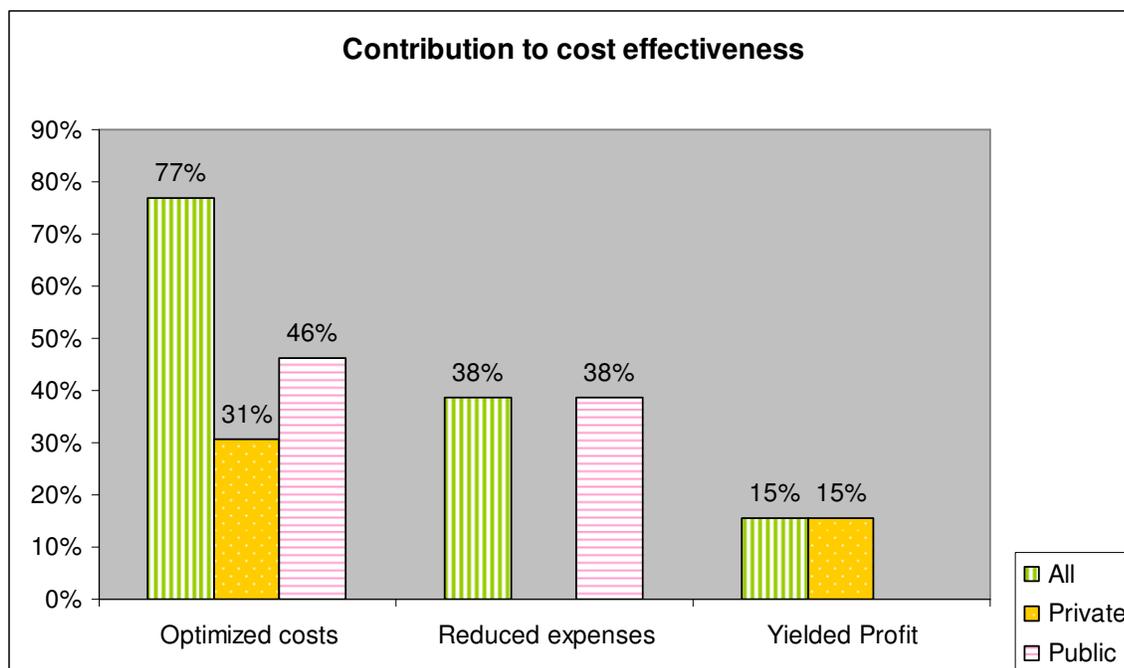


Figure 7: Contribution of the partnership to the cost effectiveness of the City administration

To determine the partnership’s contribution to the cost-effectiveness aspect, 8 choices were given. While consolidating and quantifying the data, only the options chosen by the participants were taken into consideration. Seventy seven percent of all the participants thought the partnership has been very effective in optimizing costs for the City. Thirty eight percent opined the partnership has reduced unnecessary expenses for the City. Fifteen percent of the private sector participants admitted that the partnership yielded profit. The response is consistent with the goals of the City to keep the administrative costs under control.

Cost-effectiveness: Cost-effectiveness was obviously one of the major criteria for the City to contract its services to private sector. The City, indeed has achieved cost effectiveness and profit as the corporation, CH2M HILL OMI spends money carefully on previously specified projects that are strictly mentioned in the contract. If an employee has no workload s/he will be sent to Milton or Johns Creek (newer cities in North Georgia that have outsourced their services to CH2M HILL OMI) for other assignments. According to an employee, the corporation manages its costs prudently, uses limited equipment in the departments and offices “including copying and fax machines, and gets the most services out of the available tools.”

Question 13 addressed the responsibility sharing and disaster preparedness aspect of the partnership. Sixty nine percent of the participants said the partnership has a disaster preparedness plan for communication and shared responsibilities in the event of a disaster. Thirty eight percent among those were from public sector and 31 percent were from private sector. Fifteen percent were not aware of a plan and they were from the private sector.

Question 14 discussed the measures taken to achieve accountability to the public. This was an open-ended question. As mentioned earlier, the researcher has consolidated the answers and created generic responses, sorting the participants' responses based on their closeness/similarity with the created generic responses.

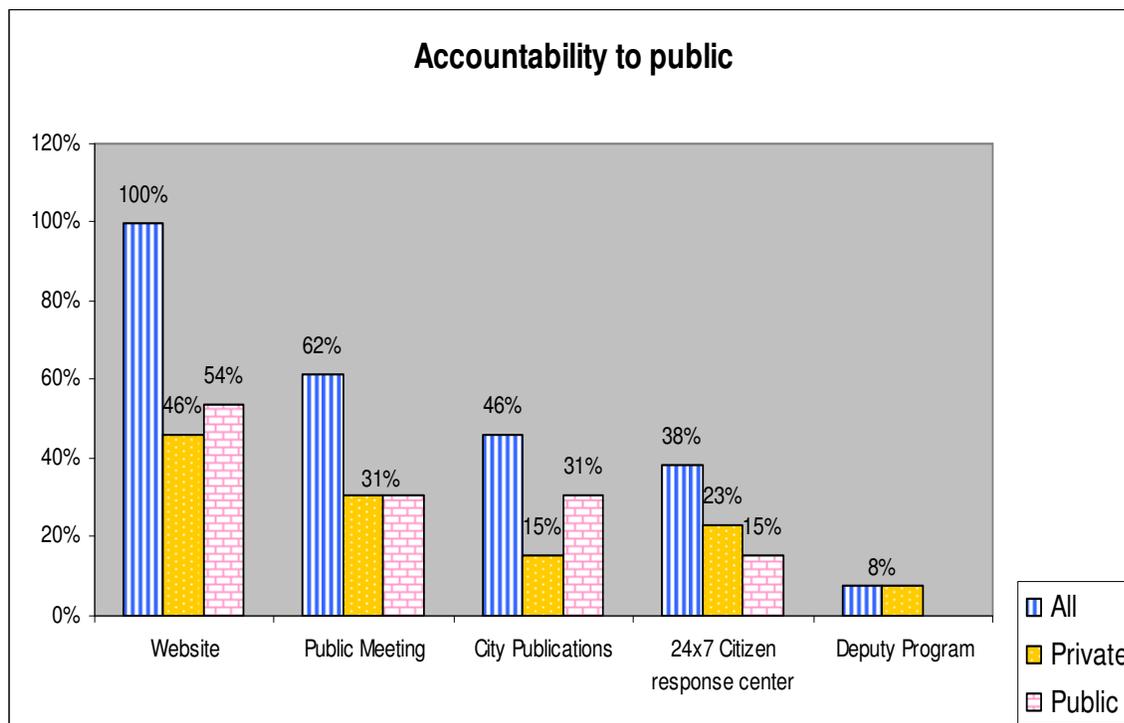


Figure 8: Measures to achieve accountability to the public

All the participants who shared their views on the measures to achieve accountability rated the City's website the highest. Fifty four percent of them were from the public sector and 46 percent were from the private sector. Public sector participants noted public meetings, City's publications and 24/7 citizen response center as other measures. Though this was an open-ended question, the responses of the participants were very strikingly similar. They also mentioned that the City officials personally address the emails, phone calls and informal public meetings, similarly maintaining constant communication with their constituents through their websites. One participant gave credit to the City's communication department for disseminating information effectively. A few participants expressed dissatisfaction over the company's attitude and said the company, despite the

existence of a communication department, is “very covert about financial details.” Their opinion is further discussed below.

Accountability and Transparency: Interestingly, most of the participants mentioned the measures of the City of Sandy Springs to achieve accountability to its taxpayers. However, few noted that CH2M HILL OMI has not taken any measure to assure accountability to the public, especially to “all the citizens” of the City. The corporation has not presented any cost-expenditure-profit details to the public. The employees of CH2M HILL OMI are not allowed to discuss or share their personal opinion about the company or the partnership without the permission of their superiors. Every employee of the corporation has “two modes of communication: 1) Communication with the City administration, officials and citizens using a ‘sandyspringsga.org’ ID, and 2) Communication strictly within the corporation employees using a ‘ch2m.com’ ID.

Question 15 addressed ethics; the participants were asked if they have faced any ethical conflicts in conducting their day-to-day work, since the public private partnership was established. Thirty one percent of the participants said they had experienced ethical conflicts in conducting their work at some point. Sixty nine percent participants did not. Among the ones who thought they faced ethical conflicts, 15 percent were from private sector and 16 percent were from public sector. They were in ethical dilemma as “cost effectiveness is given primacy over quality services to the taxpayers. Focus on revenue collection is stretched to extremes.” Moreover, “running the government as a business feels like overloading some of the democratic and social values of the City’s community.”

The researcher believes that the previously discussed sections give the reader a first-hand understanding of the City of Sandy Springs’ partnership venture. Indeed, it is a unique public-private partnership that claims to have achieved cost-effectiveness, less bureaucracy and accountability, rejecting the burdened, old-fashioned governing style of conventional governments. The City’s

attempt at “risky” experiments is laudable, however, it also raises many questions and concerns that are great fodder for further research. The City promises to provide quality services but rejects competition, trusting an entirely foreign sector for quality, quantity, savings and sustainability. It is this overpowering faith of the City which causes greater concern. The City of Sandy Springs’ public-private partnership model extends innumerable questions worthy of further exploration. Can quicker responsiveness assure quality of service? Can cost-effective service and quality service coexist when there is a lack of competition? If there is no competition, how will the measure be innovative? Is the boundaryless, multi-national, profit oriented company worthy of this faith?

Sandy Springs’ predicament in case of a severe economic recession

The economic recession of 2008, with a major collapse in the housing market system, credit crunch, and stock market volatility is bound to have an impact on the City of Sandy Springs and local governments all around the United States. As most people seem to know, local governments rely heavily on property taxes as their main own-source revenue. The dramatic depreciation in housing prices and increasing number of foreclosures in 2008 are shaking the tax base of local governments irrespective of their size and fiscal capacity. Moreover, resourceful banks that once lent money for private companies to undertake capital-intensive, infrastructure-related works, have cut back on lending and are struggling to survive this year’s bad economic storms. What happens if CH2M HILL OMI’s bank decides to do so? What happens if the private entity fails to weather the recession and goes bankrupt?

Private governments: Alternate governing entities

The public-private partnership model of the City of Sandy Springs is amazing for one more reason. If this model becomes overly popular, it would create an alternate private government that does not have geographical or electoral boundaries. If hypothetically CH2M HILL OMI governs

and manages several cities in Georgia, California, Louisiana, and other states in the United States of America, further extending its services to cities in Middle East, Europe, or Asia, CH2M HILL OMI will become a powerful international governing agency. In such situations, what happens to regionalism or national security? This is taking “privatization” or outsourcing to the farthest level! This erasing of electoral, geographical, even cultural boundaries is truly intriguing.

Recommendations

The City of Sandy Springs has made an adventurous decision to start its functions and solidify its existence. The literature review, interviews, and responses of involved people indicate several soft-spots and suggest that the City needs to modify and improvise its partnership model with speed. The recommendations mentioned below are formed on the basis of the City’s predicament with the private company.

- The role of the City Manager seems crucial in the City of Sandy Springs’ governing model. Although the Mayor is designated as the legislative head, reviewing all the developmental projects, the City Manager seems to be the person who decides what should be brought to the Mayor and the Council’s notice. His/her interaction with the private company is intense, constant and at times blurs the sectorial boundaries. Therefore, to strengthen the public sector accountability factor, the City’s legislative body should come up with a stricter code of ethics and stricter accountability measure to be enforced on the City Manager, Assistant City Manager, and other key executive roles.
- If this public-private partnership model is truly here to stay, elected officials should be empowered to control the activities of the City Manager. Similarly, it is prudent for the legislative body to watch and check the key persons of the contracted administrative,

executive branches and departments, to stop someone becoming a “promoter” of the private company.

- The City should legally place itself in a position to direct the private company to release the financial data-cost, expenditure, profit records, work completion record, basically all the records pertaining to the City. Even though the City honors CH2M HILL OMI as a true partner, the City as a democratically elected public entity has the responsibility to tenaciously guard the interest of all its taxpayers.
- The City Council should establish an independent ombudsman committee to strictly evaluate the overall performance, ethical practices, and administrative behavior of the City’s private partner, on a regular basis.
- The City’s partnership with the private sector, currently, is irreversible as it has already in progress. Therefore, while negotiating contracts with the private company for future terms, the City should redesign the contract prudently to leave greater flexibility and power to the elected body.
- The City should avoid BOO (Build, own, operate), LBO (Lease, build, operate), and BBO (Buy, build, operate) kinds of extended ownership or complete ownership by the private company as this does not reflect well on the strengths of government.
- In the longer run, capitalistic private entities’ intrusion into the ethical terrain of the public sector can completely distance citizens’ trust for the public sector. Long term dependency on a private company would cripple a government’s ability to explore new paths to achieve success. Therefore, the City of Sandy Springs’ legislative body must engage in slowly and steadily establishing each contracted-out department and service, by positively constructing its agencies, bolstering effectiveness, reducing bureaucracy, and providing new technical-

technological knowledge to City's employees in order to reduce dependency on the private partner.

- The City Council must have a strategic plan to continue the functions of the City without the support of the private company, in case of an unprecedented change or development.
- The City's day-to-day interaction with CH2M HILL OMI gives it a tremendous opportunity to learn about the administrative and management behavior of the company. The City can create a small agency with dedicated, qualified staff to observe and learn the positive points of the private company and adopt those practices in order to bring about the same or higher levels of efficiency, cost-effectiveness and better responsiveness.
- There seems to be an invisible wall between the academics and the City's partnership practice. The City must clear this wall, directing the private company to open up its resources to the academic community to learn, compare, contrast, analyze or criticize the practices. This healthy interchange of ideas would surely help the City to accumulate and adopt positive factors into its overall growth and progress.
- The City, in order to keep the private company continuously efficient and effective, must introduce other companies into the field to create competition for quality services and thus boost innovation.
- The City of Sandy Springs has already proved to the world of its dauntless outlook in experimenting with a different kind of partnership in order to establish a model city. The City can truly carry the title of a "modern twenty-first century model City" by continuing to be innovative to create a city that once out-sourced most of its services to a private company, then built a small, efficient and responsive 'new age government' by learning the "tricks of the trade" from the private sector.

Conclusion

This study shows that the City of Sandy Springs, in the first three years of its incorporation, has been able to steer towards intended cost-effectiveness, better responsiveness by contracting out service to a private company. The City has also reduced bureaucracy by hiring very few employees and fulfilled the expectations of its taxpayers by effectively communicating about the City's programs, activities, and thus achieving certain level of accountability. However, the City's private partner has not shown any interest to be accountable and transparent to the taxpayers of the City of Sandy Springs. Moreover, the company has not shown a sense of urgency to come up with a set of suitable performance measures and parameters to measure the overall performance of the partnership. This public-private partnership has, again, proved that "market accountability" is the most predominant perception of accountability for private sector entities involved in public services. To make this public-private partnership flourish as a "model government," the City of Sandy Springs should bear the responsibility of taking the initiative to demonstrate its democratic power over the private company. To accomplish this, the City needs to renegotiate and redesign the partnership agreement to guarantee public accountability and transparency.

Glossary

Build, own, and operate (BOO): where private company is sole owner of the property. It designs, invests, builds, operates and owns.

Buy, build, and operate (BBO): government sells some of its assets to a private company and the private entity redesigns, renovates, improves, and operates it.

Lease, build, and operate (LBO): has expanded contract duration and the private company is responsible for repairing, improving, expanding a facility such as an airport or port.

Public Choice Theory: Public choice approach favors more governments or fragmentation as small government could reach grassroots easily. According to this approach, multiple governments create great atmosphere for competition among service providers which results in innovative, better services for lesser cost. This approach believes in achieving efficiency through competition-competitive bidding process. This approach strongly assumes that individuals are capable of making cause-benefit analysis and deciding the best choice for them. To simplify, this theory trusts individuals' judgment capabilities. According to this theory, if individuals do not like a local government's service they cast their vote by moving away from that place, i.e., voting with ones feet.

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Appendices

1: Survey Questionnaire

Kennesaw State University

Master of Public Administration Program

Department of Political Science and International Affairs

Please choose one option whenever applicable and share your thoughts whenever applicable.

1. Which sector do you represent in the City of Sandy Springs' administration? (Make bold letters/highlight)

- A. Private sector
- B. Public sector

2. Please specify (make bold letters/highlight) your department in the administration of the City of Sandy Springs?

A. City Attorney	B. City Clerk's Office
C. City Manager's Office	D. Community Development
E. Finance	F. Media and Communications Department
G. Operations	H. Public Works
I. Purchasing	J. Recreation and Parks
K. Revenue	L. Other

If other please specify

3. What is your current designation in the Administration?

4. Please choose (make bold letters/highlight) all the roles that apply to your current position.

- A. Director
 - B. Elected Official
 - C. Program Evaluator
 - D. Manager
 - E. Supervisor
 - F. Clerk
 - G. Other
- If other please specify

5. Were you involved in the decision making process of the City of Sandy Springs' public-private partnership initiative? (Make bold letters/highlight)

- A. Yes
- B. No

If Yes, please specify your role in the process:

6. What were the major factors considered while making the decision on the partnership? (You can make multiple choices. Please rank your choices in the order of relevance.)

- A. Cost effectiveness
- B. Less bureaucracy
- C. Speedy delivery of services

- D. Less employee responsibility
- E. Quicker responsiveness
- F. More control over resources
- G. Profitability
- H. Opportunity to expand business
- I. Shared responsibility
- J. Other

If other please specify

**7. What was the agreed upon criteria to evaluate the performance of the partnership?
(Please specify at least two criteria)**

8. Have you been involved in evaluating the performance of the partnership? (Make bold letters/highlight)

- A. Yes
- B. No

If your answer is yes please specify how you are involved in evaluating the performance of the partnership:

9. What is the general mechanism that is used to measure the performance of departments?_____

10. How often does the partnership go through performance evaluation?

11. What is your opinion on the performance of the partnership? (Make bold letters/highlight)

- A. Very effective
- B. Somewhat effective
- C. Not sure
- D. Somewhat ineffective
- E. Not at all effective

State your opinion in your own words:

12. How has the partnership contributed in cost effectiveness aspect? (You can make multiple choices, make bold letters/highlight)

- A. The partnership has reduced unnecessary expenses for the City
- B. The partnership has increased unnecessary expenses for the City
- C. The partnership has not altered or reduced expenses
- D. The partnership has been very effective in optimizing costs for the City
- E. The partnership has yielded profit
- F. The partnership has caused financial loses
- G. The effect of the partnership is neutral
- H. Other

If other please specify

13. Do you have a disaster preparedness plan for communication and shared responsibilities in the event of a disaster? (Make bold letters/highlight)

- A. Yes
- B. No
- C. Don't Know

14. What measures are taken to achieve accountability to the public?

15. Since the public private partnership was established, have you faced any ethical conflicts in conducting your day to day work? (Make bold letters/highlight)

A. Yes

B. No

If your answer is yes, please share your thoughts:

2: Graphs with counts

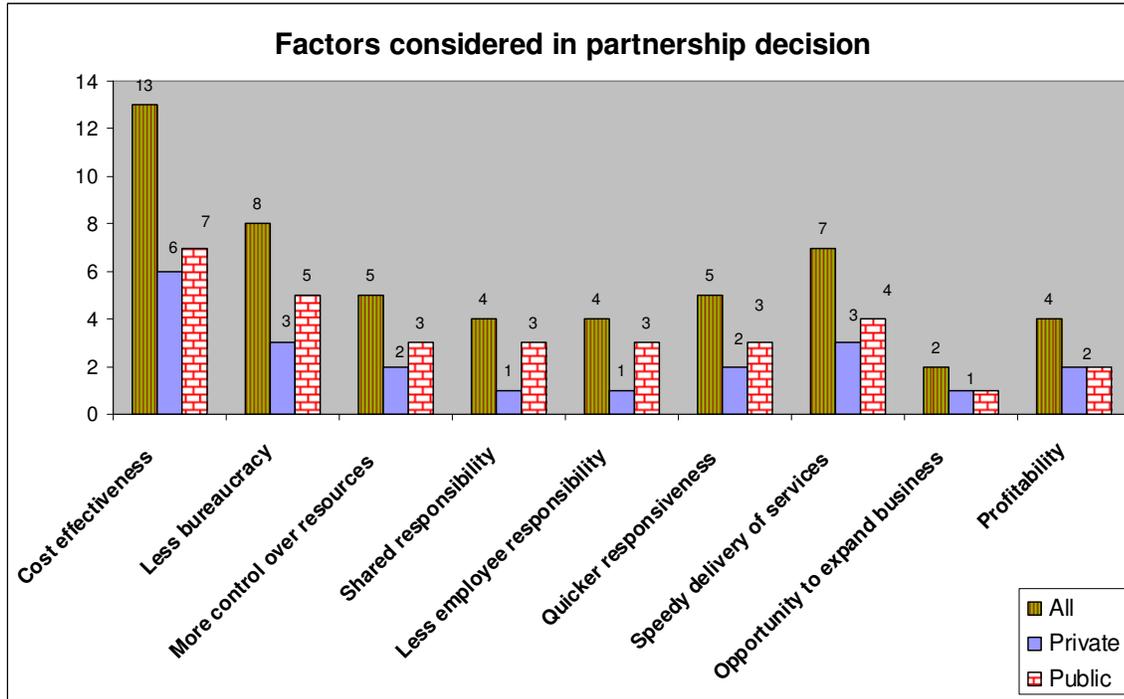


Figure 9: This figure corresponds with question 6 and figure 2. Question 6 addressed the major factors considered while making the decision on the partnership.

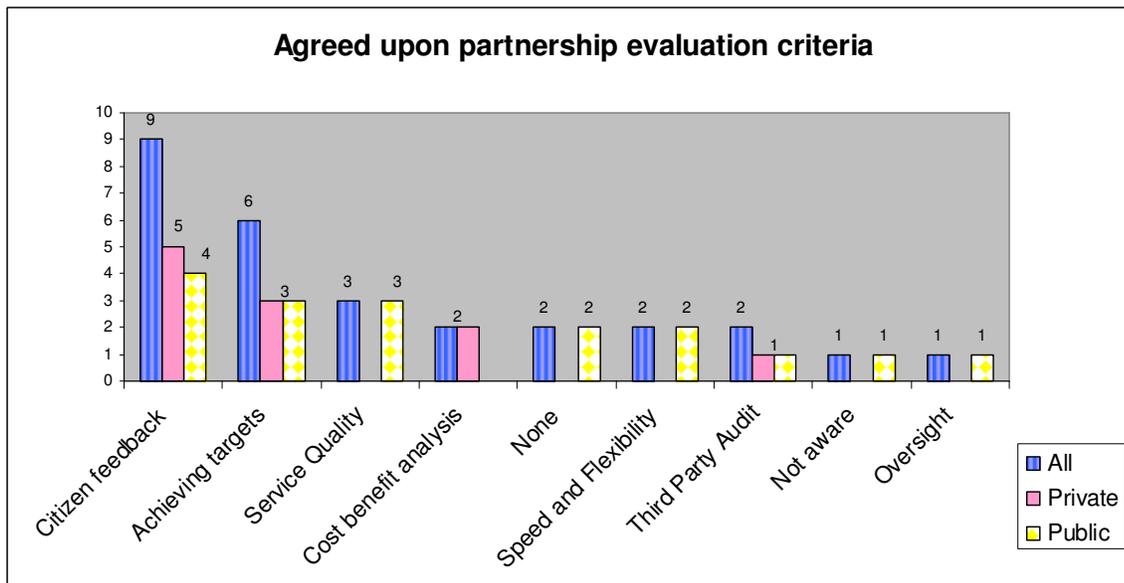


Figure 10: This figure corresponds with question 7 and figure 3. Question 7 identified at least two agreed upon criteria to evaluate the performance of the partnership.

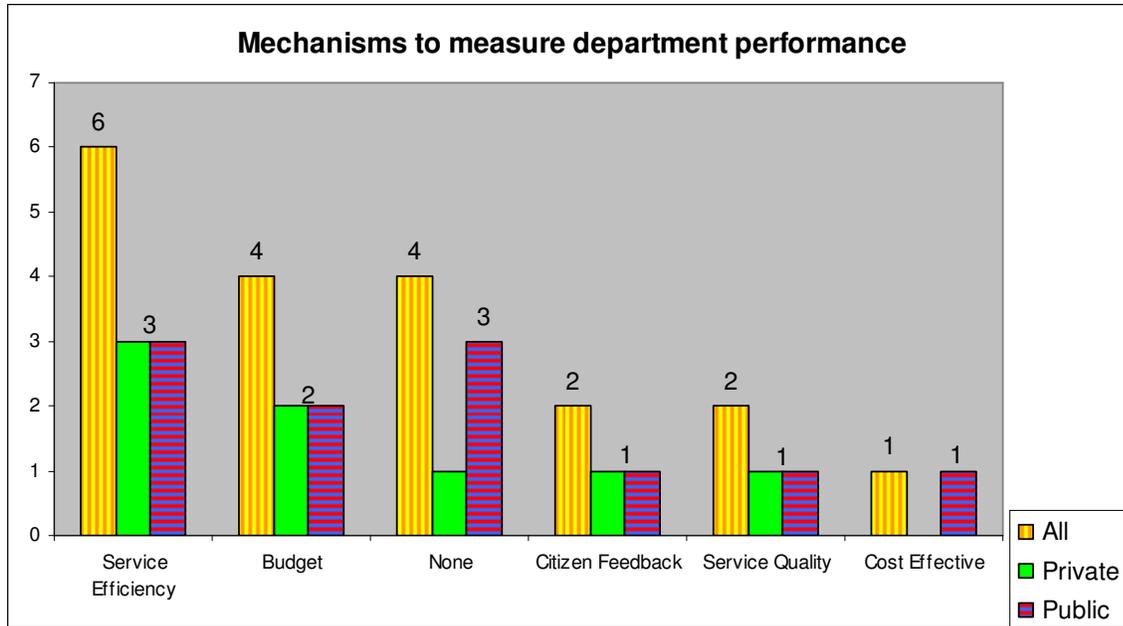


Figure 11: This figure corresponds with question 9 and figure 5. Question 9 attempted to examine the general mechanism used to measure the performance of departments.

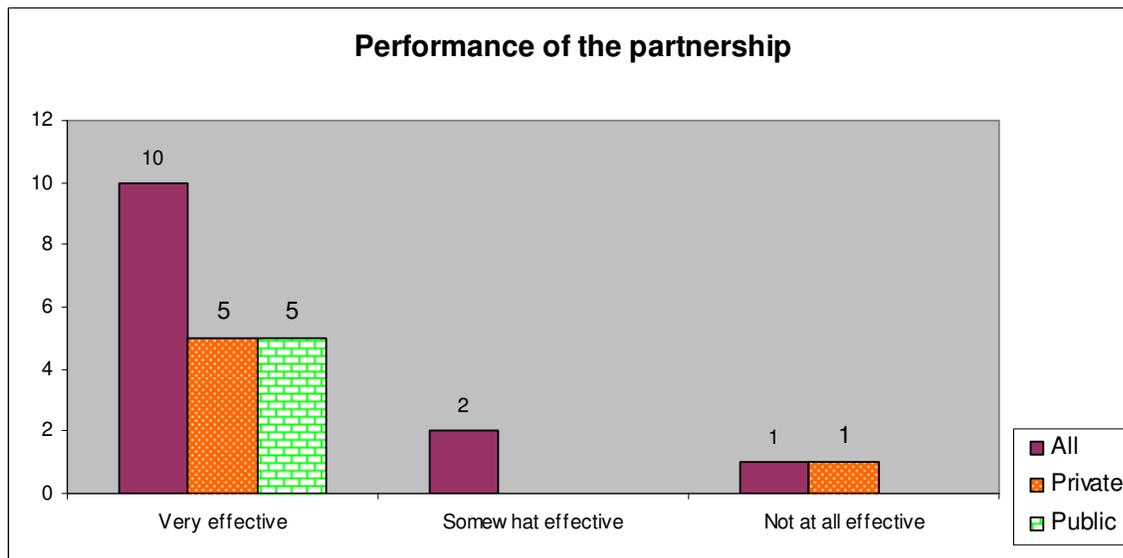


Figure 12: This figure corresponds with question 11 and figure 6. Question 11 collected participants' opinion on the performance of the partnership.

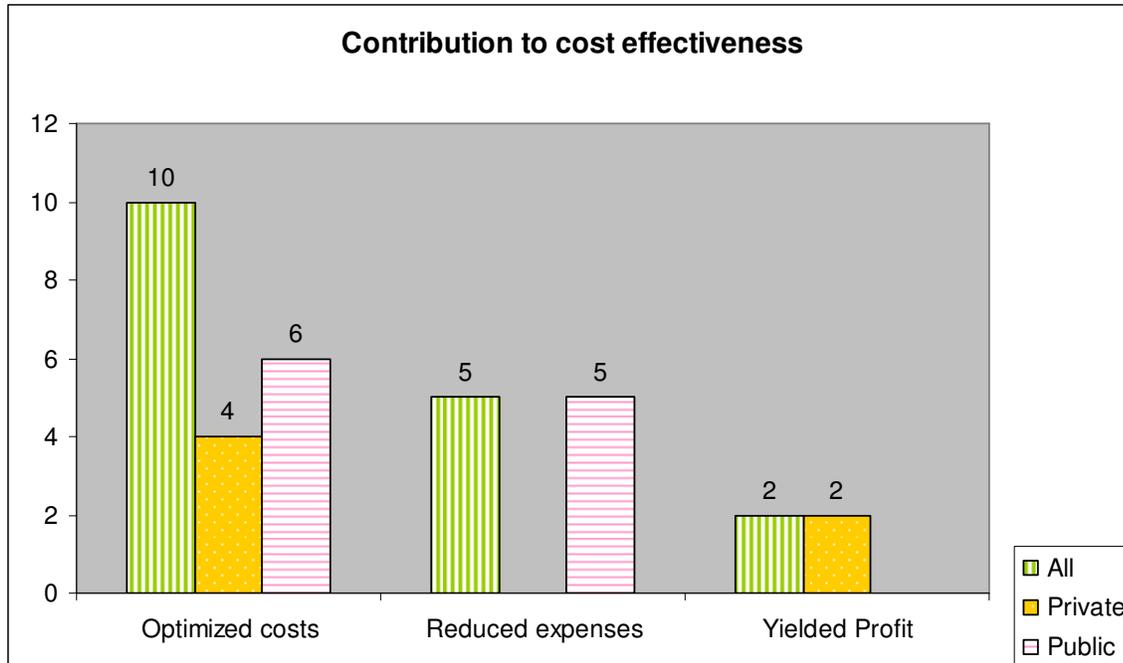


Figure 13: This figure corresponds with question 12 and figure 7. Question 12 determined the partnership's cost effectiveness aspect.

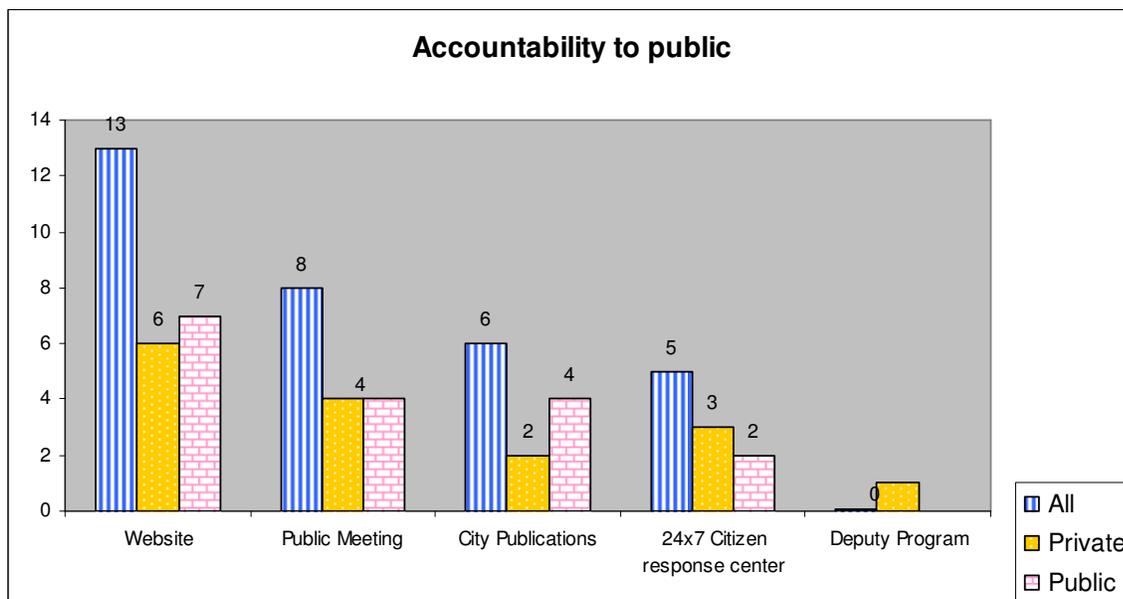


Figure 14: This figure corresponds with question 14 and figure 8. Question 14 discussed the measures taken to achieve accountability to the public.