Results of ICMA's 2017 Alternative Service Delivery Survey

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Funding support from the National Institute for Food & Agriculture, USDA

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ICMA Alternative Service Delivery Surveys

Launched in 1982 – To explore private forms of service delivery

- Contracting to for profits, non profits, other governments, franchises, subsidies, volunteers.
- 65-70 services in public works, public safety, utilities, health and social services, utilities, parks and recreation, culture and arts, general government
- Motivators, Barriers, Management Characteristics

Conducted every 5 years

- All cities over 2,500, All Counties.
- 1200-1600 response per survey, over 2000 in 2017.

Most comprehensive source of data on local government service delivery in the world.

Service Delivery in 2017 – Averages across Services

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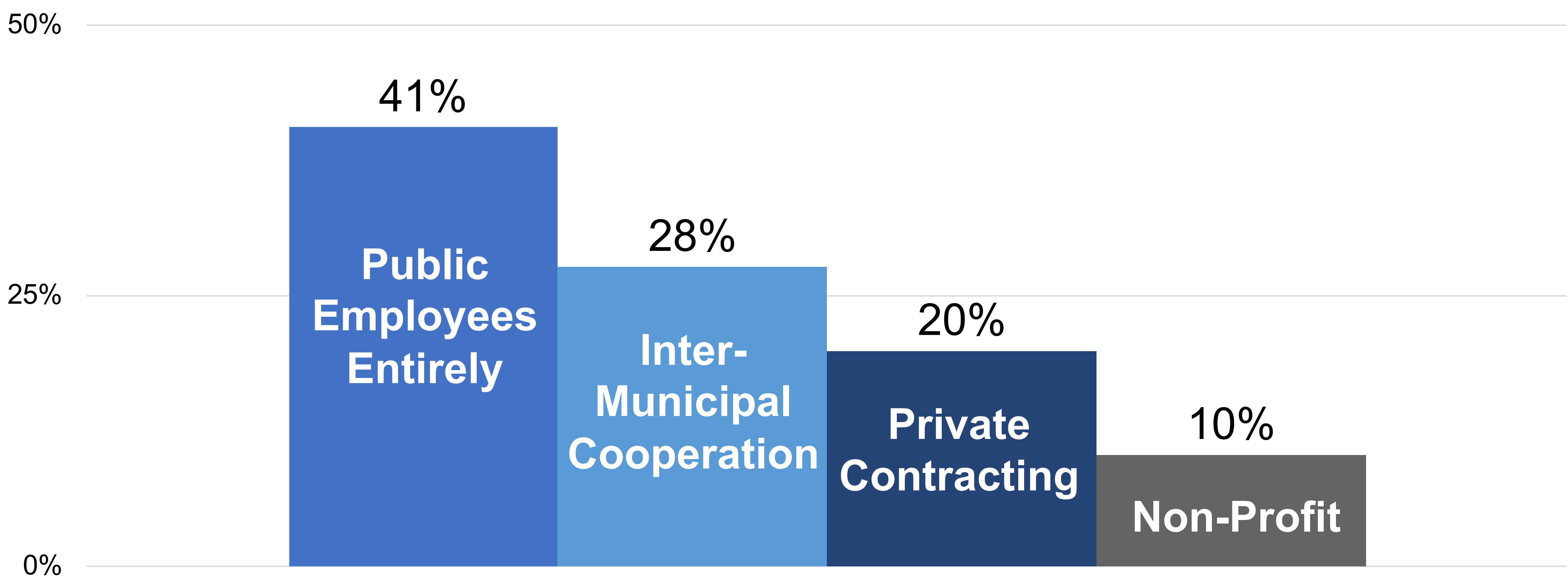

2012 (N= 1956)	45%	24%	16%	10%

Exploration of Private Service Delivery Down

Only 33% of local governments are studying the feasibility of adopting private service delivery (N=2327)

Down from **48%** in 2012 (N=2172)

Motivators similar to 2012

Motivating factors (N=767)	% in 2017
Decrease Costs	83%
External fiscal pressures	49%
Unsolicited proposals presented by potential service providers	15%
Concerns about government liability	14%
Change in political climate emphasizing a decreased role for government	14%
State or federal mandates tied to intergovernmental financing	11%
Active citizen group favoring privatization	7%

Obstacles to Privatization are down

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Only 20% Reported Obstacles (N=2284)

Down from **32%** in 2012 (N=2101)

	Obstacles (N=454)
Opposition from local government line employees	46%
Opposition from elected officials	43%
Opposition from citizens	35%
Restrictive labor contracts/agreements	33%
Insufficient supply of competent private deliverers	28%
Opposition from department heads	24%
Lack of empirical evidence on the effectiveness of private alternatives	20%
Legal constraints	18%
Lack of precedent; institutional rigidities	17%
Lack of staff with sufficient expertise in contract management	14%
Lack of adequate contract monitoring system	14%
Problems with contract specifications	11%

Why is For-Profit Contracting so Low (only 20%)?

Competition is hard to ensure

- Many public services are natural monopolies
- Competition erodes and so do cost savings
  - International Studies find no statistical support for cost savings

Bel, G., Fageda, X., & Warner, M. "Is Private Production of Public Services Cheaper Than Public Production? A Meta-Regression Analysis of Solid Waste and Water Services." *Journal of Policy Analysis and Management*, vol. 29, no. 3, 2010, pp. 553–577

- Government must manage the market

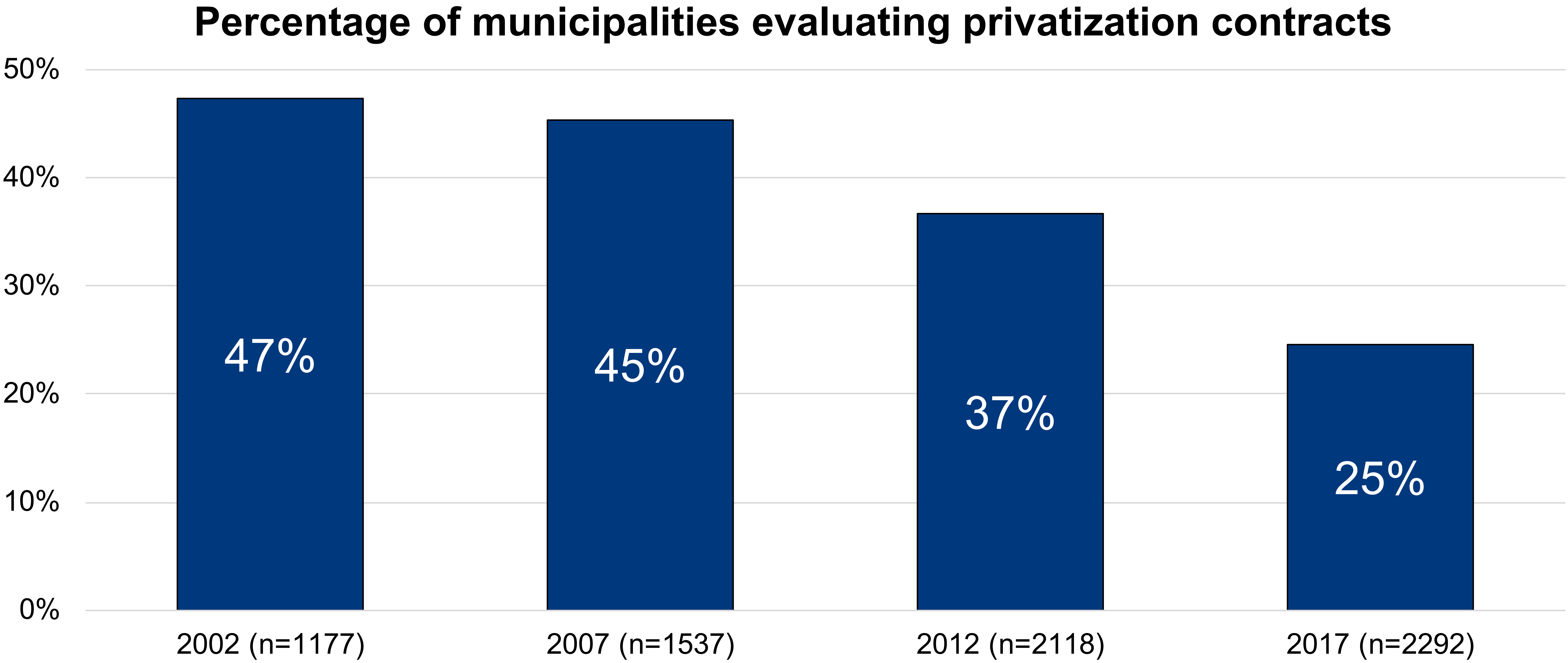
High Costs of Contracting

- Transactions costs (information asymmetries, structuring contracts)
- Leads to relational contracts (collusion)

Need for Failsafe Delivery

- Loss of internal intelligence and control
- Transfer risk to public sector

Evaluation of Private Contracts Is Down



Evaluation of Private Service Delivery Is Down

Citizen Satisfaction:

- Monitoring citizen complaints: **73%**
- Conducting citizen survey**: 31%**
- Soliciting feedback (via social media/311/apps): **28%**

Quality:

- Conducting field observations **68%**
- Analyzing data/records (e.g. demographics / finance data/performance reports): **58%**
- Setting deliverable dates, milestones, performance standards: **56%**
- Assessing penalties for non-compliance: **26%**

Cost:

- Conducting regular re-bidding/RFP processes or renewal evaluations: **60%**
- Analyzing market competition or comparing to benchmark data: **44%**

What techniques do you use to monitor cost, quality or citizen satisfaction?
(N=562)

Privatization Reversals – Re-municipalization

14% of local governments brought have in house services which were contacted out (N=2296). Down from **18%** in 2012 (N=2124)

Service quality was not satisfactory	54%
The cost savings were insufficient	46%
Local government efficiency improved	34%
Successful proposal by in-house staff	22%
There was strong political support to bring back the service delivery	21%
Lack of competitive private bidders	13%
There were problems monitoring the contract	12%
There were problems with the contract specifications	7%

What played a part in decisions to bring contracts back in house? (N = 329)

Intermunicipal Cooperation is the Most Common Alternative

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28% of all services on average. Cooperation is highest in:

- Health and social services: **47%**, Community Development: **36%**

Motivating factors (N=1606)	**% in 2017**
Economics	
To save money	78%
To achieve economies of scale	63%
Quality /Regionalism	
To strengthen collaborative intergovernmental relations	55%
To promote higher quality/ more effective service delivery	53%
To promote regional service integration	44%
Participation in a regional council of governments or metropolitan planning organization	35%
To access technical expertise	32%
It's the Only Option	
To avoid shedding services	9%
There is a lack of private providers	8%

What Makes Sharing Last?

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Short Term	Long Term
• Focus on Cost Savings	• Improved Service Quality
• Disruptions:	• Improved Regional Service Coordination
• *Staff Transitions*	• Agreement Formality
• *Willingness of Sharing Partner*	• Service Capacity
• Evaluation of Sharing	• Community Pressure and Citizen Interest
• For-Profit Partner	• Unable to Provide Service Without Sharing

A singular focus on cost savings can undermine sharing stability

Austin M. Aldag & Mildred Warner. (2018) Cooperation, Not Cost Savings: Explaining Duration of Shared Service Agreements, *Local Government Studies*, 44:3, 350-370.

Local Government Fiscal Stress

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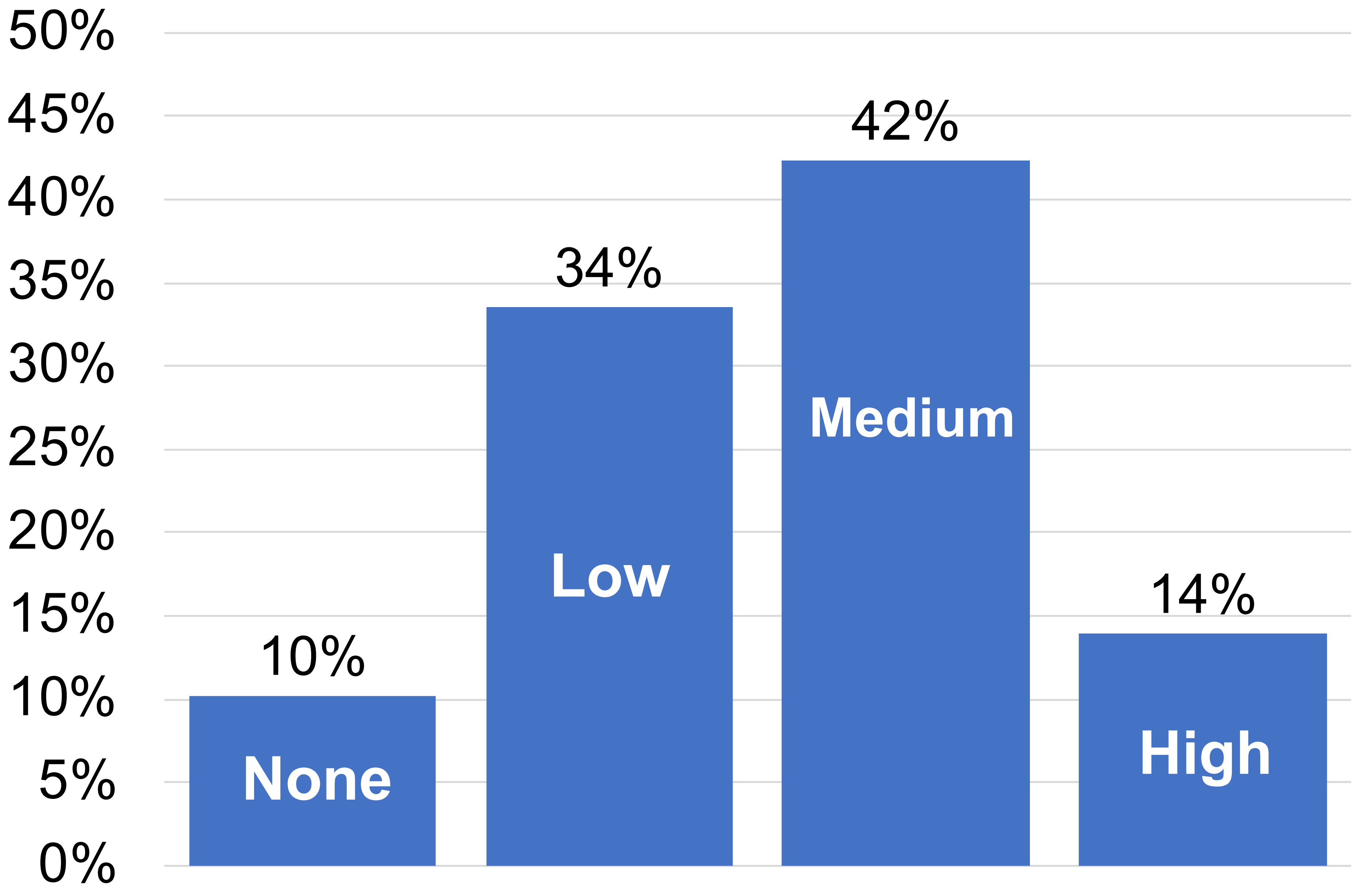
Half of all governments report medium to high levels of fiscal stress

What is the level of fiscal stress faced by your government? (N=2206)



Responses to Fiscal Stress

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Local governments
- **defer expenditures,**
- **seek new revenues,**
- **but try not to cut services**

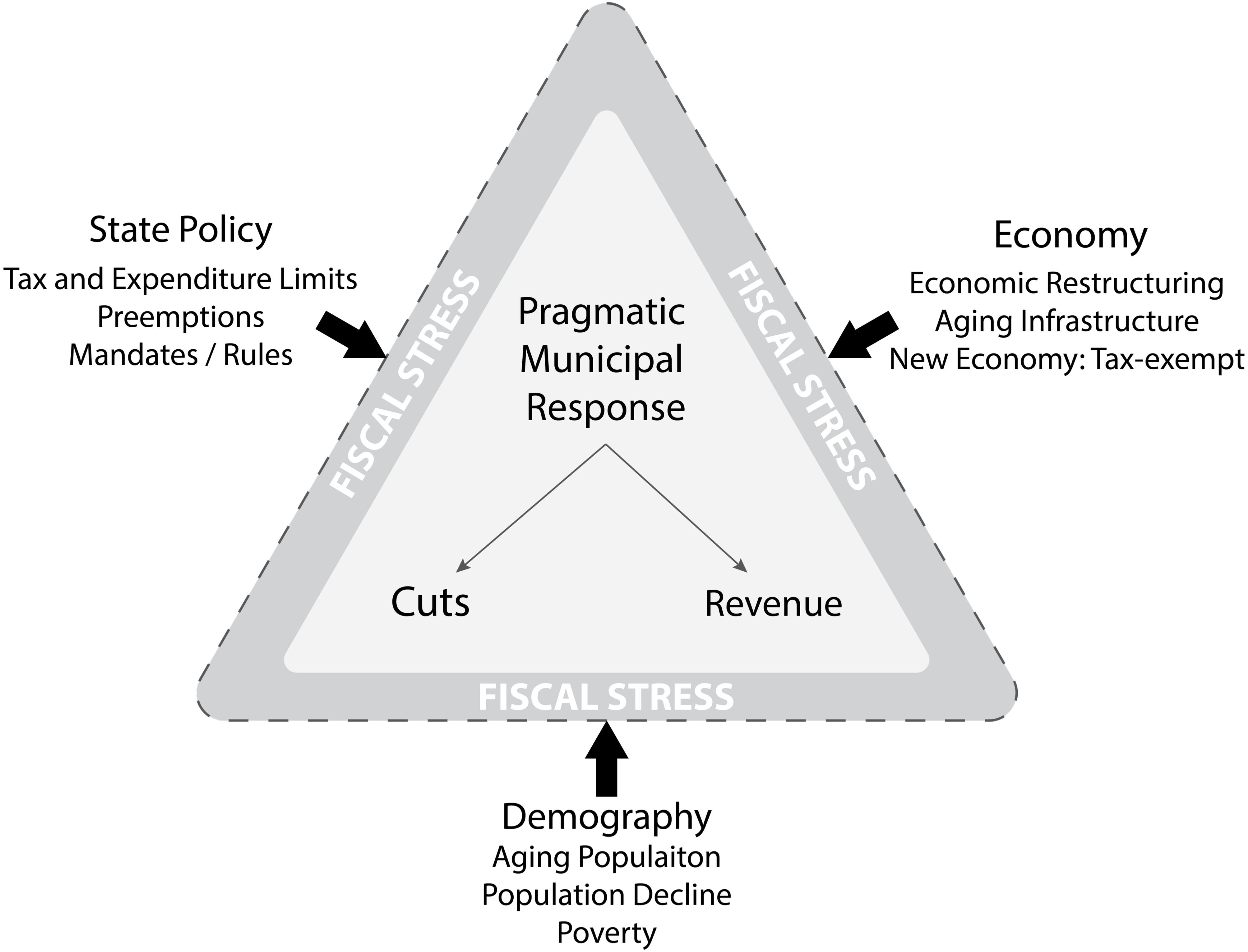
Which measures has your government implemented to address its fiscal needs?

(N= 1837)

Defer expenditure:
- Defer capital projects: **59%**
- Defer maintenance expenditures: **44%**
- Reduce fund balance: **40%**

Increase Revenue:
- Increase existing user fees: **55%**
- Increase taxes: **43%**
- Adopt new user fees: **36%**

Reduce/ Eliminate:
- Reduce staff: **46%**
- Reduce personnel benefits: **31%**
- Reduce services: **23%**
- Eliminate services: **12%**


State Policy
Tax and Expenditure Limits
Preemptions
Mandates / Rules
Economy
Economic Restructuring
Aging Infrastructure
New Economy: Tax-exempt
FISCAL STRESS
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FISCAL STRESS
Pragmatic
Municipal
Response
Cuts
Revenue
Demography
Aging Populaiton
Population Decline
Poverty

ICMA conference

BALTIMORE 2018
104th Annual Conference
SEPTEMBER 23–26

Questions?

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