AGENDA

Meeting Type:	SPECIAL
Date:	02/4/1994
	COUNCIL RETREAT

City of Charlotte, City Clerk's Office

CHARLOTTE℠

1994 CITY COUNCIL RETREAT

MOVING FORWARD TO COMPETE

February 4-5, 1994

AGENDA
CITY COUNCIL RETREAT
February 4-5, 1994
Performing Arts Center

Friday February 4

12:00	Lunch and Introduction: Goals for the Retreat
12:30	Teambuilding
2:00	Update on Competition
3:15	Break
3:30	Budget and Finance Projections -Revenue Projections -Debt Model -FY94 Budget Status -FY95 Budget Preview -Savings from Rollout
5:00	Adjourn
5:30	Social Hour and Dinner at Belle Acres

Saturday February 5

9:00	Community Safety Plan: Presentation
10 00	Community Safety Plan· Small Group Discussion
11:00	Break
11:15	Community Safety Plan: Small Groups Reporting Back and Council Consensus on Goals
12:30	Lunch
1:15	Discussion/Questions on Issue Papers
2:00	Council Goal Setting for 1994
3:30	Adjourn

DIRECTIONS TO THE COUNCIL RETREAT

The Council Retreat will be in the Rehearsal Studio of the Performing Arts Center.

You can park in the NationsBank Center parking deck for $2.00 per hour on Friday and $3.00 for all day Saturday. Parking is also available in the CityFair Parking Deck for a maximum of $5.00 per day On street parking is available for Saturday.

Enter the Performing Arts Center through the stage door on College Street that will be marked for the Council Retreat. A security guard will direct you from there.

Staff will have maps to Belle Acres at the Retreat.

The Future of Professionalism in Local Government

Prepared for the Maxine Goodman Levin Lecture Series

April 22, 1993

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The Future of Professionalism in Local Government

The values of *responsiveness* and efficiency in council-manager government are fruitfully explored by examining once again the relationships between politics and administration. In this paper I approach the relationship first by distinguishing the way local government elected officials and professional staff approach their work. Then, drawing heavily on my own experiences as an elected official, I describe some frequently overlooked factors affecting the elected official's work. I conclude by discussing how adapting to the elected official's thinking and environment challenges the future of professionalism in local government.

Politics and Administration--Constellations of Logic

While the distinctions between politics and administration rarely are seen as useful guides to action, they can help distinguish the ways that politicians and administrators think about and approach their work. Often times apparent common ground is viewed and experienced very differently by the parties involved, especially when one contrasts the world of experienced politicians with that of technically trained professionals like engineers or planners. Table 1 describes the way I see these differences in the prototypical politician and administrator with the city manager in the middle.

Table I. Characteristics of Politics and Administration

CHARACTERISTICS	POLITICS		ADMINISTRATION
ACTIVITY	Game		Problem Solving
PLAYERS	Representatives	City Manager	Experts
PIECES	Interests/Symbols		Information, Money, People, Things
CURRENCY	Power		Knowledge
CONVERSATION	"What do you hear?"		"What do you know?"
DYNAMICS	Conflict, Compromise and Change		Harmony, Cooperation, Continuity

Beginning on the political side, I am suggesting that from the standpoint of the elected official, politics is usefully seen in some essential aspects as a game. Banfield and Wilson noted some time ago in examining urban politics that to some extent an outsider just could not understand politics unless it was seen as a game that politicians liked to play.[1] From my observations and experiences, unhappy and frustrated amateur elected officials are those who do not enjoy this aspect of their job. To some extent effective politicians have to like to campaign, to meet people, to speak for their community or district, to find out who is saying what and who is in favor of what and who is against it. They have to enjoy brokering interests, negotiating power and satisfying the people they serve. They have got to like the thrill of making a proposal that others, including the media,

find attractive. And they even find satisfaction in the "one upmanship" we associate with political behavior.

In this game of politics, the players are representatives and they are expected to respond to the wants and needs of their constituents, district or community. They are accountable to the people who elected them and to the well-being of the community. Thus, their focus is often separated from the professional expertise that resides in city hall which is rarely where elected officials do their most important work.

These representatives play the game of politics by trading, exchanging, manipulating, and dealing with interests and symbols. Politicians often times start thinking about political problems in terms of who wants what. And, where politics is practiced well, the interests get transformed into symbols like efficiency, justice, equity and dignity because politicians communicate most effectively with constituents through these symbols. Symbols give meaning to the diverse problems that politicians are asked to deal with at council meetings, and they connect council actions to a council member's philosophy and the philosophy of community members.

The currency of value in the political game is power and influence. What good is an elected official if he or she cannot influence the course of events in the city? Power and influence derive from many sources, and members of the governing body are cognizant of the way their words and actions will affect their future ability to influence others. The other day I called a

lawyer in town who had helped me in my campaign in 1991. We were talking about impact fees to fund growth and I was indicating my inclination to support them after I had rejected them in the campaign a year ago. His very first words were, "That's not what you said in the campaign." He was not concerned with the pros and cons of impact fees; he was concerned with what the message conveyed about me as a politician and how this switch in my position would affect the way people would regard me. Power and politics cannot be separated as long as an elected official wants to influence events in his/her city.

In this largely intangible world where politicians work with symbols and measure status in terms of power, their success turns on how well they understand their constituents and community. No task is more difficult for most members of local governing bodies because few have access to randomly sampled public opinion polls or focus groups. Dominating the politician's conversation is the question "What do you hear?" With this question the council member attempts to find out what his or her constituents think. In this conversation, the reliability of the politician's conversation partner is essential because what one hears is a subjective, interpretive act. Two people in the same conversation do not necessarily hear or report on the same things when retelling the conversation. Thus, <u>who you are</u> is as important to the politician as what you say you have heard because every politician knows that who you are (your interests) colors what you have heard.

Last, the exchange of power that results in the satisfaction of some interests and c..ssatisfaction of others often involves conflict, compromise and change. This is because interests are not always compatible, representatives take their job seriously, and because rarely is there an objectively "right" solution to a problem when seen from a political perspective. Politicians do no discover answers to problems, they forge policies through negotiation of interests as well as application of knowledge. Furthermore, in this process if nothing changes what can a politician show for time in office?

Turning now to the prototypical administrative perspective, one is struck by the difference in the activity that dominates administrative tasks. Administration is about problem solving, and I rarely hear administrators talk about their work as a game. Sometimes they do, however, and that is when they acknowledge the political aspects--as distasteful as they often are--of their job. Administrators, whether they are engineers, planners, financial experts or fire chiefs, deal with problems.

While department heads represent their departments in budget preparation and in other allocational activities, more often professional staff see themselves as experts who often may have more in common with other members of their profession in other cities than they do with members of other departments within their own city. This would seem to be especially true of engineers and planners who bring expert knowledge gained through professional education and experience to bear on municipal problems.

Experts deal with information, money, people, buildings, machinery and other tangibles, and when they have to deal with interests and political symbols they find themselves often movir uncomfortably outside the realm of administrative problem solving and into the realm of politics--an arena they justifiably do not like.

Experts solve problems by exchanging and applying knowledge not symbols. Further, experts evaluate themselves and others on the basis of "what they know" and less often on not "who they know" or "what they have heard." While one can never discount the value of experience, contacts and casual conversation outside of city hall, if that was all our municipal engineers and planners brought to their jobs, our cities would be in big trouble.

The professional's conversation centers on the question "what do you know" because it is assumed that problems have solutions that can be discovered by collecting and analyzing data and facts. "What do you hear" is irrelevant to the traffic engineer trying to decide whether a street light is warranted for traffic control. This fact-bound conversation between professional's contrast with the idiosyncratic and symbol-bound conversations of politicians, and while conversation partners are important to the professional, the knowledge exchanged does not necessarily depend on who they are in the same sense that it does in a political conversation.

Last, in the absence of interests and constituents, administrative problem solving operates best in an environment of harmony and cooperation where knowledge is exchanged and continuity valued. It is almost assumed that the "right" solutions to problems can be discovered; I think this is especially true of traffic engineering. It is interesting that when politicians ask for "the best engineering solution," their question implies there are other than engineering solutions to problems or that there are factors that may have to be taken into consideration that will modify the best engineering solution. To a politician the best engineering solution to a problem is not always best for the community even though the best engineering solution probably is relevant to the political decision.

The change that dominates political thinking contrasts with the value of continuity for the professional in some measure because implementation is complicated by policy change. Politicians rarely understand that the arbitrariness of policy implementation as perceived by citizens frequently stems from policy changes not administrative initiated changes. This is especially true in code enforcement where what one city council agrees upon another may change. Those who enforce codes remain the same and appear to citizens to be making arbitrary decisions from one y r to the next.

With t se descriptions, I have tried to show how politicians and professional staff view their world. For illustrative purposes, I have drawn the contrasts more starkly

than they actually are. My aim is to convey two constellations of logic not to describe accurately every politician and every technically trained member of professional staff.

Even though they speak the same words, politicians and professional staff often talk a different language because their perspectives are different. The worst politicians have no idea of what an administrative perspective is like; they simply do not appreciate the erosion of staff respect that results from making political exceptions to polices, resolutions or even ordinances when the reasons cannot be convincingly articulated. They do not understand that staff has goals and objectives and the city could run for a long time without the governing body ever meeting and that every time an elected official asks for something from staff some administrative routine is probably upset. And they do not understand that changes in policy mean changes in enforcement criteria and emphases, and if staff do not understand why a policy has changed they are left telling citizens, "It's changed because the politicians changed it!"

On the other hand, I think that the more technically trained local government professionals expect the governing body to deal with agenda items as if the governing body was just another administrative committee. Gruber's research showed that local government employees were able to talk about democratic principles with respect, but they had a lot of trouble incorporating them into their work and into their expectations of elected officials.[2] Furthermore, when professional staff

criticize the governing body for "failing to do what is right" they often reveal the isolated nature of their thinking, failing to appreciate that what is best for the community is rarely subject to right and wrong decisions that can be made without value judgements.

The Quandaries of Governing

So far, I have attempted to contrast the way that elected officials and professional staff think about their work. In this section, continuing from the perspective of a participant observer I hope to add to an understanding of the context within which the political thinking I have already described takes place.

As a participating as well as observing member of a local governing body, two distinct observations have enhanced my understanding of political thinking and work, and the obligations of professional staff. The first concerns the affect that the structure of a governing body has on the competence of its members. The second concerns how the idea of a social contract between citizen and city helps the politician determine the role of government and the right thing to do.

Most people, including members of the governing body, do not realize how incredibly difficult it is to be an effective elected official. Although important in this vein, I am not referring either to the unrealistic expectations of constituents nor the complexities of contemporary political environments that others have researched fully.[3] I am referring to some of the

small group characteristics that inhibit governing bodies and their individual members from operating effectively. The following characteristics are typical of the structure of a governing body in a pure council-manager city:

- vague task definition
- minimal specialization or role differentiation
- minimal status differences or hierarchy
- no systematic, comprehensive or regular feedback
- minimal informal communication among governing board members

I would suggest that the odds against a group and its members working effectively under these conditions are very high, and no manager would create an administrative work group or task force and saddle it with these conditions. These obstacles are compounded by the lack of preparation that many elected officials bring to their work. Many have no experience in politics nor experience working in complex organizations and with large budgets. Many have never supervised anyone nor have they acted in a policymaking position. And fewer still have ever occupied a position where the definition of their job is as vague as it is for governing body members. There is a substantial body of literature suggesting that vague task definition and vague authority relationships typical of our amateur governing bodies produce ineffective work behaviors.[4]

Some cities attempt to deal with these problems structurally. For example, by creating a committee structure or electing members by district the governing body develops some

specialization or differentiation. By directly electing a mayor, some cities create status differences. Where open meetings laws are present, by electing more than five members to the governing body or raising the quorum some cities permit at least two members of the governing body to talk to each other outside of a public meeting.

But there remains the problem of vague task definition and minimal feedback. To some extent the task definition problem can be dealt with by structuring goal setting sessions so that the council can establish some priorities. But in some cases, those priorities guide staff more than elected officials. Regarding the lack of feedback, there are few solutions, other than elections. I am convinced that if elected officials could run for reelection but not have to serve if elected, we would see many more local government elected officials running for reelection simply to see if the people thought they had done a good job.

In addition to these observations about the relationship between the structure of governing bodies and their effectiveness, the elected official's environment in part is determined by the relationship between elected official and citizen. I have found it useful to look at that relationship through the lenses Tussman provides in his work Obligation and the Body Politic[5] Tussman suggests that individuals will accept the obligations of living under majority rule where their individual liberty and interests may have to be sacrificed to the

collective good if they can be assured that the majority will treat them fairly. Fairness is provided where laws legislated and enforced by the majority do not discriminate against minority interests and where those interests are afforded due process when affected by the majority. In short, from an elected official's standpoint the sense of community and citizenship is directly related to the citizens' perception that their government treats them fairly and pays attention to their individual interests. This idea of the reciprocal relationship between building the obligations of citizens by responding to the citizens expectations of fairness and representation partially clarifies the elected official's il-defined role. It suggests that elected officials can affect a sense of citizenship first and community first and foremost by attending to issues of justice and representation. The process and outcomes of governing, filtered through values like justice and representation, create symbols that powerfully convey to citizens something about their connection to the body politic.

The lesson here is that values are critical to governing and citizens search for symbols that convey the value judgements of their representatives. One of my biggest surprises as an elected official was the power of anecdotes over statistics in the public policy arguments of both citizens and elected officials. Frequently, citizens rely on stories to understand government because stories contain symbols that convey values. Statistics convey data and are much more suitable to problem solving that

making sense out of the role of government and the relationship between citizens and their government.

Because values like representation, equity, individual rights and efficiency so deeply express the relationship between citizen and government, symbols expressing these values profoundly affect elected officials. Perhaps more importantly, the symbols are created and manipulated to influence the public policy process. Citizens understand intuitively that there are few questions more powerful when asking the governing body for something than "you did it for them, why are you treating me differently?" This simply questions raises issues of justice that centrally affect the social contract as Tussman describes it.

But it only takes a short tenure as an elected official to realize that values like representation and justice are often subjectively derived and perceptions of them are products of emotion as well as reason. Elected officials know what social psychologists have shown over and again in the laboratory--human beings have an amazing capacity to rationalize their interests and behavior.[6] Thus, interests frequently are couched in legal, moral and efficiency arguments to raise them to a higher ground where they can be defended as fair or just. A powerful argument conveyed with moral indignation can carry the day--whether on behalf of a variance to the sign ordinance or placement of a technically unwarranted traffic light or the granting of the eighth tax abatement to a hometown firm. But because arguments

that appear just or fair are so easily the products of rationalizations or are viewed by opponents or citizen observers through their own interests, what appears fair to one citizen or group will appear as favoritism or arbitrary treatment by another and subsequently becomes another anecdote about one citizen's view of government. While a governing body can think it has acted responsively and fairly, it probably will be seen as having acted unfairly by some citizen or group. Every elected official knows this feeling, and just the other night after we dealt with the third contentious issue, the mayor turned to me and said, "The only thing that changes is the faces," as one group filtered out to be replaced by another.

As citizens rationalize their self-interested arguments under the banner of justice or other values, they seem to claim a higher ground that others can share only by agreeing with them.[7] The moral indignation of advocates goes well beyond explosive national issues like abortion rights. When I introduced a measure to raise the quorum so two commissioners could talk to each other outside of a formal public meeting, I was accused of "subverting the principles of democracy" rather than asked what benefit I saw from such action; and when the governing body was considering funding a halfway house for the mentally disabled, we were accused of "moral bankruptcy" when we questions the financial wisdom of meeting the advocate's demand.

It is difficult to promote a sense of community in this kind of environment, because moral indignation leaves little room for

tolerance. Tolerance is built on a foundation of self-doubt.[8] Why would one person disagreeing with another listen to that person's argument unless he or she harbored some self-doubt about his or her own position?

In sum, while elected officials think differently than administrative officials about their work, in addition they work in an environment that severely challenges their competence. Their tasks are vaguely defined and they receive little feedback on their performance. Perhaps more important for largely inexperienced politicians, they work in an environment that demands value choices where symbols of those values convey emotion as much as reason. If they approach their work simply as problem solvers, as many technically trained staff would like them to do, they are going to find themselves frustrated and simply incompetent. Now I turn to the question of how these differences between political and technical thinking and environment challenge the role of professional staff.

Staff Support of the Governing Body

Three transformations in the orthodox view of city management have taken place during this century. I have written about these changes in detail elsewhere, and I will only summarize them here.[9] These changes have altered our conception of professionalism from a separation of politics and administration towards a sharing of governmental functions and responsibilities between elected and appointed officials; from political neutrality and formal accountability to political

sensitivity and responsiveness to community values themselves; from efficiency as its core value to efficiency, representation, individual rights, and social equity as a complex array of values anchoring professionalism.

Underlying these transformations is the local government professional's growing acceptance that the city is a political and social as well as an economic unit and that managers cannot deal with the one without attending to the other. As important as jobs and a growing tax base are for a city, its viability depends on its capacity to make public policy in a context of growing diversity and interests.

Regarding the differences between political and administrative thinking, presently, and increasingly in the future, I believe that chief administrative officers who recognize this partnership between governing body and professional staff will find themselves in the middle of these different constellations of logic. Two forces will promote this. First, municipal governments are employing more professionals. More professional expertise is required to solve today's municipal problems. Yesterday, a city might not have hired a professionally trained expert in solid waste management; today they might; and tomorrow they will. Second, it is clear to me that a significant number citizens take local government very seriously and more people representing interests rather than the city as a whole are being elected to local governing bodies. Curtis Freeland, City Manager in Arkansas City, Kansas,

acknowledges these forces when he writes, "In many areas key professional values have now become institutionalized and the new challenge is how to keep government moving in the face of complex bureaucratic processes and the increasingly competitive and vociferous desires expressed by many narrowly focused interest groups."[10]

If these trends continue, the importance of a bridge between professional staff and the governing body will increase in. And this is the role the chief administrative officer will occupy. I see the governing body and professional staff speaking different languages and the city manager or chief administrative officer acting as a translator. The manager must be able to work with the governing body and staff to help translate political pronouncements and aims into policies, goals, objectives and work plans. Similarly, the manager must see beyond administrative problems into the political horizon. It is not enough for the manager to say to the staff, "the council won't buy that so don't bring it up" because that kind of statement doesn't instill respect for what the council is trying to accomplish.

The manager must be able to listen with a third ear because amateur politicians often are not very good at articulating what it is they are trying to accomplish or how they are thinking. For example, we in Lawrence have struggled with traffic control at an intersection, and a group of senior citizens in subsidized housing have literally demanded first a crosswalk and then a traffic signal when informed that the crosswalk would be unsafe.

From an engineering standpoint, the problem to be solved is simple: does the intersection warrant a traffic signal? But politically, the calculations are very complex even if they are not articulated. First, from a political standpoint, the citizens are saying, "There is a relationship between mobility and dignity for older people, and when we are isolated to one side of the street we lose our self-respect. Further, the government should help older citizens maintain their independence and dignity." Second, the astute politician is not indifferent to the idea that if the governing body authorizes a traffic signal against the engineers advice, it invites every other citizen group to demand traffic control at their intersection regardless of engineering advice. Third, the people demanding the signal probably have never been involved in politics before and refusal to respond to their request may alienate them from future involvement. From the engineer's perspective, I suspect that there is a "right answer" to the problem, and the engineer might ask, "will the council have the political courage to accept it?" But, as an elected official, I do not see the right answer. I see a very complicated set of forces and a problem infused with choices about values symbolized by a decision about a traffic light.

It seems to me that before the city manager can help with this situation he/she must try to understand the governing body's perspective. Once the issue is seen as a mobility-dignity issue rather than whether or not to install a traffic signal, there may

be other alternatives to be considered. While it may be expecting a lot of the city manager's office to see the world politically as well as administratively, it is even more unrealistic to expect amateur politicians to be able to articulate a traffic signal decision as one where the real issue is mobility and dignity.

City managers who are ready to embrace the translator role I have described already are probably in a better position to act as staff to elected officials confronting emotion-laden value questions than are those managers who define their own role in narrowly administrative terms. David Corliss, Management Analyst in Lawrence and former employee of the League of Kansas Municipalities has reminded me, "City managers, like other rational individuals, will include job survival as a factor in their decisions. My observation--limited to Kansas--is that some managers will hunker-down on the administrative side of the 'administrative-political' dichotomy. Not because they lack some of the values you note, nor because they fail to see the need for more political leadership in their community--but because it is safer for job survival to simply process the ministerial needs of City Hall and let the values of representation, individual rights, and social equity find another champion."[11]

It is unlikely that a cautious city manager who cannot understand and respect the elected official's perspective will be able to assist the elected official who wants to develop political competence. An understanding of the general

perspective of the elected official is crucial, and the complex political environment in which elected officials are trying to make decisions and exercise leadership is getting more complicated. If the purpose of professional staff is to support the governing body, in the future it must do so taking this complex environment into consideration. Jay Wieland, City Administrator in Hesston, Kansas, writes, "The movement of local elected officials to include a broader political base in their decision-making process will in my opinion continue to change the face of city management. I believe this change will be for the betterment of the city management profession because it will force managers to become more aware and sensitive to the wide spectrum of needs of their constituents."[12] Richard Garofano, City Administrator in Leawood, Kansas, describes the challenge in the following way:

> In simple terms, the governing body will and must deal with questions of values, equity, rights, etc., in its deliberative process. Their constituents not only demand it but readily vocalize such expectations. If the professional ignores those elements and attempts to hide behind the simplistic issues of efficiency and "best" solutions, the governing body, in essence is shortchanged. They are deprived of the professional view on how competing and/or conflicting interests could be served or compromise solutions could be

fashioned in a manner that can be executed by staff. Perhaps governing bodies are actually coming to the point of relying on the professional's sensitivity to these elements of the governmental process and finding comfort in having a support system which can aid them in their value-laden decision making process.[13]

It seems to me that the statements by Wieland and Garofano challenge to the core the orthodox view of city management and a politics/administration dichotomy. They reflect the notion that elected officials and administrative staff are partners in the governance process even though the governing body is the senior partner, that managers must ground their authority in community values as well as in their legal relationship to the council, and that efficiency alone no longer will suffice as a guide to effective administrative work.[14]

City managers occupy a unique role in our political system. They operate at the intersection of political and administrative worlds, and by watching their actions and the way they talk about their work, we can better understand how democracy operates in political communities where administrative processes sometimes seem overwhelming. Despite the desire of city managers simply to do their job, they cannot escape the fact that their role places them on this very prominent stage and ensures continued examination of their roles, responsibilities and values as they

continue to serve the needs of elected officials operating in an even more challenging environment.

Conclusions

I would like to conclude this paper with three suggestions for future research stemming from the differences in political and administrative thinking and the politician's environment as I have portrayed it. First, does the symbolic nature of political thinking require emphasis on enthnographic methods and phenomenological approaches for further study? For those of us interested in professionalism in local government, I am convinced that insight is waiting for those willing to describe the world of the elected official <u>from the elected official's point of view</u> and one elected official at a time.[15] Second, does the function of anecdotes and stories differ between politicians and administrators? And are anecdotes and stories more important to politicians or administrators as a means of communication? My own opinion at this time, is that while administrators communicate with stories,[16] they are much more important to politicians they communicate symbols and convey values--essential aspects of the political competence. Last, are city managers and other chief administrative officers who think more like politicians better able to provide staff support for their governing body? If so, do they earn staff respect for this ability/skill or do they distance themselves from subordinate technically trained staff whose professional identity often depends seeing themselves as different from politicians?

Endnotes

1. Edward C. Banfield and James Q. Wilson. City Politics. New York: Vintage Books, 1966.

2. Judith Gruber. Controlling Bureaucracies: Dilemmas in Governance. Berkeley: University of California, 1987, p. 100.

3. Alan Ehrenhalt. The United States of Ambition. New York: Times Books, 1991; Elaine B. Sharp. Urban Politics and Administration. New York: Longman, 1990; John C. Thomas. Between Citizen and City. Lawrence, KS: University Press of Kansas.

4. Wilfred R. Bion. Experiences in Groups. New York: Basic Books, 1976 (Tavistock, 1959).

5. Joseph Tussman. Obligation and the Body Politic. New York: Oxford University, 1960.

6. J. Stacy Adams. "Inequity in Social Exchange." Reprinted in Henry L. Tosi and W. Clay Hamner (eds.). Organizational Behavior and Management. Revised edition. Chicago: St. Claire Press, 1974, pp. 218-237.

7. Lewis H. Lapham. "Democracy in America?" Kettering Review. Fall, 1991, pp. 8-19.

8. Lapham. "Democracy in America?"

9. Nalbandian, John. Professionalism in Local Government: Transformations in Roles, Responsibilities and Values of City Managers (San Francisco: Jossey-Bass, 1991).

10. Letter to author, March 20, 1992.

11. Letter to author, March 23, 1992.

12. Letter to author, March 20, 1992.

13. Letter to author, March 19, 1992.

14. Nalbandian. Professionalism in Local Government.

15. For an example, see Ehrenhalt. The United States of Ambition.

16. Steven Maynard-Moody and Marisa Kelly. "Stories Public Managers Tell: Making Sense of the Politics/Administration

Dichotomy." In Barry Bozeman (ed.). Public Management Theory. San Francisco: Jossey Bass, 1993 forthcoming.

ANNUAL
BUDGET & FINANCIAL
REPORT

CITY COUNCIL RETREAT
February 4-5, 1994

PURPOSE

This report was prepared for presentation at the annual City Council Retreat scheduled for February 4 and 5, 1994. The report is intended to complement the major policy issue discussions with relevant financial information about the overall financial status of the City and the financial impact of future policy choices.

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City of Charlotte

Mission Statement
"Public Service is Our Business"

Core Values

Quality & Excellence

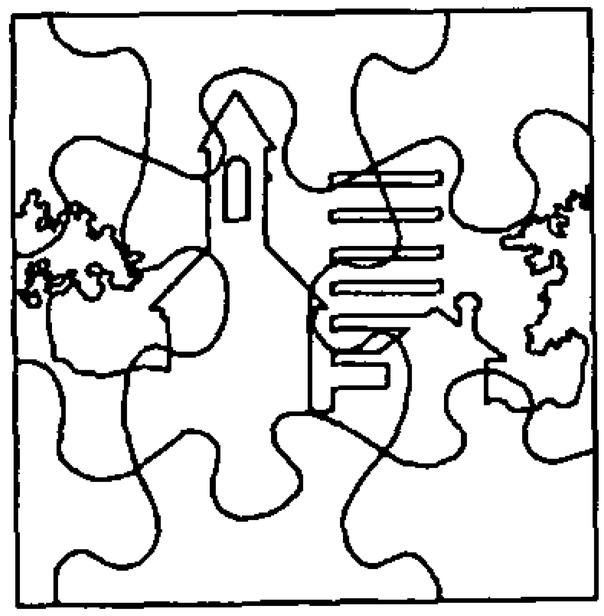
Accountability

Productivity

Teamwork

Openness

People Development

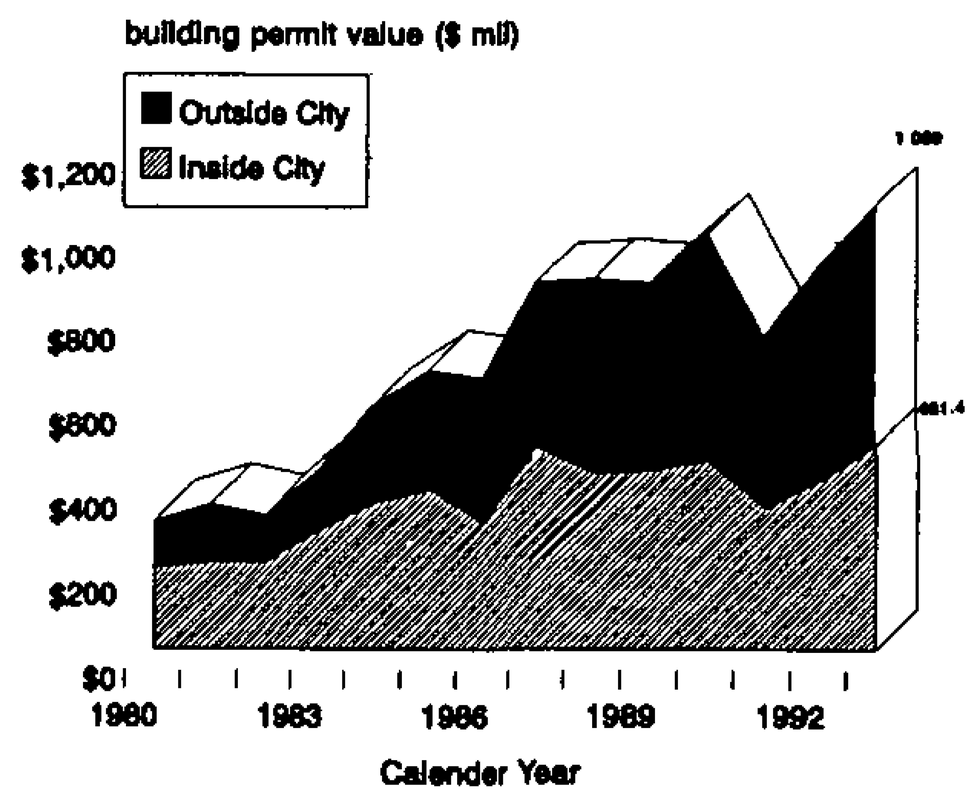


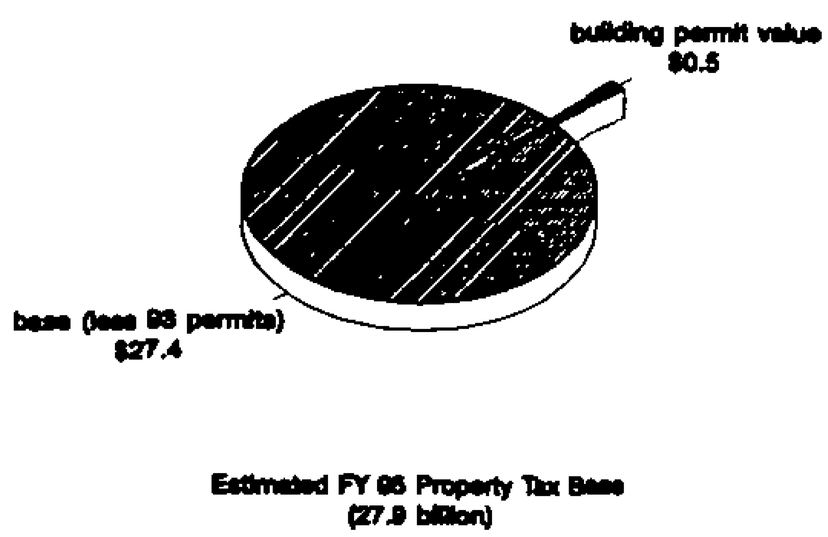
HISTORICAL FINANCIAL HIGHLIGHTS

HISTORICAL FINANCIAL HIGHLIGHTS
General Fund Revenues

Major Revenue Sources	FY 92	FY 93
Property Tax	$117.4m	$89 4m
Police Tax Equity	---	22 3
Inventory Reimbursement	6.7	6 8
Sales Tax	21.4	22.3
Utility Franchise Tax	13.9	13 9
Intangibles Tax	5 9	5 4

The majority of new construction is occurring outside of the City limits





Major revenue sources other than property tax are producing about $1 5m in revenue growth An inflationary increase of 3% would require property tax revenues to increase by $4.5m annually Assuming a stable tax rate, this would require an additional $1 4 billion in assessed value in the City or the equivalent of 10 NationsBank towers each year

Revenue growth is not keeping pace with inflation.

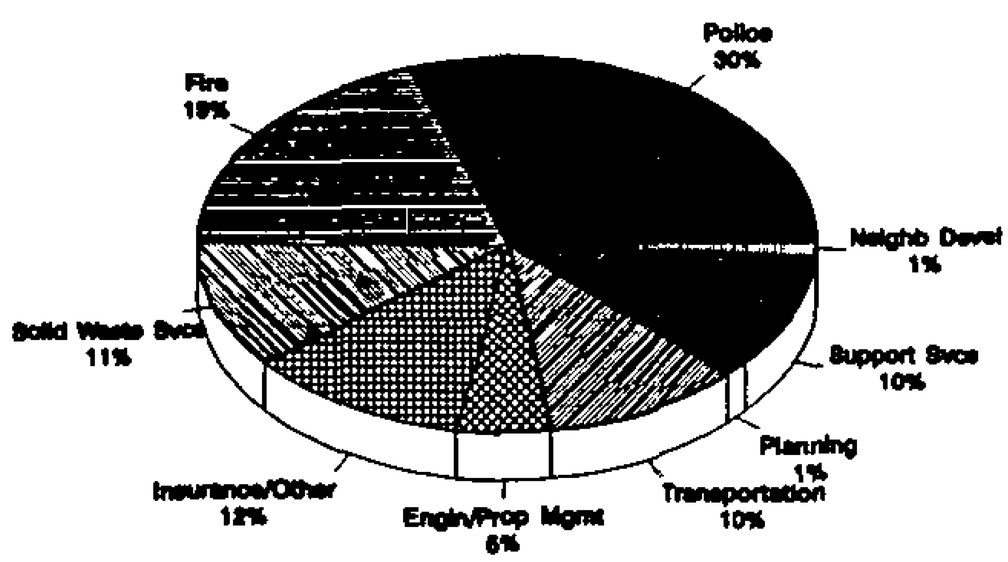
HISTORICAL FINANCIAL HIGHLIGHTS
General Fund Expenditures
(In Millions)

BY KEY BUSINESS

	FY 92	FY 93
Police	$ 53 5	$ 54 5
Fire	38 1	35 1
Solid Waste Services	20 3	19 8
Transportation	21 9	18 9
Engineering/Property Mgmt	7 8	8 9
Planning	3 1	2 6
Neighborhood Development	2 7	2 5
Support Services	17 5	17 5
General Insurance/Claims	4 0	14 1
Other	7 5	6 9
Parks and Recreation	10 9	-
Totals	$ 187 3	$ 180 8

BY CATEGORY

Salaries and Fringes	$ 141 8	$ 134 0
Operating/Capital Outlay	45 5	46 8
Totals	$ 187 3	$ 180 8



FY 93 Key Businesses- Expenditures

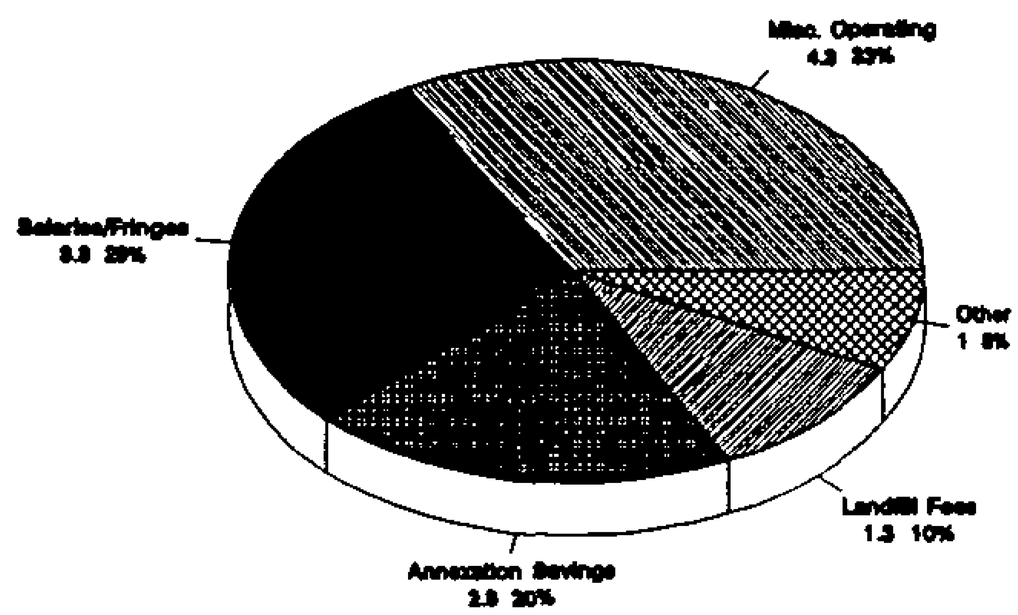
When expenses are adjusted for two major fiscal events, the transfer of Parks and the liability insurance payout, total expenses decreased by $206,000 from '92 to '93 Employee salaries and benefits decreased by almost $1 6 million (net of the transferred Parks positions) This reflects the impact of the **Rightsizing Program** Also significant, no **reduction in major services occurred**, even with operating expenses decreasing by $4 4 million (after Parks and Insurance adjustments)

The Rightsizing Program has reduced expenditures.

HISTORICAL FINANCIAL HIGHLIGHTS
General Fund - Fund Balance

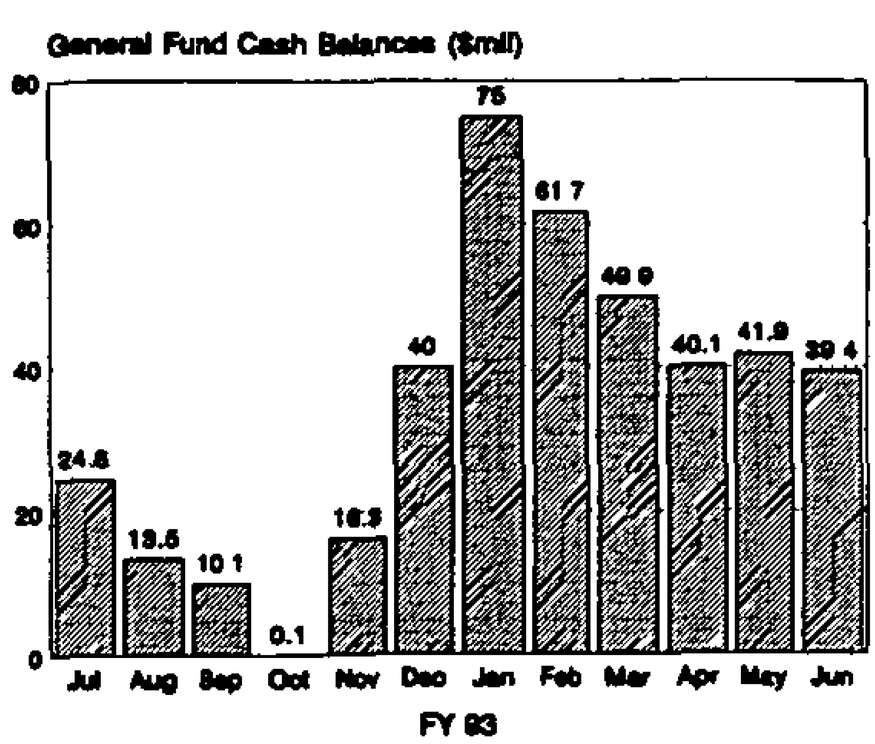
	Beginning Balance	Revenue Collections Over/(Under)	Expenses Under Budget	Other	Ending Balance	Percent of Budget
FY 91	$19 7	($1 2)	$5 2	($4 3)	$19 4	9 2%
FY 92	19 4	2 6	6 5	(8 1)	20 4	9 3%
FY 93	20 4	3	13 0	(5 2)	28 5	13 2%

Available fund balance at the end FY93 reached $28 5 million, or 13 2% of the Fund's appropriations The major contribution to this amount was the underexpenditure of budgeted appropriations of $13 million Salaries and fringe benefits contributed 29% of this total and operating savings returned 33%



FY 93 Expenditure Savings ($13 million)

The 13% level at a glance appears to be the indicator of a healthy reserve The General Fund's cash flow indicates a need to retain a similar balance to "cover" payments during October This is when cash is at its lowest due to the tax receipts coming in January

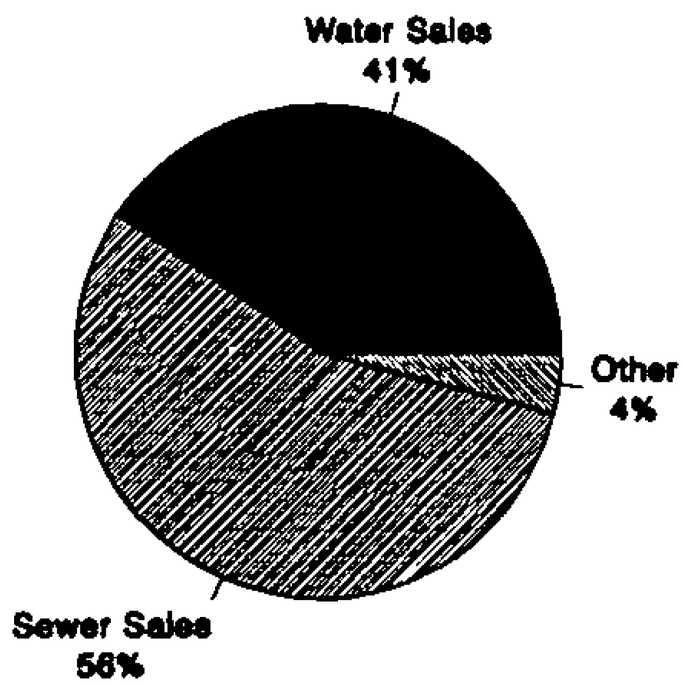


Fund balance above the 10% level after the Federal Grant match for 30 police officers totals $3 6 million Budget options are to maintain the fund balance to address future uncertainties or to use for one time appropriations

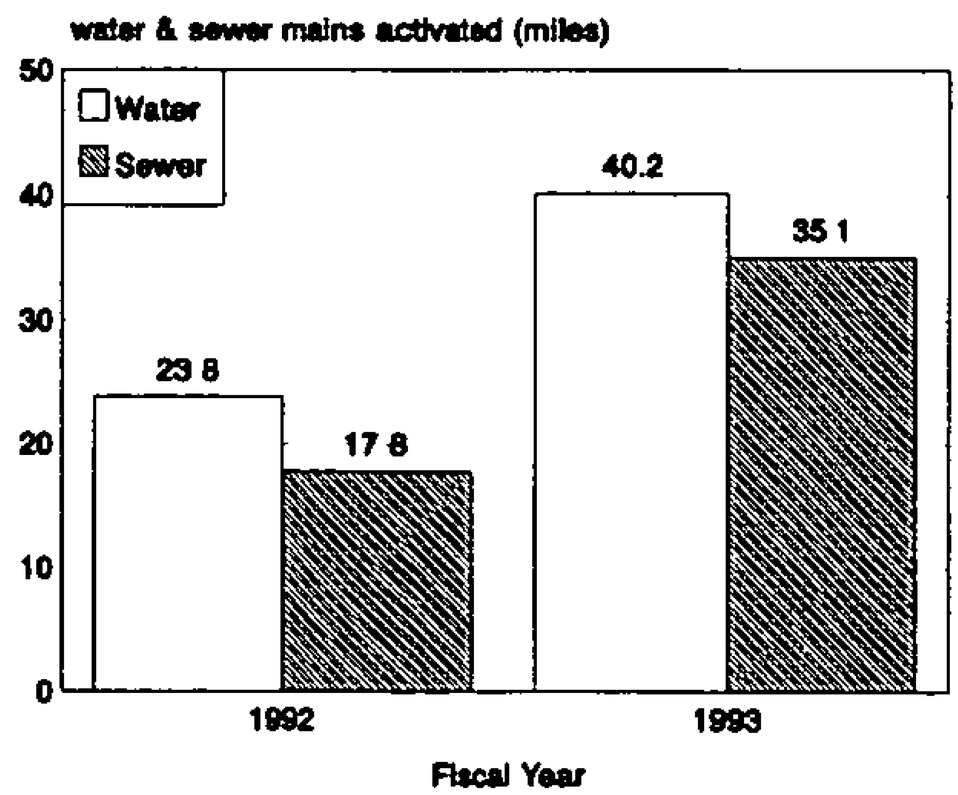
HISTORICAL FINANCIAL HIGHLIGHTS
Water & Sewer Fund

Revenues	FY 92	FY 93
Water Sales	$28.3m	$29 0m
Sewer Sales	34.3	39 7
Other/Transfers	4 1	4.5
Total	$66 7m	$73.2m

Expenditures	FY 92	FY 93
Water & Sewer Services	$29 8m	$27 4m
Administration/Engineering	6 7	7 2
Non Departmental	6 2	6 3
Transfers to Debt/CIP	24.5	29 0
Total	$67.2m	$69 9m



FY 93 Water & Sewer Revenues
$71 5m total

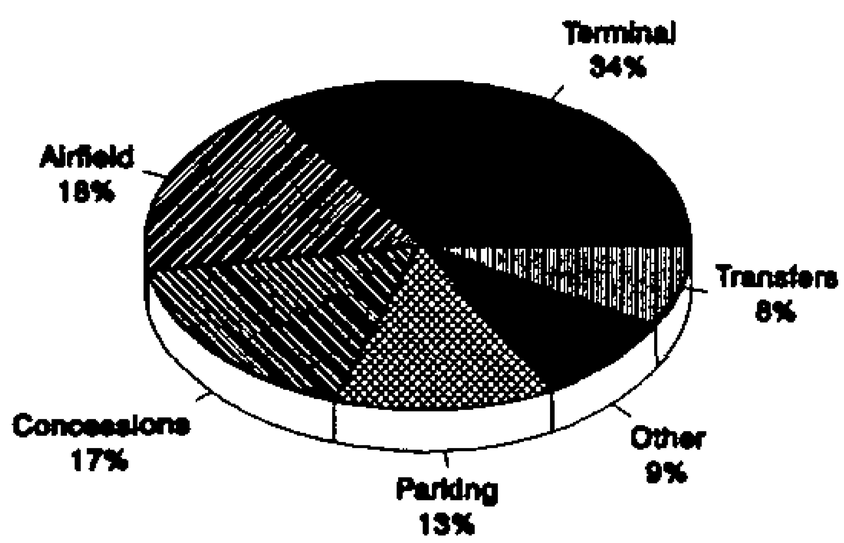


Highlights of an aggressive water and sewer capital program.

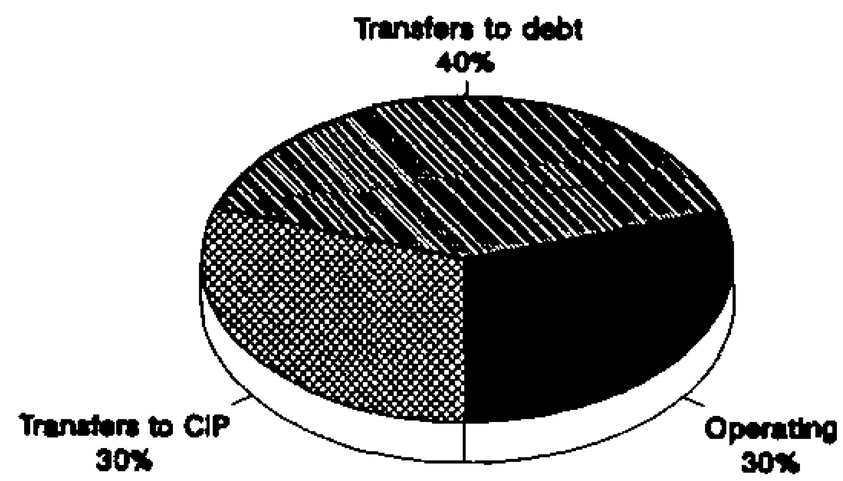
HISTORICAL FINANCIAL HIGHLIGHTS
Aviation Fund

Revenues	FY 92	FY 93
Operations	$26.1m	$26.5m
Concessions/Parking	13.3	15 3
Other/Transfers	7.7	8.5
Total	$47.1m	$50.3m

Expenditures	FY 92	FY 93
Operating	$16.6m	$17.2m
Non-Operating	1.8	0
Transfers to Debt Service	22.5	22.8
Transfers to CIP	4 8	17.3
Total	$45.7m	$57 3m



FY 93 Airport Revenues
$50.3m total



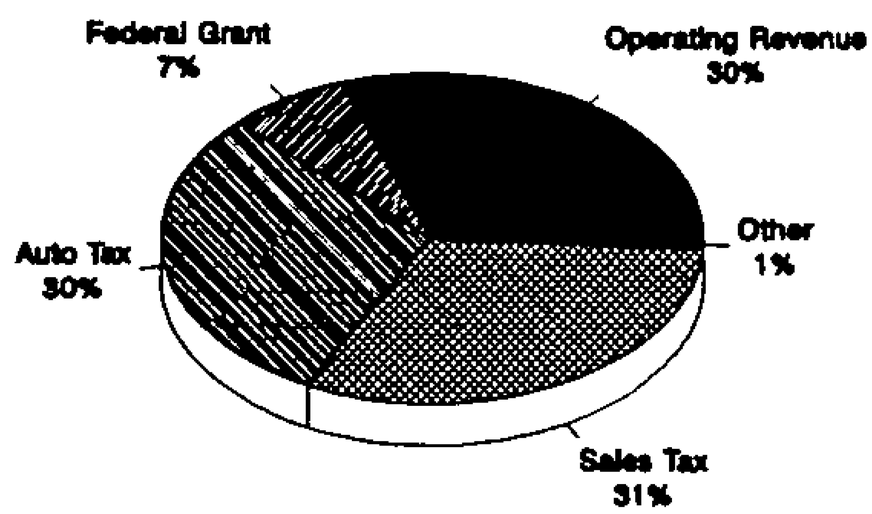
FY 93 Airport Expenditures
$57.3m total

The airport pays its own way.

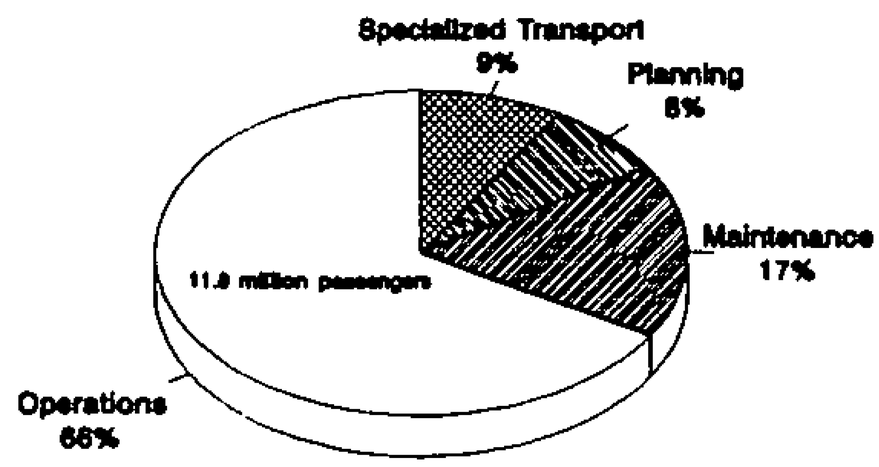
HISTORICAL FINANCIAL HIGHLIGHTS
Transit Fund

Revenues	FY 92	FY 93
Operating Revenues	$5.7m	$5 8m
Sales Tax	5.8	6 0
Auto Tax	3 5	5 8
Intergovernmental	2.0	1 6
Total	$17.0m	$19 2m

Expenditures	FY 92	FY 93
Operations/Maintenance	$15 0m	$15 5m
Specialized Transportation	1 6	1 6
Other	1 4	1 4
Total	$18.0m	$18 5m



FY 93 Transit Revenues
$19.2m total



FY 93 Transit Expenditures
$18.5m total

Public funds support approximately two-thirds of the operating expenses.

ACCOUNTING ASIDE, HOW DID WE DO?

In 1993, we witnessed real change in the City's organization and culture which was accomplished as we continued the struggle to balance slow growing resources with fast growing needs. While this period of change is not over, we believe that 1993 will be remembered as a year that produced historic change and one that has strategically positioned the City of Charlotte for the changes that lie ahead. Highlights of 1993 include

- RIGHTSIZING

  Rightsizing is a process by which City government matches services to the community's needs and values The Rightsizing process accomplished

  - Council's priority ranking of the City's 41 services
  - a new customer service center
  - the permanent elimination of 272 positions
  - flatter, more flexible and less hierarchical organization structures in virtually every key business
  - a total reduction of $8 1 million in the FY94 budget

- REORGANIZATION

  A direct consequence of the rightsizing process was the City Manager's decision to reorganize and combine the City's departments into nine "key businesses" and four "support businesses " Highlights of this action include

  - Ten of the thirteen business executives are in place Two of the three vacancies, Utility Director and Police Chief, are in the final stages of a national recruitment process The third, for Neighborhood Development, was temporarily filled by Assistant City Manager Del Borgsdorf, who is actively forming this new business
  - Improvements in service delivery, empowerment, communication and overall coordination have already resulted from the reorganization

- CONSOLIDATION OF POLICE

After years of discussion, City and County police forces merged in 1993 to form the Charlotte-Mecklenburg Police This consolidation will provide the community with an efficient, organized, and ultimately more effective law enforcement service A separate issue paper has been prepared on this subject.

- HOUSING POLICY DIRECTION

During the summer of 1993, City Council, staff and a number of profit and non-profit agencies reviewed and improved the City's existing housing policies Highlights include

- The City renewed its commitment to low income housing
- The City will supplement its focus on homeownership and traditional public housing projects with private sector rental housing.
- A "gap" in the housing continuum (from subsidized public housing to homeownership) was identified and a plan to fill that gap developed with the Charlotte Housing Authority and the Charlotte-Mecklenburg Housing Partnership

- COMPETITION

In 1993, the Mayor's Privatization Task Force completed its assignment to develop the criteria, activities, and timetable to determine whether current city services could be more effectively and efficiently provided by the private sector The implementation process, called "competition," will more clearly define City services A separate document has been prepared on this subject

CURRENT FINANCIAL HIGHLIGHTS - GENERAL FUND

CURRENT FINANCIAL HIGHLIGHTS - GENERAL FUND

CURRENT YEAR (FY94) REVIEW

Revenue Estimates	FY 94 (revised)
Property Tax	$89 3m
Police Tax Equity	25 2
Inventory Reimbursement	6 7
Sales Tax	22 5 X
Utility Franchise Tax	14 1
Intangibles Tax	5 4
Reimbursements From Other Funds	6 7
Other	31 1
Total	$201 0m

Expenditures	FY94(m)
Police	$68 9
Fire	38 2
Solid Waste	20 6
Transportation	9 4
Neighborhood Development	3 9
Engineering/Property Management	12 2
Planning	2 3
Mayor/Council	6
City Manager	2 0
City Clerk	3
City Attorney	1 0
Human Resources	1 5
Finance	7 1
Budget and Evaluation	8
Support Services	2 2
Non Departmental	27 0
Total	$198 0

Our current budget is balanced.

CURRENT FINANCIAL HIGHLIGHTS - GENERAL FUND

TWO-YEAR PROJECTION

Revenues	FY 95	FY 96
Property Tax	$92 8m	$94 4m
Police Tax Equity	25 2	25 2
Inventory Reimbursement	6 7	6 7
Sales Tax	23 4	24 9
Utility Franchise Tax	14 1	14 7
Intangibles Tax	5 3	5 5
Reimbursements-Other Funds	6 7	6 7
Other	32 2	33 3
Total	$206 4m	$211 4m

Expenditures	FY95 (m)	FY96 (m)
Police	$70 8	$73 5
Fire	38 3	39 8
Solid Waste	21 0	21 7
Transportation	10 1	10 7
Neighborhood Development	4 0	4 1
Engineering/Property Management	12 7	13 2
Planning	2 4	2 5
Mayor/Council	6	6
City Manager	2 0	2 1
City Clerk	3	3
City Attorney	1 0	1 0
Human Resources	1 6	1 6
Finance	7 3	7 6
Budget and Evaluation	8	8
Support Services	2 4	2 8
Non-Departmental	30 3	31 8
Total	$205 6	$214 1

Projected expenditures exceed projected revenues in FY96.

CURRENT FINANCIAL HIGHLIGHTS - GENERAL FUND
STRATEGIC FINANCIAL ISSUES

Community Safety Plan

The Community Safety Plan was initiated to address the crime situation in the City of Charlotte from a holistic approach In developing the Plan, input was solicited from many groups within the Charlotte/Mecklenburg community and statewide. The Plan covers a spectrum of crime influences such as housing, employment, substance abuse, and law enforcement strategies

The budgetary issue is clear. the Plan assigns no dollar amounts to the obviously significant financial impact the Plan will have on the City's budget. Assessing this impact and addressing funding strategies will be a major part of the Plan's development Council will have the opportunity to address the budgetary implications through the Plan's implementation process

The Plan discussion is scheduled for Saturday during the Retreat.

Change in Garbage Services

The following chart represents the costs associated with the change to roll-out residential garbage service to be implemented mid-summer, 1994.

FY95 Approved Budget -	
Garbage Collection	$16 3 million
Operating Budget	
New Service	$11.7 million
* Lease/Purchase Carts	$1 2 million
Start-Up Costs	$ 7 million
Difference	**$2.7 million**
FY96 Estimated Budget -	
Garbage Collection	$16.8 million
Operating Budget	
New Service	$12 0 million
* Lease/Purchase Carts	$1 2 million
Difference	**$3.6 million**

* Cost for purchase of rollout carts to be incurred through FY99

As the successful bidder in the garbage competition, the City would adjust these figures to add trucks for that quadrant.

Transportation's Committee of 100

On June 14, 1993 Council approved establishing a broad-based citizen's committee to achieve consensus on future transportation/transit needs. The committee, now known as the "Committee of 100," met for the first time September 30, 1993. The target completion date is September 1994.

The long term budgetary implications include needs assessment, funding mechanisms, organizational accountability, and technology/equipment revisions.

The Committee of 100 is further detailed in an issue paper in the Retreat document

Competition

The Privatization Task Force reported that most successful privatization initiatives provide savings in the 15% to 25% range and cited seventeen services provided by the City which could be privatized. It was estimated that privatizing 15% of these activities could lead to $16 7 million in savings. Of those seventeen areas cited in the report, 10 of those areas were General Fund funded and some of those areas already contract some services (Reference Competition Retreat Notebook.)

In order to yield the percentage needed to contribute to this savings, the General Fund would have to provide $9 7 million in savings Looking at the FY95 projected salary associated with these areas, this would mean that 24% of salaries would have to go toward privatization Based on an average salary of $27,000, approximately 358 positions would be taken out of the General Fund, which translates to 30% of the operating costs cited in the ten General Fund areas included in the report.

Police Tax Equity

In FY93, the City and County entered into an agreement commonly called "police tax equity" in an effort to tax all Mecklenburg County citizens fairly for the police services they receive This is the second year the agreement has been in effect and the FY94 budget includes a police tax equity payment of $25 2 million from the County

The County Board of Commissioners received an issue paper on police tax equity at their January retreat which includes two options for their review The first is to continue the allocation process as originally agreed, the second option is to end the agreement If the County takes action to end the police tax equity agreement, the impact on the City budget process will be significant The change would require the City to increase its property tax rate by 9-10 cents while the County would decrease its rate by 7 5 cents

CURRENT FINANCIAL HIGHLIGHTS - CIP FUND

CURRENT FINANCIAL HIGHLIGHTS - CIP FUND

MUNICIPAL DEBT SERVICE FUND

- Current debt policies as outlined in the FY94-98 CIP will remain in effect
- The dedication of specific revenue to the general government capital program for debt will be maintained (6½ cents dedicated tax rate in FY95).
- Fund balance will be maintained at an adequate level to cover debt costs with a ratio of debt service fund balance to actual debt service costs to be approximately 50%

FINANCIAL POLICIES

1. Current debt policies will remain in place

   - Diversify revenue sources dedicated to capital formation and debt service
   - Maintain a balanced mix of financing strategies for funding capital projects including Pay-As-You-Go, grants and debt, without an excessive reliance on any one source
   - Provide for issuance of additional debt at reasonable time intervals without increasing taxes, and timed in such a way as to avoid erratic impacts on tax rate changes
   - Maintain highest credit ratings by scheduling and issuing of debt that sustains reasonable ratios (e g , percent of outstanding debt to assessed value)

2 The dedication of specific revenue to the capital program will be maintained in the Municipal Debt Service Fund The specific revenues dedicated to the Municipal Debt Service Fund include.

   - 5½¢ of the property tax rate in FY94, 6½¢ in FY95
   - A portion of the City's proceeds from Occupancy Tax
   - Investment (interest) income
   - 1/2¢ Sales Tax authorized in January, 1987

- Other/miscellaneous revenue including a portion of the intangibles tax, ABC profits, beer and wine license revenues, a contribution from Mecklenburg County for it's share of debt cost for the new Charlotte-Mecklenburg Government Center, and a contribution from the General Fund for the municipal facilities lease-purchase transaction.

3 Municipal Debt Service Fund Balance will be maintained at an adequate level to cover debt costs with a ratio of debt service fund balance to actual debt service costs of approximately 50%.

4. Pay-As-You-Go Tax Fund will be used in conjunction with long-term debt financing to finance capital projects.

5 Enterprise Funds' capital programs will be established on a self-sustaining basis (Water and Sewer and Airport)

- Water and Sewer and Airport capital projects are financed from revenues generated from user fees and charges

- In order to finance the proposed debt, the Water/Sewer rate study assumes a draw-down of Water/Sewer fund balance to 10% of operating costs over the next eight years

6 Additional Debt Capacity

A 1¢ property tax rate increase is included in FY95 to pay the debt service on the Environmental Protection Bonds

7 Pay-As-You-Go Fund

The policy of maintaining diversified capital investment revenues is largely accomplished with the Pay-As-You-Go Fund The Fund was created after General Revenue Sharing was eliminated by the federal government The Fund is primarily used to finance relatively small projects compared to bond financed projects

The Pay-As-You-Go Fund will maintain the current level of funding at 3¢ of the property tax rate. This ensures stable levels of funding for high priority community needs.

CURRENT FINANCIAL HIGHLIGHTS - CIP FUND

STRATEGIC FINANCIAL ISSUES

Infrastructure

The City's Capital Investment Plan is at an important juncture

Since 1987, voters have approved $227 4 in general government bonds including $146 8 for street improvements, $15 million for Performing Arts, $22 million for parks, $9 million for Discovery Place, $7 6 for storm drainage, and last fall approved $27 million for the environment In addition, City Council has approved $14 million in COP's for the new Law Enforcement Center and $7 million is included in the approved capital investment plan for police bureau stations and communications equipment. These commitments have exhausted the Debt Service Fund's available funding through the year 2000

The City's capital program will decrease by 37% next year and by another 26% the following year.

This is a significant slowdown in the capital program and is important for two reasons First, the preliminary Ten Year Needs document, which will be presented to City Council in April, does not reflect a significant slowdown in the community's capital needs Second, capital projects typically take 1-2 years of planning and design before construction can begin creating a delay between the decision to fund new projects and their actual impact on the community

In summary, if City Council wants to build new roads, improve intersections, or other similar capital projects during the next seven years, one and or a combination of actions will be necessary Additional money will need to be transferred from the operating fund to the debt service fund or additional resources will need to be identified

KEY BUSINESS PROFILES
&
CIP FUND - KEY PROGRAM PROFILES

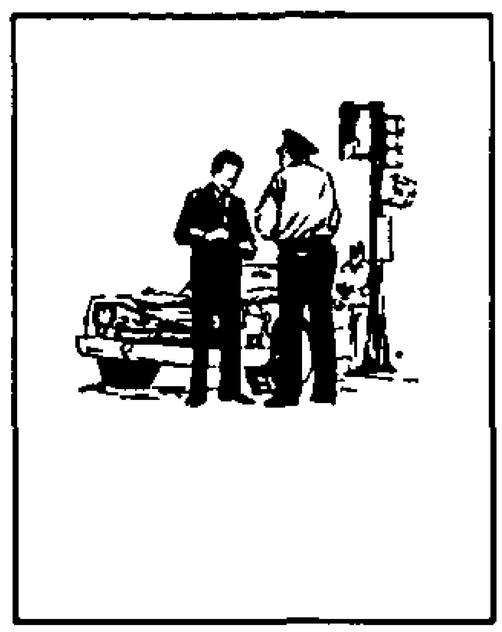
POLICE - KEY BUSINESS

CHIEF ADMINISTRATION
TRAINING
DRUG INTERDICTION
PATROL
SPECIAL SERVICES
INVESTIGATIONS
CRIME LABORATORY
PROPERTY CONTROL
ANIMAL CONTROL

RECORDS
COMMUNICATIONS
PLANNING/RESEARCH
PAL
VICE & NARCOTICS
SPECIAL INFO
YOUTH SERVICES
DATA PROCESSING
SUBURBAN DIVISION

FY94 BUDGET
$68,899,402

FY95 PROPOSED
$70,784,150



FY93 HIGHLIGHTS

Police personnel conducted an average of 70 walking beat activities per month

Closure rates for crime investigations averaged at 14% for residential burglaries, 37% for arson investigations, 89% for homicide, 39% for rape, 32% for robbery, and 46% for assault with a deadly weapon

100% of the recruits taking the State Certification Examination achieved a passing score on their first attempt

All patrol divisions achieved a response time of 7 minutes or less for 89% of all calls

The Crime Laboratory maintained an average of 5 days and two days in analyzing drug and fingerprint evidence, respectively

The Street Drug Interdiction Unit conducted 331 drug buys or street dealer campaigns which produced 180 arrests.

Animal Control responded to 95.5% of all emergency calls within the primary response times, and 97 6% of non-emergency inquiries were resolved within one workday.

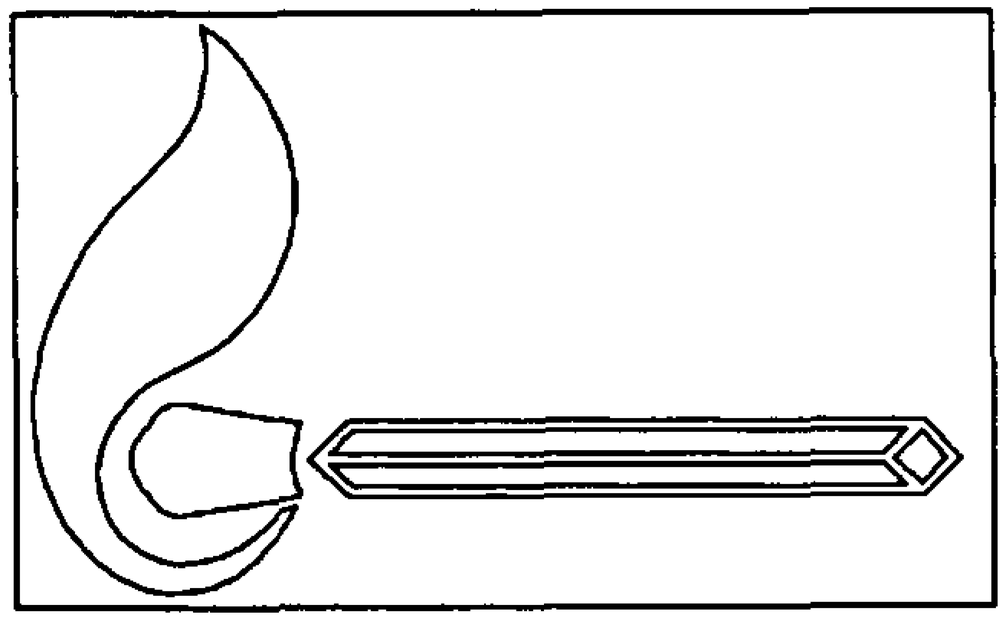
The Animal Shelter handled 16,628 animals 13 9% were adopted, 8 4% were reclaimed, 73% were euthanized, and 4 7% were being held or had other dispositions

FIRE - KEY BUSINESS

CHIEF ADMINISTRATION
INVESTIGATIONS
EMERGENCY MANAGEMENT
OPERATIONS

PREVENTION
COMMUNICATIONS
AUTO MAINTENANCE
TRAINING

FY94 BUDGET
$38,016,224
FY95 PROPOSED
$38,289,066



FY93 HIGHLIGHTS

An average response time of 4 minutes and 9 seconds was achieved for all emergency medical calls. A response time within 9 minutes was achieved 99% of the time

Fire Operations responded to 99% of fire calls within the maximum times established with the fire station locator model for the ten basic property classification groups

Fire Prevention performed 298 on-site inspections to insure that no more than 7% of the occupancies were found to have additional Fire Code discrepancies.

533 fires were investigated to determine cause, assist in fire prevention efforts, and prosecute parties criminally involved in incendiary fires

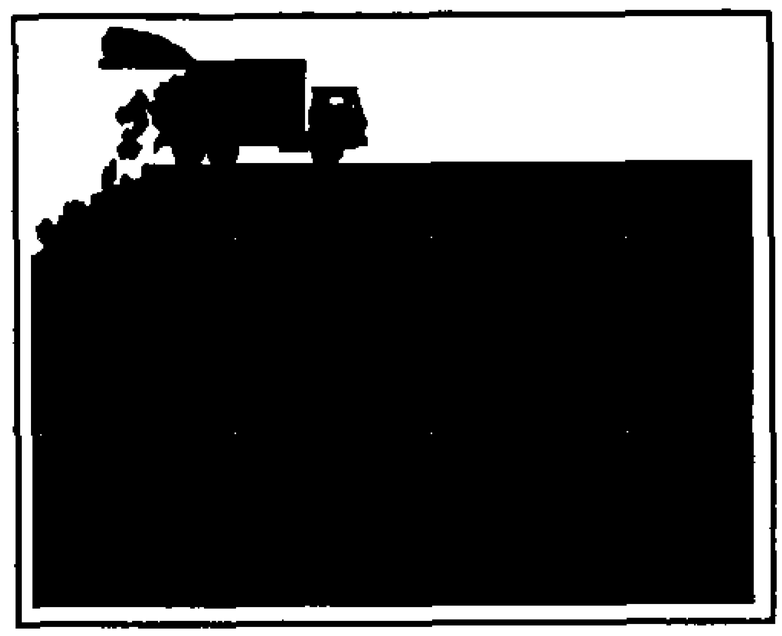
The effectiveness of Fire Prevention and Fire Operations' efforts compare with the national average ratings as follows

Fire Rate per 1,000 Population	National Average 8 4	Charlotte 6 9
Injury Rate per 1,000 Population	National Average .34	Charlotte 17
Death Rate per 100,000 Population	National Average 2 2	Charlotte 76

SOLID WASTE SERVICES - KEY BUSINESS

ADMINISTRATION
COMMUNITY IMPROVEMENT

SPECIAL SERVICES
OPERATIONS



FY94 BUDGET
$20,578,539

FY95 PROPOSED
$20,995,362

FY93 HIGHLIGHTS

The cost of residential refuse collection, multi-material recyclable, and yard waste was $3 89, $1 49, and $ 87, respectively.

The Community Improvement Division canvassed 2,621 yards and lots in designated neighborhoods such as Double Oaks, Ponderosa, Seversville, and Wilmore for litter code violations 3,002 litter violations were identified, and 2,251 were corrected within 30 days.

The Special Services Division collected an average of 162 pounds per stop of bulky items at 43,670 stops. Street Cleaning crews in the Special Services Division swept 27,808 miles for an average of 18 miles per man-day worked The Tire collection crew collected a total of 19,876 tires from curbside and illegal dumps for an average of 2,303 pounds per man-day worked

The Sanitation Division resolved 95 9% of all 22,571 service requests within 8 hours

The cost to provide commercial garbage collection in the Central Business District was $1 84 per unit served.

The cost to maintain thoroughfares and major cut-throughs (44,982 miles) within the City was a monthly average of $25 88

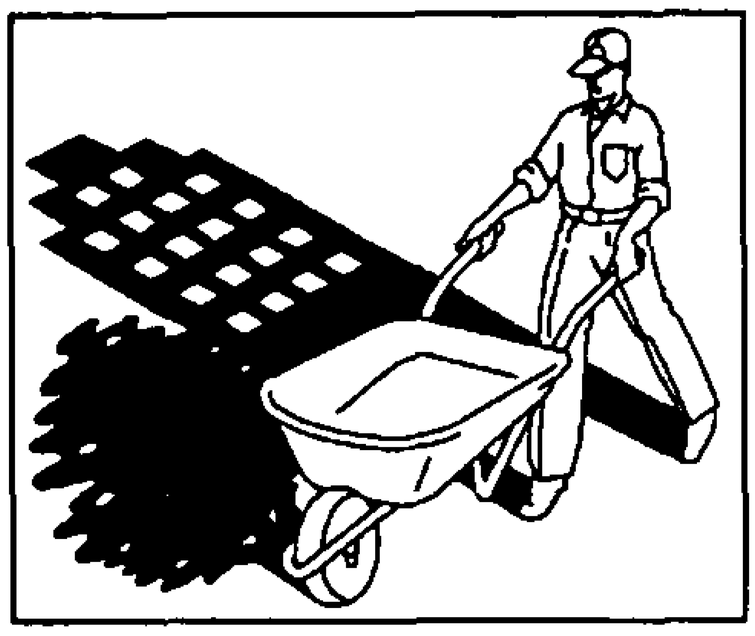
Community Improvement conducted a total number of 18,424 investigations city-wide with 20,733 violations resulting from the investigations Of those violations, 95% were resolved within 30 work days.

PROPERTY MANAGEMENT & ENGINEERING KEY BUSINESS

ADMINISTRATION
LANDSCAPE MANAGEMENT
CENTRAL SERVICES
GOVERNMENT CENTER
REAL ESTATE

BUILDING & GROUNDS
CEMETERIES
CULT FAC SUPPORT
ENGINEERING
PUBLIC SERVICE

FY94 BUDGET
$12,190,255
FY95 PROPOSED
$12,681,773



FY93 HIGHLIGHTS

100% of subdivision and multi-family construction plans were reviewed for conformance with City ordinances within 15 days, and 99% of building permits were processed within three days

100% of the mechanical equipment systems located in City-owned buildings were maintained through the preventive maintenance program with scheduled quarterly, semi-annual, and annual maintenance

Central Services worked to maintain an average cleanliness rating of 89 (very good) in the Government Center, City Hall, Discovery Place and Spratt Street Facilities on both in-house and contract services.

The Landscape Management Division responded to 100% of all work order requests within 7 working days in landscape and grounds maintenance.

Horticultural expertise was provided in the project design and development stages for roadway projects, corridor improvements, and special projects such as Shamrock, Beatties Ford Road, 5 Points/J C. Smith University, Providence/Fairview/Sardis, and Randolph Road/Sharon Amity.

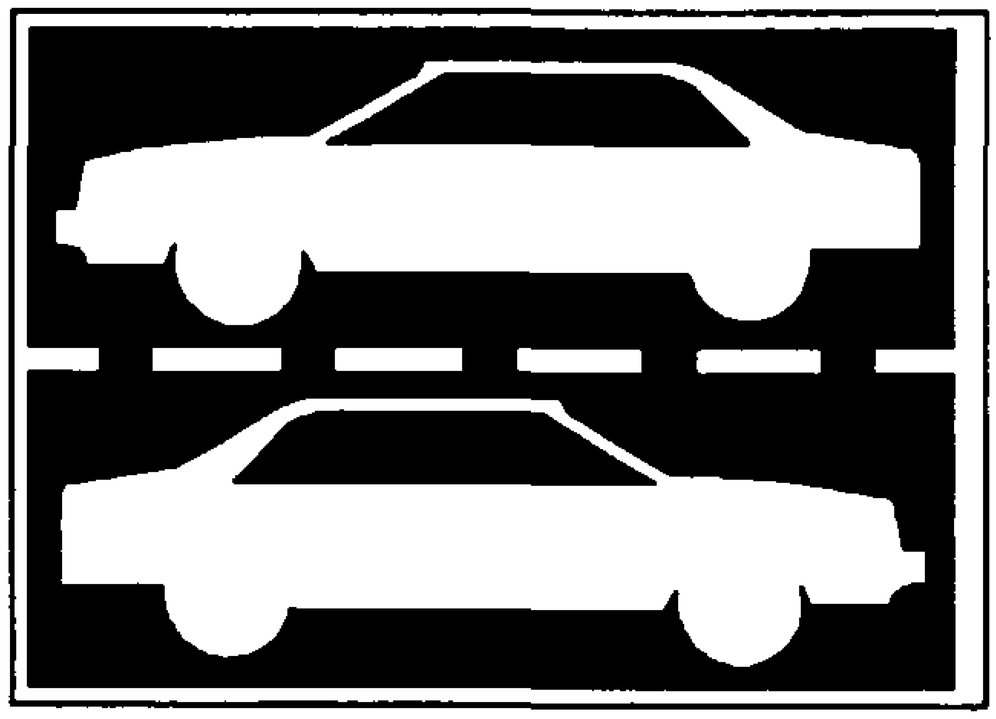
TRANSPORTATION - KEY BUSINESS

ADMINISTRATION
STREET MAINTENANCE
ENGINEERING
PUBLIC TRANSPORTATION

OPERATIONS
PLANNING/RESEARCH
ELECTRICAL SYSTEMS

FY94 GENERAL
FUND BUDGET
$9,446,602
FY95 GENERAL
FUND PROPOSED
$10,069,024

PUBLIC TRANSIT
FY94 BUDGET
$20,378,002
PUBLIC TRANSIT
FY95 PROPOSED
$20,831,696



FY93 HIGHLIGHTS

The productivity performance rate for curb and gutter replacement was 57 staff hours per linear foot of curb and gutter replacement

The City experienced 4 55 traffic accidents per million miles travelled

Signs were replaced within 3 hours on the street/highway system to minimize hazards and accidents 100% of the time.

Revenues generated from the Vanpool Program exceeded the costs by $15,000

4,684 entries were maintained in the Carpool/Vanpool Request File

The cost per transport of the transportation disabled averaged $18 30

Farebox revenues totaled 36% of operating costs Passenger boardings per hour of revenue service was 36.4.

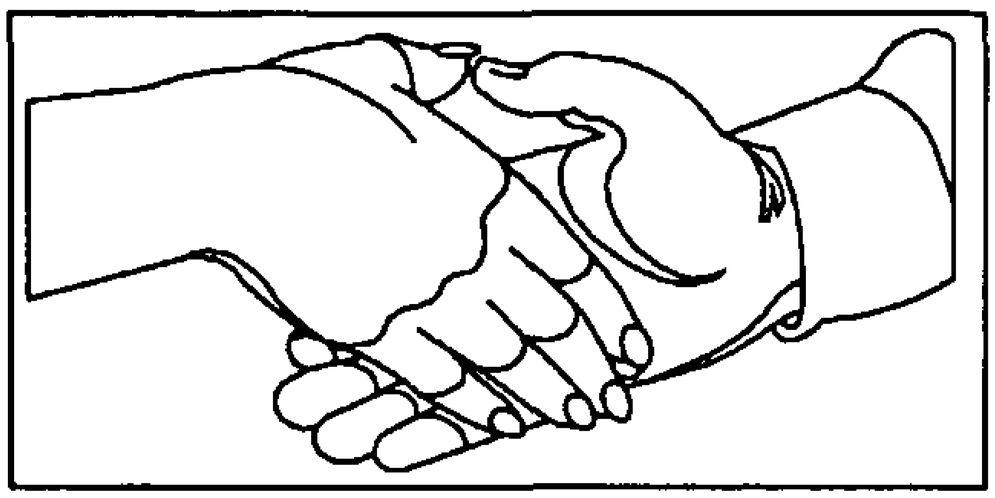
NEIGHBORHOOD DEVELOPMENT - KEY BUSINESS

COMMUNITY RELATIONS
ECONOMIC DEVELOPMENT
COMMUNITY DEVELOPMENT

DISPUTE SETTLEMENT
NEIGHBORHOOD SVS
EMPLOY & TRAINING

FY94 GENERAL FUND BUDGET
$3,867,603
FY95 GENERAL FUND PROPOSED
$4,008,562

SPECIAL REVENUE FUND
FY94 BUDGET
$16,756,017
SPECIAL REVENUE FUND
FY95 PROPOSED
$15,753,578



FY93 HIGHLIGHTS

The Economic Development Division proposed six new economic development initiatives to the City Manager for consideration, including an International Cabinet to strengthen Charlotte's competitiveness in the international marketplace This Cabinet is now a reality with cabinet members selected and a staff director recruited from the State Department's Pearson Fellow Program.

The federally mandated Transition and Self-Evaluation Plans for the City's compliance with the American with Disabilities Act were completed by January 26, 1993

The Dispute Settlement Program successfully mediated 613 of the 724 mediations conducted

Neighborhood Services developed Self-Sufficiency Plans for 78 citizens in the City-Within-A-City area

Neighborhood Services provided the staff support necessary to give special assistance to 30 families in Villa Heights/Optimist Park participating in the Success by Six program

4,174 housing units were brought back into compliance with the Housing Code through either repair (3,974) or demolition (200)

A ratio of 5.8 private dollars to every city dollar was invested in business development projects creating 142 new jobs for City-Within-A-City residents and other low and moderate income City residents.

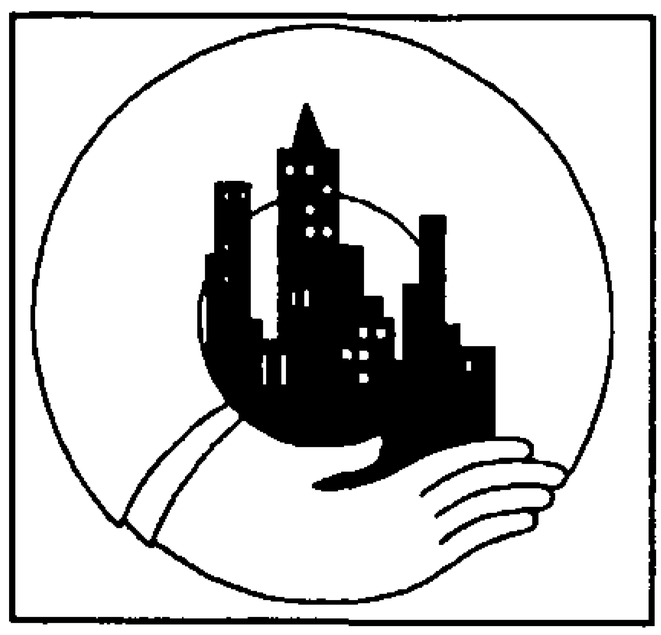
A total of 1,203 youth were placed in jobs through the year-round employment and training and summer programs An additional 777 youth were placed in jobs through the Mayor's Private Sector Summer Youth Program.

SUPPORT SERVICES-
KEY BUSINESS

CITY MANAGER
TRAINING
CITY CLERK
FINANCE
PUBLIC SERVICE & INFORMATION
PRINT SHOP
INFORMATION SYSTEMS SUPPORT
TELECOMMUNICATIONS
CABLE COMMUNICATIONS
MATERIALS DISTRIBUTION CENTER
LOAN CAR FLEET
HUMAN RESOURCES

MAYOR/COUNCIL
CUSTOMER SERVICE
CITY ATTORNEY
BUDGET & EVAL
INTERNAL CONSULT
COPIERS
COMM INFRASTRUCT
RADIO COMMUNICAT
PURCHASING
EQUIPMENT SERVICES
INTERNAL AUDIT

FY94 BUDGET
$15,558,815
FY95 PROPOSED
$15,977,924



FY93 HIGHLIGHTS

$25,960 was saved by implementing programs which reduced costs for equipment, management, maintenance, parts, or administration in the Equipment Services Division

The City Attorney's Office internal hourly cost for legal services is 49% less than the hourly rate charged by the private sector on the City's behalf

Auctions and the miscellaneous sale of surplus items produced a revenue of $837,455.

Public Service and Information's production level was

News Releases	97
Graphics Jobs	534
Print/Copy Jobs	1,680
Audio/Visual Produc	1,000

Cable Television Franchise Fee revenues increased 10 55% over FY92

Repairs to public safety radios, light bars, and sirens was completed within 8 hours 98% of the time

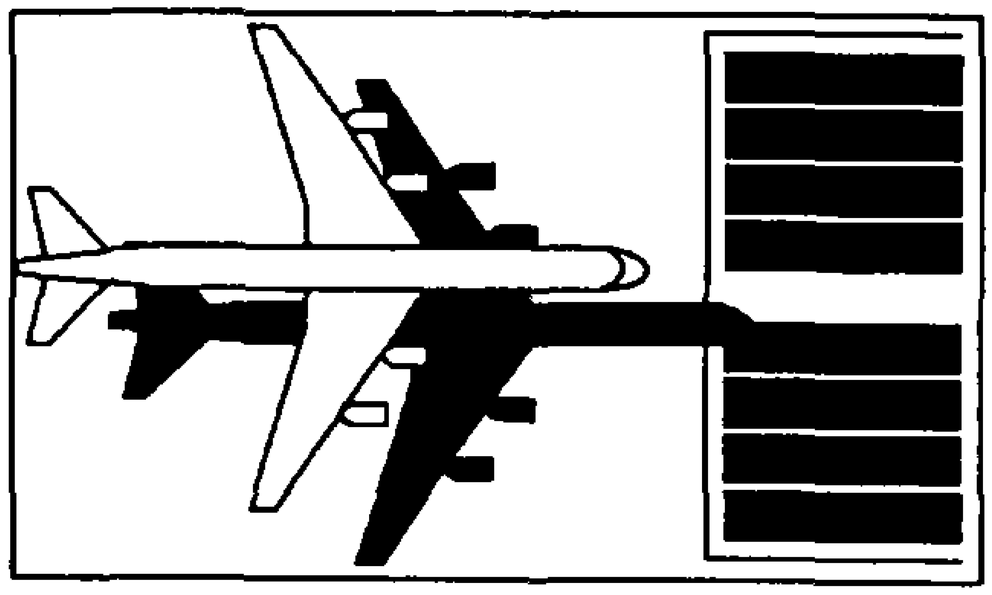
The Finance Rev Div. provided customer service to water/sewer customers for $9 25 annually

AVIATION-KEY BUSINESS

ADMINISTRATION
PUBLIC RELATIONS
FIELD MAINTENANCE
SHOP
ENGINEERING
HUMAN RESOURCES
JANITORIAL SERVICES

OPERATIONS
BLDG MAINTENANCE
PARKING
PROJECTS/DBE
COMMUNITY PROG
FINANCE
ART

FY94 BUDGET
$43,940,103
FY95 PROPOSED
$44,401,227



FY93 HIGHLIGHTS

The Airport experienced a decrease in the number of enplanements in FY93, however, revenue per enplaned passenger has increased by over 7%

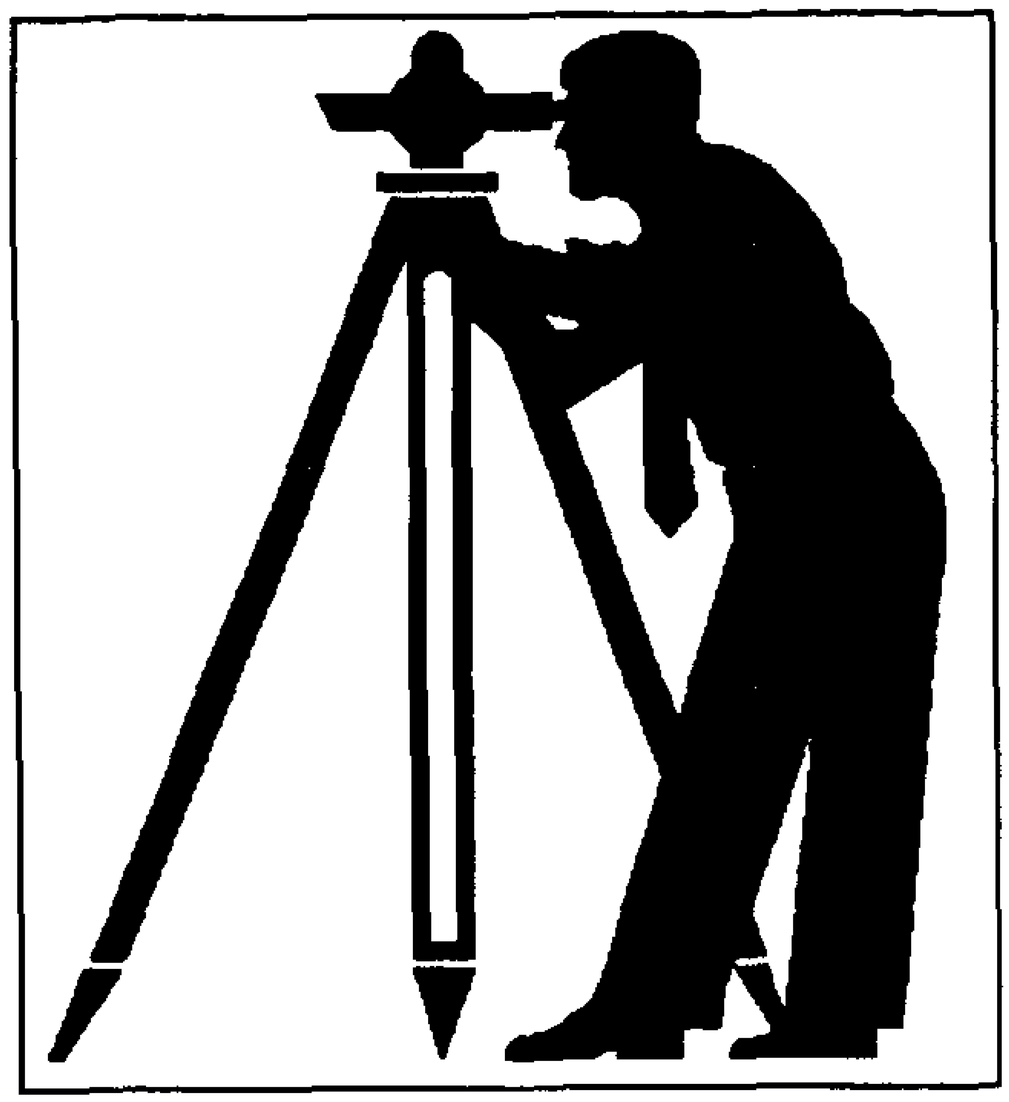
Airport users were asked to rate facilities and services on a four point scale (1=poor and 4=excellent) gave "terminal cleanliness" the highest rating of 3 38 "Restaurants, Lounges and Gift Shops" received ratings of 2 90 or lower The lower rating is attributed to prices and limited selection.

Since the October 1988 Council approval of FAR Part 150, a total of 216 offers have been extended to neighbors to purchase properties A total of 194 neighbors have accepted offers.

PLANNING-KEY BUSINESS

PLANNING
NEIGHBORHOOD MATCHING GRANTS

HISTORIC DISTRICTS



FY94 BUDGET
$2,293,808
FY95 PROPOSED
$2,409,988

FY93 HIGHLIGHTS

The Historic District Division worked with the Fourth Ward neighborhood to redesign the area's mini-parks, began revision of the Historic District Commission policy and procedure manual, and continued discussions with Elizabeth and Wesley Heights regarding possible historic district status to preserve Charlotte's historically significant areas, structures, and sites.

Planning worked to promote neighborhood preservation, encourage housing and economic opportunities, and support and enhance the livability through technical planning and project development assistance in some of the following neighborhoods Reid Park, First Ward, Midtown, Wilmore, Cherry, and Villa Heights

The majority of data was been collected for a comprehensive survey and needs assessment of the neighborhoods within the City Within A City boundaries

Planning staff reviewed, assessed, and rated 23 new projects submitted for the City of Charlotte FY 1994-1998 Capital Improvements Program

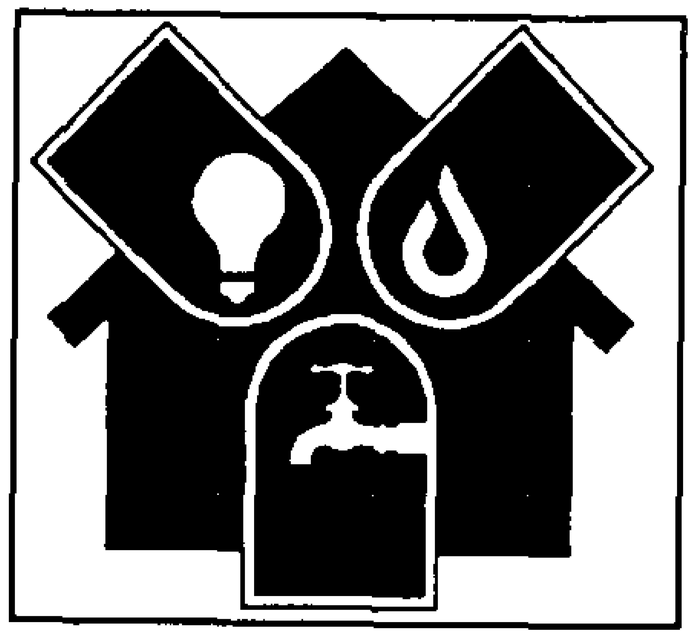
Planning staff processed 100% of subdivision, final plats and multi-family plans within 30 days

WATER & SEWER-KEY BUSINESS

ADMINISTRATION
INSTRUMENT MAINTENANCE
WATER TREATMENT
WATER DISTRIBUTION
ODOR MONITOR/CONTROL
INDUSTRIAL WASTE CONTROL

ENGINEERING
PUMPING STATION
WASTEWATER TREAT
CUSTOMER SERVICE

FY94 BUDGET
$45,006,807
FY95 PROPOSED
$47,586,047



FY93 HIGHLIGHTS

Average daily demand for water in FY93 was 71 million gallons per day Actual treatment capacity was maintained at approximately 122 million gallons per day The one day maximum demand was 106.255 million gallons

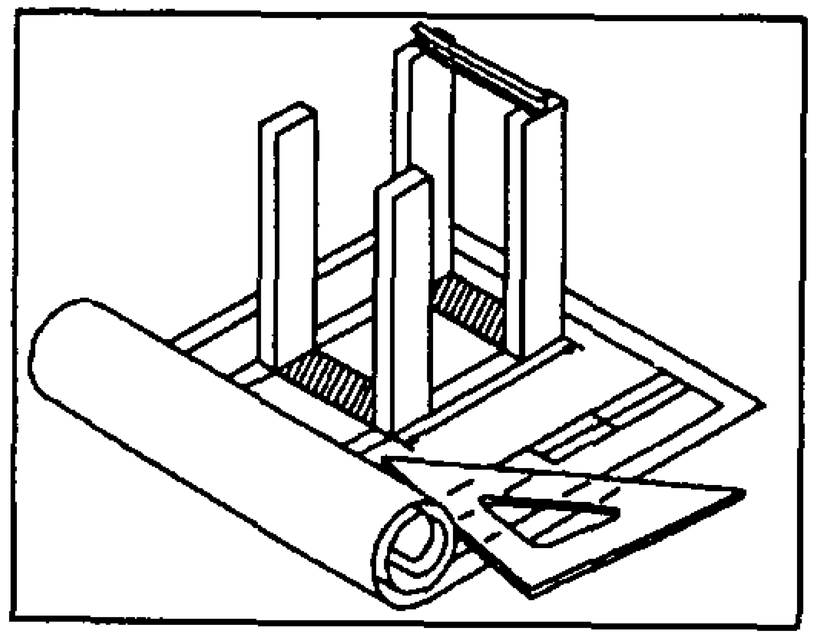
Eighty-four of the 811 emergency requests for services were responded to within two hours.

100% of the 35,937 turn-on/off requests were responded to within 24 hours

A total of 1,588,350 meter readings were taken in FY93. An accuracy percentage of 99 94% was achieved

62% of service connection requests were installed within 30 days and 81% were installed within 45 days.

CIP FUND-KEY PROGRAM PROFILES



ENVIRONMENTAL PROTECTION

Established as a key program in FY94

Purpose: To comply with Federal and State environmental protection mandates and ensure a safe and clean environment for Charlotte citizens by providing for the testing and clean-up of environmentally contaminated areas of the City

FY94-98 budget totals $27,000,000

A property tax increase of one cent is planned in FY95 in order to provide for the $27,000,000 in Environmental Protection Bonds approved by citizens in the November 1993 referendum.

TRANSPORTATION

Purpose: To fund the construction of road improvements, public transit service, transportation of handicapped citizens, light rail planning, and compliance with State and Federal mandates

FY94-98 budget totals $40,700,000

HOUSING

Purpose: To preserve and expand the housing stock available to low and moderate income individuals, to stimulate economic development, and to provide people development through human services contracts

Beginning in FY94, the HOME Grant requires a local match FY94 match equals $349,500

FY94-98 budget totals $55,600,000

GOVERNMENT FACILITIES

Purpose: To ensure the structural and operational integrity of City facilities through on-going programs for roof and HVAC replacement and minor modifications to facilities, to insure compliance with the Americans with Disabilities Act (ADA), Occupational Safety Act (OSHA) and other legal mandates, and to construct new facilities as needed

FY94-98 budget totals $26,000,000

ECONOMIC DEVELOPMENT

Purpose: To create jobs and stimulate economic growth in the City Within A City area particularly, and other areas generally, through public/private partnerships and by using public investment to leverage private investment

FY94-98 budget totals $8,100,000

NEIGHBORHOOD IMPROVEMENTS

Purpose: To meet Environmental Protection Agency mandates relating to water quality and stormwater runoff, and to implement a City Within A City public infrastructure program - addressing sub-standard and absent facilities such as drainage, sidewalk, curb and gutter, streets, etc. This program also includes the Neighborhood Matching Grants Program.

FY94-98 budget totals $48,600,000

CULTURAL FACILITIES

Purpose: To maintain the basic structural soundness of City facilities leased by cultural organizations and to provide public assistance for cultural facility capital program expansions or rehabilitation on a 50/50 matching basis

FY94-98 budget totals $4,000,000

WATER

Purpose: To provide water services to the City and to developing areas of the County in an efficient and timely basis while meeting all Federal water treatment and quality standards.

FY94-98 budget totals $150,600,000

SEWER

Purpose: To provide sewer services to the City and to developing areas of the County in an efficient and timely basis while meeting all Federal wastewater treatment standards

FY94-98 budget totals $257,000,000

AVIATION

Purpose: To provide for Charlotte/Douglas International Airport's maintenance, expansion and compliance with Federal regulations

FY94-98 budget totals $222,000,000

CITY COUNCIL RETREAT
ISSUE PAPERS

Economic Development

City Within A City/Neighborhood Development

Airport Development

Convention Center

NFL Stadium

NFL Practice Fields

Police Consolidation

Law Enforcement Center/Decentralization

Committee of 100

Status of 2015 Transportation Plan

Regionalism

Annexation

Rollout Garbage Collection

Employee Compensation

Employee Benefits

Customer Service Initiatives

Communication Strategy

CITY COUNCIL RETREAT
ISSUE PAPER
ECONOMIC DEVELOPMENT

Background

Over several decades, Council has aggressively supported Charlotte's economic growth and development through continuing capital investment These investments, which provide the framework for successful business growth and economic health, include

- *Basic Economic Infrastructure* such as roads, airport, and sewer/water to lead development into new areas

- *Quality of Life Projects* such as the Coliseum, Omnimax, and Performing Arts Center

- *Catalytic Projects* to stimulate economic growth such as the New Charlotte Convention Center and to stimulate area re-development such as the Tryon Mall and neighborhood commercial corridor revitalization

The City's partnerships that support Charlotte's economic development are increasingly important The strong business-government relationship that the City and Chamber have built, each with their own roles, is particularly noteworthy The City's support of the Carolinas Partnership with its outreach to thirteen surrounding counties has strengthened our region's national and international profile as a good place to do business The results of these partnerships and the City's continuing capital investment are being recognized by prestigious business publications For the last three years ***Fortune*** has selected Charlotte as the number one pro-business city in America And in 1993, ***Financial World*** recognized Charlotte as *The* Benchmark City for Economic Development

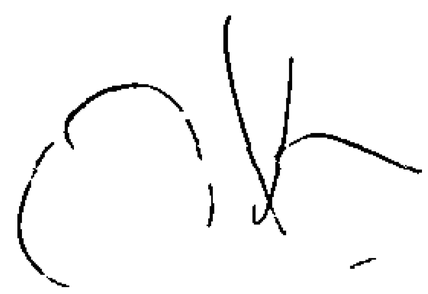
Council Policies:

- Invest in partnerships to pr

- Create jobs, economic o
formation, expansion, and rete

- Stimulate economic growth
new private investment

- Continue to provide high qu



Policy Questions

There are five levels of economic development, each very different that generates its own key policy question for Council to consider These questions, with examples to stimulate ideas, may help Council develop their economic development policy, goals and strategies for the '90s

- **Neighborhood:** *How can we enable all those who can work to enter the economic mainstream?*

  Examples Support state-of-the-art Employment & Training programs, including youth apprenticeships and on the job training, transform the Private Industry Council into a workforce development board, expand City's summer job partnerships, target loan programs to growth industries as well as selected geographic areas

- **Uptown:** *How can we make our Uptown investments payoff for the maximum community benefit?*

  Examples Use City's contracts and relationships with Charlotte Uptown Development Corporation(CUDC), the Charlotte Chamber's Central Charlotte Division(CCD),and the Convention and Visitors Bureau & Coliseum Authority

- **City:** *What policy directions and actions should we take to keep our business climate healthy as locations outside the City become increasingly accessible and developed?*

  Examples Continue the role of Economic Development as business ombudsman and City Manager's regular meetings with Charlotte Chamber and County Officials, explore ways to streamline business regulatory processes to keep Charlotte a business friendly city

- **Regional:** *What partnerships and infrastructure should we emphasize to insure sustainable regional growth?*

  Examples Define City's goals for its contract with Carolinas Partnership, implement Transportation Committee of 100 recommendations, support emerging CMUD relationships with surrounding counties and South Carolina

- **National & International:** *What strategies and investments will keep Charlotte competitive with other cities into the 21st Century?*

  Examples Adopt International Strategic Plan due early 1994, provide continuing political support for UNCC's growth as a research university, use Convention Center opening in 1995 to dramatically expand hospitality industry and increase hotel room nights Use NFL stadium & team to encourage other sports development including 1996 Olympics activities in Charlotte Consider establishing a Charlotte Sports Commission and a Film/Video Commission to aggressively promote and develop these emerging clean "industries"

Budget Implications:

- Economic Development Department's budget ($183,863) is now part of the Neighborhood Development Key Business Last year, Council's Services Inventory ranked the services that Economic Development provides as one of the most underfunded for its importance Councilmembers ranked the effectiveness of these services 6th out of 41 services and the overall ranking, including Citizens and Staff, was 22nd out of 41 services Any funding increases for FY' 95 would be expected to come from reallocation within the Neighborhood Development Key Business Budget

- The City continues to contract for many economic development services through community partners In fact, most of the City's economic development work has been contracted out for the last 5-10 years Looking ahead strategically for the next five years, these contracts, excluding possible funding increases, would *total about $12 8 Million*

Partnership	This Year FY 94	Next Five Years FY 95-99
Carolinas Partnership	$150,000	$750,000
Charlotte Uptown Development Corporation	$470,600	$2,353,000
Charlotte Chamber, Central Charlotte Division	$509,000	$2,545,000
Convention & Visitors Bureau	$1,446,803	$7,234,015

Future Council Actions:

These are possible action steps for the new Council Economic Development Committee and Council to consider

- *Determine Council's economic development goals for the '90s Revise existing policies where necessary Consider incorporating into Council's policy a statement recognizing economic development as an integral part of a balanced approach to improving community safety*

- *Develop strategies to achieve Council's goals*

- *Review economic development partnerships under contract to insure they are effectively serving Council's goals for Charlotte*

CITY COUNCIL RETREAT
ISSUE PAPER
CITY WITHIN A CITY/NEIGHBORHOOD DEVELOPMENT

Issue:

Due to growing economic disparities within the City, the City Council launched the City Within A City initiative at the end of 1990 The initiative involves City and local non-profit organizations in a coordinated revitalization effort targeting the sixty square miles and 73 neighborhoods which form the core of the City These neighborhoods have a poverty rate of 20%, four times higher than the rest of Charlotte, a crime rate over twice the City's rate, and one-third of the neighborhoods have double digit unemployment The challenge is to develop and support strategies leading to the revitalization of these neighborhoods

Council Policy:

To utilize our resources of leadership, staff, information and funding to

- enable individuals and families to become self-reliant
- strengthen and revitalize deteriorated neighborhoods
- support economic development, job creation and increased employment
- provide high quality services and infrastructure

What are we doing:

- Targeting resources to neighborhoods and neighborhood-based organizations to development housing, improve safety and employment Examples include
    - Seversville - housing development
    - Genesis Park - safety & housing development
    - Belmont - infrastructure, code enforcement and job training
    - Reid Park - housing rehabilitation
- *Targeting community-based policing to City Within A City neighborhoods*
- Developing neighborhood action plans to measure progress in '94-'95

- Forming partnerships to leverage resources Examples include

    - Success By Six
    - Fighting Back
    - Charlotte-Mecklenburg Housing Partnership
    - Housing Authority

- Targeting loans and matching grants to increase job opportunities and build neighborhood capacity

Budget Implications:

City re-organization has consolidated Community Development, Economic Development, Community Relations, Employment & Training and Neighborhood Services into a new Neighborhood Development Department No increase in operating budgets is expected

Budget implications focus on the capital budget needs for continuing support of innovative housing, neighborhood grants and neighborhood reinvestment programs

Future Council Actions:

Combined corridor improvement and economic development loans for neighborhood redevelopment opportunities

- South Boulevard
- North Tryon

CITY COUNCIL RETREAT
ISSUE PAPER
AIRPORT DEVELOPMENT

Issue:

- In 1985, the Part 150 Plan projected noise contours would grow larger in area until 1994, and then begin to decrease in size due to the number of newer, quieter airplanes Actual current noise measurements indicate projected 1994 contours are overstated FAA requires noise contours be redrawn when measurements indicate a difference greater than 1-1/2 decibels

- Airport Capacity Enhancement Plan completed in 1991 by FAA, Airport and Airlines identified 32 capacity increasing initiatives One of these was 1,000 ft extension to easterly north-south runway, now complete Study also indicates construction of a third parallel north-south runway would generate annual delay avoidance savings to the airlines of $10 3 million in 1990, increasing to $20 6 million in 1999

- Acquisition of home buyout land (500+ acres not needed for future airport development) and the internationalization of the marketplace including growth of global trading industries requiring access to an international airport offer new development opportunities, in addition to traditional airport development

Council Policy:

- Operate the Airport as an Enterprise Fund requiring no use of general fund tax dollars

- Develop the Airport to move national and global commerce through the Charlotte Region enhancing jobs, earnings and overall economic impact

- Operate the Airport as a good neighbor and partner with the community to stimulate business development and develop a strong regional transportation system

What are we doing about it?

- Updating Airport Master Plan

- Updating Part 150 Noise Compatibility Plan

- Developing Airport Strategic Development Plan

- Preparing Environmental Impact Statement for third parallel runway

The above plans will be prepared by consultants FAA funds will be requested to support a portion of the costs Michael Gallis Associates and the Planning Department are currently developing an outline for the Strategic Development Plan Community input will be provided through the Airport Advisory Committee, City Council workshops, Chamber Aviation and International Committees, Planning Department, neighborhood and public workshops and public hearings

Future Council Actions:

Decisions regarding

- Contracts
- Federal and State Grants
- Bond Issue
- Land Rezonings
- Land Development and Sales

Background:

- Airport Master Plan Update and Part 150 Noise Compatibility Plan were done in 1985-1986 based on 1984 data and approved by Council in 1987

- Part 150 Plan, including home buyout, was implemented in October, 1988 To date, Airport has spent $19 6 million acquiring 225 homes and relocating the residents, plus an additional $17 4 million settling over 350 noise lawsuits including the Church of God There is currently no outstanding noise litigation against the Airport As a byproduct of this program, the Airport has acquired approximately 500 acres of land

- Industry overcapacity has caused airlines to accelerate retirement of older airplanes

- Construction of a third parallel runway provides vehicle for acquisition of right-of-way for western outer belt and accelerates need for construction to replace roads severed by runway

- Construction and realignment of roadway system south of Airport as part of runway extension project presents new development opportunities

- Experience gained in preparing proposals for Mercedes and UPS indicate viability of location and accelerating demand for facility development on and close to the Airport

CITY COUNCIL RETREAT
ISSUE PAPER
CONVENTION CENTER

Issue:

The new Charlotte Convention Center is more than an expansion of the existing Convention Center It is a major new industry which will rely more on national trade shows and conventions which attract participants from outside our region as well as the local and state trade groups The new facility is scheduled to open in December 1994

In order for the new center to succeed, we must continue to support the infrastructure and programming activities necessary to make the Convention business a successful "repeat business " The new Center will stage multiple events, accommodate future growth for existing exhibitors, and compete with major cities for the lucrative Convention industry All the Uptown private and public initiatives must be fully coordinated in order to maximize benefits of this major capital investment

Council Policy:

Support economic development through a major new industry

What are we doing about it?

-Council has scheduled a February workshop to discuss Uptown opportunities including Uptown shuttle, transit center, and trolley

-Preliminary report from the Old Convention Center Reuse Study Committee supports using the old Convention Center as a complimentary attraction

-The Convention Center Design Review Committee has asked the Convention Center architects to develop design alternatives for the First Street and Convention Center area

Budget Implications:

The Project is within available funding and on schedule Revenue supporting the Convention Center debt are meeting projections Council has also appropriated $3 million from refinancing the debt to the Convention Center budget and has $4 million available for other Convention Center and area improvements

Future Council Actions:

Land use decisions surrounding the new facility

Potential public/private ventures which support the new industry

Background:

- Cost $146,076,000
- In 1990 after four years of evaluating the need for and defining what type of new Convention facilities the City could accommodate, the North Carolina General Assembly authorized Mecklenburg to levy a 1 cent prepared food and beverage tax and an additional 3% hotel occupancy tax to be dedicated for the construction and operation of the new Convention Center
- Total Size - approximately 850,000 square feet
- Council approved the issuance of Certificates of Participation bonds for the Convention Center project on April 22, 1991
- Council approved the use of $3 66 million of the refinancing saving to replenish the project contingency to help insure the original appropriation is not exceeded
- Estimated local tax revenue increase of $14 7 million per year and creation of an additional 6,250 new jobs
- Estimated Completion Date - December, 1994

CITY COUNCIL RETREAT
ISSUE PAPER
NFL STADIUM

Issue:

In 1989 Richardson Sports (RS) approached the City with their plan to get an NFL franchise for the Carolinas After competing with several proposals from other jurisdictions, Uptown Charlotte became the Richardson's preferred location RS required the City to provide the following in order to locate in Uptown Charlotte (1) Land for the stadium footprint and adjoining practice fields, (2) 2400 parking spaces dedicated for game day, and (3) all infrastructure improvements necessary to support the stadium

Council Policy:

City Council adopted a policy to work with RS and meet their requirements within a City budget of $35,000,000 and additional parking revenue bonds which would be amortized with non-stadium event parking revenue

What are we doing about it?

Current work - remaining

- Environmental clean-up completed on Stadium site
- Practice field - see other issue paper
- Parking deck - under design Council approved joint venture with Duke Power Company to build a deck adjacent to the stadium to accommodate approximately 2,200 - 2,400 spaces

Budget Implications:

- Project is still within $35,000,000 budget
- Positive economic benefits to our uptown through redevelopment and future taxes
- Bonds required for deck will be paid for by parking revenue

Future Council Action:

- Contract for construction of deck - joint venture with Duke Power
- Practice fields - see practice field issue paper

Background (optional):

- City commitment ($35 million)
    - Purchase and assemble site of stadium and practice fields
    - Deliver the site clear of buildings, environmentally clean, and ready for construction
    - Provide 2400 parking spaces in close proximity to the stadium
    - Assist Richardson Sports in gaining control of 2500 additional spaces on game day
    - Provide parking for 100 buses on event days
    - Relocation of spur to the Observer
- County will donate land in footprint, relocate jail and Magnolias Rest Home and pay cost of demolition ($11 5 million)
- State relocated Graham and Mint around footprint and will do work on Morehead ($10 million)

STADIUM SITE

- Total acreage within site - 25 acres including County land and public right-of-way
- Practice fields - between Norfolk Southern Railroad and Cedar Street and diagonally across from the stadium
    - Three fields
    - 8 7 acres
    - Adjacent 4 9 acre tract will be acquired by City
- City has purchased 15 3 acres for the stadium site at a total cost of $13 2 million That equates to an average cost per square foot of $21 00 for the stadium site
- City and County own all land required for the Stadium site
- The County has agreed to donate County land upon franchise award
- The State purchased additional land needed for relocation of Graham and Mint Streets

CITY COUNCIL RETREAT
ISSUE PAPER
NFL PRACTICE FIELDS

Issue:

As part of the agreement with Richardson Sports, the City agreed to provide enough space in the general vicinity of the Stadium to accommodate three practice fields for the football team The Schwartz Scrapyard site in Third Ward, bounded by South Cedar Street, West Fourth Street, Southern Railway and the old P & N railway right-of-way was selected as the preferred practice field location The Scrapyard had an environmental problem and was a blight to the surrounding residental area The practice field alternative allowed an opportunity to meet our obligation to the Richardsons and help clean up an environmental problem within the Third Ward area

Council Policy:

Council agreed to pursue the Schwartz Scrapyard site for practice fields in order to satisfy the agreement with Richardson Sports for an NFL franchise in Uptown Charlotte Furthermore, Council instructed staff to work with the Third Ward residents to make the practice field as complimentary to the neighborhood as possible

What are we doing about it?

- In August of 1993, the City of Charlotte signed a mediation agreement for the cleanup of the practice field site The parties in this agreement consist of the City, Duke Power, Richardson Sports, Elliott Schwartz (the current property owner), Division of Solid Waste Management of the N C Dept of Environment, Health & Natural Resources, and Third Ward Neighbors Association

- This agreement allows for the cleanup of this site (estimated @ $6 2M) with no additional cost to the City outside of its original commitment of the purchase of the property at $10/sf plus $1M for environmental remediation design and cleanup

- HDR is currently preparing design plans for the cleanup The design package will be sent out for bids in March with the award of the contract in June The cleanup is expected to take approximately five months

Budget Implications:

Project is within budget

Future Council Actions:

- Amendments with HDR for design and construction administration of remediation
- Approval of contract for environmental cleanup

Background :

Three practice fields are needed per the development agreement between the City and RS As shown on the attached map, the land for the practice fields is adjacent to the proposed stadium site and is divided into 3 parcels Parcel A (5 06 Ac) is owned by the City Two of the practice fields will fit on this parcel Parcel B (3 46 Ac) is needed for the third practice field The City has a contract with Elliott Schwartz, the property owner for the purchase of this parcel, and Parcel C (4 89 Ac) Schwartz would only sell all three parcels together

Parcels B and C are both contaminated with lead and PCB's The contract between the City and Schwartz requires that the City spend $1M toward design and remediation of Parcels B and C If these costs exceed $1M, the excess comes out of the purchase price Parcel C is not needed for the proposed NFL practice fields

HDR Engineering has been working on the analysis and design for the environmental remediation for these parcels HDR is proposing that the lead on parcels B and C be treated to stabilize it on site The PCB's are mostly intertwined with the lead, which will be solidified on site The waste will have several feet of cover on top of the contaminated soil The remediation will only occur in a timely fashion through this process since the costs for clean-up approximate the purchase price We are removing an environmental hazard while meeting our obligations to the Richardsons without the expenditure of additional public funds

- On-site remediation is much more cost effective than a haul-off option
- Third Ward, an adjacent neighborhood, finds an on-site remediation acceptable
- This on-site remediation is acceptable to the N C agencies

COUNCIL RETREAT
ISSUE PAPER
POLICE CONSOLIDATION

Issue:

Police consolidation was formally implemented October 1, 1993 However, there now exists the need to structure the consolidated department to merge functional units and maximize all existing police resources The following actions remain to be completed

- o Appoint A Police Chief for consolidated department
- o Merge all functional units within the Department
- o Determine allocation of police resources among the functional units to best address community priorities
- o Merge Police communications units
- o Restructure the pay plan and balance pay and workload
- o Decentralize to effectively address community crime "hot spots"
- o Implement Community Policing philosophy throughout the Department, including unincorporated areas
- o Seek legislation to enable creation of Civil Service Board with County-wide representation
- o Appoint, organize, and implement Police Advisory Committee

COUNCIL POLICY:

The City Council and the County Commission has established the policy to provide levels of police service as determined by the respective policy bodies

WHAT ARE WE DOING ABOUT IT?

Several activities are underway to fully implement merger

- o Staff committees are reviewing and implementing merger of functional units, including administration and support units, sworn police functions, and other logistics issues
- o The City Manager's Office, Human Resources, and Police are planning and organizing a review of the Department's mission and structure to determine how to best merge and structure the units
- o A staff committee is reviewing and planning communications structure and will recommend a plan for Public Safety Communications which will include Police, Fire, and MEDIC

BUDGET IMPLICATIONS:

By structuring and merging to maximize all existing police resources, the consolidated Police resources may reduce the level of new resources requested by the Department in the immediate future

FURTHER COUNCIL ACTIONS:

City Council will be asked to take at least three actions

1 Appoint the City members of the Police Advisory Committee
2 Approve contract for Police Organization Structure
3 Request legislative amendment to the City Charter to accommodate creating a Civil Service Board representing Charlotte and Mecklenburg County

CITY COUNCIL RETREAT
ISSUE PAPER
LAW ENFORCEMENT CENTER/DECENTRALIZATION

Issue:

The Police Department has developed an overall plan for police facilities development and decentralization The key points of the plan are

1 Five-point philosophy of service delivery

   a Community-based policing

   b Geographic decentralization of facilities and services

   c A County-wide perspective on service delivery

   d Services tailored to need

   e Maximum flexibility

2 Tiered system of police facilities

   a The central headquarters

   b A system of bureau stations

   c The use of district stations

   d Community service centers

In 1996, the new LEC and the first Bureau Station will open for business Police services will be provided through a combination of these facilities, district stations and community service centers

What Are We Doing:

- Architect and Construction Management contracts with Middleton McMillan Architects and F N Thompson/Turner are in place for design and construction of the headquarters station and schematic design of the prototype bureau station

- Council and Commission approved transferring the existing LEC property to the County

- Design of the LEC is scheduled for completion in September 1994 Construction is scheduled to begin in November 1994 and should be completed in July 1996

- The design of the parking deck depends upon current negotiations with the County to secure additional funds for needed parking spaces

- The final evolution of the Bureau Station schematic design will depend upon joint exploration with the County of a City-County "Satellite Government Service Facility"

- This would be a joint use facility involving many City and County departments including the Police Department, Department of Social Services, Health Department, Mental Health Department, and Neighborhood Development Department

- The study of this concept and a recommendation on the tenants is scheduled to be completed by May 1 Adhering to this schedule should allow the Bureau Station or Satellite Government Service Facility to be completed at approximately the same time as the LEC and meet budget timetables for FY 1995

Budget Information:

- The LEC budget is currently $34,845,000, $21,250,000 of which is to be funded by Mecklenburg County The remaining $13,595,000 is to be funded by the City through the sale of Certificates of Participation (COP's)

- Expansion space on the second and third floors will be bid with the building and will be built if the budget allows

- The County has offered additional funding to increase the number of parking deck spaces associated with the LEC project This offer is currently being evaluated to determine how the funding can best be used to mutually benefit the City and the County's parking needs

- Bureau Station construction is budgeted at $4 75 M over FY 94 and FY 95

- Future Bureau Stations will be incorporated in the CIP

Future Council Action

February 14 Award of contract for site demolition

March 14 Approval of Central Headquarters Design Development

June 1994 Award of contract for site work

November 1994 thru January 1995 Award of various construction contracts

CITY COUNCIL RETREAT
ISSUE PAPER
COMMITTEE OF 100

Issues:

- Within the next few years, costs for operating Charlotte Transit, at present service levels, will require local revenue in addition to the amount now available from sales tax and the auto privilege fee

- There is not a community consensus on

  1) the level of bus service which the City should provide, or
  2) the effectiveness and efficiency of bus services currently operated

- There is not a consensus among metropolitan jurisdictions on

  1) the need for regional transit services,
  2) the way to pay for any services which are needed, or
  3) the way that these services should be operated

- There have been a number of groups and committees (Carolinas Transportation Compact, Mass Transit Partnership, Charlotte Trolley, Inc , etc) formed to discuss transportation issues over the past ten years, making it difficult to develop a unified vision

- There is interest in accelerating construction schedules of highways having regional importance such as the Charlotte Outer Loop and the US 74 Freeway/Expressway

Council Policy:

- On April 26, 1993, Council approved a strategic process for building community consensus on future transportation/transit needs

- On June 14, 1993, Council approved an implementation plan for this strategic process This implementation plan includes a broad-based citizens' committee (Committee of 100) to be assisted by metropolitan area planning staff and transportation and communications consultants The implementation plan includes a September 1994 completion date

What are we doing about it?

- The Committee of 100 held its initial meeting on September 30, 1993 The group, chaired by William Simms, has divided into 5 subcommittees focused on the following areas

1) Intergovernmental Roles and Finance
2) Environment and Trends in Transportation/Transit Technology
3) Land Use Development and Quality of Life
4) Transit Service Alternatives
5) Roads

- The Committee of 100 consolidates the efforts of the many transportation groups in the metropolitan area Members of these groups were appointed to the Committee of 100 to ensure broad representation The Committee of 100 includes persons from Charlotte-Mecklenburg, the towns within Mecklenburg County, the 20-mile ring cities, and the counties in which the ring cities are located

- On October 11, 1993, Council approved a contract with Barton-Aschman Associates to conduct an assessment of the City's transit services Barton-Aschman also will provide technical support to the Committee of 100

- The City has contracted with McConnell Creative to produce committee newsletters and other public information materials for the Committee of 100

Budget Implications:

- Council's June 14 action resulted in the appropriation of $200,000 for Committee of 100 expenses and the costs of consulting contracts Mecklenburg County will reimburse the City 50 percent of this cost

- The North Carolina Department of Transportation (NCDOT) is contributing an additional $50,000 toward the cost of the Committee of 100 work program

- The Committee of 100's recommendations for financing transportation improvements may have implications with regard to the City's current funding sources for roadway and transit programs

Future Council Actions:

- Periodic information updates as Barton-Aschman completes selected technical tasks

- Review of recommendations from Barton-Aschman on Charlotte Transit and Special Transportation Service operations in May 1994

- Consideration of Committee of 100 recommendations between April and September 1994 on

  1) Land use planning
  2) Types and levels of transportation services
  3) Financing
  4) Organizational Framework

CITY COUNCIL RETREAT
ISSUE PAPER

STATUS OF 2015 TRANSPORTATION PLAN

Issue:

- The Mecklenburg/Union Metropolitan Planning Organization (MPO) must adopt a new long-range plan for the metropolitan area by October 1, 1994

- The 2015 Transportation Plan must comply with final rules (issued on October 28, 1993 by the U S Department of Transportation) for implementing the planning requirements of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA)

Council Policy:

- On December 14, 1992, Council authorized the Mayor to sign a Memorandum of Understanding for cooperative, coordinated, and comprehensive transportation planning among the 14 jurisdictions composing the Mecklenburg/Union MPO

- As a party to this memorandum, Charlotte, along with the other signatories, assume responsibility for carrying out an urban transportation planning process consistent with USDOT requirements Charlotte and the other jurisdictions in the Mecklenburg/Union MPO must develop a long-range transportation plan to be eligible for Federal highway and transit funds

What are we doing about it?

- As members of the Mecklenburg/Union Technical Coordinating Committee (TCC), staff from the Charlotte Department of Transportation (CDOT), Charlotte-Mecklenburg Planning Commission (CMPC), and Engineering and Property Management Department began work on the 2015 Transportation Plan in June 1992

- Technical work on the 2015 plan is about 65 percent complete This includes travel simulation work associated with the fixed guideway study and the preliminary identification of needed transportation projects

- The TCC will incorporate recommendations and information from the Transportation/Transit Committee of 100 into the Mecklenburg/Union long-range plan

Budget Implications:

- Through development of the 2015 Transportation Plan, the TCC will identify highway and transit projects needed to accommodate projected growth

- Some of the projects recommended for implementation will likely be the City of Charlotte's responsibility

- Most of the $146 million from the 1987 and 1988 local road bonds has been spent, and the remaining funds are allocated through FY97 to roadway projects and programs Implementation of new transportation projects will require additional funds at the local level

Future Council Actions:

- Council will review the recommendations of the 2015 Transportation Plan in August and direct its MPO representative when the Plan is considered for adoption by the metropolitan planning group in September

CITY COUNCIL RETREAT
ISSUE PAPER
REGIONALISM

Issue:

As we continue to grow, we no longer can meet all our governmental demands for efficient services without actively cooperating with neighboring units of government

Council Policy:

Joint funding with Kannapolis, Concord, Mooresville, Gastonia, Rock Hill and Monroe of an annual $10,000 budget to support the Carolinas Urban Coalition The Coalition is an alliance of 20-mile ring cities that meet regularly to discuss common issues and/or problems that could be best dealt with in a regional framework

Furthermore, Council has instructed staff to address regional issues with neighboring cities and the towns in Mecklenburg County

What are we doing about it? (optional):

- "Committee of 100" for transportation
- CMUD meeting with S C , Cabarrus, Iredell and Union Counties for Utilities
- Urban Coalition meetings re crime, airport, transportation, etc
- Planning and administrative staff regularly meet with regional counterparts

Budget Implications:

- Annual appropriation of $4,000
- Cost sharing for regional projects
- Potential contracting with out-of-state and other N C counties for utility services

Future Council Actions:

- Decisions regarding regional water and sewer projects
- "Committee of 100" recommendations for regional transportation/transit initiatives
- Continued support for the Carolinas Urban Coalition

Background (optional):

In the past, the Regionalism Committee sponsored meetings between the Charlotte City Council and 20-mile ring cities at locations within the region Good relationships have been fostered by these meetings and maintained through the formation of the Carolinas Urban Coalition Mayor Vinroot and Councilmember Wheeler represent us by meeting with their counterparts from the 20-mile ring cities on a recurring basis

The Rock Hill express service and a federal grant for light rail have been specific examples of cooperation between Charlotte and South Carolina

Successful joint legislative lobbying for the restoration of local government revenues in N C occurred as a result of meetings between the Coalition and respective N C legislative delegation members

CITY COUNCIL RETREAT
ISSUE PAPER
ANNEXATION

ISSUE #1:

Issue

Eligible annexation areas which do not break even (expenses to revenues) in the 1st or 2nd year

Council Policy

All areas eligible for annexation are recommended to City Council without regard to potential revenue yield No area has ever been excluded on this basis

What are we doing about it?

The annexation eligibility studies are in process with the departmental budgeting and revenue forecasting phases to begin in March The Preliminary Annexation Report, which contains the economic analysis of each area, will be presented to Council at the first of September,1994

ISSUE #2:

Issue

Changes in City Council voting district boundaries to maintain population balance

Council Policy

City Council is required under one person, one vote ruling (Federal) to realign election districts in order to maintain the required population balance The realignment should consider the following points

- it should result in a population deviation of less than 10% between the largest and smallest districts,
- it should not dilute the voting strength of minority groups, and
- it should not unnecessarily divide a neighborhood

What are we doing about it?

The Voting District Realignment Study is normally conducted in May (1995) of the year the annexation becomes effective Council should adopt a realignment option by June, 1995 in order to meet the July filing date for Mayor and City Council

ISSUE #3:

Issue

How annexation areas impact the urban and suburban divisions of the consolidated police department

Council Policy

A policy has not been established at this time

What are we doing about it?

The Police issue will have to be addressed during the annexation departmental budgeting process in March, 1994

ISSUE #4:

Issue

Level of municipal services the City provides in newly annexed areas

Council Policy

All of the municipal services will be extended to areas proposed for annexation immeditately upon the effective date of annexation on substantially the same basis and in the same manner provided in the City, except for water and sewer Construction of the basic water and sewer system is completed within two years so that annexed residents/property owners have the opportunity to secure water and sewer service under the applicable policies Some City services, such as street lights, are initiated upon receiving a request from annexed residents/property owners The request will granted on the basis of evaluated need and funds availability

What are we doing about it?

The Official Annexation Reports, which are approved by Council, set forth the plans of the City for extending to the areas to be annexed each major City service performed within the City at the time of annexation

In addition to the "City Government & Services from A To Z" brochure, a special annexation information pamphlet which summarizes services available to City residents is mailed to all annexed property owners in June of the annexation year

Budget Implications

Budget issues will be addressed in the Preliminary Annexation Report in September, 1994

Future Council Actions

September 12,1994	Receive Preliminary Annexation Report
September 26,1994	Adopted Resolutions Of Intent for proposed areas
October 10,1994	Approve Official Annexation Reports
November 14,1994	Hold Public Hearings
January 9,1995	Adopt Annexation Ordinances for each area
May 22,1995	Receive Voting District Realignment Options
June 12,1995	Approve A Voting District Realignment For July Filing Date
June 30,1995	Effective Date Of Annexations

Background

In 1990, the UNCC Urban Institute at Council request conducted an analysis of annexation in Charlotte from 1979 to 1989 to provide information on fiscal impact of those annexations Copies of the study are available

CITY COUNCIL RETREAT
ISSUE PAPER
ROLLOUT GARBAGE COLLECTION

Issue:

Major Service Change Rollout Curbside Refuse Collection Service

- Reduction of twice-a-week refuse collection service, i e backyard and curbside, to once-a-week rollout collection service from the curb
- Reduction from a five day work week down to a four day work week, Increase in work hours from eight to ten hour work days
- Major reduction in the workforce
- City will provide rollout carts to 145,000 residences

Possible Change In Service Provided

- Possible change in service provider due to competitive bid for 25% of business

Council Policy:

On June 16, 1993, City Council approved the implementation of rollout refuse collection This entails elimination of twice-a-week refuse collection services from the backyard and the curb, and the introduction of a weekly rollout curbside collection service

The City Council also approved that 25% of the refuse, yardwaste and recycling collection services would be put up for competitive bid

City Council determined that the City would furnish 100% of the containers for implementation of the rollout refuse collection system

What are we doing about it ?

Temporary Employees

- Since July 1993, there has been a freeze on filling all permanent positions in the Sanitation Division The workload has been handled by hiring temporary employees

City Plans To Bid

- The City plans to bid for the business in the quadrant that the Council will put up for competitive bid

Communications Plan

- The City is developing a communications plan to educate citizens on the rollout service

Vehicles

- 26 of Sanitation's vehicles are being retrofitted to handle the rollout service
- 14 new automated vehicles are being purchased

Budget Implications:

The City will save $ 40 million in the General Fund over a 10 year period with the introduction of the rollout collection service

Future Council Actions:

Council Action to award bid for rollout carts

Council Action to approve the quadrant recommended for service by competitive bid

Council Action to approve the RFP for the competitive bid process

CITY COUNCIL RETREAT
ISSUE PAPER
EMPLOYEE COMPENSATION

Issue:

To provide quality service to citizens, we must be able to attract, retain, motivate and reward employees who are skilled and committed to the City and its citizens Employee compensation forms a partnership with employees and should be competitive in the labor market within the City's ability to pay

Council Policy:

The Mayor's Compensation Task Force recommended that City Council adopt a comprehensive philosophy of total compensation which incorporates direct pay, incentive pay and benefits Council accepted the Task Force's recommendation that the City's pay structures be simplified and focus on pay-for-performance and market competition and that the City develop an incentive plan self-funded from savings

What are we doing about it?:

- Installed Broadbanding pay plan for all non-public safety employees in August 1993 to simplify pay structures, link pay to employee contributions and allow flexibility to meet rapidly changing business needs/priorities

- Increased market data collection to assure competitiveness with other nonprofits and the private sector Data collected in 1993 found that City employees averaged 95% of the market median for their jobs prior to FY94 performance-based increases

- Currently working with Key Business Units to develop career development plans to encourage job stretch and growth and identify those employee development activities which add value to the organization

- Currently working with employee-driven focus groups in Police and Fire Departments on development of new Public Safety Pay Plans to come before Council during the annual budget process

- Developed a preliminary approach on incentive pay which incorporates concepts presented by the Mayor's Task Force Currently working with Executive Group on refining plan/ defining goals Plan is to be presented to Council for review in April Preliminary plan would be self-funded from savings and focus on achievement of business plan goals and the City's Core Values

Budget Implications:

- Market research for FY95 will not be completed for several months so it is difficult to assess the budget implications of the FY95 merit budget Also, the new Public Safety Pay Plans will have budgetary impact but this cannot be assessed until the plans are closer to completion

- The preliminary incentive plan would be self funded from savings and so would not increase costs, by Council policy, one-half of the savings from the plan would be returned to the taxpayer so there would be a positive budgetary impact

Future Council Actions:

- During late FY94, Council will adopt the FY95 merit budget and establish new Public Safety Pay Plans and an employee incentive plan

- In 1994, City Council will be asked to review the preliminary proposal for a total compensation philosophy and to approve a philosophy to address the purpose, use and mix of all forms of employee compensation

CITY COUNCIL RETREAT
ISSUE PAPER
EMPLOYEE AND RETIREE BENEFITS

Issue:
Employee benefit plans (along with employee compensation plans) are structured to provide employees with a total package which is competitive in the labor market and which provides adequate coverage for unexpected health, life and disability risks

Council Policy:
Effective for FY94, Council adopted recommendations of the Mayor's Compensation Task Force which state that the City's benefit system should support the following basic objectives

- To provide needed benefits that are reasonably competitive
- To provide benefits that are cost effective and cost shared where appropriate
- To offer benefits choices where appropriate and feasible

In support of these objectives, City Council acted to do the following

- Implement a managed health care plan for employees and retirees, with more cost sharing by employees and retirees
- Continue the existing retirement plans for employees

What are we doing about it?
- Evaluating market competitiveness by conducting surveys on benefits plan design and cost sharing This information will be used in developing FY95 benefits recommendations
- Negotiating the most cost effective arrangements possible with providers
- Strategically managing health care costs by reviewing claims data under the Point of Service Plan for employees and retirees to determine cost effectiveness and necessary recommendations for FY95
- Monitoring the impact of proposed federal legislation on health care reform as it quite possibly will have major implications for active employees as a group and retirees as a group
- Developing recommendations regarding how much future retirees will pay for health insurance Recommendations will be provided to Council soon

Budget Implications:
The managed care plan was implemented effective September 1993 Because of the relatively short period of time which the plan has been in effect, we are unable to identify impacts at this point Claims experience for FY93 was very positive, and based on the first six months experience of FY94, we are well within budget projections

Future Council Actions:
Unable to determine at this point

CITY COUNCIL RETREAT
ISSUE PAPER
CUSTOMER SERVICE INITIATIVES

Issue:

Develop and implement excellent customer service and relations throughout the City organization, including a centralized service center The goal is offering the public easy and convenient access to all City services

What are we doing about it?

- Providing customer service awareness and skill training to all employees
- Planning to offer extended hours in key public service areas such as the Customer Service Center, the Billing Center, Transportation Public Service, and Solid Waste Services Customer Service
- Implementing city-wide customer service and relations guidelines and initiatives
- Establishing city-wide customer comment cards, and survey guidelines
- Preparing to offer additional utility bill payment methods, such as bank drafts
- Implementing an IVR system - interactive voice response This system increases access to local government through a new city/county, 24 hour/day, interactive, public information system The system will provide customers with convenient, accurate and up-to-date information using their touch tone phone Each customer will have a menu of the available message choices
- Marketing the Customer Service Center through various medias
- Preparing to work with Southern Bell to format the telephone book government section "Blue Pages" so that they are easier to understand
- Researching how the City may provide access to services for non-English speaking customers
- Participating in the design of the proposed Westside Police Bureau Station to ensure that the necessary customer services are provided at this remote location Such services would include water/sewer billing inquiries and payments, neighborhood services, employment opportunities, and being able to provide general information and answer inquiries on city services

Budget Implications:

- Potential reallocation of existing resources
- The continued enhancement of technology, especially computer and telephone systems integration These technical enhancements will establish a better link between the Customer Service Center and the Key Businesses, which in turn will continue to improve our customer response

Background:

The Customer Service Center

- Established in October 1992 with the reallocation of existing resources, both employees and budget dollars as a result of Rightsizing
- Currently operates Monday - Friday, 8am - 5pm, voice mail after hours, weekends and holidays
- It is a central source of information for all customer needs - citizens and employees
- Maintains a cross-referenced, computerized listing of over 2500 City, County, State, Federal and Non-profit organizations service, addresses, contacts, and phone numbers
- Handles inquires, complaints, suggestions, compliments, service requests, forms, permits, applications, etc
- 85% of the calls are answered within 30 seconds, an industry standard
- Average 10,000 monthly customers - 65% by phone, 35% walk-in customers
- The Center is the first point of contact for Storm Water Services, 336-RAIN

CITY COUNCIL RETREAT
ISSUE PAPER
Communication Strategy

Issue:
In the Fall, 1993, key City of Charlotte constituencies participating in benchmarking research concluded that the City needs to communicate more effectively with all of its audiences, internal and external In a survey of community leaders, 96% indicated that communications with citizens is very important or somewhat important

The benchmarking research consisted of
- interviews with all Key Business Executives
- interviews with members of City Council
- interviews with members of the local media
- interviews with community and neighborhood leaders
- survey of over 200 community leaders
- survey of over 400 employees

Council Policy:
Support open communication with citizens and employees in a way that provides opportunities for input into the governing process and keeps people informed on issues and initiatives facing City government

What are we doing about it?
- Developing internal and external communications strategy designed to bring greater efficiency and effectiveness to the City's communication efforts by focusing on priority messages, selecting the appropriate message vehicles and increasing opportunities for two-way communication with citizens and employees
- In particular, the communication plan establishes priorities for
  - educating and informing citizens about the roll-out garbage collection program
  - supporting City's Community Safety Plan with information campaigns
  - providing opportunities for citizen's input into the governing process
  - developing and maintaining effective employee communications which builds understanding, acceptance and support for City initiatives
  - supporting City's customer service efforts
  - providing citizens with information they desire in areas of how money is spent, how to access services, long-term planning, crime control, taxes and what issues are up for discussion/decision

Budget Implications
- Potential reallocation of existing resources
- May request some additional funding for consulting services, radio spots, Government Channel programming

MOVING FORWARD TO COMPETE

FEBRUARY 4, 1994

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COMPETITION UPDATE - FEBRUARY 1994

The points of action listed below outline what has been done and what the City is doing to implement increased public/private competition for the delivery of City services:

- May 1992 - Mayor's Privatization Task Force is formed to evaluate services and facilities provided and managed by the City and to determine whether they could be delivered more effectively and efficiently by the private sector.

- June 1993 - After one year's work, the Mayor's Task Force submits its final report identifying 17 current activities for consideration for full or partial contracting.

- August 1993 - An internal "Competition Steering Committee" is organized by the City consisting of top level managers to help expedite competition by learning from other successful competition cities, to lay the groundwork for the development of competition policies and procedures, to help develop an internal service costing methodology for bid preparation, to identify internal impediments to being competitive with the private sector, and to begin focusing in on identifying the first services to offer for competition.

- September 1993 - Landscape Management Services, Special Transportation Services (STS) and Employee Medical Services are identified by the Steering Committee as the first competition areas, joining Solid Waste collection which was selected by City Council during the FY94-95 Budget discussions.

- October 1993 - City Council adopts the policy and goals for service contracting and asset management.

- October 1993 - The Competition Steering Committee meets with Phoenix city officials and management, pioneers in public/private competition since 1979, to learn about their successful program.

- November 1993 - City Council adopts the charge and the composition of the Privatization/Competition Advisory Committee.

- December 1993 - The Competition Steering Committee begins benchmarking City contracts with an internal survey to determine citywide what services are being contracted and in what amounts. An internal team is established to begin work with Solid Waste in developing the automated curb-side bid document, service standards and performance measures. A second multi-departmental team is formed to review costing alternatives for City services and to recommend a method that can be used by all departments when preparing bid proposals for competition.

- January 1994 - Announcements for the Privatization/Competition Advisory Committee will be made in January 1994 with appointments in February 1994.

PRIVATIZATION/COMPETITION POLICY
Approved October 25, 1993

SERVICES CONTRACTING

Policy Statement for Services Contracting

The City Council will evaluate whether an individual City service should be considered a "public" or "private" service. If the Council determines that a service is a public service (involving a Citywide standard of service, determined and administered by the City and paid for by a tax or governmental levy) the following policy shall apply:

> In evaluating the most efficient and effective way to provide public services, the City shall use a competitive process in which private service providers are encouraged to compete with City departments for the opportunity to provide such services, and in which the option of delivering services through public employees and departments must be justified through the competitive bidding process. The City shall encourage the provision of public services through contracts with private service providers, wherever this offers the lowest cost, most effective method of service delivery consistent with service level standards and other adopted City policies.

Goals for Services Contracting

1. The City Council wishes to provide the highest quality services at the lowest cost, whether provided by City forces or by the private sector.

2. Current contracts for services will be reviewed to ensure that existing private service providers are being held accountable and are providing effective and efficient services as specified by individual contracts. This review may result in placing a service out for competitive bidding again, with the City also submitting a bid for doing the work.

3. The City Council will systematically assess current City services to determine the appropriate level of service to be provided, whether by City forces or by contract with the private sector.

4. The City Council will assess the relationship of a service being considered for competition with other Council priorities and policies. Council will use this assessment to determine whether the services will be subject to competitive bid and in what amount, and to determine any special provisions which may need to be included in specifications to address other Council priorities and policies.

5. Efforts should be made to minimize the impact on current City employees affected by competition. Each competition recommendation should include an assessment of the effect on employees and recommendations for handling any negative impact.

6. The City Council will make an assessment of how to best provide a "level playing field" for the City and all potential private service providers. This assessment will include defining the public values of City services and how those values will be addressed in the bid process and specifications.

ASSET MANAGEMENT

Policy Statement for Asset Management

In seeking to maximize the City's return from its current and future asset portfolio, the City will aggressively manage these assets. Maximizing the City's return will include pursuing alternative ownership/management strategies which optimize the benefits of private ownership (tax revenue streams, and eliminating public costs associated with ownership) while meeting the City's public policy objectives.

Goals for Asset Management

1. The City will evaluate various levels of asset privatization for all new capital projects as it plans, builds, or acquires additional public facilities and assets.

2. The City will manage and maximize its existing portfolio of assets by (in order of priority):

   - Selling or donating non-buildable parcels (land that is too small to meet the minimum building code requirements for the zoning on that parcel)

   - "Packaging" and marketing existing property for sale

   - "Packaging" existing property for current or future "public purpose" use

   - Reviewing alternative ownership/management options

3. The City Council will balance the benefits of the sale of any of its assets with other Council policies and goals.

PRIVATIZATION/COMPETITION ADVISORY COMMITTEE
Approved November 22, 1993

Charge

1. The Committee shall monitor the progress of the City in implementing services contracting and asset management, recommend services and assets to be considered for competition and privatization, and will advise on ways to improve current contracted services with service delivery problems.

   The Committee will prepare an annual report to City Council.

2. The Committee shall assist and advise the City on issues in implementing the goals and processes adopted by City Council of:

   -services contracting
   -asset management

   This may include review of requests for proposal, cost comparison methodologies, bid processes, etc.

3. The Committee shall be an advisor to both the City Council and the City Manager on matters regarding privatization and competition, in general. They will review the existing legal system for contracting and may develop and recommend local legislation to modify such systems.

4. The Committee shall be a resource regarding concerns about the fairness of any bidding processes. As a result, they may be asked to review bid proceedings and hear grievances from parties involved.

Composition

Proposed Size:	Nine members
Appointments:	Committee Chairman and one member appointed by the Mayor. Other members appointed by City Council.
Terms:	Two-year staggered terms, each member being limited to two consecutive terms.

Composition: The Mayor and City Council should appoint individuals who will maintain objectivity throughout implementation. Members must consider the interests of citizens, the business community and current City employees. The Committee should be comprised of individuals that will focus on internal (e.g., process, specifications, cost) as well as external (e.g., quality customer service, impact on City employees) issues.

The Committee should be comprised of individuals knowledgeable about management, accounting, human resources, marketing and customer service. Representative skills may include some or all of the following: work management and specifications, cost accounting, customer relations, performance measurement and analysis, employee relations, quality assurance, asset divestment, and procurement and bidding processes.

Reason Foundation

PRIVATIZATION CENTER

JANUARY 1994 HOW TO GUIDE #11

RIGHTSIZING GOVERNMENT: LESSONS FROM AMERICA'S PUBLIC-SECTOR INNOVATORS

by William D. Eggers

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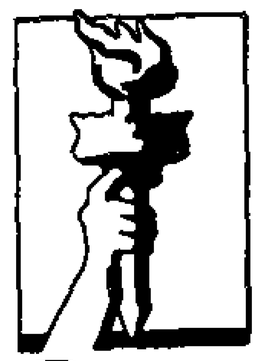
City of Philadelphia

E S Savas,
Baruch College,
City University of New York

Charles "Skip" Stitt,
Dir of Enterprise Services,
City of Indianapolis

Ron Utt,
Managing Director,
Novecon



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RIGHTSIZING GOVERNMENT: LESSONS FROM AMERICA'S PUBLIC-SECTOR INNOVATORS

by
William D Eggers

EXECUTIVE SUMMARY

State and local governments now face a series of unprecedented challenges budget deficits, bloated workforces, decaying infrastructure, shrinking tax bases, citizen opposition to new taxes, and taxpayer-imposed tax and spending limitations

A new breed of public-sector managers, inspired by the successful streamlining of American business are trying to meet these challenges—not by increasing taxes or government spending—but by fundamentally transforming government through a process called *rightsizing*

Rightsizing means establishing clear priorities and asking questions that successful companies regularly ask, such as If we were not doing this already, would we start? Is this activity central to our mission? If we were to design this organization from scratch, given what we now know about modern technology, what would it look like?

A roadmap to rightsizing government would include these six key strategies

Competition. "Opening up city hall to the competitive process must be the fundamental aspect of change," says Indianapolis Mayor Stephen Goldsmith Since taking office in January 1992, Goldsmith has shifted over 50 government services into the marketplace by making city departments compete with private firms to deliver public services Savings $28 million annually

Activity-Based-Costing (ABC). Few governments know how much it costs to deliver most public services Without such data, it is impossible to know if city costs are competitive with those in the marketplace or how scarce tax dollars could be best allocated to serve citizens

By attaching explicit costs to individual activities, and measuring the costs versus the efficiency and effectiveness of service outputs, ABC systems can provide an important tool for controlling costs and increasing productivity in the public sector ABC brings to light costs which previously were hidden allowing managers to determine where they need to get costs down ABC systems also lead to more accurate cost comparisons between in-house and contracted services when governments bid out services

Entrepreneurial, Performance-Based Budgeting. Government typically rewards managers for poor performance if crime goes up, police departments receive more money, if student test scores go down, the schools are given more cash Poor outcomes lead to more inputs, rather than an improved process

A number of political leaders are changing these perverse incentives by overhauling the annual budget process Milwaukee's new budget is "performance-based" success is measured according to outcomes, not inputs Managers submit five strategic objectives and are held accountable for achieving these outcomes Rather than measuring the number of road crew workers, for example, the Road Maintenance Department is judged according to the smoothness of the streets

For performance budgeting to work, mayors and governors must hold the line on spending by freezing or capping budget allocations to each department Capping spending growth helps create a culture where managers see their purpose as maximizing their accomplishments with available resources rather than trying to grow their budgets

Focusing on Core Businesses. Across the country, governments operate all kinds of enterprises and programs far removed from the central missions of government Does the city of Dallas really need its own classical radio station? Should New York City be operating off-track betting parlors? In order to provide high quality basic public services, governments should concentrate on doing fewer things better

Some noncore services—such as zoos, museums, fairs, remote parks, and some recreational programs—can be turned over to nonprofit organizations Other city assets—such as airports, water systems, utilities and parking garages—can be sold to the highest bidder All over the world, such enterprises are being privatized, allowing governments to turn physical capital into financial capital

Reengineering. In the private sector, companies are saving millions of dollars and increasing productivity by radically rethinking and redesigning work processes This practice, called reengineering, helped Union Carbide cut $400 million out of its fixed costs in just three years

If pursued aggressively, reengineering could lead to dramatic productivity gains in the public sector For example, installing document-imaging technology—whether in the courthouse, police station or welfare office—can eliminate the need to store millions of paper files Dallas expects to realize significant space savings and handle court document requests with 10 fewer employees a year through document imaging Yearly savings $250,000

Reorganizing Work Structures. Government's organizational structures, management systems, and job classifications also need to be reinvented Rightsizing governments are tearing down rigid hierarchies and replacing them with flatter, leaner, and more flexible structures They are organizing employees into self-managing work teams focused on their customers rather, and empowering them to make many decisions independently of department directors

These rightsizing strategies and others are being employed by America's leading public-sector innovators to fundamentally transform government They represent the cutting edge of government innovation, and hopefully, the future of state and local government

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INTRODUCTION

A series of unprecedented challenges—the fourth year of a recession-induced severe fiscal crisis, strong citizen opposition to tax increases, and growing unfunded federal mandates—are causing real pain for state and local governments

By compelling governments to change, these challenges also provide opportunities By forcing governments to streamline, the fiscal pressures can have a positive long-term impact on government finances, efficiency, and organization The most stunning example has come from Philadelphia Under the leadership of Mayor Edward Rendell, Philadelphia—once nearly bankrupt—has eliminated a $208-million deficit without raising taxes Says Joseph Torsella, Philadelphia's former Deputy Mayor for Policy and Planning

> *We are lucky we had such a terrible fiscal crisis in Philadelphia It was an opportunity for the city By making people understand that change was absolutely necessary and could no longer be avoided, in the long run, the crisis will be one of the best things that happened to Philadelphia* [1]

Philadelphia is not the only government that has chosen to tighten its belt rather than increase taxes in the face of the fiscal crisis Across the country, innovative governments are undertaking fundamental changes [2]

- **Charlotte**, North Carolina now has fewer General Fund employees per capita than in 1970 Over 400 positions have been eliminated in the last three years, saving the city about $8 million a year
- Between 1988 and 1992, the city of **Corvalis**, Oregon reduced its budget 24 percent in real terms, allowing it to cut property taxes by 5 6 percent
- In the first 21 months of his administration, **Massachusetts** Governor, William Weld decreased the number of state employees from 49,750 to 42,864, a 13 8 percent decrease
- **Milwaukee** has cut property taxes each of the last five years and kept spending increases below the rate of inflation
- In two years, **Indianapolis** has erased an $18-million budget gap and at the same time launched a $500-million capital improvement program Instead of increasing taxes, Indianapolis has increased productivity the number of budgeted city employees was cut from 5,140 in fiscal 1991 to 4,329 in fiscal 1994—with no service reductions

How have these governments been able to do it? Though each has embraced change in its own way, they have all fundamentally altered their organization's structure, priorities, and service delivery This reorientation of government is called "rightsizing "

What is Rightsizing?

Rightsizing is a mission-driven process of continuous improvement It requires government officials—with community input—to formulate a strategic vision for city hall or the state, including a plan for the future [3] In rightsizing, public leaders establish clear priorities and ask questions that successful companies regularly ask, such as

- If we were to design services anew, what would they look like?
- If we were not doing this already, would we start today?

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1 Interview with Joseph Torsella, June 7, 1993

2 Although most of the examples from this study are from cities, the rightsizing strategies outlined are also applicable to state government

3 Gerald Seals, "What is Rightsizing?," unpublished paper, Greenville County, South Carolina

- If we were to recreate city hall or state government today, given what we now know and given modern technology, what would it look like?

Rightsizing governments focus funding on core functions, deliver these services more efficiently, abolish unnecessary work, and reduce or eliminate nonpriority programs

Rightsizing Versus Downsizing

Rightsizing is sometimes thought of as a polite term for downsizing This is incorrect Downsizing, usually coming in response to a fiscal crisis, tends to consist mostly of across-the-board spending cuts and employee reductions

Downsizing in the public sector often amounts to little more than a short-term budget-balancing fix As with a starvation diet, cutbacks are usually undone as soon as tax revenues begin flowing back into government coffers Moreover, across-the-board spending cuts provide little guidance about what services government should deliver in the first place or how they should be delivered

Rightsizing may include downsizing For instance, to ensure that all agencies—including those usually exempt from efficiency improvements like police and fire—trim some fat from their budget, some governments make downsizing the first step in the rightsizing process * However, to ensure lasting change in government, downsizing needs to be followed up with an aggressive rightsizing, restructuring program

* Penelope Lemov, "Tailoring Local Government to the 1990s," *Governing*, July 1992, pp 29–32

A review of rightsizing programs around the country reveals dozens of rightsizing techniques [4] Most of these techniques fall into six categories These constitute a **Six-Plank Program for Rightsizing Government**

#1 Injecting Competition into Public Services
#2 Activity-Based Costing of Government Activities
#3 Entrepreneurial, Performance-Based Budgeting
#4 Focusing on Core Businesses
#5 Reengineering Government Processes
#6 Restructuring the Organization of Government

Integrated into a comprehensive rightsizing program, these six strategies can provide public officials with a powerful set of tools to dramatically transform government by cutting costs, increasing efficiency, shrinking the workforce, and improving the quality of services

PLANK #1: Injecting Competition into Public Services

Opening up city hall to the competitive process must be approached as the fundamental aspect of change in order for a city that is successful to stay successful

—Indianapolis Mayor Stephen Goldsmith[5]

[4] For a listing of 37 rightsizing strategies see, Frank Benest, "Rightsizing for Local Governments," Innovations Group, Tampa, Fl, 1992

[5] "Moving Municipal Services Into the Marketplace," speech to the Carnegie Council, New York City, November 20, 1992

Introducing markets and competition into government wherever possible is the most important component of a rightsizing plan Absent enduring competitive pressures, other elements of a rightsizing program are likely to fall prey to the powerful weight of bureaucratic inertia

In the private sector, competition drives companies to cut costs and increase innovation in order to deliver the highest quality products at the lowest possible prices The public sector—usually thought of as a monopoly service provider—is insulated from such competitive pressures With no direct negative consequences for failing to achieve desired outcomes, the public sector lacks any strong incentives to institute the fundamental changes required to dramatically cut costs and increase efficiency The result a lack of innovation and continually rising public-sector costs

By opening up public services to competition from private providers, public officials assure that taxpayers are getting the best value and best quality services for their money

The evidence that competition in public services can spur lower delivery costs is overwhelming A number of independent governmental and academic studies looking at the effect of competition on service delivery have found it to generate cost savings in the range of 20 percent to 50 percent [6]

Table 1

COST SAVINGS FROM COMPETITION

City	Cost Savings
Indianapolis	
Printing	47%
Microfilm	61%
Chuck hole filling	25%
Philadelphia	
Water Dept Billing	50%
Custodial City Hall	33%
Street Maintenance	50%
Chicago	
Custodial Services	33%
Cable Casting	83%

Source Reason Foundation

Savings of this magnitude are prompting public officials throughout the country to expose government to the light of competition through a variety of methods

- Competition between in-house units and private providers,
- Competition limited to private providers, and
- Vouchers given to citizens to freely select producers in the marketplace

A. Direct Public/Private Competition

For over a decade the **Phoenix** public works department, under the leadership of Department Director Ron Jensen, has required city units and private firms to compete to deliver a variety of public services In 1978, garbage collection became the first service opened to competitive bidding Initially, private trash haulers were able to win all of the contracts It took the public works department several years before it became competitive with the private firms During this time, a new accounting system was brought into track costs, new trucks were purchased to reduce crew size, and a suggestion program offering up to $2,000 for cost-saving ideas was implemented By the early 1980s, municipal workers were regularly winning contracts—18 out of 51 contracts put out to bid Competition has saved the city over $25 million [7]

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[6] John Hilke, "Cost Savings from Privatization A Compilation of Study Findings," Reason Foundation, *How-to Guide* No 6, March 1993

[7] David Graham, "Phoenix is Beacon of Trash Collection," *The Flint Journal*, April 25, 1993

Currently, the most comprehensive competition program of any large city in America exists in **Indianapolis** Since taking office in January 1992, the administration of Mayor Stephen Goldsmith has identified over 150 competition opportunities, and over 50 government services have already been shifted into the marketplace [8]

Already, this competitive process is resulting in about $38 million in annual cost savings to the city [9] Savings have averaged 25 percent in the half-dozen cases when city units beat out private firms in the bidding process Services opened up to competition include trash collection, printing, equipment maintenance, municipal golf courses, street repair, and wastewater treatment operation

Philadelphia. Mayor Rendell is also aggressively pursuing a competitive process for delivering city services Since October 1992, 13 services have been exposed to competition and another 16 services are in the pipeline Competitive bidding is saving the city $16 4 million annually Dozens of other candidates have been identified, including the city's entire water operation and management information system City officials expect the number of services put out to bid to climb past 100 by 1995 [10]

Cost savings from competitive bidding are averaging 40-50 percent [11] Moreover, the threat of privatization is having a ripple effect across city government To avert privatization, in-house units are discovering ways to save 20 to 30 percent from their previous costs Says Mayor Rendell

> *The knowledge that your department can be bid out is an enormous motivating factor Ironically, privatization is the most effective way we know to restore productivity and the taxpayer's faith in government* [12]

Support Services. Internal support services that serve other government units, such as computer repair and copying, can also be exposed to market forces Called "internal markets" in the private sector, this management technique requires every business unit within a corporation to operate as an independent firm, deciding whether to purchase input supplies from other departments of the corporation or from outside suppliers [13]

The logic behind internal markets is that large private corporations have many of the same characteristics as bloated government bureaucracies Says MIT professor emeritus Jay Forrester, "They have central planning, central ownership of capital, central allocation of resources, and lack of internal competition "[14] Proponents of internal markets believe the only way to get employees—in the public or private sector—to act like entrepreneurs is to expose them to the same competitive forces that drive real entrepreneurs in the marketplace

In the public sector, the city of **Milwaukee** has introduced internal markets into some city services to push support service units to lower costs and become more competitive The city's Internal Service Improvement Project (ISIP) allows city departments to purchase six different internal services from private firms, instead of city departments, if they can obtain a lower price and/or better quality

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8 Interview with Charles "Skip" Stitt, director of Enterprise Development, City of Indianapolis, October 4, 1993

9 Interview with Charles "Skip" Stitt, director of Enterprise Development, City of Indianapolis, September 30, 1993

10 Interview with Linda Morrison, city of Philadelphia, September 30, 1993

11 *Ibid*

12 Nancy Hass, "Philadelphia Freedom," *Financial World*, August 3, 1993, p 36

13 Michael Rothschild, "Coming Soon Internal Markets," Forbes ASAP, June 7, 1993, p 19

14 *Ibid*

Rather than setting rules and guidelines for improving the quality of their services, the ISIP program essentially says to city units, 'If you want to survive, you must become competitive ' The program, launched in 1992, has already produced results Some departments are cutting costs and obtaining better quality services by contracting with outside vendors This has spurred the internal units to make dramatic changes and operate efficiently The building maintenance division, for instance, is doing customer surveys and beginning to come in with lower bids than private firms

B. Making Competition Work

In the long run, to be competitive with private firms, government units will have to be relieved of many regulations and bureaucratic procedures that decrease their productivity For instance, a road maintenance crew in Indianapolis—now exposed to competition—complained that it took a week to get supplies from the city's purchasing department, while private firms can be confident of receiving necessary supplies the next day Unless government units are given more autonomy when governments institute competition, they are being forced to operate in both worlds—the entrepreneurial and the bureaucratic

In addition, workers and managers may be unprepared for a competitive environment Training in structuring bids, writing business plans, developing unit costs, and putting the bid package together can give them the tools needed to make the transition to competition [15]

At the same time, competition must have real consequences if it is to induce lasting change If a government unit competes and loses in the bidding process to a private firm, it should be disbanded and the employees shifted to other work [16]

C. Private-Sector Competition

Instituting a systematic competitiveness program doesn't mean it will always be appropriate or worthwhile to let government units bid on every service There may be a number of reasons why a public manager may want to limit competition to private-sector bidders for certain services

- the service may require specialized expertise,
- there is adequate, sustainable competition in the private sector,
- for new or expanded services, city officials may not want to finance the large start-up costs necessary for new equipment and training personnel, or
- city officials may want to reduce liabilities and the size of the city payroll

In addition, a mayor or governor may simply want government to get out of delivering certain services so resources and management attention can be focused elsewhere Almost two years after launching his competition program, for instance, Indianapolis Mayor Goldsmith thinks that rather than letting city units compete for every service, a better approach may be to take the 20 percent of services farthest from city hall's core activities and competitively contract them out to the private sector and then let city units compete for the remaining 80 percent of services [17]

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15 John O'Leary and William D Eggers, "Privatization and Public Employees Guidelines for Fair Treatment," Reason Foundation Privatization Center *How-To Guide* No 9, September 1993, p 11

16 For an extensive review of strategies for implementing competition, see E S Savas, *Privatization The Key to Better Government* (Chatham, N J Chatham House Publishers, 1987), pp 255-273

17 Answer to audience question in speech at Tahoe Summit on Privatization conference, Incline, Nevada, February 11, 1993

D. Vouchers

The most effective and appropriate way to inject competition into some public services—especially "soft services" like housing, job training, and health and social services—may be to issue vouchers to recipients so they can choose their own service providers In addition to providing greater freedom of choice, vouchers bring consumer pressure to bear, creating incentives for consumers to shop around for services and for service providers to supply high-quality, low-cost services

Vouchers have been used primarily by local governments for services to low-income residents such as day care, paratransit services, recreation services, cultural activities, drug treatment programs, housing, and job training [18] Food stamps also represent a voucher system

PLANK #2: Activity-Based Costing (ABC)

> *Activity-Based Costing is the first step in deciding which businesses the city wants to or should provide to the citizen and defining core, versus ancillary activities* [19]
>
> *—Bridget Anderson, KPMG Peat Marwick Management Consultant*

Few governments know how much it costs to fill a pothole, do a building inspection, or to clean out the sewers In fact, most governments don't know how much it costs to deliver most public services [20] Without such data, it is impossible for public officials to answer important managerial questions such as

- Is this a good use of tax dollars?
- Are government costs competitive with those in the marketplace?
- How could scarce tax dollars be best allocated to serve our citizens?[21]

A number of years ago, some private companies began addressing their own problems involving the lack of good cost data by introducing new accounting systems to capture the true, "fully loaded" costs—direct, indirect and overhead—of delivering a product or service Usually called "activity-based costing" (ABC) or "full-cost accounting," such systems define input, output, and cost per unit data They account for every hour of work, each piece of equipment, as well as all capital, facility, and overhead costs of an organization [22]

According to Bridget Anderson, there are four main components of ABC systems [23]

- *Activities* Defining what tasks are performed by the organization
- *Drivers* The technique used to allocate activity costs to outputs
- *Outputs* The final results or outcomes
- *Consumption* The degree to which each activity should be allocated to each output

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18 Savas, *Privatization*, p 79

19 Bridget Anderson, "Performance Accountability System Identifying Services and Costs," Government Services Newsletter, KPMG Peat Marwick, Vol 10, No 3, May 1993

20 The primary exception is those services that are fully supported by user fees

21 Anderson, *Performance Accountability System*

22 Memo from Indianapolis Mayor Steven Goldsmith to Department Directors, January, 1993

23 *Ibid*

By attaching explicit costs to individual activities, and measuring the costs versus the efficiency and effectiveness of service outputs, ABC systems have proven important tools for controlling costs and increasing productivity in the private sector ABC brings to light costs which previously were hidden allowing managers to determine where they need to get costs down (see figure below for a step-by-step approach to implementing ABC)

Five-Phase Approach to Activity-Based Costing

Phase I — **Define project objectives and establish department activities and outputs.**
This first phase focuses on a familiarization with department operations, personnel, and means of quantifying data The most effective means of identifying activities and outputs, which serve as the foundation for the ABC model, are determined

Phase II — **Collect and analyze appropriate cost and allocation methods.** In this phase, relevant cost information is collected Then, appropriate cost drivers for the activities defined in phase I are developed and the most effective means of measuring departmental outputs are determined

Phase III — **Collect the remaining current direct and indirect cost information.** The most probable activity cost pools are personnel costs, direct materials, vehicles and equipment, fixed asset and facility costs, and administrative overhead.

Phase IV — **Develop an ABC model.** Using the information in the first three phases, an ABC model is developed that is used to drive the activity cost pools to each output.

Phase V — **Summarize cost information and expand the departments' capabilities to include continuing use of the ABC model.** In order for the ABC model to be utilized most effectively, a training session is held to assist department personnel in understanding how to use the ABC model on an ongoing basis

Source KPMG Peat Marwick, *Government Services Newsletter*, May 1993, p 9

With a few exceptions, activity-based costing has not been widely utilized in the public sector [24] This is beginning to change as governments discover several important uses for ABC These are

A. ABC identifies all the services city hall provides and details what each service costs.

Detailed cost information is crucial to providing government managers with the necessary information to be able to optimally allocate their limited set of resources Once the full costs of performing a certain function are known, a government executive may decide that the costs of performing a certain function are greater than its value to the taxpayers and that the government should discontinue that activity

After going through ABC, and having its full costs loaded on to its budget, Indianapolis' Advanced Wastewater Treatment Plant determined it no longer needed to operate a video conferencing center

[24] Milwaukee is a notable exception Since the early 1980s, the city has had in place a fairly sophisticated computerized costing system Other cities that have utilized one form or another of full-cost accounting include Sunnyvale, Calif , Visalia, Calif , and Phoenix, Ariz

B. ABC leads to accurate public/private cost comparisons.

Without instituting ABC, opening up city services to competition may result in flawed comparisons of public and private delivery costs By excluding indirect costs such as fringe benefits, facility costs, management/oversight, and utility and pension costs, cost comparisons tend to unfairly favor government delivery A study of 68 cities found that cities on average underestimated their true costs of service delivery by 30 percent [25] By adding up the full costs of government delivery, ABC systems eliminate this problem and put public units and private firms on equal footing when competing to deliver services

C. ABC can lead to cost savings.

By exposing the full costs of performing each function of city hall, ABC can assist managers with discovering and eradicating inefficiencies in their departments

ABC can also reduce costs by stimulating healthy competition between government units For example, if it is costing one city street crew much more to fill potholes than the other city crews, there is no way this can be concealed The exposure creates powerful incentives to reduce costs

By going through ABC, Indianapolis discovered that the cost for snow plowing in one district ($117 per mile) was almost three times greater than in another district ($38 per mile) [26] ABC helped the managers and workers determine that the higher cost district had an inefficient mix of supervisors and workers and had no control over its materials

Case Study: Activity-Based Costing Works in Indianapolis

Among big cities, Indianapolis has moved the furthest to institute activity-based costing across city departments According to Mayor Goldsmith, by adopting activity-based costing, "all sorts of wonderful things occur It is the door by which competition and privatization have been opened up "

The first service to undergo ABC was pothole repair in which a city department was competing for a contract In order to bid on the service, the department had to determine how much it really cost to fill a pothole

The Transportation Department crew and their union approached Mr Goldsmith recognizing that overhead would drive up their costs They complained, "there are 92 of us truck drivers and 32 supervisors above us We can't compete if you are going to attribute their salaries into our costs of doing business " The crew asked the mayor to reduce the overhead burden The Mayor acknowledged that the crew was right, and many of the 32 supervisors were layed off

The crew also discovered they could fill potholes with four workers rather than eight and, one truck instead of two The city crew eventually came in with a bid thousands of dollars under the closest private bidder, saving the city 25 percent from its previous costs

Source William D Eggers, "City Lights America's Boldest Mayors," *Policy Review*, Washington, D C , Summer 1993

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[25] Savas, *Privatization*, p 259

[26] For more details, see upcoming Reason Foundation *How-to Guide*, "Developing Performance-Based Budgets for Government," by Mark Abramson, March 1994

D. ABC assists government managers in setting appropriate levels of user fees.

The user fees governments charge citizens or other governments for various services often fail to correspond to the true cost of providing the service The result the general fund ends up subsidizing user fee-funded activities or vice versa In Corvalis, Oregon, ABC exposed utility rates to be higher than operating costs, meaning utility users were subsidizing the city's general fund The result the city reduced its utility rates [27]

PLANK #3: Entrepreneurial, Performance-Based Budgeting

> *The budgeting process must be used as a lever (to rightsize) government It is the most important lever available to a mayor or city manager*
>
> *—Anne Spray Brooker, Director of Administration, City of Milwaukee*[28]

In the public sector, the budgeting process typically unintentionally rewards managers for decreasing productivity If crime goes up, the police department gets more money If test scores go down, the schools are given more cash Poor outcomes lead to more inputs, rather than an improved process (this phenomenon is also sometimes present in the private sector)

Consider Westminster, California The Police Department was proud when it came in $400,000 under budget in 1992 But when the Fire Department ended up $400,000 *over* budget, city officials reacted by taking funds away from the police department and giving it to the fire department The Westminster Police Department learned that in government, efficient performance and high productivity often get penalized [29]

One way governments are attempting to change these paradoxical incentives is by transforming their budgets These new budgeting strategies go by names such as "expenditure control budgeting," "performance budgeting," "results-oriented budgeting," and "mission-driven budgeting " While differing in their details, the central objectives of each of these budgeting strategies are the same These are

- Central control of the growth of *total* spending,
- Decentralized control to department managers of the authority for *specific* spending, and
- Increased *accountability* for performance [30]

Because the main emphasis is on getting department managers to act more entrepreneurially and measuring programs by their performance, as a shorthand, these budgeting strategies can be called "entrepreneurial, performance-based budgeting "[31]

Entrepreneurial, performance-based budgeting shifts the focus of the budgeting process from internal concerns—such as line items and inputs—to external considerations—customers and outputs By measuring

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27 Interview with former City Manager, Gerald Seals, Corvalis, Oreg , September 23, 1993

28 Interview with Ann Spray Brooker, City of Milwaukee, August 10, 1993

29 John O'Leary and William D Eggers, "Chopping Big Government," *Los Angeles Daily News*, September 12, 1993

30 Dan Cothran, "Entrepreneurial Budgeting An Emerging Reform," Public Administration Review, September/October 1993, Vol 53, No 5, pp 445-454

31 For a more detailed guide to implementing performance-based budgeting see the upcoming Reason Foundation *How-to Guide*, "Developing Performance-Based Budgets for Government," by Mark Abramson, March 1994

efficiency and effectiveness and linking the money spent on services to actually achieving certain outcomes, this kind of budgeting is more accountable to the taxpayers The concept of performance-based budgeting is not new—the idea goes back over 20 years "What is new," says Mark Abramson, a government budgeting expert who has assisted a number of cities in implementing performance budgeting, "is the emphasis on *managing* by results "[32]

Cities with Entrepreneurial Budgeting Systems

Indianapolis, IN	Kingsburg, CA
Milwaukee, WI	Westminster, CO
Sunnyvale, CA	Chandler, AZ
Fairfeld, CA	Visalia, CA

Entrepreneurial, performance-based budgeting also requires changes in the way public employees are compensated Automatic, across-the-board pay increases and seniority-based salaries are replaced by compensation based primarily on performance—the *value* each employee creates

Sunnyvale, Calif , is the pioneer of entrepreneurial budgeting for performance Since 1972, the city's sophisticated budgeting system, called (PAMS), has rewarded managers according to how well they achieved desired outcomes, with their salaries raised or lowered based on measured performance

With detailed information at their fingertips on the quantity, quality, and cost of each service they deliver, the Sunnyvale city council doesn't even bother voting on line items [33] The council tells each department what results it wants and the department returns to the council with detailed figures on how much achieving this outcome will cost The council then, in essence, "buys" the level and quantity of service desired

Sunnyvale's successes with performance budgeting have been so dramatic that its budgeting system was highlighted in an August 1993 visit by President Clinton Between 1985 and 1990 the average cost of delivering service dropped 20 percent, one year the city even rebated $1 million in property taxes [34] In a 1990 comparison with other cities of its size, Sunnyvale found that it accomplished most functions with 35 to 45 percent fewer employees and that Sunnyvale employees tended to be better paid On a per-capita basis, Sunnyvale's taxes were lower than any city in the survey [35]

Another problem with traditional budgets is that, loaded with terms such as "subfunds" and "noncapitalizable equipment" and containing an abundance of meaningless data on inputs, they don't really tell citizens how their tax dollars are being spent To rectify this, in August 1993, **Indianapolis** introduced its own outcome-based, entrepreneurial budget

The city's budget is now called the "popular budget" because, for the first time in decades, people can actually understand what it contains The popular budget contains each department's goals, expenditures and desired outcomes, and the activities proposed to achieve these outcomes [36] This information is designed to spur debate over both the city's goals and whether each department's proposed activities advance the city towards these goals It also allows city councilmembers and citizens to make informed choices about tradeoffs For example, should an

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32 Interview with Mark Abramson, November 22, 1993

33 David Osborne and Ted Gaebler, *Reinventing Government How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, Massachusetts Wesley Addison Publishing Company, Inc , 1992), p 145

34 Financing Local Government, Vol 5, No 19, March 31, 1993, p 1

35 Osborne and Gaebler, *Reinventing Government*, p 145

36 1994 Popular Budget, City of Indianapolis, August 1993

extra $100,000 be spent to get the streets cleaned twice a week or would the additional dollars be better spent on extra police foot patrols?[37]

Case Study: Milwaukee Uses Budget to Transform Managerial Incentives

In the spring of 1993, **Milwaukee** became the first big city to adopt to an entrepreneurial, performance-based budget Milwaukee's new budgeting system is based on the recognition that the annual budget should articulate the city's long-term, strategic goals

The budgeting process begins with the mayor setting an overall expenditure limit (spending has been kept under the rate of inflation since Mayor John Norquist took office five years ago) Each department's allocation then reflects the mayor's priorities for the city This central control of overall spending growth ends the annual budget game in which individual departments inflate their budget request and then contend they cannot possibly deliver basic services when their requests are cut by the budget office

After receiving its fund allocation, each department is charged with developing a strategic plan that contains no more than five objectives Managers are then given great freedom to put together a mix of activities to achieve these objectives With increased autonomy, however, also comes increased accountability Through a system of annual performance measures, Milwaukee department managers are held accountable for achieving the outcomes Unlike other performance measuring systems—which tend to evaluate managers on the basis of internal management indicators like accounting inputs and workloads—Milwaukee's system measures actual impact on the community The Road Maintenance department is held accountable for the smoothness of the streets, rather than the number of crews on the street.

By giving managers greater freedom to achieve pre-stated objectives, and by holding them accountable for results, Mayor Norquist is trying to create a culture where managers see their purpose as maximizing their accomplishments with available resources rather than trying to grow their budgets Explains Department of Administration Director Anne Spray Brooker

> *We're trying to use market forces to generate improvement rather than set up a whole system of rules and regulations By holding department managers accountable for outcomes we are generating pressures from the departments themselves to do away with inefficient city practices*

Source William D Eggers, *Policy Review*, Summer 1993

Public officials experienced with entrepreneurial, performance-based budgeting suggest a number of basic lessons to ensure its success

1. **Freeze or strictly control budget allocations.** In order to force managers to cut costs and increase efficiency, government executives must hold the line on budget appropriations When denied budget increases, managers may argue that services will have to be cut However, when the recourse to more funding is gone, managers usually display creativity and imagination and find ways to get the job done Writes Matthew Ridenour, the former Director of Management Services at Indianapolis

> *When budgets are frozen, managers may be inclined to refocus on core services and make tough decisions on how to deliver them efficiently This strategy is almost risk-free in a government environment*

[37] Bridget Anderson, "A 'Popular' Budget Focuses on Management," KPMG Peat Marwick's Government Management Casebook, in *City & State* magazine, September 13, 1993, p 7

since the less an organization is exposed to competition, the more capacity exists in the system to improve service while reducing cost [38]

2. **Performance budgets should incorporate long-term strategic plans.** A long-term strategic plan is especially important for new administrations moving toward performance budgeting because many managers will be unsure of the chief executive's new goals By giving managers cues into the chief executive's long-term desired outcomes, a strategic plan frees up managers to try innovative approaches to realize these goals Without this vision, middle managers will be very reluctant to diverge far from past practices

3. **The same people should be involved in writing the strategic plan and budget.** Unless the same teams draw up the strategic plan and annual budget, the necessary linkage between the two may fail to materialize [39]

4. **Don't let managers duck accountability.** Department managers inevitably will claim they can't be held accountable for achieving certain results because all outcome determinants are not under their control While there will usually be some truth to these claims, department managers should still not be allowed to skirt responsibility They must be forced to take ownership of the outcomes "When they tell me they can't be held accountable," says Milwaukee's Ann Spray Brooker,"I say, you can certainly influence an outcome If not, why are we spending $800 million a year "[40]

Corvalis, Oregon Borrows a Budget Innovation from Honda Motors

The city of **Corvalis, Oregon** boosted its productivity and cut costs by taking a lesson from Honda Motors and making city hall compete with itself From 1988 to 1992, under the direction of former City Manager Gerald Seals, the city had an unwritten rule that the budget submitted each year to city council would be less than the previous year's budget and even this amount would be underspent over the course of the year The result between 1988 and 1992, the city's budget dropped by over $20 million (inflation-adjusted)

PLANK #4: Focusing on Core Businesses

The only time government ever kills programs is by refusing to feed them This is policymaking by neglect City officials need to go back to first cases, look at everything city hall does, and ask whether government has to do this at all [41]

—Ronald Henry, Director, Pennsylvania Intergovernmental Cooperation Association (PICA)

The fourth plank of a comprehensive rightsizing program is evaluating what government should do and not do in the first place One of the most important features of entrepreneurial budgeting is that it compels public managers to focus financial resources on their core businesses This forces managers to ask questions such as

- Is this activity advancing me towards one of my desired outcomes?
- Does this fit in with my strategic plan?
- If not, should we even be doing this at all?

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38 Matthew Ridenour "Performance Accountability System Services and Costs—Setting the Stage," Government Services Newsletter, KPMG Peat Marwick, Vol 10, No 3, May 1993

39 Brooker interview, August 10, 1993

40 *Ibid*

41 Interview with Ronald Henry, June 7, 1993

Across the country, governments operate all kinds of enterprises and programs that may be far removed from the core missions of city hall or the state house **Dallas** runs a classical radio station, **New York City** operates off-track betting parlors, **Denver** and numerous other cities manage botanical gardens, **Jacksonville**, Florida runs a canning plant, and dozens of cities own and operate zoos Says Indianapolis Mayor Goldsmith, "It is great to privatize to create competition, but if government is not receiving any value from this at all, it ought to be just closed down and let the market operate on its own "

In order to adequately focus on government's core businesses, cities and states should consider getting out of ancillary activities that often serve mainly as distractions One way to do this is through privatization The three most common privatization techniques used by governments to divest the financing and delivery of a service or enterprise to the private sector are

- Transfer to a nonprofit organization or neighborhood group,
- Transfer to the for-profit, competitive market through "commercialization", and
- Sale or lease of assets

A. Transfer to Nonprofit Organization or Neighborhood Group

Facing the prospect of imminent closure due to severe fiscal restraints, government officials are looking for alternatives to government management and funding of many non-core services and facilities They are increasingly discovering that by turning some noncore services—such as zoos, museums, fairs, remote parks, and some recreational programs—over to nonprofit organizations, they are able to ensure that these institutions don't drain the budget Consider a few recent examples

- In July 1992, the city of **Pittsburgh** turned over the city Aviary to a group of concerned citizens [42]
- In **Norfolk**, Virginia, on January 1, 1993, the nonprofit Norfolk Botanical Society took over the formerly city-owned botanical gardens On the same day, the gardens received its first $1 million private donation [43]
- In 1992, **Milwaukee** turned over operation of the city's numerous farmers markets to the private sector
- In July 1992, the Mint Museum in **Charlotte**, North Carolina was leased to the museum's private board of trustees

When government-owned cultural institutions such as zoos and museums are transferred to private, nonprofit operators, the city or state usually continues to subsidize these entities Charlotte's Mint Museum, for instance, will continue to receive $1 1 million from the city annually The difference is that the subsidy is usually lower than previously, and the annual amount is often frozen or decreasing in the future This encourages the nonprofit operators to operate the cultural institutions more entrepreneurially in order to seek greater private support from patrons and donors, and to improve offerings to generate more user fees

Self-Help Approaches. Local governments can also empower neighborhood residents, organizations, and churches to generate self-help programs to meet community needs Community groups can be assisted in forming neighborhood crime watches, maintaining their neighborhoods, providing recreation programs for youths at local parks, and developing job training programs

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[42] "Privatization Potpourri," *Privatization Watch*, February 1993, p 5

[43] Donna Lee Braunstein, "Botanical Gardens Flourish Under Private Management," *Privatization Watch*, March 1993, p 3

B. Transfer to Competitive Market

Some public services can be transferred to the private for-profit sector without any continuing subsidies Private firms recover their costs by charging fees on a subscription basis to resident users This form of privatization is sometimes called "commercialization" or "service shedding "

The public services most likely to provide the best opportunities for commercialization are solid-waste collection and disposal, meter maintenance and installation, vehicle towing and storage, recreation programs, and emergency medical services Private delivery and financing of many of these services is already quite prevalent in the United States

In a 1990 International City/County Management Association (ICMA) survey, for instance, 30 percent of government respondents reported that residents contract directly with private haulers for garbage collection in their municipalities [44]

Prioritizing Services

One way of arriving at a consensus about which services to cut or eliminate and/or which services to increase funding for is to prioritize services Citizens, city councilmembers, and city employees are surveyed and asked to rank all city services according to their importance to the community The goal is to arrive at a rough consensus about the most critical and least critical services the city provides The surveys should also ask about the most appropriate levels of service given current fiscal realities. **San Antonio**, and **Wilmington** and **Charlotte**, North Carolina, and numerous other cities have developed weighted rating systems that rank services according to their value to the community

One factor that often induces cities to get out of the trash collecting business is the prospect of large capital investment in new equipment In 1990, **Traverse City**, Michigan's garbage trucks needed to be replaced Rather than spend over $250,000 for two new trucks, the city decided to get out of the waste business [45] The city sold its two waste-packer machines and its list of 2,200 residential trash customers to West Michigan Disposal for $224,000 By purchasing the list from the city, West Michigan Disposal gained an edge in attracting customers, however, city residents were allowed to contract with any of the many area waste haulers for trash collection

Emergency and nonemergency ambulance services are also often provided without taxpayer subsidy Most communities have at least one private ambulance service providing services without taxpayer support About two dozen cities, including **Las Vegas** and **Fort Wayne**, Indiana, have full-service, state-of-the-art emergency medical services systems that are 100 percent user-funded [46]

C. Asset Sales: Mining the Public Balance Sheet

In the private sector, businesses periodically inventory their balance sheets and sell off unproductive divisions or assets Under new leadership, these divisions often receive a new lease on life and become dynamic independent companies This management practice is called "mining the balance sheet "

Governments worldwide have followed the private-sector lead and are "mining the public balance sheets" by selling or leasing state-owned assets to the private sector Over the last decade, $328 billion in state-owned enterprises have been sold or turned over to private owners—$69 billion in 1992 alone [47] These assets have included many enterprises typically owned by states, cities or independent city authorities such as airports, water and wastewater

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[44] William D Eggers, ed , *Privatization 1993 Seventh Annual Report on Privatization,* Reason Foundation, April 1993

[45] "Traverse City Puts Innovation in Waste Contracting," *The Michigan Privatization Report*, The Mackinac Center for Public Policy, No 93-3, Summer 1993, p 1

[46] Interview with Brenda Staffen, American Ambulance Association, October 5, 1993

[47] Eggers, *Privatization 1993*

Case Study: Rancho Palos Verdes, Calif. "Commercializes" Recreation Services

Whenever proposals surface for government to discontinue a service, citizens often assume the service will no longer be provided, period Not so says David Riemer, the Chief of Staff to Milwaukee Mayor John Norquist, "the private sector, possibly now suppressed by the city, will usually spring to life to fill the gap "

This is what happened in the Southern California city of Rancho Palos Verdes when a budget shortfall in 1993 caused it to eliminate its recreation programs

Fears that Rancho Palos Verdes residents would be left without any recreation programs were unfounded. Before getting out of the recreation business, the city did a survey of the surrounding area and discovered that private for-profit and nonprofit organizations were already providing—at reasonable prices—most of the recreation services the city was running

After hearing the city would be dropping the recreation programs, many of the class instructors came to the city and said, "We will continue the programs if you will rent us your facilities "

The end result many of the city recreation classes are still being offered The only difference is they are being run privately and without subsidy from the city In fact, the city is now making a small net profit from the facility rental

Source *Privatization Watch*, Reason Foundation, September 1993

systems, ports, gas and electric utilities, parking structures, stadiums, convention centers, and waste-to-energy plants (see Table 2)

The worldwide trend toward private ownership of formerly government enterprises is prompting governments throughout America to explore the possibility of selling or leasing assets to the private sector For example

- **Los Angeles** Mayor Richard Riordan has proposed leasing Los Angeles International airport to a private operator
- **Philadelphia** is studying selling its water system
- The state of **Michigan** plans to sell off the state liquor system and accident fund
- The city of **Milwaukee** is getting out of the parking business by selling its parking structures
- A **Charlotte** city task force has recommended the city examine the feasibility of selling the Coliseum and other city assets
- Hundreds of city and county hospitals have been sold to nonprofit or for-profit organizations since the mid-1970s

Table 2

SALABLE STATE AND MUNICIPAL ENTERPRISES

Enterprise Type	Estimated Number	Estimated Market Value (Billions $)
Airports (Commercial)	87	29 0
Electric Utilities	2 010	16 7
Gas Utilities	800	2 0
Highways and Bridges	n/a	95 0
Parking Structures	37,500	6 6
Ports	45	11 4
Turnpikes	8	7 4
Water Systems	34 461	23 9
Wastewater Facilities	15 300	30 8
Waste to-Energy Plants	77	4 0
TOTAL ESTIMATED		**$226 8**

Source Reason Foundation, "Mining the Government Balance Sheet," *Policy Insight*, No 139 April 1992

By selling or leasing state enterprises to private entities, governments can turn dormant physical capital into financial capital, which can be used for more pressing needs such as rebuilding decaying infrastructure, debt relief,

or tax relief Governments also benefit financially by putting the asset on the tax rolls Moreover, a substantial body of evidence—including a major eight-volume World Bank study—suggests that privatizing government assets can result in increased investment and improved efficiency and productivity [48]

PLANK #5: Reengineering Work Processes

Don't Automate, Obliterate
—Michael Hammer, management consultant and author of "Reengineering the Corporation A Manifesto for Business Revolution"

In the private sector, companies are saving millions of dollars and increasing productivity, performance, and service by leaps and bounds by rethinking and redesigning the way jobs are performed [49] One way they are doing this is by "reengineering" organizing work processes in radically different ways than they were done before

When organizations reengineer, workloads are reduced by greatly cutting down on paper flow, procedures, and internal requirements

Although it usually involves making better use of technology, reengineering is not the same as automation "Automating existing processes with information technology is analogous to paving cowpaths Automation simply provides more efficient ways of doing the wrong kinds of things," write reengineering experts Michael Hammer and James Champy [50]

Reengineering is also not merely streamlining existing processes and procedures Rather than first asking how current processes can be improved, reengineering practitioners start over from scratch and ask what is the desired end result from the *customer's* perspective

Reengineering is currently the foremost private-sector management trend Union Carbide has used it to cut $400 million out of its fixed costs in just three years, while Blue Cross of Washington and Alaska employed reengineering to increase labor productivity by one-fifth in only 15 months [51]

Reengineering's promise of dramatic productivity gains is beginning to draw the attention of innovative public officials Dozens of state and local government processes have been reengineered with impressive results over the last several years including **Napa County**, California's welfare caseload system, **Oregon's** Department of General Services Request for Proposal process, and **Connecticut's** Department of Labor job training and unemployment compensation program [52]

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48 Ahmed Galal, et al , World Bank Conference on the Welfare Consequences of Selling Public Enterprises (Washington, D C Country Economics Department, Public Sector Management and Private Sector Development Division), June 1992

49 Michael Hammer and James Champy, *Reengineering the Corporation A Manifesto for Business Revolution* (New York Harper Collins Publishers, 1993), p 32

50 *Ibid*, p 48

51 Thomas A Stewart, "Reengineering The Hot New Managing Tool," *Fortune*, August 23, 1993, pp 41–48

52 John Martin, "Reengineering Government," *Governing*, March 1993, pp 26–30

Reengineering often involves purchasing new technology So, in order to realize substantial future cost savings, government will often need to invest some upfront money in new technology To fund its reengineering initiatives, **Philadelphia** has created a Productivity Bank The bank is a revolving loan fund backed by $20 million in city seed money

Departments submit reengineering proposals to the bank's board If the proposal is approved, the department must enter into a signed loan agreement with the board to pay back the bank in cost savings at a 2-1 ratio over a five-year period The board includes the city budget director who makes sure the savings are taken out of the department's future allocations By October 1993, the bank had made $12 million worth of loans for 11 projects In return for the loans, the city expects to realize $42 million in cost savings and revenue enhancements over the next five years [53]

Implementing Reengineering

1 Prepare and Disseminate the Case for Reengineering
2 Assemble Reengineering Teams and Select Reengineering Czar
3 Choose Processes to Reengineer
4 Understand Current Processes
5 Redesign Processes

Source Derived from information in *Reengineering the Corporation* See Footnote

Philadelphia still has a long way to go in restructuring The city still hasn't achieved the kind of dramatic results typically associated with private-sector reengineering efforts Most work process changes have been incremental Nevertheless, once fully implemented, the reengineering projects, together with nearly 200 management and productivity reforms, should save the city over $119 million annually according to Philadelphia officials and result in improved and more responsive services to taxpayers [54]

Reducing Inventory

A private-sector task force is helping the city of **Indianapolis** to identify opportunities for cost savings, service improvements, and new ways of organizing work processes The Service, Efficiency, and Lower Taxes for Indianapolis Commission (SELTIC), composed of nine of the city's leading entrepreneurs and over 100 volunteers, has spent nearly two years combing through city operations

One of SELTIC's early discoveries was that city hall was not managing its inventory very well In the private sector, corporations must carefully manage their inventories because holding too many supplies involves high financing and storage costs Government officials, on the other hand, rarely pay attention to their inventories. After touring the transportation department facilities, SELTIC commissioner Jean Wojtowicz was stunned by the supplies, used furniture, and equipment lying around Says Wojtowicz, "The government mentality is If we don't use it, we better hold onto it, we might need it next year The problem with stockpiling all this stuff is that it takes up expensive real estate "

A SELTIC team put in place a system in which the city would begin holding periodic "garage sales" of furniture, equipment, and materials Eventually the city plans on eliminating, through this process, over 40,000 square feet of current leased space, saving as much as half a million dollars in leasing costs

Source William D Eggers, "Competitive Instinct Indianapolis Mayor Stephen Goldsmith is serious about cutting back city hall," *Reason*, August/September 1993, p 24

53 Interview with Mike Nadol, assistant deputy mayor, City of Philadelphia, October 4, 1993

54 "Management and Productivity Initiatives Progress Report," City of Philadelphia, June 30, 1993

Other government reengineering efforts include

- **Internal Mail Delivery** In most cities, each department, and sometimes many sub-departments, have their own unit to handle mail By consolidating these mailrooms into one operation, city hall can realize around an 80 percent space savings [55] Reengineering its internal mail delivery is saving **Indianapolis** about $300,000 annually [56]

- **Court document systems** Installing document-imaging technology eliminates the need to store millions of paper files The city of **Dallas** expects to realize significant space savings and handle court document requests with 10 fewer employees a year through document imaging, for a yearly savings of $250,000

- **Hand-held Computers** In **Chicago's** Public Health department, field nurses previously had spent about half of each day filling out forms for different funding sources, tracking patients, and other paperwork tasks In 1993, the department purchased hand-held computers for the nurses, similar to those used by Federal Express delivery people By allowing the nurses to enter in codes on sight, the computers have permitted the nurses to spend much more of each day helping sick people rather than doing paperwork [57]

Outside Expertise.

Bringing in outside expertise is often critical for success in reengineering Outsiders tend to be more objective, bring a new perspective to the process, and sometimes are more apt than insiders to insist on radical change [58] Says Indianapolis SELTIC Commissioner Jean Wojtowicz, "I think if you are inside government you're too close to the forest Sometimes you need someone from the outside to come in and take a fresh look Private businesses sometimes need this also "[59]

All the expertise provided by outsiders is of little use unless their recommendations are implemented—and governments have a long history of ignoring private-sector reports on streamlining government To ensure that reengineering recommendations are carried through and also to involve internal units in reengineering, it is important to create a reengineering team within government To drive changes through the bureaucracy, Philadelphia, for example, has its Office of Management and Productivity Improvement, Indianapolis has an Office of Enterprise Development, and Seattle and Charlotte have innovations teams

Because there will be a natural tendency to resist change, the team leader or reengineering "czar" should be someone with the mayor's or governor's trust who is capable of jolting the system into action Only with energetic proponents within government and the strong backing of the chief executive is reengineering likely to result in dramatic improvements Says David Pingree, who directed Philadelphia's Private Sector Task Force on Management and Productivity Improvement, "If we didn't have the very strong support of the mayor, we would have ended up generating lots of good government studies that ended up on shelves—unread and unused "[60]

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55 Interview with Charles Gibbons, Chairman of the Board, Tascor Corporation, September 7, 1992

56 Interview with SELTIC Commissioner Roy Nicholson, April 9, 1993

57 Interview with Carolyn Grisko, Director, Mayor's Fellowship program, City of Chicago, September 28, 1993

58 Hammer, p 110

59 Eggers, "Competitive Instinct," *Reason*

60 Interview with David Pingree, April 1, 1993

PLANK #6: Reorganizing Work Structures

Excessive layering may be the biggest problem of the slow-moving, rigid bureaucracy extra layers of management mainly create distracting work for others to justify their own existence
—Tom Peters and Bob Waterman, In Search of Excellence[61]

Reengineering government cannot succeed in a vacuum The organizational structures, management systems, and job classifications that now characterize most governments also have to be overhauled

The present systems are archaic elaborate controls and inflexible bureaucracies, thousands of job classifications, rigid hiring and firing procedures, layers and layers of middle management, stifling bureaucratic rules and regulations, and myriad procedures that virtually ensure that no employee, no matter how incompetent, will ever be fired Government is like this because politicians and many taxpayers want a zero risk environment in the public sector Zero risk, however, is impossible to achieve and has proven too costly—resulting in a lack of public-sector innovation and bloated bureaucracies It has simply become too expensive to run government organizations the way they have been run Reorganizing work structures is a business necessity

Indianapolis Mayor Stephen Goldsmith believes job classifications, descriptions, and hiring forms should be eliminated—governments should foster an environment of "chaos " "All city government really ought to be is a series of 100 projects around different clusters We finish a project and we move on to the next one," declares Goldsmith [62]

A. Flattening the Organization.

Management guru Tom Peters contends that no organization should have more than five layers of management [63] After all, Peters reasons, the Catholic Church is able to oversee one of the largest organizations in the world, with over 800 million members, with just five levels

The city of **Charlotte** has taken Peters' advice to heart Until recently, the city's organizational chart was like that in most other city halls The city had four employees who spent their time doing nothing but writing job classifications And somehow, eight layers of management were needed just to oversee the maintenance of city streets [64]

This is changing By making the organization flatter and more flexible, Wendell White, Charlotte's City Manager is trying to move city hall into the modern era The city's 24 departments have been merged into nine key businesses organized around city hall's core activities, and at least one layer of management has been cut away in each department [65]

Previously, there were at least five departments, for instance, charged with providing some form of neighborhood services such as neighborhood development and public housing These departments have been combined into one key business, "neighborhood services " This eliminated substantial duplication of overhead and overlapping

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61 Thomas Peters and Bob Waterman, Jr , *In Search of Excellence* (New York WarnerBooks, 1982)

62 Eggers, "Competitive Instinct," *Reason*, p 22

63 Tom Peters, *Thriving on Chaos Handbook for the Management Revolution* (New York Alfred A Knopf, 1987)

64 William D Eggers, "Charlotte The Good News," Carolina Journal, Vol 3, No 1, August/September 1993, p 21

65 Interview with Wendell White, City Manager, City of Charlotte, July 26, 1993

responsibilities which often create intergovernmental turf battles Charlotte's department director positions have been eliminated, and replaced by Key Business Executives who are being freed from a lot of red tape and bureaucratic micromanaging

Another city that eliminated cumbersome management layers is **San Antonio** In 1990, new city manager Andrew Briseno cut the number of assistant city managers from five to one, saving about $600,000 a year in salaries for the managers and secretaries [66] He then organized city hall around five different teams The parks, recreation, art, library, and health departments, for example, while still remaining autonomous, are now part of the community service team Many decisions that previously had to be approved by the city manager—such as pay raises and promotions—are now made by the department directors themselves (in some cases requiring approval from the team leader)

City of Charlotte: Results of Rightsizing

The Numbers:

- **Innovations totaling over $2.8 million.**
- **No department has more than 5 layers of management.**
- **Eliminated 272 positions**
- **Public Safety now makes up 53% of all positions.**
- **Annualized savings exceed $8 million.**
- **No layoffs.**

Source Pamela Syfert, Deputy City Manager, City of Charlotte

Government executives often discover when they flatten hierarchies and trim the size of the workforce that most of the excess employment in government is in middle management not in the front-line workers

Many middle managers exist only as umpires, enforcing countless rules and regulations that impede creativity Reducing the number of middle managers—both in the public and private sector is important not only because they are often superfluous, but because they can also prove to be the biggest barriers to organizational change Through delay, sabotage, or inaction, organizational reform can be impeded Reducing the number of middle managers need not mean mass layoffs, however Middle management can often be reduced through attrition, early retirement plans, or transfers to other work As part of its rightsizing program, the city of Corvalis, Oregon returned many of its middle managers to the front lines as lead workers [67]

After the number of managers are trimmed, those left need to be transformed from protectors of the status quo to risk-taking architects of change To do so, they need to be given much greater freedom to flexibly manage their employees and departments In most governments, this means work rules and, in some cases, city charters, will have to be reformed, meaning city executives will also have to get the public to "buy-in," allowing managers greater freedom

B. Work Rules.

Myriad job classifications and work rules in the public sector severely constrain the ability of managers to manage creatively and flexibly Work rules, job classifications, and regulations sustain antiquated positions and inefficient work processes for years

This needs to end In the rapidly changing marketplace within which local governments now operate, public-sector jobs and employees need to be constantly evolving

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66 Interview with George Noe, Director of Management Services, City of San Antonio, September 8, 1993

67 Benest, "Rightsizing for Local Governments," p 87

The first step to reforming productivity-killing work rules is to survey middle managers about their constraints Some of the questions Philadelphia Mayor Rendell asked all managers upon taking office included

- What are the constraints that make your job harder to perform?
- What part of the union contract now impedes your operations?
- What isn't working in your department, and what changes are needed to make it work better?[68]

Aims for Work Rule and Charter Reforms

Simplify Procedures and Job Classifications
Redesign Jobs
Improve Time Management
Ease Procurement Regulations
Give Managers Greater Flexibility

Source Reason Foundation

The survey resulted in a report containing hundreds of examples of work rules—many outlandish, some simply unnecessary A major public campaign highlighting these examples helped the mayor garner popular support for work rule changes As importantly, however, the manager survey helped to garner cooperation in reform from many middle managers No mayor had ever systematically asked the managers these kinds of questions before By asking them what obstacles prevented them from efficient performance and following through on eliminating many of the problems, Rendell was able to get many managers to buy-in to his rightsizing program and inspire them to be agents of change

Philadelphia Before Reform: Work Rules Handcuff Managers

Up until Mayor Rendell won some concessions in the fall of 1992, Philadelphia had some of the most costly, unproductive work rules of any city in the country Firing employees was almost impossible, there were over 3000 job classifications, and employees could not be compelled to work overtime or perform any work under their job classification. Other examples included

Three city employees were required to change a light bulb at the airport a mechanic to take off the light cover; an electrician to change the bulb, and a janitor to sweep up the dust
Requirements in the department of Public Works required sludge to first be shoveled from the water pipes to trucks, then unloaded onto the ground, and then scooped into another dumptruck The effect was that it took 10 people just to move sludge from a water pipe to a sanitation truck.
Employees at the Department of Human Services declined to use computers in their jobs because using a computer was not in their job classification

Source Eggers, *Policy Review*, Summer 1993

C. Independent Businesses.

Another way to empower managers and workers is by turning departments into independent businesses For city managers to run government's core functions more in the manner of innovative, cost-cutting private managers, and less like bureaucrats, they need to be given more freedom

For instance, they could be given responsibility for the following all personnel decisions including salary and bonuses, acquiring all goods and services approved in the budget, and choosing between outside vendors and

[68] Interview with Joseph Torsella, former deputy mayor of Policy & Planning, City of Philadelphia, June 7, 1993

internal government units for support services such as fleet maintenance and computer services Some of these reforms may require changes in state law or in a city's charter

This is not to suggest that there should be no controls on public managers With taxpayer money involved, the public sector has to be more vigilant than private companies in guarding against graft and other improprieties However, a better balance needs to be struck between control and flexibility

D. Empowering Line Workers.

Empowering line workers is also essential to the rightsizing process The ratio of managers to staff should be significantly reduced Rightsizing governments let self-managed work teams make decisions previously made somewhere up the bureaucratic hierarchy

Organizing work by self-managed teams can increase employee morale and raise productivity "By putting people in teams, even in government, you are able to empower workers and drum out the laggards who are bringing everyone else down," says Charles Gibbons, the former CEO of Tascor, one of the country's leading companies specializing in outsourced services [69]

Charlotte has gotten employees involved in finding savings and driving the process of change by creating innovations teams which solicit cost savings ideas from employees In some departments, these teams are authorized to implement the cost-cutting ideas without the department director's approval Working with the employees, the innovations teams have come up with $2 8 million in savings

SUCCESSFULLY MANAGING THE TRANSITION TO RIGHTSIZING

> *In implementing the rightsizing process, local government officials can easily destroy organizational morale and productivity To maintain organizational effectiveness, those in charge of the rightsizing process must exert firm, yet humane and creative leadership* [70]
>
> *—Frank Benest, City Manager, Brea, Calif*

Government executives must be careful not to demoralize the organization's employees as they precede through rightsizing

Even when rightsized, public employees will be state government's or city hall's most important asset Low workforce morale negatively affects public service delivery and could negate many of the gains from rightsizing

A. Visionary Leadership: The Key to Managing Change.

Effectively communicating both the need for change and the nature of change is important for successful rightsizing This must start with the person at the top of the organization

The chief executive has to create a sense of urgency This means being able to clearly explain to employees and taxpayers the changes in the marketplace that are driving the need for change Each employee—or at the very least, all managers—must have an understanding and appreciation for what is to be accomplished and why The fundamental changes that rightsizing involves will be resisted by many public managers and workers The chief

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[69] Interview with Charles Gibbons, Chairman of the Board, Tascor, September 7, 1992

[70] Benest, "Rightsizing for Local Governments "

executive must get "buy-in" from public employees and taxpayers by infusing citizens and employees with hope about the city or state's future and by articulating *a strategic vision for the organization* This message should be repeated frequently in five-minute stump speeches, brown bag luncheons, or informal roundtable discussions

Without this kind of determined, visionary leadership, fundamental rightsizing is unlikely to succeed Opponents of change within government will, silently but surely, kill parts of the rightsizing agenda through inaction, delay, and obstruction It is also important for the chief executive to demonstrate strong support for the department directors and task forces that are trying to bring about change

Techniques for Obtaining Employee Buy-In

1. Have top city officials hold regular brown bag lunches with managers and line employees.
2. Begin a rightsizing newsletter and hotline communicating upcoming changes and airing employee concerns
3. Provide rewards for excellence and celebrate successes
4. Create a talent bank for temporarily displaced employees
5. Train employees in new skills and cross-train them to perform various functions

Source City of Charlotte, City of Indianapolis, and Reason Foundation

Moreover, if layoffs are necessary, government executives should get these over with right away Delaying layoffs is inadvisable because of the uncertainty it creates among employees It is preferable to do lay-offs upfront and then, if possible, promise that all future workforce reductions will occur through attrition

Governments can use numerous strategies to ease the rightsizing process for employees and help to keep lines of communication open Charlotte—which has an extensive rightsizing program (see Figure 1)— employs numerous strategies to ease the transition to rightsizing The city has adopted a no-layoff policy so employees will not be reluctant to bring cost-savings ideas into the open for fear that increased efficiency will result in job loss Moreover, those people transferred to a lower job classification due to rightsizing are not subject to pay reductions for the first year, and all employees receive training in self-managing work teams and handling change [71]

B. Reward Successes.

To maintain and increase morale in government and to get public employees to act as facilitators of change, government executives must reward and celebrate employee successes

Each month, Mayor Goldsmith presents the "Golden Garbage" award to the Indianapolis city employee who finds the most egregious examples of government waste The winning employee gets a toy plastic truck glued to a piece of wood and lots of press coverage for drawing attention to the waste The first award went to an employee who found a garbage truck that broke down so often and was so expensive to repair that it cost the city $39 for every mile it operated [72]

Governments may also want to consider sharing part of the savings generated by employee cost saving ideas with the employees In Charlotte, the Department of Transportation gives gift certificates to employees who present cost-savings ideas to the department's Innovations Team Phoenix also pays employees for cost savings ideas

Lastly, managers can be encouraged to streamline department operations by allowing them to retain part of any unused budgeted funds and utilize them for capital projects or other long-term improvement projects

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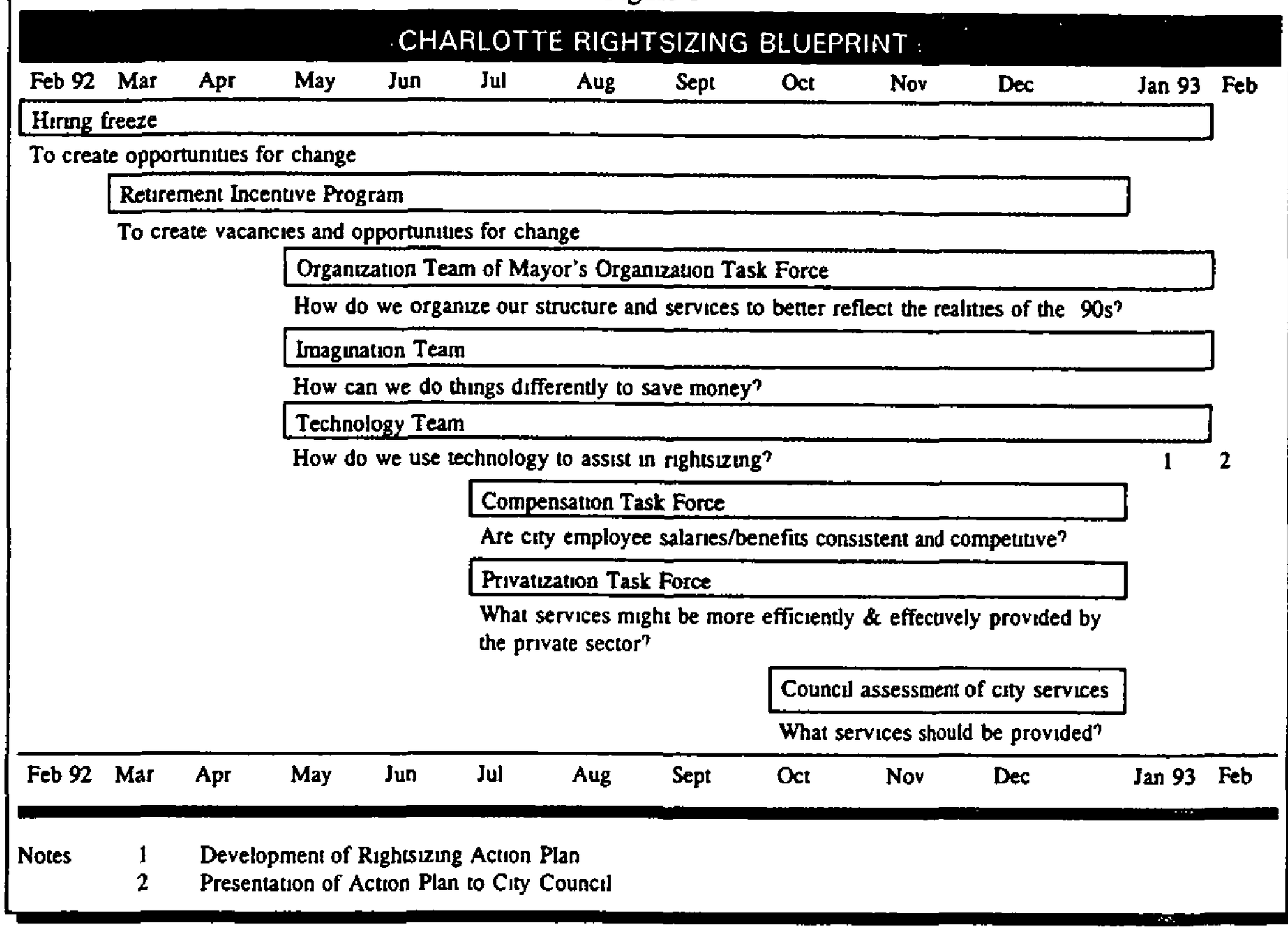
[71] "Rightsizing Update," presented to the Charlotte City Council, City of Charlotte, March 1, 1993

[72] Eggers, "Competitive Instinct," *Reason*

Figure 1



CONCLUSION

Faced with intense global competition and rapidly changing technology, American businesses have radically transformed the way they do business over the past dozen years

Corporate hierarchies, layers of middle management, and bureaucratic rules and regulations have given way to self-managed work teams and environments of "chaos" that stimulate innovation Unproductive divisions have been sold off, decision-making decentralized, overhead slashed, and non-core services farmed out to other companies Over a decade after this war on bureaucracy began, American businesses are now prepared for the challenges of the 21st century

Facing continuing fiscal stress and the negative economic and political consequences of more tax increases, state and local governments must declare their own "war on bureaucracy " For most governments, instituting a comprehensive rightsizing program will mean a host of dramatic changes from past practices

For most public-sector employees, rightsizing—whether viewed as painful or revitalizing—will require a complete change in psychology For the first time, they will be asked to refocus nearly all their attention and energy on government's customers the taxpayer "It is their responsibility to focus their complete energy on shifting resources towards activities that produce meaningful outcomes for citizens," contends Matthew Ridenour, formerly

of the city of Indianapolis "If they cannot link a dollar of cost to more than a dollar's worth of outcome, they must not spend the dollar "[73]

As the 21st Century draws nearer, city and state governments throughout America would be wise to closely examine the rightsizing strategies now being employed by some of America's leading public innovators

ABOUT THE AUTHOR

William D Eggers is Director of the Reason Foundation's Privatization Center, a national clearinghouse on state and local privatization and government innovations He has worked closely with dozens of cities and states on rightsizing and privatization He is the former Policy Analyst for East European and Russian Economic Affairs at The Heritage Foundation in Washington, D C where he coordinated workshops on privatization for senior government officials of Russia, Latvia, and Lithuania

ACKNOWLEDGEMENTS

The author would like to thank Frank Benest, City Manager, Brea, Calif , Dr E S Savas of Baruch College at the City University of New York, and John O'Leary and Lynn Scarlett from the Reason Foundation for helpful comments on this study Reason Researcher Donna Braunstein assisted with compiling information for the study

[73] Ridenour, *Performance Accountability*

RIGHTSIZING RESOURCES

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803/467-7105

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Indianapolis, IN 46204-3362
317/327-5700

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Alliance for Redesigning Government
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National Academy of Public Administration
1120 G St, NW, Suite 850
Washington, D C 20005-3801
202/347-3190

Coopers & Lybrand
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Manager, Government Advisory Services
1301 Avenue of the Americas
New York, NY 10019-6013
212/259-2279

Ernst & Young
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18400 Von Karman, Suite 800
Irvine, CA 92715
714/252-2402

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312/977-9700

The Innovation Groups Inc
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Tampa, FL 33687
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International City/County Management Association
MIS Inquiries Services
777 N Capitol St , NE
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202/962-5659

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The Urban Institute
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Washington, D C 20037
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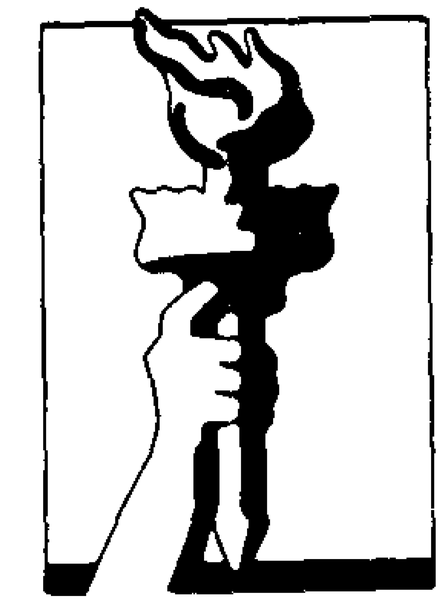

Reason
Foundation

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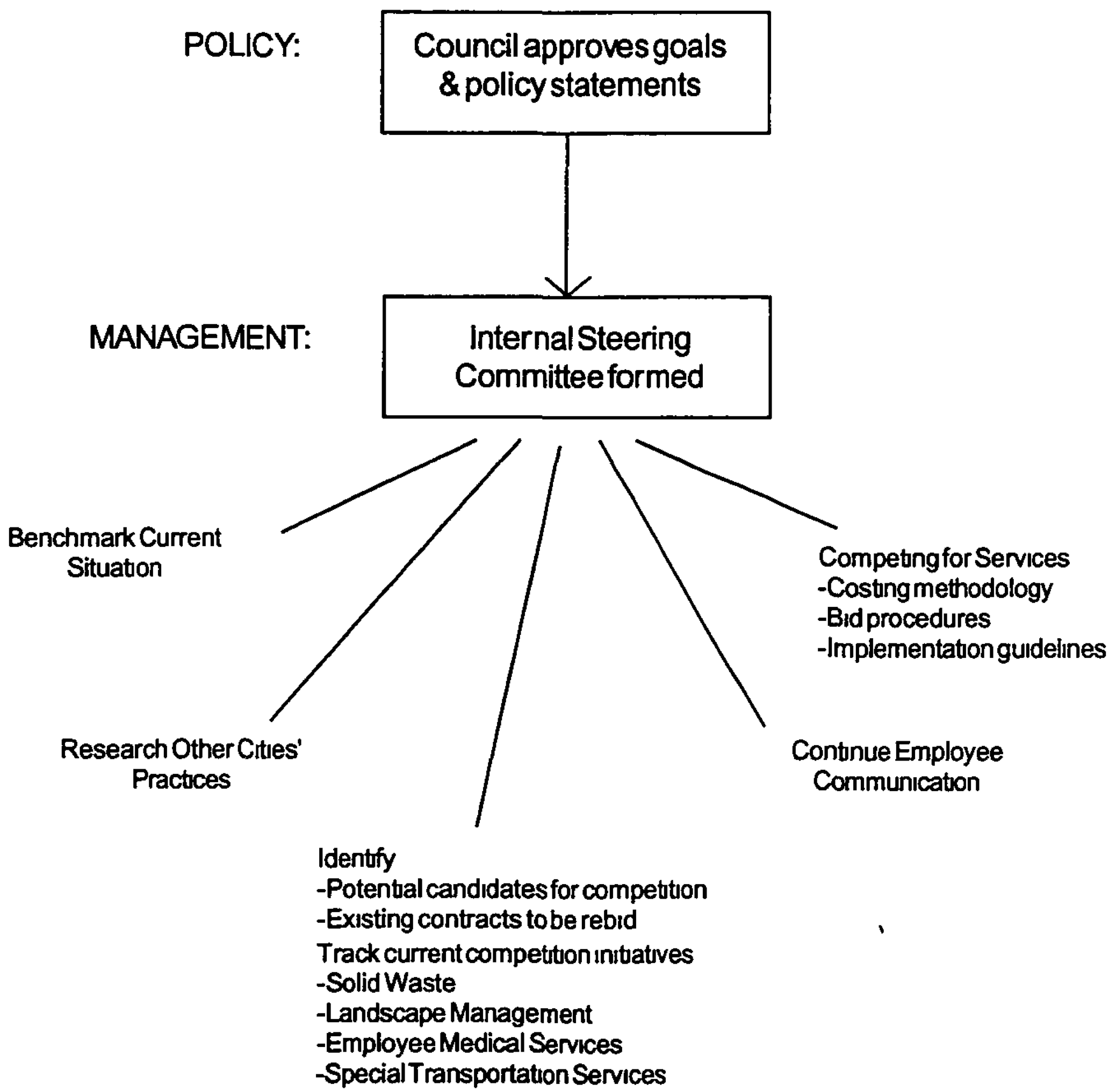
(310) 391 2245 Fax (310) 391-4395

MOVING FORWARD TO COMPETE: IMPLEMENTATION



COMPETITION STEERING COMMITTEE

Charge: To lay the groundwork for the development of competition guidelines and procedures, develop an internal service costing methodology for bid preparation, identify internal impediments to being competitive with the private sector, and begin identifying the first services to be offered for competition.

Team Chair:	Del Borgsdorf	City Manager's Office
Members:	Vi Alexander	Budget & Evaluation
	David Cooke	Business Support Services
	Julie Hill	City Manager's Office
	Richard Martin	Finance
	Wayman Pearson	Solid Waste
	Clark Readling	Engineering & Property Management
	Ed Sizer	Business Support Services
	Pam Syfert	City Manager's Office
	Bill Wilder	Human Resources
Staff Support:	Nancy Elliott	Budget & Evaluation
	Caroline Guzniczak	Internal Consulting

BENCHMARKING CURRENT "CONTRACTING" EXPERIENCE

One of the action steps taken by the City in preparing for competition has been to determine our current level of "contracting out" services. The purpose of the evaluation was to: gauge our current level of "contracting out," especially in relation to the seventeen areas recommended by the Privatization Task Force; look for contracts that could be "packaged" when rebid in order to maximize benefit to City; identify contracts that might need improvements in monitoring; and, identify contracts that should be rebid in a competitive environment.

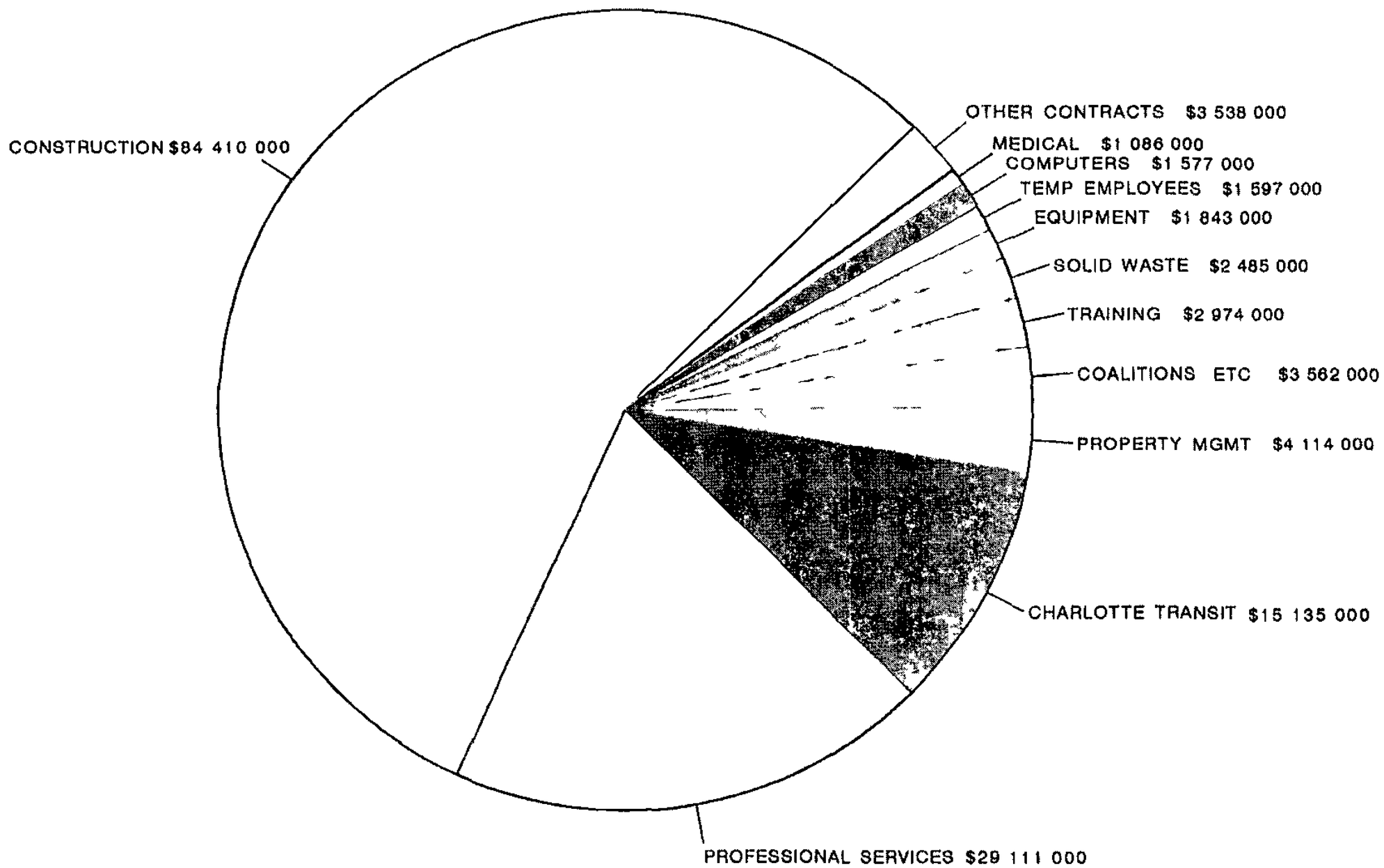
The charts and information on pages 43 through 61 reflect:

- Current contracts (either awarded during FY93 or FY94 and currently active),
- Contracted services in all funds including General, Water and Sewer, Airport, Transportation, General Capital Improvement, Community Development, etc
- Contracted services summarized by activity into the seventeen targeted areas, plus employee medical services.

In summary, the charts illustrate how the $151 million in total contracts with the private sector are distributed:

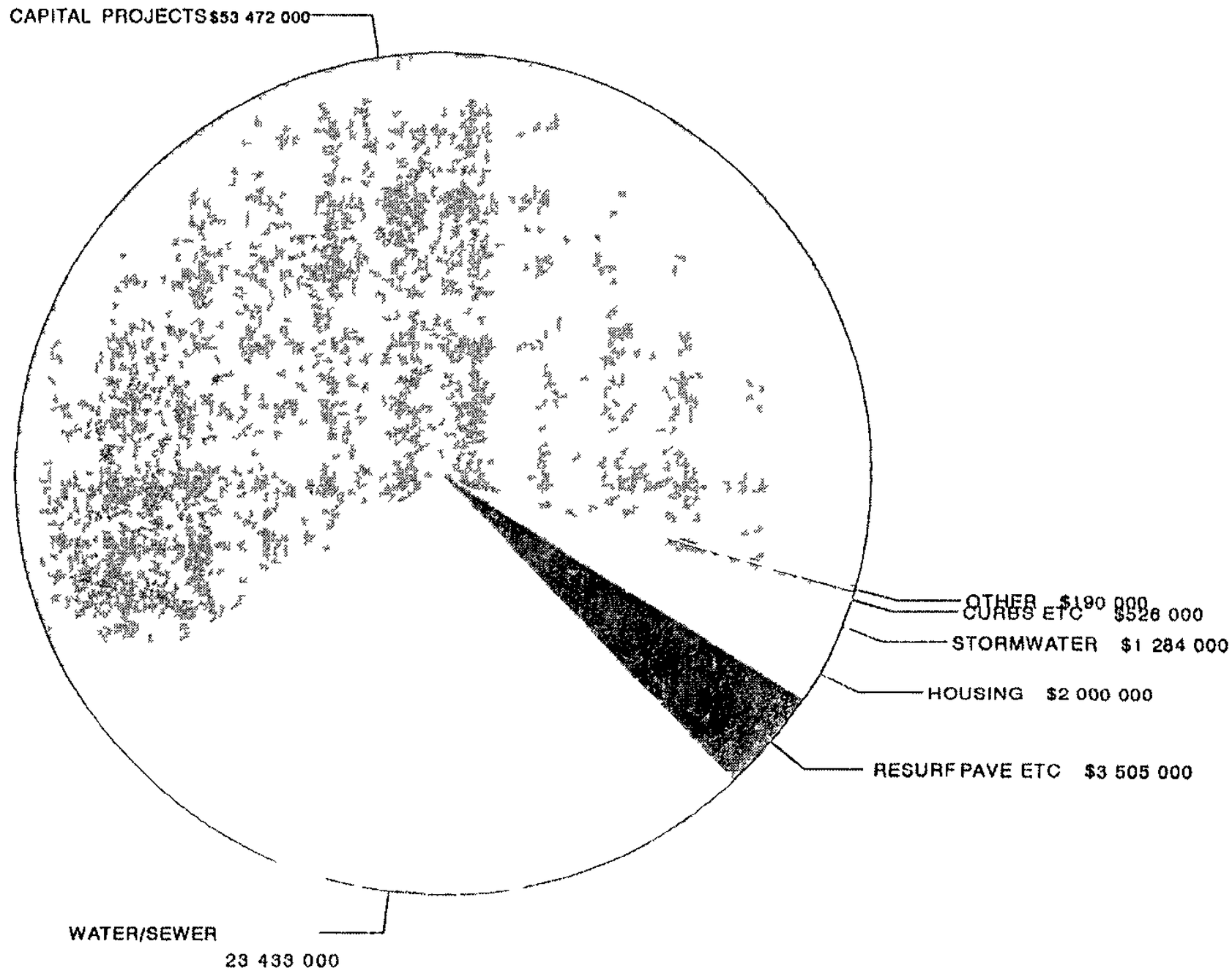
- $23.8 million in Engineering Services (excluding capital);
- $4.8 million in Administrative Services;
- $4.5 million in Building (facility) Maintenance contracts;
- $2.5 million in Solid Waste Services;
- $843 thousand in Grounds (Landscaping) Maintenance contracts; and,
- $827 thousand in Equipment Services (Fleet Maintenance).

FY93-94 CONTRACT DISTRIBUTION



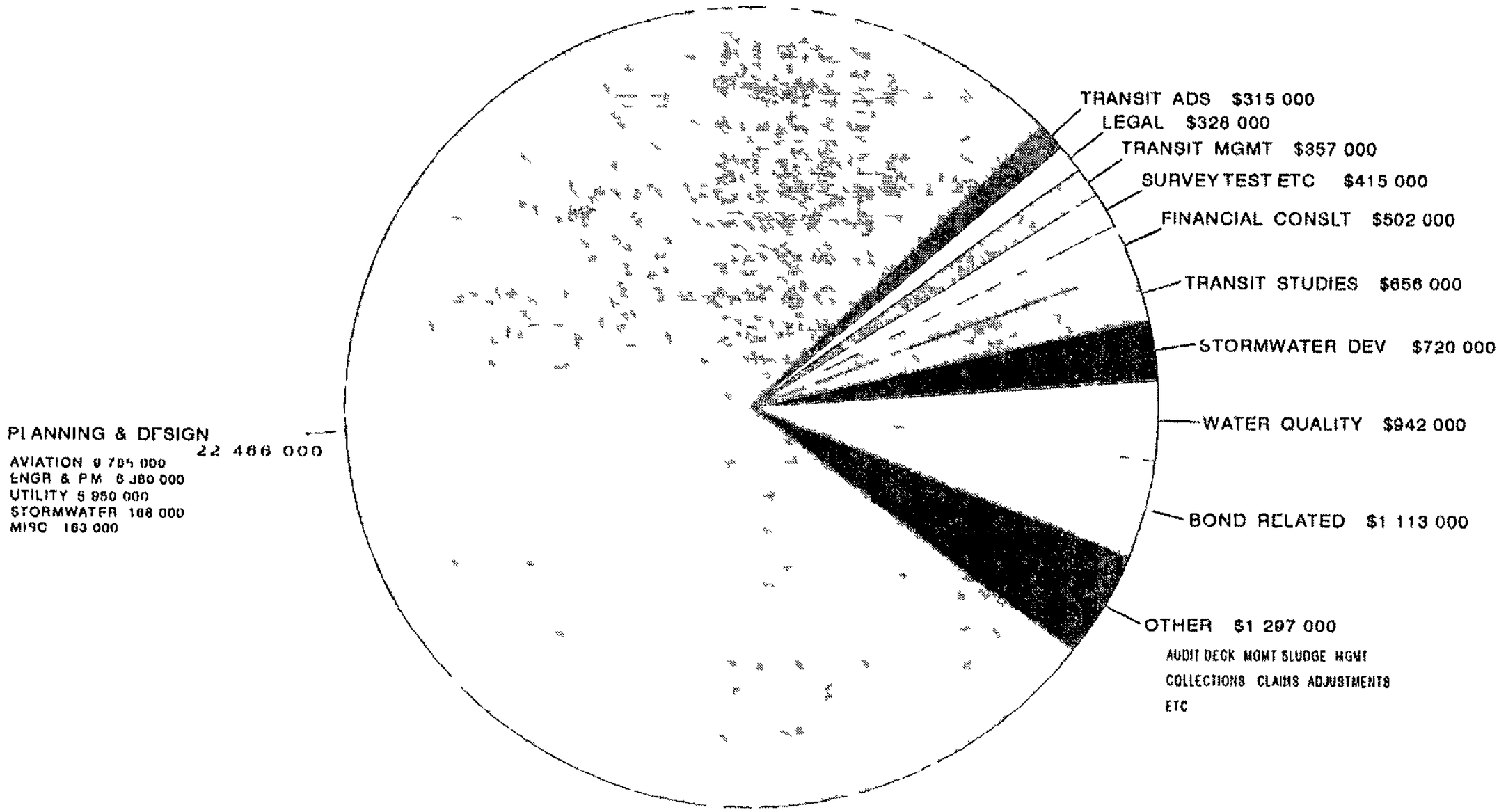
TOTAL $151,432,000

FY93-94 CONSTRUCTION CONTRACTS



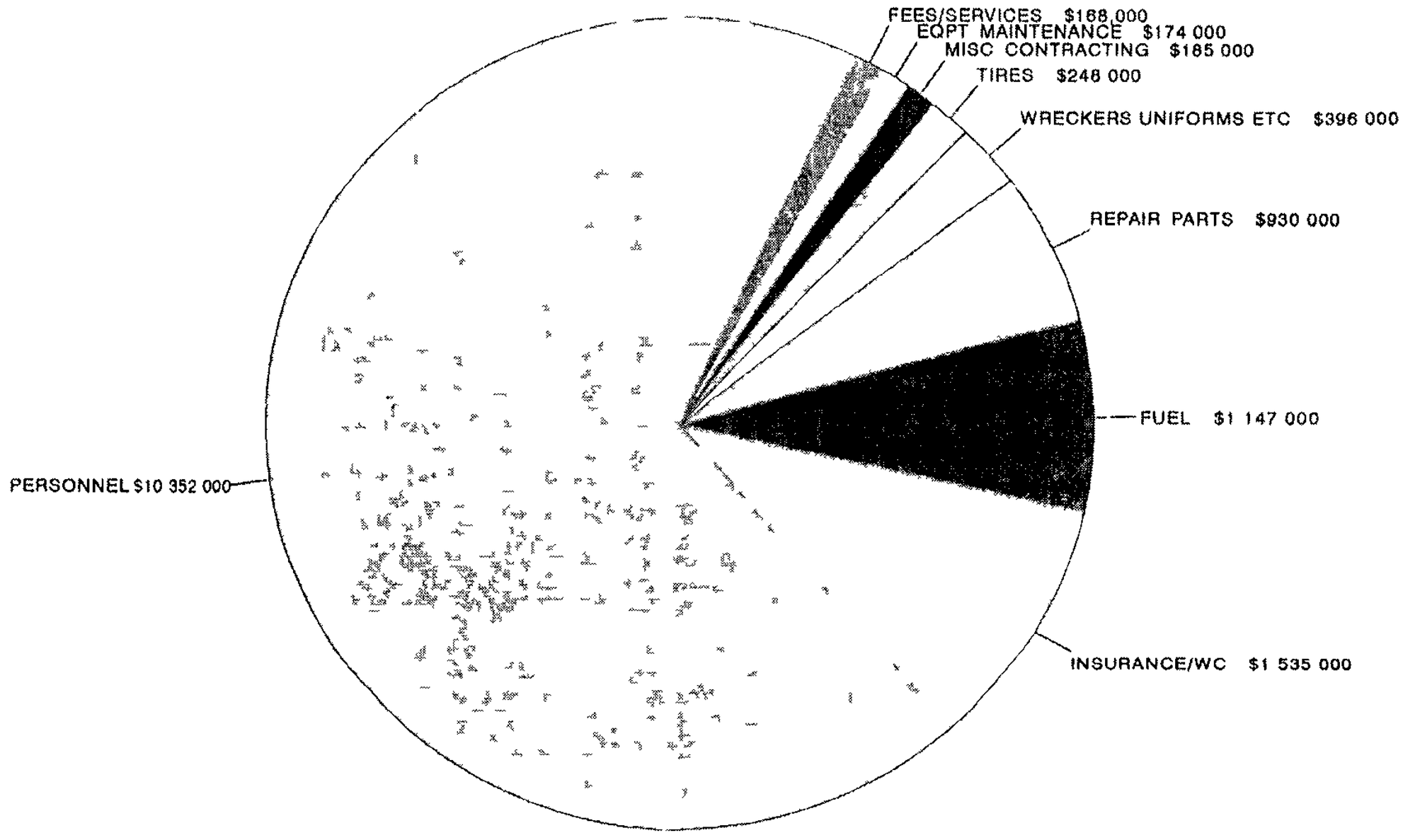
TOTAL $84,410,000

FY93-94 PROFESSIONAL SERVICE CONTRACTS



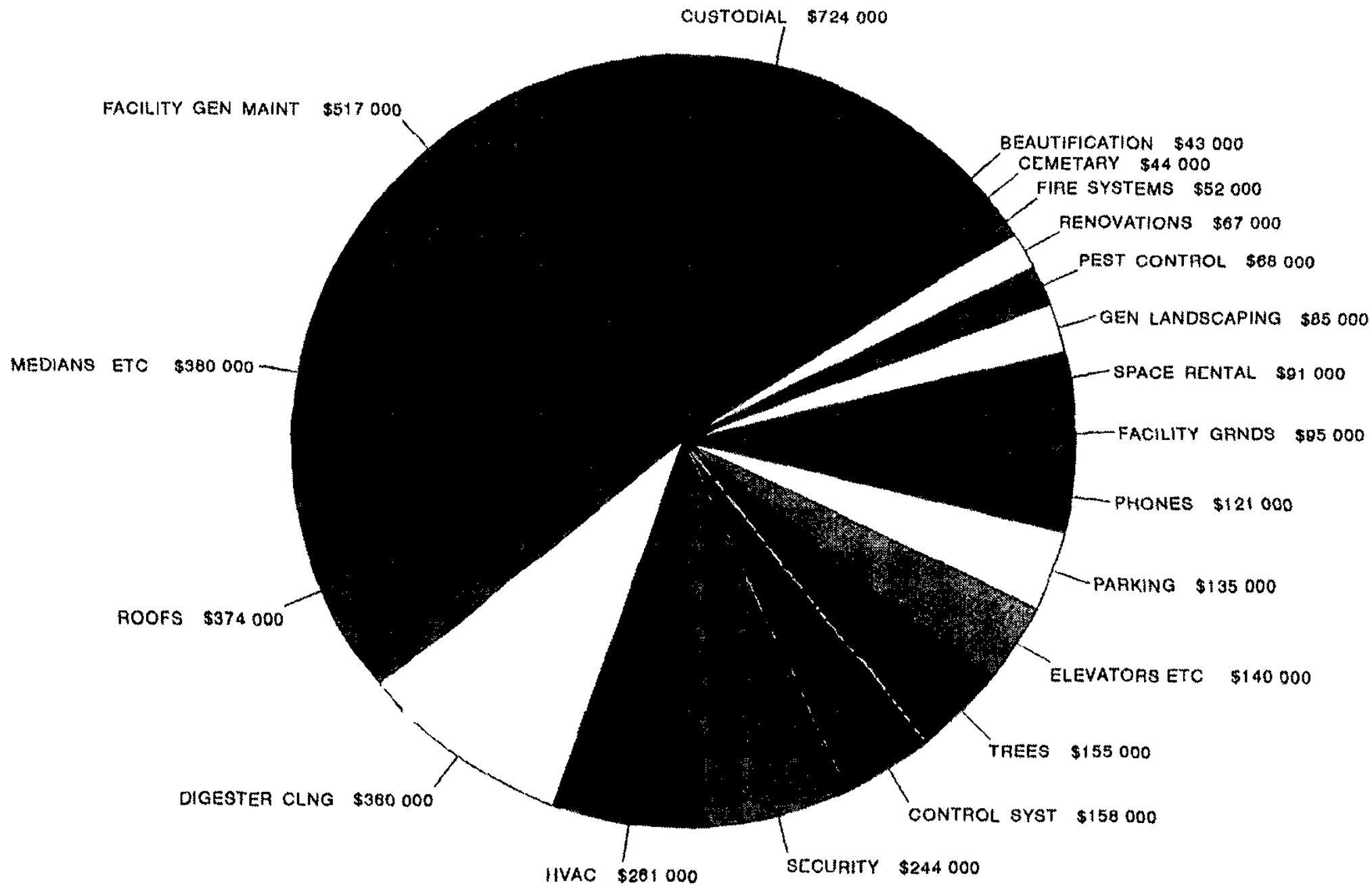
TOTAL $29,111,000

FY93-94 CDOT CHARLOTTE TRANSIT SYSTEM



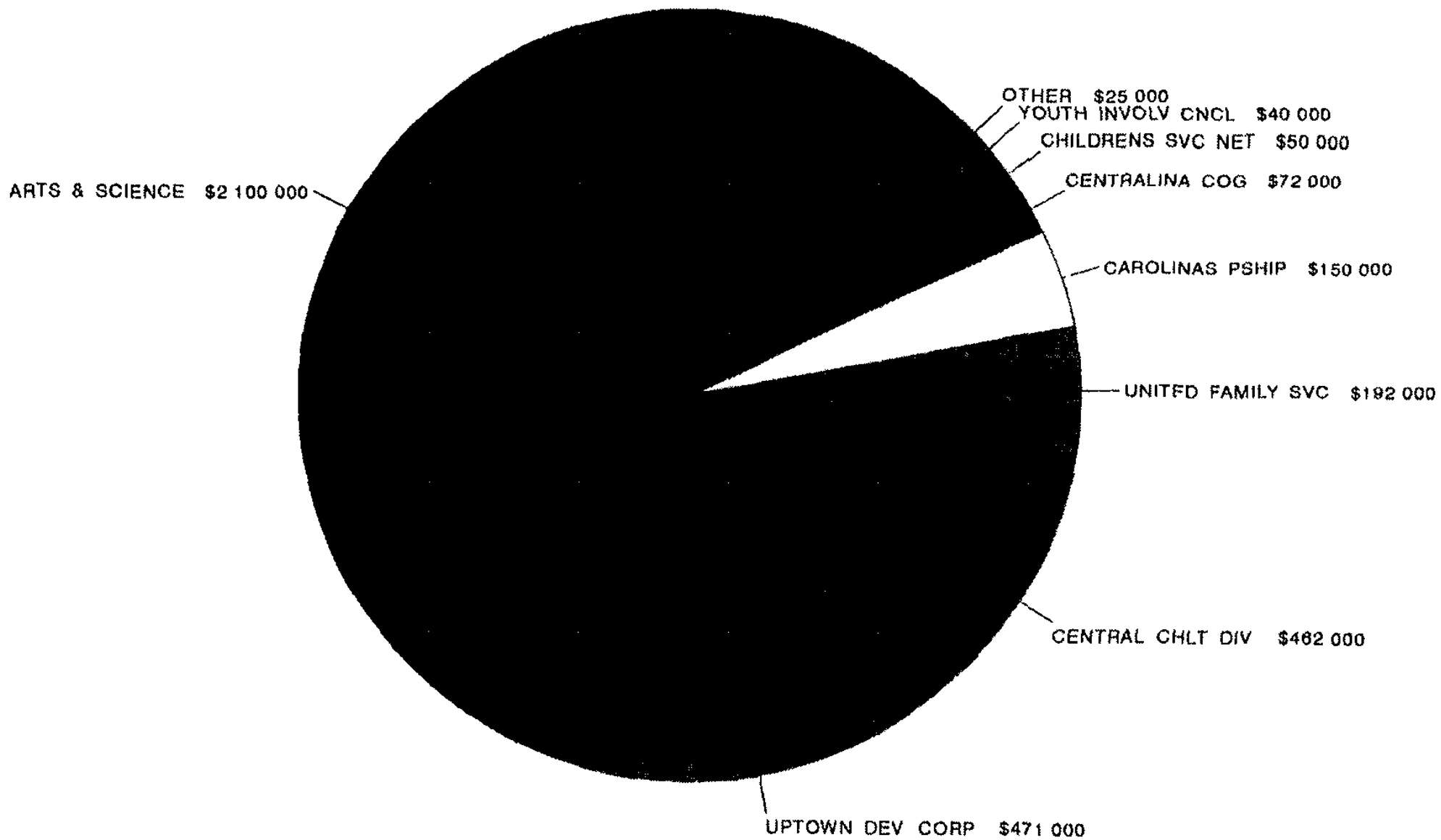
TOTAL $15,135,000

FY93-94 PROPERTY MANAGEMENT CONTRACTS



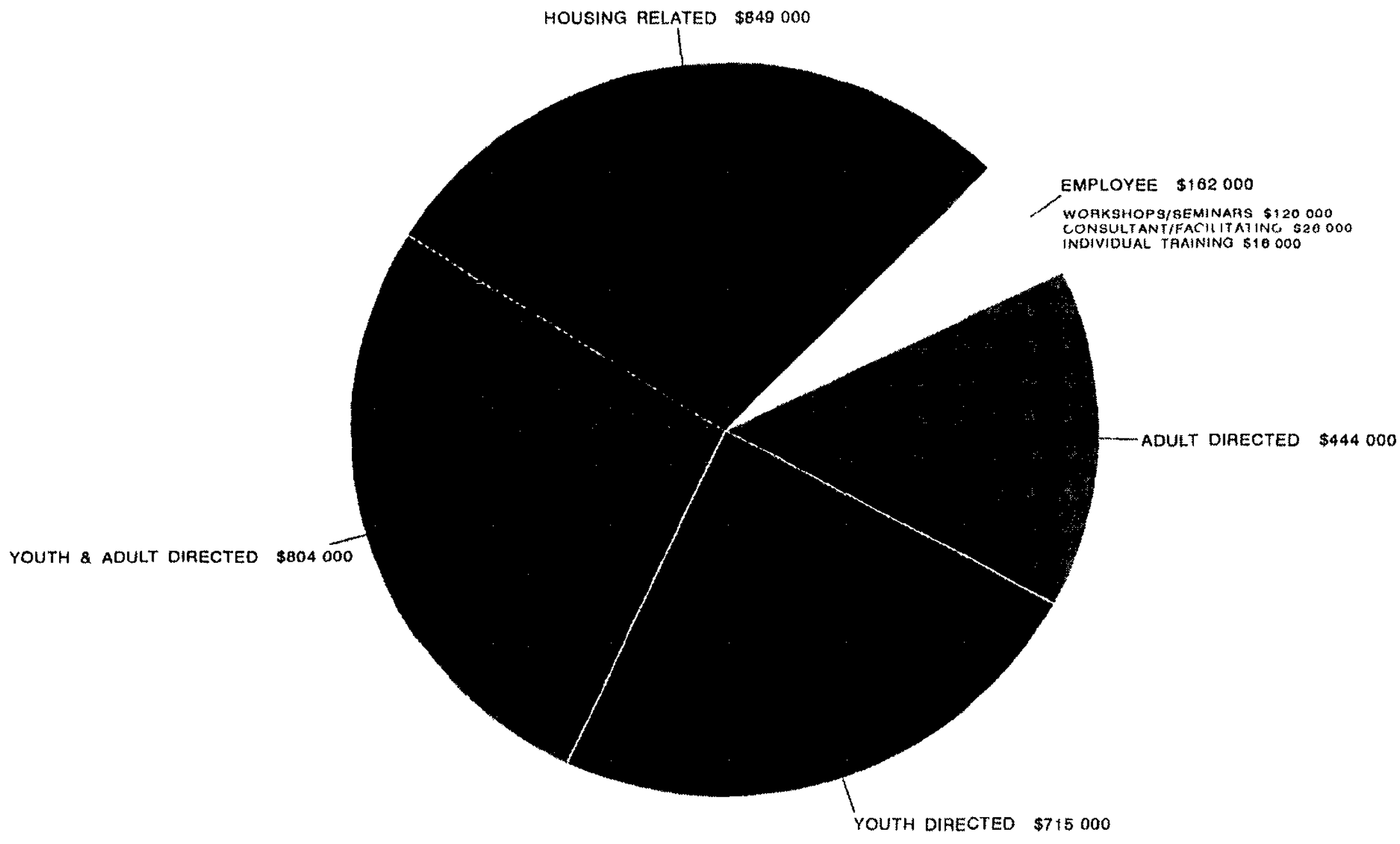
TOTAL $4,114,000

FY93-94 PARTNERSHIPS, COALITIONS, COUNCILS & SERVICES CONTRACTS



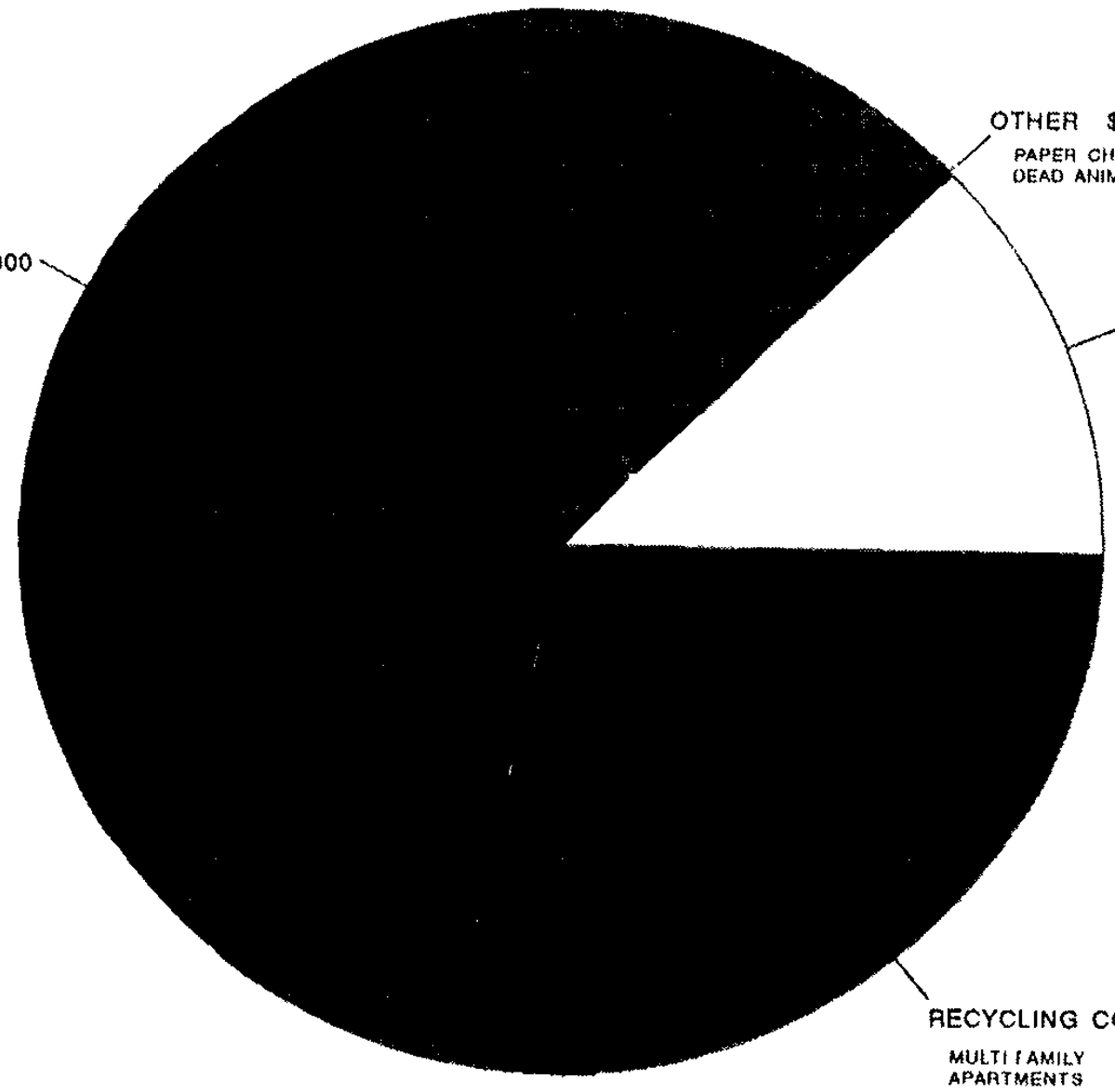
TOTAL $3,562,000

FY93-94 MAJOR TRAINING CONTRACTS



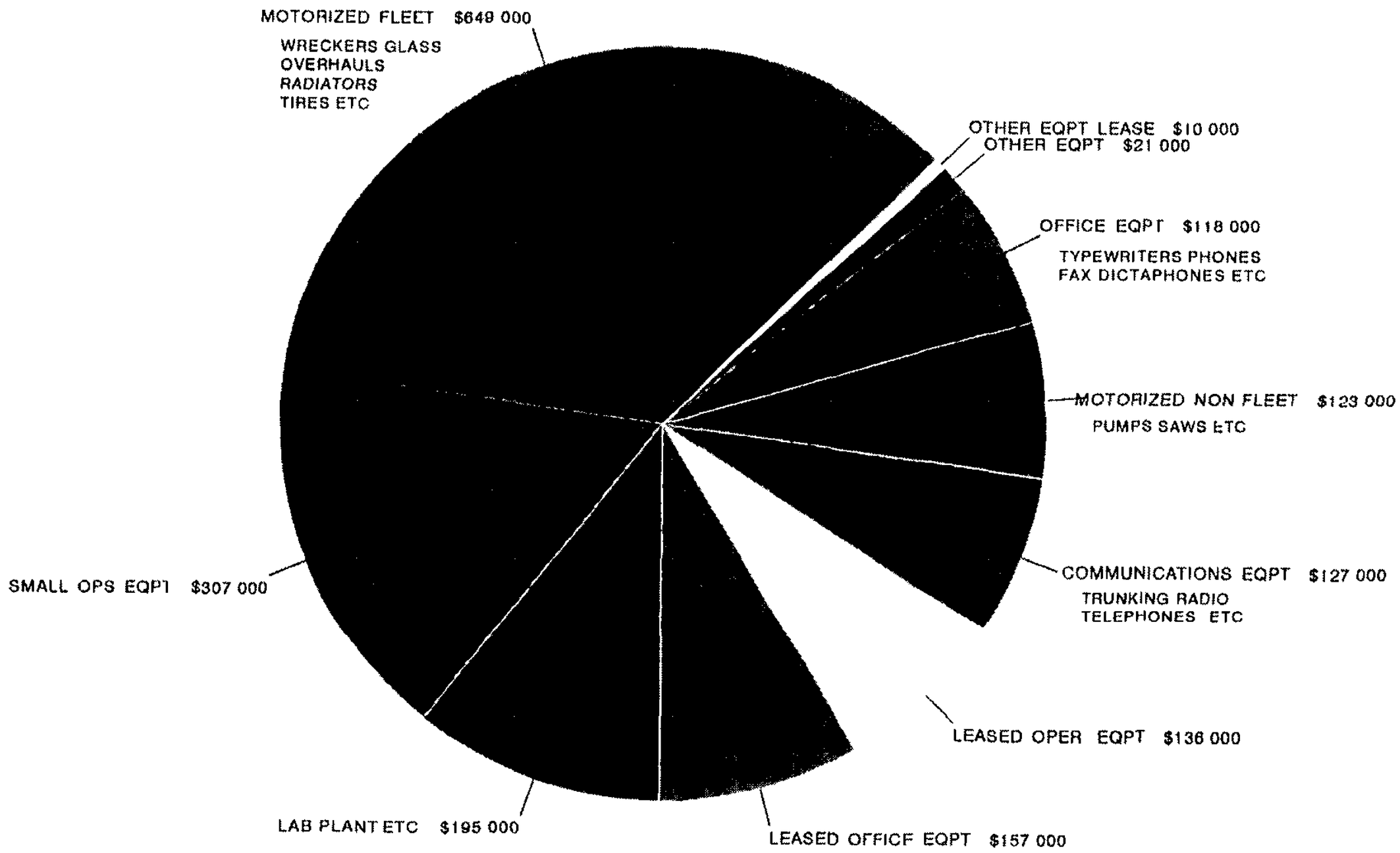
TOTAL 2,974,000

FY93-94 SOLID WASTE COLLECTION CONTRACTS



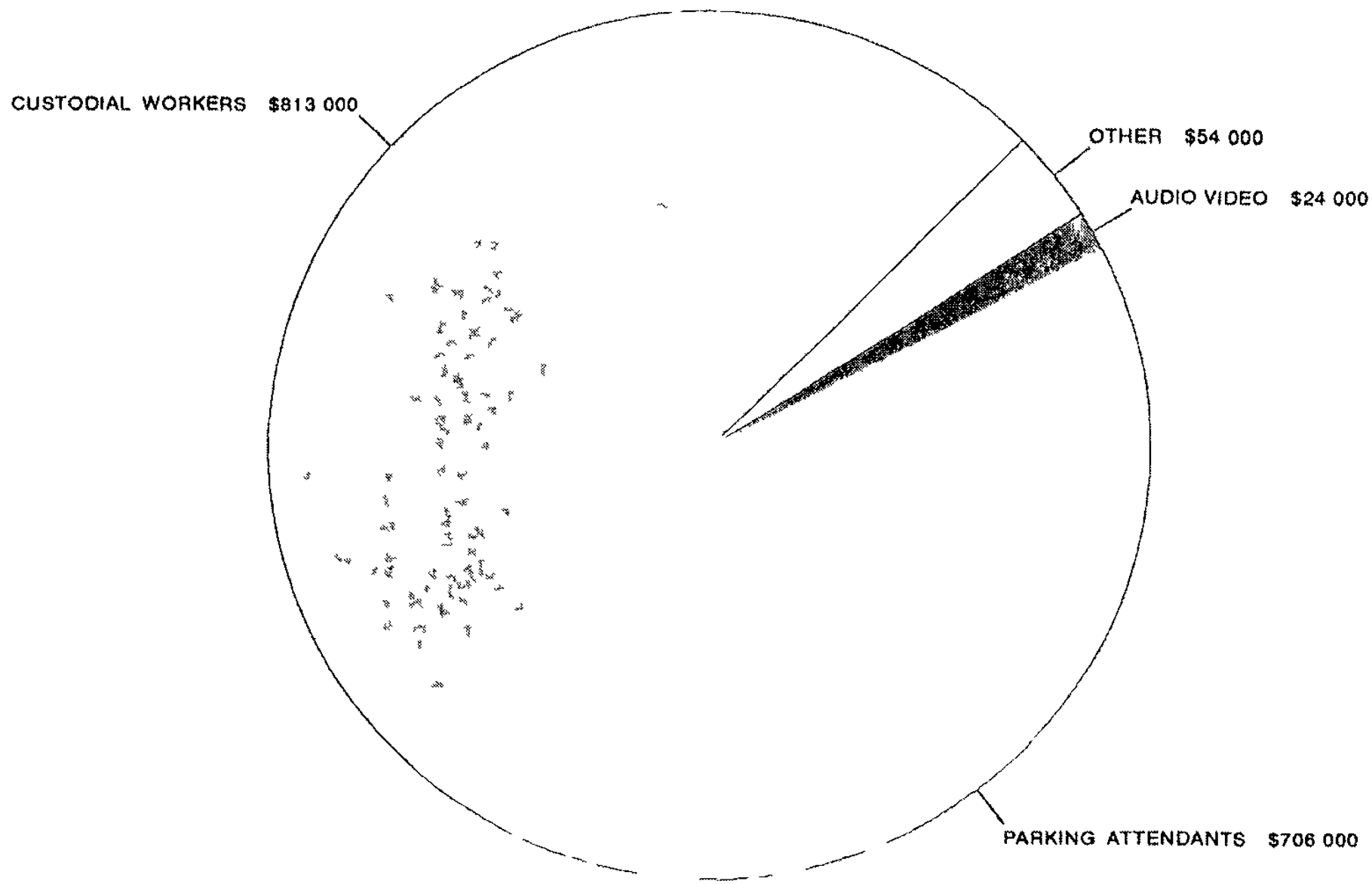
TOTAL $2,485,000

FY93-94 EQUIPMENT RELATED CONTRACTS



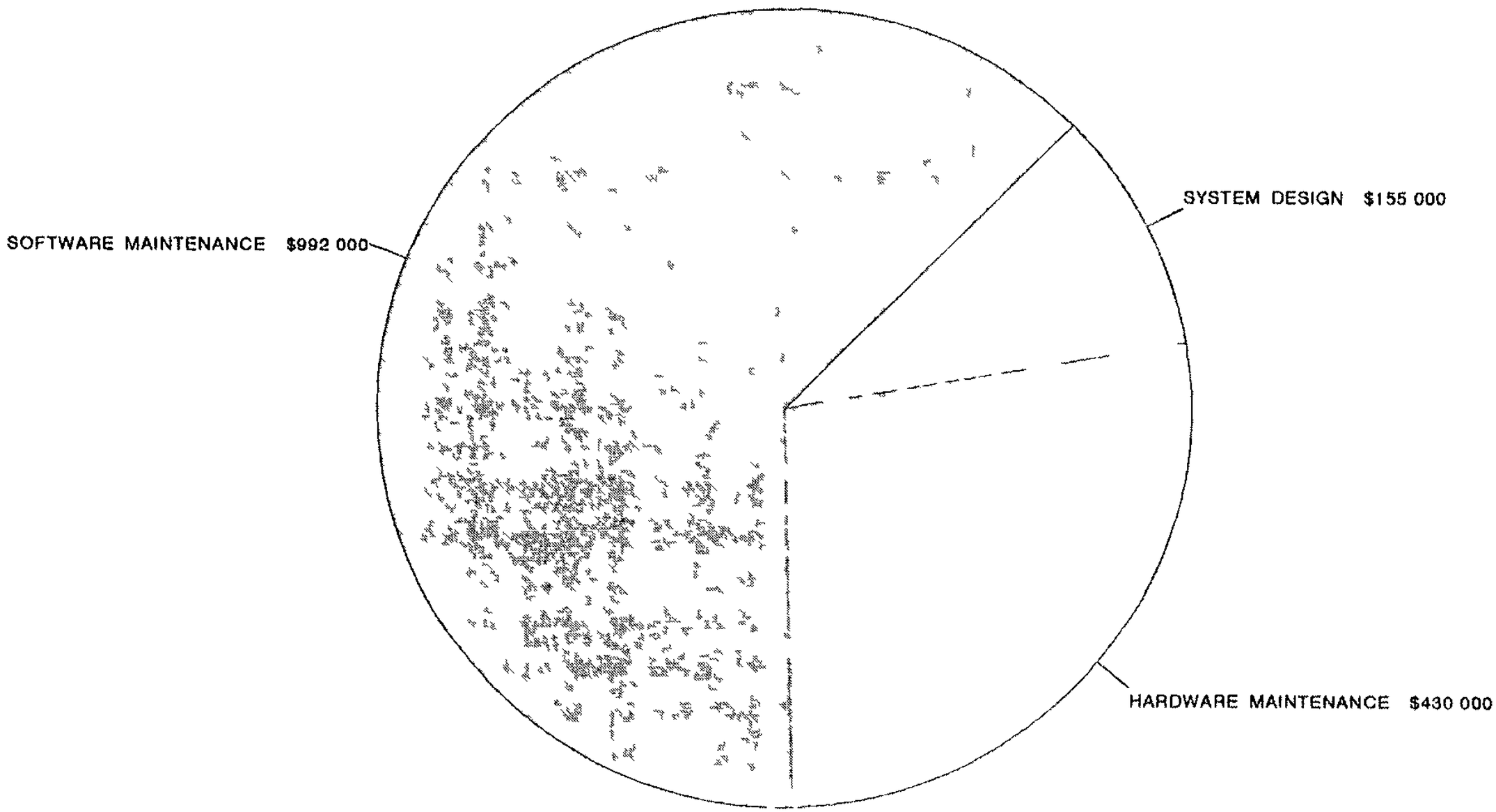
TOTAL $1,843,000

FY93-94 TEMPORARY EMPLOYEE CONTRACTS



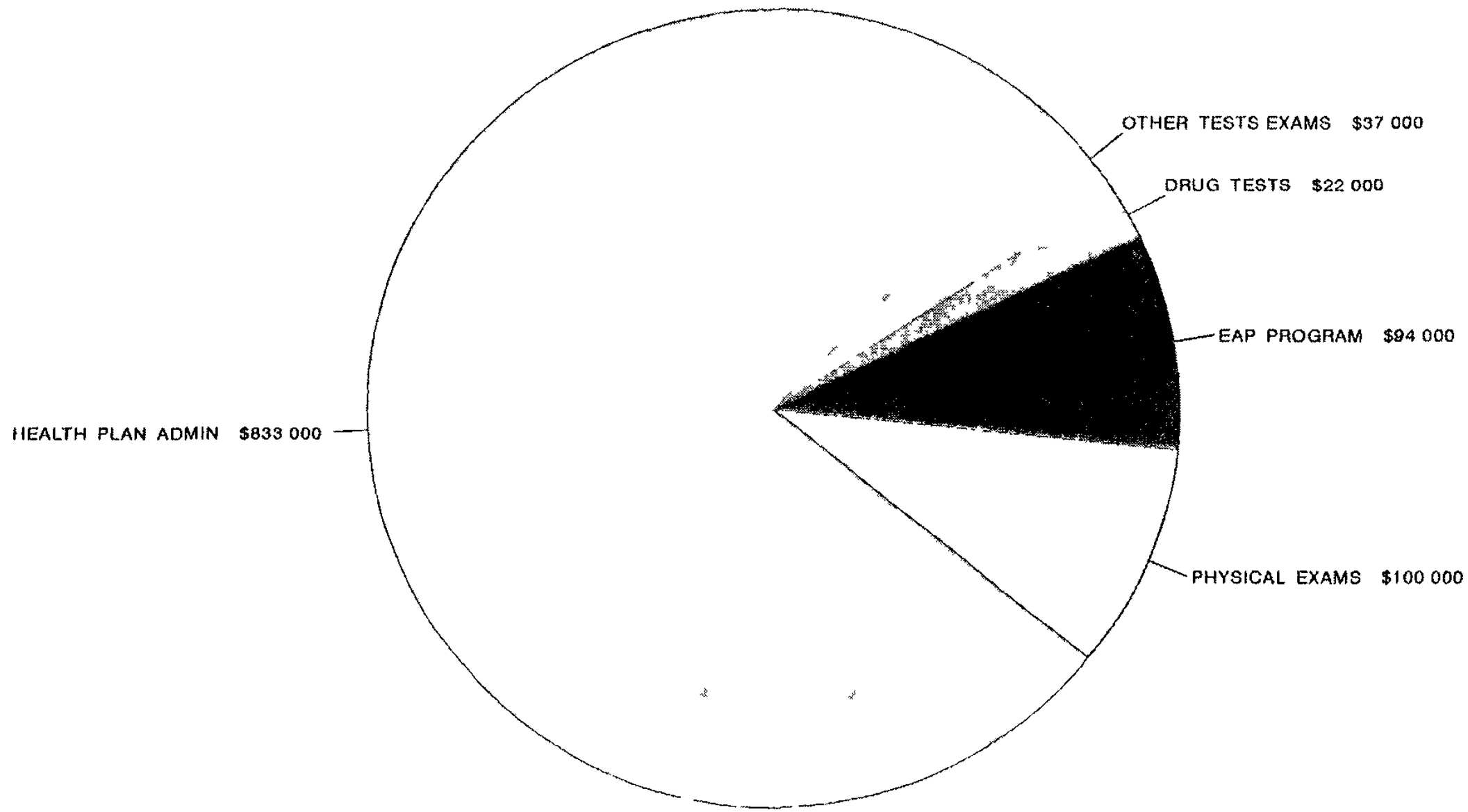
TOTAL $1,597,000

FY93-94 COMPUTER RELATED CONTRACTS



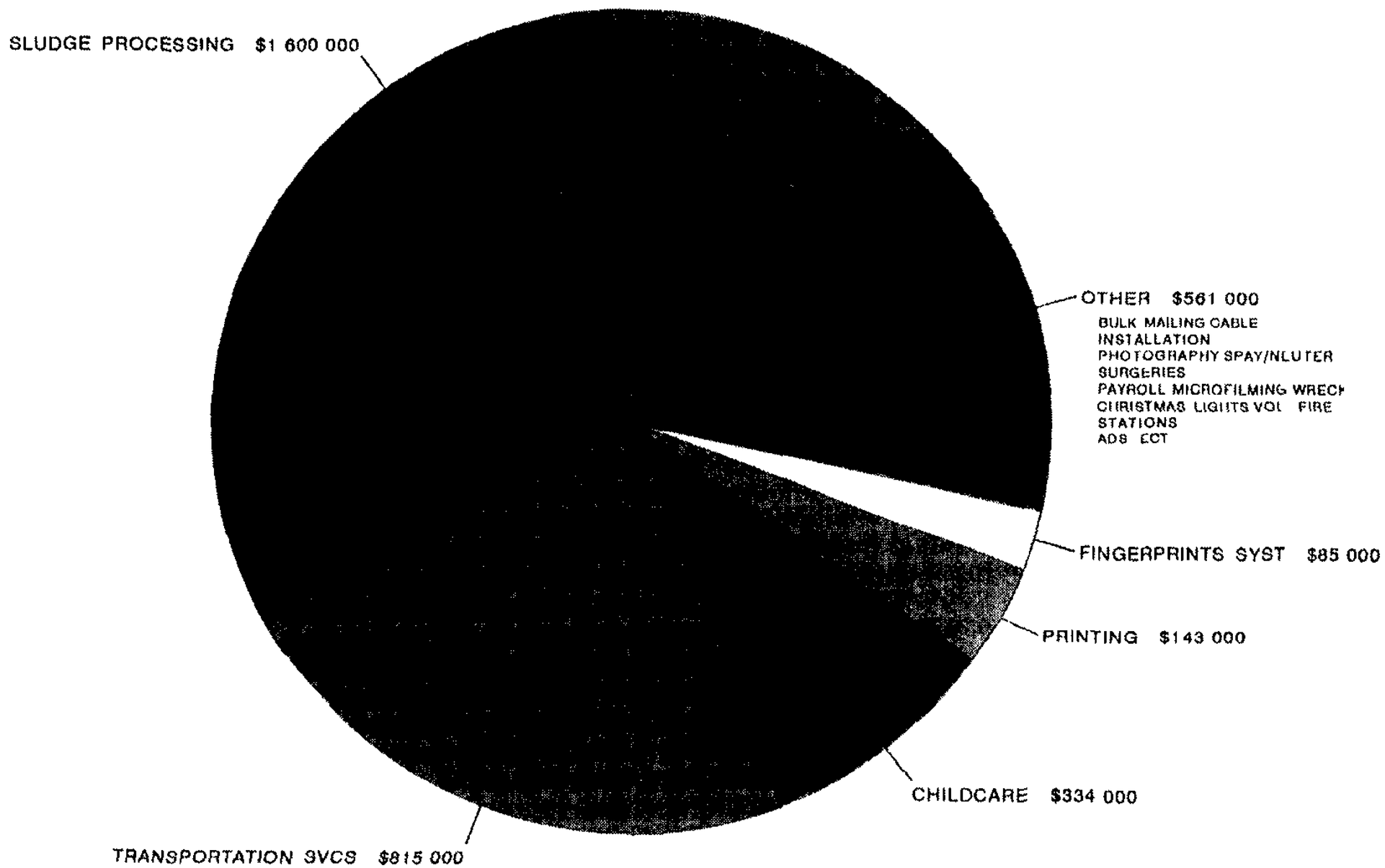
TOTAL $1,577,000

FY93-94 MEDICAL CONTRACTS



TOTAL $1,086,000

FY93-94 OTHER CONTRACTS



TOTAL $3,538,000

FY93-94 CONTRACT ACTIVITY IN TARGETED AREAS

FY93-94 Contract Activity in Seventeen (17) Areas Identified in "Privatization Task Force" report plus "Medical Services" total $124,113,000. Activity is shown in the following service areas:

- *Police and Fire Communications*
- *Meter Maintenance and Reading*
- *Grounds Maintenance*
- *Building Maintenance*
- *Equipment Services*
- *DOT Construction & Maintenance*
- *Water & Sewer Construction and Maintenance*
- *Wastewater Treatment Operations*
- *Communications and Information Services*
- *Sanitation*
- *Animal Control*
- *Engineering*
- *Special Services*
- *Finance*
- *Police Records*
- *Water Pumping & Treatment*
- *Special Transportation*
- *Medical Services*

Contracting Key Business Legend (XXX)

ALL - All Key Business
AV - Aviation
BSS - Business Support Services
DOT - Department of Transportation
DOT/CTS - Charlotte Transit
EPM - Engineering & Property Management
FIN - Finance
Fire - Fire
HR - Human Resources
ND - Neighborhood Development
NON - Non-Departmental
POL - Police
SW - Solid Waste
U - Utility

Police and Fire Communications: $209,000

•Radio System Mtnce (BSS) -Simulcast Site & Consoles	115,000
•MDT Mtnce (POL)	94,000

Meter Maintenance and Reading: $0

Grounds Maintenance: $843,000

•Row & Vacant Lot Mowing (EPM, U)	344,000
•Tree Programs (EPM, AV) -Purchase -Plant/Water -Systematic Pruning -Trunk/Stump Removal	153,000
•Public Facility Grounds (AV, EPM, U)	95,000

•Landscaping (EPM, U)	85,000
-Purchase	
-Planting	
-Other	
•Tree Lighting (SW, EPM)	54,000
-Tryon Mall	
-Polk Park	
•Cemetery Maintenance (EPM)	44,000
•Lot Cleanup and Beautification (SW)	43,000
•Median Mowing (EPM)	25,000

Building (Facility) Maintenance: $4,535,000

•Custodial (AV,EPM, U, DOT, POL, Fire, ND, BSS, SW)	1,537,000
-Temporary Help	
-Private Companies	
•Parking Operations (AV, EPM)	1,010,000
-Temporary Help	
-Facility Management	
-System/Equipment Maintenance	
•General Maintenance and Repair	523,000
-Painting, Electrical, Plumbing, Structural, Fence, etc.	
•Roof Maintenance, Repair, Replacement (EPM, U)	374,000
•HVAC Systems (EPM,U)	261,000
•Security Services (EPM,ND, BSS, SW, U, DOT)	244,000
•Control Systems (AV)	158,000
•Elevators, Escalators (AV, ND, U)	140,000
•Pest Control (Pol, Fire, ND, SW, U, DOT, AV, EPM)	68,000
•Renovation, Modifications (EPM, AV, U)	67,000
•Fire Systems (EPM, DOT, AV)	52,000
•Consultants (EPM)	38,000
•Waterproofing (EPM)	35,000
•Fountains (EPM)	20,000
•Property Management (ND)	8,000

Equipment Services: $827,000

•Wreck Repair (BSS)	280,000
•Transmission Overall (BSS)	103,000
•Heavy Equipment Repair (AV)	94,000
•Small Motorized Equipment Repair (U)	80,000
•Wrecker Service (BSS)	56,000
•Hydraulic Cylinder Re-Build (BSS)	51,000
•Starter/Alternator Re-Build (BSS)	51,000

●Tire Repair (BSS)	31,000
●Other Repairs (EPM, U)	31,000
●Engine Overhaul (BSS)	18,000
●Glass Replacement (BSS)	15,000
●Crane Repair (U)	7,000
●Radiator Repair (BSS)	6,000
●Diesel Equipment Repair (U)	4,000

DOT Construction and Maintenance: $3,785,000

●Resurfacing (DOT)	3,285,000
●Curb Replacement/Repair (DOT)	500,000

Water and Sewer Construction and Maintenance (Utility): $17,348,000

●Water/Sewer System Construction	15,204,000
●Water/Sewer System Design	1,495,000
●Pavement Patching	220,000
●Lime System Construction	125,000
●Tool and Equipment Maintenance	123,000
●Equipment Rental and Transportation	122,000
●Sawing, Boring, Coring, etc.	26,000
●Pump Repair	16,000
●Temporary Help	9,000
●Plumbers	8,000

Wastewater Treatment Operations (Utility): $15,003,000

●Sewer Plant Construction	7,923,000
●Sewer Plant Design	4,066,000
●Biosolids Management	1,600,000
●Solids Stabilization	389,000
●Digester Cleaning	360,000
●Residuals Management Study	271,000
●Electric Motor and Pump Repair	164,000
●Process Safety Analysis	109,000
●Process Equipment Maintenance	52,000
●Centrifuge Repair	31,000
●Lab Tests	22,000
●Lab Equipment Maintenance	12,000
●Electrical Repairs	4,000

Communication and Information Services: $1,615,000

•Software Maintenance (BSS, FIN, DOT, SW, HR)	992,000
•Hardware Maintenance (BSS, POL, FIN, DOT, AV) -Mainframe, Printers, Tape Drives, GIS, Computers, Remittance Processors, CBD, CTS, UPS, etc.	336,000
•Phone System Maintenance (AV, U, FIN, DOT)	132,000
•System Design (EPM, U, DOT)	120,000
•System Enhancements (FIN)	35,000

Sanitation (Solid Waste): $2,485,000

•Dumpster Collection (SW, AV) -Apartment/Multi-family, City Locations -Airport	1,780,000
•Recycling Collection (SW, EPM) -Apartments, Multi-family -Paper-Chase	702,000
•Other (POL) -Dead Animal Pickup/Disposal -Miscellaneous	3,000

Animal Control: $59,000

•Spay Neuter Surgeries (POL)

Engineering (Excluding Utility): $72,881,000

•Engineering Services, Design, Planning -Design *Capitol Projects (AV) *Facilities (EPM) *Capital Projects (EPM) *Stormwater (EPM) *Other (AV) -Water Quality Permit Development (EPM) -Storm Water Program Development (EPM) -Storm Water Field Inventory (EPM) -Project Planning (EPM) -Surveying, Mapping, Topos (EPM, DOT, AV) -Property Appraisals and Acquisition (EPM) -Testing (EPM, AV)	18,250,000

•Construction -Capital Projects (AV) -Facilities (EPM) -Capital Projects (EPM) -Ongoing Capital Programs (EPM) -Storm Water (EPM)	54,631,000

Special Services: $0

Finance: $1,945,000

•Bond Related Services (FIN) -Rating, Counsel, Underwriting, Advisors, Verification, Trustee, Arbitrage, Feasibility	1,113,000
•Investment Management (FIN)	341,000
•Collections (FIN) -Out of State Parking Violations -Miscellaneous Accounts Receivable	125,000
•Audits (FIN, AV, NON)	116,000
•Claims Adjustment (FIN)	100,000
•Actuarial Services (FIN, DOT)	40,000
•Pension Plan Administration (DOT)	32,000
•Financial Consultants (ND)	27,000
•Billing (FIN) -Sewer Only Customers	16,000
•Debt Modeling (FIN)	13,000
•Investment Accounting-Moneymax (FIN)	12,000
•Rating Service (FIN)	10,000

Police Records: $0

Water Pumping and Treatment (Utility): $677,000

•Water Plant Construction	306,000
•Water Resources Study	115,000
•Electric Motor and Pump Repair	97,000
•Hazardous Chemical Plan	72,000
•Water Tank Design	39,000
•Lab Tests	30,000
•Instrument Service	17,000
•Upgrades/Additions	1,000

Special Transportation: $815,000

•STS-Night and Weekend (DOT)	350,000
•Transit Services to Johnston (DOT) YMCA and Amay James Center	300,000
•Family Transportation to (DOT) Westinghouse/Carowinds	150,000
•Rock Hill Commuter Bus (DOT)	15,000

Medical: $1,086,000

•Health Plan Administration (NON)	833,000
•Physicals (All)	100,000
-General, Over 35, EMT, HAZ-MAT, DOT/CTS	
•Employee Assistance Program	94,000
-All Employees (NON)	
-Other (DOT/CTS)	
•Other Tests, Exams (All)	37,000
-Critical Counseling, Debriefing, Labs, Psychological, Audio	
•Drug Testing (POL, DOT/CTS)	22,000

Summary: A total of $124,113,000 in contracted services were delivered to the eighteen (18) target areas. This amounts to 82% of all identified contract dollars for FY93-94.

RESEARCHING OTHER CITIES

Another step taken by the City in preparing for competition has been to research other cities which have implemented competition in their organizations. Applying the knowledge gained from researching these leaders, which includes their "best practices" as well as their mistakes, provides beneficial guidelines to move forward on competition.

The City of Charlotte has undertaken this benchmarking process in the following manner. Along with collecting internal data on contracting, the search began to determine other cities' results with privatization and competition. Some of the sources include:

- The Reason Foundation. This non-profit organization is known for its studies on privatization and competition, both nationally and worldwide.
- The City of Phoenix
- The City of Indianapolis

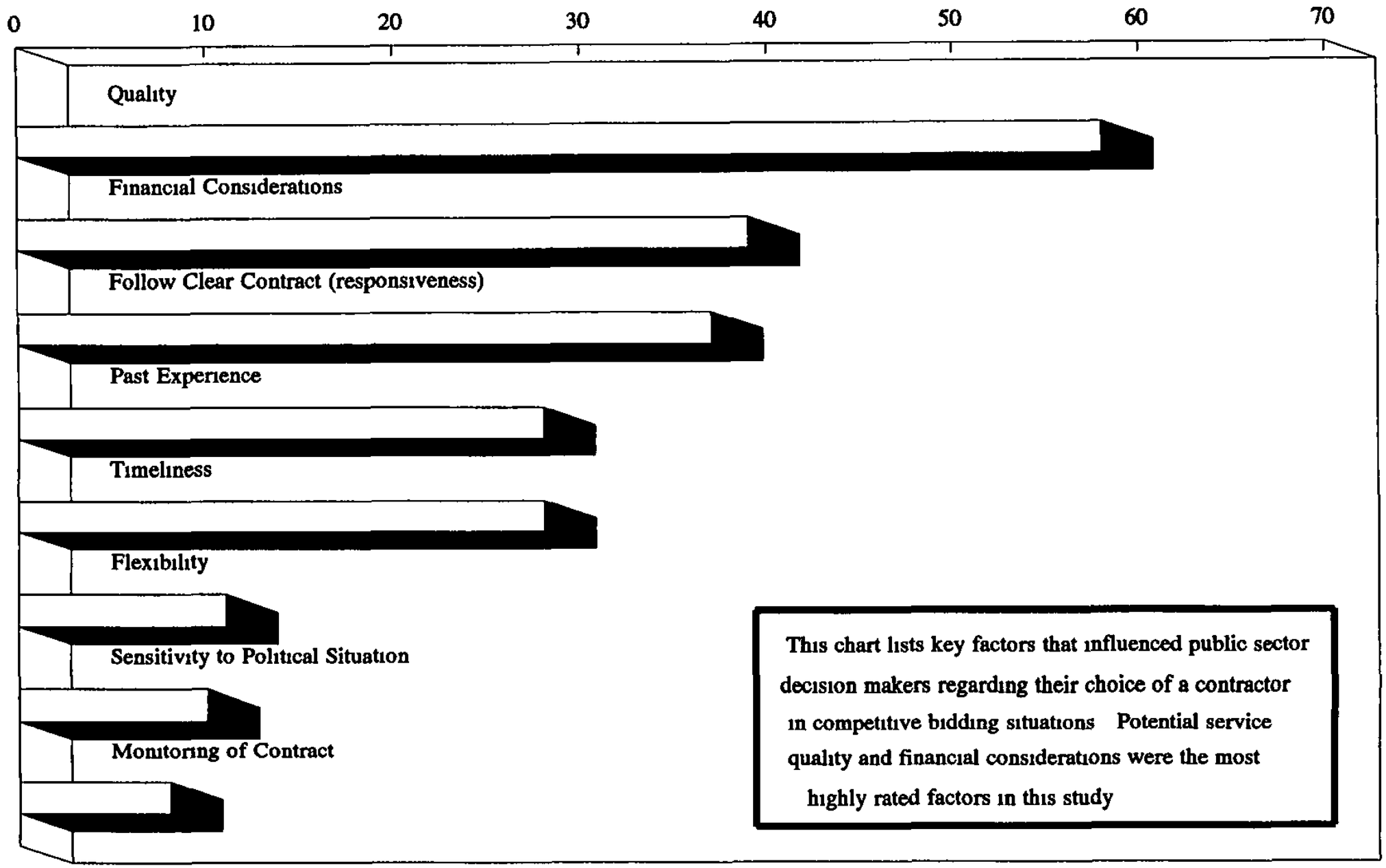
The following pages include surveys from various sources, as well as articles highlighting the results of these cities in their efforts in competitive bidding and privatization.

CONTRACTING ACTIVITY IN 24 LARGEST CITIES IN THE U.S.

	% Of Cities Contracting All or Part	Charlotte Contracting
Solid Waste	50%	Yes ($2.5 million)
Parking Garage	45%	Yes ($1.0 million)
Vehicle Towing	90%	Yes ($10,000)
Street Sweeping	15%	No
Maintain Street Lights	15%	Privatized 100%
Building Maintenance/ Janitorial	66%	Yes ($4.8 million)
Building Inspection/ Engineering	32%	Yes ($22.9 million)
Administrative Services	55%	Yes ($5.4 million)
Public Works	61%	Yes ($87.9 million)

SOURCE: 1992 Reason Foundation Survey

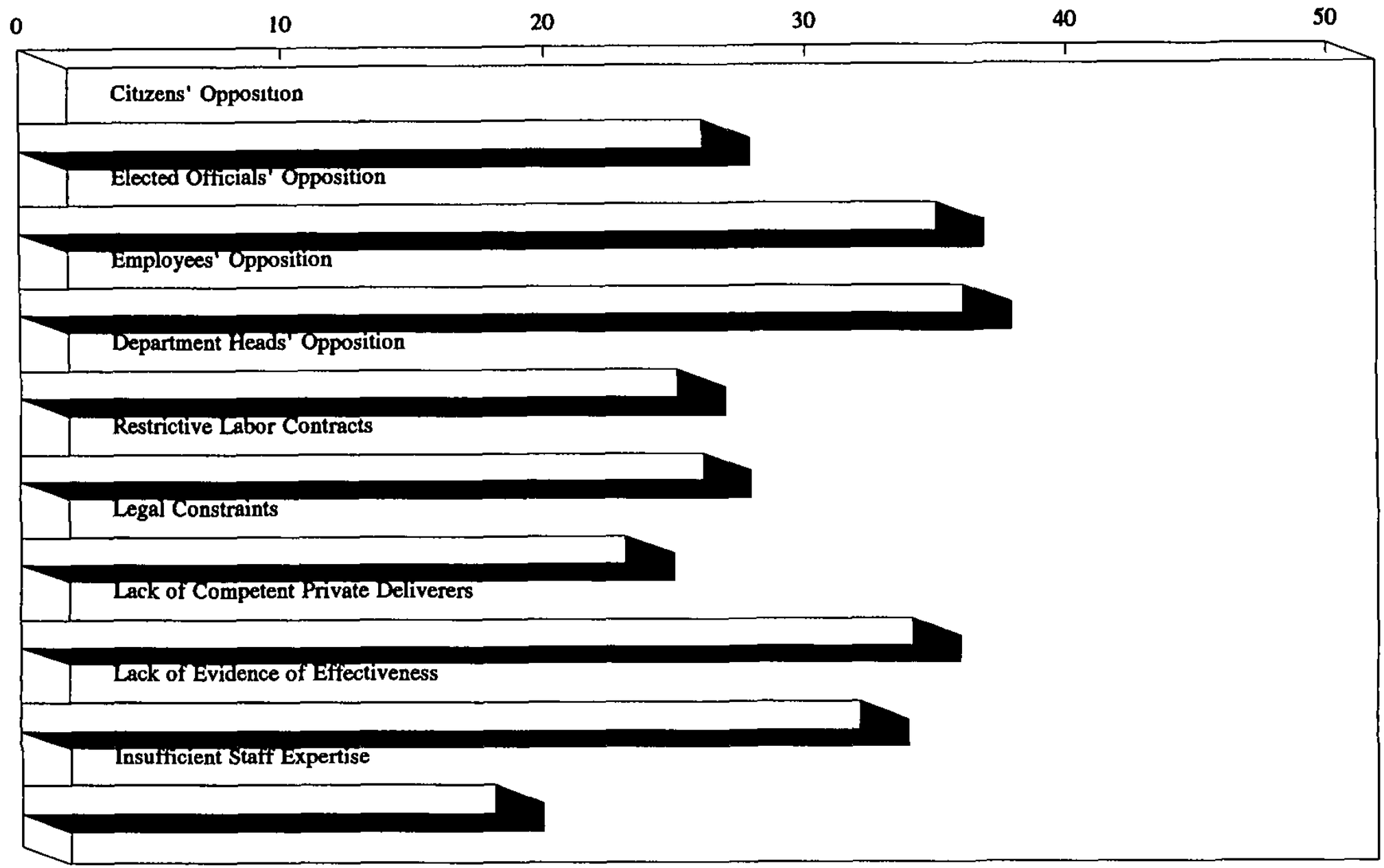
Critical Success Factors for Contracting



This chart lists key factors that influenced public sector decision makers regarding their choice of a contractor in competitive bidding situations Potential service quality and financial considerations were the most highly rated factors in this study

SOURCE 1990 Privatization Survey, The Mercer Group, Inc , October, 1990, p 24

Obstacles Encountered in Privatization



Source. ICMA, Baseline Data Report, 1988, Vol 21, No 6, p 9

PRIVATIZATION POLICIES ADOPTED BY 28 LOCAL GOVERNMENTS

Policy for Affected Workers	Percentage
No lay-off policy/guaranteed other government jobs	29%
Right of first refusal with contractor	35%
Informal policy/work with individual workers	6%
Retraining	6%
No employment policy	24%

SOURCE Privatization and Public Employees: The Impact of City and County Contracting Out on Government Workers, NCEP, May 1988

When Cities Turn to Privatization

Indianapolis Competition

By Stephen Goldsmith

My city Indianapolis, is like most cities in that the local government has a monopoly on the delivery of many services and the management of many assets. As with most monopolies, it has lagged in productivity innovation, and quality of service. Governments, which were created for the sole purpose of serving people, can be far less responsive to their customers needs and desires than private companies, which exist only to make a profit.

The emerging solution for many policy makers especially at the local level is to turn over the management of certain assets and the delivery of certain services to private sector firms But to begin with the premise that private firms are somehow naturally more efficient than government is the wrong approach.

Burger King and Domino s, for example don t work so hard to satisfy their customers merely because they are private They give great service because they are in competition, and will go out of business if customers don't like what they serve up If we were simply to privatize without first creating a competitive environment, the benefits would be minimal

This week the Office of Management and Budget and other government agencies gave poor marks to privatization when they reported that federal efforts to transfer government work to private companies frequently prove wasteful. Yet experiments to introduce competition or privatize frequently work well, as America's cities have shown. We print positive reports from two mayors here.

That s why Indianapolis is embarking on an effort to ask fundamental questions about government itself Are the services currently provided ones that need to be provided by government at all? (Does the city really need its own cable television station for example?) If the service is a public good is it something that needs to be provided by government, or is a better role for government that of a purchasing agent, arranging for competitive bids?

We are rethinking not simply *how much* government to provide but *what kind*

One of the key participants in this effort is the Service Efficiency and Lower Taxes for Indianapolis Commission, a group I formed shortly after taking office. Seltic comprises 10 of the most entrepreneurial leaders from our business community Each leads a team of expert private sector volunteers and the most enterprising employees we could find in each city department. Seltic s job is to inventory every government service and asset, to move these functions into the marketplace and to distinguish areas in which the private sector has a competitive advantage from those in which it does not.

Among the most serious disadvantages city government faces when it enters the competitive arena is that its cost information is extraordinarily bad. When I took office in January for example no one could tell me how much it cost us to fill one pothole Traditional government accounting just does not provide the information managers need to operate efficiently The purpose of government accounting has always been to prevent officials from stealing money—not from wasting it.

From the taxpayers point of view the ideal situation occurs when the most efficient private sector service provider goes head-to-head with a public sector provider operating at its most efficient level We put the maintenance of a small section of the city's streets up for competition. When our Department of Transportation found out that it would have to compete it borrowed a page from the private sector and did activity-based costing It learned that its mix of equipment and labor was inefficient With the full cooperation of the local union the department determined that it could fill chuckholes with four workers instead of eight, and one truck instead of two When bids were opened our city workers had blown away the field with a bid thousands of dollars cheaper than that of the lowest private firm.

The example provided by our transportation workers demonstrates why a preoccupation with privatization is unproductive Contrary to their poor public image most civil servants are hard working talented and know a lot more about how to do their jobs well than their mayors do The problem is that they have been trapped in a system that punishes initiative ignores efficiency and rewards big spenders

Go to just about any manager of a city department and ask him or her If you were released from all the bureaucratic entanglements of government could you do your job better? Almost invariably they will say yes. We need to give them the opportunity to prove it. Before we let entrepreneurs provide government services let s allow government service providers to become entrepreneurs What we might even find is that city government itself could be a small business incubator A city print shop for example might be able to do its own ministure LBO spin off as a private company and sell its services back to the government.

Finally we need to ask the citizens—our customers — if the service is worth the tax money they are paying for it Providing unnecessary services efficiently should not be a goal of government, nor should cutting the budget of a highly effective organization Blunt, across the board cuts merely institutionalize incompetence So we need to think and speak in value-added terms by linking government budgets to performance measures and output evaluations

An example from my days as a prosecuting attorney illustrates the point Having determined that making an arrest for domestic violence made recurrence less likely we devoted substantial resources to an enhanced prosecution effort Eventually a researcher asked what should have been an obvious question Does the additional sanction of prosecution over and above the initial arrest further reduce the recurrence of violence?

As we soon discovered the answer in most cases, was no. So we were devoting substantial resources to do very effectively something that added little or no value for citizens Now that does not mean we shouldn t fully prosecute and seek convictions for those who commit domestic violence But if our goal is to decrease domestic violence and if we have limited financial resources then we should know how to focus our resources to achieve the desired outcome most frequently We should know how to provide the best value for our customers

Resources will always be scarce for the provision of government services But by introducing competition we can create choices for our customers By creating choices, we let our customers tell us what kind of services they value and want us to provide At the same time they gain a more informed opinion about how much they want to spend in taxes. And if our customers aren t getting a dollar s worth of service for every dollar s worth of taxes, then government isn t helping them out—it s ripping them off

Mr Goldsmith a Republican is mayor of Indianapolis

Cleaner Streets in Newark

By Sharpe James

One of the most challenging tasks of municipal government is to provide cost effective service to its residents In Newark we have used a combination of public and private competition to provide municipal services at the highest possible level and the lowest possible cost We have found that, on the whole privatization works.

Newark is New Jersey s largest city with a population of more than 275,000 It is a city with significant socioeconomic difficulties and an aging infrastructure It is also a city undergoing a renaissance with tremendous recent growth in office business and residential development

Newark has the third largest airport in the world and the second largest seaport in the U S It is the home of the third largest insurance center in the U S. after New York and Hartford It has nine banks including the largest three in New Jersey It has 12 savings and loan associations five colleges and universities with a student enrollment of more than 30 000 and six major hospitals. The city also has a subway and an extensive rail network.

All the municipally owned infrastructure is managed by the Newark Engineering Department, using a mix of private contracting and publicly supplied services Contracting or privatization is defined as the use of the private sector to deliver services historically provided directly by the government

A larger variety of services are contracted for in Newark than in any other large city on the East Coast. Citywide when police and fire services are excluded Newark now spends about $1 in contract services for every $2 in house The result has been improved services and reduced costs Newark s contracting in the public works area alone includes these services

1 Solid Waste Collection (approximately 33% contracted)
2 Street Sweeping (67%)
3 Leaf Collection/Illegal Dumping Cleanup (33%)
4 Demolition (50%)
5 Salt Spreading (90%)
6 Snow Plowing (100%)
7 Vehicle Rental (public works equipment is rented from private sources as necessary to supplement municipally purchased equipment) (10%)
8. Catch Basin and Sewer Cleaning (60%)
9 Sewer and Waterline Reconstruction (95%)
10 Fire Hydrant Reconditioning and Replacement (80%)
11 Leak Detection (90%)
12 Street Resurfacing and Street & Sidewalk Reconstruction (95%)
13 Street Sign Installation (50%)
14 Tree Planting (100%)
15 Tree Trimming (100%)
16 Tree and Stump Removal (100%)
17 Computer Data Entry (50%)
18. Engineering Design of Capital Construction and Rehabilitation Projects (75%)

Of all these services perhaps street sweeping offers the best example of what privatization can do

Contract street sweeping in large Eastern U S. cities is not common The only other large Eastern U S city using contract street sweeping is Boston and neighboring Cambridge But in Newark we discovered that this seasonal activity is well suited for contracting

We started with a problem Nowhere is there greater public concern than for the cleanliness of the streets. In Newark it was once the largest area of citizen complaint But no longer Newark is in the forefront of the effort to make this quintessential urban service efficient and cost effective

The city began its privatization effort in 1983 by awarding a five-year contract for sweeping one-third of the city s 321 lineal miles of local streets In 1985 it awarded a second contract, for sweeping a second third of the city These contracts have been reawarded since that time The city itself continues to sweep one-third of the streets

One advantage to contracting out street sweeping is the way private companies can (and must) maintain their equipment independent of the city s often overloaded Department of General Services Where city trucks must sometimes wait for maintenance behind police and fire vehicles private companies can keep their own schedules

But the advantages don t stop there When contracting of street sweeping began in November 1983 a remarkable improvement was noticed in street cleanliness So remarkable was the difference that the Municipal Council found it unnecessary to commission a detailed quantitative study on the cost-effectiveness of the service Suffice to say there was a remarkable reduction in the amount of street litter collected In my opinion cleaner streets stay cleaner

Later a study of street sweeping performed for the city revealed that privatization of the sweeping saved the city $1 million annually while providing an excellent level of service

This example of contracting experience illustrates how we are effectively managing the business at hand and how Newark s experience can serve as a model for other communities to follow

Mr James a Democrat is mayor of Newark N.J

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Phoenix winning competition in privatization of city services

By MARTI AHERN

The city of Phoenix has won the garbage war and its victory will save taxpayers millions of dollars in the next few years In doing so city officials also are proving they can be more efficient than private business in providing certain types of city services

As of Jan 1, city crews will be collecting all of the city's trash That is quite a change from just a few years ago, when about half of the city's garbage collection was done by private firms The Phoenix City Council kept the project in-house a few weeks ago by rejecting bids from three private firms competing for pickup rights to one of the city's five collection districts

To win the right to all that refuse, the city had to compete head-to head with the nation's three largest solid waste management firms, Waste Management Inc , Browning-Ferris Industries and Laidlaw Waste Systems Inc The competition had been stiff, says Ron Jensen, city public works director

"We've gotten to the point that our efficiency and productivity has improved so much that we're equal with the private sector in this area," Jensen says

About 10 years ago the city began contracting out a number of city services in a privatization program spurred on by the taxpayer revolts of the mid-1970s Garbage collection was one of those services that was put out for bid.

The city lost the first four trash pickup competitions In the last three years, it has won all the staggered year contracts for which it has contended

The latest contract on which the city was the lowest bidder is one now held by Waste Management That pact, which will expire at the end of the year, covers garbage collection in the city's southwest sector The city's bid will save taxpayers at least $1 million on that contract alone over the next seven years, Jensen says

In the last three years the city also has won contracts to provide trash collection in two of the city's other districts The city's low bids on those contracts, for the southeastern and northern districts, will save taxpayers an estimated $5 million to $6 million each over the life of the pacts, he adds The two remaining districts always have been served by the city.

The city has been successful in its recent garbage contract bids because it has been effective in cutting its own costs to provide that service "Having to compete with the outside has forced us to look at a lot of costs," Jensen says "We try to look at what is the best business approach "

That extends to all services for which the city competes with the private sector In deciding what services can be put out for bid, which cannot and for which the city should compete with private business, Jensen says four factors are taken into consideration.

The services the city must provide are those that require a regulatory authority or are mandated by state law, such as providing police protection, he notes. Those that should be left to the private sector are those for which it is more adequately equipped, such as large scale construction or any work that is more efficiently accomplished through economies of scale, he adds

But the services that overlap those two categories, such as garbage collection, are the ones in which the city competes in the bidding process with private businesses "There you see who can come up with the best services," Jensen says

When the city first put garbage services on the open market its competitive stance was much different than it is now Ten years ago there were three men on a city garbage crew while private business could collect the same amount of trash using fewer people The private firms also were using more modern equipment and could collect more garbage with fewer vehicles

Now the city garbage trucks are as modern as those of the competition and each is operated by only one person Collection schedules remain the same whether the service is provided by the city or a private vendor

The bidding process is identical whether the bidder is a private contractor or the city The city's bids are prepared by the city auditor to ensure that all costs of providing the service are taken into consideration, Jensen notes.

Each entity submitting a bid must present it in a sealed envelope by the bidding deadline. The bids then are opened and read by city officials at a public meeting, and the city council awards the contract to the lowest bidder.

That open bidding process ensures its credibility, Jensen says. It also prevents the city from being charged with self-interest, if contracts are kept in-house, or cronyism, if they are given to a well-known local concern The self-interest and cronyism charges often are leveled against cities that invite private bidders but wind up doing the work themselves, he notes

The city's privatization program has been so successful that it now is considered a model for the country Jensen has been the subject of many media interviews, including two recent ones, on the front page of *The New York Times* and another on NBC TV's *Today* show

Although the city is the current victor in the trash collection bidding, its victory is not permanent, Jensen notes New contracts to provide the service are let each time they expire or when the machinery providing it reaches the end of its useful life The next trash collection contract is expected to be put out for bid in the next 18 months

"Because, eventually, the equipment gets old, we'll always be in competition with the outside," Jensen says "They'll keep us on our toes "

The New York Times

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TUESDAY, APRIL 26, 1988

Public Services Found Better If Private Agencies Compete

By LOUIS UCHITELLE

One of the most promoted economic ideas of the 1980 s holds that private companies can provide public services more efficiently than government.

But those with experience in "privatizing" services in the United States, mostly local governments, are now reaching a different conclusion The key to efficient public services is not replacing government agencies but pitting them against companies in continual competition.

For example, Phoenix a pioneer in privatization, has cut garbage-collection costs by forcing its sanitation department to compete against companies. The private sector had the edge in the early 1980's, but the sanitation department has regained it This month the department outbid Waste Management Inc., the last company collecting trash in the city

'It's the Competition'

In Florida the commissioners of Bay County, dissatisfied with the way the sheriff's office ran the county jail invited outsiders to bid for the job The Corrections Corporation of America won with an offer of $26 a day per prisoner The sheriff s best offer was $36

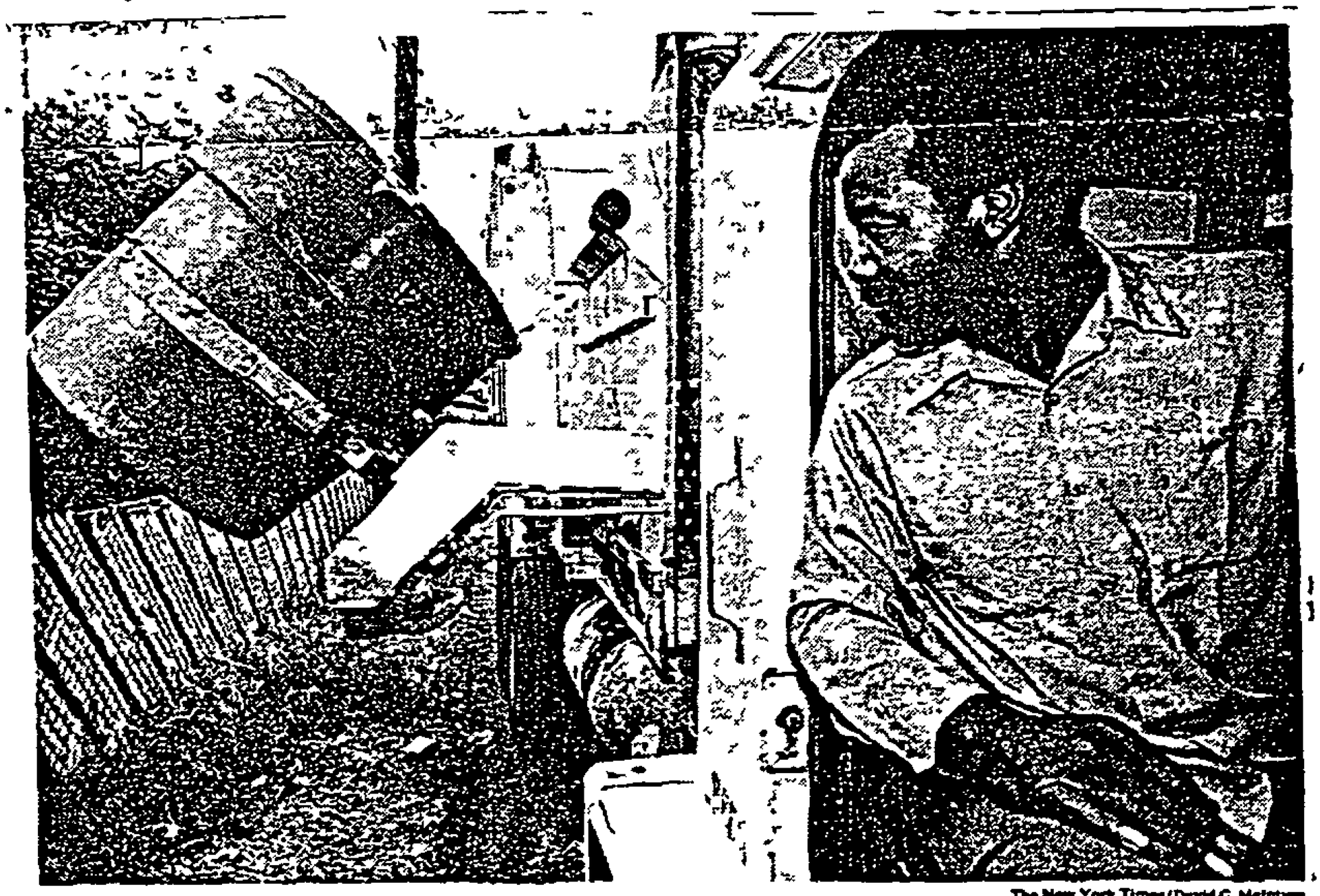
The Tallahassee Fla fire department tried to raise the fees it charged to respond to alarms in surrounding Leon County But when the county commissioners sought bids from the Rural/Metro Corporation, the department lowered its rate increase and expanded its services

"It isn't that the private sector or the public sector is better, it's the competition between the two of them that works," said John D Donahue, a public policy expert at the Kennedy School of Government at Harvard.

Geoffrey Bogart, an official of the International City Management Association, an organization of appointed officials, added "Contracting, in many cases, is turning out to be a useful tool in providing cost-effective services."

So far, the experience with privatization has been mostly in contracting services from business at the county and municipal level. The next big step could be giving to families some state funds now used for public school education or to build public housing Under this scenario, parents would pick what they considered the best school for their child, public or private. That school would get their state money in housing, state money would go toward rental of a home anywhere in a city

Privatization might never get this far But it has clearly gained a foothold



The New York Times/David G. McIntyre

Lonnie McGhee, manning a one-person automated garbage truck in Phoenix. The truck has helped the sanitation department cut costs and successfully outbid pfi9ate companies for the franchise.

The New York Times/Alan S. Weiner

Thomas Beasley, chairman of the Corrections Corporation of America, in a prison the firm runs in Tennessee. The company built a prison in Panama City, Fla., in six months, winning a 20-year contract from the county.

after a decade of experimentation While garbage collection is the service most opened up to competition, the private sector has become involved in many others in hundreds of cities. These include data processing, firefighting, vehicle maintenance street light repair, hospital management and park maintenance.

Whether government or business ends up performing these tasks, the competition between them has contributed to a reduction in the portion of the work force employed by government It has fallen to 14 9 percent of the total work force last year, from a record 17 1 percent in 1975

Part of the drop comes from government restricting employment. And when business wins a contract, it often replaces government jobs with private ones paying less in wages or benefits.

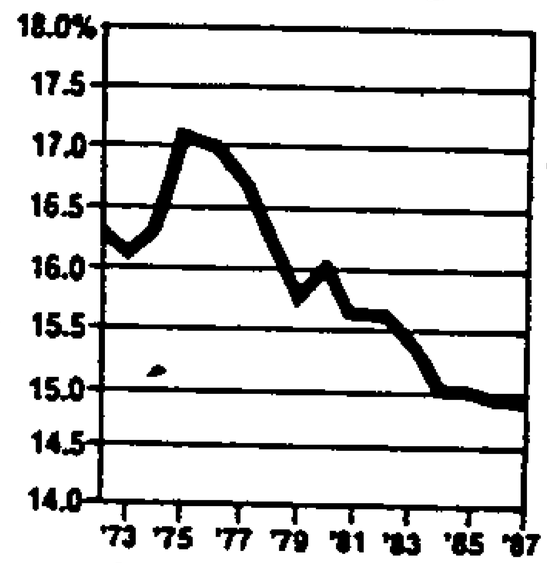
These cutbacks clash with what some consider a higher purpose for government — "the socially important role of providing good jobs to people who might otherwise not get them," as Paul Starr, a Princeton University sociology professor, put it. The approach dates back to the Depression, when the Federal Government created tens of thousands of public works jobs.

Today, governments are a major employer of black Americans, they employed 23 percent of the blacks who held jobs last year, compared with only 14 percent of employed whites.

"If you shrink government jobs it is going to have a disproportionate impact on minorities and women," said Linda Lampkin, research director of the American Federation of State, County and Municipal Employees.

Government Employment As a Percent of Total

Workers in Federal, state or local jobs as a percent of total U S work force



Source Bureau of Labor Statistics

Unions, which represent half of public sector workers, say governments use the threat of privatization to wring concessions from civil servants.

Ronald Butler, chief executive of Rural/Metro, says local firefighters have in several instances agreed to concessions to keep his company from displacing them. "They'll take salary freezes and even layoffs, anything to keep us out," he said.

To the Reagan Administration and conservative economists, however, privatization has not gone far enough. In their view, governments should set standards, but the work should be done by the private sector Competition among companies, with profit as the prize, is the key to cost-efficient services, they argue. Only welfare programs, the military and police forces probably should be excluded, says David F Linowes, chairman of the President's Commission on Privatization, which issued recommendations last month.

Started With the Jail

But while the philosophical debate rages, practical considerations are driving privatization.

In Bay County, Fla., the process started with complaints about substandard conditions in the county jail in Panama City — complaints that the sheriff's office, which ran the jail, was not resolving, said Larry Davis, a county official. The commissioners put the jail's management up for bids in 1985, and awarded a 20-year contract — one that can be canceled annually — to the Corrections Corporation, a Nashville company The rate, now $29 a day per prisoner, also covers the $3 4 million cost of a new jail to relieve overcrowding.

The company built the jail in six months. If the county had the task, Mr Davis said, "we'd probably still be hunting for an architect."

In Phoenix's case, companies had won contracts to collect the trash of half the city's homes by the early 1980 s Since then the Sanitation Department has pared its costs by one-third, enabling it to recapture lost work, said Ronald Jensen, director of public works But companies will be able to bid on future contracts.

Costs Reduced

To lower its costs, the Sanitation Department switched to the larger trucks used by private contractors, reducing the number of trips to the dump. It also developed trucks with mechanical arms that pick up trash bins from the sidewalks. The automated vehicle can be operated by one person, a non-automated truck requires two or three.

Sometimes, the private sector's advantage is simply lower wages Many cities no longer even try to use civil servants as guards and janitors or to maintain public golf courses or highway median strips "The issue here is wages, pure and simple,' Mr Jensen said "Our janitors get $6 or $7 an hour, while the private sector pays close to the minimum wage" of $3 35

In other cases, however, the private sector often pays the same wage as governments, but uses fewer workers and gives them fewer benefits. "The hit is almost always in the pension plan," said Ms. Lampkin, the union official

The Petrocello Contracting Corporation, which collects trash from one-third of the homes in Newark, has only a small permanent payroll. It hires people daily from a pool of workers who receive the same hourly wages as city workers, but less in overtime and some benefits The city workers are full time employees.

The private sector is now involved in many municipal services.

Rural/Metro s operations in 20 communities mostly in the Southwest, are also intended to provide service with fewer people than municipal fire departments employ Its hourly pay is as high as municipal pay, but its pension is in riskier company stock

Rural/Metro based in Scottsdale, Ariz., operates with two platoons of paid firefighters in each town Cities typically use three platoons and give firefighters 48 hours off between each 24-hour standard shift Rural/Metro s firemen get only 24 hours off

Rural/Metro also fields platoons that have only half the full time workers that municipal platoons employ, said the company's Mr Butler Unpaid volunteers and some paid part-timers make up for the shortfall, he said, maintaining that they are so well trained that the quality of service is the same

The bottom line is that Rural/Metro serves Scottsdale its largest customer, at a fee equal to $30 or $40 for each person in the community, compared with $50 to $70 for municipal fire departments of similar size, according to Roy Pederson, Scottsdale's city manager

Rise in Costs Feared

But government officials say costs can rise if they become too reliant on companies. For example, they say if street sweeping is turned over to one contractor and the city sells its sweepers, the contractor might double or triple the fee when the contract comes up for renewal.

To avoid this, cities often divide the business by districts. Some are retained by government agencies, the others are contracted out, as Newark has done in garbage collection. In another approach, the city withdraws from a service — as Garden Grove, Calif , withdrew from street sweeping — but gives each district to a different contractor to guarantee competition.

Some government officials argue that the private sector does not belong in sensitive services. "When you are talking about saving lives costs are not the major issue," said Martin Vanacour, city manager of Glendale, Ariz., which decided not to copy nearby Scottsdale in fire fighting.

In fact, Rural/Metro, the largest private supplier of fire services, has yet to displace a municipal department Nearly all its operations are in communities that hired it when they grew too large to rely entirely on volunteers.

OVERVIEW OF COMPETITIVE PROPOSAL PROCESS

IN PHOENIX, ARIZONA

By City Council and City Manager direction, City operations will be performed at the most economical cost while maintaining desired service levels. In fiscal year 1980-81 the City began the competitive bid process for some municipal services. City departments submit cost proposals to provide City services in competition with private industry. This process is conducted according to Operating Procedure 5.501 "Competitive Service Delivery". At the time of the bid, cost savings or avoidance are projected over the life of the contract. The City Auditor's office reviews the City proposal at that time.

After service delivery begins, actual cost saving or avoidance is determined for comparison with the projected savings or avoidance life to date. Periodic program evaluations conducted by this office address service levels, contract monitoring, and contract costs throughout the life of the contract.

The City has realized actual cost savings of $23.9 million over a thirteen year period.

CITY OF PHOENIX

COMPETITIVE PROPOSAL PROCESS

TYPES OF SERVICES

- Refuse Collection
- Street Sweeping
- Ambulance Service
- Landscape Maintenance
- Billing Services
- Public Defender
- Landfill Operation
- Fuel Distribution
- Street Repair
- Data Entry
- Senior Housing Management
- Instrumentation Maintenance

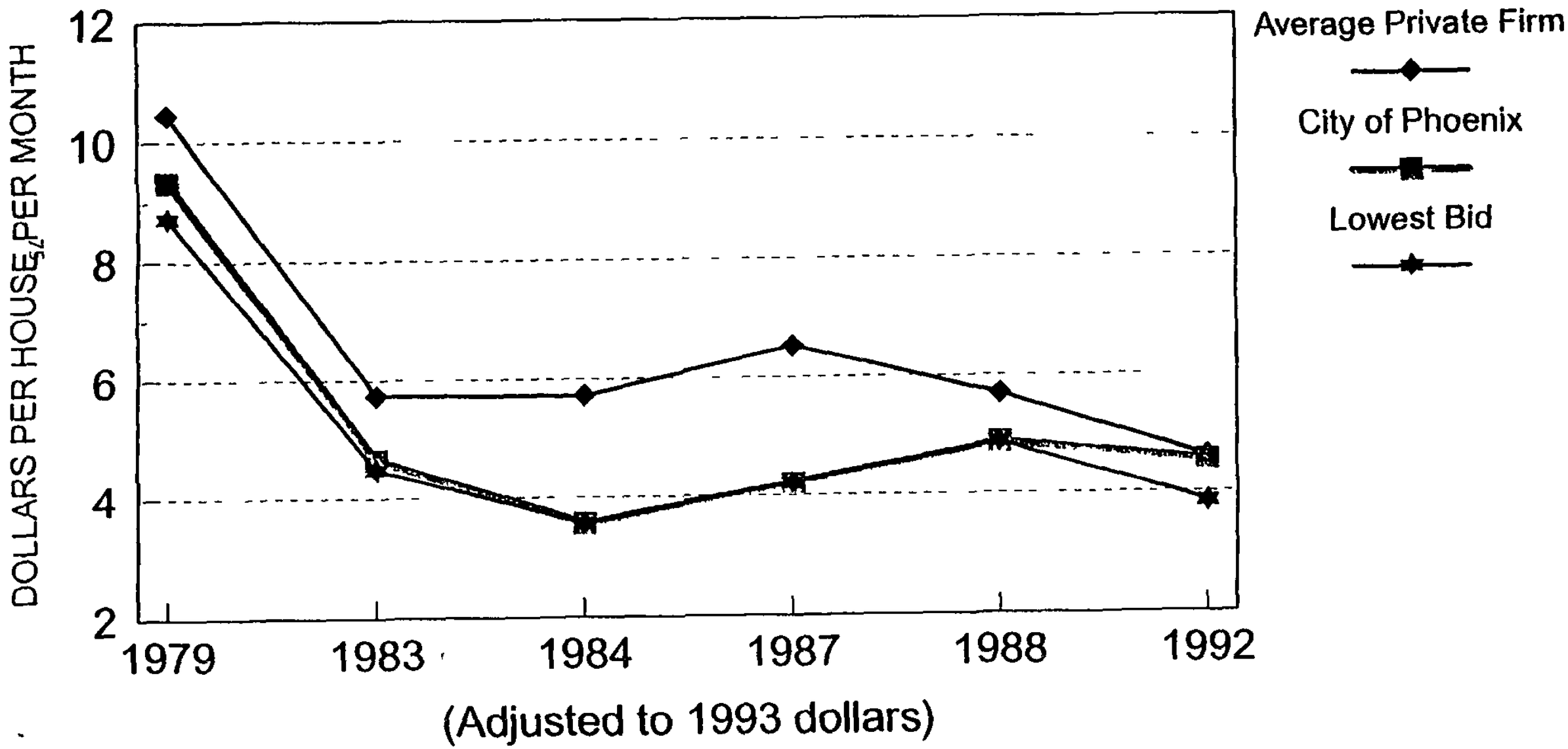
BENEFITS

EFFICIENCY

Year	District	Lowest Bid Provider	Lowest Bid (House/Month)	Average Outside Bid (House/Month)
1979	North	Private Firm	$4.60	$5.51
1983	Southwest	Private Firm	3.04	3.88
1984	North	City	2.59	4.16
1987	Southeast	City	3.31	5.12
1988	Southwest	City	3.96	4.61
1992	North	Private Firm	3.77	4.55

COMPETITIVE BID PROCESS

REFUSE COLLECTION



SELECTED SERVICE PROVIDERS

Date	Service	# of Proposals Won by: Private Contractor	Public (City)
Jan 79	Street Sweeping		1
Oct 79	Contained Residential Collection (North District)	1	
Apr 80	Uncontained Residential Collection (5 areas)	3	2
May 80	Commercial Residential Bin Collection	1	
Jan 81	Utility Bill Processing (Using OCR Technology)	1	
Jan 81	Median Landscape Maintenance (7 areas)	5	2
Jun 81	Housing Project Landscape Maintenance		1
Jul 81	Street Repair (Concrete)		1
Jul 81	Street Repair (Asphalt)		1
Feb 82	Street Sweeping		1
Apr 82	Landfill Operation	1	
Apr 82	Median Landscape Maintenance (7 areas)	7	
Jul 82	Water Meter Repair		1
May 83	Median Landscape Maintenance (5 areas)	2	3
Jun 83	Contained and Uncontained Residential Collection (Southwest District)	1	
Mar 84	Fuel Distribution		1
Aug 84	Contained and Uncontained Residential Collection (North District)		1
Feb 85	Ambulance Service		1
Feb 85	Median Landscape Maintenance (5 areas)	5	
Feb 87	Contained and Uncontained Residential Collection (Southeast District)		1
Dec 87	Public Defender	1	
Dec 87	Landscape Maintenance	1	
Feb 88	Contained and Uncontained Residential Collection (Southwest District)		1
Mar 90	Landscape Maintenance	1	
Apr 91	Batch Data Entry Service		1
Oct 91	Airport Terminal Horticultural Service	1	
May 92	Ambulance Billing and Collection	1	
Oct 92	Contained & Uncontained Residential Collection (North District)	1	
Jan 93	Senior Housing		1
Feb 93	Median Landscape Maintenance	1	
Feb 93	Lot Maintenance		1
Apr 93	Wastewater Plant Instrumentation Maintenance		1
		34	22

kv/0027

COMPETITIVE PROPOSAL PROCESS

Comparison of Projected and Actual Cost Savings/Avoidance
As of June 30, 1992

TERM	YEARS REMAINING	SERVICE AREA / PROVIDER	PROJECTED SAVINGS/ AVOIDANCE	ACTUAL * LIFE-TO-DATE SAVINGS/ AVOIDANCE	VARIANCE	EXPLANATION
AVIATION						
15-May-90 To 31-May-91		SKY HARBOR CENTER LANDSCAPE LTF Landscaping	$1 000 S	$1 000 S	$0	
01-Feb-92 To 31-Jan-93	0.5	TERMINAL 4 PLANT MAINTENANCE Plant People	3 000 S	3 000 S	0	
FINANCE						
01-Apr-84 To 31-Mar-85		FUEL DISTRIBUTION - City	0 A	0 A	0	No other responsive bid was received.
FIRE						
01-Oct-85 To 30-Sep-88		EMERGENCY TRANSPORTATION City	1,929 000 A	2,898 000 A	969 000	Cost increase 8%. Volume increase 15%.
01-Jan-93 To 31-Dec-95	3.0	BILLING & COLLECTION SERVICES Southwest Ambulance Inc.	0 S	0 S	0	Bid period begins January 1 1993
MIS						
01-Jul-91 To 30-Jun-92		DATA ENTRY - City	0 A	0 A	0	No other responsive bid was received.
MUNICIPAL COURT						
01-Jan-88 To 31-Dec-89		PUBLIC DEFENDER	0 S	0 S	0	Service remained in the private sector
PRM						
01-Jul-81 To 30-Jun-82		WASHINGTON MANOR MAINT City	22,000 A	23 000 A	1 000	Cost decrease 2%
PARKS						
01-Jun-81 To 30-May-82		MEDIAN MAINTENANCE				
		Area 1 City	1 000 A	2,000 A	1 000	Cost decrease 0%
		Area 2 Turf & Landscape	2,000 S	2,000 S	0	
		Area 3 - Turf & Landscape	14,000 S	14,000 S	0	
		Area 4 - Turf & Landscape	55 000 S	55 000 S	0	
		Area 5 - Turf & Landscape	2,000 S	2,000 S	0	
		Area 6 - Turf & Landscape	6 000 S	6 000 S	0	
		Area 7 City	4,000 A	10 000 A	6 000	Cost decrease 25%
01-Jun-82 To 31-May-83		MEDIAN MAINTENANCE				
		Area 1 - Environmental Care	5 000 S	5,000 S	0	
		Area 2 - Gonzales	9,000 S	9 000 S	0	
		Area 3 - Gonzales	8,000 S	8,000 S	0	
		Area 4 - Environmental Care	38,000 S	38,000 S	0	
		Area 5 Environmental Care	2,000 S	2,000 S	0	
		Area 6 - Ramirez	10,000 S	10,000 S	0	
		Area 7 Gonzales	31,000 S	31 000 S	0	
01-Jul-83 To 31-Dec-84		MEDIAN MAINTENANCE				
		Area 1 City	13,000 A	13,000 A	0	
		Area 2 - C D Walgren	18 000 S	18 000 S	0	
		Area 3 - City	4,000 A	4 000 A	0	Volume increase Costs not identifiable to original bid.
		Area 4 - City	13,000 A	13,000 A	0	Volume increase. Costs not identifiable to original bid.
		Area 5 - Gonzales	4,000 S	4 000 S	0	
13-Mar-85 To 31-Dec-88		MEDIAN MAINTENANCE				
		Area 1 Groundskeeper	63,000 S	63,000 S	0	Savings not verifiable
		Area 2 - Groundskeeper	81,000 S	81,000 S	0	Savings not verifiable.
		Area 3 - Ramirez	17,000 S	17,000 S	0	Savings not verifiable.
		Area 4 - Able Maint /City	0 S	0 S	0	Savings not verifiable.
		Area 5 - Groundskeeper	63,000 S	63,000 S	0	Savings not verifiable.

COMPETITIVE PROPOSAL PROCESS

Comparison of Projected and Actual Cost Savings/Avoidance
As of June 30, 1992

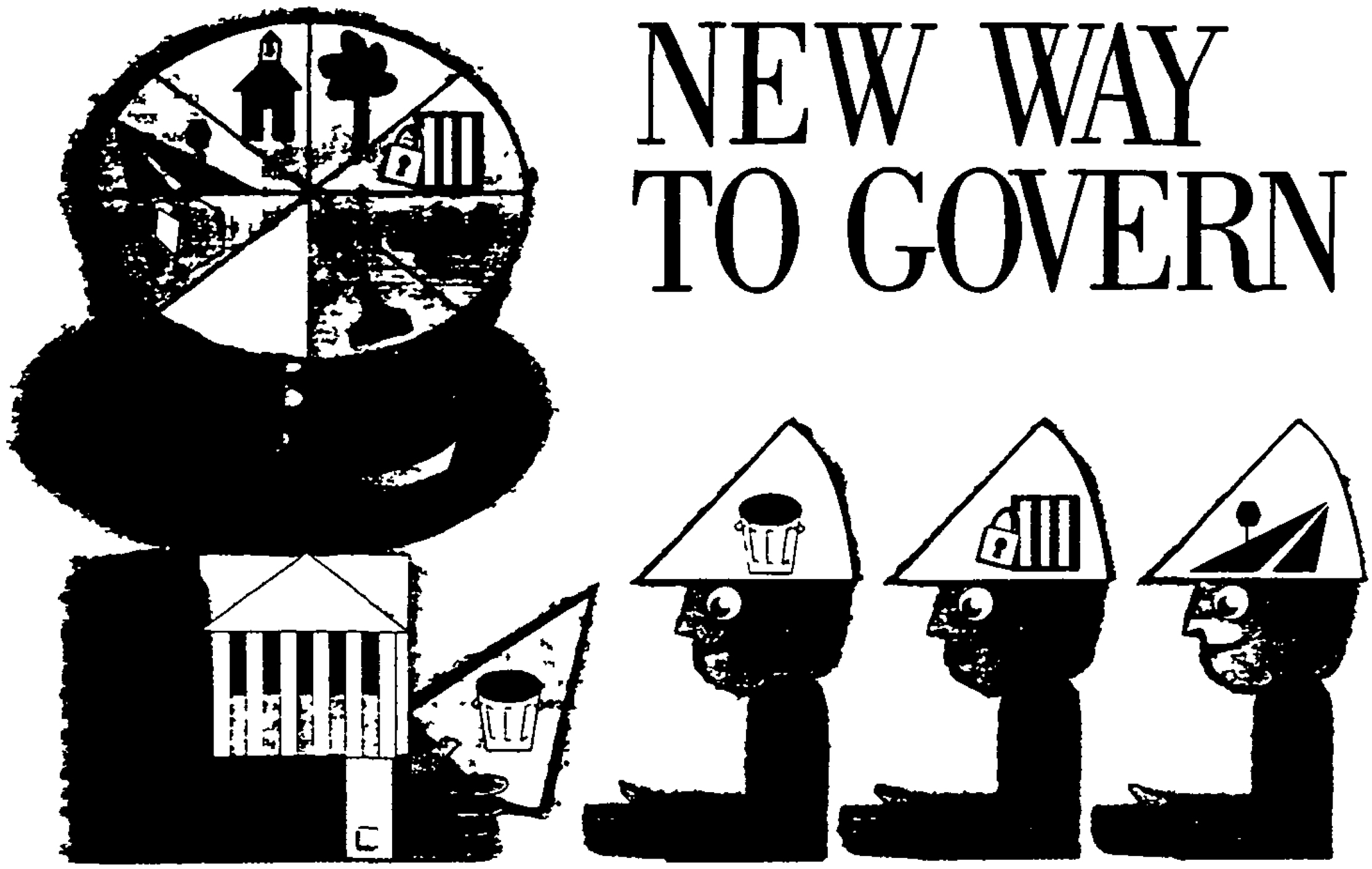
TERM	YEARS REMAINING	SERVICE AREA / PROVIDER	PROJECTED SAVINGS/ AVOIDANCE	ACTUAL * LIFE TO-DATE SAVINGS/ AVOIDANCE	VARIANCE	EXPLANATION
PUBLIC WORKS						
01-Jul-80 To 30-Jun-85		CONTAINED COLLECTIONS North East - SCA	$488 000 S	$597 000 S	$129 000	Volume increase 14%.
01-Sep-80 To 01 Sep-85		UNCONTAINED Area 1 - SCA	674 000 S	741 000 S	67 000	Volume decrease 3%
		Area 2 SCA	259 000 S	254 000 S	(6 000)	
		Area 3 - City	2,153,000 A	2,639 000 A	486 000	Cost decrease 10% Volume decrease 6%
		Area 4 - Universal (SW)	(8 000) S	(9 000) S	(1 000)	
		Area 5 - City	1 416,000 A	42 000 A	(1,374 000)	Cost increase 5%.
09-Jan-84 To 08-Jan-89		CONTAINED & UNCONTAINED SW National Serve-All/ Waste Management	302,000 S	236,000 S	(66,000)	
01-Sep-85 To 10-Jan-93	0.5	CONTAINED & UNCONTAINED North - City	7 474 000 A	1,598,000 A	(5,876,000)	Cost increase 28% Volume decrease 17%
01-Jan-88 To 01-Jan-95	2.5	CONTAINED & UNCONTAINED Southeast City	4,915,000 A	2 661 000 A	(2,254,000)	Cost increase 12% Volume decrease 6%
01-Feb-89 To 31-Jan-98	3 6	CONTAINED & UNCONTAINED Southwest - City	1 658 000 A	2,092 000 A	435,000	Cost decrease 5% Volume decrease 7%
01-Jul-80 To 30-Jun-85		COMMERCIAL BIN REFUSE COLLECTION - Universal	1,358 000 S	1 680 000 S	322,000	Volume increase 5%
01-Jul-82 To 30-Jun-88		27th AVENUE LANDFILL Oakland Scavenger/Waste Mgmt	7,201,000 S	7,711,000 S	510,000	
STREET TRANSPORTATION						
01-Jul-80 To 30-Jun-81		STREET SWEEPING - City	38,000 A	38 000 A	0	
01-Jul-82 To 30-Jun-87		STREET SWEEPING - City	312,000 A	(166,000) A	(478,000)	Cost increase
01-Jul-81 To 30-Jun-82		STREET REPAIR Asphalt - City	2,000 A	(3 000) A	(5 000)	Cost increase 21%
		Concrete - City	128,000 A	112,000 A	(16,000)	Cost increase 15%
01-Feb-88 To 31-Mar 90		LANDSCAPE MAINTENANCE Groundskeeper	74,000 S	95 000 S	21 000	Volume increase 58%
WATER						
01 Apr-82 To 01-Apr-87		OCR REMITTANCE PROCESSING VNB	0 S	0	0	The City submitted the lowest bid, however VNB was awarded the contract to avoid capital outlay for equipment rapidly becoming obsolete due to new technology
13-Oct-82 To 12-Oct-85		HEAVY DUTY WATER METER REPAIR CCI	169,000 S	176,000 S	7 000	
			$31,009,000	$23,887,000	($7,122,000)	

A Cost avoidance - services are provided by the City at a projected lesser cost than private industry proposed.
S Cost savings - services are provided by private industry at a lesser projected cost than the City proposal.

* Actual through May 1992, June 1992 estimated
Actual cost savings/avoidance estimated when cost accounting systems not tracking bid specific services.

INDIANAPOLIS STAR

Sept. 7, 1992



City in forefront of hiring private firms for public services

By GEORGE STUTEVILLE
STAR WASHINGTON BUREAU

First of three parts

Washington — In a banquet room at a local hotel last April hundreds of people with a keen interest in local government met a man with a new plan for running City Hall

Indianapolis Mayor Stephen Goldsmith faced an audience of mayors city managers federal and state officials business people and labor leaders attending the annual meeting of The Privatization Council a bipartisan association that seeks to link the public and private sectors

Goldsmith had been asked to discuss his efforts in his first 100 days in office to remake part of Indianapolis government by transferring city jobs to private companies

The invitation was a national recognition of Goldsmith s prominence in one of the most forceful movements in governing

Though Indianapolis was not the first city to put privatization into practice Goldsmith s approach — particularly his emphasis on competition — was cutting-edge information

It also was not without problems

His efforts had met with resentment from city employees worried about their jobs and nervousness on the part of the general public

More committed than ever

But in July after another 100 days in office Goldsmith said he was committed more than ever to privatization He is looking at more than 100 areas of city services where improvements might be made or costs cut by private contracting

I am not as zealous on insisting that everything be privatized but I am more zealous on insisting that the public system become more competitive with the private sector he said

The jury is still out with respect to the public I think the issue with the public will be settled when they are shown they will get a better return on the tax dollar

Though Goldsmith s privatization plans in Indianapolis have attracted national attention the city has predecessors in the national movement

Greg Brooks a spokesman for the

See SERVICES Page 10

Services

★ Continued from Page 1

eason Foundation a Los Angeles ublic policy research group said rivatization efforts have general operated in these areas

■ Asset sales in which a gov nment body tries to sell a city peration such as an airport ighway or wastewater treatment ant The Massachusetts Turn ke was being considered for sale r $1 billion and New York Gov lario Cuomo has expressed inter st in bids for the New York Thru ay

■ New infrastructure construc on A private 15 mile 390 million toll road is under onstruction to serve Dulles Inter ational Airport outside Washing n D C

■ Contracting out for private rvices and expert staffs. The dewalks of Philadelphia are eaned and maintained by a pri ate company outpatient mental ealth services in Massachusetts e private in Tennessee about 000 inmates soon will move into e nation s largest private prison perated by the Corrections Corpo ation of America.

Privatization is megatrend id Steve Steckler of Price Water ouse a national consulting firm at helps governments hook up ith the private sector

Yet privatization is not without ritics.

It is too risky"

"Our concern is. governments e exploring privatization blind- " said Michael Messina labor onomist for the American Feder ion of State County and Munici l Employees We believe it has ortcomings that are not immedi ely evident

Messina warned that the prac e of contracting out can lead to gher costs corruption and loss local control

"It is too risky We have seen mpanies submit low bids to get e foot in the door The compa ies take a temporary loss and ien as the jurisdiction becomes ore dependent. the contractor icreases the price of the service

Max Sawicky an economist for e Economic Policy Institute in ashington said privatization uld threaten certain civil and bor rights

"For example say your private rison contract depends on how any inmates are imprisoned. he prisoners on the verge of pa le could become captives of that contract and be made to serve longer sentences

Another issue he said was un equal treatment of workers

In the private sector workers have fewer rights As the public sector gives way to the private it puts more and more people in a relative powerless situation

A wave sweeping the U.S.

Discouraging words notwith standing the rate of privatization nationally is explosive

A survey this year by the Rea son Foundation discovered 18 of the nation s 24 largest cities con tract out in the private sector for street and public works legal se curity welfare mass transit sports and environmental ser vices

E S Savas a New York Univer sity professor and author of Priva tization The Key to Better Gov ernment has estimated the average U S city now contracts 20 percent to 25 percent of its ser vices He said the rate of privatiza tion was growing about 5 percent a year

A survey by Apogee Research a private research firm in Bethesda Md found that 90 percent of state treasurers and comptrollers expected their states within 10 years to contract with private companies for certain basic ser vices.

Almost 30 percent of those offi cials predicted selloffs of some state-owned assets to private com panies during the 1990s.

Cutbacks fuel privatization

What drives privatization?

Mostly money or lack of it

The National League of Cities reported that 25 percent of cities must deal with annual budget shortfalls of 5 percent while 70 percent reported they were less able to meet budget needs in 1991 than the year before

The National Association of Counties reported that 40 percent of counties with populations ex ceeding 100 000 have budget defi cits of $8 3 million

At the same time the demand on local government for services is insatiable

Federal mandates for local gov ernments to comply with environ mental regulations health and safety laws and accommodations for the disabled will cost the states more than $1 6 billion this year according to a study by the Carne gie Council/DRT Privatization project

Backs "against fiscal wall"

"The backs of local government are against the fiscal wall said Brooks of the Reason Foundation

It is difficult if not well nigh impossible to operate as they al ways have So your response is basically in two areas You can cease providing the service or find more efficient ways to deliver it

Other human dynamics also have pushed the movement to pri vatization said Cindy Kelly direc tor of environmental programs for the International City County Management Association

In the past she said local elect ed officials tended to come from the business sector and managed municipal services like a business In recent decades as communities changed elected officials tended to represent smaller groups — often single issue constituencies — that demanded certain services

Those dynamics produced more cautious officials unwilling to in crease taxes

Complexity also has promoted privatization New technology-de pendent environmental services require highly trained staffs Gov ernments find it cheaper to con tract such services than to train municipal workers

Infrastructure woes

Another factor behind privatiza tion has been the infrastructure — the roads bridges sewers air ports and other hard facilities gov ernment must build and maintain

John Giraudo former general counsel to the President s Com- mission on Privatization said gov ernment s investment in the in frastructure was now only about one fourth that of the investments made during the 1950s and 1960s.

According to the Congressional Budget Office by 2000 the coun try must spend $800 billion on infrastructure yet figures to have only $624 billion in public mon ey

The difference likely will come from the private sector

Legislation aims to help

The main reason for that oc curred this spring shortly after Goldsmith s speech when Presi dent Bush signed executive order 12803 which removed some of the federal restrictions imposed on local governments that want to sell or lease public works infra structures

The order allows local govern ment the option of selling or leas- ing any of its assets that had received federal aid as long as the local government pays the federal government the depreciated value of the grant

The Reason Foundation esti mates that nearly $227 billion worth of public assets could be put up for sale

Asset sales are lucrative

One reason local governments are tempted to sell assets is the one time windfall that results from the initial deal More impor tantly though the sold asset still injects revenues into the tax base The private $390 million toll road that will soon serve Dulles Inter national Airport will repay $2 for every $1 of investment according to Price Waterhouse

The $151 billion Surface Transportation Infrastructure Act of 1991 also guaranteed higher rates of privatization f time since 1916 bridge and road projects can be priv owned — with federal subsidie up to 80 percent of the cost a able to private investors

Despite the huge potential privatization it s not a ca cea warned Ted Da d se vice president of Apogee Resea

It works in some cases and in other cases Somet mes private sector cannot delive times the public sector exa too much Another scenario failure occurs when the pu sector doesn t mon for what t allowed to be priv at zed The ernment must retain respons ity

Coming Tuesday A look at w privatization could mean in schools.

IDENTIFYING CANDIDATES FOR COMPETITION

As the City moves forward to compete, key businesses are in the process of identifying services that may be candidates for competition. These key businesses are inventorying the services they provide and identifying if:

- The services are provided entirely by in-house resources;
- The services are provided entirely by contracted resources; or
- The services are provided by a combination of contracted and in-house resources.

The process also includes prioritizing services using criteria identified by the Privatization Task Force:

- All services which can be purchased in the marketplace are candidates for competition;
- Services for which a competitive market exists or can be structured will be prioritized first.
- Services which can be more easily bid in a competitive market will be prioritized first (to achieve early successes).

Staff has previously identified four service areas that are targeted for the competition process:

- Solid Waste
- Landscape Management
- Employee Medical Services
- Special Transportation Services

In addition to those four, other services have been and are being informally bid within the City These include surveying, print shop and street maintenance services.

Other tools utilized by key businesses to prioritize services for competition include the Colorado State Auditor's "Nine Decision Factors for Service Contracting" and the Minnesota Department of Administration's "Categories of Internal Services."

In addition to putting those services provided in-house up for competitive bid, key businesses are also reviewing existing contracts to determine if adequate contract monitoring is in place, if improvements can be made to the structure of these contracts, and if City forces wish to compete to provide these services.

COMPETITION: WHERE DO WE START?

Inventory all services: Who provides each service?

In-House Only

All Work Contracted

Combination of In-house and Contracted Work

Is the service "strategic"? (Control is an issue for some of these services) (The City cannot create true markets for competition)

Have we effectively structured contracts for competition?

Can improvements be made in current methods? Do we want to compete to provide the service?

How much (both in number of projects and total dollars) is provided in-house versus contracted?

Is percentage of work in-house versus contracted appropriate?

Is contract oversight identical for both; is everyone held to same specifications?

Non-Strategic

Strategic

Evaluate these first for competition

Evaluate these when completed with "Non-Strategic"

Issues How do we structure for competition (e g , division of workload)? What is our level of service? How do we quantify it? What does it cost to provide the service?

We should focus on these areas.

CSA's NINE DECISION FACTORS FOR SERVICE CONTRACTING

-3 ____ -2 ____ -1 ____ 0 ____ +1 ____ +2 ____ +3 ____
PRO IN-HOUSE DELIVERY PRO CONTRACT DELIVERY

Market Strength

Definition. The commercial characteristics of the service or activity that may make the private sector more or less interested in providing it.

Questions to Be Considered:
- Are there multiple capable contractors available?(+)
- Are there multiple interested contractors? (+)
- Is the nature of the financial commitment so large that potential contractors may not be interested?(-)
- Will contracting out result in a private sector monopoly?(-)
- Is the nature of the service or activity highly complex?(-)

Political Resistance

Definition: The amount of opposition to a change in the provider of a service or activity, as demonstrated by current recipients/beneficiaries, elected officials, citizens, or other interest groups (e.g unions)

Questions to be Considered
- Are concerned citizens, recipients/beneficiaries, elected officials, or interest groups highly resistant to change?(-)
- Do citizens, recipients/beneficiaries, elected officials, or interest groups want the service or activity to be provided in-house?(-)
- Does the service or activity have high (+) or low (-) overall political support?
- Is the service or activity new (+) or existing (-)?
- Is the service or activity currently having problems with in-house delivery?(+)

Service Quality

Definition. The expected impact that contracting out will have on the effectiveness, timeliness, and other quality characteristics of the service or activity

Questions to Be Considered
- Will quality increase (+), decrease (-), or stay the same as a result of contracting out?
- Will contracting out compromise the public trust, safety, or welfare?(-)
- Will contracting out threaten patient or client confidentially or the ability to treat patients or clients with impartiality?(-)
- Will accountability and responsiveness to government be decreased by contracting out?(-)
- *Can quality objectives be defined well in a contract?(+)*

Impact on Public Employees

Definition The impact that contracting out will have on public employees

Questions to Be Considered
- Will contracting out negatively affect public employees?(-)
- Will a large number of public employees be affected?(-)
- Will the contractors be required to hire displaced public employees?(+)
- Will any public employees be involuntarily terminated(-)
- Will civil service policies such as affirmative action be weakened as a result of contracting out?(-)

Legal Barriers

Definition. The effect that any laws, statutes, or ordinances may have on a decision to contract out

Questions to Be Considered
- Is the mode of service delivery, public (-) or private (+), mandated by law, statute, or ordinance?
- Must laws, statutes, or ordinances be changed to permit contracting out of the service or activity?(-)
- Is contracting out compatible with the legislative, commission, or council intent that created the service or activity?(+)

Risk

Definition: The degree to which contacting out exposes the government to additional hazards including legal and/or financial exposure, service disruption, corruption, and other risk factors.

Questions to Be Considered
- What is the chance that the contractor(s) will fail to complete the contract(s)(-)
- Will the consequences of any service interruptions be major (-) or minor (+)?
- Will there be increased legal exposure as a result of contracting out?(-)
- Will contracting out result in an increased risk of corruption?(-)
- Will contracting out result in risk sharing with the contractor?(+)
- Will the contractor be singularly responsible for any and all cost overruns?(+)

Resources

Definition: The efficient and effective use of government assets (e g., personnel, funding), including in-house or private sector advantages in terms of professional expertise, facilities or equipment, time constraints, and revenue or expenditure restrictions

Questions to Be Considered
- Does the private sector have access to needed expertise that the government does not?(+)
- Does the private sector possess needed facilities or equipment that the government does not?(+)
- Are there other resource advantages that the private sector has that the government does not?(+)
- Do time constraints exist that preclude in-house government delivery (+) or contract service delivery (-)?
- Will contracting out reduce (+) or extend (-) required completion times?

Control

Definition The government's ability to exercise ultimate control over the service or activity.

Questions to Be Considered
- Is direct control over the service or activity important?(-)
- Does the government have the ability to develop and manage contracts?(+)
- Are the quantity and quality of the service or activity relatively easy to measure and control?(+)

Cost Efficiency

Definition The expected cost of contracting out for a service or activity, assuming no change in quantity or quality.

Questions to Be Considered
- Will service or activity costs increase (+) or decrease (-)?
- Will cost decreases result in lower government expenditures or reduced costs to patients, clients, or citizens?(+)
- Are some quality or quantity decreases acceptable for commensurate cost reductions?(+)

Source Colorado State Auditor's Office

CATEGORIES OF INTERNAL SERVICES*

TYPE OF ACTIVITY	POLICY/REGULATION	UTILITY/MONOPOLY	COMPETITIVE MARKETPLACE
at type of rvice fits in is category?	Serves a citywide rather than agency perspective by controlling & overseeing kinds and quantities of services consumed by agencies	A centrally managed service is required to provide economies of scale.	Service provided because Department has a competitive advantage.
Who is the "customer"?	Taxpayers/Common Council/Mayor	City agencies	City agencies
at type of funding is used	General Fund	Internal Service Revenue offset -- regulatory controls	Internal Service Revenue offset -- marketplace controls
at choices do agencies make?	No agency choice - amount and source of service are determined by the Common Council and the Mayor	Customer choice over amount but not source. Service level contracts with each customer specify what the customer can expect and commit the customer to an approximate volume of business.	Customer choice over amount and source
w are prices d revenues termined?	Funds are appropriated to respective budgets; client does not pay	Cost allocation; the client pays on a benefit derived basis	Market based; the client shops for the best value
w is spending ntrolled?	Budget review	Tight control of rates, not expenditures. Panel of customers advises on rates. Budget controls agency consumption. Rate packages subject to review by Mayor and Common Council	Marketplace controls. When revenues go down, spending must be reduced. Mayor and Common Council perform oversight and decide on continuation of business.
What happens to nspent monies?	Benefits accrue to general fund	Rates are set to break even. Department of Administration approves proposals for returning unspent monies to customers in the form of lower rates or for investments.	Profitability encouraged. Periodic return to the general fund based on business plan.
o decides about productivity investments?	New "investments" require Mayor and Common Council approval as change requests.	New investments are controlled by those overseeing rates and expenditures. (See above) Investments made on estimated return or need for additional service.	The activity is free to generate revenues for investment to the extent that the marketplace will allow Investments made based on estimated return.
w is the tivity overseen d controlled?	Mayor and Common Council through budget process.	Rate packages require Mayor and Common Council approval. Customer panel advises.	The marketplace controls. Activities that are not competitive will go out of business upon review and approval of Common Council and Mayor.

* Adapted from "A Strategy For Funding and Managing DOA Activities" State of Minnesota Department of Administration, November, 1986.

INTERNAL COMMUNICATIONS TO EMPLOYEES

As the City has learned through Rightsizing, maintaining employee communications is essential when implementing any type of change in an organization. Employees must understand what is involved in the process, what their roles are, and what must be done, particularly when competing with the private sector. The City is committed to establishing and maintaining effective communication across the organization which promotes understanding, acceptance and support for the competition initiatives.

To keep employees informed as the City moves forward on competition, various communication methods have been and continue to be in place. These include "Around City Hall", "Update", and most recently "FYI". (The information in "FYI" is also available in audio format by dialing 336-INFO [4636].) In addition, employee meetings, televised business meetings and employee call-in shows are being used to communicate with employees.

The following communication pieces illustrate the communication on competition dating back to the establishment of the Mayor's Task Force.

JAN 21, 1994

FYI

News & Information for Charlotte City Employees

Editorial Staff
Julie Hill (Editor), Bill Guerrant, Jeannine Clark, Mike Blanton
FYI Design Kris Hooven

FYI is published the 1st and 3rd Fridays of each month and is available in audio form by calling 336-INFO Send information for publication to Julie Hill Manager s Office (E Mail CMJEH, phone 336-4098)

"Innovation comes from creative destruction "

Yoshihisa Tabuchi, president and CEO, Normura Securities

Revenue Division Teams On Mission To Improve Service

The Revenue Division (Finance) has seen a 16 percent increase in its customer base this year, putting a strain on service levels

"People will definitely see changes to the Revenue operation over the next few months, says manager **Rosemary Lawrence** We are reevaluating everything we do as a way to improve service

Over 30 suggestions for improving productivity and customer service came from Revenue staff and CMUD their biggest customer

Teams of Revenue employees will work on implementing what the Division sees as priority improvements Among them

- Extend business hours from 7 00 AM 6 00 PM,
- Redesign utility bill so that all charges are on one bill,
- Redesign the Finance lobby of CMGC
- Use interactive voice mail to handle routine requests,
- Place payment drop boxes in various locations in the City,
- Automate and/or eliminate manual functions

"Our goals are in line with what the whole City is trying to do provide citizens with the very best service Rosemary says 'We think extending business hours will be the first most visible high impact project "

◆ ◆ ◆ ◆ ◆

Survey & Mapping Competes--Wins!

When the bids were opened, the Survey & Mapping Division won!

On December 16 Storm Water Services received sealed proposals from a private firm and the City s Survey & Mapping Division for surveying and mapping the Cherry Community storm drainage project

Survey & Mapping's proposal of $3400 with a completion date of December 31 1993 was accepted The private sector proposal was $4000 and a completion date of January 6, 1994

Survey & Mapping completed the job on time and at a final cost $1047 below the proposed cost

City Council Retreat Is February 4 and 5

The new City Council has a full agenda for its retreat in early February The agenda includes

- An update on competition,
- Budget and Finance projections, including revenue projections FY94 budget status FY95 budget preview
- Community Safety Plan presentation/discussion City Council asked the City Manager in May 1993 to develop a plan designed to present an integrated, comprehensive approach for reducing crime in our community The plan evolved with input from members of law enforcement and the criminal justice system, community and neighborhood leaders, elected officials, and others,
- Goal setting for 1994

City Council has a retreat every year during which they focus on major policy initiatives and goal setting This year s Council includes four new members

◆ ◆ ◆ ◆ ◆

Monthly Business Meeting January 26

The Monthly Business Meeting is back after a two month hiatus It will be Wednesday, January 26, 8 15 9 15 AM in the Meeting Chamber The meeting is broadcast live on The Training Channel

On the agenda

- Update on competition process (**Del Borgsdorf**, Assistant City Manager),
- Overview of the Community Safety Plan the City Manager will present at the upcoming City Council retreat (**Curt Walton**, Budget & Evaluation),
- Late breaking news (**Wendell White**, City Manager),
- Open floor for questions and answers

Come early for coffee in the lobby

Contact PS&I at X2395 for video tapes of the meeting

JAN 7, 1994

FYI

News & Information for Charlotte City Employees

Editorial Staff
Julie Hill (Editor), Bill Guerrant, Jeannine Clark, Mike Blanton
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FYI is published the 1st and 3rd Fridays of each month and is available in audio form by calling 336-INFO. Send information for publication to Julie Hill, Manager's Office (E-Mail CMJEH, phone 336-4098).

Compete To Win Is Goal of Steering Committee

The City Manager appointed a Competition Steering Committee to organize and coordinate the competition process as well as work with the citizen's Advisory Committee and City Council

The committee meets weekly to accomplish an ambitious agenda with a central theme focusing the organization on being competitive so that our reputation for delivering quality, cost effective services is reinforced

Priorities

Key issues for the committee include

- Developing a common system of cost accounting **Jan Baldwin** (Finance) is the team leader for the interdepartmental team established to review several costing methods and recommend the one most appropriate for our use
- Determining our costs for providing services Once the costing method is selected, all businesses will use it to prepare bids
- Staffing an interdepartmental "bid team" to work on the Solid Waste bid This reflects the view that, when a service is competitively bid, it impacts not only the key business providing the service, but all businesses and divisions that support it

To provide a framework for the competitive bidding process, the committee is

- Developing the principles and guidelines we will follow
- Outlining the roles and responsibilities of the various key businesses and divisions
- Guiding the process of selecting services to be competitively bid

Committee Members **Del Borgsdorf**, chairperson (City Manager's Office), **Pam Syfert** (City Manager's Office), **David Cooke** (Business Support Services), **Richard Martin** (Finance), **Vi Alexander** (Budget), **Wayman Pearson** (Solid Waste), **Ed Sizer** (Business Support Services), **Nancy Elliot** (Budget), and **Clark Reading** (Engineering and Property Management)

DIRM Saves Big Bucks

Insurance claims for the City, County and School Board used to be handled by an outside claims adjuster Three years ago, the Division of Insurance and Risk Management (DIRM) began processing most claims in-house The result big savings

For example DIRM received 4,104 insurance claims in FY93 and processed 91% of them in-house The remainder were sent to an outside adjuster who charged anywhere from $55 to $335 per claim, depending on the type of claim

Darlene Brown, financial coordinator for Risk Management, used these rates to determine that the total value of the claims processed in-house was $563,425

With expenses of nearly $334,000, Darlene estimates that processing the claims in-house saved almost $229,000

◆ ◆ ◆ ◆ ◆

City Council To Appoint Advisory Committee

Council voted on November 18 to appoint a citizen's Competition Advisory Committee to assist the City on issues involved in competitive bidding and asset management

The Mayor and City Council will appoint nine members to two-year staggered terms Members will be expected to consider the interests of citizens, the business community and current City employees and to maintain objectivity throughout any competitive bidding process

The committee is expected to include individuals with experience in management, accounting, human resources, marketing and customer service and specific skills in such areas as performance measurement and bidding processes

The committee may be in place by March 1994

CHARLOTTE
AROUND CITY HALL
NOVEMBER/DECEMBER 1993

Competition. Contracting. Asset Management.

Competition Contracting Asset Management

Expect to hear more about them — and what they mean to us — over the next few months as we begin to implement City Council s policy statements and goals on competitive bidding of public services and asset management

This article will focus on competition and contracting Information on asset management will appear in a future issue of *Around City Hall*

In October City Council set the stage for competitive bidding of public services In light of that Council action it s important that City workers understand what competition means to us and to keep the matter in the proper perspective

Council s policy is about competition not privatization which involves government getting out of the business of delivering a service altogether In the competitive process private service providers are encouraged to compete with City departments to provide public services The intent is to stimulate more effective and efficient service delivery

In opting for competition City Council agreed with the Mayor s Task Force recommendations that

• if a service can be purchased in the marketplace it s a candidate for competition

• a service for which a competitive market already exists or can be structured will have a high priority for competition

So far four service areas (Residential Garbage Collection Landscaping and Grounds Maintenance Employee Medical Services and Special Transportation Services) have been identified as competition priorities Bidding should begin in late 1994 To get ready the Competition Steering Committee headed by Assistant City Manager **Del Borgsdorf** is working on a Blueprint detailing the specific steps we will follow in preparing competitive bids

Council's Goals for Services Contracting

• Provide the highest quality services at the lowest cost either by City forces or the private sector Council will determine the appropriate service

• Each competition recommendation should include an assessment of the effect on employees considerations for minimizing the impact and recommendations for handling any negative impact

• Review current service contracts to make sure private firms are being held accountable for providing efficient and effective services This review may result in placing a service out for bid again with the City competing for the contract That means if a private contractor is currently doing work City employees could do more efficiently and effectively the contract can be rebid and we could compete — in effect reverse privatization

While this competition issue may seem like a new idea it s not Here are the facts

• Some departments — Engineering CDOT Utilities and Aviation — routinely compete with the private sector Sometimes we're highly competitive sometimes we re not See the Survey article in this issue to find out how one division reorganized to compete

• The City has traditionally turned to private firms to provide certain services — janitorial and parking services construction of all types temporary personnel and general consulting services

Continued on page 2

Survey Crews Compete — Successfully For Jobs —

'Competition is the key says **Dennis Smith** survey and mapping supervisor in the City's Engineering Department At least it was the key to the successful restructuring of the City s survey service to operate more like a private sector firm How they did it is an example of beating the competition by joining them

' We believed Engineering could compete with anyone and were shocked to learn we weren't as cost effective as private firms in some areas like survey says Assistant City Engineer **Ken Gillis**

City Engineer **Clark Readling** agrees When we asked Internal Consulting to compare our operation with private industry we expected to be better in all categories We were in most services but there were some exceptions survey was one

The comparison revealed that most private survey crews operate with three members the City used four And the division lagged in its use of technology

Continued on page 2

CHARLOTTE
AROUND CITY HALL

AROUND CITY HALL

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Reporters Deadline for ACH is December 22

CIS Director Retires

Richard L Passine retired as director of the Communications & Information System Department (CIS) effective December 28

Passine joined the department in 1975 as design manager He was named director in 1985 Before he came to the City he worked for System Development Corporation and Honeywell Incorporated

Richard Passine

When Passine was named director the department had a $4 million annual budget and 53 employees Now part of the Business Support Services key business unit CIS has a $6 7 million budget and a staff of 72

A graduate of the University of Detroit, Passine earned his masters degree from Michigan State University

Competition. Contracting. Asset Management.

Continued from page 1

• In some cases we've contracted with private firms to provide a service that we could have done cheaper but not in the required time frame

When discussing competition it s important to remember the City s competitive advantages over the private sector For example

• we have no profit margin

• we don't pay taxes

• we have skilled and talented employees who know the business of public service better than anyone

• we borrow money at a low interest rate

So how can we lose? We don t intend to But we must accept the competitive challenge so when we compete, we compete to win!

Survey Crews Compete Successfully For Jobs *Continued*

It was our wake up call to work smarter Smith says We trimmed our crews to three members but kept two positions to float among crews That's our safety precaution when crews work in high traffic areas

Smith also tapped into a technology and training fund from the City s 1992 'rightsizing efforts "We bought computers and trained employees to use data collection software By automating our field and office processes completely we ve saved time reduced errors and increased productivity Technicians are producing 30 plats (maps) a month now last year that figure was 10 ' An added plus to automation crews are out in traffic less and the safety record has improved

External competition prompted the Surveying Division to reorganize and retrain internal competition prompted a further reduction in crew size

'It s almost as if thinking competitively became the standard ' says Gillis For instance, the division s response to employee illness was to assign the two remaining crew members to other survey crews It was crew members who suggested that we try a two member crew And that works for most jobs, particularly if the site is small and away from traffic Now we see if two people can do the job and only add people when the job clearly requires a larger crew '

Since the Internal Consulting study three years ago, the division has reduced its survey personnel by about 40 percent 'We went from 16 to 10 people " Smith says with increased productivity and quality of work One employee retired and five have other jobs with the City

Survey work is now informally bid against private sector survey firms when the City is the low bidder the work is done in house 'So far cost hasn't been a factor when bids have gone to private firms Time constraints or a particular area of expertise have determined the in house or private firm award, Smith says And that s exactly opposite from the situation presented in the Internal Consulting report three years ago We made the changes — some big and many small We met the competition head on — and we won

David Meachum Engineering contributed to this article

CHARLOTTE
AROUND CITY HALL
AUGUST 1993

This month, the Privatization Task Force appointed by Mayor Richard Vinroot recommended that the City undertake a program which may place City services providers in competition with the private sector.

City to Compete with Private Sources

Under the privatization program, the key word is competition City departments will compete with private sector business to provide a variety of services To compete successfully the City must provide the desired service at the lowest cost The City has some advantages First we do not have to earn a profit Second we do not pay taxes And third we borrow money for capital equipment at low rates The City also has the advantage of knowing the service and how it is delivered better than anyone else Because we do it every day

Sanitation will be among the first services to compete for work against private companies City Council agreed to set aside work in one fourth of the city and allow both private haulers and City workers to submit bids The garbage collection contract will be awarded to the best bidder in September 1994 just two months after the entire city is switched to curbside collection from backyard pickup

Sixteen other services have been suggested as possible candidates for privatization

Privatization is not new to Charlotte City government The current operating budget includes a number of jobs from multi-family garbage and recycling collection to maintenance of computer terminals which the City could, but has chosen not to perform in house Most of the privatized contracts are found in the City s capital construction budget

What can each department and each employee do to be more competitive?

1 Think win (Because we can)

2 Know the business with whom you may compete

3 Know the costs of your services and evaluate ways to reduce any costs

4 Challenge practices/policies which drive up your costs

5 Continue to provide outstanding customer service

Many cities nationwide have turned to privatization to save money Many have found as city departments bid and won contracts themselves that through innovative ideas, city employees can provide quality services as efficiently and as cost effectively as any private business

Ways To Make The City Work Better

Major corporations, small businesses and government have felt the economic strains of the past several years. Many corporations have adopted aggressive programs to maximize employee productivity and to encourage employee participation.

Some programs include suggestions to help management and employees better company performance — suggestions that can work in government. Here are some suggestions adapted from industry that we, as employees, can do to make the City operate more efficiently and effectively:

1. Improve customer service
2. Reduce accidents — be more safety conscious
3. Hold down medical costs - use the network, prevent insurance abuse
4. Reduce absenteeism
5. Improve health — look into the wellness program
6. Support City goals
7. Reward outstanding performance by teams or units
8. Recognize achievement on the job
9. Explain work rules
10. Explain technology and how it works
11. Encourage productive suggestions
12. Encourage good work habits
13. Encourage the desire to improve
14. Be a better team player

Update

July 23, 1993

CHARLOTTE.

Council To Discuss Privatization At Workshop

City Council will take up the issue of privatization at its August 2 workshop

The Mayor's Privatization Task Force was formed in 1992 to evaluate services and facilities provided and managed by the City of Charlotte and to determine whether they could be delivered more effectively and efficiently by the private sector

The Task Force released its Interim Report earlier this year It was summarized in the March 5 *Update* Council is expected to have the Task Force's Final Report at the workshop

For those two or three people who don't save these newsletters, here are the highlights of the Interim Report

Key Recommendations

- A process based on competition where the public sector competes for work with the private sector
- Any service which can be provided by the private sector should be considered a candidate for privatizing
- Council should undertake an aggressive initiative to privatize activities which meet established guidelines
- Recommend strategies for minimizing any potential impact on employees For example if work is contracted to commercial providers and the firm needs additional employees to provide the service, then qualified City employees must be given the right of first refusal

Since the Interim Report, the Task Force has been evaluating privatization of assets (Coliseum properties, buildings)

Privatization Is Not New In Charlotte Government

MYTH: The Task Force is recommending privatization of selected City services

REALITY: The Task Force is recommending a process of competitive bidding in which the public sector competes for work with the private sector

There is a difference

We already have examples of privatization in almost every City department Some services have been privatized for years For example

- Engineering project design, construction and some survey work
- Landscape maintenance
- Building security
- Janitorial services
- Training programs
- Street resurfacing

Cities across the country are turning to privatization for several reasons, but saving money is the main one These cities have put in place privatization processes similar to that recommended for Charlotte Many have also bid and won contracts to provide services for citizens

Are We Competitive?

City government has several advantages when considering costs compared to the private sector Government

- has no profit margin
- can borrow money for capital equipment at low interest rates
- pays no taxes

Is each City service competitive with the private sector? We don't know yet Each department must evaluate what makes us competitive/noncompetitive and understand what the private sector is doing

But we should be

Just For Laughs

A geometry teacher sent a note home to parents, asking them not to do any of the homework assigned to her students

The next day, one student handed the teacher a note from his mother It read "Dear Miss Moore We are so flattered that you think we could "

- Have employees pick up a portion of the cost for single employee coverage
- Overhaul retiree medical insurance program, phase in a separate premium structure, with the same cost sharing as that for employees cap the City's contribution to health insurance based on employees' years of service
- Add a Dental Maintenance Option (DMO) for employee election
- Provide long-term disability coverage to employees with less than five years service

Incentives

Findings

- Not enough money is put toward incentive programs to be motivational they are not effective (*Editor's Note the $25-$75 non-cash award incentive program was not funded by Council for FY93*)
- Incentive programs now in place are not tied to the City objectives and goals

Recommendations

- Add employee incentive plans as part of a total pay package
- The City should not add incentive plans until decisions have been made about privatization of City services and job standards are in place
- Incentive plans should be paid for out of actual cost savings
- Incentives should be tailored to meet the needs of the organization one size does not fit all
- Incentive plans should be team-based

Update On The Talent Bank

Part of the City's Rightsizing goals included eliminating 250 positions While departments came up with over 200 vacancies, approximately 40 filled positions have recently been identified for elimination The people in these positions are some of the City's most valuable and skilled employees In fact only employees with ratings of "expected" or better on performance appraisals can go into the Talent Bank

These principles guided the decision

1 Administrative functions should be considered first as they provide indirect services
2 The City-Wide reorganization plan should be used to identify areas where reduction is possible
3 Departments in which reductions have not been made previously will be considered first
4 The Services Assessment Process and Council retreat items will serve as a guide
5 Interim work of the Services Review Committee chaired by Joe Stowe will serve as a guide

These employees whose positions are rightsized are the City's top placement priority and will work with the recruitment staff to find a placement Because of the City's commitment to these employees the Talent Bank will be temporarily closed to volunteers At a later date the Bank will open up to employees who would like to explore other opportunities in the City

Transferring and retraining employees to meet changing priorities will become more common in city government in the 90s As with all change, the transition is stressful, but it can be a very positive experience for employees to gain knowledge and learn new skills

Privatization Task Force Makes Recommendations

Mayor Vinroot appointed a Privatization Task Force in May 1992 to determine whether there are some City services and facilities that may be more effectively and efficiently provided by the private sector

The Task Force looked at privatizing services and is now looking at asset privatization (selling City-owned buildings and land)

In their interim report the Task Force recommended the following actions for the City to follow to evaluate the privatization of services

- Adopt a policy on privatization similar to one adopted by the federal government in 1983 It states in part that "the government shall not provide a commercial product or service if the product or service can be provided more economically from a commercial source "
- Undertake an aggressive initiative to privatize activities which meet established guidelines
- The first services to be bid should be Grounds and Tree Maintenance

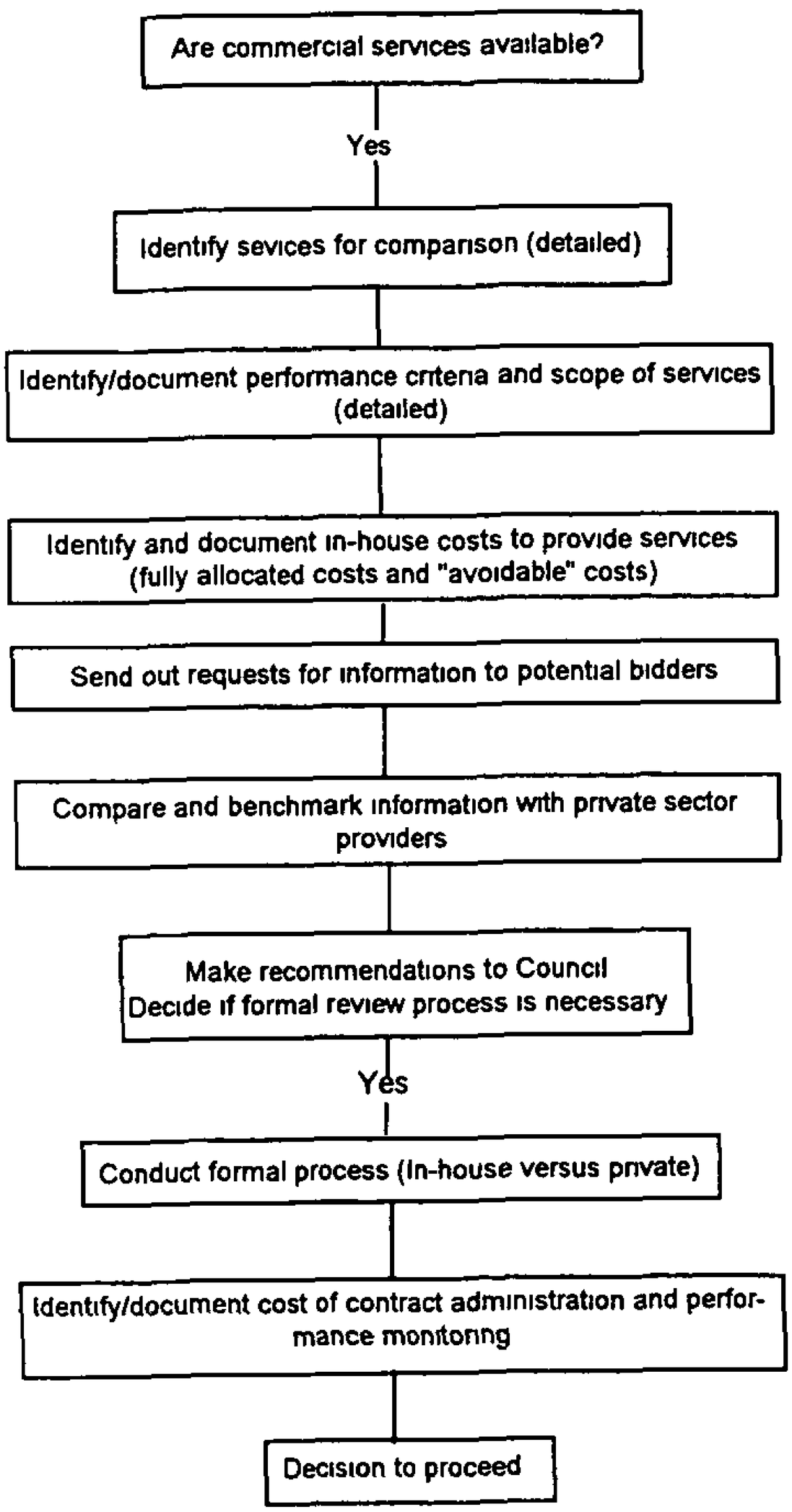
Key to privatization is competitive bidding--and the City itself may be considered a bidder The Task Force believes lower costs and improved management can result from this competitive process They caution, however that this is not always the case

What happens to employees providing services or working at facilities that are privatized? The Task Force recommends requiring successful bidders to give qualified City employees the right of first refusal if additional employees are needed Also, the City still has and will continue to have a number of vacancies which hopefully can accomodate employees affected by privatization

The Organization Task Force report will be summarized in the next Update Call the Hotline at 336-4636 with any questions or comments

A Look At How The Privatization Task Force Is Working

The Privatization Task Force is using an adapted version of the federal government's Privatization Review Process to review what, if any, City services may be candidates for private contracting Here is what that process looks like



Training Team Is Training Teams

"Work Team Basics" is the latest City-wide training program developed by the Training Team to meet our Rightsizing goal of establishing various work teams While managers and supervisors through first line are required to attend this three and a half hour training workshop, any employees interested in learning about the basics of establishing work teams are welcome Please contact your department's Training Liason for information about enrollment

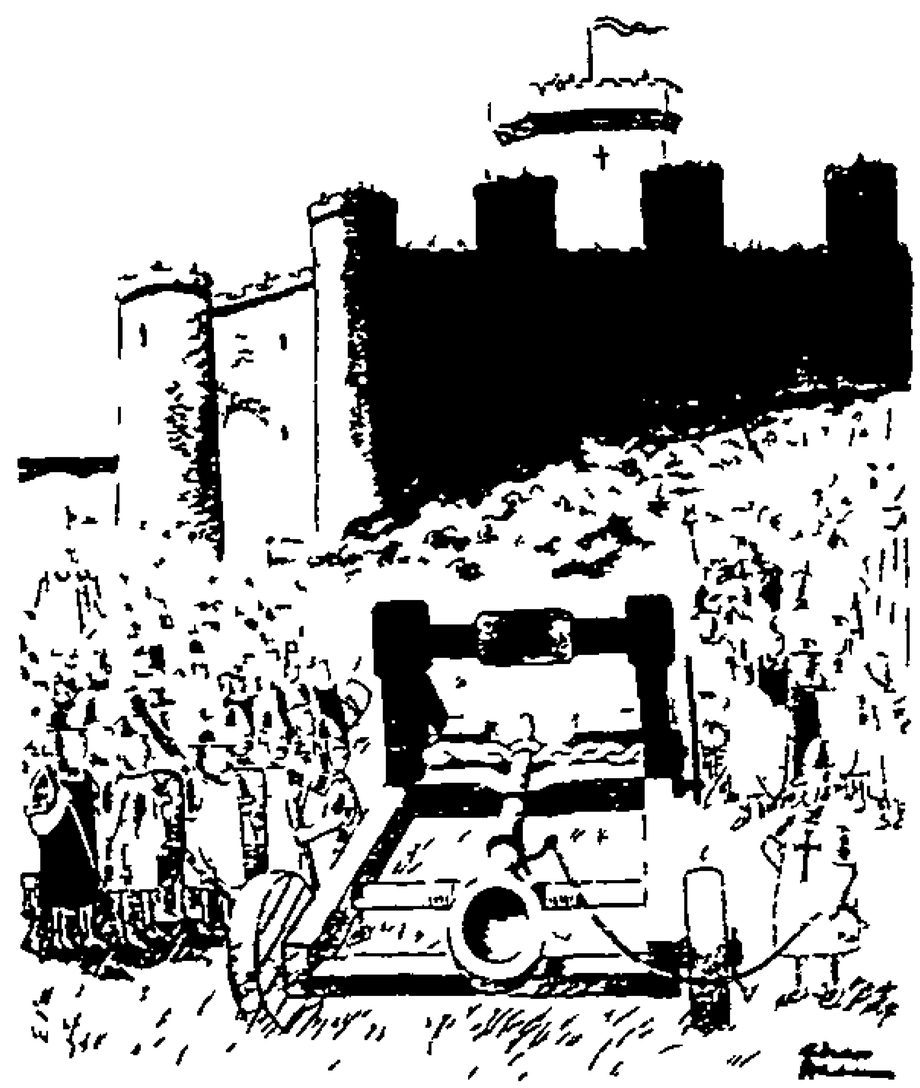
The goal of the workshop is to provide participant's with a grounding in the basic issues involved as the organization moves toward a team approach Topics include definitions and benefits of teams characteristics of effective teams, potential pitfalls, and the changing role of the supervisor

Many departments are already experimenting with teams The Training Team encourages people to call for training assistance in establishing teams Call Edith, Renee, Julie, Keva or Willa at 336-2286

Who Do You Call?

If you have suggestions or ideas we need to hear about, contact Action Line Plus (336-2040), anonymously if you like Every caller who identifies himself/herself receives a response from Wendell White, providing explanations and conclusions developed by the departments

To hear an audio version of this Update or for questions about Rightsizing, call the Rightsizing Hotline at 336-INFO



"You mean no one remembered to bring a rock?"

(By Chas Addams, 1985 *The New Yorker Magazine Inc)*

COMPETING FOR SERVICES

As the City's key businesses begin competing with the private sector to provide services to the public, some policies and guidelines need to be established so practices will be consistent across all key businesses. Some specific areas the Competition Steering Committee is reviewing for implementation include:

- Costing methodology that can be applied to all key businesses;
- Bid procedures defining key business and supporting roles; and,
- Implementation guidelines that detail for key businesses the City's position and intentions for competing with the private sector.

Once selected and formed, the Competition/Privatization Advisory Committee will have an important role assisting the City implement and refine the competition process.

Competition Steering Committee

Costing Services Methodology Team

OBJECTIVES

- Review alternative methods for costing City services for the purpose of preparing bids and for tracking actual cost of services
- Recommend costing methodology to Steering Committee to cost all City services

TEAM SPONSOR Del Borgsdorf

TEAM LEADER Jan Baldwin

TEAM MEMBERS	Ed Sizer	Business Support Services
	Chip Harris	Finance/Treasury
	Linda Katsadouros	Utility
	Charles Smyre	Engineering
	Dee Periera	Solid Waste
	Jackie Bowen	Landscape Management
	Laura Carnes	Budget and Evaluation

TEAM FACILITATOR AND COORDINATOR

Sherry Hite	Finance/Treasury

TIME FRAMEWORK

The team will begin work on January 4 at 10:00. Progress report to the Competition Steering Committee is due on January 19.

COSTING CITY SERVICES

Costing Services Methodology Team

Background

Costing City services is not a new concept for the City of Charlotte. In past years, we have used several methods for costing specific services. For example, we used a "job costing" method to estimate capital projects and grants, a "process costing" method to establish fees for services, and a *pseudo* "activity costing" method to prepare program budgets. Additionally, several departments -- CIS, Transportation, and Engineering -- currently use automated costing systems to process interdepartmental charges and to bill services.

Given our current focus on competition with the private sector, we believe it is now of primary importance to establish one costing method to be used consistently for all City businesses. We know that our bids must be accurate, defensible and creditable if they are to be successful. Toward that end, we have established a Costing Services Method Team to review alternative methods and recommend the one that best suits our needs. The method selected will be used to cost all City services involved in the competitive process.

The Costing Services Method Team is made up of eight representatives from Finance, Budget, Engineering, Utility, Solid Waste, and Business Support Services. Collectively, they have over 100 years of experience in City field and administrative operations. Since January 4, they have devoted a considerable amount of time reviewing several methods and framing the major issues relating to costing. At this time, the Team favors "activity based costing" for several reasons

- Activities are the level at which the City is likely to compete.
- Program budgeting is a form of "activity based costing" and a familiar concept to departments.
- The services inventory developed for the City in FY93 provides an excellent basis for identifying activities.

Issues/Decision Criteria

Relating to Selection and Implementation of Method

- How should costs be aggregated
- Do we need a formal costing system or just costing guidelines
- If a formal system is chosen, should it be stand alone or integrated
- Can we and should we use more than one costing method
- How can we track actual costs
- How can we provide decision making (management) information for Key Business Executives (i e., to determine which services to bid out)
- What method will be easy, understandable, and usable for all businesses/employees
- What method is most defensible

- How can fully allocated costs and "go away" costs be easily identified and extracted
- What resources will be required to select and implement a method - computers, software, training, employee time
- How can the method be flexible enough to easily incorporate operating changes
- How will the method's focus on direct labor affect City bids
- What allocation bases are best to distribute support (overhead) costs
- How can all City businesses and employees be involved in the process in an on-going basis
- How much training will be necessary for employees
- What is the implementation time frame and is there a workable "fallback" plan
- What software is available and how does it apply to our current systems
- What are other cities , i.e. Phoenix and Indianapolis, and competitors doing

Relating to Operation/Management of Method

- How can we prevent information from being misleading or conducive to managing by numbers rather than improving operations
- How can the method promote continuous improvement
- What resources will be required for operating the system/methods
- How do we deal with budget issues when we are "locked" into a winning bid (actual cost is less than bid)
- What happens when we win a bid and become complacent with existing operations rather than continuing to improve the work process

Using Activity-Based Costing for Efficiency and Quality

Applying activity-based costing analysis was a necessary first step in deciding on which services the City of Indianapolis wanted to or should provide to the citizens and in defining core vs. ancillary activities.

By Bridget M. Anderson

When the new mayor of Indianapolis took office in 1992, he was faced with a situation unique to most mayors of large cities: a city with an excellent credit rating and a solid reputation for having its financial house in order. Yet he was amazed at what city officials did not know about their budgets. They knew that the city took in more money than it spent but did not know how much any single activity cost. While the mayor and other city officials could detail how much the city spent on such things as transportation and how much the various department budgets increased annually, they did not know how much it cost the city to fill one pothole or install a traffic signal.

Lack of accurate information about how much it cost to provide specific city services was more than just an inconvenience. Before the city government could begin to consider providing a given service more efficiently, it had to accurately determine the cost of providing that service. Without such information, how could citizens know if they were getting the most out of their tax dollars?

City officials began asking some basic questions that had not been asked nor answered with the current budget and resultant financial reporting process. What does it cost the City of Indianapolis to provide a service? Is the city's cost of providing services competitive in the marketplace? Is there an alternative delivery system that can provide the same service at less cost or at greater value? Is there a cause-and-effect relationship between spending and results? What is the outcome that citizens can expect? How does the city respond to customers needs?

When city officials started calculating how much it cost to pick up a ton of trash, they uncovered surprising information. During the analysis, they found garbage trucks that were out of service for six months because they were being repaired. After inquiring about the situation, they were told only that the cost of running the truck was X dollars, and nobody had ever thought about it before because there was a budget for the garage, there was a budget for the trucks, there was a budget for the gas and there was a budget for the drivers. The components did not come together until people were forced to cost each city service.

ABC for Identifying Costs

To help the city determine the true costs of providing given services, a consultant was engaged to implement an activity-based costing system (ABC). The process was a learning experience for city officials in determining exactly how many and what services were provided to citizens; it also helped identify those services which might be more efficiently provided by different departments. Applying ABC analysis was a necessary first step in deciding on which businesses the city wanted to or should provide to the citizens and in defining core versus ancillary services. It also heightened awareness of costs and the need for greater efficiencies.

ABC is a technique for cost control that assigns costs to products or services based on their consumption of activities. By identifying component cost details, cost impacts and savings from alternative courses of action, the ABC model can be used for comparing delivery costs for the same service in different locations, highlighting areas of efficiency and areas needing improvement. By attaching costs to the performance of specific activities, it can enable city departments to measure the quality, efficiency and effectiveness of the services delivered.

ABC is not new. The concept and system analysis has been in existence for years; however, it is just recently being applied in the governmental environment. The objectives of ABC are to preserve, at a minimum, the present quality and availability of core services but to acknowledge that some of the forces for greater expenditures have not been controlled. It seeks to reduce the costs of service outcomes by:

- reducing the number of service units through program redesign,
- finding lower cost alternatives,
- making volume increases dependent on cost reductions, and
- understanding and controlling the delivery/program design interaction.

A Five-Phase Methodology

The ABC approach is designed to demonstrate the specific costs generated by specific activities. Using ABC, for example, costs of overhead functions—from payroll and computers to electric bills and fixed assets—are assigned to the activities that actually generate the

Exhibit 1
USE OF THE COST MODEL TO IDENTIFY COST OF SNOW CONTROL AND CHUCKHOLE PATCHING

Activities

Activity Name	Total Dollars
C labor	$1,000
D labor	600
Salt	400
SAD	400
Central serv O/H	200
Total	$2,600

Note: SAD refers to a type of truck used.

Activities and Related Drivers

Activity Name	Driver
C labor	C hours
D labor	D hours
Salt	Tons of salt
SAD truck	SAD hours
Central serv O/H	Total labor hours

Consumption

Drivers	Snow Control	Patching Chuckholes	Total
C hours	50	50	100
D hours	10	20	30
Tons of salt	500	0	500
SAD hours	80	70	150
Total labor hours	60	70	130

Cost per Output

Activities	Snow Control	Patching Chuckholes	Total
C labor	$1,500	$1,500	$3,000
D labor	200	400	600
Salt	400	0	400
SAD truck	213	187	400
Central serv O/H	92	108	200
Total	$1,405	$1,195	$2,600

12 Miles of road $117 08
14 Tons of Mix $85 36

expense The key components of an ABC system are

- activities the tasks performed by the organization s employees, equipment and facilities;
- drivers the allocating of activity costs to outputs,
- outputs· the final results or accomplishments of an organization, and
- consumption· the extent to which each activity should be allocated to each output

Exhibit 1 illustrates an example of how traditional cost information for snow removal and chuckhole patching are detailed to the activity level using an ABC model

A five-phase approach used in Indianapolis involved working closely with personnel in various city departments to define the activities and outputs and to collect and analyze appropriate costs and allocation methods. Outlined below are the five phases of the analysis.

Phase I–Definition of Project Objectives and Establishment of Department Activities and Outputs. This first phase focuses on a familiarization with department operations, personnel and means of quantifying data The most effective means of identifying activities and outputs, which serve as the foundation for the ABC model, are determined.

Phase II–Collection and Analysis of Appropriate Costs and Allocation Methods. In this phase, relevant cost information is collected After completion of the accumulation of cost information, appropriate cost drivers for the activities defined in phase I are developed, and the most effective means of measuring departmental outputs are determined

Phase III–Collection of Current Direct and Indirect Cost Information. Activity cost pools are established on PC-based spreadsheets The most probable activity cost pools are personnel costs, direct materials, vehicles and equipment, fixed asset and facility costs, and administrative overhead

Phase IV–Development of an ABC Model. Using the information in the first three phases, an ABC model is developed which is used to drive the activity cost pools to each output

Phase V–Production of Cost Information and Expansion of the Departments' Capabilities for Continued Use of the ABC Model. In order for the ABC model to be utilized most effectively, a training session is held to assist department personnel in understanding how to use the ABC model on an ongoing basis.

ABC for Transportation

The cost effectiveness of the ABC approach can be seen in the way in which Indianapolis Department of Transportation (DOT) quantified specific costs Using the ABC system, the DOT was able to identify the optimal mix of labor, supplies and equipment costs to plow snow To accomplish this, the DOT Street Maintenance Section was organized into five geographical cost centers Costs were then allocated to each function in the snow removal process

Total costs were obtained from the general ledger, work order system, fixed asset system or payroll system. Direct costs, such as labor, materials and vehicles, were allocated to each output based on actual time spent or usage Overhead information, obtained from the general ledger and an indirect cost rate proposal report, was allocated to the outputs based on productive labor hours Facility costs were allocated based on square footage and productive labor hours. The resulting analysis allowed management to analyze the efficiency of individual cost centers.

The analysis showed that costs associated with plowing a mile of snow ranged from a low of $39 96 for 1,846 miles in one geographical cost center to a high of $117 59 for 1,000 miles in another. In analyzing the discrepancy, management learned one cost center was using excessive amounts of salt per mile and not using an optimal mix of equipment. In addition, one cost center was using far more expensive labor in performing snow control. As a result, DOT re-allocated both personnel and equipment resources, reducing costs without sacrificing quality Exhibit II illustrates the analysis of snow removal costs.

In another example, the process of calculating the cost of filling a pothole helped DOT to competitively bid this activity, which traditionally had been carried out by city employees. Once the cost of filling a pothole was determined through the use of ABC, DOT supervisors and union workers teamed together to prepare their bid for the contract by reviewing streets, analyzing the ABC model records of past performance and preparing a workplan for accomplishing the bid preparation In analyzing ways to reduce costs, the team decided that eight workers on two trucks were not needed: by removing a particular gadget from truck B and putting it on truck A, the job could be accomplished by five workers on truck A and, thus, truck B with its three

Exhibit 2
COST ANALYSIS OF SNOW REMOVAL

Activity	Geographic Cost Center: Northwest	Northeast	Center	Southwest	Southeast
C labor	0.89	1.19	3.08	0.14	0.42
D labor	7.27	11.76	25.29	13.21	7.73
E labor	5.09	5.84	5.59	2.77	1.17
Supervisors	2.27	2.89	3.81	6.10	1.81
Supervisors	2.60	5.10	2.13	2.06	2.08
Personnel Costs	18.12	26.58	39.90	24.28	13.21
Calcium	0.86			4.86	
Salt	36.18	9.25	20.78	43.96	5.24
Sand				0.14	
Direct Materials Costs	37.04	9.25	20.78	48.96	5.24
Central Services	9.35	13.29	19.74	16.63	7.47
Facilities	1.84	3.81	0.94	0.59	0.68
Fixed Assets	0.14	0.08	0.05	0.07	0.05
Administration	3.18	4.30	4.98	3.77	2.34
Overhead costs	14.51	21.48	25.71	23.06	10.52
Crewcab pick up	0.01				
Loader	8.24	3.83	1.43	4.25	0.77
Mini pick up	6.11				
SAD 90	6.24	6.12	0.50	6.51	2.73
SADA 85	1.17	1.93	0.88	4.02	1.67
Sedan	3.31				
TAD 90	2.87	0.79	3.72	2.98	1.89
TADA	10.41	4.25	1.73	2.98	2.85
Dump truck	0.01	0.02			
Unused equipment	0.48	0.55	0.13	0.55	1.08
Rolling stock costs	38.85	17.49	8.39	21.29	10.99
TOTAL	$108.52	$74.80	$94.78	$117.59	$39.96
Miles plowed	1,100	1,000	900	1,000	1,946

workers could be used for another activity within DOT.

The union workers won the bid. By making these changes, the city reduced the cost of filling a pothole and created a market opportunity as well as some goodwill between the city and the union employees. Perhaps the most important aspect of the ABC analysis in this case was that representatives from DOT and the union worked together to consider future directions. ABC management now is used daily in DOT, where it aids in making strategic decisions based on costs that are approximately right rather than approximately wrong.

Measuring Quality, Adding Value

In adapting the ABC approach, Indianapolis is not only in the process of measuring costs of every service dollar delivered, it also is measuring the quality of that service. For example, the initial ABC results for the Department of Parks and Recreation indicate that the cost of providing certain services at some of the public swimming pools is very high. While striving to reduce these costs, the department also must weigh them against the quality of service provided, i.e., the reduction of crime in the area by providing a place of recreation for city youths. Looking beyond costs often calls for a shift in mind-set.

In Indianapolis, city officials have attempted to make it clear that as public-sector employees, their central organizing principle must be to add value. They believe it is their responsibility to focus their energy on shifting resources toward activities that produce meaningful outputs for citizens. Department managers are learning to justify their actions in terms of either increased outputs or decreased costs. This is referred to as the value equation.

Indianapolis' results-driven program is yielding significant service improvements and cost-saving. While the city is examining every expenditure and service, the positive ABC results have built employee confidence and skills. With the help of ABC, the city is re-examining not just how much government but what kind of government ought to be provided. This reinforces government's commitment to deliver more than a dollar's worth of service for every dollar invested. □

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COMPETITION

Implementation Guideline #1: Every attempt will be made to provide a "level playing field" for the City to compete against the private sector in bidding for a City service

ADVANTAGES:

- Key businesses and employees will feel they have an opportunity to win.
- Allows an equitable comparison.
- Sends the message that a fair process will be used.

IMPLEMENTATION ISSUES:

- There needs to be agreement on a definition of "level playing field "
- Developing level field for each service delivery competition will be crucial and take time.
- Implementing this policy will require extensive changes in attitudes, processes, and in some cases, state laws to accomplish the level playing field.
- The Advisory Committee will need to be involved in defining the "level playing field" concept

COMPETITION

Implementation Guideline #2: In compliance with OMB Circular A-76, when preparing to bid out a service, there will need to be a calculation of the "go away costs" related to each particular service ["Go away costs" are defined to be the current costs in the City budget which will be eliminated if a service is contracted out to the private sector.] The total (City) cost of service = avoidable costs ("go-away costs") + unavoidable costs. The City's bid will reflect only avoidable costs.

ADVANTAGES:

- Is consistent with cost methodology proposed by the Privatization Task Force.
- Levels the playing field.
- Establishes true costs.
- Represents what is eliminated from the budget if the City contracts out a service.

DISADVANTAGES:

- Private sector may feel this is unfair and that not all costs are being included in bid.
- Difficult decisions on certain costs - will they go away or not, or if so, how much?

IMPLEMENTATION ISSUES:

- Go away costs will need to be defined as clearly as possible Need to test costs which are determined to be unavoidable. These will be tested by private firms when the City wins

COMPETITION

Implementation Guideline #3: Using OMB Circular A-76 as a guideline, it is recognized that in preparing a City bid under a competitive process, the cost of contract monitoring must be considered in the bid equation and evaluation.

ADVANTAGES:

- Levels the playing field
- Identifies all costs of contracting out.
- Identifies issues/costs necessary to deliver and monitor quality services to the customer.
- Provides true costs

DISADVANTAGES:

- Private sector may contest.

IMPLEMENTATION ISSUES:

- The monitor must know the service, the customer and the competition and be able to predict and identify potential problem areas if the service is provided by a private contractor.
- OMB Circular A-76 provides "oversight" formulas which may be used as guidelines.

COMPETITION

Implementation Guideline #4: The length of the contract period will be determined by the City (key business) and reviewed by the Competition Advisory Committee. It shall reflect the most cost effective, business-like approach to delivering the service considering employees, capital costs, start up costs and transition.

ADVANTAGES:

- Follows cost accounting principles.
- May result in lower bids.
- May provide more consistent service to customer.

DISADVANTAGES:

- If the City wins and does not own equipment, there may be considerable "up front" capital expenses

IMPLEMENTATION ISSUES:

- Determining contract period that can be easily defended to both public and private sector may be difficult Need to consider useful life of any capital equipment required

COMPETITION

Implementation Guideline #5: As specified in OMB Circular A-76, an existing in-house activity will not be converted to contract unless the projected cost advantage to the City is at least 10% (of the in-house personnel-related cost) [1]

ADVANTAGES:

- Provides funding for transition costs if service goes private (e g., retraining displaced personnel, preparation/transfer of government-owned equipment, penalties/fees to terminate lease or rental agreements).
- Contractors may reduce bids further if this is known up front.
- Establishes a discernable difference

DISADVANTAGES:

- More difficult to explain to citizens.
- Key businesses may assume they have a 10% buffer.
- Loss of up to 10% (potential savings) over a period of years could be a substantial amount of money.

IMPLEMENTATION ISSUES:

- Need to communicate this policy to private sector in bid qualification.

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[1] "A cost margin equal to ten percent of the in-house personnel related costs must be added to the cost of contracting This amount is added to give consideration to the loss of production, the temporary decrease in efficiency and effectiveness, temporary operation of facilities at reduced capacity and other unpredictable risks that result any time a conversion is made " OMB A-76 (Section IV, page 41)

COMPETITION

Implementation Guideline #6: The City may choose to compete for any existing or new service funded by public dollars, if not precluded by State law.

ADVANTAGES:

- Ensures the best product for the least cost.
- Allows the City to choose when to compete.
- Forces key businesses to review all existing contracts in detail and make positive production changes where necessary.

DISADVANTAGES:

- There are no internal benchmarks for many services from which to base this decision.
- May lead to additional in-house staff and administrative resources.

IMPLEMENTATION ISSUES:

- Must decide early in process when to compete and when not to compete and be able to identify lower costs as a result
- A clear definition of a "key business function" is needed. The Key Business Executive should be able to decide, subject to approval by the City Manager, what areas the Key Business will not compete in. Many times this decision will be driven by lack of resources, expertise or other factors.

COMPETITION

Implementation Guideline #7: It is the policy of the City, at all times, to make available for inspection any and all public documents. However, prior to the intended issuance of an RFP, the City will not provide media, potential vendors or interested citizens with information/data relevant to bid specification or city costs for specific services nor will it make public the City's bid for a service prior to the legal bid opening. The competitive process will be conducted to be consistent with City Code Section 2-73 "Standards of Conduct."

ADVANTAGES:

- Ensures that everyone hears the same thing at the same time
- Levels the playing field by opening City bid with competitors' bids.
- Precludes vendors from having access to information which would give them an advantage in the bidding process.

DISADVANTAGES:

- Could appear the city is withholding information which vendors feel should be "public information."

IMPLEMENTATION ISSUES:

- Since the City budget is public information, more definite guidelines are needed as to how and to what extent information can be made available to potential bidders and the public in general.
- It is imperative that potential bidders be provided sufficient opportunities to obtain clarification of bid specifications from the appropriate staff through procedures such as pre-bid conferences and official addenda to the proposal documents. It is not appropriate for any other persons to discuss or provide information to potential bidders during the bid process.
- State laws and City administrative policies need to be reviewed to determine types of information which has to be provided and information which can be withheld. Also, it should be determined whether there is a need to pursue legislation which would allow cities and counties to not have to reveal certain information related to bidding processes

COMPETITION

Implementation Guideline #8: The City may elect to use prequalification screening as part of the bidding process to insure that bidders have capability and experience to deliver the stated service.

ADVANTAGES:

- Key businesses know who the competition is.
- A positive step toward insuring the ability of contractor to deliver quality services to the customer (size, track record, stability) This becomes more critical if over 50% of a service is contracted.
- Reduces time necessary for City staff to review bids.
- The City currently uses this practice in larger bids

DISADVANTAGES:

- Some new/small contractors may contest
- Limits small business and M/WBE participation.

IMPLEMENTATION ISSUES:

- Must develop good, sound, defendable prequalification criteria and must do good prequalification research and investigation.
- There should be the realization that this policy will preclude many small and minority bidders from bidding. Administration of this policy will require a significant amount of staff time to review requests and prequalify potential bidders A training seminar for small business owners on how to prequalify might be helpful.

COMPETITION

Implementation Guideline #9: The City shall retain capacity to continue any high priority function provided under contract in the event that a contractor fails to deliver, quits or is removed by insuring that no more than 50% of key functions are subject to competition.

ADVANTAGES:

- The City retains capacity to resume the service (limited time/amount) if contractor fails to deliver, quits or is removed.
- The City maintains expertise and ability to bid in the future.
- The City can benchmark cost of service internally.
- The City may get better bids (external) and encourage competition.
- The City can keep employees employed and productive.

DISADVANTAGES:

- The higher the percentage of service that is contracted the greater the risk of there being significant delays in the City's ability to resume a service in the event of contractor default.
- May not be as cost effective as bidding out more than 50%

IMPLEMENTATION ISSUES:

- What 50% goes out to bid? How is it determined? Who decides? Is it 50% of gross cost, 50% of population, 50% of service area?
- Who defines what is a "key" function?
- May be too restrictive. A conscious decision should be made (by the Key Business Executive and the City Manager) as to the amount to be put out for competition. The decision should be based on a number of factors such as: need to retain a certain amount of capability or expertise in a function, amount of savings being realized by competition, the nature of the function being put out for competition, etc.

COMPETITION

Implementation Guideline #10: There will be NO layoffs of regular City employees displaced by the contracting out of a service The City will attempt to place all regular City employees who are displaced due to the contracting out of City services in other City positions.

City employees will have the option of taking positions with the successful contractor. City employees will be responsible for fulfilling any retraining requirements associated with the placement in another City position.

ADVANTAGES:

- A strong statement will help retain good employees.
- Sends positive message to employees; helps keep morale up. Allows the City to have qualified employees available in the event the City later becomes responsible for providing the service.
- Puts responsibility on the City to handle displacement of employees as part of the competition process.
- The City has successfully handled a "no lay-off policy" under Rightsizing.

DISADVANTAGES:

- Citizens may not trust/believe this process will reduce costs
- Depending on the numbers and types of employees affected, it may be difficult to find comparable work and justify additional payroll costs for all employees who are retained.
- Will necessitate implementing a hiring "freeze" well in advance of the contract dates to insure enough vacancies are available for relocating the displaced employees

IMPLEMENTATION ISSUES:

- How far in advance should the City: 1) start filling vacancies with temporaries in the areas competing? 2) start holding vacancies in other key businesses with similar classifications? Should contract start date be delayed a sufficient amount of time to allow the City to make such adjustments?
- There should be a comprehensive plan developed to keep employees informed as to what is happening to their jobs and what they can expect to happen to them and when If implemented, consideration must be given to how unfilled vacancies will affect the level of service delivery in other areas.