

## How Taxpayers Could Save 40% Of Their Property Taxes!

### The Phenomenal Growth Of Privatization

On August 26<sup>th</sup>, 2009, Cobb County announced a savings of \$5 million annually from privatizing the operation of its trash site and composting facility.

On December 5, 2005, the City of Sandy Springs was incorporated. That same day, Mayor Eva Galambos and the Sandy Springs City Council contracted out every city service other than Police, Fire and 911.

Today, almost four years later, the City of Sandy Springs Tax Millage is a low 4.7, less than half of the City of Atlanta's 10.12. Moreover, the quality of services of Sandy Springs is far superior. Several months ago, Sandy Springs was cited by Forbes Magazine as "one of the 25 best American cities to live in", while Governing Magazine refers to Sandy Springs as a "Model City." Contrast this with the recent Deloitte audit of the Atlanta Finance Department which indicated "a department in disarray", or the audit of the Atlanta Watershed Management Department which concluded that "there are over \$50 million in uncollected fees and millions more each month" or the audit of the Atlanta Fleet Management which revealed "cost over-runs of \$11.9 million." Because Sandy Springs has contracted out all of their services other than Police, Fire, 911, Sandy Springs has a minimal Pension and Insurance costs; the City of Atlanta has a Pension shortfall of \$1.2 billion!

So successful has Sandy Springs been in reducing taxes with better quality services that the new cities of Johns Creek, Milton and Dunwoody have emulated contracting out every service other than Police, Fire and 911. In 1997, 49% of American cities were contracting with private firms; today, the percentage is 82%. This finding is included in the International City/County Management Association's "Survey on Alternative Service Delivery Approaches Used by Local Government." . The cost advantages are huge:

Garbage Collection – 42% Private Contract Savings  
Traffic Signal Maintenance –  
56% Private Contract Savings  
Asphalt Overlay – 96% Private Contract Savings  
Street Cleaning – 43% Private Contract Savings  
Fleet Management & Operations –  
46% Private Contract Savings

Source: National Productivity Review: "Comparing Public & Private Sector Privatization Efficiency"

The City of Atlanta's own Turnaround Plan by Bain & Company recommended Managed Competition, whereby city employees compete with the private sector. On Page 53 of the Turnaround Plan, Bain states "The savings vary, but can be significant." The Turnaround Plan contains a chart headed "Estimated Savings Of Marketization (Managed Competition)" in which Garbage Pick-up has a potential cost saving of 60%; Fleet Management, 38%; Airport Management, 40%; Recreational Facilities, 52%; Road Maintenance, 50%; etc., etc. On a General Fund Budget of \$530 million, such savings could, with proper safeguards, reduce Atlanta's taxes by 40%.

### Assuring The Success of Privatization

The City of Atlanta's Water Contract of 1999 lacked safeguards, including monitoring and evaluation; with such safeguards, the Water Contract would still be in effect. The San Diego Institute for Policy Research together with the Reason Foundation offers the following safeguards of any privatization or Managed Competition:

- Vigilant Monitoring & Evaluation: Regular monitoring and performance evaluation are essential to ensure accountability and transparency.
- Implementing Performance-Based Contracts: Performance-based contracts should be used as much as possible to place emphasis on obtaining the results the city wants to achieve, rather than trying to dictate precisely how the service should be performed.

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- Reliable Cost Comparisons: The city must establish formal guidelines for cost comparisons to make sure that all costs are included in the “unit cost” of providing a service so that an “apples to apples” comparison of competing bidders may be made.
- Establishing Performance Measures: It is crucial that the city identify good performance measures to fairly compare competing bids and accurately evaluate provider performance.
- Centralized Managed Competition Team: The city should maintain an expert team of procurement and competition officials to guide other departments in developing their managed competition initiatives.

## Conclusion

Both the International City/County Managers Association and the Reason Foundation have mentioned – again and again – that for some time, the trend has been towards increased contracting and managed competition of city, county, school district and state services. This is particularly important during the current economic recession. Case history after case history has proven that the savings are significant with a definite improved quality of services. Representative Wendell Willard (Sandy Springs) is preparing a bill that will require Georgia cities, counties, school districts and State to privatize those services which, through bids, are more economical and efficient to the taxpayers. Every taxpayer should vigorously support such a bill.

**John S. Sherman**  
**President**

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