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# A Preliminary Study into the Contracting Out of Services by Municipalities

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**A Preliminary Study into the Contracting Out of Services by Municipalities.**

**Olufunmbi Akinluyi**

**An Internship Paper Submitted in Partial Fulfillment of the Requirements for the**

**Master of Public Administration**

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## Executive Summary

The contracting out of services, by municipalities, while not quite a new phenomenon, is still relatively new, that it provides a rich source of study for public administration scholars and students. Some of the arguments that proponents of privatization make, are that: contracting out is more efficient, that it makes it possible for municipalities to take advantage of specialized skills, which are lacking in the workforces of municipalities, and contracting permits a quicker response to new needs and facilitates experimentation with new programs, to name a few.

Critics of privatization say that the contracting process in the end tends to be more costly than if services were performed in-house, and that privatization leads to retrenchment of government workers, these are a few of the arguments/points critics of privatization bring up.

Despite the criticism of the contracting out of services by municipalities, logic still holds that residents of cities who contract out services, should be more satisfied than residents of cities where services are performed, and provided in – house. I conducted a study to find out if this was the case, and was astonished to discover that in my preliminary study, after running a regression, I found an inverse relationship to exist between whether city services were contracted out, and the overall satisfaction with city services. This clearly means that municipal officials must do a better job of monitoring service contracts once they are awarded.

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## Assumptions of Privatization

David Osborne and Ted Gaebler argue that allowing government to steer more and row less, allows public administrators and managers, to look for the most effective and efficient service providers enabling them to get the most out of every dollar spent on the delivery of services. Proponents and advocates of the government [Federal, State, and Municipal] contracting out services, believe that government organizations and processes for delivering services to citizens/residents are systemically or innately inefficient and wasteful when compared to private firms delivering the same services under competitive bidding.

Proponents and advocates of alternative service delivery make many assumptions when listing the merits of alternative service delivery when compared to the government in-house delivery of services. One of the most respected scholars in the field of alternative service delivery, E.S. Savas, summarizes some of the arguments proponents make in favor of governments contracting out services, and they are:

*1. Contracting is more efficient because (a) it harnesses competitive forces and brings the pressure of the marketplace to bear on inefficient producers; (b) it permits better management, free of most of the distracting influences that are characteristic of overtly political organizations; (c) the costs and benefits of managerial decisions are felt more directly by the decision maker, whose own rewards are often directly at stake.*

*2. Contracting makes it possible for government to take advantage of specialized skills that are lacking in its own workforce; it overcomes obsolete salary limitations and antiquated civil service restrictions.*

*3. Contracting permits a quicker response to new needs and facilitates experimentation with new programs.*

4. Contracting allows flexibility in adjusting the size of a program up or down in response to changing demand and changing availability of funds.

5. Contracting avoids large capital outlays; it spreads costs over time at a relatively constant and predictable level.

6. Contracting permits economies of scale regardless of the size of the government entity.

7. Contracting a portion of the work offers a yardstick for comparing costs.

8. Contracting, fosters good management because the cost of service is highly visible in the price of the contract, whereas the cost of government service is usually obscured.

9. Contracting can reduce dependence on a single supplier (a government monopoly) and so lessens the vulnerability of the service to strikes, slowdowns, and inept leadership.

10. Contracting creates opportunities for entrepreneurs from minority groups.

11. Contracting limits the size of government in terms of the number of employees.

12. Contracting spurs private – sector research on innovative ways to satisfy society’s needs.”

13. The ability of alternative service delivery to meet limited and defined needs.

14. The assumption that alternative service delivery can provide services of equal or better quality, leading to increased customer satisfaction (Savas, 2000).

The very last point, amongst the summary of points made by proponents in favor of privatization, which is that privatization can lead to the provision of services of equal or better quality leading to increased satisfaction, is one assumption that lends itself to further testing and verification. The question: Is there a difference in customer satisfaction among cities that privatize services, and those that do not, is one that this research paper seeks to answer.

According to Savas, the intellectual basis for privatization was put forth by Milton Friedman. Privatization was first mentioned in 1969 by the late management guru Peter F. Drucker. Also in 1969, while working for New York City, E.S. Savas began recommending that the city contract with private firms as a common sense means of breaking up the municipal monopolies, thereby improving the efficiency of municipal services. Research and writing in the 1970's, on privatization by scholars such as R.W. Poole, R.M. Spann, E.S. Savas, and Donald Fisk and others, began to bring privatization to the attention of public managers, which led to the growing occurrence of privatization of municipal services by the 1980's. (Savas, 2000)

The elections of Margaret Thatcher as Prime Minister of Britain, and Ronald Reagan as President of the United States in 1979, and 1980 respectively gave great prominence and ideological momentum to what became known as the privatization movement. Starting in 1979, the British government under Margaret Thatcher, privatized a host of state owned companies, some of the state owned companies that were denationalized are: British Petroleum, British Aerospace, Britoil, National Freight

Corporation, Cable and Wireless, Jaguar, British Telecom, British Aerospace, British Gas, British Airways, and the privatization of British Airports Authority, and Water Utilities in 1987 and 1989 respectively. In 1988, in Britain, competitive bidding of local government services became mandatory. (Savas, 2000)

Because the United States government, had relatively few state owned companies when compared to the United Kingdom, few denationalizations took place with the most notable being the sale of Conrail [the government-owned freight railroad] and the United States Enrichment Corporation. From the 1980's onward, many industrialized countries in Western Europe, took note of the British example, and embarked on privatization programs. Developing nations were pushed to begin embarking on privatization programs by donor countries in the west, and also by international agencies no longer willing to accept the status quo, which consisted of poorly performing state enterprises they had previously backed financially. The striking economic results achieved by Hong Kong, South Korea, Singapore, and Taiwan, countries called the Asian Tigers, were achieved primarily by relying on a market based economy coupled with a rapid rate of industrialization achieved chiefly through private sector enterprise. (Savas, 2000)

China was the first of the socialist countries to change from a centrally planned command economy, to one based on large scale privatization, Hungary, Poland, and Czechoslovakia followed suit, becoming prominent examples of eastern European countries that changed their economies from a socialist model to a market based/capitalist model . According to E.S. Savas, privatization of state and local services had become

widespread by the middle of the 1990s, even in cities that had strong public sector employee unions. (Savas, 2000)

## **Policy Options**

Once government (federal, state, and/or local/municipal) decides to privatize the delivery of services, it is pertinent for policy planners and managers, to look at the variety of policy options that are on offer, to see which mode and method of services delivery would be the best fit for that government's particular situation. When it comes to policy options, as concerns alternatives to the delivery of services by government (federal, state, and local) and its agencies, Osborne and Gaebler, list thirty six alternatives, and these alternatives are:

1. Creating Legal Rules and Sanctions.
2. Regulation or Deregulation.
3. Monitoring and Investigation.
4. Licensing.
5. Tax Policy.
6. Grants.
7. Subsidies.
8. Loans.
9. Loan Guarantees.
10. Contracting.
11. Franchising.
12. Public – Private Partnerships.
13. Public – Public Partnerships.
14. Quasi – Public or Private Corporations.
15. Public Enterprise.
16. Procurement.
17. Insurance.
18. Rewards, Awards, and Bounties.
19. Changing Public Investment Policy.
20. Technical Assistance.
21. Information.
22. Referral.
23. Volunteers.

24. Vouchers.
25. Impact Fees.
26. Catalyzing Nongovernmental Efforts.
27. Convening Nongovernmental Leaders.
28. Jawboning
29. Seed Money
30. Equity Investments
31. Voluntary Associations
32. Coproduction or Self – Help
33. Quid Pro Quos.
34. Demand Management.
35. Sale, Exchange, or Use of Property.
36. Restructuring the Market.

Some of the services that federal, state and local governments in the United States have contracted out include: road construction, building maintenance, child adoption and foster care, mental health treatment, child support enforcement, abuse treatment, processing of Medicaid claims, regulation of child care facilities, employee training and placement, road construction and repair, waste/garbage collection, managerial evaluation and job training, fire protection, street sweeping, tree maintenance, lawn maintenance, administrative services, street repaving, bus transportation, custodial work, corrections, and criminal incarceration.

What have previous studies shown, as regards the efficiency of privatization?

Previous studies such as those cited by Savas have shown that to a large degree, privatization does result in cost reductions, and gains in efficiency. A large study conducted in the 1980s in New Jersey, covering every county, and one sixth of all municipalities, randomly chosen, found that 61 percent of public officials were very satisfied with contract services, 28 percent were mildly satisfied, 8 percent were dissatisfied, and 3 percent had no opinion. An important nationwide survey conducted in

1987 lent further credence to the claim privatization leads to cost reductions and greater efficiency. In the survey, 75 percent of U.S. local governments that practice alternative service delivery said that cost savings were a merit of contracting out. Of the 450 local governments that responded to the survey, 11 percent said contracting out had resulted in savings of 40 percent or more, 41 percent said contracting out had resulted in savings of 20 percent, while 80 percent said they had realized savings of at least 10 percent. (Savas, 2000) A survey was conducted in the 100 largest cities in the United States in 1995, of the 66 cities that responded, 82 percent reported that they were either satisfied or very satisfied with privatization, 18 percent said they had no opinion, one way or the other. The cities who reported being satisfied or very satisfied, said they saw a mean improvement of 2.5 percent for each of the following four major service areas: public works/transportation, public safety, human services, and parks and recreation. Savas, cautions that one "...should go beyond the positive attitudes, of public officials about contracting to examine carefully executed, comprehensive comparative studies of contracted services....." E.S. Savas documents a number of comprehensive and comparative studies of privatization versus the government in – house delivery of services, a discussion of some of these is included below:

Table 1- A Synopsis of Comparative Studies

Contracting Agency [source of study]	Number of Contracts	Cost before Contracting (millions)	Savings in percentages
Los Angeles County, 1979-87 [Los Angeles County Auditor-Controller]	651	\$268	32
Los Angeles County, 1979 – 89 [Los Angeles County Auditor- Controller]	812	701	28
U.S. Department of Defense, 1980 – 82 [same]	285	1,128	31
U.S. Department of Defense, 1983-84 [same]	131	132	33
U.S. Department of Defense, 1978 – 86 [U.S. General Accounting Office]	1,661	2,270	27
U.S. Department of Defense 1978 – 94 [Center for Naval Analyses]	2,138	4,768	31
Wandsworth Borough, London, 1978 – 87 [Centre for Policy Studies]	23	174	27
GSA Public Buildings Service, FY92 [U.S. General Accounting Office]	576	N.A.	25
State of Western Australia, 1993 – 94 [University of Sydney]	891	324	20

Source: E. S. Savas, Summary of before and after studies “Privatization and Public Private Partnerships” (2000) 150 – 151

The first entry, in the table above, shows 651 contracts [for the following services: data conversion, grounds maintenance, custodial work, food, laundry, and guard services] entered into by the Los Angeles county government over an 8 year time span. The contracts were inspected by the Los Angeles County Auditor – Controller, and they show that the county made a savings of 32 percent, for a total of \$182 million in costs, after contracting out. The second entry in the table was the result of a larger study, carried out two years later. A total of 812 contracts were inspected, and they showed that Los Angeles County was able to save 23 percent or \$193 million in costs. According to E.S. Savas, this is very noteworthy due to the fact that the county official who carried out

these surveys and studies, was independently elected, and was not a part of the County administration that contracted for services.

The United States Department of Department of Defense, at the bidding of the United States Congress, reported pre – privatization and post privatization comparisons of its contracts [performed over a 2 year time span] for services such as data processing, food service, and audio visual services. As the table shows, 285 contracts were inspected, and the comparative study, showed that after the services were contracted out, a savings of 31 percent was realized, and prior to the contracting out, service costs, when service delivery was performed in – house, were found to be 45 percent higher compared to the service costs after the Department of Defense embarked on alternative service delivery, by contracting out. Studies were carried out, a year later on an additional 131 contracts entered into by the Department of Defense, and these studies showed a savings of \$43.9 million against total contract costs of \$87.5 million. At this point it is pertinent to note, that these studies do not include the costs of overseeing and monitoring the contracts. (Savas, 2000)

Regarding the fourth entry in the table above, The U.S. General Accounting Office (GAO) inspected and examined 1,661 studies (including the DOD contract studies previously discussed), these studies covered 25 important studies performed by the Department of Defense. The initial cost of in – house delivery of services, was compared against the bids of contractors, and lower – cost bids made by in – house units facing the threat of privatization. The GAO discovered that the original cost was 37 percent greater than the successful bids, and that approximately \$614 million (27 percent had been saved

by opening up the service delivery process to competition. This study was extended to cover eight more years, as the fifth entry in the table illustrates, and a total of 2,138 contracts. Over the 16 year time span of the DOD contract studies, total savings due to competitive bidding, averaged 31 percent. In a similar vein, the Borough of Wandsworth in London, opened the municipal service delivery process to competitive bidding, this led to the in – house work force winning about 33 percent of the contract bids, and private contractors winning the remaining 67 percent. A GAO study of the Public Building Service, of the U.S. General Services Administration, focusing on custodial and maintenance contracts for buildings found that savings of up to 25 percent were achieved for services that were contracted out. E.S. Savas also documents the case of the Competitive Tendering and Contracting Research Team at the University of Sydney, which studied contracting in the State of Western Australia, and discovered that savings averaged 20 percent of the initial contract cost.

The main reason that the contracting out of services, is more efficient than the in – house delivery of services, is due to the monopolistic nature of service delivery when performed by government (Federal, State and Local) in house. One can say that at its very core, the contracting out of services versus government delivery boils down to monopoly versus competition. It is a statement of fact that in general, monopoly pales in comparison to competition when it comes to the efficient provision of high quality goods and services to the tax paying public. Most government service delivery vehicles and processes are organized and run as monopolies. Privatization when implemented correctly, gives public officials and the public a choice, which promotes competition, and competition leads to more efficient and cost effective performance.

The very noticeable improvements in productivity, that result, when the government contracts out services, come about, as a result of more work performed per employee per unit time, and not from lower wages. E.S. Savas cites Stevens extensive municipal services study which says “...there is no statistically significant difference between municipal and contract work with respect to salaries, service quality or the cost of fringe benefits.....Contractors (1) provide less paid time off for their employees (less vacation time and fewer paid absences such as unlimited sick leave); (2) use part – time and lower skilled workers where possible; (3) are more likely to hold their managers responsible for equipment maintenance as well as worker activities; (4) are more likely to give their first line managers the authority to hire and fire workers; (5) are more likely to use incentive systems; (6) are less labor intensive (that is they make greater use of more productive capital equipment); (7) have younger workforces with less seniority; and (8) have relatively more workers and fewer supervisors.....” Stevens concludes that “In the majority of public agencies the concepts, of clear, precise, task definitions and job definitions, coupled with easily identifiable responsibility for job requirements are not enforced as vigorously as in the majority of private enterprises. It is this difference that appears, in general, to be responsible for the very significant public sector – private sector cost differences”

The following table shows the stark differences in productivity that arise, when municipal governments contract out the delivery of services.

Table 2 - Comparison of Public and Contract Street Sweeping

Efficiency measure	Municipal	Contract
Tons collected per curb mile	0.19	0.19
Tons collected per shift per sweeper	1.2	2.9
Cost per ton collected	\$449	\$179
Curb miles swept per shift per sweeper	6.5	16.3
Cost per curb mile swept	\$84	\$32

Source: Report on Street Cleaning, Director of Engineering, Newark N.J., 16 March 1994, cited in E.S. Savas, "Privatization and Public – Private Partnerships." (2000)

The study illustrated above, was carried out in two meticulously drawn districts of Newark, N.J., that were basically the same in almost every regard. As the table illustrates, the same amount of garbage was collected in both jurisdictions, and from then on, as far as outcomes are concerned, the numbers tell a markedly different story. One can see that when it comes to productivity, the district that has its street sweeping service contracted out outperforms the other district, in every category listed.

**Table 3 - Comparison of Public and Contract Solid- Waste Collection**

	Mount Vernon, N.Y.	East Orange, N.J.
Collection arrangement	Municipal	Contract
Population	70,000	74,000
Area (Square miles)	4.3	3.8
Tons Collected annually	41,973	39,312
Collections per week	3	3
Collection location	Curb	Curb
Truck Shifts per week	63	39
Men per truck	4	2
Man – days per week	237	78
Tons collected per man – day	3.40	9.67
Productivity index	1.00	2.84
Cost per household	\$39.00	\$29.14

Source: Barbara J Stevens and E.S. Savas, “An analysis of the Feasibility of Private Refuse Collection and Disposal in Mount Vernon, New York,” report submitted to the Mount Vernon Urban Renewal Agency, January 1977. Cited in E.S. Savas, “Privatization and Public Private Partnerships.” (2000)

Mount Vernon, N.Y. and East Orange, N.J. are two cities shown to be almost identical in terms of population, area, total yearly amount of waste collected, and service levels (rate of waste collection, and location). As the table indicates, in every category Mount Vernon’s solid waste collecting process, is out performed by that of East Orange. In East Orange, solid waste collection efforts are 2.84 more productive than that of Mount Vernon and the costs per household is higher in Mount Vernon than the in East Orange, N.J. where solid waste collection has been contracted out.

Privatization does have its critics, and among the criticisms they level at privatization as government policy, are the following:

1. Contracting in the end, is more costly than government in – house service delivery because corruption taints the contract awarding process.
2. Privatization leads to unusually high profits being made by contracted service providers, as opposed to government in – house delivery of services, which are provided on a non profit basis.
3. Privatization leads to retrenchment of government workers.

4. On many occasions, there is a dearth of qualified contract service providers, leading to a lack of competition, and its attendant benefits.

5. The cost of overseeing, managing and monitoring contractor performance could become prohibitive, erasing any efficiency gains.

6. Expanding government services can be done at a lower marginal cost, compared to privatization.

7. Contracts, that are of the cost – plus – fixed – fee type, do not provide any impetus for efficiency.

8. When the government gets out of any arena/area of service delivery, if there is an absence of competition in that area/arena, the government is subject to the whims and caprices of the contractor, in subsequent contracts.

9. Critics of privatization, charge that the contracting out of services, renders void, the cardinal principle of merit employment, and contradicts laws governing the government employment of civil service veterans. Furthermore, critics of privatization charge that it saps the morale of affected government employees, deprives government of needed in – house skills, and therefore degrades the capabilities of government.

10. The contracting out of service delivery by government hampers the pliability of government in responding to emergencies.

11. Critics of privatization say contracting leads to an undesirable reliance on contractors, leaving the public susceptible to work stoppages caused by strikes, and bankruptcy of the firm handling the contract.

12. Critics charge that the contracting out of services by government relies on adequately written agreements/contracts which are not only difficult to draw up, but result in the government losing accountability and control.

13. When the government contracts out the delivery of services, it reduces the opportunities for the government to achieve economies of scale.

14. When the government contracts out the delivery of services, the private firms that win these contracts, increase their political power at the government's expense, and can therefore lobby for increased government spending.

15. Contracting leads to a disproportionate loss in jobs for minorities, many of whom are government employees. (Savas, 2000)

Advocates of privatization will certainly take issue with many of these claims, but at this point it is pertinent to note that despite all it's merits, the contracting out of service delivery is not all that privatization advocates have cracked it up to be, the city of Atlanta's experience with United Water Resources Inc., bears this out.

When Atlanta decided to privatize its water system, and put out bid requests, at the time, it was the largest water privatization deal in the United States. According to observers, competition among private water companies to secure the winning bid was

fierce, as whichever company won the bid would be seen as gaining a foothold into a huge and potentially very profitable nascent market. United Water Resources Inc., an American subsidiary of the Suez Company based in Paris, France, had the lowest bid, and won the contract. The contract, called for United Water, to run Atlanta's water system for 20 years at a yearly cost of \$20.8 million to the city. (Koller, 2003)

United Water Resources Inc., began running Atlanta's water system, as of January 1, 1999. With Atlanta's water system now in private hands, it was thought that water delivery would improve, and that most importantly, the city would begin to realize the savings of \$20 million per year that the city leadership, United Water and privatization supporters, said would occur if the privatization of the water system took place.

Privatization advocates, hailed Atlanta's decision to contract out its water service delivery, saying that among other things, Atlanta's water department was rife with nepotism, and riddled with inefficiency. But Atlanta residents began complaining about the quality of water service offered by United Service. In the summer of 2002, when Atlanta residents opened their faucets, water the color of "red clay" filled with 'little particles' flowed out. Lamar Miller, a Buckhead resident, said the 'rust tainted' water was responsible for clogging the filters in her refrigerator and destroying her laundry. Another Atlanta resident Walda Lavroff says it took 10 days of constant phone calls to United Water, before the heavily leaking fire hydrant at the foot of her driveway was repaired. On several occasions, United Water had to issue boil advisories to Atlanta residents because of the water quality. Ms Lavroff said she did not experience problems with water

quality, when the city of Atlanta ran the water system. These examples, just mentioned, were just a sample of the many complaints United Water faced. In its defense, United Water blamed the water quality problem on power outages and old and decrepit infrastructure. United Water also said that during the bidding process, the city of Atlanta had failed to notify the company, as to the ‘true scope of Atlanta’s water problems’, and that United Water did not foresee that it would have to bear such a big workload. Matters came to a head, when a January 2003 report found that city audits from 1999 to 2001, showed that United Water had failed to deliver the savings it had promised with the audit, showing that the City of Atlanta had saved in the period under review, a total of \$29.4 million about half the promised savings. On January 24, 2003, The City of Atlanta under Mayor Shirley Franklin, and United Water, mutually agreed to end the contract.

Supporters of the city’s contract with United Water like Harold Cunliffe, a major Atlanta real estate developer, say the city never gave United Water a free hand to operate, while Howard Shook a city councilor representing Buckhead on the Atlanta City Council, summed up the feeling of many of his constituents, when he said ‘My inner conservative no longer worships at the alter of privatization as I might once have done. That is for sure...Sometimes it is the best answer but I know that it is not always the answer, and we have to be careful about it’ (Koller, 2001)

Despite the misgivings of some, over the contracting out of services by Government, logic still strongly suggests that on reflection, the hypothesis which says that the residents of cities that privatize should have higher satisfaction levels than residents of cities that perform in- house delivery of services, should hold true.

Many questions remain. One of these questions is whether citizen satisfaction levels are higher in cities that contract out the delivery of services.

During my internship at the A.L. Burruss Institute, one of the research projects conducted, was entitled “A Phased Study of the Outsourcing of Municipal Services in the United States” the project was managed by the Georgia Institute of Technology (Georgia Tech), with the Burruss Institute, acting as the subcontractor/junior partner tasked with collecting the data, using its telephone survey research laboratory. This study will allow an investigation of whether citizens in contracting cities have higher levels of satisfaction.

## **Methods**

### **A) Sites**

10 cities/municipalities were chosen for this study, and they were divided into two groups, cities that had contracted out the delivery of some or all of their services, and those cities that that performed in – house delivery of services. The ten cities are as follows: Sandy Springs, Roswell, Milton, Alpharetta, Johns Creek, and Peachtree City, in the state of Georgia, and Coral Gables and Weston, in the state of Florida, and

Centennial, and Westminster in the state of Colorado. The table shows which cities fit into the classification of the dependent variable.

Table 4 - List of Cities

City	Peachtree City	Weston	Coral Gables	Centennial
Services not contracted out	Yes	No	Yes	No
Services contracted out	No	Yes	No	Yes

Table 5 – List of Cities

City	Westminster	Sandy Springs	Roswell	Milton	Johns Creek	Alpharetta
Services not contracted out	Yes	No	Yes	No	No	Yes
	No	Yes	No	Yes	Yes	No

Table 6 – Cities Demographics

City	Weston	Centennial	Sandy Springs	Milton	Johns Creek
Population	65,793	98,243	98,043	30,000	83,445
Average Age	34	37.2	36.3	N/A	N/A
Population Density	2,074.2/sq mi	3,695/sq mi	2,596.8/sq mi	N/A	N/A

Figures are U.S. Census Bureau estimates for 2006 and 2007

The cities listed above, are cities that contract out, and one can see that three of the cities are located in the state of Georgia. The criteria used to select the cities that contract out services was simple; these are cities that are newly incorporated, the oldest, is the city of Weston which was incorporated as a city in 1996. The newest cities are Johns Creek and Milton, which were incorporated as cities on December 1, 2006.

Table 7 – Cities Demographics [Continued]

City	Peachtree City	Coral Gables	Westminster	Roswell	Alpharetta
Population	31,580	42,871	100,940	79,334	65,168
Average Age	38	38	33	37.2	33
Population Density	1,321.3/sq mi	3,216.9/sq mi	3,203.9/sq mi	2,086.5/sq mi	1,631.6/sq mi

Figures are either U.S. Census Bureau estimates for 2008 or U.S. Census numbers from the 2000 census.

The cities that do not contract out the delivery of any of their cities, were chosen because of the similar demographic characteristics each city possessed, when compared to a city that contracted out service, as shown in table 8 below.

Table 8 Contracting cities vs. Non Contracting cities

Sandy Springs, GA	Roswell, GA
John’s Creek, GA	Alpharetta, GA
Milton, GA	Peachtree City, GA
Weston, FL	Coral Gables, FL
Centennial, CO	Westminster, CO

The cities of Sandy Springs, Milton, and John’s Creek, all hired the firm CH2M Hill to provide almost all municipal services. Sandy Springs has only four municipal employees, and contracts out the delivery of all services, except public safety (police and fire) the total cost of the contracts amount to approximately \$30 million annually. Sandy Springs was the first city in the country to privatize service delivery on such a wide scale. John’s Creek to some extent also follows the Sandy Springs model in that CH2M Hill handles service delivery in the city (excluding Police and Fire) at an estimated annual cost of \$16 million to \$18 million. The city of Weston contracts with the firm Severn Trent for administrative services and with Broward County for public safety. The city of

Weston has only 3 employees on its payroll, and has about 400 contract employees. The city of Centennial employs about 30 people.

The computer – aided telephone interviewing (CATI) system equipped lab at the Burruss Institute was used to collect/gather data. Respondents from all ten cities were contacted via Random Digital Dialing (RDD) samples. Respondents answered questions from a seven page questionnaire, made up of thirty seven questions. Respondents were asked to answer questions rating the quality of services such as the cleanliness of streets and sidewalks, the street and road maintenance, garbage collection, zoning and planning, ease of car travel in the city, and ease of travel by public transport. City residents were also asked to state their level of satisfaction, [on a 1 to 5 scale on some questions, and on a 1 to 7 scale on other questions] such as the enforcement of city ordinances and codes, and the overall attractiveness of the city. City residents were also asked [on a scale ranging from 1, being far from ideal to 7, being very close to ideal] how they would rate their level of satisfaction with city services in relation to their ideal image of city services. A complete copy of the city services survey questionnaire is included in the appendix to this paper.

A total of eight hundred and sixty five survey interviews were completed out of ten thousand three hundred and thirty five attempted. Respondents were between the ages of 18 to 93, with the average age of 56.01 as shown in the tables below.

Table 9 – Age of Respondents

Youngest	18
Oldest	93
Mean	56.01

Table 10 – Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Age	820	18	93	56.01	15.341
Overall Satisfaction Index	846	3	21	15.25	3.457
Valid N (listwise)	804				

The overall satisfaction index is a fusion of 3 questions that respondents were asked on the questionnaire. In the first question, respondents were asked to rate their level of satisfaction with city services, offered in their city, considering the fact that to each of them satisfaction could mean “many things” In the second question respondents were asked, that considering all their “expectations” for city services how would they rate their level of satisfaction with the services offered in their city. In the third question, respondents were asked to imagine the “ideal” local government service [delivery] for them and their households, and were then asked to rate their level of satisfaction with city services in relation to their ideal image of city services.

In answering each of the three questions that form the overall satisfaction index, respondents choose from a scale ranging from 1, which indicated complete/total dissatisfaction to 7 which indicated complete satisfaction. The scale present in each of the three overall satisfaction index questions meant that on these three questions, a score of 3 was the least that could be scored; while the maximum score possible was 21 as shown in table 11 below. The average score, as shown in table 10, was 15.25

Table 11

<b>Overall satisfaction index (rateserv + expect + ideal)</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3	5	.6	.6	.6
	4	1	.1	.1	.7
	5	8	.9	.9	1.7
	6	4	.5	.5	2.1
	7	7	.8	.8	3.0
	8	6	.7	.7	3.7
	9	22	2.5	2.6	6.3
	10	22	2.5	2.6	8.9
	11	32	3.7	3.8	12.6
	12	56	6.5	6.6	19.3
	13	63	7.3	7.4	26.7
	14	83	9.6	9.8	36.5
	15	112	12.9	13.2	49.8
	16	103	11.9	12.2	61.9
	17	94	10.9	11.1	73.0
	18	89	10.3	10.5	83.6
	19	54	6.2	6.4	90.0
	20	41	4.7	4.8	94.8
	21	44	5.1	5.2	100.0
		Total	846	97.8	100.0
Missing	System	19	2.2		
Total		865	100.0		

The separate breakdown, as to how each of the three questions on the overall satisfaction index, was answered by respondents are detailed in the tables 12, 13, 14, and 15 below:

Table 12

<b>Overall satisfaction with city services</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	12	1.4	1.4	1.4
	2	12	1.4	1.4	2.8
	3	62	7.2	7.2	10.0
	4	141	16.3	16.4	26.4
	5	297	34.3	34.5	60.9
	6	220	25.4	25.6	86.5
	Completely satisfied	116	13.4	13.5	100.0
	Total	860	99.4	100.0	
Missing	dk	5	.6		
Total		865	100.0		

Table 13

<b>Satisfaction relative to expectations</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Much worse than expected	13	1.5	1.5	1.5
	2	18	2.1	2.1	3.6
	3	59	6.8	6.8	10.4
	4	153	17.7	17.7	28.2
	5	248	28.7	28.8	57.0
	6	228	26.4	26.5	83.4
	Much better than expected	143	16.5	16.6	100.0
	Total	862	99.7	100.0	
Missing	dk	3	.3		
Total		865	100.0		

Table 14

<b>Satisfaction relative to ideal service</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	City services are very far from my ideal	18	2.1	2.1	2.1
	2	15	1.7	1.8	3.9
	3	72	8.3	8.5	12.4
	4	166	19.2	19.6	31.9
	5	292	33.8	34.4	66.3
	6	188	21.7	22.1	88.5
	City services are very close to my ideal	98	11.3	11.5	100.0
	Total	849	98.2	100.0	
Missing	dk	16	1.8		
Total		865	100.0		

Table 15

<b>Overall Satisfaction Index Breakdown</b>				
		Overall satisfaction with city services	Satisfaction relative to expectations	Satisfaction relative to ideal service
N	Valid	860	862	849
	Missing	5	3	16
	Mean	5.12	5.16	4.95
	Std. Deviation	1.259	1.336	1.310

As has been mentioned earlier residents were asked to rate on a 1 to 7 scale, their overall satisfaction with city services, their satisfaction relative to their expectations, and their satisfaction related to ideal service delivery. 444 respondents from cities that do not contract services were interviewed, while 421 respondents from cities that contract out service were interviewed. The results in terms of rating, as to how each of the two groups

of respondents rated service provision and delivery, in response to the three questions contained in the overall satisfaction index, is summarized in the table 16 below

Table 16 – Percentage of citizens at 6 and 7 on scale

	Services contracted out	Services not contracted out
Overall Satisfaction with city services	32.5%	45.3%
Satisfaction relative to expectations	35.2%	50.5%
Satisfaction relative to ideal service	30.2%	36.9%

For respondents living in cities that do not contract out services, when it comes to overall satisfaction with city services, satisfaction relative to expectations, and satisfaction relative to ideal service provision and delivery, those who express satisfaction or complete satisfaction (a score/rating of 6 or 7) are in the majority as shown by the numbers in table 16. When the same questions are put to respondents living in cities that contract out services, A similar and consistent pattern plays out, a majority of them also express satisfaction or complete satisfaction.

The average income of the respondents in the survey was midway between the \$60,000 to \$90,000 range, and the \$90,000 to \$120,000 range.

### Discussion of Findings

In order to understand the relationships among multiple variables, a regression was run, and the variables as shown in table 17 below are: overall satisfaction with city

services, income, age, whether or not respondents were homeowners, and whether they lived in a city that contracted out service delivery. Overall satisfaction with city services was the dependent variable, while respondent's age, income, home ownership, and whether the city contracted out services were independent variables

Table 17

<b>Descriptive Statistics</b>			
	Mean	Std. Deviation	N
Overall satisfaction with city services	5.11	1.253	646
Income	3.96	1.935	646
age	55.04	15.024	646
home ownership dichotomy	.11	.313	646
Are services contracted out?	.48	.500	646

The results of the regression of the regression are shown in table 18 below

Table 18

<b>Coefficients<sup>a</sup></b>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.968	.257		19.307	.000
	Income	-.014	.027	-.021	-.496	.620
	age	.007	.003	.083	2.037	.042
	home ownership dichotomy	-.030	.165	-.007	-.179	.858
	Are services contracted out?	-.376	.098	-.150	-3.848	.000

a. Dependent Variable: Overall satisfaction with city services

R squared = .027

The regression equation is found to explain only 2.7% of the variation in the overall satisfaction with city services. Here we see that at a 95% confidence level, income and home ownership are not significant as independent variables go. One finds that the age of the respondents is a significant variable. The biggest surprise, concerns the variable “Are services [in your city] contracted out”. We find that not only is this variable significant, but shockingly, there is an inverse relationship between whether cities are contracted out, and whether that respondent is likely to be satisfied with service delivery and provision. This finding turns the assumptions of privatization advocates [and the well founded logic behind these assumptions] upside down. In fact these citizens were more satisfied with the services of their communities, than residents of cities that had contracted out services.

The findings of the regression equation show that respondents who lived in cities that contracted out services, were less likely to express overall satisfaction with city services, compared to respondents living in cities that did not contract out services. This finding surprises me as a public administration student, because I believe the logic cited in support of privatization to be quite sound. These findings mean that municipalities, that contract out services must do a much better job of monitoring and overseeing the execution of contracts, once they are awarded. To make the contracting out of services worthwhile, from a financial and citizen standpoint, municipalities must pay unstinting attention to what I term the customer satisfaction experience. Municipalities must put mechanisms in place to ascertain residents/customer satisfaction. Such mechanisms include customer surveys, interviews, and customer service phone lines.

Effective contract monitoring, can be a very time consuming, arduous, extensive, and personnel intensive process, but elected city officials should know that they will be rewarded at the ballot box, if residents perceive that elected city officials are doing their best to give them the best possible quality when it comes to the delivery of services, and vice versa.

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## Appendix

### City Services Survey

#### INTRO

We would like you to rate the quality of certain services provided to residents of <*insert city*>. For each of the following services, please tell me if you believe the service you receive is *poor, only fair, good, very good, or excellent*.

#### PQSD: QUALITY

What about <*insert service from list below*> in <*insert city name*>? Would you say the quality of this service is...

1. Poor...
2. Only fair...
3. Good...
4. Very good, or....
5. Excellent... in <insert city name>?
6. (Respondent offers) DK/NA

*(Services in list below will be randomly rotated for each respondent.)*

Cleanliness of streets and sidewalks  
Street and road maintenance  
Parks, playgrounds, recreation services  
Garbage collection  
Zoning and planning  
Police protection  
Police-community relations  
Fire protection  
Ease of car travel in the city  
Ease of travel by public transport

#### ESMS: SATIS

We would like to know your level of satisfaction with various issues related to the management of <*insert city name*>.

On a scale of ONE to FIVE, where 1 means “not satisfied at all” and 5 means “very satisfied,” how satisfied have you been over the past two or three years with.. <**insert items from list below**>

*(Items in list below will be randomly rotated for each respondent.)*

the overall enforcement of city ordinances and codes?  
the way the city handles the interests of developers and other community participants?  
the level of service received when applying for city permit or license (if relevant)  
the ease of travel into and out of the city  
the ease of travel inside the city  
the overall attractiveness of the city

city planning and land use development efforts  
the city's efforts to attract new jobs and businesses  
the coordination of development with other factors, such as transportation, schools, parks and so on  
the city's efforts to protect the environment  
the City's preparedness for dealing with emergency situations  
the City's handling of communications in emergency situations

**PRM: CONTACT**

Have you called, visited, or otherwise contacted the city with a question, problem or complaint during the past two years?

1. Yes
2. No

*If "no" – skip to SERVICE*

**PRM: HELPFUL**

Again, on a scale of ONE to FIVE, where 1 means "not satisfied at all" and 5 means "very satisfied," how satisfied were you with the helpfulness of the City staff?

**ESMS: SATIS13**

And on that same ONE to FIVE scale, how satisfied are you with...  
<insert each item from list below>.

*(Items in list below will be randomly rotated for each respondent.)*

- \* the citizen service you receive from city employees
- \*the overall effectiveness of the city's efforts to communicate with you
- \*the level of public input in city government (in local decision-making?)
- \*the availability of information about city programs and services
- \*the job the city is doing keeping citizens informed about its programs and services
- \*the information provided on the City's web page

**INFO**

What are the two or three most frequent ways you learn about City activities and City government actions?

*(Mark option that R mentions.)*

- Website
- Newsletter
- Community television
- Community radio/podcast
- Phone messages (automated telephone messages to residents)
- Text message (on cellphones)

E-mail (E-blast)  
Local newspaper  
Informational flyer inserted in utility bill  
Local group (such as homeowners association, etc)  
Word of mouth  
Other (specify....)

**RATESERV**

Satisfaction means many things. On a scale of 1 to 7, where “1” means you are COMPLETELY DISSATISFIED and “7” means you are COMPLETELY SATISFIED, how would you rate your overall satisfaction with city services?

**EXPECT**

Considering all your expectations for city services, on a scale of 1 to 7, where “1” means city services are MUCH WORSE than you expected, and “7” means city services are MUCH BETTER than you expected, how would you rate your level of satisfaction with <insert city name>?

**ESMS: AGREEDIS**

For each of the following statements, please tell me if you *strongly agree, agree, disagree, or strongly disagree* as they relate to your impressions of <insert city name>

“I am pleased with the overall quality of life in <insert city name>.”

“I am pleased with the overall image of <insert city name>.”

“Residents of <insert city name> receive good value for the taxes and fees they pay to the city.”

“My views and opinions are adequately represented on the <insert city name> city council.”

“It is difficult to keep track of the actions taken by my city government.”

“I feel safe walking alone in my neighborhood during the day.”

“I feel safe walking alone in my neighborhood at night.”

**PQSD: CHANGE**

In the past year, has your satisfaction with city services...

1. Decreased a great deal...
2. Decreased just a little bit...
3. Stayed the same
4. Increased just a little bit, or...
5. Increased a great deal?
6. DK

**ASDP: THIRDPRT**

On a scale of 1 to 5, where 1 means “You know nothing about how city services are delivered” and 5 means “You are very familiar with how the city delivers services to its residents”, how would you rate your familiarity of how city government services are delivered?

**ASDP: THIRDPRTB**

Do you know whether <insert city name> has contracted any of its services out to third party providers?

- 1. Yes, it has
- 2. No, it hasn't
- 3. DK

*If = no, skip to TAXES*

**ASDP: WHICH1S**

Could you list the (CITYNAME) government services which are contracted out to third party providers?  
(Check all that respondent mentions)

- Street and road maintenance
- Parks, playgrounds, recreation services
- Garbage collection
- Public utilities (water/sewer/electricity, etc.)
- Law enforcement/police protection
- Fire protection
- Emergency Services (rescue squad/ambulances)
- Zoning and permitting

**TAXES**

On a scale of ONE to FIVE, where 1 means “city taxes are much too low” and 5 means “city taxes are much too high”, how would you rate the taxes you pay to \*\*\*\*\*.

**INCITY**

How long have you lived in <insert city name>?  
(Code number of years...)

*If respondent has NOT lived in city at least five years, skip to RATENOW*

**RATETHEN**

On a scale of 1 to 5, where 1 means “I would strongly discourage someone from living here”, and 5 means “I would strongly recommend you to live here”, how would you rate <insert city name> as a place to live 5 YEARS AGO?

**RATENOW**

On a scale of 1 to 5, where 1 means “I would strongly discourage you from living here”, and 5 means “I would strongly recommend you to live here”, how would you rate *<insert city name>* as a place to live right now?

**FIVEYRS**

All things considered, would you like to still be living in *<insert city name>* five years from now?

1. Yes
2. No
3. (Respondent offers) Depends
4. DK

**OPEN**

Do you feel there is any group which is underrepresented in decision-making process in *<insert city name>*?

**IDEAL**

Forget the services currently provided by your local government for a moment. Instead, imagine the IDEAL local government service for you and your household. On a scale of 1 to 7, where “1” means city services are VERY FAR from your ideal, and “7” means city services are VERY CLOSE to your ideal, how would you rate your level of satisfaction with city services in relation to your ideal image of city services?

*(Normal segue to demographics will be included here....)*

**OWNRENT**

Do you (or your family) own or rent your current residence?

1. Own
2. Rent
3. DK

**KIDS**

Are there any children under the age of 18 living in your household?

1. Yes
2. No
3. DK

**EMPLOY**

Which of the following best describes your current employment status? Are you...

1. Working full-time
2. Working part-time

3. Unemployed but seeking work
4. Unemployed but NOT seeking work, or...
5. Retired?
6. (Respondent offers) Not working – disabled
7. DK

*If respondents is not employed, skip to **INCOME***

### **JOBWHRE**

Is your job located in <*insert city name*>

1. Yes
2. No

*If respondent works in his/her city, skip to **TOWORK***

### **WORKZIP**

What is the zipcode of your work location?

### **TOWORK**

On a normal workday, how long does it take you to get to work? Does it take....

1. Less than 15 minutes
2. 15 - 30 minutes
3. 30 – 45 minutes, or...
4. More than 45 minutes?
5. DK

### **INCOME**

Which of the following best describes your total household income in 2007? Was it...

1. Under \$30,000
2. \$30,000 - \$60,000
3. \$60,000 - \$90,000
4. \$90,000 - \$120,000
5. \$120,000 – \$150,000
6. \$150,000 - \$180,000, or...
7. Over \$180,000?
8. DK/Refused

### **YRBORN**

In what year were you born?

### **HISPANIC**

Are you of Hispanic heritage?

1. Yes
2. No

**RACE**

Which of the following best describes your race? Are you...

1. Black or African-American
2. White
3. Asian or Pacific Islander
4. Native American
5. Other (specify)

**GENDER**

Code gender by voice: Male = 1 Female = 2.